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A New Test for Trademark Dilution - Why North Carolina Should Adopt Section 12 of the Model State Trademark Bill

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A NEW TEST FOR TRADEMARK DILUTION—WHY NORTH CAROLINA SHOULD ADOPT SECTION 12 OF THE MODEL STATE TRADEMARK BILL

“I, Paul, write this greeting in my own hand, which is the distinguishing mark in all my letters. This is how I write.”

II Thessalonians 3:17 (NIV)

I. INTRODUCTION

Neither history nor theology tell us what was so distinctive about the apostle Paul’s signature, but if he indeed was “the greatest salesman in the world,” one can be sure that he understood the value of a good trademark. No doubt, Paul was concerned that an imposter’s letters would be mistaken for his own and thereby mislead his intended readers; today, the use of a trademark for such outright deception is forbidden by both statutory and common law.¹

What if, however, outright deception is not a problem? What if the promoters of a Caribbean ship line advertised their fare as “The Greatest Show on Earth”?² What if a Raleigh plumber began calling himself “Angus Barn Heating and Air Conditioning”? What if your dentist promised that his restorative work resulted in “More Taste . . . Less Filling”? Two things would happen. First, the consumer would recognize the “trademark pun”—a play on the words of a commercial phrase. Second, he or she would not confuse a cruise with the circus, a heat pump with a restaurant, or a dentist with a brewery.

The consumer would recognize the original phrase or mark,

2. Use of the trademark for outright deception is called “palming off” or “passing off.” Although these terms can refer to brand substitution by a seller or infringement without unfair intent, they usually carry the connotation of intentional substitution or outright fraud. See 2 J. McCarthy, Trademarks and Unfair Competition §§ 25:1(A), (C). In more formal terms the Lanham Act, 15 U.S.C. § 1114 (1976) provides civil remedies for trademark infringement; § 1125 provides similar remedies for false designation of origin, false description or misrepresentation.
understand the application to the newer service or product, and perhaps even appreciate the cleverness with which the newer user put the old mark to new use. Such are actual and hypothetical examples of the problem known as trademark dilution. To dilute is to weaken the force or proper quality of something by mixing it with something else that tempers or neutralizes it.\footnote{4} Trademark dilution occurs when a party takes another’s trademark and uses it in connection with his own noncompeting product. The result is a lessening of the quality and integrity of the trademark and a consequent loss to the trademark owner.

The trademark dilution concept has been around for some time\footnote{5} and has even gained legal status in the form of Section 12 of The Model State Trademark Bill:

\begin{quote}
Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or 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.
\end{quote}

This section of the Model State Trademark Bill is now in effect in twenty-two states, but not in North Carolina.\footnote{6}

Unfortunately, no satisfactory definition or set of criteria has been proposed to distinguish dilution cases from confusion cases, and some courts continue to insist that the cases cannot be distinguished.\footnote{7} By way of explanation, a confusion case arises when a junior user markets his product under a mark or dress\footnote{8} similar to the senior user’s mark or dress used on the same or similar products. A “senior” user is the first party to use a particular trade-mark. Later users are referred to as “junior users.”\footnote{9} For example,
in Illinois an enterprising fast-food restaurant owner used an “M” resembling McDonald’s golden arches to promote his “Monkburgers” along with the slogan “Less Than 25 Billion Sold.” Because of the similarity of goods and marks, the court decided the case on confusion and discussed dilution as an afterthought. Similarly, when a publisher who did not own the SCRABBLE mark sought to market “The Complete SCRABBLE Dictionary,” the court enjoined its publication. The court emphasized its desire to prevent the SCRABBLE mark from becoming generic, but it could have just as well decided the case on likelihood-of-confusion. The court probably felt that the public would be easily confused when trying to differentiate between “The Official SCRABBLE Player's Dictionary,” published by the true owner of the SCRABBLE mark, and the nonowner's “The Complete SCRABBLE Dictionary.”

This comment will attempt to do three things: provide a useful definition of dilution; propose a clear test that can be applied to quickly determine whether, under Section 12 or the common law, a dilution case exists, and, if so, how it should be decided; and show why a state such as North Carolina should provide anti-dilution protection to its citizens.

A. Definition and Evolution

Trademark dilution is a junior party's repetitive use, usually on noncompetitive goods, of a senior party's strong mark, resulting in the mark gradually becoming less effective, leaving the senior party's reputation unprotected and subject to the risks of the junior party's business. Dilution is not a junior party's attempt to fool the consumer into believing that he is obtaining the senior user's product.

10. McDonald’s Corp. v. Gunvill, 441 F. Supp 71 (N.D. Ill. 1977), aff’d, 622 F.2d 592 (7th Cir. 1980).
11. Id. at 75.
Early in this century, American courts, while realizing that trademarks deserve protection, emphasized that a mark was a property right only in conjunction with the goods on which the owner used the mark.\textsuperscript{14} Unlike a patent, which can be utilized monopolistically, defensively, or not used at all,\textsuperscript{15} a trademark's value grows only out of its use. Consequently, courts have struggled with the dilution philosophy that the owner of a mark deserves the right to protect his mark from use by others on a product or service totally unrelated to his own. In other words, if the Eastman Corporation only used KODAK as its mark on film, cameras, and related photographic equipment, wouldn't it be monopolistic\textsuperscript{16} to prevent another from using KODAK as a mark on bicycles?\textsuperscript{17} The advocates of anti-dilution protection argue that it is not monopolistic; rather, they believe that it is an unfair trade practice to use Eastman's strong mark to mislead the public into thinking that the party who manufactures high-quality photographic goods also manufactures bicycles, and presumably bicycles of the same high quality associated with the KODAK mark.

The consensus today\textsuperscript{18} is that in 1927 Frank I. Schecter, a member of the New York Bar, introduced the dilution concept to the United States.\textsuperscript{19} Schecter, in turn, pointed to a German decision as the first to recognize the \textit{verwässerung} of a trademark.\textsuperscript{20} Schecter quite properly noted that the trademark, which had the historical functions of identification and regulation (originating with the medieval gild system), now serves to identify and distinguish products' natures, qualities and sources, and in turn encourages the public to purchase and repurchase the products.\textsuperscript{21} Thus,

\begin{itemize}
  \item \textsuperscript{14} United Drug Co. v. Theordore Rectanus Co., 248 U.S. 90 (1918); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).
  \item \textsuperscript{15} 35 U.S.C. § 271 (1976).
  \item \textsuperscript{16} \textit{i.e.}, should anyone be allowed to monopolize a word in our language and have a legal right to enforce that monopoly by enjoining others from using that word?
  \item \textsuperscript{17} Eastman Photographic Materials Co. v. John Griffiths Cycle Corp., 15 Pat. Cas. 105 (Eng. 1898).
  \item \textsuperscript{19} Schecter, supra note 5.
  \item \textsuperscript{20} \textit{Id.} at 345-46.
  \item \textsuperscript{21} \textit{Id.} at 335.
\end{itemize}
as the function of trademarks changes, the way in which the law protects the owner's property rights should also change. In Schecter's words, trademark laws should "reflect a consciousness of the need for breadth and liberality in coping with the progressive ingenuity of commercial depravity."\(^{22}\) Once a mark functions to identify a product and encourage its consumption, the uniqueness of the mark becomes of great importance to its owner.\(^{23}\) Uniqueness is lost when the mark is used on unrelated goods from a source other than the mark's true owner.\(^{24}\)

B. Analysis

Why should the owner of a mark receive protection against another's use of the same or similar mark on different types of goods, and why should this protection take statutory form? First, the anti-dilution doctrine is a logical extension of modern equitable principles of tort law:\(^{25}\) the ingenious wrongs used to circumvent existing law should not go unremedied simply because likelihood-of-confusion is the leading traditional test. Second, the courts and the U.S. Patent and Trademark Office both deny anti-dilution relief under the Lanham Act.\(^{26}\) Third, absent anti-dilution protection, the owner of a mark has no protection against generic use of his mark by authors and publishers among others.\(^{27}\) Finally, courts

\(^{22}\) Id. at 334; in other words, as in many areas of the law, the infringers will always try to keep one step ahead of current enforcement. Consequently, the law ought to be ready to keep in close pursuit.

\(^{23}\) Id. at 339.

\(^{24}\) Id. at 345.

\(^{25}\) Derenberg, supra note 18. "There remains a body of law which is directed toward the compensation of individuals, rather than the public, for losses which they have suffered in respect of their legally recognized interests, rather than one only, where the law considers that compensation is required. This is the law of torts." W. Prosser, HANDBOOK OF THE LAW OF TORTS § 1 (4th ed. 1971). "The trader has not a free lance. Fight he may, but as a soldier, not as guerilla." Martell v. White, 185 Mass. 255, 260, 69 N.E. 1085, 1087 (1904).

\(^{26}\) 2 J. McCarthy, supra note 2, § 24:13(F). The Lanham Act, 15 U.S.C. § 1051 (1976) does not define dilution nor does it provide a remedy for the use of another's trademark on noncompeting products. The only remedies provided are for use of marks "likely to cause confusion," and as stated herein, confusion is not the root of the dilution injury.

\(^{27}\) 1 J. McCarthy, supra note 2, § 12:9. For example in criminal cases, judges and policemen often refer to suspects wearing "levis" when they mean blue jeans, dungarees or something similar; e.g. United States v. Farese, 612 F.2d 1376, 1382 (5th Cir. 1980). As some laymen already know, constant generic use of a trademark can result in the original owner's loss of federal and common-law
and advocates need guidance to a proper application of the doctrine. Otherwise, it will disappear and certain forms of unfair competition will proliferate in its absence.

Those who argue that the anti-dilution doctrine provides too much protection point out that the supply of good marks is limited, and the owner of a mark should not be entitled to monopolize his mark outside his own field of goods. Nevertheless, the reasons offered for and against anti-dilution protection can be reconciled by a test that quickly and properly identifies the criteria that should exist before anti-dilution protection is granted.

Most trademark protection results not from any application of anti-dilution theory, but rather from the "likelihood of confusion" tests. The various tests for likelihood-of-confusion are designed to aid a court in deciding whether "an appreciable number of reasonable buyers are likely to be confused by similar marks." Likelihood-of-confusion cases usually present more obvious questions of theft than do dilution cases. When the owner of a mark asks for protection from likelihood of confusion, he asks that some other user be precluded from presenting a similar product to the public in a manner that leads them to believe it is the first owner's product (when in reality it is not), resulting in the second user diverting sales from the first owner. In more recent cases, where goods may not be directly competitive, courts have used the following factors

rights in the trademark. 1 J. McCarthy § 20:15(B). But where does a right of action lie against a judge or policeman or any other author who uses a registered trademark as a generic term in a written opinion, report or work of art?

28. 2 J. McCarthy, supra note 2, §§ 23:1—19. Section 729 of the first Restatement of Torts lists some of the appropriate factors used to determine whether trademarks are confusingly similar:

In determining whether the actor's designation is confusingly similar to the other's trade-mark or trade name, the following factors are important:

(a) the degree of similarity between the designation and the trade name in

(i) appearance;
(ii) pronunciation of the words used;
(iii) verbal translation of the pictures or designs involved;
(iv) suggestion;
(b) the intent of the actor in adopting the designation;
(c) the relation in use and manner and marketing between the goods or services marketed by the actor and those marketed by the other;
(d) the degree of care likely to be exercised by purchasers.

29. 2 J. McCarthy, supra note 2, § 23:1.
to test whether confusion-type trademark infringement has taken place: strength of the prior user's mark; similarity of the products and the channels of trade through which they are merchandized; the possibility that the senior user will "bridge the gap" by marketing products similar to those of the junior user; any evidence of actual confusion; the quality of defendant's product; the sophistication of the likely consumers; and any other factors that may be relevant to the particular case. 30

On the other hand, a dilution complaint does not (or at least should not) concern itself with whether the public is confused as to the source of similar goods, but rather with whether a second user's appropriation of the first user's mark for some unrelated product makes the mark less unique than it once was, resulting in a long-term weakening of the mark. No sales are immediately diverted from the first user, but over time, the public's perception of the second user's product will mingle with its perception of the first user's product. If the second user's product (or service) is of lesser quality than the first user's, the public will eventually connect the taint of lesser quality with the first user. It is this connection with a product over which he has no control that the first user seeks to avoid when asking for anti-dilution protection.

C. Factors Present in Dilution Cases

The number of true dilution cases which have been properly decided are rare, and the leading cases are cited repeatedly and are discussed in Section II herein. The following tests for dilution are presented in hopes of providing more convenient benchmarks than courts have thus far furnished when applying anti-dilution statutes and common law concepts. Each case must be decided on its own facts, and no one factor should turn a case toward or away from a dilution decision. Nevertheless, the following factors are those most frequently mentioned by courts and commentators: (1) strength of plaintiff's mark, 31 (2) use of the mark on noncompetitive goods, 32 (3) likelihood of immediate injury to plaintiff, 33 (4)
debilitation of distinctiveness of the mark,\textsuperscript{34} (5) plaintiff's own dilution of his mark,\textsuperscript{35} (6) the difference in quality between plaintiff's and defendant's goods,\textsuperscript{36} and (7) the probability that the public will believe the different goods come from the same or a related source.\textsuperscript{37} When properly decided dilution cases are analyzed, at least five of these seven factors exist—although not always the same five—in a manner indicating that dilution relief is appropriate. Thus, the presence of five of these factors is a valid threshold when considering whether antidilution remedies ought to be applied.

1. Strength

In order for a plaintiff to be entitled to anti-dilution protection, he must have a mark strong enough to be diluted.\textsuperscript{38} The strength of a mark is in its message, its ability to identify and distinguish a product as originating from one particular source, regardless of whether the consumer knows what that source actually is.\textsuperscript{39} Leading cases recognize POLAROID,\textsuperscript{40} TIFFANY,\textsuperscript{41} and ROLLS ROYCE\textsuperscript{42} as examples of strong marks prone to dilution. Weaker marks such as "HOLIDAY" receive less protection, although a strong secondary meaning\textsuperscript{43} (i.e., HOLIDAY INN) weighs in favor of some anti-dilution protection.\textsuperscript{44}

A trademark's strength is often determined by the category

\begin{itemize}
\item \textsuperscript{33} 3 R. CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 84:2 (3d ed. 1969).
\item \textsuperscript{34} Id.
\item \textsuperscript{36} 3 R. CALLMANN, supra note 33, § 84.2.
\item \textsuperscript{37} 2 J. McCARTHY, supra note 2, § 24:14.
\item \textsuperscript{38} Id.
\item \textsuperscript{39} Spring Mills, Inc. v. Ultracashmere House, Ltd., 532 F. Supp. 1203 (S.D.N.Y. 1982).
\item \textsuperscript{40} Polaroid Corp. v. Polarad Electronics, 287 F.2d 492 (2d Cir.), cert. denied, 368 U.S. 820 (1961).
\item \textsuperscript{42} Wall v. Rolls-Royce of America, Inc., 4 F.2d 333 (3d Cir. 1925).
\item \textsuperscript{43} An otherwise nondistinctive trademark acquires secondary meaning when a mental association exists in the minds of buyers between the trademark and a single source of product to which it is attached. 1 J. McCARTHY, supra note 2, § 15:2.
\item \textsuperscript{44} Holiday Inns, Inc. v. Holiday Out In America, 481 F.2d 445 (5th Cir. 1973).
\end{itemize}
into which it falls. In order of increasing strength, marks and designations used on products are either generic ("CORN" on canned corn), descriptive ("FRUIT CHEWS" on candy), suggestive ("HOLIDAY INN" on a motel), arbitrary ("TAB" on a soft drink), or fanciful ("EXXON" on gasoline, oil, etc.). Fanciful marks always deserve anti-dilution protection; such coined marks have no meaning outside the commercial sphere so there is absolutely no reason for a second user to adopt a prior user's fanciful mark except to trade on the prior user's success. Arbitrary marks deserve almost as much protection, but some room should be left for a junior user; e.g., any food item with the mark TAB would likely be connected with the soft drink. Because "tab" is a dictionary word, however, something from an office supply store could bear the same mark without producing either confusion or dilution. Suggestive marks can also be diluted. They require no secondary meaning for likelihood-of-confusion protection and should require none for dilution protection although, as is the case for arbitrary marks, protection ought not to extend as far as it does for fanciful marks. Any clear line to be drawn between marks for purposes of anti-dilution protection should be drawn between suggestive and descriptive marks. That is, descriptive marks deserve no dilution protection absent secondary meaning (if then), and as reflected in the common and statutory law, generic marks or designations are of no trademark significance and deserve no protection from either confusion or dilution.46

2. Use on Noncompetitive Goods

If similar marks are used on competitive goods, protection normally arises from the likelihood-of-confusion tests. This is not to say that confusion and dilution cannot exist under the same set of facts,47 but rather to suggest that use on noncompetitive goods

45. 1 J. McCarthy, supra note 2, §§ 11:1—24. A fanciful mark is a word coined expressly for the purpose of becoming a trademark. Id. at § 11:2. An arbitrary mark is a dictionary word arbitrarily applied to a product of which the word is neither descriptive nor suggestive. Id. A descriptive mark reflects a purpose, function, use, size, or characteristic of the goods to which it is attached. Id. at § 11:5. Suggestive marks elude easy description, but are said to occupy the middle ground between arbitrary and descriptive marks. Id. at § 11:20. Generic marks, which merely define the goods to which they are attached, have no trademark significance.

46. 1 J. McCarthy, supra note 2, §§ 11:1—2.

47. McDonald's Corp. v. Gunvill, 441 F. Supp. 71 (N.D. Ill. 1977), aff'd, 622
should be a red flag to the court to consider a possible dilution problem. Again, the dilution worry is not that a consumer will be misled and make an immediate "wrong" purchase, but instead that over a period of time the prior user's mark will lose some of its distinctiveness precisely because of its use on totally different goods. As one commentator points out, competitive repercussions can follow even when the relationship between the senior and junior users is noncompetitive.

3. Lack of Immediate Injury

Almost identical considerations dictate that a lack of the likelihood of immediate injury to the prior user should encourage dilution analysis. If the prior user is unlikely to suffer immediate injury, it is because the public is unlikely to be confused. As stated above, however, this is precisely the time that dilution analysis should control. Immediate loss of sales does not worry the dilution plaintiff; his concern is whether his mark will still mean as much after the defendant has applied the mark to goods over which the plaintiff has no control. Lack of immediate injury may be the end of confusion analysis, but it should mark the beginning of dilution analysis.

4. Debilitation of Distinctiveness

Debilitation of distinctiveness is related in logic to strength of the mark; a nondistinctive mark has no distinctiveness to lose. A strong mark, however, may not be distinctive. As an example, the Fifth Circuit recently denied Amstar Corporation's (DOMINO sugar) request for an injunction of Domino's Pizza, Inc.'s use of Domino as a mark for pizza. The court found the mark strong in the bulk and portioned sugar product areas, but weak outside of those categories. The mark was strong enough to be protected within certain classifications, but not distinctive enough to be protected elsewhere. In another leading case, a court conceded that

F.2d 592 (7th Cir. 1980).

49. 3 R. Callmann, supra note 33, § 84.2.
50. Id. at § 84.2(a).
52. Id. at 265.
the mark KENT was strong in one class of goods (brushes), but not distinctive enough to be protected from use in other areas by other parties. Thus, the distinctiveness of a trademark or trade name must be considered in addition to its strength in one or several areas of the marketplace.

5. Owner's Self-Dilution

A trademark owner can actually dilute his own mark, and such an owner deserves correspondingly less dilution protection. An owner can dilute his mark in one of two ways: improper use and too frequent use. The first category would occur if, for example, Xerox Corporation began using XEROX as a noun or verb (as Senator Sam Ervin did in the Watergate hearings) and dropped the words “photocopier” or “photocopy” from its advertising and the like. Under such circumstances, the company would not be entitled to protection from dilution resulting from its own misuse. The second type of self-dilution is more subtle and manufacturers often feel they are using it to their advantage when in reality they are not. This is the use of an established mark on a new, related product and is known as “line-extension.” Line-extension trades on the existing goodwill of an established mark. There is a risk that the new products might detract from the favorable image of the products originally using the mark. The following are examples from the cigarette industry: MARLBORO, MARLBORO 100’s, Menthol MARLBORO, and MARLBORO LIGHTS. A plaintiff so diluting its own mark is entitled to less protection than one who does not.

Self-dilution can be avoided by using “brand management,” a theory used by one of the major manufacturers of personal and household care goods. Each different product is given its own prominently displayed trade name, with the manufacturer’s name discretely added. The advantage is two-fold: First, successful prod-

1953).

54. Lunsford, Consumers and Trademarks: The Function of Trademarks in the Market Place, 64 TRADE-MARK REP. 75 (1974); see p. 80 n.2: “[To me] any copy of anything is a Xerox copy.”


56. 188 U.S.P.Q. at 291.

57. 485 F. Supp. 1185 at 1199. For example, SURE, IVORY, and PRELL are all “brand management” trademarks of Proctor & Gamble.
ucts develop strong, well-recognized names; and second, unsuccessful products tarnish only their own marks and do not adversely affect either the manufacturer's mark or the marks of his other products. 58 One more example: PEPSI, DIET PEPSI, and PEPSI LIGHT are three different soft drinks using the same mark. Consequently, the mark—although, no doubt, one of the strongest in the world—cannot be as strong as if it were used on only one soft drink. Recently, the Coca-Cola Company has taken this same plunge: on Thursday, July 8, 1982, Coca-Cola introduced DIET COKE and announced a 50 million dollar marketing campaign to promote the product. DIET COKE is only the second product to carry the COKE trademark. 59

6. Difference in Quality

Anti-dilution protection should be granted when there is a large difference in quality between plaintiff's and defendant's goods. Plaintiff's goods must be of a higher quality and defendant's use of plaintiff's mark must tarnish it. If defendant's use "polishes" plaintiff's mark, grounds for dilution protection are soft. For example, Sears, Roebuck used the mark BAGZILLA along with a lizard-like character to mark a line of heavy-duty trash bags. The court refused to enjoin Sears as requested by the owners of the character GODZILLA. While the court did not take the "polishing" approach, one could argue that although "GODZILLA" is a strong mark in that many persons would recognize it and what it stood for, SEARS is also a strong mark and connotes high quality in the household products areas. A good mark is not diluted when imitated or related to another good mark. 60 In short, Sears' appropriation of the suffix "-zilla" and the lizard motif to describe a high quality, presumably tough trash bag did not reflect badly on the GODZILLA mark, and may have enhanced it. In a similar case, the owners of the mark SHIP SHAPE—used on their comb and brush cleaner—tried to enjoin the owners of the OLD SPICE mark from using SHIP SHAPE as a mark for OLD SPICE hair spray. 61 The trial and appellate courts denied plaintiff relief, mainly on the grounds that there was no likely confusion. But the courts, in dis-

58. Id.
60. 2 J. McCarthy, supra note 2, § 24:14.
missing any dilution arguments, pointed out that the OLD SPICE mark produced high esteem in the marketplace and thus the OLD SPICE—SHIP SHAPE combination did not injure plaintiff's business reputation. Other courts have decided that association with names such as R.J. REYNOLDS or COLGATE-PALMOLIVE could not harm the image of another party's product.

7. Public Perception of Related Sources

The last factor in the test is the possibility that the public will be led to believe that plaintiff's and defendant's goods both originate from a related source. If the public is likely to assume that the goods come from different sources, the court should evaluate the need for dilution protection. This seems backwards but in reality parallels the other factors. If the public believes that both sets of goods come from a related source, then plaintiff is entitled to confusion protection (e.g., defendant should not be allowed to try to convince the public that his product is connected with plaintiff's similar product). When, however, the public is likely to recognize that plaintiff's and defendant's goods do not come from related sources, confusion is not a problem, but dilution may be. Again, the rationale is that dilution causes a slower, more subtle change in the public's perception of plaintiff's mark. If this perception of plaintiff's mark changes for the worse, the public's knowledge that the source of defendant's goods are unrelated to the source of plaintiff's goods becomes immaterial.

Factors favoring dilution protection have been summarized and compared to factors favoring the likelihood-of-confusion tests in Table I.

62. 188 U.S.P.Q. 289.
Table I

Dilution and Confusion Factors

<table>
<thead>
<tr>
<th>FAVORING DILUTION PROTECTION</th>
<th>FAVORING LIKELIHOOD-OF-CONFUSION</th>
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<tbody>
<tr>
<td>Character of Plaintiff’s Mark</td>
<td>Strong</td>
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<tr>
<td>Competitive Goods</td>
<td>No</td>
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<tr>
<td>Likelihood of Immediate Injury</td>
<td>No</td>
</tr>
<tr>
<td>Debilitation of Distinctiveness</td>
<td>Yes</td>
</tr>
<tr>
<td>Plaintiff’s Own Dilution</td>
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<tr>
<td>Difference in Quality</td>
<td>Large</td>
</tr>
<tr>
<td>Possibility of Related Source</td>
<td>No</td>
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</tbody>
</table>

This test provides a fast, relatively simple gauge of the factors present when dilution is a problem and when section 12 should be applied. A majority of cases can be reconciled by applying the test to each peculiar fact situation.

II. PROPER USE OF THE DILUTION DOCTRINE

A. Early Developments

Over 50 years ago, the Supreme Court expressly stated that outside of the user’s business a trademark had no property value and deserved no protection.64 Had such a viewpoint prevailed, there would be no such thing as dilution doctrine. Fortunately, other courts were already recognizing something of value in a trademark outside of its worth within a given classification of goods65 and were also recognizing that this “something” was more worthy of protection in strong marks than in weak ones.66 In 1925 the Third Circuit, straining to connect “aeroplanes,” automobiles, and radio tubes, so as to find the requisite confusion, decided to use electricity as the glue.67 This attempt led to an early expression

65. Yale Electric Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928); Wall v. Rolls-Royce of America, Inc., 4 F.2d 333 (3d Cir. 1925).
67. 4 F.2d at 334.
of the dilution concept: if a radio tube manufacturer used the name ROLLS-ROYCE on radio tubes of poor quality, the result could be an undermining and distrust of the trade name of the famous automobile manufacturer even if purchasers were not confused. Judge Learned Hand came to a similar conclusion in 1928, while deciding a dispute between the manufacturers of YALE hardware and those of YALE flashlights and batteries. Judge Hand recognized the mark owner's economic interest in the use of the mark outside of his own field, a key concept in dilution (use on noncompetitive goods). Likewise, Judge Hand recognized that the mark carried the owner's name for better or worse and that "another can use it only as a mask." By 1942 the Supreme Court, through Justice Frankfurter, recognized the symbolic and psychological values of a mark apart from its identification value. "If it is true that we live by symbols, it is no less true we purchase goods by them."

Using similar logic, the Ninth Circuit in 1948 enjoined a San Francisco tavern from using the name "STORK CLUB" even though geography and clientele precluded direct competition or confusion with the famous New York restaurant. The court held that the result of the junior user trading on the senior user's reputation and goodwill was enough to support relief regardless of the junior user's original object in selecting the mark. The court used another dilution concept when it noted that equity gives greater protection to stronger marks than it does to weaker ones.

Schecter's proposal for anti-dilution protection came in 1927; the Model State Trademark Bill was prepared in 1949 and was amended to include an anti-dilution provision in 1964. While some courts have struggled with, misused, and even resisted the

68. Id.
69. 26 F.2d at 972.
70. Id.
71. Id.
73. Stork Restaurant v. Sahati, 166 F.2d 348 (9th Cir. 1948).
74. Id. at 355.
75. Id; 2 J. McCarthy, supra note 2, § 24:14.
76. Schecter, supra note 5.
77. MODEL STATE TRADEMARK BILL, The United States Trademark Association, 6 East 45th Street, New York, New York 10017; 2 J. McCarthy, supra note 2, § 22:3.
78. 2 J. McCarthy, supra note 2, § 12.
concept, others have correctly applied it. Any test for deciding when anti-dilution protection is to be extended must give correct results in properly decided cases.

B. Proper Use of the Dilution Doctrine in Granting Relief

In 1962 the Fifth Circuit granted anti-dilution protection without mentioning the term. A chemical company took advantage of a popular beer slogan, "Where There's Life . . . There's BUD," by advertising its insecticide under the slogan, "Where There's Life . . . There's Bugs." The defendant claimed no unfair competition could exist absent competition between beer and insecticide and thus no injunction against the slogan's use could issue. The court rejected defendant's argument, taking cognizance of "the basic unfairness of the commercial world," noting that a trade name could be damaged on grounds totally separate from actual confusion, and pointing out that if defendant was allowed to continue using the slogan plaintiff would be subjected to the hazards of defendant's business practices and fortunes.

This case arose before promulgation of Section 12, but still captures two key elements of a dilution claim: damage to a mark absent likelihood-of-confusion and exposure of one party's reputation to an unrelated party's method of doing business. Consider the results under the proposed test to construe Section 12: the BUD mark (slogan) was strong (promoted by over $40,000,000 in advertising); the goods were noncompetitive; plaintiff expected no immediate injury, but the slogan lost some of its distinctiveness every time defendant used his slogan. BUD was not a self-diluted mark, and few consumers would likely expect that the beer and the insecticide came from the same source. Finally, regardless of the possible high quality of the insecticide, the connotation of insects related badly to a food product. The test leads to the correct conclusion—defendant was forced to discontinue his use of the offending slogan.

79. Id. at § 24:13.
80. Id.
82. Id.
83. Id. at 437-38.
84. Id. at 434.
85. Id. at 439.
In 1963 the Polaroid Corporation sued an Illinois manufacturer of heating and refrigeration systems for use of the trade name POLARAID. Polaroid made its anti-dilution claim under an Illinois law worded similarly to Section 12. The court granted the injunction, calling POLAROID an outstanding example of a strong, coined, and famous mark representing products of high quality, and noting that proof of competition between the parties was not required. The court went so far as to find that, in spite of many available names, defendant had purposely chosen one as close as possible to plaintiff’s. The proposed analysis reaches the identical result: The senior user’s mark was strong (coined and fanciful); the goods in question were noncompetitive; there was no likelihood of immediate injury; a loss of distinctiveness was eventually likely to result; Polaroid had not diluted its own mark; and there was little possibility that a purchaser would assume the goods originated from related sources. The facts did not indicate the difference in quality between the goods of Polaroid and those of Polaraid, but any disparity in Polaroid’s favor would have strengthened its anti-dilution claim.

The next leading case arose in 1964 when “TIFFANY’s,” a Boston restaurant, was sued by the owners of the well-known New York jewelry store. In granting relief under the Massachusetts anti-dilution statute, the court noted defendant’s attempt to

86. Polaroid Corp. v. Polaraid, Inc., 319 F.2d 830 (7th Cir. 1963).
87. Id. at 832; ILL. ANN. STAT. ch. 140 § 22 (Smith-Hurd 1964).
88. Id. at 832-33.
89. Id. at 835.
90. Id.
92. MASS. GEN. LAWS ANN. ch. 110B, § 7A (West 1975). Chapter 110, section 7A has been repealed and replaced by Chapter 110B, § 12, which is a verbatim adoption of Section 12 of the Model State Trademark Bill; MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1975).
“hitch-hike” on the TIFFANY name even though confusion of customers was an unlikely possibility. This result is compatible with the proposed test: TIFFANY is a strong mark; the goods were noncompetitive; the jewelry store would suffer little, if any, immediate injury; Tiffany’s had not diluted its own name; there eventually developed a large disparity in the goods offered by plaintiff and defendant; and there was little possibility that each user’s goods came from the same source.

C. Proper Use of the Dilution Doctrine in Denying Relief

If a plaintiff alleges dilution when in reality none has occurred, a proper application of the dilution doctrine (and the test) should result in a denial of relief, as the following cases illustrate. In 1973 the owners of the well-known motel chain “HOLIDAY INN” sued to enjoin the owner of a campground business from using the names “Holiday Out,” “Holiday Out in America,” and “The Nation’s Campground.” The court concluded that there was no need for dilution analysis, properly noting that the doctrine is more applicable to noncompetitive goods unlikely to confuse the public. The mark “HOLIDAY INN” is suggestive and relatively strong. However, the word “Holiday” is weak by itself and thus has little distinctive quality that can be eroded. The goods are borderline non-competitive—they both offer lodging to travelers, but persons seeking motel space are probably not seeking campground space and vice versa. Holiday Inns, Inc., is generally regarded as a high-quality business, but the difference in quality from defendant’s campgrounds is not apparent; i.e., a high-quality campground would not detract from the connotations of anyone’s “Holiday” mark. Finally, since Holiday Inns, Inc., had itself entered the campground business, the analysis should have proceeded under the confusion doctrine. The main factor precluding anti-dilution relief is the name “Holiday.” Had the plaintiff’s mark been more unique, the scales might have tipped in its favor.

93. 231 F. Supp. at 842.
94. Id.
95. Id. at 843.
97. Id. at 450.
98. Id. at 446. ("Holiday Inn Trav-L-Park").
As cited earlier, the Ninth Circuit allowed Sears, Roebuck & Company to continue its use of the mark “BAGZILLA” along with a cartoon of a reptile on its packing of trash bags. Toho Co., Ltd., of Japan sued to enjoin such use, claiming infringement on its mark GODZILLA, the lizardlike monster found in movies, television, comic books, and the like. The court decided that GODZILLA’s image had not been impaired, nor had Sears linked the character with anything unsavory or degrading. This case perhaps best illustrates the point that where defendant’s name and goods are of high quality, plaintiff will have a harder time claiming that his mark was tarnished. Also weighing against application of anti-dilution relief was Sears’ use of the generic term “bag” as part of its name. Besides being dissimilar to plaintiff’s mark’s first syllable, a generic mark is the weakest of all possible categories. It would be inconsistent to claim that such a weak mark could tarnish GODZILLA while maintaining that GODZILLA itself was strong enough to be diluted.

III. IMPROPER DISCUSSION OR APPLICATION OF THE DILUTION DOCTRINE

Notwithstanding the straightforward language of Section 12 of the Model State Trademark Bill—the anti-dilution provision now in effect in 22 states—many courts refuse to apply it as written and passed by legislatures, insisting instead on the likelihood-of-confusion or unfair intent before granting anti-dilution relief. Of course, the dilution concept becomes substantially worthless if it is only applied when the likelihood of confusion or some other element of unfair competition already exists.

In particular the New York state and federal courts have spent the last few years wavering over the doctrine. For example, in 1977 in Allied Maintenance Corp. v. Allied Mechanical

99. See supra text p. 12.
100. Toho Co. Ltd. v. Sears, Roebuck & Co., 645 F.2d 788 (9th Cir. 1981).
101. Id.
102. Id. at 793.
103. 2 J. McCarthy, supra note 2, § 24:14B.
104. 1 id. at §§ 11:1—14.
105. Model State Trademark Bill, supra note 77.
106. State Trademark Registration, United States Trademark Association, supra note 6.
the New York Court of Appeals correctly outlined the doctrine, noting that anti-dilution relief was a different sort of protection than that offered under the infringement tests, that the evil of dilution did not lie in any likelihood of public confusion, and that the New York statute specifically provided for injunctive relief notwithstanding the absence of confusion.\textsuperscript{109} Some federal courts have acknowledged this view of dilution,\textsuperscript{110} but another has cited \textit{Allied}'s interpretation of dilution as "dictum"\textsuperscript{111} and a very recent case deems it to be "contrary to the weight of state and federal authority."\textsuperscript{112} Yet another New York federal case regresses and relies completely on the dilution-requires-confusion view of the doctrine.\textsuperscript{113}

Part of the disorder over the correct application probably is due to the type of cases that have arisen. Most of the cases which cite and agree with \textit{Allied} have denied relief, and \textit{Allied} itself held the name "Allied" to be nondistinctive and unworthy of confusion or dilution protection.\textsuperscript{114} One case that claimed to grant dilution protection probably did not; the names at issue were "American Optical" and "North American Optical" and both users dealt in optical products.\textsuperscript{115} Under most tests, including the one proposed

\begin{itemize}
\item \textsuperscript{109} 399 N.Y.S.2d at 630-31, 369 N.E.2d at 1164-65.
\item \textsuperscript{111} "(T)his statement was uttered in \textit{dictum} and hence cannot be said to have changed the decisional law of New York State. . . ." Mushroom Makers Inc. v. R.G. Barry Corp., 580 F.2d 44, 49 (2d Cir. 1978).
\item \textsuperscript{112} Spring Mills, Inc. v. Ultracashmere House, Ltd., 532 F. Supp. 1203, 1221 (S.D.N.Y. 1982). This paper does not purport to examine such a statement in light of the \textit{Erie} doctrine.
\item \textsuperscript{113} "(A)s plaintiffs cannot show a likelihood of confusion, their claim under Section 368-d of the New York General Business Law must also fail." Warner Bros., Inc. v. American Broadcasting Companies, 530 F. Supp. 1187, 1198 (S.D.N.Y. 1982).
\item \textsuperscript{114} 42 N.Y.2d 538, 546, 369 N.E.2d 1162, 1166, 399 N.Y.S.2d 628, 633.
\item \textsuperscript{115} 489 F. Supp. 443, 451.
\end{itemize}
herein, this case should have been dealt with on confusion grounds. It shed little, if any, light on present trends in the dilution doctrine. Other cases construing the statute are trademark licensor-licensee disputes rather than true dilution situations. 116

In order to understand the present uncertainty in the doctrine's application the sources of that uncertainty need to be examined more closely. Once the underlying reasons for misuse are recognized such misuse should be eliminated and replaced with proper regard for the rights of prior users, junior users and the public.

The leading cases on dilution trace the path of the doctrine from present times to the 1920s, repeating over and over the phrases found in litigation in 1969 (ALLSTATE), 117 1965 (CUE), 118 (ESQUIRE), 119 1953 (KENT), 120 and finally finding haven in Judge Learned Hand's dicta in 1928 (YALE). 121 The irony of using Judge Hand's words is apparent when one realizes his decision was an early opinion espousing dilution-type protection; yet today this decision is blindly followed to bolster poor interpretations of dilution philosophy. Furthermore, the recent decisions ignore a strength of the common law—the ability of the legislature to change it. In short, even if the pre-anti-dilution-legislation common law provided no anti-dilution protection, legislative adoption of specific anti-dilution laws—conspicuous in their insistence that likelihood-of-confusion need not be found concurrently with dilution—should have required the courts to adopt this new view of trademark protection. Pre-anti-dilution statute case law should not govern post-statutory decisions in states adopting Section 12 of the Model Bill. New York adopted its own version of Section 12 in 1961. 122 New York courts are confusing a viable doctrine; even in cases where anti-dilution protection is properly denied, the courts

121. Yale Electric Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928).
122. N.Y. GEN. BUS. LAW, § 368-d (McKinney 1968).
often insert a paragraph misstating the law, sometimes noting that the misstatement flies in the face of the statutory language.123

Today's courts also ignore another probable reason behind early case law's consistent finding of confusion or unfair intent whenever dilution was found. Lacking any concept of dilution, the judge sitting as chancellor, seeking to do equity in the face of a type of unfair competition not easily categorized in the terms of his day, would likely do two things: first, rule in favor of the party deserving protection because equity compelled him to, and second, fit his decision into the recognized pigeonholes of likelihood-of-confusion and unfair intent even though these traditional categories did not really describe the wrong he perceived. This is a good explanation of why early dilution cases always latched on to confusion as well—the judge sought to fashion a remedy for the deserving party while doing so within the framework of stare decisis. Courts should recognize this, and likewise recognize the contribution of the commentators in defining this new remedy. Today's courts should not use the older decisions connecting confusion and dilution without realistically examining why they came to be connected in the first place. Legislative definition of a new concept frees courts from using inappropriate concepts from previous decisions of courts that did not have the new concept available as an alternative.

Use of the proposed test provides courts with the opportunity to properly dismiss spurious anti-dilution claims without giving improper advisory opinions as to when it deserves use.

When the proposed five-of-seven-factors test is applied to four of the leading New York cases,124 which are often cited nationwide, the same results are achieved as were achieved in those cases, and are achieved without misapplying the dilution doctrine or rendering unnecessary advisory opinions. The advantages of the test are its ability to show plaintiffs why their dilution claim fails, its easy

123. "(T)he New York Court of Appeals stated that it was not necessary to prove confusion between the marks in order to prevail under Section 368-d. However, the Second Circuit has characterized this statement as dictum and 'contrary to the weight of state and federal authority . . . .'" Spring Mills, Inc. v. Ultracashmere House, Ltd., 532 F. Supp. 1203, 1221 (S.D.N.Y., 1982).

framework for a court to apply when denying relief, its preservation of anti-dilution protection as a viable doctrine, and most importantly, its provision of protection to those who legitimately deserve it.

1. **Cue Publishing v. Colgate-Palmolive**

A case often cited as supporting the “dilution-requires-confusion” error arose when the publishers of a New York night-life magazine CUE sued to enjoin the Colgate-Palmolive Company from marketing a toothpaste under the same name. In denying the injunction, the court found no evidence of fraud, “palming off” or actual confusion or mistake. The court correctly held that the dilution doctrine did not apply, but while so holding, misinterpreted the statute, stating that confusion was required before dilution could be found. The proposed test reaches the same proper result while avoiding misstatement. Briefly, CUE is a weak mark, a dictionary word, as the court so found. The goods are noncompetitive with no likelihood of immediate injury and no line extension by plaintiff. But in addition to the weak mark, the high quality and good reputation of Colgate-Palmolive did not tarnish the magazine’s mark, and the court said as much in its opinion. Using the court’s own words, the publisher’s anti-dilution claim fails the test. Had this court used such a test, it could have still properly denied relief without misconstruing the statute.

2. **Sears v. Allstate Driving School**

Since 1926, Sears, Roebuck and Company has used ALLSTATE as a trademark, first on tires, and by the time of this case, 1969, on over 4,000 auto accessories as well as insurance. With respect to insurance, Allstate Insurance had offered discounts on premiums to young persons successfully completing driver-education.

126. Id. at 374.
127. Id. at 375.
128. Id.
129. Id. at 373-74.
130. Id. at 374: “[Colgate’s advertising] attaches no unpleasantness to the name ‘Cue’ and cannot by the farthest stretch of the imagination be repugnant to or have a deleterious effect upon plaintiffs’s business in the publication of its magazine.”
131. 301 F. Supp. 4.
Consequently, when a small driving school adopted the name "Allstate Driving School," Sears sued to enjoin the use of its mark. On the basis that there was no likelihood of confusion, no intentional deception, no direct competition, and no intent by Allstate Insurance to enter the driving school market, the court denied relief. Unfortunately, the court dismissed the dilution claim noting the statutory language which stated confusion was not a prerequisite for dilution but nonetheless asserting that, on the basis of prior case law, likelihood of confusion was a prerequisite to dilution. Had the proposed test been available, the court could have reached the same result without misinterpreting the dilution doctrine. Consider the elements. First, ALLSTATE has a definite secondary meaning in the marketplace; nevertheless, it is a weak mark in that it is made up of two simple words and was being used at the time of trial by at least 103 other unconnected users. Weak marks are not candidates for dilution protection. Second, the goods are technically noncompetitive, but all definitely fall within the overall automobile marketplace. Marks on goods in similar or competitive classes deserve protection under the confusion doctrine rather than the dilution doctrine. Third, there is no likelihood of immediate injury. This element favors dilution analysis. Fourth, Sears had used the name ALLSTATE on over 4,000 items; such line extension does not favor granting anti-dilution protection to the extending party. The difference in the quality of the goods is not apparent from the facts given. Finally, because both users used ALLSTATE in the automotive context, the public might have assumed emanation of both from the same or a related source. The possibility of related sources points toward confusion analysis rather than dilution analysis. Thus, this case can be decided on confusion grounds—as indeed it was—and the dilution claim can be properly dismissed without unnecessary distortion of the concept.

132. Id. at 9.
133. Id. at 19.
134. Id.
135. Id. at 11.
136. Id.
137. Id. at 6.

These two cases\textsuperscript{138} are often cited in support of the dilution-requires-confusion construction of the New York anti-dilution statute. Courts, however, misapply these cases (both were decided before the statute was adopted). They may have represented the common law at one time, but once the legislature spoke, the courts should have begun construing the doctrine in the manner the legislature intended. In short, pre-1961 cases should not be used to construe the statute.

Nevertheless, both cases press dilution claims, and both can be properly analyzed using the proposed test to show that neither court needed to misapply the doctrine in order to reach a proper decision. In the \textit{Esquire} case,\textsuperscript{139} the men's magazine tried to enjoin a slipper manufacturer from using the \textsc{esquire} mark. The court denied the injunction, supporting its decision with evidence of 5,000 other commercial uses of \textsc{esquire} throughout the country\textsuperscript{140} and finding that the word had some English-language meaning, even if an obscure one. Unfortunately, the court dismissed the dilution claim on the basis of lack of confusion. The proposed test shows that the dilution claim was properly dismissed, but not for lack of any likelihood-of-confusion.\textsuperscript{141} Rather, the weakness of the mark (5,000 other users)\textsuperscript{142} and its lack of distinctiveness (dictionary word) should have ended the dilution inquiry without damaging the proper concept of the doctrine.

The \textit{Kent} case\textsuperscript{143} is more interesting in that any trademark identity in the United States enjoyed by the senior user no longer exists. "Kent" was an English family name used on that family's line of high-quality grooming brushes.\textsuperscript{144} In 1952, Lorillard introduced a new cigarette line bearing the KENT trademark, and the senior user sued to enjoin use of its mark.\textsuperscript{145} The court conceded that the senior user enjoyed a world-wide reputation and substantial good-will and that its mark had acquired a secondary meaning as to its products.\textsuperscript{146} Nevertheless, the court denied relief, pointing

\textsuperscript{139} 109 U.S.P.Q. 30.
\textsuperscript{140} \textit{Id.} at 32.
\textsuperscript{141} \textit{Id.} at 33.
\textsuperscript{142} \textit{Id.} at 32.
\textsuperscript{143} 114 F. Supp. 621.
\textsuperscript{144} \textit{Id.} at 623.
\textsuperscript{145} \textit{Id.}
\textsuperscript{146} \textit{Id.} at 624.
first to the Patent and Trademark Office's refusal to register the mark because it was primarily a surname, and second to the large amount of money Lorillard had spent introducing the name, presumably because it was not well-recognized. The first argument is valid enough, but the second seems to imply that a junior user can prove that a senior user's mark is weak simply by spending large amounts of money promoting junior use of the mark. Finally, the court started the dilution-requires-confusion trend by looking at Learned Hand's pro-dilution argument in Yale Electric and connecting it to Hand's use of confusion language in the same case. As stated earlier, today's courts should recognize that early cases granting anti-dilution relief generally used confusion-type language in order to fit this new equitable remedy into accepted legal terms.

Did G.B. Kent & Sons deserve anti-dilution protection? The court's concession that KENT had strong secondary meaning, a world-wide reputation, and substantial goodwill all favored protection. Likewise, the goods were noncompetitive, G.B. Kent could expect little immediate injury, and few purchasers would expect that the brushes and the cigarettes came from a related source. Finally, G. B. Kent appears to have used its name properly with no evidence of overly broad line extensions. Disfavoring anti-dilution protection were the lack of distinctiveness of the mark—Kent is a surname registered 30 times—and the higher level markets at which both products were aimed; i.e., high-quality items do not dilute each other's marks. Thus, using the proposed test, the Kent case falls just short of deserving protection.

IV. WHY NORTH CAROLINA SHOULD ADOPT SECTION 12 OF THE MODEL STATE TRADEMARK BILL

Trademark owners deserve protection from dilution for the same reasons they deserve protection from the likelihood of confusion, palming-off, or outright fraud; these are all methods of un-

References:

147. Id. at 625.
148. Id. at 626.
149. 26 F.2d 972.
150. 114 F. Supp. 621.
151. See supra text p. 184.
152. 114 F. Supp. 621, 624.
153. Id. at 628.
fairly appropriating the property of another. This discussion does not purport to provide a detailed analysis of why trademarks deserve protection, but the main points can be covered succinctly. Trademark rights reflect a balance between the need to stifle unfair competition and the desire to encourage useful competition. Use of another's trademark can be a lie, and any resulting sale could be considered a theft. On the other hand, merchants should not be allowed to monopolize the language, thereby avoiding market competition. Trademark law attempts to strike the proper balance by superimposing ethical norms onto competitive market practices. Furthermore, a trademark is a property right and an invasion of that right requires a remedy. A trademark symbolizes goodwill, and goodwill has tangible value to a businessman. Consequently, an invasion of the mark can cause financial damage to the owner, and the fact that fixing the value of such damage can be difficult does not imply that a wrong has not taken place.

The trademark owner is not the only one to suffer from an invasion of trademark rights. A trademark is a symbol that says something about a product, and the consumer has the right to hear the truth. The buyer may vote for a president once every four years, but in the marketplace, he votes for trademarks almost daily. Proper enforcement of trademark rights is in the consumer's best interest.

More specifically, granting that producers and consumers both deserve trademark protection, why in the presence of the federal system should state statutory law cover trademark remedies? North Carolina's present governor has campaigned extensively to foster desirable economic growth in the state. If trademarks receive proper protection in North Carolina—as opposed to improper
protection elsewhere—the mark owner receives an economic benefit not available elsewhere. The value of a trademark to its owner is usually buried in the “other assets” column of the annual report, but as long ago as 1967, the COCA-COLA and COKE marks were valued at $3 billion.\textsuperscript{168} As far back as the 1950s, marks such as MAXWELL HOUSE and JELL-O were worth $42 million and $35 million, respectively.\textsuperscript{166} The Lanham Act provides no anti-dilution protection to marks of such value.\textsuperscript{167} Consequently, any state offering anti-dilution protection to the owner of a valuable mark provides that owner with greater incentive to do business in that state. If North Carolina desires to attract new business from outside the state, broader legitimate trademark protection than is available elsewhere or currently available here is a factor to be considered.

A second reason for state anti-dilution protection is the limitation of Lanham Act registration and protection to marks used in interstate commerce.\textsuperscript{168} Consequently, businesses operating solely intrastate receive only common-law and state statutory protection. Local marks can be strong within given geographical boundaries, as has long been recognized by the Supreme Court.\textsuperscript{169} What if a brewery decided to become “The Best Beer in the Neighborhood”; or a jeweler invited gem purchasers to “Take A Closer Look”; or a computer company tried to sell you “Your Personal Thinker”?\textsuperscript{170} Absent confusion or attempt to defraud—and these are almost always absent when the goods fall into widely different categories—the owners of such slogans presently have no way to prevent the inevitable degradation of these currently strong local marks should such unauthorized use arise.

Most of the Model State Trademark Bill has already been adopted in North Carolina.\textsuperscript{171} Similarly, North Carolina courts have recognized key doctrines of trademark law such as passing...
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off,\textsuperscript{172} consumer association of trade name and product quality,\textsuperscript{173} distinctiveness of marks (or the lack thereof),\textsuperscript{174} the unfair nature of intentional confusion,\textsuperscript{175} and the acknowledgement that unfair competition "takes as many forms as the ingenuity of man can devise."\textsuperscript{176} This last factor is most important. It reflects the North Carolina court's perception that unfair competition cannot always be classified into previously labelled categories before the court can grant relief.

North Carolina's addition of Section 12 of the Model Bill to its current statutory and case law would protect strong local marks, encourage businesses owning valuable trademarks to locate in the state, and most importantly, provide a form of trademark protection that all mark owners—local or national, registered or unregistered—have long deserved. The proposed test would assist North Carolina courts when faced with a Section 12 case.

V. Conclusion

Trademark dilution is an injury distinct from the traditional wrongs of confusion, palming off, or fraud. This distinction, however, should not prevent courts from granting relief to deserving mark owners. The proposed short test provides courts with seven guidelines with which to decide whether a dilution question has been presented, and if so, how it should be decided. The test provides results identical to those reached in all the leading decisions and does so without misstating the rationale of the doctrine. The test can provide for clear analysis of trademark cases that do not fall readily into other categories.

Finally, if North Carolina wishes to foster a favorable business climate, proper protection of valid trademarks is an important element. Logically, successful companies with valuable marks are the type of industry any area would wish to attract, and a legislative commitment towards protecting such marks will give more than lip

\begin{itemize}
\item \textsuperscript{174} Charcoal Steak House of Charlotte, Inc. v. Staley, 263 N.C. 199, 139 S.E.2d 185 (1964).
\item \textsuperscript{175} Id. at 203, 139 S.E.2d at 188.
\item \textsuperscript{176} Carolina Aniline & Extract Co. v. Ray, 221 N.C. 269, 20 S.E.2d 59 (1942).
\end{itemize}
service to this state's desire to become a magnet for developing industries.

Philip Summa