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"FAIR USE" OF COMPARATIVE ADVERTISING UNDER THE 1995 FEDERAL DILUTION ACT

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I. INTRODUCTION

A trademark is an emblem or motto that conveys limited property rights in a certain word, phrase, or symbol. n1 Traditionally, trademarks have had an important, but limited purpose in society: to permit consumers to identify the manufacturer of a product or the provider of a service. n2 At the federal level, this purpose is furthered by the Lanham Act which seeks to protect trademark owners from unauthorized uses of their trademarks that are likely to cause consumer confusion or deception. n3 However, in the past decade or so, the protection accorded to trademark owners has been expanded by many state statutes which prohibit uses of trademarks that are likely to dilute or diminish their selling power. n4

The difference between the protection offered by the traditional trademark confusion doctrine and that of dilution lies in the fact that dilution does not require a showing of consumer confusion. Thus, unlike

[*134] traditional trademark protection, an overly broad application of the dilution rationale in the free speech area has the potential to unduly restrict competition and curtail First Amendment rights. n5

The growing popularity of the dilution theory culminated in January 1996 with the passage of the Federal Trademark Dilution Act into law. n6 This legislation provides a federal cause of action to the owners of famous trademarks against subsequent unauthorized uses that may blur their distinctiveness or injure their reputation. The first attempt to introduce a federal trademark dilution cause of action in the United States was made in 1988 as part of the Trademark Revision Act. n7 The 1988 federal dilution statute sought to modify the Lanham Act by introducing a limited dilution provision. This attempt caused an uprising among exponents of the media and broadcasting industry who saw it as a threat to their First Amendment right of free speech. n8 In response to these concerns, the House of Representatives eventually rejected the proposed bill. n9

However, the struggle was not over. In 1995, Representative Carlos Moorhead presented the 1995 Federal Dilution Act to the House of Representatives, n10 which was passed into law in January of 1996 with the support of the International Trademark Association. n11 Although the

[*135] 1995 Federal Trademark Dilution Act is based largely upon the 1988 federal dilution proposal, n12 Congress addressed the First Amendment concerns expressed by excluding from the Act the non-commercial use of a mark, and its fair use in comparative commercial advertising. n13

This article explores the nature of the concept of "fair use" in comparative advertising as codified in the Federal Dilution Act of 1995. In addition, this article proposes guidelines that courts should follow to determine the proper scope of the application of the fair use doctrine. This is especially important given the almost complete absence of legislative history to help interpret the meaning of fair use under the Act.

Further, this article examines whether and to what extent comparative advertising is protected by the First Amendment and analyzes the possibility of employing the traditional fair use defenses of trademark and copyright laws to explain the meaning of the new statutory notion of "fair use." The scant legislative indications are analyzed and suggestions are presented on how to delimit the Act's application in a way that is consistent with the First Amendment protection of free speech.

Fair use in comparative commercial advertising is a new notion which cannot be explained by applying either the fair use doctrine under the confusion test of trademark law or the fair use defense of copyright law. n14 Accordingly, in determining the scope of the Act's application, courts necessarily will have to apply the new notion of fair use on a case-by-case basis and achieve a balance between the First Amendment protection of free speech and trademark owners' interests in retaining control over the image of their marks. Such a goal can only be achieved by recognizing that some forms of dilution simply are not applicable to comparative advertising. n15 Injuries to the reputations of famous trademarks should be recognized only when an advertiser engages in speech that traditionally has been recognized as offensive, i.e., speech involving illegality, sexual activity, and obscenity.

[*136] Finally, when an advertisement falls within a category of offensive speech, courts should consider whether its author intended to achieve both commercial and humorous effects. When an author does intend for the use to be humorous, courts should construe the presence of non-commercial speech as negating dilution by tarnishment, and grant the defendant's speech full First Amendment protection. n16

II. THE ORIGIN AND DEVELOPMENT OF THE DILUTION RATIONALE

The origin of trademark dilution in the United States is generally attributed to Frank Schechter's article, *The Rational Basis of Trademark Protection*, published in 1927. n17 Central to Schechter's analysis was the belief that the real value of trademarks was their selling power which received inadequate legal protection at the time. n18 Accordingly, Schechter advocated the principle that uses of a trademark that associated the trademark with less prestigious goods ought to be prohibited. Schechter described this phenomenon as the "gradual whittling away" of a trademark's identity among the public. n19 This new doctrine required neither consumer confusion nor competition between the trademark users and introduced a property concept of trademarks which was completely extraneous to its historical evolution. n20

Schechter's theory of protecting famous trademarks from dilution was applied for the first time in *Tiffany & Co. v. Tiffany Productions*, n21 where a court held that the defendant's attempt to use Tiffany & Co.'s

[*137] prestigious name for a movie theater whittled away the distinctiveness of the plaintiff's trademark. n22

Starting with a Massachusetts statute in 1946, antidilution statutes began to appear in several states. n23 Their common characteristic has been to prohibit use of distinctive trademarks without requiring the presence of competition between the parties or a finding of consumer confusion. n24 Despite such broad statutory provisions, courts initially were reluctant to grant relief for dilution unless there was also a showing of confusion. n25 However, the dilution theory has been accepted by a growing number of courts over the past twenty, n26 and has recently been recognized through federal legislation. n27

Traditionally, trademark dilution occurs either by blurring or tarnishment. n28 Dilution by blurring is characterized by a diminution of the

[*138] trademark's ability to bring to a consumer's mind the products with which the trademark is associated, thereby compromising its distinctiveness and selling power. Dilution by tarnishment arises when a famous trademark is associated with goods or images that injure its reputation, such as illegal drugs, pornography, or other illicit activities. n29 Another method of dilution by tarnishment is associating an owner's trademark with goods that are likely to produce negative responses in the minds of consumers, such as the use of a famous beer trademark to advertise an insecticide. n30

III. COMPARATIVE ADVERTISING AND THE FIRST AMENDMENT

The essence of comparative advertising is expressed by the old slogan "anything his can do mine can do better." n31 By recognizing the right of an advertiser to truthfully compare its products to those of a competitor, comparative advertising can be viewed as a vehicle of expression that assists consumers in making informed purchasing decisions. n32 This position is supported fully by the Federal Trade Commission which views comparative advertising as an effective deterrent against increasing product prices as well as a valuable tool to promote competition, product improvement, and modernization. n33 In recent years, comparative advertising has become a multi-billion dollar business and has challenged courts with new, complex legal issues related to the rights of consumers, advertisers and their competitors. n34

[*139] In order to understand the First Amendment issues that arise when the dilution principle is applied to comparative commercial advertising, one must first consider the essential aspects of the free speech doctrine. Within the general protection accorded to free speech, the First Amendment affords different degrees of protection to different types of speech. n35 While the Supreme Court has traditionally afforded non-commercial speech with full First Amendment protection, n36 commercial speech receives only an intermediate level of protection. n37 Thus, in performing a First Amendment analysis involving trademark dilution issues, an initial inquiry must be made into whether, and to what extent, a comparative commercial advertisement constitutes commercial speech.

Commercial speech has been defined by the Supreme Court as an expression that does "no more than propose a commercial transaction." n38 Advertising intended to promote the sale of goods or services would appear to be a typical example of commercial speech. n39 However, when a commercial advertisement is mixed with parody or other entertaining elements, it is impossible to draw a bright line between commercial and non-commercial advertisements. In cases such as these, courts must exercise the utmost care not to overlook the non-commercial character of an advertisement when called upon to enjoin a comparative commercial advertisement under a theory of dilution. n40

[*140] Prior to the mid-seventies, comparative commercial advertising was considered commercial speech and, as such, fell outside the protection of the First Amendment. n41 Accordingly, comparative advertising was entirely subject to governmental restriction.

The constitutional status of commercial advertising began to change with *Bigelow v. Virginia*, n42 when the Court reversed the conviction of a newspaper editor on the grounds that a disputed abortion advertisement conveyed both a commercial message and information of distinct public interest.

In the landmark case of *Virginia Pharmacy Board v. Virginia Citizens Consumer Council, Inc.*, n43 the Court espoused the notion that even pure commercial advertisements deserved some degree of First Amendment protection, striking down a statute that prohibited licensed pharmacists from advertising the prices of prescription drugs. In reaching this decision, the Court balanced the public's interest in the efficient allocation of resources and in receiving information on drug prices against the state's interests in preventing harsh price competition and in preserving the public image of pharmacists. n44

In *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, n45 the Supreme Court renounced the balancing test employed in previous commercial speech cases. The Court replaced the balancing test, so when a statute is challenged, the following four-part analysis is used: First, for commercial speech to be protected it must

[*141] involve lawful activity and not be misleading. n46 Second, the government interest must be "substantial." n47 Third, if the previous two requirements are satisfied, the regulation must directly advance the stated government interest. n48 Fourth, the regulation in question must be no more extensive than necessary to advance that interest. n49 A number of subsequent cases confirmed the viability of the *Central Hudson* test, which courts now follow. n50 Thus, in order to successfully enjoin comparative advertising, the government, or private plaintiff, n51 must meet the requirements of the *Central Hudson* four-part test, which effectively protects advertisers from undue restrictions on commercial speech.

IV. "FAIR USE" UNDER THE CONFUSION TEST

The Lanham Act, n52 passed by Congress in 1946, primarily sought to protect consumers from confusion as to the source or sponsorship of goods and services available in the market place. n53 Although Congress intended to prevent competitors from capitalizing on the time, energy and money spent by the trademark owner to promote the owner's products, n54 the Act was not intended to create a property interest in all of

[*142] the words used in a commercial context. n55 This philosophy, embodied in the traditional statutory fair use doctrine, exempts junior trademark users from liability when the mark is used to fairly describe another party's goods or services, or their geographic origin. n56 This situation occurs when an allegedly infringed trademark has a primary descriptive meaning as well as a secondary meaning that is associated with the products of a certain manufacturer.

Use of the "fair use" defense requires a showing of the good faith use of an expression, not as a mark, but to describe the attributes of another party's goods. n57 When a truthful comparative advertisement meets the above requirements, it does not create a reasonable likelihood of confusion, thereby entitling the alleged trademark infringer to the fair use defense. n58

In comparative advertising, the doctrine of fair use is invoked in cases where the use of a competitor's trademark is necessary to truthfully describe the characteristics of the alleged infringer's goods. n59 However, the evolution of the fair use defense in comparative advertising has been relatively slow because the Lanham Act was not primarily concerned with advertising and because competitors were generally afraid to engage in possibly unlawful comparative advertising. n60 Courts also showed a general unwillingness to afford the protection provided by the Lanham Act to comparative advertisers. n61 It took several decades after the enactment of

[*143] the Lanham Act for courts to begin "to fashion a comprehensive set of remedies" for comparative advertising claims. n62

The Ninth Circuit set the standards for comparative advertising under the Lanham Act in *Smith v. Chanel*. n63 In *Chanel*, the defendant advertised a low priced imitation of the plaintiff's perfume "Chanel No. 5" with the slogan "We dare you to detect any difference between Chanel No. 5 and Ta'Ron's 2nd Chance." The district court entered a preliminary injunction prohibiting the defendant from making any reference to Chanel No. 5 in the advertising of "2nd Chance." n64 On appeal, the court noted that comparative advertising prevents consumers from making purchasing decisions based on irrational elements, n65 and that this public benefit would be lost if a defendant could not advertise its products by comparing them to those of its competitors. Thus, the Court of Appeals for the Ninth Circuit concluded that comparative advertising may not be prohibited under the Lanham Act as long as it is not misleading and does not create a reasonable likelihood of confusion among consumers. n66

The narrow scope of the traditional confusion test is consistent with the legislative history of both the Lanham Act n67 and with its aim to prevent trademark rights from being extended to the point that competitors are barred from describing their products to consumers. n68

[*144] Now, with some exceptions, n69 courts have identified the notion of fair use in trademark infringement cases with the absence of a likelihood of confusion. n70 In the field of comparative advertising, this rationale has been used by courts in refusing to proscribe comparative advertisements that fairly describe and compare the competitor's goods in a non-confusing manner. n71 Indeed, the purpose of comparative advertising is to distinguish one's product from a competitor's by comparison. n72 A comparative advertisement that fails to distinguish a competitor's trademark can be considered an advertisement that failed. n73

[*145] Good examples of how courts deal with confusing or misleading advertisements are offered by *Better Business Bureau of Metropolitan Houston, Inc. v. Medical Directors, Inc. and Weight Reduction Medical Centers, Inc.*, n74 and *Upjohn Company v. American Home Products Corp.* n75 In *Better Business Bureau*, a weight reduction center appealed from a preliminary injunction prohibiting the center from falsely advertising that their weight reduction program was approved by the Better Business Bureau. The district court relied on *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, n76 and *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.* n77 in deciding to issue the preliminary injunction. The Court of Appeals for the Fifth Circuit observed that the district court erroneously relied on precedents which dealt with misleading trade practices and failed to distinguish them from instances of truthful advertising, such as the case at bar. n78 Furthermore, the court found that although the Center's advertisement was likely to cause consumer confusion, its complete suppression was overly broad and violated the Center's right to free speech. Furthermore, it deprived consumers of useful information on the Center's weight loss program. Thus, the Center for Weight Loss was ordered simply to add to its advertisement a disclaimer to reduce the likelihood of confusion. n79

In *Upjohn*, the plaintiff commenced legal proceedings to enjoin the defendant from advertising a pain reliever that was the same color as this plaintiff's product in similar promotional materials. The defendant, acknowledging that its promotion could be a source of consumer confusion, agreed to add a disclaimer and change the product's color in a new advertisement. Still unsatisfied, Upjohn moved for a preliminary injunction that would have barred the defendant from making any further comparative advertisements. The court granted an injunction banning the original advertisement, but denied the request for an injunction on the

[*146] revised advertisement on the ground that the plaintiff's survey failed to show a likelihood of consumer confusion. n80 Furthermore, the court noted that "to enjoin language where there is a reasonable possibility that a disclaimer would suffice would violate [the] first amendment." n81

The *Better Business Bureau* and *Upjohn* courts showed a general reluctance to enjoin advertisements that, with the addition of simple changes, were not likely to cause consumer confusion. Furthermore, under the traditional fair use doctrine, restrictions on commercial advertisements must be narrowly tailored to satisfy the First Amendment protection of free speech and, in the absence of consumer deception or confusion, comparative advertising is permitted by the Lanham Act. n82

V. APPLICABILITY OF "FAIR USE" UNDER THE CONFUSION TEST TO THE 1995 FEDERAL DILUTION ACT

In order to determine the applicability of "fair use" from the confusion test to trademark dilution cases, it is necessary to compare the different goals of the dilution and confusion doctrines and the means employed to achieve those goals. The goal of the traditional confusion test is to protect the public from becoming confused as to a product's source, sponsorship or approval. n83 The means employed to achieve this goal is to grant the owner the exclusive right to its trademark to the extent necessary to prevent consumer confusion. n84 Pursuant to this goal, Congress made the likelihood of confusion the "keystone" of the

[*147] Lanham Act, protecting trademark owners without risking the monopolization of language. n85

The principle underlying the fair use defense is that, although a trademark owner may acquire rights in a word with descriptive qualities, it cannot prevent others from advertising their products in a descriptive, non-trademark manner. n86 Without a fair use exception, society would not have access to useful information regarding competing products and "one supplier would receive an unfair and unjustified advantage over competitors." n87

Having analyzed the goals and means employed in protecting consumers from confusion, it is now possible to compare them with those of the more pervasive dilution test. In contrast to the confusion doctrine, the dilution doctrine concerns itself only with the "gradual whittling away or dispersion of [the] identity" n88 of the mark and with the concern that unauthorized use of the mark may undermine its commercial appeal. n89 The doctrine seeks to protect the "commercial magnetism" or selling power of trademarks from unauthorized uses even in the absence of confusion or competition. n90 The scope of protection shifts from preventing customer confusion to preserving the integrity of the trademark itself. n91 This had led courts to enjoin even non-confusing trademark uses made by non-competitors, giving rise to the risk of

[*148] "swallowing up all competition in the claim of protection against tradename infringement." n92

The legislative response to this concern was to allow for fair use in comparative advertising under the 1995 Federal Dilution Act. n93 However, the adoption of the fair use defense under the Federal Dilution Statute begs the question of whether the traditional notion of fair use can be used in the dilution context.

One similarity between the fair use defense under the confusion and dilution tests is that both seem to operate as a safeguard against the anticompetitive effects that may occur by excessive extensions of trademark rights. However, given the inherent differences between confusion and dilution, the traditional notion of fair use cannot be imported wholesale into the new federal dilution statute.

While the fair use defense under the new federal statute appears to be a clear legislative limitation to the virtually boundless reach of dilution, n94 the traditional fair use exception is simply a logical corollary to the Lanham Act's confusion test. In other words, no infringement can exist if there is no likelihood of confusion, and there is no likelihood of confusion where a word is used only in its primary meaning to describe a manufacturer's product. n95

If the new federal statute were to incorporate the traditional fair use defense, it would, in effect, frustrate the very purpose of the statute. This result would be brought about, for example, by allowing a competitor to injure the reputation and prestige of a famous mark as long as it does not cause a likelihood of consumer confusion.

[*149] VI. "FAIR USE" UNDER COPYRIGHT LAW

Unlike trademark law, copyright law is rooted in the Constitution. n96 The goal of copyright law is to encourage the creation of artistic and literary works and to serve society's interest in the free circulation of ideas. n97 This objective is achieved by granting a limited monopoly to the author of the copyrighted work, which enables the author to derive an economic gain from his or her creative effort. n98

The doctrine of "fair use" in copyrights is based upon the fact that "every book in literature, science and art, borrows and must necessarily borrow, and use much which was well known before" n99 and it alleviates the "inherent tension in the need to simultaneously protect copyrighted material and to allow others to build upon it." n100 The elements of the fair use defense in copyright, specified in Section 107 of the Copyright Act, are as follows: (1) the purpose and character of the use, including whether this use is for commercial purposes or for nonprofit educational purposes, (2) the nature of the copyrighted work, (3) the amount and substantiality of the original work used, and (4) the effect of the infringement on the value of the copyrighted work. n101

The two main problems of using copyrighted material for commercial advertising stem from (1) the profound differences between the objectives of the copyright and trademark dilution laws, and (2) the reluctance of courts to grant the fair use privilege to uses made exclusively for commercial profit. n102 Although the Supreme Court

[*150] recently stated that the commercial character of the use of copyrighted material does not create a presumption of unfairness, n103 the fact that a publication is commercial rather than "not-for-profit" is a separate factor that tends to weigh against a finding of fair use." n104

VII. APPLICABILITY OF THE "FAIR USE" DEFENSE UNDER COPYRIGHT LAW TO TRADEMARK DILUTION

In determining the applicability of the fair use defense from copyright law to trademark dilution, it is first necessary to compare the scope of protection afforded by the dilution doctrine to the scope of protection afforded by copyright law. While at first blush the tests for trademark dilution and copyright infringement seem to be identical, n105 they differ profoundly in their respective goals. Under copyright law, the protection of an author's work is subordinated to the ultimate goal of fostering creativity for the public welfare. n106 The dilution doctrine, on the other hand, is concerned only with the protection of the trademark owner's interest in the goodwill of the mark. n107 The fair use exception in copyright law is justified by public interest, but the same is not true for fair use in the dilution context. The application of the fair use doctrine from copyright law to trademark dilution would subject the latter to

[*151] constraints completely extraneous to the goals of the trademark dilution doctrine.

Courts analyzed the applicability of copyright fair use to comparative advertising in *Triangle Publications*.¹⁰⁸ In *Triangle Publications*, the publisher of a television program magazine sought to enjoin a newspaper publisher from using the plaintiff's magazine to promote a competing publication through comparative advertising. The defendant argued that its comparative advertising was a form of commercial criticism and, therefore, it was exempted from the application of the plaintiff's monopoly right. The district court observed that the exception for criticism was developed by courts to include uses of copyrighted material for literary or cinematic purposes and did not include commercial critiques. Because the defendant's comparative advertisement was carried out for commercial purposes, it did not fall within the statutory exception.¹⁰⁹ However, although it refused to consider the defendant's advertisement a fair use, the district court went on to deny the grant of an injunction on the ground that such an order would violate the right of free speech under the First Amendment. More specifically, the court observed that the extension of free speech protection to commercial speech gave rise to a conflict between the Copyright Act and the First Amendment; because comparative advertising was a form of protected speech, the court had to construe the Copyright Act in a narrow way, so as to exclude its applicability in the case at bar.

On appeal, the Court of Appeals for the Fifth Circuit affirmed the decision of the district court, but disagreed with its reasoning.¹¹⁰ Specifically, the court of appeals first characterized fair use as "a 'rule of reason' fashioned by Judges to balance the author's right to compensation for his work, on the one hand, against the public's interest in the widest possible dissemination of ideas and information."¹¹¹ The appellate court then analyzed the evolution of the fair use doctrine's function, which it described as a means "to eliminate potential conflicts between copyright

[*152] and free speech." n112 From this it follows that the fair use doctrine is flexible. Contrary to the reasoning of the district court, the alleged tension between the Copyright Act and the First Amendment simply did not exist in this case since "the Copyright Act itself provides a safety valve - fair use - to minimize this potential tension." n113 In addition, the court of appeals found that the district court erred in giving too much weight to the commercial motive behind the defendant's comparative advertisement, ignoring other important factors, such as the lack of any attempt by the defendant "to palm off Triangle's product as that of the Herald's." n114 Therefore, the court of appeals held that the defendant's use of the plaintiff's magazine cover for comparative advertising purposes was a fair use.

The holding of the court of appeals in *Triangle* offers useful guidelines for interpreting the fair use doctrine under the 1995 Federal Dilution Act. As in copyrights, the absence of any legislative indication as to the meaning of fair use evidences its inherent flexibility. Consequently, when called upon to apply the federal antidilution law, courts will have to consider the applicability of the fair use defense on a case-by-case basis. The function of the new "fair use" defense is to avoid undue restraints on constitutionally protected speech; the same function it has in the copyright context. n115 Thus, the commercial nature of comparative advertising does not prevent a finding of dilution. n116 As suggested by this article, when a comparative advertisement combines both commercial value with parody, courts should balance the parties' opposing interests and determine whether the alleged infringer's First Amendment right of free speech should be protected by the fair use defense.

[*153] VIII. "FAIR USE" OF COMPARATIVE ADVERTISING UNDER THE 1995 FEDERAL DILUTION ACT

The legislative history of the 1995 Federal Dilution Act contains few, if any, guidelines regarding how the fair use defense should be applied to comparative advertising. While its general purpose is to ensure "that traditional areas of use protected by the First Amendment will not be adversely affected by enactment of the Federal dilution statute," n117 Congress gave no further explanation of the fair use defense to dilution. The only indication of what "fair use" in comparative advertising may mean is found in the testimony given by representatives from the International Trademark Association ("INTA"), who testified before the House of Representatives. n118 According to these representatives, fair use of a famous mark for comparative advertising purposes has to be consistent with "such cases as *Prestonettes, Inc. v. Cody*, 264 U.S. 359 (1924); and *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992)." n119

In *Prestonettes*, a French manufacturer of toilet powders and perfumes sought to enjoin the defendant from repackaging its products in a way that allegedly deceived the public as to the origin of the products. The trial court issued a decree allowing the sale of the plaintiff's repackaged products so long as the defendant put a conspicuous disclaimer on them stating that the plaintiff's products had been independently repackaged by the defendant and that there was no connection between the plaintiff's trademark and the defendant's. n120 On appeal, the court found that, given the volatile nature of the plaintiff's products, there was a high risk of adulteration and public deception. Accordingly, it issued a preliminary injunction enjoining the defendant's use of the plaintiff's mark except for the sale of products in their original package as marketed by the plaintiff. n121 However, the Supreme Court reversed the circuit court's decision and affirmed the trial court's holding. n122 The Court focused on the prevention of public confusion and found that "when the

[*154] mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth." n123 Thus, because the plaintiff could not prevent non-trademark descriptive uses of its trademark, n124 the Supreme Court upheld the trial court's decision to allow the non-confusing use of the plaintiff's trademark on the repackaged products. n125

In *New Kids on The Block v. News America Publishing, Inc.*, n126 a musical group brought suit for trademark infringement against two newspapers for publishing pictures of the group's trademark in connection with some telephone polls. Although it defined a trademark as a limited property right in a word, n127 the court noted that an absolute restriction on the use of trademarks would deplete our language. n128 Because it was impossible for the defendants to refer to the plaintiff's group without using their trademark, the defendants were entitled to a "nominative fair use defense." n129

Although in *Prestonettes* and *New Kids* the courts refused to prohibit descriptive non-confusing uses of the plaintiffs' marks, their holdings do not adequately define the boundaries of fair use in comparative advertising under the new Federal Dilution Act. In *Prestonettes* and *New Kids*, the courts analyzed the plaintiffs' claims under the narrow confusion test and found that because the defendants' uses of the plaintiffs' trademarks were descriptive and non-confusing, they constituted fair uses. However, these courts did not analyze the plaintiffs' rights under the more limiting dilution test. Their holdings cannot be imported into the broader dilution context without creating an

[*155] overly broad notion of fair use. As stated above, n130 the importation of the confusion rationale into dilution cases causes severe distortions, such as having to regard a tarnishing use of a famous trademark as a fair use as long as it does not create confusion among consumers. The referral by the INTA to *Prestonettes* and *New Kids* ignores the profound differences between confusion and dilution. The INTA's advice, if followed, would result in a fair use doctrine that would narrow the scope of the Dilution Act.

Additionally, the INTA referred to the recent case of *Deere & Co. v. MTD Products, Inc.* n131 In *Deere*, a trademark owner brought an action for trademark infringement under the New York antidilution statute for a competitor's use of its mark in a comparative advertisement. The issue faced by the court was whether the use of an altered version of a distinctive trademark to identify a competitor's goods and to achieve a humorous effect resulted in trademark dilution. After noting that there was no dilution by blurring, the court found that "alterations . . . accomplished for the sole purpose of promoting a competing product are properly found to be within New York's concept of dilution because they risk the possibility that consumers will come to attribute unfavorable characteristics to a mark and ultimately associate the mark with inferior goods and services." n132 Accordingly, the court enjoined the defendant's use of the comparative advertisement on the ground that it diminished the reputation of the plaintiff's trademark. n133

Although in *Deere* the court specifically addressed comparative advertising under the dilution statute, its reasoning was, in part, flawed and paradoxical. In holding that a humorous alteration of a famous trademark amounts to dilution, not only did the court create a dangerous new type of dilution, n134 but it also reached exactly the opposite conclusion

[*156] of what the correct application of the First Amendment protection would have warranted under the circumstances. With respect to the new category of dilution, the court said that the blurring/tarnishment category did not represent the full range of dilution; it could also result from the humorous alteration of a famous trademark for commercial purposes. n135 By ignoring the fact that in a business-oriented society most parodies are likely to have either a direct or indirect commercial purpose, n136 the court expanded the protection against dilution to such an extent that it now has the potential to curtail the First Amendment protection of free speech. n137 In addition, instead of recognizing that the humorous aspects of the defendant's advertising could entitle it to the higher degree of protection accorded to parody and to non-commercial speech, n138 the court reached exactly the opposite conclusion: "as long as the mark is not altered, such use serves the beneficial purpose of imparting factual information about the relative merits of competing products and poses no risks of diluting . . . the competitor's mark." n139 Paradoxically, it appears that the very fact that the defendant was "altering" the plaintiff's logo as opposed to using it for pure commercial purposes entitled the defendant to a lower degree of First Amendment protection. This conclusion is at odds with the Supreme Court's holding that parody is entitled to an even higher degree of First Amendment protection than pure commercial speech. n140 Therefore, in contrast to *Prestonettes* and *New Kids*, fair use under the *Deere* test would be too narrow, as it would provide commercial parodies undertaken for purposes of comparative advertising with a lower degree of First Amendment protection than pure commercial advertising.

[*157] In order to determine the proper scope of the fair use defense under the new dilution act, one first needs to determine whether, and to what extent, the traditional doctrines of dilution by blurring and by tarnishment are applicable to comparative advertising.

Dilution by blurring in comparative advertising is caused by either diverting the public appeal from a famous trademark to that of a rival's or by encumbering the famous trademark's association to a desirable image. n141 In the former, a competitor is able to share in the prestige of a popular mark, thereby usurping part of its selling power. n142 In the latter, comparative advertising may sever the link between a famous mark and the particular image that it evokes in consumers' minds. The result is that the "owner loses its exclusive control over the images the mark conveys." n143 Although this view correctly describes some of the drawbacks to allowing comparative advertising, it attributes the drawbacks to the wrong source. What is described as dilution by blurring is, in reality, a simple consequence of comparative advertising. The purpose of comparative advertising is to foster competition and "a competitor's chief weapon is his ability to represent his product as equivalent and cheaper." n144 This result is obtained by naming a competitor's goods and stating that one's own goods are better. n145 What is deemed to constitute dilution by blurring is, more simply, a natural consequence of the broader social-economic choice of allowing comparative advertising. n146 Therefore, because comparative advertising does not dilute the distinctiveness of a mark by associating it with that of a competitor, n147 fair use under the

[*158] dilution act, when applied to comparative advertising, should be construed to allow dilution by blurring.

In order to define the scope of fair use under the dilution by tarnishment test, one must again determine which cases are appropriate for application of the doctrine. Tarnishment arises when the goodwill of a trademark is either linked to products of inferior quality or is portrayed in an unwholesome or unsavory context. n148 While in the first instance tarnishment is limited to cases where the defendant has used a substantially similar version of the plaintiff's mark on products that are of inferior quality, n149 in the second, it is necessary to define what kind of unwholesome references constitute tarnishment. Because the notion of what is "unwholesome" and "unsavory" is inherently subjective, an overly broad construction of what is considered offensive speech could curtail First Amendment protections. n150 Therefore, it is imperative to anchor the concept of tarnishment by unwholesome speech to fixed standards that can retain its constitutionality.

With the exception of isolated cases, n151 courts find dilution by tarnishment only when a famous trademark's reputation has been injured by its association with obscenity, sexual activity, n152 or illegal activity. n153

[*159] This limitation is consistent both with the structure of the First Amendment and with the historical development of the antidilution doctrine. n154 In addition, it prevents a court from applying tarnishment to unduly restrain free speech in cases where a defendant's use of a trademark is considered offensive only by the trademark owner or by the court itself. n155 This is particularly true for parody and commercial advertising, which reflect the inherent tension between: (1) the trademark owner's desire to retain control over the public's image of his mark, (2) the parodist's urge to make fun of it, and (3) the advertiser's interest in using it as a comparison for the purpose of informing the public about the superior characteristics of his product. n156 Thus, it seems that a correct reading of the First Amendment protection afforded to commercial speech requires that dilution by offensive speech in comparative advertising be limited to the aforementioned instances. Any use of a famous trademark that is not associated with obscenity, illegality or sexuality should be considered a "fair use." Furthermore, as in copyright law, the presence of humorous or entertainment purposes should be considered by courts as a factor weighing against a finding of dilution by tarnishment.

[*160] IX. CONCLUSION

"Fair use" of comparative advertising under the 1995 Dilution Statute cannot be explained either by using the fair use notions of the traditional trademark confusion test or by those of copyright law. Given the striking absence of almost any indication as to its meaning, courts will have to determine the applicability of the new fair use doctrine on a case-by-case basis by balancing the trademark owner's interest in controlling the use of its mark against the First Amendment protection of free speech. In this process of mediation, it appears that courts will necessarily have to limit the long reach of dilution. More specifically, dilution by blurring in comparative advertising cases should be construed as a form of "fair use," and dilution by offensive speech should be restricted to the traditional cases of obscenity, sexual activity, or illegal acts. Furthermore, within these "offensive" categories, courts should look out for cases in which the advertisement is meant to produce both commercial and humorous effects. In these cases, courts should contemplate the possibility of providing the advertisement with the full First Amendment protection typically afforded to non-commercial speech.

n1 *New Kids on the Block v. New Am. Pub., Inc.*, 971 F.2d 302, 305, 23 U.S.P.Q.2d (BNA) 1534, 1536 (9th Cir. 1992).

n2 *Id.*

n3 *See* 15 U.S.C. § 1052(d) (1996).

n4 About half of the states, including the three major trademark jurisdictions of New York, California and Illinois, have enacted antidilution statutes. *See* N.Y. GEN. BUS. LAW § 368-d (McKinney 1984); CAL. BUS. & PROF. CODE § 14330 (West 1987); ILL. ANN. STAT. ch. 765, para. 1035/15 (Smith-Hurd 1995).

n5 *See* Arlen W. Langvardt, *Trademark Rights and First Amendment Wrongs: Protecting the Former Without Committing the Latter*, 83 TRADEMARK REP. 633, 653-57 (1993). Langvardt discusses extensively the threat that dilution poses to commercial and non-commercial free speech doctrines. Langvardt argues further that commercial speech dilution by blurring and tarnishment should be applicable only in cases where the government possesses a substantial interest underlying the restriction and such restriction directly furthers that interest in a narrowly tailored way. In contrast, the scope of the dilution liability in non-commercial speech should be limited only to cases of tarnishment.

n6 15 U.S.C. § 1125(c) (1996).

n7 The Trademark Revision Act of 1988 is codified at Pub. L. No. 100-667, 102 Stat. 3985 (1988).

n8 The National Association of Broadcasters, The National Newspaper Association and National Public Radio strongly opposed the adoption of the proposed dilution bill and played a key role in its rejection. *See* H.R. REP. NO. 1028, 100th Cong., 2d Sess. 6 (1988).

n9 The Committee on the Judiciary, to which H.R. 5372 was referred, endorsed the deletion of all the dilution amendments from the 1988 federal trademark bill. *See* Jerome

Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 114 n. 15 (1993).

n10 141 CONG. REC. H3,572 (daily ed. March 22, 1995).

n11 See, e.g., 141 CONG. REC. S19,312 (daily ed. December 29, 1995) (statement of Sen. Leahy, D-VT, in support of H.R. 1295); see also Eliot B. Staffin, *The Dilution Doctrine: Towards a Reconciliation With The Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 150 (1995).

n12 The 1995 Federal Dilution Act adds the new § 43(c)(1) to the Lanham Act. See 49 PAT. TRADEMARK & COPYRIGHT J. (BNA) 646 (1995).

n13 15 U.S.C. § 1125 (c)(4)(A) (1996).

n14 In copyright law, the fair use defense is found in 17 U.S.C. § 107 (1996); whereas, in trademark law, it is found in 15 U.S.C. § 1115(b)(4) (1996).

n15 This article suggests that dilution by blurring is inapplicable to comparative advertising. Applying dilution by blurring would negate comparative advertising's underlying principle that manufacturers may refer to established trademarks to describe their products and provide the public with useful information on what to buy.

n16 The author criticizes the Second Circuit's decision in *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 32 U.S.P.Q.2d (BNA) 1936 (2d Cir. 1994), for having created an undefined and dangerous new category of dilution by humorous alteration of a competitor's mark and for having refused to extend First Amendment protection to the defendant's alteration.

n17 Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

n18 *Id.* at 824.

n19 *Id.* at 825.

n20 See Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433 (1994). Trademark law developed from the common law torts of deceit and fraud. Thus, traditional trademark protection is justified by the need to prevent consumers from being confused and deceived. This philosophy is embodied in the Lanham Act, the primary goal of which is to prevent consumer confusion and deceit. Dilution, on the other hand, can be viewed as a trespass upon the owner's trademark.

n21 264 N.Y.S. 459 (N.Y. Sup. Ct. 1932), *aff'd*, 260 N.Y.S. 821 (N.Y. App. Div. 1932).

n22 *Id.* at 463.

n23 Dilution statutes have been enacted in New York, California and Illinois, as well as in Alabama, at ALA. CODE § 8-12-17 (1993); Arkansas, at ARK. CODE ANN. § 4-71-113 (Michie 1993); Connecticut, at CONN. GEN. STAT. § 35-11i(c) (1993); Delaware, at DEL. CODE ANN. tit. 6, § 3313 (1993); Florida, at FLA. STAT. ch. 495.151 (1995); Georgia, at GA. CODE ANN. § 10-1-451(b) (1994); Idaho, at IDAHO CODE § 48-512 (1977); Iowa, at IOWA CODE § 548.113 (1995); Louisiana, at LA.

REV. STAT. ANN. § 223.1 (West 1995); Maine, at ME. REV. STAT. ANN. tit. 10, § 1530 (West 1994); Massachusetts, at MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1995); Missouri, at MO. REV. STAT. § 417.061(1) (1995); Montana, at MONT. CODE ANN. § 30-13-334 (1994); Nebraska, at NEB. REV. STAT. § 87-122 (1994); New Hampshire, at N.H. REV. STAT. ANN. § 350-A:12 (1994); New Mexico, at N.M. STAT. ANN. § 57-3-10 (Michie 1995); Oregon, at OR. REV. STAT. § 647.107 (1994); Pennsylvania, at PA. STAT. ANN. tit. 54, § 1124 (1995); Rhode Island, at R.I. GEN. LAWS § 6-2-12 (1992); Tennessee, at TENN. CODE ANN. § 47-25-512 (1995); Texas, at TEX. BUS. & COM. CODE ANN. § 16.29 (West 1995); and Washington, at WASH. REV. CODE § 19.77.160 (1995).

n24 Most of the state antidilution statutes contain provisions similar to those of the Model State Trademark Act, which provided that "injury to the business reputation or of dilution of the distinctive quality of a mark . . . shall be grounds for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." See Model State Trademark Act § 12 (1964), reprinted in 3 J. THOMAS McCARTHY, *McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 22.04[1] at 22-23 (3d ed. 1994).

n25 See Beverly W. Pattishall, *The Dilution Rationale for Trademark-Trade Identity Protection, Its Progress and Prospects*, 71 *NW. U. L. REV.* 618, 621-22 (1977).

n26 See Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 *TRADEMARK REP.* 289 (1984).

n27 15 *U.S.C.* § 1125(c) (1996).

n28 A third alleged type of dilution occurs when a trademark ceases to identify a unique source of a product, but instead becomes the common name of the product. An example of using a trademark as a generic term is when a dictionary's author defines a trademark as a generic term. However, as pointed out by the Restatement (Third) of Unfair Competition, there are no court decisions that follow this view and an extension of the dilution concept to encompass such cases would dangerously expand the traditional scope of trademark protection. Thus, analysis in this article is limited to the traditional dichotomy of dilution by blurring or tarnishment. See *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 25 cmt. 2, subsec. 2 (1995). See also, David S. Welkowitz, *Reexamining Trademark Dilution*, 44 *VAND. L. REV.* 531, 558-66 (1991) (arguing that both First Amendment free speech protection and public policy considerations exclude the application of dilution by genericide to comparative advertising).

n29 *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 25 cmt. 2 (1995).

n30 See *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 *F.2d* 433, 134 *U.S.P.Q. (BNA)* 524 (5th Cir. 1962) (insecticide manufacturer enjoined from imitating Budweiser's beer slogan, "where there is life . . . there is bud," with its motto "where there is life . . . there is bugs" on the grounds that it tarnished the reputation of plaintiff's trademark).

n31 See Jerome G. Lee, *Comparative Advertising, Commercial Disparagement and False Advertising*, 71 *TRADEMARK REP.* 620 (1981).

n32 See *Smith v. Chanel, Inc.*, 402 *F.2d* 562, 567, 159 *U.S.P.Q. (BNA)* 388, 392 (9th Cir. 1968).

n33 See Lee, *supra* note 31, at 621.

n34 For antithetical positions regarding the benefits and drawbacks of comparative advertising, compare Stephen Nye, *In Defense of Truthful Comparative Advertising*, 67 TRADEMARK REP. 353 (1977), with Albert Robin & Howard B. Barnaby, Jr., *Comparative Advertising: A Skeptical View*, 67 TRADEMARK REP. 358 (1977).

n35 See Arlen W. Langvardt, *Trademark Rights and First Amendment Wrongs: Protecting the Former Without Committing the Latter*, 83 TRADEMARK REP. 633, 643 (1993).

n36 The extension of the full First Amendment protection to non-commercial speech results in the unconstitutionality of provisions restricting non-commercial expressions which are not narrowly tailored to serve a compelling government interest. See *Boos v. Barry*, 485 U.S. 312 (1988) (District of Columbia's statutory provision prohibiting signs criticizing foreign governments within 500 feet of embassies not strictly tailored to further a compelling state interest and violated the First Amendment guarantee of free speech); see also *Abood v. Detroit Bd. of Educ.*, 431 U.S. 209, 231 (1977).

n37 See *Bigelow v. Virginia*, 421 U.S. 809 (1975).

n38 *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983).

n39 The Supreme Court's major decisions concerning commercial speech were related to advertising cases. See *Posadas de P.R. Assocs. v. Tourism Co. of P.R.*, 478 U.S. 328 (1986) (Puerto Rico's statute and regulations restricting casino gambling advertising to residents of Puerto Rico, if narrowly construed, did not violate the First Amendment); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557 (1980); See also Langvardt, *supra* note 35, at 639.

n40 An overly broad application of the dilution test, as opposed to confusion, poses a serious threat to First Amendment principles. See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 190 (1982) (traditional confusion theory poses no constitutional threat to the freedom of speech, while dilution and misappropriation claims may implicate First Amendment rights when a trademark is used to communicate ideas). As shown below, the new federal statutory notion of fair use should be construed by courts as creating a safe harbor for comparative commercial advertisements which bear significant entertaining and parody elements.

n41 See *Valentine v. Chrestensen*, 316 U.S. 52 (1942) (ordinance forbidding distribution in the streets of commercial advertising matter upheld); *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964) (although recognized that editorial advertisements deserved First Amendment protection, the Court left the principle that pure commercial advertising is totally outside First Amendment protection unaltered).

n42 421 U.S. 809 (1975).

n43 425 U.S. 748 (1976).

n44 *Id.* at 765.

n45 447 U.S. 557 (1980).

n46 "The First Amendment's concern for commercial speech is based on the informational function of advertising. Consequently, there can be no constitutional objection to the suppression of commercial messages that do not accurately inform the public about lawful activity. The government may ban forms of communication more likely to deceive the public than to inform it or commercial speech related to illegal activity." *Id. at 563* (citations omitted).

n47 *Id. at 566*.

n48 *Id.*

n49 *Id.*

n50 See *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626 (1985) (Central Hudson commercial speech doctrine used to uphold attorney advertisement); *Lowe v. SEC*, 472 U.S. 181, 234 (1985) (White, J., concurring in result) (restraint on publication of a financial paper struck down because "the First Amendment permits restraints on speech only when they are narrowly tailored to advance a legitimate governmental interest").

n51 In a lawsuit between private parties, when a court applies either a state statute or a common law rule to unduly restrict First Amendment rights, that application constitutes state action and a constitutional inquiry is appropriate. See *New York Times Co. v. Sullivan*, 376 U.S. 254, 265 (1964).

n52 15 U.S.C. § § 1051-1127 (1996).

n53 Section 32(1)(a) of the Lanham Act protects federally registered trademarks from subsequent unauthorized uses that are likely to cause confusion or deceive consumers. 15 U.S.C. § 1114(1)(a) (1982).

n54 D. ROBERT, *THE NEW TRADEMARK MANUAL*, 267 n. 20 (1947).

n55 See *White Swan, Ltd. v. The Nature Co.*, 29 F.3d 638 (9th Cir. 1994).

n56 David Rabinowitz, *Copyright and Trademark Infringement: Current Techniques for Plaintiffs and Defendants*, 288 PLI/PAT 323, 362 (1990).

n57 *Reed-Union Corp. v. Turtle Wax, Inc.*, No. 91 C 5625, 1993 WL 498195, * 7 (N.D. Ill., Dec. 1, 1993).

n58 See *Smith v. Chanel, Inc.*, 402 F.2d 562, 159 U.S.P.Q. (BNA) 388 (9th Cir. 1968); *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 21 U.S.P.Q. (BNA) 85 (9th Cir. 1981).

n59 *Herbert Prods., Inc. v. S & H Indus.*, 200 U.S.P.Q. (BNA) 247 (E.D.N.Y. 1977).

n60 *Id. at 368*; see also Stewart E. Sterk, *The Law of Comparative Advertising: How Much Worse is "Better" Than "Great,"* 67 TRADEMARK REP. 368 (1977). Sterk observed that advertisers' reluctance to name their competitors was probably due to fear that the free publicity and sympathy that a competitor might receive from comparative advertising would turn out to be harmful to the advertiser itself. Additionally, there was a concern that comparative advertising might have been unlawful.

n61 See *Bernard Food Indus., Inc. v. Dietene Co.*, 415 F.2d 1279, 163 U.S.P.Q. (BNA) 264 (7th Cir. 1969) (misrepresentations by defendant about plaintiff's products held not to violate § 43(a) of the Lanham Act).

n62 See Sterk, *supra* note 60, at 385.

n63 402 F.2d 562, 159 U.S.P.Q. (BNA) 388 (9th Cir. 1968).

n64 *Id.* at 563, 159 U.S.P.Q. at 388.

n65 Where a competitor is barred from promoting its products as equivalent and less expensive than other more popular brand name products, the trademark owner "is insulated from the normal pressures of price and quality competition." *Id.* at 567, 159 U.S.P.Q. at 392.

n66 *Id.* at 569, 159 U.S.P.Q. at 394. See also *Saxony Prods., Inc. v. Guerlain, Inc.*, 513 F.2d 716, 723, 185 U.S.P.Q. (BNA) 474, 480 (9th Cir. 1975) (the court relied on *Smith v. Chanel* to hold that summary judgment for defendant perfume copier was proper as "no reasonable customer could mistake the source of [the plaintiff's] advertised goods by believing they were manufactured by [the defendant]"); *Calvin Klein Cosmetics v. Parfums de Coeur, Ltd.*, 824 F.2d 665, 668, 3 U.S.P.Q.2d (BNA) 1498, 1501 (8th Cir. 1987) (refusal by district court to preliminarily enjoin use by competitor of slogan "If you like OBSESSION you'll love CONFESS" was not abuse of discretion where it did not appear that such use was likely to cause consumer confusion).

n67 S. REP. NO. 1333, 79th Cong. 2d Sess. 3, reprinted in 1946 U.S.C.C.A.N. 1274, 1275 (trademarks less extensive form of protection than copyrights and patents and their use can be prohibited only to protect the owner's good will against subsequent unauthorized uses).

n68 *United States Shoe Corp. v. Brown Group, Inc.*, 740 F. Supp. 196, 198, 15 U.S.P.Q.2d (BNA) 1138, 1139 (S.D.N.Y. 1990) (because alleged infringer's use of the words "feels like a sneaker" was not likely to cause consumer confusion, it did not infringe the plaintiff's trademark "Looks Like a Pump Feels like a Sneaker"); see also *Eli Lilly & Co. v. Revlon, Inc.*, 577 F. Supp. 477, 486, 223 U.S.P.Q. (BNA) 251, 257 (S.D.N.Y. 1983) (motion for a preliminary injunction to bar Revlon from using the phrase "lip repair cream" denied on the ground that it was used in a descriptive non-trademark sense).

n69 For an analysis of how some courts have distorted the Lanham Act confusion test with elements of the copyright "fair use" test and engaged in an unnecessary free speech analysis, see Peter W. Smith, *Trademarks, Parody, and Consumer Confusion: a Workable Lanham Act Infringement Standard*, 12 *CARDOZO L. REV.* 1525 (1991).

n70 Sterk, *supra* note 60, at 417 (describes how the advertising and broadcast industries started to accept advertisements which identified competing products and competitors by name).

n71 See *Saxony Prods.*, 513 F.2d at 723, 185 U.S.P.Q. (BNA) at 480. In *Charles of the Ritz Group Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 4 U.S.P.Q.2d (BNA) 1778 (2d Cir. 1987), the Second Circuit relied on *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 128 U.S.P.Q. (BNA) 411 (2d Cir. 1961), to grant a perfume

manufacturer a preliminary injunction against a competitor's slogan "If you like OPIUM, you'll love OMNI," as competitor's disclaimer was insufficient to prevent likelihood of consumer confusion. In *Polaroid*, the court enumerated eight factors to determine whether an unauthorized use of a trademark is likely to cause consumer confusion: (1) the strength of the trademark; (2) the extent to which the marks are similar; (3) the proximity of the products; (4) the probability that the prior owner will bridge the gap; (5) actual confusion; (6) the alleged infringer's lack of good faith in adopting a trademark similar to plaintiff's; (7) the quality of the alleged infringer's goods; and (8) the sophistication of the buyers. *Polaroid*, 287 F.2d at 49, 128 U.S.P.Q. (BNA) at 413. Variations of the eight factors set forth in *Polaroid* have been accepted by courts as guidelines to determine whether the use of a trademark causes consumer confusion. See Anthony L. Fletcher, *The Trademark Forum*, 71 TRADEMARK REP. 641 (1981).

n72 See Stephen Nye, *In Defense of Truthful Comparative Advertising*, 67 TRADEMARK REP. 353 (1977).

n73 *Id.* at 354. But see Albert Robin & Howard B. Barnaby, Jr., *Comparative Advertising: A Skeptical View*, 67 TRADEMARK REP. 358, 360 (1977) (arguing that associating goods through comparative advertising may give rise to customer confusion).

n74 *Better Bus. Bureau of Metro. Houston, Inc. v. Medical Directors, Inc. and Weight Reduction Med. Centers, Inc.*, 681 F.2d 397, 217 U.S.P.Q. (BNA) 209 (5th Cir. 1982).

n75 *Upjohn Co. v. American Home Prods. Corp.*, 598 F. Supp. 550, 225 U.S.P.Q. (BNA) 109 (S.D.N.Y. 1984).

n76 *Chevron Chem. Corp. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 212 U.S.P.Q. (BNA) 904 (5th Cir. 1981).

n77 *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 193 U.S.P.Q. (BNA) 649 (5th Cir. 1977).

n78 While false and misleading advertising is not protected by the First Amendment, truthful advertising related to lawful activities is entitled to First Amendment protection of free speech. See *In re R. M. J.*, 455 U.S. 191 (1982).

n79 *Better Bus. Bureau*, 681 F.2d at 405, 217 U.S.P.Q. (BNA) at 214.

n80 *Upjohn*, 598 F. Supp. at 560-61, 225 U.S.P.Q. (BNA) at 117.

n81 *Id.* at 561, 225 U.S.P.Q. at 118.

n82 See *Smith v. Chanel*, 402 F.2d 562, 563, 159 U.S.P.Q. (BNA) 388, 389 (9th Cir. 1968); *Cuisinarts, Inc. v. Robot-Coupe Int'l Corp.*, 509 F. Supp. 1036, 1042, 213 U.S.P.Q. (BNA) 551, 557 (S.D.N.Y. 1981) (the court relied on *Chanel* to hold, *inter alia*, that a trademark can be used in comparative advertising so long as it does not create a likelihood of confusion among purchasers); see also Joseph M. Livermore, *On Uses of a Competitor's Trademark*, 20 STAN. L. REV. 448, 453-55 (1968) (arguing that absent consumer confusion, descriptive uses of another's trademark in comparative advertising should not be restrained).

n83 *W. E. Basset Co. v. Revlon, Inc.*, 354 F.2d 868, 871, 148 U.S.P.Q. (BNA) 170, 173 (2d Cir. 1966).

n84 *Crazy Eddie, Inc. v. Lois Pitts Gershon, Inc.*, 600 F. Supp. 537, 542 (S.D.N.Y. 1984). Protecting consumers from confusion regarding the origin of products is consistent with the common law torts of fraud and deceit. See Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?* 18 SETON HALL LEGIS. J. 433, 467 (1994).

n85 3 J. THOMAS McCARTHY, *McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 24.03 (3d ed. 1994).

n86 See *White Swan, Ltd. v. The Nature Co.*, 29 F.3d 638 (9th Cir. 1994).

n87 *United States Shoe Corp.*, 740 F. Supp. at 198, 15 U.S.P.Q.2d at 1139.

n88 Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927). The state of mind required for dilution regarding the loss of distinctiveness element is exactly the opposite of confusion: if consumers believe that the same trademark is being manufactured by two different manufacturers, there is a loss of the mark's distinctiveness, but no confusion. If, on the other hand, consumers believe that a product is being produced by the maker of a different product, there is consumer confusion, but no dilution. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. f (1995).

n89 *Tiffany & Co. v. Boston Club Inc.*, 231 F. Supp. 836, 844, 143 U.S.P.Q. (BNA) 2, 8 (D. Mass. 1964) (tavern owner enjoined from using Tiffany name as it would tarnish the "quality and prestige previously attached by the public" to the Tiffany trademark).

n90 See Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289, 290 (1984).

n91 See Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?* 18 SETON HALL LEGIS. J. 433, 467-68 (1994).

n92 *Coffee Dan's, Inc. v. Coffee Don's Charcoal Broiler*, 305 F. Supp. 1210, 1217 n. 13, 163 U.S.P.Q. (BNA) 602, 607 n. 13 (N.D. Cal. 1969).

n93 15 U.S.C. § 1125(c)(4)(A) (1996).

n94 *Sykes Lab., Inc. v. Kalvin*, 610 F. Supp. 849 (C.D. Cal 1985) (as the defendant did not adopt plaintiff's mark in a confusing manner, the only relief available to the plaintiff was offered by the dilution doctrine).

n95 *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248, 226 U.S.P.Q. (BNA) 17, 22 (9th Cir. 1984) (in concluding that the defendant was making trademark use of plaintiff's word "Auditor's," the court explicitly rejected the defendant's fair use defense even in the presence of a likelihood of confusion).

n96 U.S. CONST. art I, § 8, cl. 8 ("The Congress shall have power . . . to promote the progress of science and useful arts, by securing for limited time to authors . . . the exclusive right to their respective writings . . .").

n97 *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 220 U.S.P.Q. (BNA) 665 (1984).

n98 *Harper & Row v. Nation Enters.*, 471 U.S. 539, 546, 225 U.S.P.Q. (BNA) 1073, 1075 (1985).

n99 *Luther R. Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575, 29 U.S.P.Q.2d (BNA) 1961, 1964 (1994) (quoting *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436)).

n100 *Acuff-Rose*, 510 U.S. at 575, 29 U.S.P.Q.2d at 1964.

n101 17 U.S.C. § 107 (1996).

n102 *Henry Holt & Co. v. Liggett & Myers Tobacco Co.*, 23 F. Supp. 302, 304 (E.D. Pa. 1938); *Conde Nast Publications, Inc. v. Vogue School of Fashion Modeling, Inc.*, 105 F. Supp. 325, 333, 94 U.S.P.Q. (BNA) 101, 107 (S.D.N.Y. 1952); *Wainwright Sec., Inc. v. Wall St. Transcript Corp.*, 558 F.2d 91, 94, 194 U.S.P.Q. (BNA) 401, 405 (2d Cir. 1977); *Amana Refrigeration, Inc. v. Consumers Union of United States, Inc.*, 431 F. Supp. 324, 326-27, 195 U.S.P.Q. (BNA) 56, 58 (N.D. Iowa 1977). *But see Triangle Publications, Inc. v. Knight-Ridders Newspapers, Inc.*, 626 F.2d 1171, 207 U.S.P.Q. (BNA) 977, 981-82 (5th Cir. 1980).

n103 *Acuff-Rose*, 510 U.S. at 584, 29 U.S.P.Q.2d at 1967. The Court has also stated that "every commercial use of copyrighted material is presumptively . . . unfair . . ." *Sony*, 464 U.S. at 451, 220 U.S.P.Q. at 682. This has led some writers to believe that the Court created a presumption of unfairness for commercial use of copyrighted material. *See, e.g.*, Manual Z. Khalil, *The Applicability of the Fair Use Defense to Commercial Advertising*, 61 *FORDHAM L. REV.* 661 (1992) (presumption of unfairness set forth by the Court in *Sony* causes confusion among the lower courts in ascertaining fair use for commercial advertising and abridges First Amendment guarantees).

n104 *Acuff-Rose*, 510 U.S. at 585, 29 U.S.P.Q.2d at 1968 (quoting *Harper & Row Publishers Inc. v. Nation Enters.*, 471 U.S. 539, 562, 225 U.S.P.Q. (BNA) 1073, 1081 (1985)).

n105 Robert J. Shaughnessy, *Trademark Parody: a Fair Use and First Amendment Analysis*, 72 *VA. L. REV.* 1079, 1101 (in dilution and copyright cases any unauthorized use of the protected material is a *prima facie* case of infringement).

n106 *See Acuff-Rose*, 510 U.S. 569, 29 U.S.P.Q.2d (BNA) 1961 (1994).

n107 *See Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165, 198 U.S.P.Q. (BNA) 418, 422 (1977) ("the evil which the Legislature sought to remedy was not public confusion . . . but a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name").

n108 *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 445 F. Supp. 875, 198 U.S.P.Q. (BNA) 28 (S.D. Fla. 1978), *aff'd on other grounds*, 626 F.2d 1171, 207 U.S.P.Q. (BNA) 977 (5th Cir. 1980).

n109 *Triangle Publications*, 445 F. Supp. at 880, 198 U.S.P.Q. at 34.

n110 *Triangle Publications*, 626 F.2d at 1171, 207 U.S.P.Q. at 978.

n111 *Id.* at 1174, 207 U.S.P.Q. at 980 (quoting Sobel, *Copyright and the First Amendment: a Gathering Storm?*, 19 COPYRIGHT L. SYMP. (ASCAP) 43, 51 (1971)).

n112 *Id.* at 1174, 207 U.S.P.Q. at 980 (referring to Robert C. Denicola, *Copyright and Free Speech: Constitutional Limitations on the Protection of Expression*, 67 CAL. L. REV. 283, 299, 303-04 (1979)).

n113 See *Triangle Publications*, 626 F.2d at 1180, 207 U.S.P.Q. at 986 (Brown, J., concurring).

n114 *Id.* at 1176, 207 U.S.P.Q. at 982 (truthfulness of defendant's comparative advertisement and the growing public interest in allowing comparative advertising favors the applicability of fair use).

n115 H.R. REP. NO. 374, 104th Cong., 1st Sess. (1995).

n116 Note that, without a "fair use" limitation, dilution protection seems to sweep even more broadly than the copyright infringement test. See *Pillsbury Co. v. Milky Way Prod., Inc.*, 215 U.S.P.Q. (BNA) 124 (N.D. Ga. 1981). There, the court held, *inter alia*, that the defendant's use of the plaintiff's copyrighted material for adult-oriented satirical purposes did not cause any economic injury to the plaintiff. Therefore, the defendant's use of such material constituted fair use. However, because the defendant's use of the plaintiff's trademark tarnished the plaintiff's reputation, it violated Georgia's antidilution statute.

n117 *Hearings on H.R. 1295 and H.R. 270 Before the House Judiciary Subcomm. on Cts. and Intell. Prop.*, 1995 WL 435749 (statement of Nils Victor Montan, Vice President and Senior Intell. Prop. Counsel, Warner Bros., a division of Time Warner Entertainment Co., L.P.; member, Bd. of Directors, Int'l Trademark Ass'n).

n118 *Id.*

n119 *Id.*

n120 *Prestonettes, Inc. v. Cody*, 285 F. 501, 508 (2d Cir. 1922), *rev'd*, 264 U.S. 359 (1924).

n121 *Id.* at 515.

n122 *Prestonettes, Inc. v. Cody*, 264 U.S. 359 (1924).

n123 *Id.* at 368 (quoting *Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311 (1871)).

n124 See *Prestonettes*, 264 U.S. at 368. When the defendant refers to the plaintiff's trademark to describe the characteristics or the source of the defendant's goods, the trademark is deemed to be used in a descriptive way.

n125 *Id.* at 369.

n126 971 F.2d 302, 23 U.S.P.Q.2d (BNA) 1534 (9th Cir. 1991).

n127 *Id.* at 306, 23 U.S.P.Q.2d at 1536.

n128 *Id.*

n129 "Nominative fair use" is a variation of the classic fair use defense and is used in cases where the defendant does not use the plaintiff's trademark to describe its own

products, but to describe the plaintiff's products. However, both doctrines adhere to the same rationale that a trademark use is allowed so long as it is not likely to cause consumer confusion. *See* Derek J. Westberg, *New Kids on the Block v. News America Publishing, Inc.: New Use Defense Increases the Likelihood of Confusion Surrounding the Fair Use Defense to Trademark Infringement* 24 *GOLDEN GATE U. L. REV.* 685 (1994) (nominative fair use does not differ substantively from traditional notions of fair use under the confusion test and will likely confuse courts if applied).

n130 *See infra* Part V.

n131 *Deere & Co. v. MTD Prods., Inc.*, 41 *F.3d* 39, 32 *U.S.P.Q.2d* (BNA) 1936 (2d Cir. 1994). The holding in *Deere* is in accordance with the free speech doctrine set forth by the Supreme Court in *Central Houston* and should be regarded as a case of constitutionally legitimate limitation of commercial speech. *See* Federal Dilution Act, 1995: *Hearings on H.R. 1295 and H.R. 270 Before the House Judiciary Subcomm. on Cts. and Intell. Prop.*, 1995 WL 435749 (statement of Nils Victor Montan, Vice President and Senior Intell. Prop. Counsel, Warner Bros., a division of Time Warner Entertainment Co., L.P.; member, Bd. of Directors, Int'l Trademark Ass'n).

n132 *Deere*, 41 *F.3d* at 45, 32 *U.S.P.Q.2d* (BNA) at 1941.

n133 *Id.* at 47, 32 *U.S.P.Q.2d* at 1942.

n134 Dilution is traditionally limited to the blurring/tarnishment dichotomy. *See Mead Data Central, Inc. v. Toyota Motor Sales, Inc.*, 875 *F.2d* 1026, 1031, 10 *U.S.P.Q.2d* (BNA) 1961, 1965 (2d Cir. 1989).

n135 *Deere*, 41 *F.3d* at 44-45, 32 *U.S.P.Q.2d* at 1940.

n136 *See Harte-Hanks Communications, Inc. v. Connaughton*, 491 *U.S.* 657 (1989) (the Court observed that if a for-profit purpose transformed a noncommercial expression into a commercial one, very little expression would deserve full First Amendment protection).

n137 Realizing the potential implications in free speech law, the Second Circuit explained that the *Deere* decision only "mirrors the rationale of the tarnishment doctrine" and does not "create a new category of dilution." *See Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 *F.3d* 497, 507, 37 *U.S.P.Q.2d* (BNA) 1516, 1523 (2d Cir. 1996) (the plaintiff relied unsuccessfully on *Deere* in the attempting to enjoin the defendant from using the plaintiff's trademark for puppet characters).

n138 *Jordache Enters., Inc. v. Hogg Wild, Ltd.*, 828 *F.2d* 1482, 1485, 4 *U.S.P.Q.2d* (BNA) 1216, 1224 (10th Cir. 1987) (parody purpose of a tradename's use tends to negate its propensity to dilute).

n139 *Deere*, 41 *F.3d* at 44, 32 *U.S.P.Q.2d* at 1940.

n140 For analysis of the Court's protection of commercial speech, *see Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 *U.S.* 557, 563 (1980).

n141 Nancy S. Greiwe, *Antidilution Statutes: a New Attack on Comparative Advertising*, 61 *B.U. L. REV.* 220, 229-30 (1981).

n142 *Id.* at 229.

n143 *Id.* at 230.

n144 *Smith v. Chanel, Inc.*, 402 F.2d 562, 567, 159 U.S.P.Q. (BNA) 388, 392 (9th Cir. 1968) (quoting George J. Alexander, *Honesty and Competition: Some Competitive Virtues in the False Naming of Goods*, 39 S. CAL. L. REV. 1, 4 (1966)).

n145 Jerome G. Lee, *Comparative Advertising, Commercial Disparagement and False Advertising*, 71 TRADEMARK REP. 620 (1981).

n146 In contrast to the United States, comparative advertising in many European countries is either banned or severely limited. See Werner Janssen, Jr., *Recent Legal Developments Abroad in Comparative Advertising*, 69 TRADEMARK REP. 397 (1979). See also Roslyn S. Harrison, *The Law of Comparative Advertising in the United States and Abroad*, 417 PLI/PAT 215 (1995). In addition, empirical studies conducted in the United States on the informativeness of comparative advertising have concluded that "comparative advertisements are no more [and] no less informative than non-comparative advertisements." See Lee, *supra* note 145, at 622.

n147 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. 2 ("comparative advertising . . . does not dilute the distinctiveness of the mark by association [it] . . . with different goods or services or with a different business"). See also Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 186 (1982) (when competitor uses a trademark in comparative advertising, threat to mark's distinctiveness is nonexistent).

n148 *Deere*, 41 F.3d at 43, 32 U.S.P.Q.2d at 1939.

n149 Arlen W. Langvardt, *Trademark Rights and First Amendment Wrongs: Protecting the Former Without Committing the Latter*, 83 TRADEMARK REP. 633, 653-57 (1993).

n150 See *Hustler Magazine, Inc. v. Falwell*, 485 U.S. 46, 50 (1988). In this case, the Court denied the plaintiff relief for emotional distress caused by a parody portraying the plaintiff as having engaged in drunken incestuous intercourse with his mother. The Court reasoned that the state's interest in protecting public figures from emotional distress is not sufficient to deny First Amendment protection to free speech, even if patently offensive. The Court also noted that the notion of outrageousness required by the tort of emotional distress is inherently subjective, and cannot form a basis for the award of damages in a matter protected by the First Amendment).

n151 See *Deere*, 41 F.3d at 43, 32 U.S.P.Q.2d at 1939.

n152 See *Pillsbury Co. v. Milky Way Prod., Inc.*, 215 U.S.P.Q. (BNA) 124, 135 (N.D. Ga. 1981) (defendant's use of plaintiff's trademark in sexual context violated Georgia's antidilution statute). See also *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema Ltd.*, 604 F.2d 200, 203 U.S.P.Q. (BNA) 161 (2d Cir. 1979) (defendant's use of the trademarked uniform of the Dallas Cowboy Cheerleaders in a "gross and revolting sex film" tarnished the plaintiffs' reputation). For a criticism of the court's decision in *Dallas Cowboy Cheerleaders*, see Robert N. Kravitz, *Trademarks, Speech, and The Gay*

Olympic Case, 69 B.U. L. REV. 131, 147-50 (1989) (arguing that the parody character of the film required the application of First Amendment free speech protection). In the field of free speech, the application of dilution by tarnishment to unauthorized uses of a famous trademark in a sexual context, derives from the Supreme Court's holding that obscene expressions do not receive First Amendment protection. See *Miller v. California*, 413 U.S. 15, 23 (1973) (mailing unrequested sexually explicit material found not protected by the First Amendment).

n153 *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1191, 175 U.S.P.Q. (BNA) 56, 61 (E.D.N.Y. 1972) (defendant's poster "enjoy cocaine" in script and color identical to that of Coca-Cola's tarnished Coca-Cola's reputation by associating its prestigious trademark to "harmful and illegal" substance cocaine).

n154 *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31, 1 U.S.P.Q.2d (BNA) 1753, 1755-56 (1st Cir. 1987) (trademark dilution developed to fight against harmful appropriations of trademarks for promoting dissimilar products, and focuses on the difference between commercial and humorous uses of famous trademarks).

n155 *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.* 642 F. Supp. 1031, 1032, 231 U.S.P.Q. (BNA) 850, 851 (N.D. Ga. 1986) (although the plaintiff's cards were offensive to defendant, they did not constitute the types of sexual, illegal, or drug-related activities usually required to support a dilution by tarnishment claim). See also Langvardt, *supra* note 149, at 654-55 (tarnishment liability should not exist for commercial expression unless the defendant used a similar version of the plaintiff's prestigious trademark on shoddy goods).

n156 See Elizabeth Cutter Bannon, *Revisiting "The Rational Basis of Trademark Protection:" Control of Quality and Dilution -- Estranged Bedfellows?* 24 J. MARSHALL L. REV. 65, 113 (1990). In defending the constitutionality of dilution, Bannon states that in the eyes of its original framer, Mr. Schechter, dilution was never intended to include comparative advertising and parody.