

# DILUTION AND COMPETITION NORMS

*The Use of Trademark Dilution Against  
Competitors*

# Three Points

- Identify competition norms in intellectual property law
- Apply these norms to federal anti-dilution law
- Examine how courts apply anti-dilution law to actions against a competitor

# Competition Norms Generally

- First mover
  - Traditional misappropriation argument for IP
  - Prevents competition through mere imitation or free riding
- Controlled entry
  - More subtle aspects of intellectual property law: role of licensing and protected uses
  - Controls unnecessary duplication and excessive entry
- Consumer welfare protection
  - Competition serves to protect consumer interests by providing affordable products and services with quality
  - Examples include fair use, experimental use, statutory bars, trademark law
- Wealth maximization
  - Competition serves to maximize social wealth
  - Intersection of IP and antitrust

# Trademark Law

- Has elements of First Mover and Consumer Welfare Protection
  - Create distinctive symbols that help consumers identify products and services
  - Taco Cabana example
- Dilution has shifted traditional trademark law towards the First Mover norm at the expense of other norms

# Origins of Dilution

- Professor Schechter was concerned with
  - Loss in distinguishing and identifying aspects of a brand
  - Concerned with consumer
  - Noted that dilution, correctly applied, would still allow for competition through new entry and consumer protection

# What has happened with dilution law?

- Cases after 1995:
  - 130 federal appellate level cases in which anti-dilution was issue
    - Of these, 49 contained substantive ruling on anti-dilution claim
      - Of these 49, 22 cases involved a claim against a competitor
        - Of these 22, 9 were victories for the trademark owner
        - Of these 22, 13 were victories for the alleged infringer
  - Effect of regime changes (Mosely and 2006 reform)
    - Half of the victories for alleged infringer were before Moseley
    - 5 out of the 9 owner victories were after the 2006 reform
    - 3 out of the 13 infringer victories were after the 2006 reform

# Comparison with state anti-dilution statutes

- Illinois approach: no action against a competitor
- New York approach: expressly allows
- Other states: cases have tended not to be against competitor

# Logic of dilution, confusion and competition

- Dilution distinct from consumer confusion as to purchase of product or service
  - Confusion will often suffice when there is direct competition
- Three cases
  - Trademark owner potentially will enter market of infringer
  - Infringer potentially will enter market of trademark owner
  - Entry unlikely by either party but infringer is taking advantage of owner's mark



# When Dilution Should Be Actionable Against a Competitor

- Consumer confusion--> dilution is redundant
- Consumer not confused
  - Trademark fair use-->not actionable
  - Infringer is duplicating brand in order to reduce own costs--> actionable dilution

## Do cases correspond to logic?

### Cases where owner won

- Jada Toys Inc. v. Mattel Inc., \_\_\_\_ F.3d \_\_\_\_ (9th Cir. 2007)(investment in creating mark)
- Horphag Research, 475 F.3d 1029 (9th Cir. 2007)(consumer search)
- Starbucks Corp. v. Wolfe's Borough Coffee, 477 F.3d 765 (2nd Cir. 2007)(investment in creating mark)
- Eli Lilly v. Natural Answers, Inc., 233 F.3d 456 (7th Cir. 2000)(consumer search)
- Times Mirror Magazine v. Las Vegas Sports News, 212 F.3d 157 (3rd Cir. 2000)(consumer search)

## Do cases correspond to logic?

### Cases where alleged infringer won

- Louis Vuitton Malletier v. Dooney & Bourke, 454 F.3d 108 (2nd Cir. 2006)
- CareFirst of Maryland, Inc. v. First Care, 434 F.3d 263 (4th Cir. 2006)
- Everest Capital, 393 F.3d 755 (8th Cir. 2005)
- Playtex Products, 390 F.3d 158 (2nd Cir. 2004)
- Nat'l Assn. for Healthcare Communications, Inc. v. The Central Arkansas Area Agency on Aging, Inc., 257 F. 3d 732 (8th Cir. 2001)

# Functionality cases

- Au-Tomotive Gold, Inc. v. Volkswagen of America, 457 F. 3d 1062 (9th Cir. 2006)
- Syndicate Sales, Inc. v. Hampshire Paper Corp., 192 F.3d 633 (7th Cir. 1999)
- I.P. Lund Trading Aps. v. Kohler Co., 163 F.3d 27 (1st Cir. 1998)

# After Market Cases: Victories for alleged infringer

- Nitro Leisure Products L.L.C. v. Acushnet Co., 341 F.3d 1356 (Fed. Cir. 2003)
- Thane Intern., Inc. v. Trek Bicycle Corp., 305 F.3d 894 (9th Cir. 2002)
- SONY Computer Entertainment Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000)

# Conclusion

- Dilution has lost moorings in consumer protection model of trademark law.
- By protecting first movers, contemporary dilution law is inconsistent with Schechter's vision.
- We need greater scrutiny of dilution claims brought against a direct competitor.