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The New Federal Anti-Dilution Act: Reinstating the Myth of Likely Dilutive Harm as a Mask Anti-Free-Rider Liability

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The New Federal Anti-Dilution Act: Reinstating the Myth of "Likely" Dilutive Harm as a Mask for Anti-Free-Rider Liability

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The new federal anti-dilution act, the Trademark Dilution Revision Act of 2006 (the "TDRA"),[1] promises to restore an anti-free-rider tool to the hands of judges who wish to grant expansive trademark rights to famous mark owners. The impulse to provide this kind of relief is grounded in a sound principle: between the entity that created the famous mark and others who wish to profit from it in foreseeable collateral markets, the mark creator is usually the party that has a superior claim to capture that collateral value and to ensure the value of the mark for future exploitation in a variety of contexts.

The problem, of course, is that this theory in no way explicitly supports the TDRA, nor does the TDRA articulate how such a doctrine ought to be applied.[2] This is because the TDRA continues to be grounded—officially, at least—in the rhetoric of dilution theory. As I have written elsewhere, it is not that a case for dilution theory cannot be made.[3] It can. It is just that dilution is not the most natural or compelling rationale for providing expansive protection for famous trademarks.

Dilution theory depends on a quite unnatural and attenuated set of assumptions about the ways in which collateral uses of famous marks might harm those marks. The basic notion is that a collateral use can dilute the selling power or commercial magnetism of the famous mark if it is allowed to continue over time. On this theory, the introduction of GOOGLE candy bars would eventually weaken the power of the existing GOOGLE search engine mark because

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1. *See* Trademark Dilution Revision Act of 2006 (the "TDRA"), Pub. L. No. 109-312, 120 Stat. 1730 (to be codified as 15 U.S.C. 1125(c)).

2. It is not my intent in this short piece to summarize the TDRA, nor to critique it generally. For that sort of treatment see Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 187 (2007); Barton Beebe, *A Defense of the New Federal Trademark Anti-Dilution Law*, 16 FORDHAM INTEL. PROP. MEDIA & ENT. L.J. 1143 (2006).

3. David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117 (2004).

GOOGLE would cease to be uniquely and singularly associated with search engine services in the minds of consumers.

The ambiguity in the legal inquiry comes for many reasons,[4] but key is that legislatures and courts have never been clear about whether the likelihood of dilutive harm is to be limited to the collateral use that is currently before the court in a particular suit, or whether it should include all other collateral uses that might come down the pike should the court not step in at an early time and stop the free-riding.

The difference between the two approaches is significant. If only the use before the court is to be considered, the likelihood of dilution is usually going to be less than if one were to consider the potential dilutive effects of all unauthorized potential future collateral uses of the famous mark. This is so because fifty GOOGLEs on fifty different products coming from fifty different sources surely is more likely to dilute the selling power of the original GOOGLE brand than only one such use.

The ambiguity in the inquiry is not easy to solve. One might argue that only the use before the court should be considered; that anything else is too speculative, given that we can never really be sure how many other collateral users will follow suit if the first such unauthorized use is permitted by a court. And, indeed, this argument has much power. Conversely, one might argue that we cannot limit plaintiff to recovery only in situations where the current use is already diluting. To do so would frequently require plaintiffs to wait until there were multiple users piling on. By waiting that long, plaintiffs would lose control over their marks, and courts would have a much more difficult, if not impossible time, remedying the situation. The whole object of this theory is to allow famous mark owners to prevent this sort of injury from occurring before it occurs, so they can preserve the commercial magnetism and selling power of their famous brands.

How should we respond to this inherent ambiguity? As tempting as it would be to require plaintiffs to prove that other dominoes are likely to fall if this one falls, there is really no good way to prove that sort of thing.[5] But making the plaintiff wait for multiple dilutive uses to pile up seems silly as well. The ambiguity of this space, I contend, gets filled up with something else. Judges and juries are likely to turn to the overall equities of the situation.

If one believes that free-riding on famous marks is wrong (as a type of unjust enrichment), and if one believes the defendant is clearly

4. Other reasons are that there is no good way to measure the decrease in selling power of a mark or that any such decrease is due in particular to the activities of the defendant.

5. In the most recent edition of his treatise, Professor McCarthy attempts to sketch out a scenario where plaintiff might be required to prove the likelihood of the other dominoes falling. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23 (4th ed. 2004). The attempt is noble. It is understandable, given the indeterminacy of the status quo, but it is unclear if plaintiffs are allowed to proceed on speculation alone. Ultimately, it cannot be done.

free-riding, one will probably "find" dilution likely and skip over the niceties of the analysis. If, on the other hand, one is not too bothered by free-riding on famous marks, or if one sees a justification for the free-riding, one is likely to take a stricter approach to the dilution inquiry and "find" dilution is not likely. There is plenty of elasticity in the theory to allow the fact finder to go either way.

The Supreme Court tried to tighten up that elasticity in the *Moseley* case when it held that plaintiffs must show "actual" dilution in order to recover under the former federal anti-dilution act.[6] The Court grounded this holding on the wording of the former act in that nowhere does the act state "likely" dilution.[7] And therefore, because Congress knew how to say "likely," but chose not to, Congress clearly intended to restrict dilution to cases where the particular collateral use before a court was already causing dilution.[8]

Although the *Moseley* case is formalistically grounded on a supposed interpretation of Congressional intent, it seems much more likely that the Court was concerned about the inherent and unsolvable ambiguity in the dilution theory if it were not limited in this fashion. One cannot skip ahead to multiple other speculative future collateral uses if actual dilution is the standard. Of course, the Court's quite narrow approach had the opposite effect—that of making it nearly impossible for a plaintiff to win a federal dilution case. Just as it is nearly impossible to show that future collateral uses are likely if the current one is not stopped, it is nearly impossible to show that the single collateral use before the court is already causing dilution to the famous mark.

The Supreme Court's confidence in Congressional intent was apparently misplaced. Congress responded to *Moseley* by effectively overturning it with the TDRA. The TDRA makes it quite clear that likely dilution is the operative standard for federal anti-dilution claims.[9] We are back to where we started. Dilution is once again a wide-open and very ambiguous inquiry.

The TDRA does not specify whether the plaintiff should be required to show that the particular use before the court is likely to dilute the commercial magnetism of the plaintiffs' famous mark or whether, conversely, the plaintiff can argue that dilution is likely to occur if multiple collateral uses materialize down the road. There is nothing in the TDRA that could prevent a court from assuming that such uses could later materialize. Nor is there any way to cabin the inquiry. The only apparent break on a purely speculative outcome is the preponderance of the evidence standard that governs the analysis, and that does not seem to be much of a break.

6. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003).
7. *Id.* at 433.
8. *Id.*
9. TDRA § 2(c)(1).

All of this is troubling because it perpetuates the myth of dilution law as something real, instead of what it is: a mask for the anti-free-rider impulse. As I have argued elsewhere, dilution law purports to be about protecting marks from dilutive harm, but it frequently is about preventing free-riding on famous brands.[10] If this is so, it would be better to be up front about it and specify in the statute that "taking unfair advantage" of a famous brand is a separate ground for liability as the Member States of the European Union do,[11] and to develop a cohesive theory for when such free-riding is actionable and when it is not. That is not easy to do. Free-riding is rife with its own ambiguities. It is fraught with indeterminacy. And, to some, it is not worth the candle. But if anti-free-rider impulse is what we are really talking about, we would be much better off having an honest conversation about the true competing interests involved.

The true competing interests turn on whether free-riding on a famous mark is justifiable in a given case. That, in turn, is likely to be determined by examining the nature of the plaintiff's mark: whether it is comprised of largely common words; whether the free-riding was intentional; whether there is a logical relationship between the defendant's use of the famous mark and the nature of its own goods or services; whether the collateral use of the plaintiff's mark was in an area or areas reasonably exploited by the plaintiff (*i.e.*, whether allowing the plaintiff to capture and control the collateral value is reasonable); and whether the defendant has reasons to use the mark that are based on language sharing and expressive freedom.

Congress, in enacting the new anti-dilution statute, has, unfortunately, largely sidestepped this enquiry. I say largely because the TDRA specifies significant fair use defenses, explicitly parody and criticism defenses.[12] It also limits liability in several important respects, some of which, I think, are based on free-riding justifications, such as nominative and classic fair use. But all of this falls under the rubric of traditional dilution theory and not in the context of articulating the key factors in the anti-free-riding balancing analysis that needs to be done and that probably will continue to be done by judges and juries applying the new act.

There is no mention in the TDRA of "taking unfair advantage" of a famous mark as a separate source of liability. There is no requirement that the free-riding be intentional, per se, although that idea is lurking in the background. There is no attempt to limit the dilution cause of action to the class of cases where it might make the most sense, *i.e.*, the protection of coined or quasi-coined marks. Indeed, the TDRA states the contrary, that the plaintiff's mark need only be dis-

10. Franklyn, *supra* note 4.

11. *See* Council Directive 89/104/EEC of Dec. 21, 1988, To Approximate the Laws of the Member States Relating to Trade Marks, art. 5(2), 1989 O.J. (L 40) p. 1-7.

12. TDRA § 3(c)(3)(A)(ii).

tinctive in the sense that it has obtained secondary meaning.[13] This is quite broad and, I think, a mistake.[14]

Of course, it might be argued that dilution is washed up and ought to be scrapped, not replaced with an explicit anti-free-rider cause of action. This is the view of Professor Bone.[15] Professor Bone's position is well documented and I do not take issue with his argument that dilution law is problematic as conceived. But he is wrong when he states that dilution theory cannot be premised on the anti-free-rider principle.[16] The concept of unjust enrichment has a long pedigree in intellectual property law. It forms the foundation of many other doctrines; indeed, it is the cornerstone of the right of publicity.[17] What is the right of publicity if not a right to protect one's name and image from being "diluted" through over use or misuse by others and a right to capture the reasonable collateral value that accrues from one's personal fame? That right is quite analogous to the anti-dilution rights conferred upon famous trademarks.

I will not restate all of the reasons why some form of expansive property-like protection for some types of trademarks can be justified—on both equitable and economic grounds—under the rubric of unjust enrichment or anti-free-rider theory; I have set forth such a rational in another piece.[18] The basic argument is that as between the person who creates the famous mark and third party who wishes to exploit its value in a collateral (albeit non-confusing) manner, it seems quite acceptable to require the would-be exploiter to pay a reasonable royalty to the mark owner.

Thus, even if nobody thinks GOOGLE candy bars come from the search engine company, most of us have an intuitive sense that the candy company should not be permitted to appropriate the GOOGLE brand in this manner. And our intuition does not rest readily or naturally on the concern that the candy company's use will "dilute" the selling power of the search engine name. Rather, it rests on a sense that the candy company is "reaping where it has not sown," and that there is no good reason for allowing it to do so.

To be sure, it might make economic sense to place broad control over the GOOGLE brand in the hands of the search engine company, so as to ensure maximization of the brand image. And lurking in the background may be a fear of potential harm to the mark if uncontrolled use is allowed. But those are secondary concerns. The primary

13. TDRA § 3(c)(1).

14. The TDRA does attempt to limit dilution law by eliminating niche market fame, by requiring national fame; by making it clear that only commercial trademark uses ("use as a source identifier") are potentially actionable; and by setting out an expansive list of defenses, including nominative and classic fair use.

15. Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 187 (2007).

16. *Id.* at 189.

17. *See* J. THOMAS MCCARTHY, RIGHTS OF PUBLICITY AND PRIVACY § 1:30 (2d ed. 2000).

18. *See* Franklyn, *supra* note 4.

concern is with preventing the unjust enrichment by the candy company. That seems straightforward to me. It probably is the sort of intuition that has motivated Congress to reverse the Supreme Court and undo the *Moseley* decision. And it undoubtedly has been and will continue to be part of the intuitional mix that guides judges and jurors who decide these cases under the TDRA.