



School of Law
UNIVERSITY OF GEORGIA

Prepare.
Connect.
Lead.

Journal of Intellectual Property Law

Volume 5
Issue 2 *Symposium: The Worst Intellectual
Property Opinion Ever Written*

Article 7

March 1998

The Federal Trademark Dilution Act and Its Effect On Parody: No Laughing Matter

Natalie A. Dopson

Follow this and additional works at: <https://digitalcommons.law.uga.edu/jipl>

 Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Natalie A. Dopson, *The Federal Trademark Dilution Act and Its Effect On Parody: No Laughing Matter*, 5 J. INTELL. PROP. L. 539 (1998).

Available at: <https://digitalcommons.law.uga.edu/jipl/vol5/iss2/7>

This Notes is brought to you for free and open access by Digital Commons @ University of Georgia School of Law. It has been accepted for inclusion in Journal of Intellectual Property Law by an authorized editor of Digital Commons @ University of Georgia School of Law. [Please share how you have benefited from this access](#) For more information, please contact tstriepe@uga.edu.

THE FEDERAL TRADEMARK DILUTION ACT AND ITS EFFECT ON PARODY: NO LAUGHING MATTER

With the adoption of the Federal Trademark Dilution Act of 1995 on January 16, 1996,¹ the use of a trademark in a parody became a potential violation of federal trademark law. This Note details the effect of the legislation on using trademarks in a parody context. Section I defines the relevance of parody and trademarks in today's society. Section II explains the dimensions and characteristics of dilution. Sections III and IV discuss the historical development of dilution culminating with the details of the new federal law. Sections V and VI consider dilution in the parody context, looking to courts' past applications and considering the future of parody under the new statute. The next two sections of the Note focus on dilution defenses and other potential remedies for trademark owners. Finally, the Note concludes with policy reasons for lenient application of the Act to parody.

I. THE LINK BETWEEN PARODY AND TRADEMARKS

Parody² has been recognized as a valuable literary, political and comical tool for hundreds of years.³ The worth of parody is

¹ 15 U.S.C. § 1051 (Supp. I 1995).

² Parody is defined as

"a (work) in which the language and style of an author or work is closely imitated for comic effect or in ridicule often with certain peculiarities greatly heightened or exaggerated."

WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1643 (Merriam-Webster Inc. ed., 1993).

³ "The widespread presence of parody suggests a greater importance in the very ways in which the modern imagination and the modern sensibility have been formed, and also suggests the organic function it has had in

evidenced in the widespread appreciation of such authors as Chaucer, Voltaire, Cervantes and Swift.⁴ In a parody, the author seeks to express his ideas through humor. While some parody acts as the messenger of a moral or political theme,⁵ parody can also be silly and meaningless, as well as uncouth and vulgar.⁶ However, all parody shares one fundamental requirement: a humorous subject.

Inevitably, there is a clash between broad trademark protection and the use of trademarks in parody. Parody seeks to jest and quip. When the subject of the parody is a trademark, the fusion can lead to challenges by trademark owners that the value and worth of the trademark is being diminished. But frequently, both public consumers and trademark owners have two distinct views of parody. While the public likely recognizes that parody is often a trivial witty spoof, some trademark owners are concerned that the public accepts the message or punch line of every parody at face value. This fact is evidenced by the large amount of trademark litigation in the area of parody.

On January 16, 1996, the parody theme pool was reduced upon Congress' passing of the Federal Trademark Dilution Act.⁷ Some commentators have argued that the Trademark Dilution Act effectively prevents using a trademark as a subject of parody for fear of liability resulting from diluting the distinctive and commer-

the development of the primary modes of expression for perhaps the past one hundred years."

DAVID KIREMIDJIAN, *A STUDY OF MODERN PARODY* 15 (Garland Publishing, Inc. ed., 1985). See also A.S. MARTIN, *ON PARODY* 1-30 (New York, Henry Holt & Co. ed., Mershon Co. Press 1896) (providing a history of parody).

⁴ GEOFFREY CHAUCER, *CANTERBURY TALES* (A.C. Cawley ed., J.M. Dent and Sons, Ltd. 1966) (1400); VOLTAIRE, *CANDIDE* (Richard Aldington trans., The Hanover House 1959) (1759); MIGUEL DE CERVANTES SAAVEDRA, *THE ADVENTURES OF DON QUIXOTE, DE LA MANCHA, KNIGHT OF THE SORROWFUL COUNTENANCE, AND HIS HUMOROUS SQUIRE, SANCHE* (New York, W. Borradaile 1823) (1605); JONATHAN SWIFT, *GULLIVER'S TRAVELS* (Arthur E. Case ed., Ronald Press Co. 1938) (1726).

⁵ See *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400, 5 U.S.P.Q.2d (BNA) 1314 (8th Cir. 1987) (noting that defendant's trademark infringement was perceived by the public as promoting awareness of the nuclear war problem).

⁶ See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206, 203 U.S.P.Q. (BNA) 161 (2d Cir. 1979) (stating that the defendant's movie which featured replicas of plaintiffs' uniforms may be obscene).

⁷ 15 U.S.C. § 1125(c) (Supp. I 1995).

cial importance of a trademark.⁸ However, this Note suggests that little has changed since passage of the Act and courts will continue to follow the same conservative path used in applying state anti-dilution laws.

To fully understand the First Amendment repercussions that the Trademark Dilution Act may have upon parody, it is important to define the many roles a trademark⁹ may occupy in our society. Most frequently, a trademark supplies the simplest means of associating a product with its manufacturer. However, a trademark can also be a symbol of quality in convincing purchasers to try an unfamiliar product. Furthermore, some trademarks have become symbols of a lifestyle or an image that is as desirable as the products offered by the trademark owner. Tiffany's association with luxury and affluence¹⁰ and Coca-Cola's all-American ideal¹¹ are examples of trademarks whose meanings have surpassed simple product identification. Courts also have recognized the prestige and rich symbolic meaning of the trademark in assessing protection for trademark users.¹² Of course, it should also be noted that trademark owners spend huge amounts of money each year to promote their trademarks and the brand preferences marks generate. For these expenditures, trademark owners demand protection of the interests created by their marketing labors..

⁸ Theodore C. Max, *Dilution Act May Limit Commercial Parodies*, NAT'L L.J. May 20, 1996, at c13; Robert N. Kleiger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 857 (1997).

⁹ A trademark is defined as

"any word, name, symbol, or device or any combination thereof -(1) used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."

15 U.S.C. § 1127 (1994).

¹⁰ See *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 843, 143 U.S.P.Q. (BNA) 2 (D. Mass. 1964) (finding that the names "Tiffany" and "Tiffany & Co." have acquired a distinct secondary meaning of quality and prestige).

¹¹ See *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1191, 175 U.S.P.Q. (BNA) 56 (E.D.N.Y. 1972) (finding that the Coca-Cola trademark has acquired a secondary meaning).

¹² *Tiffany*, 231 F. Supp. at 845 (holding that due to the stature associated with Tiffany's, displaying the name on a bar was an unlawful use of the name).

II. DEFINING DILUTION

Dilution¹³ is based upon the theory that a trademark may be weakened or reduced by unapproved uses and thereby forfeits its ability to clearly and unmistakably distinguish the source.¹⁴ In defining how dilution may occur, courts have traditionally viewed dilution through two theories, tarnishment and blurring. Although tarnishment and blurring are distinct concepts, they both reduce the value of the trademark to its owner by undermining its selling power.¹⁵

A. TARNISHMENT

A trademark is tarnished when it is linked "to products of shoddy quality, or is portrayed in an unwholesome or unsavory context [resulting in having] the public . . . associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods."¹⁶ Here, the effect of the unauthorized use is to degrade or dilute the distinctive quality of the mark.¹⁷ Whenever a trademark is used in such a way to bring to mind the business, services, goods or mark of another's trademark, there is potential for dilution through tarnishment by interfering with the images associated with the trademark.¹⁸ To prove tarnishment of a trademark occurred, the owner must demonstrate that the

¹³ Dilution is defined in the federal statute as "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." 15 U.S.C. § 1127 (Supp. I 1995). Over the years, courts have also attempted to define dilution. Dilution is the "watering down of the potency of a mark and the gradual debilitation of its selling power." *Toys "R" Us, Inc. v. Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189, 1208, 217 U.S.P.Q. (BNA) 1137 (E.D.N.Y. 1983). It has also been defined as the "whittling away of an established trade-mark's selling power and value through its unauthorized use by others upon dissimilar products." *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1164-5, 198 U.S.P.Q. (BNA) 418 (N.Y. 1977) (quoting 1954 *N.Y. Legis Ann.* at 9).

¹⁴ J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 24:68 (4th ed. 1996) (defining dilution via blurring).

¹⁵ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. c (1995).

¹⁶ *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43, 32 U.S.P.Q.2d (BNA) 1936 (2d Cir. 1994).

¹⁷ MCCARTHY, *supra* note 14, § 24:69.

¹⁸ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. g (1995).

defendant's use is "likely to come to the attention of the prior user's prospective purchasers and that the use is likely to undermine or damage the positive associations evoked by the mark."¹⁹

Some courts found tarnishment occurred when the trademark was placed in the presence of obscene or illegal conduct.²⁰ For example, in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, a district court found the similarities between the main character of a pornographic film and a Dallas Cowboy cheerleader were sufficient to issue an injunction preventing distribution or exhibition of the film.²¹ Similarly in *Coca-Cola Co. v. Gemini Rising, Inc.*, a district court found that the use of the words "Enjoy Cocaine" pictured on a poster in the plaintiff's distinctive script tarnished the Coca-Cola trademark.²² However, tarnishment has not been limited in application to vulgar uses of a trademark.²³

B. BLURRING

In comparison to tarnishment, blurring occurs when "[c]ustomers or prospective customers . . . see the plaintiff's mark used . . . on a plethora of different goods and services."²⁴ Blurring is based on the idea that a trademark can be so distinctive and well-known that it functions as an additional selling tool for the product, and

¹⁹ *Id.* The Restatement provides an illustration of tarnishment: Bank, A, uses the term "Cookie Jar" to identify its teller machines. B then opens a topless bar across the street from A, and calls it "Cookie Jar." Even though A's clients are unlikely to believe that A sponsors the bar, B may be liable to A under a tarnishment theory if A's clients associate A's trademark or business with the images created from B's use of the mark. *Id.* at illus. 3.

²⁰ See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (finding that actresses were dressed in substantially similar cheerleading uniform); *Pillsbury Co. v. Milky Way Prod., Inc.*, 215 U.S.P.Q. (BNA) 124 (N.D.Ga. 1981) (holding that tarnishment exists when trademark characters are shown engaged in sexual intercourse).

²¹ *Dallas Cowboys Cheerleaders*, 604 F.2d at 205.

²² *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972).

²³ See *Chemical Corp. of Amer. v. Anheuser-Busch, Inc.* 306 F.2d 433, 134 U.S.P.Q. (BNA) 524 (5th Cir. 1962) (granting an injunction against the use of the slogan "Where there's life . . . there's bugs," which was similar to plaintiff's slogan, "where there's life . . . there's Bud."); *Gucci Shops, Inc. v. R.H. Macy & Co.*, 446 F. Supp. 838 (S.D.N.Y. 1977) (preventing defendant from using the term "Gucci Goo" and the plaintiff's distinctive stripes on diaper bags).

²⁴ MCCARTHY, *supra* note 14, § 24:68 (discussing blurring as "the classic . . . injurious impact" of dilution as envisioned by its original proponents).

as such may be dulled by others' use of the mark.²⁵ Blurring results when "the defendant uses or modifies the plaintiff's trademark to identify the defendant's goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier" of the product.²⁶ Examples of blurring are Krispy Kreme tires and Tiffany wedding cakes.

An action for blurring is more difficult to establish than an action for tarnishment.²⁷ The plaintiff trademark owner must be able to prove a probable state of mind by the consumer, that the consumer recognizes that the plaintiff's mark is being used as an identifying symbol of another's product.²⁸ This requirement is made even more difficult by the lack of concrete evidence of inferences by consumers.²⁹ Factors that are relevant in assessing whether blurring has occurred include the sophistication of the purchasers,³⁰ whether the goods are sold in competing markets or are competing products,³¹ and a comparison of the marketing methods used by the plaintiff and defendant.³²

In the face of concerns over the dilution and harm of famous trademarks, Congress passed the Federal Trademark Dilution Act in 1996.³³ Congress enacted the statute to safeguard the owner's goodwill in the trademark by preventing dilution of the mark.³⁴

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

²⁶ *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994).

²⁷ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. f (1995).

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Mead Data Cent., Inc. v. Toyota Motor Sales, Inc.*, 875 F.2d 1026, 1030, 10 U.S.P.Q.2d (BNA) 1961 (2d Cir. 1989) (finding plaintiff's market, comprised of sophisticated consumers, indicated that blurring was unlikely); *Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 220 U.S.P.Q. (BNA) 786 (1st Cir. 1983) (finding the sophistication of purchasers reduced the likelihood of dilution).

³¹ *But see Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91, 94, 25 U.S.P.Q.2d (BNA) 2021 (2d Cir. 1993) (finding dilution cause of action is not available for use on competing goods).

³² *Id.*

³³ 15 U.S.C. § 1125(c) (Supp. I 1995).

³⁴ *See Max supra* note 8, at c13 (prior to the Dilution Act, trademark infringement required a likelihood of confusion under the Lanham Act and dilution was not sufficient in itself to constitute infringement).

III. HISTORICAL DEVELOPMENT OF DILUTION

The initial introduction of dilution has been traced back to Frank Schechter, who first presented his ideas on dilution in 1927 in the *Harvard Law Review*.³⁵ Schechter believed that "the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."³⁶ In essence, Schechter sought to liberate trademark rights entirely from the consumer confusion rationale prevalent in trademark infringement analysis,³⁷ suggesting courts should focus on protecting the uniqueness of the mark.³⁸ Schechter argued that the real harm from concurrent uses of the mark on different goods was not consumer deception, but 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."³⁹

Even though dilution is a relatively new legal theory, Congress' history with trademark legislation goes back over a century.⁴⁰ Until the introduction of dilution, consumer confusion was the basis for an action in trademark.⁴¹

While the Lanham Act provided a cause of action for infringement in 1946, thereby prohibiting any use of a trademark that is "likely to cause confusion, or to cause mistake, or to deceive," the concerns of trademark dilution went unnoticed in the federal legislation.⁴² However, one year after the enactment of the Lanham Act, Massachusetts adopted the first anti-dilution state

³⁵ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

³⁶ *Id.* at 831.

³⁷ See FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADEMARKS* 150 (1925) (stating that consumer confusion appeared to be an exceedingly tenuous and insubstantial basis for infringement claims).

³⁸ Schechter, *supra* note 35, at 829.

³⁹ *Id.* at 825. Schechter's description is often cited as the prevailing definition of dilution.

⁴⁰ Kleiger, *supra* note 8, at 798. The first federal trademark legislation was enacted in 1870 and was later declared unconstitutional by the Supreme Court as overstepping the authority bestowed by the Commerce Clause. The second statute was adopted in 1881, but it was not until 1905 that the federal registration scheme reached marks in Interstate commerce. The modern federal trademark statute, the Lanham Act, was not enacted until 1946. *Id.*

⁴¹ *Id.*

⁴² 15 U.S.C. § 1114(1)(a) (1994).

statute in 1947.⁴³ Illinois followed Massachusetts' initiative in 1953 and New York and Georgia adopted anti-dilution statutes in 1955.⁴⁴ It was not until eight years later that another state, Connecticut, passed a statute condemning dilution.⁴⁵ Then in 1964, the United States Trademark Association included dilution in its Model State Trademark Bill.⁴⁶ By the time the Federal Trademark Dilution Act was signed into law in 1996, 28 states had adopted anti-dilution statutes.⁴⁷

The state anti-dilution statutes all possess three important features that are relevant for comparison with the federal act.⁴⁸ First, the statutes only serve to protect dilution of "distinctive" marks,⁴⁹ an unnecessary characterization under the new federal law.⁵⁰ Secondly, as also required by the federal statute,⁵¹ the plaintiff must prove a likelihood of dilution before the defendant's use will be enjoined.⁵² Finally, the only relief provided under the state anti-dilution statutes is injunctive relief,⁵³ while the federal legislation allows for monetary damages if the plaintiff can show malicious intent.⁵⁴

⁴³ The Massachusetts statute stated that the "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief . . . notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services." Kleiger, *supra* note 8, at 811 (citing the Act of May 2, 1947, ch. 307, § 7a).

⁴⁴ *Id.* at 812.

⁴⁵ *Id.*

⁴⁶ The Model State Trademark Bill provides "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." MODEL STATE TRADEMARK BILL § 12 (United States Trademark Association 1964), reprinted in MCCARTHY, *supra* note 14, at § 24:80.

⁴⁷ Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas and Washington adopted anti-dilution state statutes before the federal legislation. MCCARTHY, *supra* note 14, at § 24:78. Furthermore, Ohio has recognized injunctive relief for dilution, as part of its common law. *Ameritech, Inc. v. American Info. Tech. Corp.*, 811 F.2d 960, 965, 1 U.S.P.Q.2d (BNA) 1861, 1865 (6th Cir. 1987).

⁴⁸ For a detailed discussion of the federal act, see *infra* notes 78-96.

⁴⁹ Kleiger, *supra* note 8, at 813.

⁵⁰ 15 U.S.C. § 1125 (c) (Supp. I 1995). The Act provides remedies for dilution "of the distinctive quality of the mark." *Id.* at (c)(1). (emphasis added)

⁵¹ *Id.*

⁵² Kleiger, *supra* note 8, at 813.

⁵³ *Id.*

⁵⁴ 15 U.S.C. § 1125(c)(2) (Supp. I 1995).

Even after many states passed anti-dilution statutes, courts were reluctant to apply the doctrine. Decisions of courts applying state dilution laws suggest that courts are confused by the dilution doctrine and therefore are unwilling to deliver relief to trademark owners based upon dilution. An examination of the application of the New York anti-dilution statute in parody cases demonstrates the uncertainty and inconsistency courts have shown in this area of the law. The New York statute provides a good example, as it was one of the first state statutes passed and has been the subject of extensive judicial interpretation.

New York courts may have the most experience applying a state anti-dilution statute in the parody context, but the decisions still lack clarity in defining lines for the cause of action. Repealed in 1997, the New York anti-dilution statute provided that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.⁵⁵

In *Hormel Foods Corp. v. Jim Henson Productions, Inc.*,⁵⁶ the Second Circuit Court of Appeals discussed competition as a very important factor,⁵⁷ although the statute clearly indicates it is not dispositive. In *Hormel*, the court recognized that a distinctive mark and a likelihood of dilution were the only requirements to establish a claim.⁵⁸ The measure of dilution in this case was through blurring or tarnishment, and the court found neither occurred.⁵⁹

Previously the court fashioned an expanded definition of dilution in order to grant an injunction to the plaintiff in *Deere & Co. v.*

⁵⁵ N.Y. GEN. BUS. LAW § 368-d (McKinney 1961) (repealed Jan. 1, 1997).

⁵⁶ 73 F.3d 497, 37 U.S.P.Q.2d (BNA) 1516 (2d Cir. 1996).

⁵⁷ *Id.* at 507.

⁵⁸ *Id.* at 506 (citing *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625, 217 U.S.P.Q. (BNA) 658 (2d Cir. 1983)).

⁵⁹ *Id.* at 506.

*MTD Products, Inc.*⁶⁰ The defendants in that case depicted the plaintiff's trademark deer as a smaller, animated version in a commercial for their comparable lawn tractor product.⁶¹ Although the court found no consumer confusion, and the trademark was used only to compare products, the court held that the defendants violated the statute by reason of the likelihood of diminishing the strength of the Deere trademark.⁶² The court specifically noted that tarnishment and blurring were not at issue in this case, and that "the blurring/tarnishment dichotomy does not necessarily represent the full range of uses that can dilute a mark under New York law."⁶³ This "new" strain of dilution, the predatory intent test created under *Deere*, suggests that the court was wavering on the breadth of dilution.⁶⁴

Yet another definition of dilution under the Second Circuit's interpretation is provided in *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*⁶⁵ In *Cliff Notes*, the plaintiff sought to enjoin the defendant from producing "Spy Notes," a parody of the paperback books that Cliff Notes publishes.⁶⁶ The court vacated the district court's injunction⁶⁷ using another approach: the balancing test.⁶⁸ The balancing approach considered the likelihood of consumer confusion as to the source of the goods while allowing special leeway for parody and other artistic expressions.⁶⁹ However, confusion was not recognized as a factor within the New York statute.⁷⁰ The court, finding that it was unlikely for a consumer to believe that "Spy Notes" was a study guide produced by Cliff Notes, held in favor of the defendant.⁷¹ The court also noted in retrospect that the public interest in free expression

⁶⁰ 41 F.3d 39 (2d Cir. 1994).

⁶¹ *Id.* at 41.

⁶² *Id.* at 43-44.

⁶³ *Id.* at 44.

⁶⁴ Interestingly, two years later the court specified that the *Deere* ruling would be "better understood as a recognition of a broad view of tarnishment," despite the strong repugnance of the doctrine in the earlier decision. *Hormel Foods Corp.*, 73 F.3d at 507.

⁶⁵ 886 F.2d 490, 12 U.S.P.Q.2d (BNA) 1289 (2d Cir. 1989).

⁶⁶ *Id.* at 490.

⁶⁷ *Id.* at 497.

⁶⁸ *Id.* at 494.

⁶⁹ *Id.* at 494-95.

⁷⁰ N.Y. GEN. BUS. LAW § 368-d (McKinney 1961) (repealed Jan. 1, 1997).

⁷¹ *Cliffs Notes*, 886 F.2d at 496.

outweighed the potential consumer confusion.⁷²

The New York example demonstrates a widespread initial disapproval of dilution by courts which eventually resulted in a gradual over-broadening of dilution tests. Robert N. Kleigher suggests three factors at work to explain the hostility courts expressed toward state anti-dilutions statutes.⁷³ First, courts were skeptical about the power that the statutes vested in the trademark owner, allowing him absolute control over the uses of his mark.⁷⁴ Secondly, it was difficult for courts to define dilution and the interests protected.⁷⁵ Lastly, some courts were concerned that application of the state statutes was preempted by the Lanham Act, which provides a cause of action for trademark infringement.⁷⁶ In light of these problems, courts had granted relief solely on state anti-dilution violations in only sixteen cases by 1996.⁷⁷

IV. SPECIFICS OF THE FEDERAL TRADEMARK DILUTION ACT

The Federal Trademark Dilution Act was enacted on Jan. 16, 1996.⁷⁸ After almost thirty years of state regulation, trademark dilution became a federal cause of action.⁷⁹ The legislative history suggests two main reasons for federal regulation.⁸⁰ First, because the cause of action and the remedies varied among states, federal legislation was needed to bring consistency and uniformity into this area of law.⁸¹ By adopting a federal rule, an injunction can be applied across the U.S., not just in those states with anti-dilution statutes.⁸² The patch-quilt protection for trademarks under state

⁷² *Id.* at 497. See also *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (upholding injunction, despite first amendment claims, in case concerning pornographic movie with blatantly false and explicitly misleading advertisements).

⁷³ Kleigher, *supra* note 8, at 816.

⁷⁴ *Id.*

⁷⁵ *Id.* at 816-17.

⁷⁶ *Id.* at 817.

⁷⁷ *Id.* at 820.

⁷⁸ 15 U.S.C. § 1125 (Supp. I 1995).

⁷⁹ See discussion on state anti-dilution statutes, *infra* notes 43-47.

⁸⁰ H.R. REP. NO. 104-374, at 3 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030.

⁸¹ *Id.*

⁸² *Id.*

law encouraged forum-shopping and litigation.⁸³ Secondly, the Act meets the international obligations for protection of famous marks.⁸⁴ Specifically, the terms of the Act are consistent with the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights, which is part of the Uruguay Round of the Gatt agreement.⁸⁵ The legislative history also notes that the Act is intended to assist the executive branch of the government in negotiating protection for U.S. trademarks in foreign countries, since through this Act the U.S. now affords protection against dilution for foreign marks.⁸⁶

The Federal Trademark Dilution Act provides a cause of action for a "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."⁸⁷ In essence, three elements are required to prove an action for dilution. The trademark at issue must be a famous mark, used by the defendant in a commercial manner in commerce, and the defendant must have caused dilution of the mark.⁸⁸

Note that a mark does not have to be a registered trademark to be protected under this legislation. When the bill was originally introduced, it only applied to famous registered marks.⁸⁹ However, the Patent and Trademark Office argued that limiting protection to registered marks would undermine the United States' position with its trading partners, because famous marks deserve protection regardless of whether the marks are registered in the country where protection is sought.⁹⁰

The Act provides two types of relief for plaintiffs: (1) an injunction and (2) damages if it is determined the defendant "willfully

⁸³ *Id.* at 4.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ 15 U.S.C. § 1125(c)(1) (Supp. I 1995). Recently, the U.S. District Court for the Eastern District of Virginia has held that the Act does not apply retroactively, under the Supreme Court's decision in *Landgraf v. USI Film Products Inc.* Circuit City Stores, Inc. v. OfficeMax, Inc., 949 F. Supp. 409, 42 U.S.P.Q.2d (BNA) 1194 (E.D. Va. 1996).

⁸⁸ 15 U.S.C. § 1125(c)(1) (Supp. I 1995).

⁸⁹ H.R. REP. NO. 104-374, at 4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1031.

⁹⁰ *Id.*

intended to trade on the owner's reputation or to cause dilution of the famous mark."⁹¹

A number of defenses exist against an action for dilution. The statutory language of the Trademark Dilution Act includes four affirmative defenses to trademark dilution.⁹² These defenses include noncommercial use of the trademark,⁹³ news reporting and commentary,⁹⁴ and fair use by way of comparative advertising to identify competing products.⁹⁵ Federal registration of a trademark is also an affirmative defense to a federal or state law dilution claim.⁹⁶

V. COURTS' RELUCTANT APPLICATION OF DILUTION STATUTES IN THE PARODY CONTEXT

Even though anti-dilution statutes have been passed in state legislatures, courts appear leery of applying dilution statutes to parody issues.⁹⁷ By and large, judges seem reluctant to give dilution concepts broad application for fear of eliminating all competition in an effort to prevent trade name infringement.⁹⁸ Courts have tried to escape the dilution issue through several means: (1) characterizing dilution statutes as permissive, (2) applying the statutes only where confusion existed, and (3) applying the statutes only where there was no confusion.⁹⁹

Rather than apply the anti-dilution statutes, courts have often looked to the traditional confusion analysis,¹⁰⁰ which is based

⁹¹ 15 U.S.C. § 1125(c)(2) (Supp. I 1995).

⁹² *Id.* § 1125(c)(4).

⁹³ *Id.* § 1125(c)(4)(B).

⁹⁴ *Id.* § 1125(c)(4)(C).

⁹⁵ *Id.* § 1125(c)(4)(A).

⁹⁶ *Id.* § 1125 (c)(3); H.R. REP. NO. 104-374, at 5 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1032. The legislative history notes that the Federal Trademark Dilution Act does not pre-empt state anti-dilution statutes, which could still apply in cases involving locally famous marks. *Id.* at 4.

⁹⁷ Robert C. Denicola, *Trademarks As Speech: Constitutional Implications of the Emerging Rationales For the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 183 (1982).

⁹⁸ MCCARTHY, *supra* note 14, § 24:114.

⁹⁹ Denicola, *supra* note 97, at 184.

¹⁰⁰ Robert J. Shaughnessy, Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 VA. L. REV. 1079, 1082 (1986).

upon Section 32(1)(a) of the Lanham Act.¹⁰¹ This section protects the owner of a federally registered trademark from unauthorized uses that are “likely to cause confusion, or to cause mistake, or to deceive.”¹⁰² The confusion analysis is also supported by frequently applied Section 43(a) of the Lanham Act.¹⁰³ Section 43 protects unregistered words or symbols by preventing any “false designation of origin, false or misleading description of fact, or false or misleading representation of fact” in connection with the sale of any services or goods.¹⁰⁴

The Lanham Act prohibits unauthorized trademark uses in an effort to further three policies against consumer confusion. First, banning confusing uses prevents unjust enrichment for the infringer who has benefited from the use of another’s respected trademark.¹⁰⁵ Further, the prohibition serves to reduce misleading information in the marketplace.¹⁰⁶ Finally, it precludes harm to the trademark owner’s reputation from inferior, infringing products.¹⁰⁷

Application of the traditional confusion doctrine questions whether actual confusion has occurred in the public marketplace. *Girl Scouts of the United States v. Personality Posters Manufacturing Co.* is a well-known case exemplifying the confusion doctrine in the parody context.¹⁰⁸ In that case, the defendants manufactured a poster that depicted a young, obviously pregnant girl in a Girl Scout uniform; under the picture were the words “BE PREPARED.”¹⁰⁹ The court found that the remote possibility of confusion would be momentary since the theme was clearly at odds with Girl Scout values. Furthermore, the poster was marketed through different channels than traditional Girl Scout posters.¹¹⁰ The court ultimately rejected the plaintiff’s request for an injunction.¹¹¹

¹⁰¹ 15 U.S.C. § 1114(1)(a) (1994).

¹⁰² *Id.*

¹⁰³ Denicola, *supra* note 97, at 162.

¹⁰⁴ 15 U.S.C. § 1125(a)(1) (1994).

¹⁰⁵ Shaughnessy, *supra* note 100, at 1084.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

¹⁰⁸ 304 F. Supp. 1228, 163 U.S.P.Q. (BNA) 505 (S.D.N.Y. 1969).

¹⁰⁹ *Id.* at 1230.

¹¹⁰ *Id.* at 1231.

¹¹¹ *Id.* at 1233.

More recently, the Second Circuit considered the issue of actual confusion in denying an injunction to the plaintiff in *Hormel Foods Corp. v. Jim Henson Productions, Inc.*¹¹² The Second Circuit found that no consumer confusion existed¹¹³ between Henson's wild boar muppet Spa'am and Hormel's meat product SPAM.¹¹⁴ The court reasoned that the distinctly different settings for the products—a children's movie and the advertising and packaging of a luncheon meat—would prevent any potential confusion.¹¹⁵

A more modern approach to the trademark parody problem utilizes an expanded form of the confusion doctrine. This expanded form prohibits uses that simply give rise to a public perception of approval by the owner of the mark.¹¹⁶ At least one court has suggested that Congress intended that the expanded confusion rationale be included in its 1989 revision of Section 43 of the Lanham Act.¹¹⁷

Anheuser-Busch, Inc. v. Balducci Publications provides a good example of a court's use of the expanded confusion doctrine.¹¹⁸ Anheuser-Busch sued the publishers of *Snicker* magazine for using Michelob symbols in a mock advertisement that stated "One Taste and You'll Drink It Oily".¹¹⁹ A small disclaimer was placed at the bottom of the ad identifying it as an editorial.¹²⁰

The court based its likelihood-of-confusion result upon a survey prepared by the plaintiff.¹²¹ Over half the people surveyed believed *Snicker* needed Anheuser-Busch's approval to publish the ad,¹²² and the majority construed the ad as suggesting that Michelob beer contains oil.¹²³

¹¹² 73 F.3d 497, 508 (2d Cir. 1996).

¹¹³ *Id.* at 504.

¹¹⁴ *Id.* at 501.

¹¹⁵ *Id.* at 504.

¹¹⁶ Shaughnessy, *supra* note 100, at 1082.

¹¹⁷ See *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 774, 31 U.S.P.Q. 2d (BNA) 1296 (8th Cir. 1994) (explaining the 15 U.S.C. § 1125(a) was expanded to prevent confusion as to origin, sponsorship, or approval).

¹¹⁸ *Id.* See *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 5 U.S.P.Q.2d (BNA) 1314 (8th Cir. 1987) (applying an expanded version of the confusion doctrine).

¹¹⁹ *Anheuser-Busch*, 28 F.3d at 772.

¹²⁰ *Id.*

¹²¹ *Id.* at 775.

¹²² *Id.*

¹²³ *Id.* at 777.

Although there was no extensive public survey¹²⁴ performed in *Coca-Cola Co. v. Gemini Rising, Inc.*, the court issued an injunction to restrain the sale of a poster that read "Enjoy Cocaine" in the same colors and configuration of Coca-Cola's trademark.¹²⁵ The court discussed the similarities of the parties' enterprises, the similarities between the marks, and characterized the "ordinary purchaser" as ignorant in finding a likelihood of confusion.¹²⁶ In drawing this conclusion, the court cited a 1910 opinion describing the typical purchaser as including "the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions."¹²⁷

VI. CONCERN FOR PARODIES UNDER THE FEDERAL STATUTE

Under the Federal Trademark Dilution Act, a plaintiff may easily obtain a judgement of trademark dilution for use of a mark in a parody,¹²⁸ based upon the broad elements of the cause of action.¹²⁹ The factors the statute provides to determine whether the action meets the first element, a famous mark, can stretch to include virtually any trademark that would even be sufficiently well-known for use in a parody.¹³⁰ Furthermore, because the

¹²⁴ However, several members of the public had attributed responsibility to the plaintiff for the poster. The court accepted this as consumer confusion. *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1189-90, 175 U.S.P.Q. (BNA) 56 (E.D.N.Y. 1972).

¹²⁵ *Id.*

¹²⁶ *Id.* at 1190.

¹²⁷ *Id.* (citing *Florence Mfg. Co. v. J.C. Dowd & Co.*, 178 F. 73,75 (2d Cir. 1910)).

¹²⁸ "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 . . ." 15 U.S.C. § 1125(c)(1) (Supp. I 1995).

¹²⁹ 15 U.S.C. § 1125(c) (Supp. I 1995).

¹³⁰ In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade

statute does not designate a standard bright line rule for determining exactly what constitutes dilution, it is arguable that courts are still free to fashion their own definitions and approaches.¹³¹ In fact, the legislative history states that the definition of dilution in the statute includes "all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and disparagement, and by diminishment."¹³²

Since the Federal Trademark Dilution Act was signed into law, a number of trademark parody cases have been decided under its provisions. An examination of several of these cases suggests that even after passage of the federal law, there is no clear indicator of when dilution exists.

In *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, the publisher of the popular children's books sued the publishers, authors and illustrators of *The Cat Not in the Hat! A Parody by Dr. Juice*.¹³³ The defendants claimed that the Federal Trademark Dilution Act did not apply to the parody based on the O.J. Simpson scandal because the use of the trademarks were non-commercial and, therefore, permitted by the Act.¹³⁴ But the court held that "the First Amendment would apply to this use of the trademarks at issue, and that as an expressive use, this use is exempt from the

used by the mark's owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125 (c)(1) (A)-(H) (Supp. I 1995). There is no register of "famous" marks. Therefore, fame must be determined on a case-by-case basis. This ambiguity will lead to unpredictability in applying the statute and providing legal advice. MCCARTHY, *supra* note 14, at § 24:90.

¹³¹ The Second Circuit's reasoning in *Deere & Co., v. MTD Products, Inc.* shows this unpredictability. 41 F.3d 39 (2d Cir. 1994). The court granted an injunction against the defendant who had produced an altered form of the widely recognized John Deere deer logo. *Id.* The court reasoned "the blurring/tarnishment dichotomy does not necessarily represent the full range of uses that can dilute a mark . . .," finding the competition and concern of unfavorable associations with the deer required an injunction. *Id.* at 44. However, the Second Circuit later characterized the decision as an expansion of the tarnishment doctrine. *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996).

¹³² H.R. REP. NO. 104-374, at 8 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (emphasis added).

¹³³ 924 F. Supp. 1559 (S.D. Cal. 1996).

¹³⁴ *Id.* at 1573-74.

reach of the Federal Trademark Dilution Act."¹³⁵

Then, in *Wawa Inc. v. Haaf*, the U.S. District Court for the Eastern District of Pennsylvania agreed to enjoin the defendants' use of "HAHA" in connection with their convenience store.¹³⁶ While the plaintiffs own over 500 convenience stores in the northeast United States and have an annual advertising budget of over \$6 million, the defendant owns one convenience store and had spent less than \$500 on advertising at the time of the hearing.¹³⁷ The court found that Wawa was indeed a famous mark and that the products marketed by the parties were similar.¹³⁸ Furthermore, the lack of sophistication within the targeted consumer groups supported the finding that dilution occurred.¹³⁹

The owners of "The Velvet Elvis," a lounge in Texas, argued that the bar was a parody of "a time when lava lamps, velvet paintings, and bell bottoms were popular" and that the First Amendment protected the use of the mark.¹⁴⁰ The plaintiffs disagreed, arguing that the defendants' use of the "wholesome image of Elvis" in conjunction with "a tacky bar that indiscriminately displays explicit and almost pornographic paintings of nude women" tarnished their mark.¹⁴¹ The court agreed with the defendants, finding that no tarnishment existed.¹⁴² "[T]he nude pictures and the bar's intentional tackiness are an obvious part of the parody and are associated, to the extent any association is made, for purposes of the parody only, rather than for creating a permanent derogatory connection in the public's mind between the two businesses."¹⁴³

VII. APPLICABLE DEFENSES

The recent decisions confirm that viable defenses exist against claims of dilution in trademark parody cases. The best defenses

¹³⁵ *Id.* at 1574.

¹³⁶ *WaWa, Inc., v. Haaf*, No. CIV.A.96-4313, 1996 WL 460083, 40 U.S.P.Q.2d (BNA) 1629 (E.D. Pa. Aug. 7, 1996).

¹³⁷ *Id.* at *2.

¹³⁸ *Id.* at *2-3.

¹³⁹ *Id.* at *3.

¹⁴⁰ *Elvis Presley Enters., Inc. v. Capece*, 950 F. Supp. 783, 788 (S.D. Tex. 1996).

¹⁴¹ *Id.* at 799.

¹⁴² *Id.* at 783.

¹⁴³ *Id.* at 799.

are arguments that the plaintiff's mark is not distinctive or famous, the defendant's use of the mark is a noncommercial use, and the First Amendment prevents application of the statute to parody. The comparative advertising and commentary defenses are also available but will likely be less helpful in rescuing the parodist from the legal clutches of trademark owners.

A. COMPARATIVE ADVERTISING

The comparative advertising defense¹⁴⁴ has long been recognized in the trademark dilution area and rests on the idea that a trademark is the most economical and feasible way to transmit information about a product and its owner to the public.¹⁴⁵ McCarthy provides an example of an unfair comparative use where a competitor's trademark is used in an advertisement and is altered so that consumers may "come to attribute unfavorable characteristics to a mark and ultimately associate the mark with inferior goods and services."¹⁴⁶ The comparative advertising defense is not discussed in detail in this Note because the use of a parody in such a situation is very unlikely.

B. COMMENTARY

The commentary defense provided for in the statute is very strict, providing that "all forms of *news* reporting and *news* commentary" are not actionable.¹⁴⁷ This defense was included in the statute to ensure that the federal law would not interfere with the use of trademarks in conveying news and other socially useful information.¹⁴⁸ The section also protects "allegedly tasteless or nasty modifications of famous marks in the media in newspaper cartoons, magazine stories, Internet home pages and the like."¹⁴⁹ Again,

¹⁴⁴ "Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark" is not actionable under the statute. 15 U.S.C. § 1125 (c)(4)(A) (Supp. I 1995).

¹⁴⁵ Shaughnessy, *supra* note 100, at 1105.

¹⁴⁶ MCCARTHY, *supra* note 14, at § 24:97.1.

¹⁴⁷ 15 U.S.C. § 1125(c)(4)(C) (Supp I 1995) (emphasis added).

¹⁴⁸ MCCARTHY, *supra* note 14, at § 24:97.3.

¹⁴⁹ *Id.*

this defense is not discussed in detail since it may only be applied within specific factual parameters.

C. PLAINTIFF'S MARK IS NOT DISTINCTIVE OR FAMOUS

To prove a case of trademark dilution, an owner must show that the mark is famous and that a distinctive quality of the mark has been diluted.¹⁵⁰ Therefore, if a parodist can show that the plaintiff's mark is not famous or is not distinctive, his use of the mark is not prohibited by the Act. The statute provides eight factors that a court *may* consider in deciding whether a mark is famous and distinctive.¹⁵¹ These factors are: (1) the degree of inherent or acquired distinctiveness of the mark; (2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (3) the duration and extent of advertising and publicity of the mark; (4) the geographical extent of the trading area in which the mark is used; (5) the channels of trade for the goods or services with which the mark is used; (6) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (7) the nature and extent of use of the same or similar marks by third parties; and (8) whether the mark was federally registered.¹⁵²

The section-by-section analysis of the statute in the legislative history provides more detail for several of the factors.¹⁵³ The first factor that relates to distinctiveness denotes that a mark may be famous even if it is not inherently distinctive.¹⁵⁴ In conjunction with the second factor, "generally a famous mark will have been in use for some time."¹⁵⁵ With respect to the geographic fame of the mark, it must "extend throughout a substantial portion of the U.S."¹⁵⁶ The legislative history notes that a mark "protected against dilution can have acquired its fame in connection with one

¹⁵⁰ 15 U.S.C. § 1125(c)(1).

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ H.R. REP. NO. 104-374, at 7 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1034.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

type of good or service and, as a result, be so famous as to be entitled to protection against dilution when used on or in connection with an unrelated good or service."¹⁵⁷

The Restatement also provides clues as to which mark may be considered distinctive. "As a general matter, a trademark is sufficiently distinctive to be diluted by a nonconfusing use if the mark retains its source significance when encountered outside the context of the goods or services with which the mark is used by the trademark owner."¹⁵⁸ However, a mark is not adequately distinctive if the mark sparks an association with a particular product only when used in context with that product.¹⁵⁹ More specifically, the reporter's notes suggest that use of mark in a parody is unlikely to dilute the mark's distinctiveness because the use refers back to the trademark owner.¹⁶⁰

The Restatement further notes that a mark may be distinctive in a select market, and if so, the owner is only protected from diluting uses of the mark directed toward that consumer class.¹⁶¹ Use of the mark in a broader market is not actionable, even if it produces dilution in the smaller group.¹⁶²

Examining cases recently decided under the new statute provides illustrations of what courts have considered in determining whether a mark is famous and distinctive. In *Novo Nordisk of North America, Inc. v. Eli Lilly & Co.*, the U.S. District Court for the Southern District of New York did not consider any of the optional factors, but concluded that the plaintiff's mark was not famous because it only represented one percent of the entire market for its product.¹⁶³ Again, without referencing the factors, the same court found that Ringling Brothers' registered mark "The Greatest Show on Earth" was famous, due in part to its use across the U.S. for

¹⁵⁷ *Id.* at 8.

¹⁵⁸ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. e (1995).

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at reporter's notes, cmt. f (citing *Yankee Pub., Inc. v. News Am. Pub., Inc.*, 809 F. Supp. 267, 25 U.S.P.Q.2d (BNA) 1752 (S.D.N.Y. 1992) and *Eveready Battery Co. v. Adolph Coors Co.*, 765 F. Supp. 440, 19 U.S.P.Q.2d (BNA) 1265 (N.D. Ill. 1991)).

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Novo Nordisk of North Am., Inc. v. Eli Lilly & Co.*, No 96 Civ. 5787 (BSJ), 1996 WL 497018 (S.D.N.Y. Aug.30, 1996). Here the plaintiffs, manufacturers of insulin, attempted to enjoin Eli Lilly from using its mark on the packaging of insulin injectors. *Id.*

over one hundred years.¹⁶⁴

The court explicitly considered the statutory factors in *American Express Co. v. CFK, Inc.*¹⁶⁵ The court found that "Don't Leave Home Without . . ." is a distinctive and famous trademark.¹⁶⁶ In applying the factors, the court found distinctiveness had been acquired through over 20 years of worldwide use and millions of dollars spent to create worldwide recognition in the travel related market.¹⁶⁷ Furthermore, the court noted the mark was federally registered and the lack of evidence demonstrating the mark was being used by any third parties without plaintiffs' authority.¹⁶⁸

Similarly in *Trustee of Columbia University in the City of New York v. Columbia/HCA Healthcare Corp.*, the court explicitly considered the factors.¹⁶⁹ The court ultimately found that the plaintiff failed to establish ownership of a distinctive mark.¹⁷⁰ In explaining the decision, the court stated the plaintiff's mark, Columbia, had been undermined by third party uses across the United States and the plaintiff failed to prove that the mark was a unique identifier of their services.¹⁷¹

D. NONCOMMERCIAL USE

The legislative history notes that the Act adequately protects First Amendment concerns exposed by the media by requiring the use to be commercial in order to prove an action for dilution.¹⁷² Additionally the "use in commerce" requirement¹⁷³ demands "some aspect of interstate commerce to be present before the

¹⁶⁴ *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp.*, 937 F. Supp. 204, 40 U.S.P.Q.(BNA) 1010 (S.D.N.Y. 1996). However, the plaintiffs were still denied an injunction against the defendants' use of "The Greatest Bar on Earth," after failing to establish irreparable harm or a likelihood of success on the merits. *Id.* at 214.

¹⁶⁵ 947 F. Supp. 310, 41 U.S.P.Q.2d (BNA) 1756 (E.D. Mich. 1996).

¹⁶⁶ *Id.* at 316.

¹⁶⁷ *Id.* at 318.

¹⁶⁸ *Id.* at 315-16.

¹⁶⁹ 964 F. Supp. 733, 749, 43 U.S.P.Q.2d (BNA) 1083 (S.D.N.Y. 1997).

¹⁷⁰ *Id.* at 750.

¹⁷¹ *Id.*

¹⁷² H.R. REP. NO. 104-374, at 4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029.

¹⁷³ The statute provides an injunction for a "commercial use in commerce of a mark or trade name." 15 U.S.C. § 1125(c)(1) (Supp. I 1995).

dilution provision can be triggered.”¹⁷⁴ The legislative history continues, stating that “[n]othing in this bill is intended to alter existing case law on the subject of what constitutes ‘commercial’ speech.”¹⁷⁵

The Restatement of Unfair Competition has noted that noncommercial use means nontrademark uses of a mark.¹⁷⁶ Nontrademark uses “do not create an association with a different user’s goods, services, or business.”¹⁷⁷ Under these criteria, use of a trademark in a parody would not be a prohibited use, since the mark is being used to refer to the original mark. A parody use of a mark, therefore, would “serve to confirm rather than undermine the associational significance of the mark.”¹⁷⁸

In 1987, the United States Court of Appeals for the First Circuit characterized a noncommercial use as a non-trademark use.¹⁷⁹ In this case, the defendants included an article entitled “L.L. Bean’s Back-To-School-Sex-Catalog” in a fall issue of the magazine *High Society*.¹⁸⁰ The court distinguished the defendants’ use of the trademark from a commercial use by noting the article was labeled a parody on its face and the mark was not used to identify or promote goods or services to consumers.¹⁸¹

In the Dr. Seuss parody case discussed above, the plaintiffs argued that the defendants’ use “cannot be accepted as ‘noncommercial’ because the marks were used to ‘make their book more entertaining and to consequently, sell more copies.’”¹⁸² However, the United States District Court for the Southern District of California responded that “an expressive use is not rendered commercial by the impact of the use on sales.”¹⁸³

¹⁷⁴ H.R. REP. NO. 104-374, at 7 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029.

¹⁷⁵ *Id.* at 4.

¹⁷⁶ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. i (1995).

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

¹⁷⁹ *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31-32, 1 U.S.P.Q.2d (BNA) 1753 (1st Cir. 1987).

¹⁸⁰ *Id.* at 27.

¹⁸¹ *Id.* at 32.

¹⁸² *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996).

¹⁸³ *Id.*

In the future, whether a use may be deemed a commercial use will likely rest on whether the use of the mark was a "trademark use" (i.e., used to advertise or promote a product by suggesting inaccurate sponsorship or origin). If courts continue to accept this definition of what denotes a commercial use, the noncommercial defense will prove a valuable weapon for parodists.¹⁸⁴

E. FIRST AMENDMENT

The law of trademark dilution has developed to combat unauthorized and harmful uses of a mark by another party to identify and promote dissimilar products,¹⁸⁵ and the Constitution is not offended when the statutes prevent these types of uses of a mark. However, when a party is not using the mark to manufacture or advertise dissimilar items, the First Amendment becomes an issue.

Famous trademarks offer a particularly powerful means of conjuring up the image of their owners, and thus become an important, perhaps at times indispensable, part of the public vocabulary. Rules restricting the use of well-known trademarks may therefore restrict the communication of ideas If the defendant's speech is particularly unflattering, it is also possible to argue that the trademark has been tarnished by the defendant's use. The constitutional implications of extending the misappropriation or tarnishment rationales to such cases, however, may

¹⁸⁴ It is interesting to note that the United States Supreme Court has recently dictated that the commercial element does not render the fair use exception inapplicable in the context of a copyright parody case. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 29 U.S.P.Q.2d (BNA) 1961 (1994). There the Court found:

[T]he commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character The mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness.

Id. at 584 (citing *Harper & Rowe, Publishers Inc. v. Nation Enters.*, 471 U.S. 539, 561, 225 U.S.P.Q.2d (BNA) 1073 (1985)).

¹⁸⁵ See Max, *supra* note 8, at c13 (noting Congressional concerns of safeguarding the owner's goodwill in the mark).

often be intolerable. Since a trademark may frequently be the most effective means of focusing attention on the trademark owner or his product, the recognition of exclusive rights encompassing such use would permit the stifling of unwelcome discussion.¹⁸⁶

Because parody and commercial speech are within the protection of the First Amendment "free speech" clause of the Constitution,¹⁸⁷ it is questionable whether the Trademark Dilution Act oversteps constitutional bounds in its prohibition of unauthorized commercial use of trademarks. Because the restrictions apply to all commercial speech, not just false and misleading speech, the grounds for the protection of trademarks may not be sturdy enough to stand up to commercial free speech interests protected by the First Amendment.¹⁸⁸

While a purpose of the Act was to ensure that courts are "authorized to enjoin unauthorized commercial uses of famous marks that may fall short of technical trademark use"¹⁸⁹ and to "preclude the courts from enjoining speech that courts have recognized to be constitutionally protected,"¹⁹⁰ Congress realized first amendment issues were a potential conflict. Congress was familiar with the free speech concerns in prohibiting trademark dilution¹⁹¹ after the House Judiciary Committee deleted dilution provisions from a proposed act to revise trademark law in 1987.¹⁹² The Committee removed the dilution provisions due to first amendment concerns raised in the House of Representatives.¹⁹³

¹⁸⁶ Denicola, *supra* note 97, at 195-97.

¹⁸⁷ McCarthy, *supra* note 14, § 31:139 and § 31:153.

¹⁸⁸ Max, *supra* note 8, at c14.

¹⁸⁹ Statement of International Trademark Association before the Subcommittee on Courts and Intellectual Property Committee on the Judiciary, United States House of Representatives on H.R. 1295 and H.R. 1270, at 10 (July 17, 1995) [hereinafter "INTA Statement"].

¹⁹⁰ See INTA Statement at 10.

¹⁹¹ Denicola, *supra* note 97, at 190-95.

¹⁹² See H.R. REP. NO. 100-1028, at 5 (1988).

¹⁹³ *Id.* See Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 112-13 (1993).

In supporting the passage of the Federal Trademark Dilution Act, Sen. Orin Hatch stated that the "proposal adequately addresses legitimate First Amendment concerns espoused by the broadcasting industry and the media. The bill will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction."¹⁹⁴ Congressional awareness is further evidenced by the references in the legislative history to the First Amendment.¹⁹⁵

The proposal adequately addresses legitimate [f]irst [a]mendment concerns espoused by the broadcasting industry and the media. The bill will not prohibit or threaten "noncommercial" expression, as that term has been defined by the courts. Nothing in this bill is intended to alter existing case law on the subject of what constitutes "commercial" speech. The bill includes specific language exempting from liability the "fair use" of a mark in the context of comparative commercial advertising or promotion as well as all forms of news reporting and news commentary. The latter provision which was added . . . as a result of an amendment offered by Congressman Moorhead that was adopted by the Committee, recognizes the heightened [f]irst [a]mendment protection afforded the news industry.¹⁹⁶

Courts have widely recognized that the government may ban commercial speech that relates to illegal information or is false.¹⁹⁷ However, "the government's power is more circumscribed" when the information is not false or linked with illegal activity.¹⁹⁸ Under this scenario, restrictions are not "sustained if they provide remote rather than direct advancement of the claimed interest, or if the

¹⁹⁴ 141 CONG. REC. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch).

¹⁹⁵ H.R. REP. NO. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029-31.

¹⁹⁶ *Id.* at 4-5.

¹⁹⁷ *Max*, *supra* note 8, at c14.

¹⁹⁸ *Id.* (citing *Central Hudson Gas and Electric Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 564 (1980)).

governmental interest could be achieved through more limited restrictions.¹⁹⁹

Since the Trademark Dilution Act does not provide a definition of commercial speech, the commercial element will certainly present a problem for parodists. However, the United States Supreme Court has suggested a test for identifying commercial speech in *Central Hudson Gas & Electric Corp. v. Public Service Commission*.²⁰⁰ In that case, the Court held that commercial speech is determined by whether the speech relates "solely to the economic interests of the speaker and its audience,"²⁰¹ thereby "propos[ing] a commercial transaction."²⁰² The Court's definition of commercial speech supports the policies of furthering the speaker's economic interest and benefiting consumers by providing the fullest possible dissemination of data.²⁰³

The Supreme Court specifically considered the free flow of commercial information in the trademark context in *Friedman v. Rogers*.²⁰⁴ There the Court confronted the issue whether a state law that prohibited optometrists from practicing under a trade name was an unconstitutional restriction under the First Amendment.²⁰⁵ The Court, holding that the law was not unconstitutional, reiterated that "[s]ociety has a strong interest in the free flow of commercial information, both because the efficient allocation of resources depends upon informed consumer choices and because even an individual advertisement, though entirely 'commercial,' may be of general public interest."²⁰⁶ However, some restrictions are permitted provided they serve a significant government interest and leave open alternative channels for communication.²⁰⁷

¹⁹⁹ *Id.* The Supreme Court has chosen a four-part analysis for commercial speech. If the speech relates to lawful activity and is not misleading, the restriction will only be upheld if the governmental interest is substantial, the interest is directly advanced by the regulation and the restriction is not unnecessarily broad. *Metromedia, Inc. v. City of San Diego*, 453 U.S. 490, 507 (1981).

²⁰⁰ 447 U.S. 557 (1980).

²⁰¹ *Id.* at 561.

²⁰² *Posadas de Puerto Rico Assocs. v. Tourism Co. of Puerto Rico*, 478 U.S. 328, 340 (1986).

²⁰³ *Central Hudson Gas*, 447 U.S. at 561-562.

²⁰⁴ 440 U.S. 1 (1979).

²⁰⁵ *Id.* at 3.

²⁰⁶ *Id.* at 8-9.

²⁰⁷ *Id.*

Furthermore, courts have recognized that parody is a form of "artistic expression" that deserves more than narrow first amendment protection,²⁰⁸ and where an expressive work is alleged to infringe a trademark, it is "appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion."²⁰⁹ In light of these concerns, one can see that a conflict exists between the public and the parodist's interest in expression and trademark protection.

McCarthy suggests that tarnishment caused by parody which satirizes a product or its image is not actionable under an anti-dilution statute due to the first amendment free speech concerns.²¹⁰ It should be noted however, that McCarthy, like the authors of the Federal Trademark Dilution Act, draws a distinction in free speech protection depending upon the use of the trademark. First Amendment concerns are "much lessened where the parody is a trademark used to identify a commercial product."²¹¹

The Restatement of Unfair Competition also notes that anti-dilution statutes do not apply when trademarks are used to "comment on, criticize, ridicule, parody, or disparage the [plaintiff] or the [plaintiff's] goods."²¹² The plaintiff only has a cause of action, without confusion, if the defendant's conduct meets the requirements of defamation, invasion of privacy, or injurious falsehood.²¹³ The comments further expand on the potential first amendment issues involved.

²⁰⁸ *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490, 493 (2d Cir. 1989). See also *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 545, 141 U.S.P.Q. (BNA) 14 (2d Cir. 1964) (holding that "parody and satire are deserving of substantial freedom—both as entertainment and as a form of social and literary criticism.") (emphasis added).

²⁰⁹ *Cliffs Notes*, 886 F.2d at 494. As a result, the court applied a balancing approach for parody that considers the likelihood of confusion as to the source of the goods in question. The court felt such a test would allow parodies greater latitude due to the need to evoke the original work being parodied. *Id.* at 495.

²¹⁰ *McCarthy*, *supra* note 14, at § 24:105. See also *L.L. Bean v. Drake Publ. Inc.*, 811 F.2d 26, 33 (1st Cir. 1987) (stating that "[i]f the anti-dilution statute were construed as permitting a trademark owner to enjoin the use of his mark in a noncommercial context found to be negative or offensive, then a corporation could shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.").

²¹¹ *McCarthy*, *supra* note 14, at § 24:105.

²¹² RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 25(2) (1995).

²¹³ *Id.*

The [Supreme] Court's decisions permit narrowly-tailored restrictions on commercial speech that directly further a substantial state interest. There is no indication that the [F]irst [A]mendment limits application of the antidilution statutes in the context of a subsequent use of a mark as a trademark by another. Use of another's trademark, not as a means of identifying the user's own goods or services, but as an incident of speech directed at the trademark owner, however, raises serious free speech concerns that cannot be easily accommodated under traditional trademark doctrine. The expression of an idea by means of the use of another's trademark in a parody, for example, will often lie within the substantial constitutional protection accorded noncommercial speech and may thus be the subject of liability only in the most narrow circumstances.²¹⁴

VIII. OTHER REMEDIES AVAILABLE TO TRADEMARK OWNERS

Additional support for a lenient judicial application of dilution to parody is the fact that remedies already exist for truly damaging uses of trademarks. No trademark owner is at the mercy of those who would criticize or belittle the mark or the owner. Traditional common law and statutory remedies will still safeguard the trademark if the speech extends beyond constitutional grounds.²¹⁵ Defamation and false advertising provide a cause of action for injured trademarks and trademark owners.²¹⁶ If the defendant's use of the trademark implies false statements about the trademark owner or the quality of the product, the tort of injurious falsehood can provide adequate relief.²¹⁷ If a use or commentary on a mark defames the reputation of the owner, the law of defamation may provide a cause of action.²¹⁸ The Restatement also notes that the right of privacy may be applicable to a nontrademark use of a

²¹⁴ *Id.* at cmt. i of § 25(2).

²¹⁵ Denicola, *supra* note 97, at 198-99.

²¹⁶ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25(2) cmt. i (1995).

²¹⁷ *Id.*

²¹⁸ *Id.*

mark, but as yet no case has applied the right of privacy in such a context.²¹⁹

In reality the protection provided by the law of defamation may be very limited. The Supreme Court has found that only a small area of defamatory speech is protected.²²⁰ In *New York Times Co. v. Sullivan*, the Court held that an editorial advertisement in support of the civil rights movement was constitutionally protected speech and therefore, not libelous.²²¹ The Court stated that erroneous speech against a public party is only protected if it was not made "with knowledge that it was false or with reckless disregard of whether it was false or not."²²²

False advertising may also provide a cause of action for trademark owners whose marks have been used in a misleading manner. The elements of a prima facie case of false advertising under Section 43(a) of the Lanham Act require a plaintiff to prove that the defendant (1) used a misleading or false description of fact in interstate commerce, (2) in connection with goods or services in commercial advertising or promotions, (3) that the description misrepresented the nature of the goods, services or commercial activities of the defendant or another person, and (4) the plaintiff has been or is likely to be damaged by the illegal acts.²²³ The intent of this statute was to protect parties in commerce from unfair competition by prohibiting the deceptive use of trademarks.²²⁴

Furthermore, if damage to the reputation of the product or owner is the true concern of courts and trademark owners, as the tarnishment and blurring doctrines indicate, a general disclaimer should be sufficient. A parodist could then relieve himself of any potential liability and prevent harm to the owner's reputation via one minor step. But under no circumstances should a trademark owner be able to completely insulate his mark against all constitutional speech by invoking a proprietary interest in the symbol.²²⁵

²¹⁹ *Id.*

²²⁰ *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964).

²²¹ *Id.*

²²² *Id.* at 280.

²²³ McCarthy, *supra* note 14, § 27:24.

²²⁴ *Id.* at § 27:25.

²²⁵ Denicola, *supra* note 97, at 199.

Expanding an owner's right to control a likeness or symbol has already been restricted in one area of the law, the right of publicity doctrine.²²⁶ While the right to exploit one's own name and likeness has received acceptance, the courts have limited this power when it interferes with free speech interests.²²⁷ In many ways a trademark is analogous to a famous name. Both symbolize and identify an entity, although the trademark is more limited because it is only a visual representation. Both have been deemed to be valuable goods. Thus, because trademarks and famous names serve the same function, it is "not surprising that the [C]onstitution demands similar restraint in the recognition of trademark rights."²²⁸

IX. POLICY REASONS FOR GRANTING LENIENCY TO PARODY USES OF MARKS

A. SUBSTANTIAL HARM TO TRADEMARK OWNER

Any harm that may befall a trademark owner as a result of a parody is much less severe than harm from other unauthorized uses. For example, using the "Lardashe" trademark on blue jeans will certainly spark a laugh but will not damage the "Jordache" name as would using the name "Jordache" on an inferior denim.²²⁹ Similarly, jesting at the expense of a trademark is not comparable to using the mark on the defendant's competing product line. The crucial connection between parody and a trademark is recognition of the mark and its image. In this respect, the parody provides a reinforcement of the attributes of the mark by calling attention to them. One author suggests, "a trademark parody dilutes its target only by adding a humorous picture of the mark to the collection of images the owner has created for it."²³⁰

²²⁶ *Id.* at 198.

²²⁷ *Id.*

²²⁸ *Id.*

²²⁹ *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 4 U.S.P.Q.2d (BNA) 1216 (10th Cir. 1987).

²³⁰ Shaughnessy, *supra* note 100, at 1113.

B. BENEFIT TO THE PARODIST

As discussed above, the parodist has a strong interest in using trademarks. A trademark is often the simplest way to symbolize a lifestyle, a personality trait, a product or the trademark owner—all of which can be humorous subjects. In *Cliffs Notes*,²³¹ the parodist could have commented on the “ironic, sophisticated”²³² traits of an urbane 20th-century novel without using the format of Cliff Notes published book reports. However, the academic, straightforward style used by Cliff Notes provided a humorous vehicle for the parodist’s ideas.²³³

C. THE PUBLIC INTEREST

Ultimately the public interest is the most important and most variable factor involved in any constitutional analysis of a trademark parody. While the public has an interest in exposure to the commentary that the parodist has to offer, the public also may bear any economic burden resulting from the parody. For example, if the trademark owner takes action to rehabilitate the trademark’s image through positive exposure and advertising the public will ultimately bear the cost.²³⁴ Higher product prices for the consumer will be the result. Furthermore, without the parody the public is denied access to the ideas the parodist sought to present, because it is unlikely the trademark owner will present a parody or third-party commentary on his product after investing time and money to create a specific image.

X. CONCLUSION

While the Federal Trademark Dilution Act effectively prohibits trademark dilution in the United States, it is questionable whether the Act adequately protects the use of trademarks in the parody

²³¹ *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Group, Inc.*, 886 F.2d 490 (2d Cir. 1989) (dismissing an order for an injunction reasoning that public interest in free expression outweighs the small risk of consumer confusion).

²³² *Id.* at 492.

²³³ *Id.*

²³⁴ Shaughnessy, *supra* note 100, at 1114.

context. Despite its shortcomings, the Act lays the groundwork for several viable defenses for parodists: the noncommercial use, the distinctive and famous requirements, and the First Amendment. Through these defenses, courts have been given discretionary leeway and should allow the use of trademarks in parodies that do not seek to mislead the public or compete with the owner's mark.

While parody may often be offensive, it is still "deserving of substantial freedom—both as entertainment and as a form of social and literary criticism."²³⁵ A parodist should not lose the cloak of protection afforded by the Constitution simply because his subject is a famous trademark.

NATALIE A. DOPSON

²³⁵ *Berlin v. E.C. Publications, Inc.* 329 F.2d 541, 545, 141 U.S.P.Q. (BNA) 1 (2d Cir. 1964).

