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DILUTION OF A TRADEMARK: EUROPEAN AND UNITED STATES LAW COMPARED*

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I. INTRODUCTION

No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of “dilution” as a form of intrusion on a trademark. It is a daunting pedagogical challenge to explain even the basic theoretical concept of dilution to students, attorneys and judges. Few can successfully explain it without encountering stares of incomprehension or worse, nods of understanding which mask and conceal bewilderment and misinterpretation.

With the advent of the 1988 E.U. Trademark Directive¹ and a growing body of interpretive European Court of Justice (ECJ) case law, it is much easier than in the past to make a comparison of E.U. and U.S. trademark law, including anti-dilution law. While the anti-dilution provisions of Articles 4(4)(a) and 5(2) of the E.U. Directive are “optional,” in fact, every pre-2004 E.U. nation has adopted them in its domestic law.² In the United States, since the enactment of the 1996 federal anti-dilution Act, in theory there is a uniform law consistent throughout the nation.

The European Directive achieves simplicity by harmonizing statutory dilution law among the European nations. But in the United States, the International Trademark Association (INTA)

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1. While in 1988 it was the “EC” and the “E.U.” did not yet exist, I cite it as the “E.U. Trademark Directive” for ease of reference.

2. See *Davidoff & Cie SA v. Gofkid*, [2003] 1 C.M.L.R. 35, para. AG7. In Europe, the Community Trademark system contains provisions that mirror those in the Trademark Directive. As in the United States, the Directive states that dilution is both a ground for opposition and a basis for a lawsuit claiming an invasion of the registered mark owner’s rights.

has opposed the federal preemption of diverse state anti-dilution laws.³ In the United States there is a confused *mélange* of some 35 state anti-dilution laws with the federal law superimposed on top.

There will inevitably be some variations in interpretations of the Directive among E.U. nations and of the federal law among U.S. federal circuits. In Europe, as more ECJ decisions are rendered, those variations will hopefully be lessened. In the United States, if a clarifying amendment is made to the anti-dilution statute or another Supreme Court case addresses the conflicts in interpretation, perhaps more clarity will gradually emerge. But in view of the history so far in both Europe and America, I am not confident that clarity and predictability are just over the horizon. Courts on both sides of the Atlantic have not been very successful in making sense of their respective anti-dilution laws.

II. WHAT IS AN ANTI-DILUTION LAW?

A. Dilution Laws In Europe

Commentators refer to Trademark Directive Articles 4(4)(a) and 5(2) as anti-dilution laws,⁴ loosely modeled on those in place in the Benelux and other European countries for many years.⁵ But the word “dilution” is absent from the Directive. The key language of Article 5(2) provides:

Any Member State may also provide that the proprietor [of a registered trademark] shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are *not similar* to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes *unfair advantage of, or is*

3. Most recently, the President of INTA testified before Congress that: “INTA believes that a federal dilution statute should not preempt state dilution laws because preemption would adversely affect the ability of relief for intrastate and regional conduct to the extent permitted under state dilution laws.” Leimer testimony of April 22, 2004 at www.inta.org/policy.html. See *infra* note 24.

4. Cornish & Llewelyn, *Intellectual Property* § 17-99 (5th ed. 2003).

5. T. Martino, *Trademark Dilution* 100 (1996) (“Benelux cases [pre-E.U. Directive] have enjoined junior uses which arguably engendered an *unmistaken* awareness that the mark denoted a different product emanating from a different source.”); *General Motors Corp. v. Yplon S.A.*, [1999] 3 C.M.L.R. 427, para. 28 (Mr. Advocate General Jacobs: “[I]n the course of negotiations in the Council, a provision protecting marks ‘with a reputation’ was included at the request of the Benelux countries, and became Article 5(2) of the Directive.”) Before the 1988 E.U. Directive, anti-dilution laws were in force in several European nations. But while the doctrine in the Benelux was part of trademark law, in other countries, such as Germany, it was a part of unfair competition law.

*detrimental to, the distinctive character or the repute of the trade mark.*⁶

The European Court of Justice seems loathe to use the word “dilution” and even more averse to refer to the theoretical, historical and logical foundations of the dilution concept.⁷ Advocate General Jacobs has usually avoided the word “dilution.”⁸ Only in 2003 in the *Adidas* case did Jacobs attempt to pin down what “dilution” means and take a look (albeit an abbreviated one) at its history and purpose.⁹ There, he defined “dilution” as “detriment to the distinctive character of a trademark” and divided it in the two classic categories used in the United States: blurring and tarnishment. Jacobs also blended in the concept of “free riding,” using the example of ROLLS ROYCE whiskey.

Unexplored by the ECJ is the scope and meaning of the open-ended phrase “without due cause takes unfair advantage of”¹⁰ This seems to invoke vague and undefined notions of unfair competition and free riding.

What is surprising is that in the 2003 *Adidas* case, searching for the theoretical and historical basis for the concept of “dilution,” Jacobs looked, not to its German and Benelux origins, but back in time and across the ocean to the 1927 Schechter article in the Harvard Law Review.¹¹ Of course, Schechter looked back across the ocean to Europe to the 1924 German ODOL case as a basis for

6. (Emphasis added). Article 4(4)(a) of the Directive mirrors this language in the context of opposition to registration.

7. One of the rare uses of the word “dilution” by the Court itself is in *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] 1 C.M.L.R. 14, where in para. 37, the Court refers to the argument by the Commission of the European Communities that the Directive concerns protection against “a likelihood of dilution of or detriment to the mark’s reputation.” Earlier, in 1998, the ECJ used the word when it said that an accused mark which calls to mind a senior trademark could result in a dilution of the image linked to the senior mark. *Sabel BV v. Puma AG*, [1998] 1 C.M.L.R. 445, para. 15.

8. Two exceptions are when Jacobs employed the word “dilution” to characterize a claim under the Benelux law. *Sabel BV v. Puma AG*, [1998] 1 C.M.L.R. 445, para. 39; *General Motors Corp. v. Yplon S.A.*, [1999] 3 C.M.L.R. 427, para.10.

9. *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] 1 C.M.L.R. 14, paras. 37-40.

10. See Cornish & Llewelyn, *Intellectual Property* § 17-101 (5th ed. 2003) (“[I]t is enough to show that a defendant is taking unfair advantage, without showing that the proprietor is suffering detriment.”).

11. Schechter urged legal protection against 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.” Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927), reprinted in 60 TMR 334 (1970). The Schechter proposal for a new form of protection was limited to situations where the junior mark was identical, when the famous mark was coined or arbitrary and only if the uses were on non-competing and non-similar goods or services.

his theories.¹² Jacobs said that “the courts in the United States . . . have added richly to the lexicon of dilution” This passage is amusing for it gives the misleading impression that the American courts have the U.S. anti-dilution federal law all squared away and neatly sorted out. Nothing could be further from the truth. In the United States, puzzlement reigns and conflict and disarray over dilution is the hallmark of judicial decisions, from the U.S. Supreme Court on down.

B. Dilution in the United States

For several decades, starting in 1947, a number of states enacted anti-dilution laws. But for various reasons, they were seldom invoked and rarely resulted in a finding of liability. Not until enactment of a federal law in 1996 did dilution emerge as a hotly debated and litigated issue by the trademark bar and the judiciary.

The key portions of the federal Act provide:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . .¹³

The term “dilution” means 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.¹⁴

As of the middle of 2004, there have been almost 400 reported judicial decisions from both trial and appellate courts interpreting and applying the federal anti-dilution law. So there is a considerable body of case law precedent. Unfortunately, much of the case law sheds more heat than light on making sense of what an anti-dilution law means. There are several splits of authority

12. Odol Case, 1924, 25 *Juristische Wochenschrift* 502 (The owner of ODOL for mouthwash canceled registration of ODOL for steel products); Described in T. Martino, *Trademark Dilution* 5 (1996).

13. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). It should be noted that while the European Directive limits harmonization of “dilution” protection to registered marks, the U.S. federal anti-dilution law also extends to unregistered marks, an expansion that I have criticized. J.T. McCarthy, *Trademarks & Unfair Competition* § 24:90 (4th ed. 2004 rev.).

14. Lanham Act § 45, 15 U.S.C. § 1127.

between federal courts located in different parts of the thirteen federal circuits in the United States. Judges and attorneys are unclear as to exactly what “dilution” is and how to prove it. Consistency and predictability are hard to find. Giving legal advice about the federal anti-dilution law is a high risk endeavor.

By 1999, a split of interpretation developed between the Second Circuit court of appeals in New York and the Fourth Circuit in Virginia as to whether the plaintiff in a Lanham Act § 43(c) dilution case had to prove an actual, present injury to its famous mark or a mere likelihood of harm. The Fourth Circuit held that a plaintiff had to present proof of actual damage. The Second Circuit disagreed and held that such proof was not necessary to prove liability: a preliminary injunction could be obtained to prevent threatened injury to the strength of the famous mark. In its 2003 *Victoria's Secret* decision, the U.S. Supreme Court resolved the split and generally agreed with the Fourth Circuit view.

In its 2003 *Victoria's Secret* decision,¹⁵ the Supreme Court held that proof of actual dilution, not just the likelihood of dilution, is required.¹⁶ There was no dispute that plaintiff's VICTORIA'S SECRET mark for women's lingerie and wearing apparel qualified as a “famous mark” as required by Lanham Act § 43(c). In Elizabethtown, Kentucky, located south of Louisville, Victor and Cathy Moseley in 1998 opened VICTOR'S SECRET, a retail store in a strip mall selling men's and women's lingerie, adult videos and sex toys. After being contacted by Victoria's Secret, the Moseleys changed the name of their store to VICTOR'S LITTLE SECRET and stood their ground. Plaintiff filed suit for trademark infringement and dilution. The district court dismissed the trademark infringement count on summary judgment (finding no possibility of proving a likelihood of confusion) but granted plaintiff Victoria's Secret summary judgment on the federal anti-dilution act count, finding dilution by tarnishment. The Moseleys

15. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 123 S. Ct. 1115 (2003).

16. However, when the setting is an opposition proceeding in the U.S.P.T.O. and the challenged mark in the application has not yet been used, the test is whether there will be a *likelihood* of dilution. *Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d 1164, 2001 WL 1734485 (T.T.A.B. 2001); *NASDAQ Stock Market Inc. v. Antarctica S.A.*, 69 U.S.P.Q.2d 1718, 1735 (T.T.A.B. 2003) (“The inescapable conclusion is that Congress intended to limit judicial relief under the FTDA to cases where dilution has already occurred but to allow cases involving prospective dilution to be heard by the Board.”).

Some state statutes require only a likelihood of dilution. *See, e.g., Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 2004 WL 1924792, *15 (S.D.N.Y. 2004) (“New York's anti-dilution statute provides broader protection than trademark and unfair competition laws. It is designed to prevent . . . the gradual whittling away of a firm's distinctive trademark or name.” Trademark owner failed to prove a likelihood of dilution sufficient for a preliminary injunction.).

appealed and the appellate court affirmed, finding dilution by both blurring and tarnishment. The Supreme Court reversed, returning the case to the district court for a possible trial.

In my view, the Supreme Court created two categories of dilution cases: where the conflicting marks are identical and where the marks differ. The Court said that: “[A]t least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution.”¹⁷ But then the Court remarked that: “It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence--the obvious case is one where the junior and senior marks are identical.”¹⁸ This has created confusion.¹⁹ One implication of this holding is that where the marks *are* identical, the fact that consumers mentally associate the junior user’s mark with a famous mark could be (but not necessarily has to be) sufficient to establish actual dilution. Some district courts have held that the Supreme Court meant that if the marks are identical, mental association between the marks in itself is sufficient circumstantial evidence to prove actual dilution.²⁰ Other courts have disagreed and said that it means that some circumstantial evidence of actual dilution (as opposed to direct evidence) is required even when the marks are identical.²¹

17. 537 U.S. at 433.

18. *Id.* at 434.

19. *Ty Inc. v. Softbelly’s Inc.*, 353 F.3d 528, 536, 69 U.S.P.Q.2d 1213, 1219 (7th Cir. 2003) (“The Court did not explain and no one seems to know what ‘circumstantial evidence’ might be.”).

20. But these decisions only find actual “dilution” as an afterthought after finding traditional likelihood of confusion or cybersquatting. *E.g.*, *Pinehurst Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D. No. Car. 2003) (cybersquatter was proven to have diminished the economic value of plaintiff’s PINEHURST golf resort mark); *Nike, Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) (use of identical mark NIKE on counterfeit wearing apparel is sufficient evidence of “dilution”); *General Motors Corp. v. Autovation Technologies, Inc.*, 317 F. Supp. 2d 756, 764 (E.D. Mich. 2004) (consent decree: defendant made replacement foot pedals with GM auto trademarks on them: decree recites that actual dilution was proven because the marks were identical); *American Honda Motor Co. v. Pro-Line Protoform*, 325 F. Supp. 2d 1081, 1085 (C.D. Cal. 2004) (consent decree: defendant made toy cars modeled on HONDA autos. Decree assumed that if an identical mark was used on similar goods, dilution “obviously occurs.”).

21. *Savin Corp. v. The Savin Group*, 2003 WL 22451731 *10 (S.D.N.Y. 2003) (dismissing on summary judgment a dilution claim for failure of plaintiff to provide circumstantial evidence of dilution). See *Lee Middleton Original Dolls, Inc. v. Seymour Mann*, 299 F. Supp. 2d 892, 902 (E.D. Wisc. 2004) (noting split of authority and denying dismissal on summary judgment “[i]n view of the developing status of the law on the nature of evidence required”); *Nike, Inc. v. Circle Group Internet, Inc.*, 318 F. Supp. 2d 688, 70 U.S.P.Q.2d 1853 (N.D. Ill. 2004) (noting split of authority on evidence needed, court denied summary dismissal of dilution count after court entered summary judgment for Nike against cybersquatting by use of justdoit.net domain name).

In cases where the conflicting marks are *not* identical, the Supreme Court's holding is that the fact that consumers mentally associate the junior user's mark with a famous mark is *not* sufficient evidence to prove actual dilution.²² The Supreme Court's *Victoria's Secret* opinion is terse and cryptic, giving little information on the kind of evidence it thought would suffice to prove actual dilution in cases of non-identical marks. In my view, evidence of actual dilution damage in non-identical marks cases will often fall into two categories: expert testimony and survey evidence.²³ What will suffice to prove actual dilution is unknown.

C. Likelihood of Dilution or Actual Dilution?

Some members of the trademark Bar reflexively recoiled in alarm and dismay at the Supreme Court's reading of the Federal Trademark Dilution Act (FTDA) in *Victoria's Secret*. Immediately after the *Victoria's Secret* decision, the International Trademark Association (INTA) appointed a select committee to study the FTDA. In the spring of 2004, the committee made its recommendations and INTA presented them in the form of a draft bill to a hearing of the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property.²⁴ The draft bill proposed to tighten up some of the requirements for a mark to qualify for protection and change somewhat the definition of "dilution." Perhaps the most important of the proposals is the plan to overrule in part the *Victoria's Secret* case and change the statutory requirement from proof of actual dilution to proof that dilution is "likely." INTA has recommended that Congress insert the word "likely," so that, like many state anti-dilution laws, a likelihood of dilution will be sufficient to violate the statute. If this happens, the hope seems to be that the Supreme Court's insistence on *evidence* of dilution will be nullified. I do not think that this will be, or should be, the case.

22. Applying the *Victoria's Secret* rule, the Sixth Circuit held that Kellogg could not prevent the registration and use of the word mark TOUCAN GOLD and a logo of a toucan bird for golf clubs and that it was not a dilution by blurring of Kellogg's TOUCAN SAM mascot for FROOT LOOPS breakfast cereal. *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616 (6th Cir. 2003) ("Kellogg has failed to present evidence that any segment of the population recognizes Toucan Sam as the spokesbird only for Froot Loops in lesser numbers than it did before [defendant] starting using its toucan marks."). *Id.* at 628.

23. See J.T. McCarthy, *Trademarks & Unfair Competition* § 24:94.2 (4th ed. 2004 rev.).

24. See Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. On the Judiciary, 108th Cong., Second Session, (April 22, 2004) BNA 67 PTCJ 614 (April 30, 2004) (describing the draft bill and the hearing held April 22, 2004). See text of testimony of the President of INTA at www.inta.org/policy.html; text of all testimony at www.house.gov/judiciary/courts.html.

Like the present U.S. federal statute, the E.U. dilution Directives are not violated by a mere risk or likelihood of damage. As has the U.S. Supreme Court, the ECJ has emphasized that some actual detriment to the mark must be proven by reliable evidence.²⁵ Both courts convey the same message: speculation and conjecture about dilution-type damage to the famous mark will not suffice.

I have argued elsewhere that the extraordinary remedy of an anti-dilution law requires evidentiary rigor by the courts.²⁶ If only a likelihood of dilution is required, my view is that judges should demand persuasive evidence that dilution is likely to occur. This will require proof that dilution is probable.²⁷ Even the probability of dilution should be proven by evidence, not just by theoretical assumptions about what possibly could occur or might happen. Once a court has determined that the plaintiff's mark indeed qualifies as a "famous" mark, the court should separate any anti-dilution claim into its discrete elements and rigorously require a showing of proof of those elements. Only then can the anti-dilution remedy be restored to its proper place in the pantheon of trademark protection remedies.

III. WHY IS THERE A NEED FOR A STRONG ANTI-DILUTION LAW WHEN THERE IS A BROAD SCOPE OF PROTECTION THROUGH THE TRADITIONAL LIKELIHOOD OF CONFUSION RULE?

If a legal system has a test of likely confusion which broadly encompasses confusion over sponsorship, affiliation or connection, then many of the "deficiencies" cited by proponents of broad trademark protection are taken care of. The "need" for a separate

25. *General Motors Corp. v. Yplon S.A.*, [1999] 3 C.M.L.R. 427, para. 43. (Advocate General Jacobs said that Article 5(2) "does not refer to a mere risk or likelihood . . . [T]he taking of unfair advantage or the suffering of detriment must be properly substantiated, that is to say, properly established to the satisfaction of the national court: the national court must be satisfied by evidence of actual detriment or of unfair advantage.").

26. J.T. McCarthy, *Proving a Trademark Has Been Diluted: Theories or Facts?*, 41 U. of Houston L. Rev. 101 (2004).

27. Proving that dilution is "likely" is synonymous with proving that dilution is "probable," not just "possible." Under traditional trademark law, all courts agree that proving a "likelihood of confusion" means proving that confusion is probable, not just "possible." J.T. McCarthy, *Trademarks & Unfair Competition* § 23:3 (4th ed. 2004 rev.) See, e.g., *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997) ("Likelihood of confusion means a probability of confusion; it is not sufficient if confusion is merely 'possible.'"); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 663-64 (5th Cir. 2000) ("Likelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion."); *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987) ("Likelihood of confusion requires that confusion be probable, not simply a possibility.").

system of protection though a dilution theory is much less pressing. And in such a legal environment, the burden of persuasion on proponents who advocate a broad and sweeping scope to anti-dilution laws is much heavier.

U.S. law made this expansion of the scope of “confusion” by fits and starts in case law over a period of several decades from about 1940 through 1970.²⁸ An amendment to the federal Lanham Act in 1962²⁹ opened the door to expansion of the likely confusion rule and it was finally codified in 1989.³⁰ A parallel expansion has more recently occurred in Europe.

In the *Sabel* case,³¹ Mr. Advocate General Jacobs said that “likelihood of association” in Trademark Directive Articles 4(1)(b) and 5(1)(b) was not simply an inept use of words which were intended to encompass the theory of an anti-dilution law. Rather, I think that “likelihood of association” represents an expanded form of the traditional test of likelihood of confusion.³² The ECJ judgment itself in *Sabel* does make one important point very clear: Articles 4(1)(b) and 5(1)(b) are not the sections that import “dilution” into the Directive. They merely expand the scope of likelihood of confusion: “[T]he concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope.”³³

In the *Canon* case, the ECJ cleared up an important question left unclear after *Sabel*: is likelihood of confusion limited to confusion over origin, or does it also encompass confusion that there is an association with the senior user by sponsorship, affiliation or connection? Jacobs said of Directive Article 4(1)(b): “[I]f, despite recognizing that the goods or services have different places of origin, the public is likely to believe that there is a link between the two concerns, there will be a likelihood of confusion

28. J.T. McCarthy, *Trademarks & Unfair Competition* § 24:2 (4th ed. 2004 rev.).

29. In 1962, the key definition of infringement in the federal Lanham Act was broadened by an amendment that eliminated the requirement that confusion, mistake or deception had to be of “purchasers as to the source of origin of such goods or services.”

30. The broad scope of “confusion” was codified in 1989 in Lanham Act § 43(a). A federal claim under Lanham Act § 43(a) for infringement of an unregistered mark is triggered by a use which “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association” of the user with the senior user.

31. *Sabel BV v. Puma AG*, [1998] 1 C.M.L.R. 445.

32. Both Jacobs and the ECJ rejected the view that “likelihood of association” means that the accused mark merely “calls to mind” the senior mark. Mr. Advocate General Jacobs said in *Sabel* that the fact that the junior mark serves merely to “call to mind” the senior mark is *not* sufficient to establish a likelihood of confusion or association. The same rule holds in the United States. See J.T. McCarthy, *Trademarks & Unfair Competition* § 29:9 (4th ed. 2004 rev.); *In re Ferrero*, 479 F.2d 1395 (C.C.P.A. 1973) (“The very fact of calling to mind may indicate that the mind is distinguishing, rather than being confused by, the two marks.”).

33. *Sabel BV v. Puma AG*, [1998] 1 C.M.L.R. 445, para. 18.

within the meaning of the Directive.”³⁴ The Court agreed: “[T]he risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive.”³⁵ I read these statements as adopting the position that likelihood of confusion includes confusion as to sponsorship, affiliation or connection.

Jacobs’ view in the *Canon* case was completely consistent with U.S. law when he noted that the stronger the senior mark, the broader the scope of protection that should be given to it when it challenges a similar mark used on far flung goods and services which are quite different from those of the senior user.³⁶ This is congruent with U.S. law on point.³⁷

Given this parallel expansion in both the United States and the European Union of their definition of “likely confusion,” what exactly are those cases that are *not* taken care of by confusion over sponsorship, affiliation or connection and that cry out for a broad scope for a new and radically different form of exclusive rights for trademarks? While such unusual cases may well exist, should not any anti-dilution law be confined to such rare cases?

IV. VALIDITY: WHAT KIND OF MARKS SHOULD QUALIFY FOR THE SPECIAL PROTECTION OF AN ANTI-DILUTION LAW?

A. “Reputation” in the European Union: Niche Fame?

In the “CHEVY” case,³⁸ the ECJ interpreted the Directive language in Article 5(2) requiring that to be protected against dilution, the mark must have “a reputation in the Member State.”³⁹ General Motors is the maker of the CHEVROLET auto,

34. *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer, Inc.*, [1999] 1 C.M.L.R. 77, para. 30 (owner of CANON for cameras opposed the German registration of CANNON for motion picture and cinema products and services).

35. *Canon* at para. 29.

36. *Canon* - A.G. Jacobs at para. 32 (“The more well known or unusual a trademark, the more likely it is that consumers might be confused into believing there to be [a] trade connection between the goods or services bearing the same or a similar mark.”); the Court at para. 19 (An opposition may be successful under Art. 4(1)(b) where the goods or services are different and “the earlier mark, in particular its reputation, is highly distinctive.”).

37. J.T. McCarthy, *Trademarks & Unfair Competition* § 11:73 (4th ed. 2004 rev.). See, e.g., *Champions Golf Club v. Champions Golf Club*, 78 F.3d 1111 (6th Cir. 1996) (“The stronger the mark, the more likely it is that encroachment on it will produce confusion.”).

38. *General Motors Corp. v. Yplon S.A.*, [1999] 3 C.M.L.R. 427.

39. In addition to requiring on the validity side that the mark have a “reputation,” on the infringement side, the Directive requires that and the accused use be detrimental to “the distinctive character or the repute” of the trademark mark.

known familiarly by the nickname CHEVY. This term was registered by G.M. as a trademark in the Benelux territory. General Motors sued the Belgian maker of CHEVY cleaning products in a Belgian court for violating the Benelux post-1996 version of the legal prohibition against dilution. Unlike the pre-1996 Benelux law, which extended the possibility of anti-dilution protection to all marks, the post-1996 version tracked the E.U. Directive and required that the senior mark must have a “reputation” in the relevant nation.⁴⁰ The defendant argued that the mark CHEVY did not have the required “reputation” in the Benelux nations.

The Court in its judgment adopted the test that to have a “reputation,” the senior mark must be known by a “significant part” of the concerned public:

The degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark.

The ECJ specifically refused to define what is a “significant part” and refused to adopt a rule that there must be knowledge by a majority or, indeed, any given percentage of the public as being required. Rather, the ECJ escaped into the traditional judicial formulation that “all of the relevant facts of the case” must be balanced before determining if a given mark qualifies as having the “reputation” required by the Directive. However, the Court did list five examples of factors to be considered: (1) the market share occupied by goods or services sold under the mark; (2) the “intensity” of use of the mark; (3) the geographic extent of use of the mark; (4) the duration of use of the mark; and (5) the amount of investment in promoting and advertising the mark. Of course, all of these five examples are merely circumstantial evidence of the scope of usage of the mark, not direct evidence of the state of mind or knowledge of the relevant public. Direct evidence is most often accessible only through survey evidence, which is commonly used in the United States in determining if a mark qualifies as “famous.”

Hinting briefly at the possibility of a mark having “niche fame,” the ECJ indicated that a “reputation” could be achieved among a “specialized public” consisting only of those who buy a particular type of product, giving the example of “traders in a specific sector.” This suggests the possibility of niche fame because it seems to allow dilution protection to be extended, for example, to

40. The ECJ also held that for purposes of the Directive, the Benelux territory must be treated as a single “Member State” to determine in what territory the required “reputation” existed.

a mark that is known only to persons who own a recreational sailboat or to persons who own high-end audio equipment. It is hard to see why the ECJ felt the need to reach out and make such a significant interpretation in a case involving autos and detergents, neither of which qualifies as purchased only by “traders in a specific sector.” I hope that the ECJ has not thus inadvertently turned a corner and rejected the view that to qualify for the extraordinary protection of an anti-dilution law, the mark must be well known among the entire purchasing public, not just a few who compose the niche market for a specialized product.

To qualify under the Directive, must the mark be known throughout the territory of a nation or is knowledge of the mark in only one locality sufficient? The ECJ held that having a reputation “in the Member State” cannot mean a reputation “throughout” the territory of the nation. The ECJ simply said that a reputation in a “substantial part” of the nation would suffice. Again, the ECJ appears to be backing into the position that “niche fame,” this time on the territorial level, is sufficient. Would knowledge of a mark only in one city or one political segment of a nation be sufficient? If so, then it would be effective only against an accused use in that city or political segment. Those in other parts of that nation would have no knowledge of the mark and the mark would have no “reputation” outside that enclave.

Legislative history of the U.S. federal anti-dilution act indicates that the fame of the senior mark should extend through a “substantial portion” of the United States.⁴¹ In my view, ordinarily a mark should not be dubbed “famous” under the federal Act unless it has been used on a substantially national scale. A mark used only in one state or in a small region of the United States should not be categorized as “famous” under the federal law.⁴²

Mr. Advocate General Jacobs said in the CHEVY case that “it is possible to conclude” that there is a difference between the “reputation” needed to invoke the E.U. anti-dilution Directive as compared with the degree of recognition of a mark needed to invoke the Paris Convention Article 6 *bis* power⁴³ to protect a non-registered or non-used mark in a nation on the ground that the mark is “well-known” in that nation. Jacob’s position was that *less* knowledge and fame should be required to establish a “reputation”

41. J.T. McCarthy, *Trademarks & Unfair Competition* § 24:92 (4th ed. 2004 rev.).

42. See *Star Markets, Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030, 1035 (D. Haw. 1996) (while fame in all fifty states is not required, fame in only the state of Hawaii is not sufficient). The draft bill introduced by INTA at the hearing on April 22, 2004 stated that the mark is “famous” only if “widely recognized by the general consuming public of the United States.” See *supra* note 24.

43. GATT TRIPS Article 16(1) extends the Paris Convention 6 *bis* provisions to service marks and requires the mark to be well-known only to the “relevant sector of the public.”

for anti-dilution law than to establish that the mark is “well-known” under the Paris convention. His support for this view comes entirely from examining the dictionary meaning of the words “reputation” and “well-known” in the European Union languages. Jacobs made no attempt to look at the *policies* underlying these two different legal doctrines.

In my view, to invoke the Paris Convention Article 6 *bis* in the United States, the mark should be sufficiently well known in the United States in the relevant sector of the public such that the junior user’s use is likely to cause confusion. This should not be confused with the degree of “fame” required to qualify a mark as “famous” in order to invoke the special scope of exclusivity granted by the anti-dilution law. That is an entirely different matter, which requires a considerably higher degree of reputation and renown.⁴⁴ Thus, at least as to the extent that Jacobs’ view could be extended to the United States, I disagree with his view.

B. “Fame” In The United States: Niche Fame?

Under the federal anti-dilution statute, some courts have held that niche fame is possible, but can be used only against a defendant who is using the mark in the same niche market. Typical of those courts is the statement of the Third Circuit: “We are persuaded that a mark not famous to the general public is nevertheless entitled to protection from dilution where both the plaintiff and defendant are operating in the same or related markets, so long as the plaintiff’s mark possesses a high degree of fame in its niche market.”⁴⁵

Some judges have observed that acceptance of the theory of niche market fame produces a strange result. The legal theory of anti-dilution was conceived to protect strong marks against a diluting use by a junior user in a product or service line far removed from that in which the famous mark appears. For example, in the US, the most popular hypothetical list of offending examples against which anti-dilution laws are directed is: DUPONT shoes, BUICK aspirin, SCHLITZ varnish, KODAK

44. See, e.g., *Grupo Gigante S.A. v. Dallo & Co., Inc.*, 119 F. Supp. 2d 1083 (C.D. Cal. 2000) (mark used in Mexico for grocery stores was sufficiently well known in the United States to invoke the well-known marks doctrine of the Paris Convention, but not famous enough to invoke the federal anti-dilution law); *Empresa Cubana del Tabaco v. Culbro Corp.*, 2004 WL 602295, *32-40, 70 U.S.P.Q.2d 1650, 1676-78 (S.D.N.Y. 2004) (A mark that could not meet the higher standard of fame for anti-dilution law was still well known enough in the United States to be protected under the lower level of fame and reputation required by Article 6 *bis*. “While the COHIBA mark was famous within the meaning of the famous marks doctrine in November, 1992, it does not meet the considerably more stringent requirements of the FTDA.”) 2004 WL 602295 at *53, 70 U.S.P.Q.2d at 1692.

45. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 164 (3d Cir. 2000).

pianos and BULOVA gowns.⁴⁶ The assumption is that traditional likelihood of confusion could not be proven in such cases. Hence, a kind of “extra-special” legal exclusivity was felt necessary to give the owners of strong marks the kind of protection that they “deserve.” Thus, using the anti-dilution law when the parties are selling their products in the same niche market sounds a dissonant note. Why the need to invoke the “super weapon” of the anti-dilution law to resolve what appears to be a garden variety infringement case?⁴⁷

The INTA proposal made to Congress in 2004 appears to prevent the use of niche fame by the courts.⁴⁸

V. CAN AN ANTI-DILUTION LAW BE INVOKED AGAINST A COMPETITOR? SHOULD IT?

A. Policy Considerations

U.K. commentators Cornish & Llewelyn have observed:

What about the mark-owner for similar goods who has a reputation? The fact that he has that reputation does not exempt him from having to show the confusion element required under Type 2 [likely confusion of association]; it simply aids his task.⁴⁹

I read this as taking the position that when the goods or services of the contesting parties are competitive or similar, then the result will stand or fall on the presence or absence of likely confusion. Anti-dilution law was not designed to fit such cases. Nor should the law be deformed to fit when the parties are competitive.

If “dilution” is viewed as *overlapping* with the doctrines of confusion over source and confusion over sponsorship, affiliation or

46. New York: *Mead Data Cent., Inc. v. Toyota Motor Sales, Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989). Federal: House Report 104-374 at 3 (Nov. 30, 1995) (giving as three examples of dilution of famous marks the unauthorized use of three of the most widely used and extensively recognized marks in the United States: DUPONT on shoes, BUICK on aspirin and KODAK on pianos). The same three examples appear in the House and Senate remarks on the bill. In Senate: Senator Hatch at Cong. Rec. 19310 (Dec. 29, 1995), *reprinted at* 51 P.T.C.J. 345 (Jan. 4, 1996); In House: Representative Moorhead at Cong. Rec. H14317 (Dec. 12, 1995), *reprinted at* 51 P.T.C.J. 209 (Dec. 21, 1995).

47. J.T. McCarthy, *Trademarks & Unfair Competition* § 24:112.1 (4th ed. 2004 rev.).

48. The draft bill introduced by INTA at the Congressional hearing on April 22, 2004 required that for the mark to be “famous” it must be “widely recognized by the general consuming public of the United States.” *See supra* note 24.

49. Cornish & Llewelyn, *Intellectual Property* § 17-101 (5th ed. 2003). *See also*: “What matters is that ‘dilution’ . . . should be prevented only in cases where there really is sufficient cause for interfering with the freedom of all traders to promote their goods and services as best they can.” Cornish & Llewelyn, *Intellectual Property* § 17-99 (5th ed. 2003).

connection, then “dilution” will, in many cases, surely devour the traditional confusion-based grounds for defining the scope of trademark rights. To apply “dilution” in the case of competing litigants is, in my view, a dangerous misuse of the dilution theory. It is bound to result in harm to the balance of free and fair competition. I believe that “dilution” (of whatever dimensions) must be defined as a separate and distinct kind of protection for a few (a very few) widely known trademarks.

Dilution by blurring and infringement by a likelihood of confusion are not stops along the same railway line: they are different lines altogether. They are separate lines because they are separate kinds of consumer perception.⁵⁰ In the United States, some courts⁵¹ and commentators⁵² see blurring and confusion merely as different points along a single line continuum of consumer perception. In my opinion, this is a seriously erroneous view and misses the key difference between the two doctrines. The mark that confuses does *not* necessarily dilute. It does not because dilution is and should be a separate legal theory positing a different kind of damage to a mark caused by a different form of consumer perception. Any attempt to weld the two doctrines together is bound to result in error and bafflement. Examples are the 2003 European Court of Justice decisions in *Davidoff* and *Adidas*.

B. Europe: The 2003 ECJ Davidoff and Adidas Decisions

In its 2003 *Davidoff* decision, the ECJ rejected the opinion of Advocate General Jacobs and decided, contrary to the wording of the Directive, that the anti-dilution provisions could be (and later in *Adidas* said they *must* be) invoked against a competitor.⁵³ Advocate General Jacobs argued that the anti-dilution provisions of Directive Articles 4(4)(a) and 5(2) were a special form of exclusive rights reserved solely for cases of non-similar goods or services. In my view, Jacobs’ view is sound and has a firm

50. J.T. McCarthy, *Trademarks & Unfair Competition* § 24:70 (4th ed. 2004 rev.).

51. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 219, 51 U.S.P.Q.2d 1882, 1890 (2d Cir. 1999) (the court opined that consumer confusion is evidence of dilution by blurring: “A junior use that confuses consumers as to which mark is which surely dilutes the distinctiveness of the senior mark.”).

52. J.B. Swann, *Dilution Redefined for the Year 2000*, 37 Houston L. Rev. 729, 748 (2000), 90 TMR 823, 841 (2000) (“Confusion and dilution are states of mental association existing on a continuum that begins with a mistake as to origin and ends with a gradually diminishing appreciation of the original.”).

53. *Davidoff & Cie SA v. Gofkid*, [2003] 1 C.M.L.R. 35 (the owner of the mark DAVIDOFF registered and used on jewelry and smokers’ articles, sought to prevent the registration and use in Germany of the mark DURFEE for similar goods).

foundation in the history and basic theory of the dilution concept. But, inexplicably, the Court rejected Jacobs' opinion and held that an anti-dilution law is an over-arching legal remedy applicable to any and all situations, whether the goods and services are competitive, similar or non-similar. The Court later the same year adhered to its position in the *Adidas* case.⁵⁴

The Court said that Article 5(2) "cannot be given an interpretation which would lead to marks with a reputation having less protection where a sign is used for identical or similar goods or services than where a sign is used for non similar goods or services."⁵⁵ I interpret this as meaning that to not apply an anti-dilution law to similar goods cases would be to give strong marks "less protection" than weaker marks under overall trademark law. This reveals a misunderstanding of why the anti-dilution concept was created in the first place. Reserving the extraordinary protection of an anti-dilution law to cases of "non similar" goods or services (as the Directive explicitly states) does *not* give "less" protection to strong marks with a "reputation." The concept of an anti-dilution law was specifically created to create *more* protection in the form of a special and extraordinary remedy for strong and famous marks. But this extra protection was limited to situations where even an expansive version of the traditional likely confusion test would *not* be successful.

Marks with a "reputation" do not receive "less" protection under the explicit language of Directive Articles 4(4)(a) and 5(2)—they receive *more* protection. When the goods or services of the contesting parties are competitive or similar, then the traditional confusion-based rules apply to their broadest and most robust extent. If the mark is so strong as to have a "reputation," then in cases of competitive or similar goods or services that mark should have no difficulty prevailing under the traditional confusion-based rule of law. There should be no need to switch gears and invoke the extraordinary remedy of an anti-dilution law.

Even more surprising was the ECJ's decision in *Adidas* that a nation that has incorporated the exact language of the Directive in its domestic law (the whole point of harmonization) is not permitted to interpret it as written—to apply "dilution" solely to cases of non similar goods or services.⁵⁶ Rather, the E.U. nations

54. *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] 1 C.M.L.R. 14.

55. *Davidoff & Cie SA v. Gofkid*, para. 25.

56. *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] 1 C.M.L.R. 14, (Adidas sued Fitnessworld in a Dutch court, asking for a preliminary injunction, claiming that defendant's two stripe design on sports clothing both infringed and diluted Adidas' triple stripe design. The Dutch court found no likelihood of confusion and no dilution because the defendant's stripe design was used solely as decoration and ornamentation. The ECJ said that a nation, if it enacts the "optional" language of Article 5(2) *must* extend it to cases of similar goods. Para. 20.).

must apply their anti-dilution laws to cases of similar goods and services, regardless of the literal language of the Directive.

It is astonishing that the ECJ should read the word “not” out of the Directive⁵⁷ based on the spurious reasoning that the literal wording gives “less” protection to strong marks with a “reputation.” The Court is stretching the Directive beyond the concept of what “dilution” means and why anti-dilution laws were created.⁵⁸

C. In the United States

The federal Act is not limited to the traditional non-competitive setting in which the concept of “dilution” was first envisioned by its creators.⁵⁹ Of course, this is inconsistent with the rationale for the concept of dilution. Some U.S. courts have ignored this rationale and have applied the anti-dilution law in cases of competitive or similar goods. For example, in the Nabisco “fish cracker case,” the parties were competitors, both making and selling snack crackers.⁶⁰ The trial court granted, and the Second Circuit Court of Appeals in New York affirmed, a preliminary injunction against Nabisco's imitation of Pepperidge Farms' fish-shaped GOLDFISH brand crackers. The injunction was based solely on anti-dilution law. The district court first considered plaintiff's dilution claim, admitting that it considered plaintiff's likelihood of confusion claim last and then only “in the most cursory fashion.” No likelihood of confusion was found. In my view, the court had it backwards: the traditional likelihood of confusion

57. Article 5(2) states that the challenged use must be “in relation to goods or services which are *not similar* to those for which the trade mark is registered” (emphasis added).

58. Mr. Justice Peter Smith, in affirming the dismissal of an opposition grounded on UK Trademark Act 5(3) (applying Article 4(4) of the E.U. Trademark Directive) noted that the Trademark Office Hearing Officer “wryly observed” of the ECJ *Davidoff* and *Adidas-Salomon* cases that “if the ECJ is able to find that the words ‘not similar’ in Article 4(4)(a) of the Directive mean ‘whether or not similar’ it must be possible for this tribunal to stretch the same words in section 5(3) of the Act so as to have the same meaning.” *Mastercard International Inc. v. Hitachi Credit (UK) Plc*, [2004] EWHC 1623 (Ch), Case No. CH2004/App/0123, Para. 18 (High Ct of Justice, Chancery Div., 8 July 2004).

59. The Lanham Act § 45 definition of “dilution,” states that dilution can exist “regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties.” See *I.P. Lund Trading Aps v. Kohler Co.*, 163 F.3d 27, 48 (1st. Cir. 1998) (“Although the origins of the [dilution] doctrine are concerned with non-competing goods, Congress used language in the FTDA which extends dilution protection even to competing goods. . . . Nevertheless, such cases are likely to be exceptions to the more common cases of dilution by non-competing marks. Dilution laws are intended to address specific harms; they are not intended to serve as mere fallback protection for trademark owners unable to prove trademark infringement.”).

60. *E.g., Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 222 (2d Cir. 1999) (“[W]e believe that dilution can occur where the junior mark's use competes directly with the senior's as well as where the junior use is in a non-competing market.”).

test should have been the focus of this case between competitors, not an afterthought to the main show of a dilution analysis.

In my opinion, the anti-dilution laws should only rarely and guardedly be applied to cases involving parties selling in the same market. The anti-dilution theory was not designed or conceived to apply to such cases and it makes a poor fit. It is the wrong tool for the job. Its mis-use in competitive situations is bound to upset the balance of free and fair competition and to deform the anti-dilution doctrine.⁶¹

D. Conclusion on Similar Goods Cases

I believe that both the European Court of Justice and some American courts, by a superficial reading of their statutes without reference to their basis in history and logic, have carried the law beyond that encompassed within any concept of “dilution.” It is a superficial reading in that it has been an overly literal statutory reading in America and a contra-literal reading in Europe.

VI. CONCLUSION

The anti-dilution remedy was intended to apply only in unusual and extraordinary cases. It was certainly not meant as a “fits all cases” legal claim. It should be viewed as a unique legal tool to be used only in an unusual case. Not only should the anti-dilution law be reserved for a small, elite group of truly renowned marks, but a violation of that law should be proven only by an unambiguous case resting on a solid evidentiary base.

I agree with Jonathan Moskin’s view that no matter how much one embraces the theory of dilution of marks, proving that some kind of “dilution” damage to a mark has resulted is a formidable task: “The difficulty with dilution . . . is that although the broad conceptual outlines of the theory are readily understood, it is extraordinarily difficult to prove in any given case that a mark has been diluted, or even to know how to go about assembling such proof.”⁶² The U.S. Supreme Court in the *Victoria’s Secret* case took only a small first step to try to resolve this dilemma. The ECJ has not yet been presented with a case raising the difficulty of proving that “dilution” has in fact occurred.

I agree with those who argue for a strong and expansive anti-dilution law that there can be cases in which a famous mark is being used by another in a way that constitutes free riding or

61. See J.T. McCarthy, *Trademarks & Unfair Competition* § 24:112.1 (4th ed. 2004 rev.).

62. J. Moskin, *Victoria’s Big Secret: Wither Dilution under the Federal Dilution Act?*, 93 TMR 842, 843 (2003).

unfair competition, but which would *not* be captured by even an expansive form of the test of a likelihood of confusion of sponsorship. But those cases are not nearly so frequent or common as anti-dilution law advocates claim. Nor do such instances cause an indisputable and clearly demonstrable injury to the famous mark.

What is especially disappointing is that neither the U.S. Supreme Court nor the European Court of Justice has carefully examined the historical, logical and theoretical foundations of the dilution concept in order to rationally resolve the thorny questions surrounding anti-dilution laws. On both sides of the Atlantic, the courts have instead resolved cases by an abstract reading of the wording of their respective laws, divorced from their theoretical foundations. Until this approach is modified, I fear that little progress towards clarity can be made.
