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What Constitutes "Well Known Or Famous" Under Minnesota's New Dilution Statute

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I. INTRODUCTION

Minnesota has recently enacted a trademark dilution statute which provides injunctive relief for the misuse of trademarks or trade names which are “well known or famous.” This article will briefly trace the history of trademark dilution, the pertinent case law, Congress’ actions pertaining to dilution and the brief legislative history of the Minnesota statute. An analysis will conclude with a suggested framework for the determination of whether a mark is “well known or famous” pursuant to the Minnesota statute.

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1. Minn. Stat. § 325D.165 (1994). This statute states that:
   Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be grounds for injunctive relief, regardless of the presence or the absence of competition between the parties or likelihood of confusion, mistake or deception. For the purpose of this section, the following terms have the meanings given them: (1) “dilution” means the lessening of the capacity of an owner’s mark to identify and distinguish goods or services; and (2) “distinctive quality” means the mark is inherently distinctive or has acquired distinctiveness, and the mark is well known or famous.

Id.
II. HISTORY OF TRADEMARK DILUTION

Under federal trademark law, actionable misuse of a trademark requires confusion, or a likelihood of confusion between the complained of mark and the plaintiff's mark. The federal courts have identified factors which must be considered in an analysis of trademark infringement. There is no single controlling factor; rather multiple factors must be considered. These factors include the strength of the infringed mark, the similarity of the marks examined as a whole, the degree to which the products compete with one another, the intent of the alleged infringer to pass off its goods as the product of another, evidence of actual confusion, and whether the kind of product and its costs and conditions of purchase would allow a purchaser to eliminate the likelihood of confusion which would otherwise exist. Thus under traditional trademark law, actual confusion or a likelihood of confusion must exist in order for a trademark holder to successfully enforce its rights.

The element of confusion is the critical difference between trademark infringement under the Lanham Act and traditional trademark dilution. Confusion is not necessary under traditional trademark dilution theory. Although protection of one's property rights in a mark is a common objective of both

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2. Federal Trademark Act, 15 U.S.C. § 1051 (1988); Lanham Act, 15 U.S.C. § 1125 (1988). The Supreme Court has identified likelihood of confusion as follows: "[U]nder the Lanham Act, the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks . . . . Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a 'likelihood of confusion?'" Two Pesos, Inc. v. Taco Cabana, Inc., 112 S. Ct. 2758, 2763, 23 U.S.P.Q. 2d, 1081, 1088 (1992) (Stevens, J., concurring) (quoting New West Corp. v. NYM Co. of California, Inc., 595 F.2d 1194, 1201, 202 U.S.P.Q. 2d 643, 649 (9th Cir. 1979) (footnote omitted).

3. See Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (listing as relevant factors the strength of the trademark, the degree of similarity, proximity of the products to one another, the likelihood any gap may be bridged, actual confusion, and the sophistication of buyers), cert. denied, 368 U.S. 820 (1961); Squirtco v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980) (listing as relevant factors the likelihood of confusion, the strength of an existing mark, degree of similarity, proximity, intent to infringe, and actual confusion).

4. Polaroid, 287 F.2d at 495.

5. Squirtco, 628 F.2d at 1091.

6. See Minn. Stat. § 325D.165 (1994). The statute allows a cause of action regardless of "the presence or the absence of . . . likelihood of confusion, mistake or deception." Id.
MINNESOTA'S TRADEMARK DILUTION STATUTE

traditional trademark infringement law and trademark dilution law, the two differ significantly in analysis.

Although it is difficult to pinpoint, trademark dilution may have originated in England when, in 1890, an English court protected the trademark “Kodak” against use on bicycles.7 Frank Schechter, in a Harvard Law Review article published in 1927, is credited as one of the first to recognize and analyze trademark dilution as a remedy.8 Schechter was disturbed by the “trademark pirates” becoming more sophisticated and not copying the exact products, but rather using famous trademarks on different goods.9 The focus of Schechter's article was on unrelated, noncompeting uses of distinctive, famous trademarks or trade names.10 Schechter's position was that the advertising power of the trademark was its primary value.11 With this in mind, Schechter postulated that unauthorized uses of a strong mark tend to diminish the public's association with the mark, which results in a “whittling away” or a “dispersion” of the identity and hold upon the public mind of the mark or name by

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9. Schechter, supra note 8, at 825.

10. Schechter remarked in Congressional hearings:
I think there is not only the question of deception of the public, but I believe . . . the person who has the trade-mark should be able to prevent other people from vitiating the originality, the uniqueness of that mark. If you take Rolls Royce—for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark anymore. That is the point.

its use on non-competing goods.\textsuperscript{12}

It is not surprising trademark dilution is a relatively recent addition to the state statutes as compared to traditional trademark infringement.\textsuperscript{13} The relatively recent explosion and expansion of the power of the media allows a corporation to create trademarks which are recognized worldwide.\textsuperscript{14} This ability to expose one's trademark to millions of people creates a climate in which famous trademarks, which were once limited to trademarks such as Ford and Kodak, may be created almost overnight through the use of creative marketing, advertising dollars, and widespread dissemination by the media.

Although most trademark dilution legislation does not identify specific types of dilution, there are generally two recognized categories.\textsuperscript{15} The first is dilution by blurring, which involves a situation in which the use of a mark by a second user blurs the consuming public's perception as to the source of goods, which also causes erosion of the selling power of the mark.\textsuperscript{16} The second is tarnishment, which involves a situation wherein the trademark owner claims that a second user's use of the owner's mark tarnishes or injures the reputation associated with the owner's mark.\textsuperscript{17} This often involves situations where

\begin{itemize}
  \item \textsuperscript{12} \textit{Id.} at 825.
  \item \textsuperscript{13} Trademarks have been used for over four hundred years to designate origin or ownership of goods. \textit{Id.} at 814.
  \item \textsuperscript{14} \textit{See, e.g.,} Laurence Brahm, \textit{The Reality of Registering a Trademark in China}, 77 TRADEMARK REP. 320 (1987) (listing Cannon, Jaguar, Mercedes Benz, and Apple computers as companies with trademarks recognized worldwide).
  \item \textsuperscript{15} \textit{2 J. Thomas McCarthy, Trademark and Unfair Competition,} \$ 24.13, at 212-15 (2d ed. 1984).
\end{itemize}
a well known trademark may be used on an unsavory product.\textsuperscript{18}

Minnesota is a recent addition to a large number of states, starting with Massachusetts in 1947, which have passed anti-dilution statutes.\textsuperscript{19} New York's anti-dilution statute has been the subject of a significant amount of the nation's dilution litigation.\textsuperscript{20} Since Minnesota's dilution statute was modeled very closely to New York's, the Second Circuit's interpretation of dilution will be reviewed.\textsuperscript{21}

III. CASE LAW

A. Second Circuit Case Law

The Second Circuit, in an opinion addressing both trademark infringement and dilution, indicated that anti-dilution statutes protect only strong marks, which are those marks having a distinctive quality or having secondary meaning. In \textit{Allied Maintenance Corp. v. Allied Mechanical Trades,}\textsuperscript{22} the court cited

\textsuperscript{18} LL Bean, Inc. v. Drake Publishing, 625 F. Supp. 1531, 1538 (D. Me. 1986) (determining whether dilution occurred when popular outdoor wear catalogue was parodied by purveyor of marital aids), rev'd, 811 F.2d 26 (1st Cir. 1987).


\textsuperscript{20} The New York Statute reads as follows:

\begin{quote}
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 the 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.
\end{quote}

N.Y. GEN. BUS. LAW § 368-d (McKinney 1984).

\textsuperscript{21} Compare MINN. STAT. § 325D.165 with N.Y. GEN. BUS. LAW § 368-d.

examples of diluting trade names such as "'Buick aspirin tablets,' 'Schlitz varnish,' 'Kodak pianos,' and 'Bulova gowns.'" The court laid out factors which would assist one in determining whether a trademark was famous. First, the trademark must have a distinctive quality or have acquired secondary meaning. A trademark having distinctive quality is described as being arbitrary, fanciful, or coined, which essentially disqualifies suggestive or descriptive marks. If the mark is not distinctive, it must have acquired secondary meaning through exclusive use and advertisement by one entity. The "distinctive quality" element is required under both the New York and Minnesota statutes. This is one of the requirements that prevents dilution protection for weak marks.

The majority held the mark "ALLIED MAINTENANCE" was not strong or famous enough to warrant dilution protection. In a sharp dissent, it was urged that although "ALLIED MAINTENANCE" is not famous to a wide group of people, it is famous to those individuals who work in the industry that Allied operates. Thus, the majority required a mark to exceed a threshold of some type of national prominence before it could be famous or strong. The dissent posed a lower threshold, requiring only that the mark be famous in a particular industry or channel of trade.

24. Id. at 1165, 198 U.S.P.Q. at 422.
25. Id. The court found the mark ALLIED to be a weak trade name; rather than being distinctive or arbitrary, it is descriptive or generic. Id.
26. Id.
27. Id. The court found at least 300 businesses using "ALLIED" and thus held that it did not have secondary meaning. Id.
28. Id. at 1166, 198 U.S.P.Q. at 422. See also MINN. STAT. § 325D.165 (1994); N.Y. GEN. BUS. LAW § 368-d (McKinney 1984).
29. Allied Maintenance Corp., 369 N.E.2d at 1166, 198 U.S.P.Q. at 422. The Minnesota statute's additional requirement that the mark be "well known or famous" explicitly excludes weak marks. This is an important distinction and creates a higher threshold of mark strength than is present in most other states' anti-dilution statutes. Compare MINN. STAT. § 325D.165 (1994) with N.Y. GEN. BUS. STAT. § 368-d (McKinney 1984); see also supra note 19.
31. Id. at 1166-69, 198 U.S.P.Q. at 422-25.
32. Id. at 1166, 198 U.S.P.Q. at 422.
33. Id. at 1167-68, 198 U.S.P.Q. at 424.
In *Sally Gee, Inc. v. Myra Hogan, Inc.*,34 the court set out factors relevant to a finding of dilution and also clarified the fact that confusion is not a required element of dilution. The first factor is the trademark must be “truly of distinctive quality” or it must have “acquired secondary meaning in the mind of the public.”35 The court did not make a finding on the strength of the SALLY GEE mark, since other dilution factors were lacking.36 However, the court did indicate that the mark was virtually unknown.37 The second factor, likelihood of dilution, was directed at the potential to blur or tarnish the original user’s mark, which would constitute a situation that would result in a likelihood to dilute.38 The court did not find this present in the facts, since the mark SALLY GEE was virtually unknown.39 The final factor is the existence of predatory intent.40 This is a willfulness factor, which often may be hard to prove, but is fairly easy to infer if a mark is famous.

In a recent Second Circuit case, Merriam-Webster claimed that Random House infringed their trade book jacket cover and violated the New York anti-dilution statute.41 The court found there was a sufficient likelihood of confusion to support the infringement claim.42 The court also found that Random House’s use of the phrase “Webster’s Collegiate” did not violate the anti-dilution statute because those two words had a “general and prolonged” use by a number of publishers besides Merriam-Webster.43 The court relied on the *Sally Gee* factors in stating

34. 699 F.2d 621; 217 U.S.P.Q. 658, (2d Cir. 1983).
36. *Id.* The Second Circuit referred to the *Allied* case for its holding that the dilution statute only covers “extremely strong marks.” *Id.*
37. *Id.* at 622, 217 U.S.P.Q. at 659-60.
38. *Id.* at 625, 217 U.S.P.Q. at 662. The junior user’s SALLY LEE mark was shown to be associated with higher quality clothes than the SALLY GEE mark, thus no tarnishment was found. Further, no blurring occurred due to the fact that there was no evidence that the senior SALLY GEE mark conjured up images of clothing to the consuming public. *Id.* at 625-26, 217 U.S.P.Q. at 662.
39. *Id.*
40. *Id.* The court found that the defendant SALLY LEE was not aware of the SALLY GEE mark or line of clothes. *Id.* at 623, 217 U.S.P.Q. at 660. Courts will find a lack of predatory intent if the defendant is found to have acted in good faith. *Id.* at 626, 217 U.S.P.Q. at 662.
42. *Id.* at 74.
43. *Id.*
that to succeed in a dilution claim the plaintiff must prove that the mark is truly distinctive or has acquired secondary meaning.\textsuperscript{44} The court also referenced the factors identified in \textit{Mead Data Central, Inc. v. Toyota Motor Sales U.S.A., Inc.}\textsuperscript{45} (discussed in detail below). The holding regarding the dilution claim was the result of the court's finding that the mark was not strong enough to justify protection.\textsuperscript{46}

In a case decided in 1993, \textit{Nikon, Inc. v. Ikon Corp.},\textsuperscript{47} the Second Circuit Court of Appeals affirmed a permanent injunction awarded to Nikon which prevented Ikon from using its name as a trademark and forced them to recall all of their outstanding products.\textsuperscript{48} This case established that the anti-dilution statute applied to competitors as well as non-competitors.\textsuperscript{49} The court also held that anti-dilution claims were not preempted by claims under the Lanham Act because each statute protects different rights.\textsuperscript{50} There was no analysis of the strength of the Nikon mark because the court said there was no dispute about its strength and thus it deserved broad protection.\textsuperscript{51} The court also found there was a likelihood of confusion among relatively unsophisticated consumers, and a certain

\begin{footnotes}
\item[44] Id. at 73 (citing \textit{Sally Gee}, 699 F.2d at 621, 217 U.S.P.Q. at 658.)
\item[45] 875 F.2d 1026, 10 U.S.P.Q.2d 1961 (2d Cir. 1989).
\item[46] Id. (reasoning that the mark was not actually used on the product in the form the plaintiff was attempting to protect, it had not been so used "for decades," and was merely a combination of generic words).
\item[47] 987 F.2d 91 (2d Cir. 1993).
\item[48] Nikon, Inc. v. Ikon Corp., 987 F.2d 91, 96-98 (2d Cir. 1993).
\item[49] Id. at 96 (reasoning that the legislature could have made the absence of competition a prerequisite to relief had it so desired).
\item[50] Id. This is an important statement by the Second Circuit. There have been a handful of articles written over the past years which question the constitutionality of dilution statutes, based on preemption. See, e.g., Thomas J. Steuber, \textit{Anti-dilution Demands Concentration}, BENCH \& BAR, Sept. 1994, at 23-26. Although the constitutionality discussion is beyond the scope of this article, the only judicial bodies at present to recognize this minority opinion are two federal district courts in Iowa. See United States Jaycees v. Commodities Magazine, Inc., 661 F. Supp. 1360, 1366-68, 2 U.S.P.Q.2d 1119, 1124-26 (N.D. Iowa 1987); Comidas Exquisitos, Inc. v. Carlos McGee's Mexican Cafe, Inc., 602 F. Supp. 191, 198-200, 225 U.S.P.Q. 426, 430-32 (S.D. Iowa 1985), aff'd sub nom. Comidas Exquisitos, Inc. v. O'Malley & McGee's, Inc., 775 F.2d 260, 261-62, 227 U.S.P.Q. 811, 812-13 (8th Cir. 1985). This preemption concept has been rejected by Congress, leading trademark practitioners, and the Supreme Court in \textit{Bonito Boats, Inc. v. Thunder Craft Boats, Inc.}, 489 U.S. 141, 155-57 (1989).
\item[51] \textit{Nikon}, 987 F.2d at 94 (citing Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 258 (2d Cir. 1987)).
\end{footnotes}
amount of bad faith on the part of the defendant.\textsuperscript{52}

In a more recent decision, \textit{Deere \& Co. v. MTD Products, Inc.},\textsuperscript{53} the court held that New York's anti-dilution statute was violated because the defendant's use of an animated version of the plaintiff's trademark in comparative advertising would contribute unfavorable characteristics to the plaintiff's mark and ultimately associate the mark with inferior goods and services.\textsuperscript{54} The court did not expressly state that the mark in question was famous, but relied on the facts that plaintiff used the mark for over one hundred years, plaintiff had federally registered several versions of the mark, and the mark was widely recognizable as a valuable business asset.\textsuperscript{55} These factors contributed to the strength of the mark.\textsuperscript{56} The court reasoned that the possibility of a gradual "whittling away" or of any sort of use that may "drain off" any potency of a mark is actionable under the dilution statute.\textsuperscript{57}

The Second Circuit dealt with an extremely famous mark in \textit{American Express Co. v. Vibra Approved Laboratories Corp.}\textsuperscript{58} The defendant marketed a condom package bearing the slogan "don't leave home without it" and also used the name "American Express" on the packaging.\textsuperscript{59} American Express failed to convince the court that a likelihood of confusion existed, thus its dilution claim was analyzed.\textsuperscript{60} The court adopted the same strength analysis of the plaintiff's mark which is used for trademark infringement analysis under the Lanham Act.\textsuperscript{61} Some of the factors reviewed by the court were: (i) the plaintiff held federal registrations on the trademark, (ii) a considerable amount of time and money was spent promoting the trademark, and (iii) the trademark is readily recognizable to a large part of

\textsuperscript{52} \textit{Id.} at 95-96.
\textsuperscript{53} 41 F.3d 39, 32 U.S.P.Q.2d 1936 (2d Cir. 1994).
\textsuperscript{54} \textit{Deere \& Co. v. MTD Prod., Inc.}, 41 F.3d 39, 45 U.S.P.Q. 2d 1936, 1940-41 (2d Cir. 1994).
\textsuperscript{55} \textit{Id.} at 42-45, 32 U.S.P.Q. at 1938-41.
\textsuperscript{56} \textit{Id.} at 42, 32 U.S.P.Q. at 1938.
\textsuperscript{57} \textit{Id.} at 44, 32 U.S.P.Q. at 1939-40.
\textsuperscript{60} \textit{Id.} at 2009-12 (holding no likelihood of confusion because of the eight relevant factors, only the strength of the mark weighed in the plaintiff's favor).
\textsuperscript{61} \textit{Id.}
the general public. These elements were used to support the finding that the mark was a strong mark and capable of protection under New York's antidilution statute.

B. Mead Data v. Toyota: The Seminal Case to Date on Famous Marks

The issue before the court was whether Toyota's adoption of the LEXUS mark for automobiles diluted Mead's LEXIS mark for computer services. The district court ruled in favor of Mead, finding Toyota's adoption of "LEXUS" diluted Mead's "LEXIS" mark. However, the Second Circuit Court of Appeals overturned the district court, finding that Mead's LEXIS mark for computer services was not diluted by Toyota's adoption of the LEXUS mark for automobiles. Upon an analysis of the strength of Mead's LEXIS mark, the majority opined that the LEXIS mark was not considered a coined mark and thus was not entitled to the greater protection that a unique mark such as KODAK would receive. This was partially based on the fact that LEXIS is a compound word, which has for its parts "LEX," which is latin for law and "IS," which is an acronym for information systems. How the consumer could possibly come up with this explanation independently for the mark requires quite a leap of faith. However, the court held that through extensive sales and advertising Mead had made LEXIS a strong mark only in the computer legal research field. The court also adopted Mead's representation that seventy-six percent of attorneys associate LEXIS with computerized services provided by Mead. However, the critical underpinning of the court's decision was that the "consuming public" which determines what constitutes

62. Id. at 2009, 2013.
63. Id. at 2014.
64. 875 F.2d 1026, 10 U.S.P.Q.2d 1961 (2d Cir. 1989).
66. Id. at 1028, 10 U.S.P.Q.2d at 1963.
67. Id. at 1039-32, 10 U.S.P.Q.2d at 1964-66.
68. Id. at 1031, 10 U.S.P.Q.2d at 1965-66.
69. Id.
70. The majority also held that marks were pronounced differently, which again is a questionable finding in this author's mind. Id. at 1029-30, 10 U.S.P.Q.2d at 1964-65. Pronunciation is a factor which has relevance to confusion, and not to dilution. Id.
71. Id. at 1028, 10 U.S.P.Q.2d at 1963.
72. Id.
"famous" should not be a subgroup of attorneys, but rather the general adult population. With this population, Mead’s LEXIS mark is recognized by only one percent of those surveyed, with half of this one percent being attorneys or accountants. The appellate court therefore concluded that Mead’s LEXIS mark was strong only within its own market and not sufficiently "famous" to the consuming public. This is consistent with the Allied case, wherein the majority found the mark at issue not to be famous with the consuming public.

In a lengthy concurring opinion by Justice Sweet, he disagreed with the majority’s finding that LEXIS was a strong mark only for a limited group. Justice Sweet urged that LEXIS is a strong mark, capable of dilution and further reasoned the LEXIS mark had secondary meaning. He was concerned by the narrow reading of the majority, which he felt would only afford protection to nationally famous marks, rather than "strong" marks as required by the statute. This is consistent with the dissent in Allied. Thus both the majority and dissenting opinion in Allied and Mead were in disagreement over whether a mark need only be strong or also needs to be famous.

C. The Eighth Circuit’s Recognition of Dilution as a Remedy

The Eighth Circuit has also recognized trademark dilution as a remedy. In Anheuser-Busch Inc. v. Stroh Brewery Co., Busch sought to enjoin Stroh from using the phrase “LA” based on a theories of infringement, trademark dilution (applying the Missouri anti-dilution statute), and unfair competition under the Lanham Act. A permanent injunction was granted, primarily

73. Id. at 1031, 10 U.S.P.Q.2d at 1965.
74. Id.
75. Id. at 1031-32, 10 U.S.P.Q.2d at 1966.
77. Mead Data Central, 875 F.2d at 1032-34, 10 U.S.P.Q.2d at 1966-68.
78. Id. at 1033, 10 U.S.P.Q.2d at 1967.
79. Id. The New York statute only requires "strong" marks, not the added requirement of "well known or famous" as included in Minnesota’s dilution statute. Compare N.Y. GEN. BUS. STAT. § 368-d (1984) with MINN. STAT. § 325D.165 (1994).
81. 750 F.2d 631 (8th Cir. 1984).
82. Anheuser Busch Inc. v. Stroh Brewery Co., 750 F.2d 631, 633-34 (8th Cir. 1984). Missouri’s anti-dilution statute reads as follows:

(1) Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under sections 417.005 to 417.066, or
applying Lanham Act protections. However, in dicta the court implied that a trademark owner's property interest is as important as the public's interest in avoiding confusion. The court cited Frankfurter's discussion on the purpose of trademark law in his dissent to Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., which essentially said that a trademark owner has "something of value" in a mark which conveys to potential customers "the desirability of the commodity upon which it appears."

Anheuser-Busch was involved in another Eighth Circuit case in which it filed an action against Balducci Publications. Busch brought a trademark infringement and dilution action based on Balducci's use of Busch's trademark in an advertising parody. The lower court found for Balducci based solely on the fact that there was no likelihood of confusion on the part of the public. The court of appeals reversed, holding that there was likelihood of confusion, the First Amendment did not protect the parodist, and the parody violated the dilution statute. The court's decision rested on the application of the Lanham Act, but stated that the anti-dilution statute may affect

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a mark valid at common law, or a trade name valid at common law, 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.

(2) Any owner of a mark registered under sections 417.005 to 417.066 may proceed by suit to enjoin the manufacture, use, display or sale of any counterfeits or imitations thereof and any court of competent jurisdiction may grant injunctions to restrain such manufacture, use, display, or sale as may be by the said court deemed just and reasonable, and may require the defendants to pay to such owner all profits derived from or damages suffered by reason of such wrongful manufacture, use, display or sale; and such court may also order that any such counterfeits or imitations in the possession or under the control of any defendant in such case be delivered to an officer of the court, or to the complainant, to be destroyed.

(3) The enumeration of any right or remedy herein shall not affect a registrant's right to prosecute under any penal law of this state.


83. Anheuser-Busch, 750 F.2d at 639-43.
84. Id. at 637-38.
85. 316 U.S. 203 (1942).
88. Id. at 772. The trademark at issue was for "Michelob Dry" beer. The defendant was using the trademark "Michelob Oily." Id.
89. Id. at 773.
90. Id. at 775-78.
the relief available to a plaintiff. The discussion defined the two forms of dilution, but focused on the "tarnishment" form. The court was troubled by the likely fact that people who saw the ad parody thought it implied Busch's product contained oil. As a result, the court said "tarnishment results from a negative, although vague, statement about the quality of the product represented by the trademark." The court did not get into any discussion on the strength or the fame of the mark, apparently since the Missouri statute at issue focuses on the likelihood of injury to business reputation by dilution of the distinctive quality of the mark.

D. Congress' Actions on Dilution

In May 1988, with the cooperation and support of the United States Trademark Association (USTA), Congress passed a bill that would have created a federal dilution remedy. The federal dilution provision proposed by the USTA would have explicitly preempted the various state dilution statutes. The

91. *Id.* at 776.
92. *Id.* at 777.
93. *Id.*
94. The Missouri statute does not explicitly require a "well known" or a "famous" mark. *MO. ANN. STAT.* § 412.061 (Vernon 1990).
96. The text of the USTA's proposed Federal Dilution Act reads as follows:

(1) The registrant of a famous mark registered under the Acts of 1881 or 1905 or on the principal register shall be entitled, subject to the principles of equity, to an injunction against another's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark, and to obtain such other relief as is provided in this subsection. 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 and services;
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 registrant's mark is used;
f) the degree of recognition of the registrant's mark in its and in the other's trading areas and channels of trade; and
g) the nature and extent of use of the same or similar mark by third parties.
proposed bill identified seven factors which the courts were to utilize in determining whether a mark is distinctive and famous. The model bill also proposed that no confusion or competition between the parties was necessary. This was important since some courts have had difficulty in construing dilution bills in the various states and have required the element of confusion. The USTA’s proposed dilution statute defines “dilution” in the definition section in a very similar manner to Minnesota’s dilution statute.

In assisting Congress with the model bill, the USTA prepared a report and recommendations for The United States Trademark System and Lanham Act in September 1987. The report accompanied the proposed legislation and contained an extensive background regarding the proposed amendments to the Lanham Act. The report contained numerous recommendations to Congress regarding various provisions of the

(2) Remedies. The registrant shall be entitled to only injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant’s reputation or to cause dilution of the registrant’s mark. If such willful intent is proven, the registrant shall also be entitled to the remedies set forth in Sections 35(a) and 36 of the Lanham Act, subject to the discretion of the court and the principles of equity.

(3) Federal Registration Defense in Dilution Actions. The ownership of a valid registration under the Acts of 1881 or 1905 or on the principal register shall be a complete bar to an action brought by another person, under the common law or statute of a state, seeking to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

Section 45. Definitions.

Dilution. The term “dilution” means the lessening of the capacity of registrant’s mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake or deception.

THE UNITED STATES TRADEMARK ASSOCIATION TRADEMARK REVIEW COMM’N REPORT AND RECOMMENDATIONS TO USTA PRESIDENT AND BOARD OF DIRECTORS, reprinted in 77 TRADEMARK REP. 375, 458-59 (1987) [hereinafter USTA REVIEW COMMISSION REPORT].

97. Id.
98. Id. at 459.
100. The model bill defined dilution as “the lessening of the capacity of registrant’s mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake or deception.” USTA REVIEW COMMISSION REPORT, supra note 96, at 459.
101. Id.
102. See id. at 388-461.
trademark bill. The Commission indicated that “dilution protection should be confined to marks which are both distinctive, as established by federal registration at a minimum, and famous, as established by separate evidence.” 103 Of particular importance to this article is a section which defines the “fame factors” that are to be analyzed to determine whether a trademark falls within the dilution provisions. 104 The Commission Report indicates that it has defined the factors to define a famous mark, but no factor is controlling. 105 In general, the Commission indicated that to be entitled to relief under the dilution provisions, “a famous mark should be in substantially exclusive use and be well known throughout a substantial portion of the United States.” 106

The Commission identified the following fame factors:

1. The degree of inherent or acquired distinctiveness of the mark; 107
2. the duration and extent of use of the mark; 108
3. the duration and extent of advertising and publicity of the mark; 109
4. the geographical fame of the mark must extend throughout a substantial portion of the United States; 110
5. the degree to which the registered mark is famous to purchasers in both the registrant’s and the later user’s lines of commerce. 111 Dilution is possible with respect to one purchaser’s universe and not another; 112

103. Id. at 459.
104. Id. at 460-62.
105. Id.
106. Id. at 459.
107. Id. at 460. A mark can either be inherent or acquire distinctiveness, but cannot be inherently famous. The mark must acquire the status of being famous. Id.
108. Id.
109. Id. To the extent of advertising, the famous mark may have achieved such stature over a long period of time, or may become famous overnight through widespread publicity and advertising. Id.
110. Id. Parameters of how much of the United States is required should be left to a case-by-case analysis depending on the type of goods and services and channels of distribution. Id.
111. Id. at 460. A court may be more likely to grant protection where there is a “reasonable probability that the later user adopted its mark with knowledge of the fame of the registered mark.” Id.
112. Id. at 461. Injunctive relief may be appropriate at the level at which the mark is famous; e.g., if the mark is famous at an industrial level but not at a consumer level, an injunction may issue at the industrial level but not at the consumer level. Id.
6. the mark is or should be well known to a substantial portion of the relevant purchasers of the goods or services; ¹¹³
7. the registrant need not actually prove that the requisite number of purchasers throughout a substantial portion of the United States have knowledge of the registrant’s mark, if such knowledge can be inferred; ¹¹⁴
8. third party uses of the same or similar marks are relevant to determining fame and distinctiveness of the mark; ¹¹⁵ and
9. dilution may be present in the presence or absence of competition between the parties or the likelihood of confusion, mistake or deception. ¹¹⁶

The factors identified above provide an excellent framework for inquiry into the circumstances surrounding whether a mark is of sufficient fame for dilution. The Commission indicated that dilution is an extraordinary remedy, and thus the standard to achieve a famous mark must be high. ¹¹⁷

Overall, the Senate favored the passage of the dilution provisions in the trademark revision bill. ¹¹⁸ With regard to the Senate’s view on what types of marks the dilution provisions protect, the Senate Committee on the Judiciary noted that the dilution section protected “a narrow category of famous registered trademarks,” and would “provide consistent national protection for the tremendous value of famous marks.” ¹¹⁹ The comments in the Senate Report indicated that the proposed dilution cause of action would create “a highly selective federal cause of action to protect federally registered marks that are truly famous. . . .” ²²⁰ The Report highlighted the fact that the dilution remedy should only apply to “a narrow category of

¹¹³. *Id.* The terms “majority” or “substantial majority” were left out because of the lack of flexibility. Further, the term “appreciable number” of purchasers was also left out due to the low threshold. The Commission felt that a higher standard should be employed to gauge the fame of a trademark eligible for this extraordinary remedy. *Id.*

¹¹⁴. *Id.* The more channels of trade in which a registrant spreads their services, the broader the scope of protection to the mark from dilution. *Id.*

¹¹⁵. If a mark is in widespread use, it may not be famous for the goods or services of one business. *Id.*

¹¹⁶. *Id.* at 461.

¹¹⁷. *Id.* at 461-62; *see also supra* note 100.


¹¹⁹. *Id.* at 7.

²²⁰. *See id.* The Judiciary Committee further noted the examples of Kodak being used on pianos, and Buick being used on aspirin. *Id.*
federally registered trademarks.\textsuperscript{121}

However, the House of Representatives did not pass the dilution provision of the trademark revision bill.\textsuperscript{122} The House Judiciary Committee indicated that serious questions were raised by the dilution provisions with regard to first amendment protected communications, and concern about chilling the advertisements of goods and services to the public.\textsuperscript{123} The House capitulated to the concerns of these groups and others, and the dilution provision was eventually dropped from the House of Representative's final version of the trademark bill.\textsuperscript{124} The above footnoted concerns were undoubtedly factors for the eventual demise of the bill, but there were other factors which generated some speculation.\textsuperscript{125} On December 12, 1995, the House of Representatives, in an attempt to enact a national dilution statute, passed a bill which is very similar to the failed bill of 1988.\textsuperscript{126}
another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. 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 used by the marks' 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.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) 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.
(B) Noncommercial use of a mark.
(C) All forms of news reporting and news commentary.

(b) CONFORMING AMENDMENT.—The heading for title VIII of the Trademark Act of 1946 is amended by striking "AND FALSE DESCRIPTIONS" and inserting ", FALSE DESCRIPTIONS, AND DILUTION."

SECTION 4. DEFINITION.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the paragraph defining when a mark shall be deemed to be "abandoned" the following:

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

(1) competition between the owner of the famous mark and other parties, or
(2) likelihood of confusion, mistake, or deception.

SECTION 5. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.
E. The Legislative History of Minnesota’s Trademark Dilution Statute

The legislative history of Minnesota’s Trademark Dilution Statute is very brief. Initially, a bill (sponsored by Senator Theodore A. Mondale (DFL) and Representative James Farrell (DFL)) was proposed for the 1992 legislative session. The bill passed the House Commerce Committee. However, due to a heavy legislative agenda, the bill was never brought to a vote in the necessary Senate Committee and never made it to the floor during the 1992 session.

The bill was reintroduced in the 1994 legislative session, sponsored by Senator Kevin Chandler (DFL) and Representative Mark Asch (DFL). The bill underwent two amendments in the Senate side, which are insightful to issues in this article. It was proposed in the definition section under “distinctive quality,” that the definition be amended to add “in its trade channel.”

Thus the definition would read: “‘distinctive quality,’ means the mark is inherently distinctive or has acquired distinctiveness, and the mark is well known or famous” in its trade channel.

In discussions between the author and Senator Chandler, it was determined that this would lower the threshold of the “well known or famous” standard and thus open the dilution provision to too many marks. It could be relatively easy for a mark to be well known or famous in its trade channel. Indeed, if one carefully defines a trade channel, many marks would be well known or famous. However, the owner of a mark in a relatively narrow trade channel should not be able to employ the dilution statute to enjoin the use of the same mark to a broad consuming group. As an example, if a mark is used on an industry-leading gene splicing instrument, it easily could be well known or famous to genetic engineers, but unknown to others outside this narrow group of people. Should this trademark be entitled to dilution protection? The answer is a resounding “no,” but under the proposed amendment to the Senate bill, this scenario could have been realized. The provision was dropped, and the Minnesota bill requires the mark be well known or famous, with

127. MINN. STAT. § 325D.165 (1994) (defining statutory terminology in subsections 1 and 2).
128. Id.
no additional conditions which would lower the famous threshold.\textsuperscript{129} The bill was passed by both the House and Senate and signed into law in August 1994.\textsuperscript{130}

IV. ANALYSIS

If the dilution statute was not limited to truly famous marks, the statute could paralyze businesses confronted with selecting new marks. Typically, a business will coin a trademark and request a trademark practitioner to perform a trademark search. In the majority of circumstances when conducting a trademark search and preparing an opinion, a nearly identical trademark will be found which is applied to a different class of goods. If one’s concern is only confusion, a business could thereafter adopt this trademark with little fear of infringement because no confusion could result with different channels of trade, different consumers, etc.\textsuperscript{131}

However, when the element of confusion is taken out of play, the trademark’s clearance search becomes much more difficult for the trademark practitioner. During the trademark search, when a mark which is identical or nearly identical is discovered, the trademark practitioner must make a determination as to whether this mark is sufficiently famous or well known to fall within the dilution provisions. If the practitioner determines that the trademark is sufficiently well known or famous, and meets the other requirements of the Minnesota statute, the party requesting the trademark search must proceed with caution before utilizing the mark for fear of a trademark dilution action. Thus, a critical issue confronting many trademark practitioners under Minnesota’s anti-dilution statute is assessing whether a mark is well known or famous.

As discussed above, a major policy reason behind trademark dilution is the prevention of the diminishment or whittling away

\textsuperscript{129} See MINN. STAT. § 325D.164(2) (1994).
\textsuperscript{130} Id. As of the date of this article, two published opinions have cited Minnesota’s dilution statute: Ventura v. Titan Sports, Inc., Nos. 94-3103, 94-3235, 1995 WL 530276 (8th Cir. Sept. 11, 1995) and DeRosier v. 5931 Business Trust, 870 F. Supp. 941 (D. Minn. 1994). Ventura does not provide any insight into this article’s topic. However, DeRosier correctly noted the tradename at issue, “Michaels,” was not distinctive and unique. Id. at 948. It is unfortunate that courts have to deal with the dilution statute in cases where it should not even be plead.
\textsuperscript{131} See supra note 3, and accompanying text regarding the Polaroid factors.
of one's mark. Theoretically, a diminishment of a non-famous mark could not occur, due to the lack of association to the non-famous mark. Thus, the only way a trademark can be "whittled away" is for a consumer confronted with the second user's trademark, to make a mental association with the famous mark. This mental association affects the particular consumer's impression, in one way or another, of the famous mark. If this mental association does not occur for a substantial number of consumers, the policy objective behind the dilution statute is not met.\textsuperscript{132}

The Minnesota statute clearly requires a mark to be "famous."\textsuperscript{133} As discussed above, the term "in a particular trade channel" was specifically deleted because of the concern that a strong argument could be made that just about any mark was famous in a particular trade channel.\textsuperscript{134} Allowing this language would have opened the dilution statute to many marks which should not be protectable under dilution theory.

The factors set out in \textit{Allied}, \textit{Mead}, and by the United States Trademark Association Commission are adopted by this author as critical factors in determining whether a mark is sufficiently famous to be rendered protectable under the Minnesota statute.\textsuperscript{135} These factors are critical in the determination of whether a mark is well known or famous under the Minnesota statute, and are as follows:

1. Geographical Fame

   The mark must have widespread recognition throughout the general public in order for dilution to be theoretically possible.\textsuperscript{136} A trademark well known only within a very small geographic region, would, by definition, affect only a small group of consumers. This type of mark should not be covered by Minnesota's anti-dilution statute.

\textsuperscript{132} See \textit{supra} note 10.

\textsuperscript{133} See \textit{Minn. Stat.} § 325D.165(2) (1994) (stating "distinctive quality means the mark is inherently distinctive or has acquired distinctiveness, and the mark is well known, or famous").

\textsuperscript{134} See \textit{supra} text accompanying note 127.

\textsuperscript{135} See \textit{supra} text accompanying notes 25-29; see also \textit{supra} part III. B; \textit{supra} note 96 (USTA).

\textsuperscript{136} Mead Data Central, Inc. \textit{v.} Toyota Motor Sales, U.S.A., Inc. 875 F.2d 1026, 1031-32, 10 U.S.P.Q.2d 1961 (2d Cir. 1989) (referring to the fact that just because a mark has selling power in a limited geographical and commercial area does not endow it with a secondary meaning to the public in general).
2. The Degree of Overlap of the Consuming Group and the Famous Group

There are two groups of individuals who are important in the determination of a famous mark. The first group of individuals are those that recognize the famous mark. The second is comprised of individuals to whom the second user’s mark is directed. In order for dilution to occur, there must be a substantial overlap of these two groups. In addition, the famous group must account for a substantial portion of the consuming group’s population. For example, in the Mead case, LEXIS information services was widely known among attorneys and accountants who are part of the consuming group to which Toyota directs its sales efforts for its luxury line of LEXUS automobiles.137 However, the percentage make-up of the famous recognition group (attorneys and accountants) was roughly one percent of the Toyota consuming group.138 This small percentage resulted in an overall situation where a substantial portion of the consuming group could not make the requisite mental association with the first user’s mark LEXIS and as a result, little dilution would occur.139

3. The Duration, Extent of Use, and Advertising of the Mark

There are essentially two ways for a mark to become famous. The first way is extended use over many years, which accounts for many marks’ fame.140 The other method, as discussed above, is a heavy advertising budget combined with an intense media campaign.141 However, more weight should be given to the former method, because marks created overnight may also be forgotten overnight. Thus, a long period of extended and exclusive use is a favorable factor in the determination of fame.

4. The Intent of the Second User

Although actual intent need not be proven, the intent may be inferred by the action of the second user. This typically should not be a difficult factor to address if the mark is sufficiently famous. This constitutes the so-called smell test, and in reviewing the case law for successful and unsuccessful dilution claims, intent is generally apparent if the second user is attempt-

137. Id. at 1078.
138. See supra text accompanying note 73.
139. See supra text accompanying note 75.
140. See supra text accompanying note 55.
141. See supra text accompanying note 27.
ing to trade off the first user’s reputation.

The above factors should all be considered; however, no factor is controlling. The other elements of the statute such as the mark possessing distinctive quality and likelihood of injury or dilution all still need to be met to satisfy the statute. Thus a complete analysis will require satisfying the following elements:

1) Likelihood of injury to a business reputation or of dilution of the distinctive quality of a mark or trade name;
2) the mark or trade name is inherently distinctive or has acquired distinctiveness;
3) the mark or trade name is well known or famous.

V. CONCLUSION

In summary, to fall within the provisions of Minnesota’s anti-dilution statute, a mark must be well known or famous. This threshold should be quite high, and should not be applied without careful consideration of numerous factors. In Minnesota, there are a limited number of companies who have marks which fall within the provisions of this statute. Minnesota’s businesses deserve to have the protection afforded to businesses in other states, but the courts should be very careful when granting injunctions under this extraordinary form of relief.