

# **Dilution and Competition Norms: The Case of Federal Trademark Dilution Claims Against Direct Competitors<sup>1</sup>**

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## **I. Intellectual Property as Competition Policy**

What is in a name? When it comes to legal categories, perhaps everything. In 1998, Foundation Press published the Fifth Edition of Professor Kitch and Perlman's casebook for a survey course on intellectual property. Unsurprisingly, it was entitled "Intellectual Property and Unfair Competition."<sup>2</sup> Notably, the title of the Fifth Edition had been changed from "Legal Regulation of the Competitive Process,"<sup>3</sup> the name the book bore since the First Edition published in 1972. The structure of the book remained the same. The content had been updated. But the new title marked a watershed in how the field of copyrights, patents, trademarks, and related doctrines would be labeled and packaged.

A large point of this article is that the title of the first four editions of Professor Kitch and Perlman's book was accurate. The field we call intellectual property is more appropriately understood as a system of regulation governing the competitive process. The details of this article, part of a larger project on intellectual property as competition policy, demonstrate why that assertion is true and why it matters, with a focus on the doctrine of dilution. The structure of my argument is as follows. Section Two identifies four competition norms that informs the field of intellectual property. Section Three applies these norms to trademark law with a specific focus on the dilution cause of action. Section Four finally applies the theory to the case law to show how thinking of trademark law in terms of the identified competition norms helps to assess trademark policy. Section Five concludes. My goal in this paper is not to change the name of the field, but to inform the label with a deeper understanding of what is at stake in the doctrinal and policy battles over

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<sup>2</sup> Edmund W. Kitch & Harvey S. Perlman, *Intellectual Property and Unfair Competition* (1998).

<sup>3</sup> Edmund W. Kitch & Harvey S. Perlman, *Legal Regulation of the Competitive Process* (1972).

copyright, patent, trademark, and the rest.

## II. Four Competition Norms in Intellectual Property

Intellectual property is often understood in opposition to antitrust and competition policy. Trademarks, copyrights, and patents are sometimes described as monopolies, exceptions to the norm of competition and free trade. Conceptually, antitrust and competition policies are viewed as fields outside of intellectual property, arising to limit the protections of intellectual property when they interfere inappropriately with free markets. In *Bonito Boats v. Thundercraft*,<sup>4</sup> the United States Supreme Court addressed the preemptive effect of intellectual property on state statutes that prohibited certain molding processes for copying boat hulls. The Court, in ruling that such state statutes were preempted, repeatedly referred to intellectual property, specifically patents and copyrights, as Congressionally defined limitations to free trade and free competition in ideas. The Court's language, read narrowly, reinforces the polarization of competition and intellectual property.

But to view intellectual property as the opposite of competition is misleading. This view creates a binary opposition that confuses, ignores the realities of intellectual property law in action, and misleads the formulation of intellectual property and antitrust policy. Intellectual property is as much about competition as antitrust law. While antitrust law, for the most part, deals with traditional price competition, where firms fight over market share through offering customers the best collection of goods or services, quality, and price, intellectual property deals with different types of competition. There is competition, as recognized and criticized in the literature, in the form of the race to be the first to invent or create a novel or original work. There is competition in the form of the race to be the first to market the work. There is also competition over uses of a given technology or markets for products or services enabled by the technology. In short, to juxtapose intellectual property against free trade and free competition is to ignore both the ways in which competition informs intellectual property law and the different forms that competition can take.

One way to remedy this mischaracterization is to focus on market structure. This has been the tactic of some scholars, particularly Professor Christopher Yoo, borrowing from the economics literature on industrial organization.<sup>5</sup> This strategy is to recognize that markets defined by intellectual property rights (such as copyright) tend to have a structure distinct from that of perfect competition, which is defined by the entry and exit of firms responding to price signals. For example, Professor Yoo has shown the a monopolistic competition market structure can be fitted to copyright based markets for information products. This market structure is useful in rationalizing

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<sup>4</sup> 489 U.S. 141 (1989).

<sup>5</sup> See Christopher S. Yoo, Copyright and Product Differentiation, 79 N.Y.U.L. Rev. 212 (2004).

intellectual property rights and assessing the policy of intellectual property reform. Professor Yoo has also argued that the literature on impure public goods shows that alternative market structures can be used to define and organize markets for different types of products and services protected by intellectual property.<sup>6</sup> This strand of scholarship recognizes that intellectual property is about competition, but defines competitions in terms of canonical forms of market structure.

Understanding competition in terms of market structure is helpful, but also potentially limiting. Professor Yoo's scholarship shows that it is possible to construct an intellectual property based market that resolves the appropriability problem created by the non-rivalry and non-excludability of information and yields close to efficient allocation of resources. But just because something is theoretically possible, does not mean that it is implementable or even desirable from the perspective of social policy. Furthermore, what is shown to be possible can also be conceptually misleading. To think in terms of a particular market structure is to ignore the realities of actual business transactions and social interactions. There is a danger that a model, useful in analyzing reality, may inadvertently distort the reality. In fact, one can criticize the market structure approach to competition on the same grounds as criticism of the structure-conduct-performance school (SCP) of antitrust law, the paradigm that guided antitrust policy by appeal to canonical market forms. The SCP school ignored business realities and actual market transactions in favor of a formalistic model of markets and competition.<sup>7</sup>

But even if the market structure approach fails to provide a definition of competition, it is helpful in acknowledging that intellectual property is a species of competition law. We are left, however, with the vexing question of what is competition. Professors Kaplow and Shapiro raise this question as well in their analysis of the rule of reason in antitrust law. As is well known, the rule of reason assesses business transactions under the antitrust laws based on a comparison of their pro-competitive and anti-competitive effects. As Kaplow and Shapiro point out, whether a transaction is pro- or anti-competitive depends on how one defines competition. In antitrust law, competition is legally understood in terms of process:

The view seems to be that competition consists of buyers and sellers each deciding for themselves...with whom they will deal and on what terms. Independent decisions are a central feature of competition, whereas groups (typically of sellers) who attempt to impose some regime regarding the proper terms of dealing are subverting the process. ... Put another way, what is rights is essentially taken to be whatever is the outcome of the

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<sup>6</sup> See Christopher S. Yoo, *Copyright and Public Good Economics: A Misunderstood Relation*, 155 U. Pa. L. Rev. 635 (2007).

<sup>7</sup> See, e.g., William E. Kovacic & Carl Shapiro, *Antitrust Policy: A Century of Economic and Legal Thinking*, 14 J. Econ. Persps. 43, 52 (2000).

competitive process....<sup>8</sup>

What Kaplow and Shapiro describe can be labeled the “Hayek-Friedman” view of competition after the economists Friedrich Hayek, who viewed the market as an efficient means of sorting and aggregating information of atomistic actors,<sup>9</sup> and Milton Friedman, who defined market competition in terms of freedom of choice.<sup>10</sup> As Kaplow and Shapiro point out, however, this is not the only view of competition studied by economists that would be applicable to antitrust. Much economic study of markets focus on behavior and structural constraints on the demand and supply of the market that result from the structure of information and production and consumption decisions. Consequently, economists care less about the meaning of competition than the interactions of individual firms and consumers behaving under constraints.

As applied to the field of intellectual property, this discussion of competition might suggest that the Supreme Court is misguided in creating an opposition between intellectual property and free trade/free competition. Perhaps more to the point, intellectual property, like other areas of law, governs the behaviors of individuals by affecting the set of constraints under which individuals act. But the prevalence of usage of the word competition in the case law suggests that the concept cannot be so readily discarded. Furthermore, the role of intellectual property in regulating certain industries as a complement to antitrust law mandates that the concept of competition needs to be confronted. This point is made stronger when we recognize a commitment to competition as a normative matter, whether in the form of advocating for freedom in the marketplace and civil society more broadly or, at the international level, in the form of a commitment to the free movement of goods and people, regulated only for the pursuit of broader societal interests, such as health or safety.

If competition cannot be satisfactorily defined, a workable solution is to identify certain norms that inform meaningful and recognizable competition. For example, one could define competition as a free-for-all, the “all’s fair” approach. Such an anarchic view of competition, however, does not lend itself to legal or policy analysis, unless one adopts the view that policymakers should simply defer to whatever is the outcome of unregulated competition. Point be told, such deference has typically been avoided in the law except for some vary narrow exceptions. Another possibility is to define competition in terms of responses by potential buyers and sellers of goods and services to price signals. This is competition as experienced in the stock or commodities market, or in a more refined way, at art auctions. We can think of this form of competition as the “pit” model. While many markets are obviously designed quite successfully along these lines, it would be misleading to view competition solely in this way. Sometimes,

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<sup>8</sup> See Louis Kaplow & Carl Shapiro, ‘Antitrust’, Harvard John M. Olin Center for Law, Economics, and Business, Discussion Paper No. 575 61 (2007).

<sup>9</sup> See Friedrich A. Hayek, *The Road To Serfdom* 72 (1944).

<sup>10</sup> See Milton Friedman, *Capitalism and Freedom* 133 (1962).

competition may occur with respect to quality or quantity, rather than price, such as might occur in a market where prices are capped or prices are set by some outside force, such as the global market for a particular precious commodity like gold. This exercise, however, of analyzing different forms of competition is helpful in identifying the different norms of competition and in creating a general typology.

In a broader project of which this Article is a small part,<sup>11</sup> I have started to analyze the different types of competition that are recognized in markets defined largely by intellectual property. In creating this typology, I focus on competition among several groups. First, there is rivalry among existing firms in a market as they vie for a customer base and market share. Second, there is rivalry between incumbent firms and potential entrants into a market. Finally, there is rivalry between sellers and buyers of a product and service over terms of the contract, such as price, quantity, quality, and the ability to use the product or service that is the subject of negotiation. With these rivalries in mind, I was able to identify several types of competition norms that are often appealed to by courts. For the purposes of this Article, I will simply appeal to this typology and will more fully develop the links to the case law in subsequent research. I refer to these four types as competition norms in order to emphasize that each define a set of accepted rules about how competition is allowed to occur. As I explain in the rest of the Article, the challenge for intellectual property is to understand when each norm or combination of norms might be applicable to a particular problem. The four types are labeled as follows:

- (1) First Mover
- (2) Controlled Entry
- (3) Consumer centered
- (4) Wealth maximization

Let me briefly explain each of these types. The remainder of this paper will use this typology of competition norms to assess trademark law and the dilution cause of action.

(1) First Mover. The first competitive norm is familiar from the common law misappropriation cause of action. The idea is that the first to appropriate an idea or the embodiment of that idea in a concrete form is given the right to exclude others from access for some period of time. In common law misappropriation actions, this right to exclude is limited, in most instances, to “hot news,” or information whose value is time limited and requires costly effort to acquire. In intellectual property law, the first mover norm arises in many forms. Copyright law protects the author who fixes an original work of authorship without copying from some other

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<sup>11</sup> For some background to this broader project, see Shubha Ghosh, Comment, Competitive Baselines for Intellectual Property Systems, in *International Public Goods and Transfer of Technology Under a Globalized Intellectual Property Regime* 793, 795 (Keith E. Maskus & Jerome H. Reichman eds., 2005).

protected source. Patent law, in the United States, protects the first inventor of a novel, nonobvious, useful, and enabled invention. Trademark law, in the United States, protects the first to use a distinctive mark in commerce that is able to obtain registration. More broadly, property law recognizes many first movers through appropriation and priority rules.

For some scholars, the first mover norm is the dominant norm in intellectual property law. The norm justifies broad prohibitions against free riding and unauthorized access to works protected by intellectual property. Often, the first mover norm is stated in terms of rent dissipation. While the first mover is given strong exclusionary rights in the marketplace, the argument is that the competition is over the acquisition of the right. The race to acquire the strong exclusionary rights dissipates any rents generated by market exclusion and therefore the resulting allocation of resources through the first mover norm is efficient. The rent dissipation argument, as is well known, has been criticized because the race to acquire rights as a first mover itself creates its own rents that may not be dissipated and may in fact be captured by parties to the race. Furthermore, the *ex post* exclusionary rights may create further inefficiencies by preventing efficient uses of the protected asset by follow-on inventors or consumers. These inefficiencies are particularly likely in environments that are undergoing rapid technological change. These arguments against rent dissipation call into the question the treatment of the first mover norm as a dominant norm.

While the first mover norm may not be dominant, it serves an important role in defining competition under some circumstances. When property rights need to be defined in order to avoid the commons problem, the first mover norm regulates competition over who obtains initial entitlements. The first mover norm can also serve to alleviate the anti-commons problem by concentrating ownership in one individual or set of individuals with whom exchange can occur. The success of the first mover norm, however, rests on how the entitlement over which the race occurs is defined *ex ante* and how the rights acquired are enforced *ex post*. If the rights are defined too broadly, then too many individuals may participate in the race and the winner may be given too broad a right to exclude in the marketplace. Similarly, too narrow a definition may not attract enough participants in the race and can lead to an inefficient allocation of the right. Finally, enforcement of the rights once acquired is necessary to adequately define the boundaries of the right. Too strong or too weak enforcement is as troubling as defining the right too broadly or too narrowly.

(2) Controlled entry. Although the first mover norm has become for many scholars and intellectual property policy makers the dominant norm of competition, it is only one of four norms that can be identified in the intellectual property case law. Under the first mover norm, entry is largely at the behest of the owner of the intellectual property right. Those who want to produce or use the protected product or service have to do so with the permission of the rights holder. Alternatively, potential entrants into the market have to work around the rights holder's entitlement, often with the threat of law suit to determine whether the rights have been transgressed. A strict application of the first mover norm would tightly control the scope and extent of market entry.

A controlled entry norm recognizes that some degree of market entry should be permitted independent of the control of the rights holder. At the extreme, the controlled entry norm would

allow anyone to enter the market for the intellectual property protected product with only the lead time of the rights holder as offering a means to collect rents. This extreme, of course, is the case made by Justice Stephen Breyer in his famous article, “The Uneasy Case for Copyright.”<sup>12</sup> According to Justice Breyer, publishers and authors can make their money from books without copyright protection by selling advance copies of the work and through product differentiation. A similar argument could be made in the patent context with appeal to trade secret protection, which for processes and for some products can allow the rights holder to earn rents that can compensate for investments in research and development. A more moderate version of the controlled entry norm would allow entry only after the rights holder has earned enough rents to adequately compensate for the investments in creating the protected work. For example, a compulsory licensing scheme would be an example of this version of the controlled entry norm. Finally, another version of controlled entry would allow entry only to satisfy certain critical needs in the marketplace, such as created by a medical or other emergency.

The norm of controlled entry recognizes two critical issues in competition. The first is that entry, or at least the threat of entry, is the essence of the competitive process. As analyzed by economists William Baumol, Stephen Panzer, and Robert Willig, contestable markets, ones in which, among other factors, entry costs are low, can be as competitive as the perfectly competitive markets of economics textbooks. But entry also cannot be unlimited without creating problems for the competitive process. Excessive entry can be destructive for the market, lowering prices to the point where otherwise viable firms are driven out of the marketplace. In addition to such destructive competition, excessive entry can lead to too much diversity of choices for consumers and trivial variations in the production and marketing of products and services. The norm of controlled entry addresses the problems of excessive entry by limiting the manner in which entry can occur without giving the rights owner complete discretion in determining when entry occurs.

(3) Consumer centered. The third norm of competition is a broader version of what is sometimes referred to as consumer sovereignty, the view that the consumers’ values determine the efficacy of a market. While the concept of consumer sovereignty often is based on the assumption of a rationally acting consumer, the consumer centered norm recognizes that the consumer may play different roles from that of a passive purchasers of products and services. Perhaps a better description would be user centered norm, but I will stick to the term adopted here because of the connections with an important scholarly literature on the consumer in intellectual property.

At the outset, this norm is distinguishable from the previous two, which focused on the behavior of market participants, particularly firms. The consumer centered norm seems to be resulted oriented, describing a norm that would favor competitive processes that benefit consumers over producers in the market. That conclusion is in part misleading and stems from the view of the consumer as passive. To the extent that the passive consumer is an accurate assessment, the

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<sup>12</sup> Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 Harv. L. Rev. 281 (1970).

consumer centered norm would favor competitive processes that would tend to lower prices for products and services protected by intellectual property. That interpretation of the norm would have implications for how one analyzed parallel imports, for example, with a price focused consumer centered norm allowing parallel imports even if they infringed on intellectual property rights. Even within the frame of the passive consumer, however, the consumer centered norm would in many instances also have to consider the quality of the product or service, in addition to the price, as well as the availability of the product or service, absent adequate intellectual property protection. One way to understand the consumer centered norm is to conceive of the consumer as an agent who acts in the marketplace through voice, exit and loyalty responding to the package of price, quality, and quantity that the intellectual property owner provides. A consumer centered norm would assess competition on its ability to meet the needs of consumers as they express these needs through market mechanisms.

Recognizing consumers as more than mere passive recipients of goods who voice their wants through purchasing decisions expands the set of needs addressed by the consumer centered norm. For example, suppose the consumer is also an inventor or creator who in consuming products or services also produces new products or services in the form of criticism or commentary or by tinkering with existing devices or processes to generate improvements. Under this view of the consumer, the consumer centered norm would design the rules of competition to meet these needs which may result in increased prices, but expanded dimensions of access. When the consumer is conceptualized more broadly, the consumer centered norm is not simply result oriented. The norm facilitates behavior that is analogous to the entry of new firms. A consumer centered norm constructs the consumer, determining what she is allowed to do within the scheme of intellectual property.

Trademark law will provide one example of consumer centered norm, especially this norm in conflict with the first mover norm, as I will elaborate in Section Three. Another salient example of the consumer centered norm is the doctrine of fair use in copyright, which allows consumers to infringe copyrighted works when the use is productive and does not conflict greatly with the interests of the copyright owner in potential markets for the work. While fair use can be understood in some instances as an example of the controlled entry norm, in situations involving new technologies (such as in the SONY or Grokster case) it is the consumer centered norm that is at stake.<sup>13</sup> Recognizing copyright fair use as a type of consumer centered norm helps to understand why there is no analogous doctrine in patent law, which emphasizes the first mover and controlled entry norms by granting the patent owner strong exclusionary rights with narrow exceptions for repair and for experimental uses. Furthermore, copyright fair use is very different from trademark fair use, which in its traditional and nominative forms is an example of the controlled entry norm, allowing the use of trademarked words for descriptive purposes in the marketplace for language.

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<sup>13</sup> For a discussion of consumer norms in the fair use context, see Shubha Ghosh, *The Fable of the Commons: Exclusivity and the Construction of Intellectual Property Markets*, 40 U.C. Davis L. Rev. 855 (2007).



In conclusion, the consumer centered norm recognizes that competition in the marketplace also exists between producers and consumers. Any transaction involves the generation of surplus as the purchaser must value the product or service at least as much as the seller. The question is how this surplus is divided between the purchaser and consumer through the terms of the transaction. A consumer centered norm would favor competitive processes that weigh in favor of consumers and would design rules that protect the interest of consumers in market transactions.

(4) Wealth maximization. The norm of wealth maximization would favor competitive processes that maximize the aggregate wealth in society. Like the consumer centered norm, this last norm seems result oriented. But implicit in the norm is the transactional behavior of individuals in the marketplace, each of which, if successfully completed, would generate surplus as low valued products and services are transferred to those who value them most. The wealth maximization norm seeks to design competition so as to maximize the set of successful transactions in the economy. Viewed simplistically, the fourth norm might support creating a marketplace with many middlemen, each generating some value and adding to the costs of transactions. But such a simplistic conclusion would ignore that increasing the number of intermediary transactions also would increase the costs of transacting resulting in the possible shrinkage or even breakdown of the marketplace. The norm then must be understood in terms of the aggregate market rather than in terms of the interests of one group, such as intermediaries or producers.

Perfect price discrimination provides an example of the wealth maximization norm and a contrast with the other three norms. When a firm is able, through the existence of market power, charge each customer in the marketplace the most he is willing to pay for a product or service, the firm is engaging perfect price discrimination. Perfect price discrimination maximizes wealth because the firm is able to sell the product or service to anyone willing to pay and collect the maximum amount the customer is willing to pay. Therefore, perfect price discrimination would satisfy the wealth maximization norm of competition since the maximum possible voluntary transactions in a marketplace can take place. However, perfect price discrimination does not satisfy the consumer centered norm. Although every consumer willing to pay is able to obtain the product or service, all the consumer surplus in the market is captured by the selling firm. Furthermore, the controlled entry norm is not satisfied since firms that may promote innovation in the marketplace are deterred from entry. However, perfect price discrimination would satisfy the first mover norm since the firm is able to capture rents in the marketplace which can be used for additional investments in innovation.

The wealth maximization norm in intellectual property is often framed in terms of dynamic efficiency by structuring rules to generate the creation of new products and services that are disseminated to a wide set of consumers. This fourth norm overlaps with how competition is viewed in antitrust law, which currently is guided by goals of wealth maximization. In fact, when one thinks of the tensions between intellectual property and antitrust law, the conflict stems from how to apply the wealth maximization norm to markets where exclusionary rights might interfere with the benefits of access and potential transactions. For example, in cases involving exclusionary

conduct, where an intellectual property owner cuts off access to products protected by intellectual property, courts are split between creating an immunity for the intellectual property owner from antitrust law and assessing a case by case basis the consequences of exclusivity on wealth maximization. The supporters of immunity are implicitly placing the dynamic efficiency goals of intellectual property in generating new products and services above the benefits of wealth generating transactions. In other antitrust-intellectual property cases involving contracting practices such as ties or restrictions on use, courts and agencies have adopted a rule of reason approach that requires a balancing of the pro-competitive and anti-competitive effects. As Kaplow and Shavell point out, such a balancing requires a prior understanding of the meaning of competition. The wealth maximization norm is the strong candidate for how competition is understood in these cases.

This fourth norm is perhaps the most likely candidate for how most individuals would think about competition. It is the norm that is seemingly the most consistent with free trade or free competition with its suggestion of anarchic dealing that is largely unregulated. But it is only one of four identifiable competition norms. Arguably, it is the norm that is best suited for understanding markets at a macro level and one best suited for economies at a mature stage of development where the norms of controlled entry and the consumer centered norm may have been internalized in the behavior of firms and other market actors. As a practical matter, the wealth maximization norm is biased towards a deferential view of the market under which courts would interfere rarely without evidence of harms to the maximization of wealth. Unfortunately, this norm masks other ways in which competitive norms operate, particularly the controlled entry and consumer centered norms.

Having identified and described the typology of competitive norms, I turn now to the question of how these norms are applicable to particular problems of intellectual property. In the next section, I demonstrate how the role of these norms in the analysis of trademark law, particularly the dilution cause of action.

### **III. Competition Norms in Trademark Law**

Minimizing consumer search costs is one justification for trademarks. If products and services were not branded, consumers would have to find some way to identify desired products. A brand provides a cataloguing function that allows a consumer to determine the type and quality of a product or service before purchase and to find products or services with which there was a positive experience in the past. Firms are willing to incur the expense of investing in brands in order to secure a customer base, and consumers are willing to pay the resulting higher price for a product or service in order to save on search costs. Therefore, trademark law secures the distinguishing function of brands through both the process of acquiring trademark rights and

enforcing them.<sup>14</sup>

The search cost story is one about competition between consumers and sellers as well as about competition among sellers. As between consumers and sellers, trademarks serve to reduce the bargaining costs of negotiating terms of the contract that would secure the quality of a product or service that might be required without the information provided by the trademark. Although trademarks are not a substitute for warranties, they can substitute for long term contracts between a consumer and supplier. A consumer is willing to enter into a discrete, short term contract for the purchase of a product or service (a spot transaction) if the consumer knows that the product or service can be found again in the future through the trademark. In addition, trademarks affect competition among sellers as the brand is used to attract customers to a particular source of a product or service. In this way, trademarks do serve an advertising function, providing consumers information about a product or service before the final purchasing decision is made.

To understand how the four identified competition norms arise in trademark law, these competitive forces need to be analyzed a bit more thoroughly. Two contrasting stories about the market underlie the search cost explanation. These two contrasting stories have different implications for trademark policy.

The first, which can be traced to George Stigler,<sup>15</sup> views search costs as largely one of investment in research and discovery by consumers of the state of the marketplace. This investment has both spatial, temporal, and qualitative dimensions as consumers are required to traverse a marketplace for the desired product or recall previous purchasing decisions or investigate the qualitative dimensions of a particular product. Trademarks then serve as a shorthand to save on these investment costs. Once the consumer has made them and identified and catalogued a product or service through its brand, then subsequent searches can be done with minimal, if not zero, cost.

The Stiglerian story contrasts with the story attributed to George Akerlof that rests on

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<sup>14</sup> For the theoretical background on trademark law, see Mark McKenna, *The Normative Foundations of Trademark Law*, 82 *Notre Dame L. Rev.* 1839 (2007)(arguing that trademark law did not traditionally protect consumers but producers from trade diversion); Glynn S. Lunney, *Trademark Monopolies*, 48 *Emory L.J.* 367 (1999)(grounding trademark law in a theory of competition); Mark A. Lemley & Stacey L. Dogan, *Grounding Trademark Law Through Trademark Use*, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=961470](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=961470) (forthcoming *Iowa Law Review*)(making the case for an aggressive trademark use doctrine); Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=927996](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=927996) (forthcoming *Iowa Law Review*)(expressing skepticism of the trademark use doctrine and in favor of a case by case approach).

<sup>15</sup> See George J. Stigler, *The Economics of Information*, 69 *J. Pol. Econ.* 213, 215 (1961).

information asymmetries in the marketplace.<sup>16</sup> This familiar “Lemons model” can be understood by thinking of the market as having high quality goods and low quality goods, which a consumer cannot distinguish a priori but a particular seller can. Since ex ante a consumer cannot distinguish between high quality and low quality goods, the most that consumers would be willing to pay for a good is the average price of high quality and low quality goods. Since sellers of high quality goods would set a higher price than sellers of low quality goods, sellers of high quality goods would request a higher price than what consumers would be willing to pay. Therefore, unless sellers of high quality goods can convince consumers that their goods are truly of high quality, only low quality goods would enter into the marketplace. Sellers of high quality goods would need to signal that their wares are actually of high quality by making investments that would too expensive for sellers of low quality goods. One way to do this is by including warranty terms in the contract or by perhaps offering samples of the goods for free in order to demonstrate their true quality. Another way is through using some of the surplus that could be earned by selling their goods at a higher price and investing it in advertising and branding. Therefore, trademarks can signal high quality and help to reduce consumer search costs in distinguishing among different grades of goods.

Which search cost story is more accurate has implications for the competitive benefits of trademarks. Under the Stiglerian view, trademarks are a necessary convenience, allowing consumers to save on costly investments in identifying and cataloguing products and services. The Akerlof story is somewhat more dire. Absent trademarks, and other legal devices, competitive markets might fail to function or even fail to exist. Taking apart the search cost stories reveals some of the criticisms of the search cost justifications for trademark law. The Lemons explanation implies that trademarks just as likely serve to manufacture consumer demand as benefit consumers in the search process. Critics of the search cost explanation would view trademarks as a means of market segmentation that facilitate practices such as price discrimination or product differentiation. Although strict critics would condemn such practices, such practices would be consistent with a wealth maximization norm of competition. Nonetheless, the point still remains that while the search cost explanation provides a seemingly neutral or benign explanation for trademarks, the concern among critics is that trademarks might serve the interests of producers more strongly, and even at the expense of, the interest of consumers.

Consumer search costs serve as a useful organizing principle for trademark law that explains some of its features and underscore some of the conflicts. The search explanation helps to identify the competitive norms that inform trademark law. I would like to focus on the two principal competitive norms in trademark law: the consumer centered norm and the first mover norm. The consumer centered norm follows from the search cost explanation. If trademarks reduce consumer search costs, either under the Stigler or the Akerlof approach, then consumer centered norms should inform trademark doctrine to ensure that legal rules are designed to benefit consumers. But the search cost justification also requires consideration of the first mover norm. In order to protect

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<sup>16</sup> See George Akerlof, The Market for “Lemons”: Quality Uncertainty and the Market Mechanism, 84 Q.J. Econ. 488 (1970) .

consumer interests, trademark law needs to protect the companies that initially invest in the development of distinctive brands. Under the first mover norm, trademark law should protect the rights of creators of distinctive brands who first use them in a way that helps consumers in minimizing search costs in the marketplace. For the rest of this Article, I will explore how the consumer centered and first mover norms interact in the regulation of competition through trademark law.

A clear example of the interaction of the consumer centered and first mover norms in trademark law is provided by the likelihood of confusion standard in an action for trademark infringement under Section 1114 or Section 1125(a) of the Lanham Act. Such an action is brought by a trademark owner, of either a registered or an unregistered mark, against someone who has used the mark so as to cause the likelihood of confusion among consumers. A large point of contention is likelihood of confusion as to what. Cases speak of a likelihood of confusion as to source for a 1114 action and a likelihood of confusion as to affiliation or association for a 1125(a) action. If the minimization of consumer search costs is the accepted justification for trademarks, then the confusion under either action should be one that exacerbates the search behavior of consumers. This understanding implies a broad basis for confusion and, consequently, a broad reach of the trademark owner's rights. The Polaroid/Lapp/Sleekcraft factors that guide the court's analysis in trademark infringement cases bespeak the breadth of the trademark action and the scope of the trademark owner's rights. These familiar factors allow the trademark owner to enjoin and recover damages from a user of the mark even on products or services that are outside the categories for which the mark is registered and even with weak evidence of actual or potential confusion among consumers.

Further expansion of trademark owner rights has taken place through trademark dilution. Until 1995, trademark dilution was a state law cause of action in the United States that allowed the trademark owner to enjoin uses of the mark that blurred or tarnished its reputation. While traditional trademark infringement was squarely aimed at preventing consumer confusion, the dilution action has as its target unauthorized uses that threaten to diminish or lessen the distinctiveness of a trademark. Distinctiveness can be affected by blurring the association of a mark with a particular product or service or by tarnishing the status of a mark. When Professor Frank Schechter first proposed the cause of action in his famous 1927 article,<sup>17</sup> he was primarily concerned with the effect of dilution on consumer well-being while also acknowledging the potentially anti-competitive effects of allowing a trademark owner to enjoin any use of a similar mark on any product or service. In advocating the creation of an anti-dilution cause of action, Professor Schechter sought to address the effect of the loss of distinction of a mark on a consumer's ability to use marks to discriminate among products and services.

In terms of consumer search costs, the dilution cause of action ideally serves to minimize consumer search costs. Specifically, the cause of action serves to enjoin uses of a mark that may

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<sup>17</sup> Frank Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927).

make it difficult for consumers to determine the source of a product or service by blurring the line among different product categories. Furthermore, if dilution is allowed to occur through tarnishment, marks become weaker as a means of distinguishing between high quality and low quality products, potentially creating the Lemons problem. Therefore, Professor Schechter was correct in pointing out the problem of dilution and recommending a cause of action that would complement traditional trademark infringement in order to minimize consumer search costs.

The problem is that the dilution action and the weakness of the likelihood of confusion standard act together to expand trademark owner's rights without necessarily benefitting consumers. The concern is that trademark owners bring trademark infringement and dilution claims simply to appropriate rents in the marketplace without generating benefits for consumers. Of greater concern is that these transfer of rents may actually hurt consumers as certain benign and beneficial uses of words and symbols that might enhance information in the marketplace are enjoined. Thinking of these issues in terms of competition norms, trademark law has moved towards the strengthening of first mover norms at the expense of consumer centered norms.

Arguably, the consumer centered and first mover norms should work together here to ensure that the trademark is not being misappropriated in way that raises consumer search costs. In practice, the action for trademark infringement strengthens the first mover norm at the expense of the consumer centered norm. To the extent that trademark law is used to enjoin or limit the use of the mark that does not benefit consumers, the first mover norm can serve to transfer rents from alleged misappropriators of brands to trademark owners without any resulting benefits to consumers. Even worse, the transfer may come at the expense of consumers who lose the benefit of certain products or services that are being marketed. One solution to this problem that has been suggested is to allow trademark law to enjoin only trademark uses by the infringer. Within the consumer search model, I take trademark use to mean uses that should serve to minimize consumer search costs. The trademark use requirement effectively would treat certain narrowly defined unauthorized uses of a trademark as per se creating a likelihood of confusion by raising the search costs of consumers in the marketplace. Put another way, trademark use would make certain uses by the infringer per se non-infringing because they do not effect consumer search costs.

While the proposal of trademark use has been scrutinized by many scholars on both doctrinal and policy grounds, the proposal provides a useful heuristic with which to formulate and assess ways to limit the scope of trademark protection under current law. A useful exercise is to attempt to define trademark use based on the analysis of consumer search costs and competition developed in this Article. One definition would be to define trademark use by an infringer as one that would tend to raise the search costs of consumers. The problem with this definition is that it blends the analysis of use by the infringer with the likelihood of confusion analysis, something that advocates of the proposal seek to avoid. But, as Professor Mark McKenna points out, perhaps the inability to separate the issue of confusion from use is a fatal flaw in the proposal.

Another approach is to formulate the problem in terms of competition more explicitly. Consider the problem of rationalizing the dilution cause of action with traditional trademark

infringement. Under the terms of the consumer search model, companies are willing to invest in trademarks in order to facilitate consumer search. But this investment entails competition with other firms. Use of a similar trademark by an alleged infringer is problematic when (1) the trademark owner may potentially enter the infringer's market, (2) the alleged infringer may potentially enter the trademark owner's market, or (3) entry is unlikely by either party but the alleged infringer is taking advantage of the owner's mark. Each is problematic because it raises the consumer's costs in searching for particular products or services by making it more difficult to distinguish among them. In these cases, the dilution cause of action should be used to protect the rights of the trademark owner in order to minimize consumer search costs. Trademark use could serve as a limiting principle if use is understood in terms of either market overlap between the trademark owner and the alleged infringer or in terms of proximity of the infringer's mark to the owner's mark.

The third type of use described in the previous paragraph is potentially problematic because it seems untethered from the market in which the brand is used. Consequently, the third case is one which could lead to an expansion of trademark rights on broad free riding rationales. But to understand the third case, consider trademark claims brought by an owner against a direct competitor. Arguably dilution claims should be quite narrow in this context. When an alleged infringer is a direct competitor, the main concern is one of confusion by consumers. So a dilution claim makes sense to address non-confusing uses of the mark that raise consumer search costs. Since the owner and the alleged infringer are already in the same market, this effect on consumer search costs cannot arise from the potential entry of one seller into the other's market. Therefore, case three would be the only one in which a dilution claim against a direct competitor would be applicable. The problem with a direct competitor using a trademark owner's mark in a non-confusing way, hence justifying a dilution claim, is that the infringer is attempting to lower its costs of production. The harm to consumers is that a firm is not incurring the costs of investment in the creation of a distinctive brand that is required to minimize consumer search costs. Notice that this type of free riding in the dilution context is most likely when the owner's market already serves a strong distinguishing function, that is, when it is famous. Therefore, it is understandable why the dilution claim is limited to famous marks.

To summarize, trademark use can be understood in terms of the effect on consumer search costs. In the context of claims of confusing uses of a trademark. I am in agreement with Professor McKenna that it is impossible to separate the trademark use determination from the likelihood of confusion analysis. But with respect to dilution claims, trademark use can be understood as either uses of a mark in a market that either the trademark owner or the alleged infringer would intend to enter or uses of a mark that serve to minimize the alleged infringer's investment in the development of distinctive brands. To test this analysis, I examine trademark dilution cases involving claims against direct competitors and assess how the courts apply the dilution analysis. In looking at this pool of cases, I am looking for two factors in cases in which the direct competitor was found liable for dilution: (1) the infringer's minimizing its own costs of investing in brands and (2) the effects of the infringement on consumer search costs.

#### IV. The Theory Confronts The Case Law

The thesis of this Article is that intellectual property should be understood as form of competition policy. Adopting a broad notion of competition, I illustrated how trademark law provides an example of this thesis. Trademark law, I have argued, regulates rivalries between suppliers and consumers and rivalries among suppliers by minimizing the search costs of consumers that arise from problems of information in the marketplace. In this section, the trademark case law provides a set of examples against which to understand trademark law as competition policy. Specifically, I consider dilution cases brought by a trademark owner against a direct competitor to assess how trademark dilution claims regulate competition. My goal is to assess how well dilution claims in this context are able to police actions that would tend to raise consumer search costs and endorse consumer centered norms in trademark law.

Federal trademark dilution claims do not statutorily distinguish between claims against competitors and non-competitors.<sup>18</sup> Furthermore, dilution claims supplement claims based on consumer confusion. The harm that dilution is designed to police is the loss of the ability of a mark to distinguish among different products and services, whether as a means of cataloguing and identifying differences among products and services (in the Stigler sense) or a means of signaling quality (in the Akerlof sense). This harm can arise when a protected mark is used by either a competitor or a non-competitor and is independent of any actual or potential confusion suffered by consumers. Therefore, the statutory definition of dilution is consistent with the competition based theory developed here. The question I turn to in this section is whether the competition based theory is consistent with the case law. Published cases do not provide a pure experiment with which to test a theory. But comparing the decisional law with the theory provides some glimpse into how dilution claims are actually handled by the courts and how the theory should be revised.

In August, 2007, I conducted a search of the federal appellate court database on Westlaw of the term “ ‘lanham act’ and (1125(c) or 43(c)).” This search brought up 130 cases at the appellate level since the passage of the Federal Trademark Antidilution Act in 1995 in which these search terms appeared. Of these 130 cases, forty-nine (49) contained a substantive ruling on the antidilution claim. Of these forty-nine, twenty-two (22) cases involved a claim brought by a trademark owner against alleged unauthorized use of the mark on competing products or services. These cases were the ones designated as dilution claims against competitors. Whether a product or service was determined to be competing was a qualitative decision. For example, one of these twenty-two decision was the Supreme Court’s 2003 opinion in *Moseley v. V Secret Catalogue Inc.*,<sup>19</sup> a claim brought by a seller of lingerie against an adult bookstore owner where lingerie (among other items) were sold. This case represents the outer edge of the meaning of directly competing. Table One summarizes the twenty-two cases that are the analyzed in this section.

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<sup>18</sup> See 15 USC 1127.

<sup>19</sup> 537 U.S. 418 (2003).



There are some preliminary conclusions worth mentioning about these cases. Of the twenty-two cases, nine entailed a victory at the appellate level for the trademark owner, meaning either a reversal of a summary judgment for the alleged infringer or a denial of a preliminary injunction. The remaining thirteen entailed a victory for the alleged infringer. It would be difficult to conclude that the federal claim favors trademark owners over alleged infringers or that the claim is necessarily successfully used against competitors in the marketplace. This is especially true when you consider that the Supreme Court's 2003 decision in *Moseley* raised the standard for trademark dilution claims by requiring the owner to show actual dilution. In this admittedly limited sample, about half the cases in which the infringer won were decided before 2003 when the circuits were split on the standard for dilution. However, of the nine cases in which the owner won, roughly five of the cases were decided after Congress lowered the standard for dilution claims in favor of owners in 2006.

Of the cases in which the infringer won, only three of the thirteen were after the change in the law in 2006. The relationship between the change in the standard and the decisional case law needs to be analyzed more closely, but the small sample here suggests that the 2006 shift to a likelihood of dilution standard might lead to more victories by trademark owners bringing antidilution claims.

To what extent do search costs help to understand these decisions? In three of the cases where the owners experiences some type of victory, consumer search costs, independent of confusion, can help to understand the result. In *Horphag*,<sup>20</sup> the court found in favor of the trademark owner when a competitor in the herbal supplement market used the exact same trademark ("Pycnogenol") in its package labeling for a supplement made from pine bark. In this case, both owner and infringer were marketing the same product and the dispute was essentially over which product was the genuine supplement in a market otherwise unregulated by food and drug laws. Similarly, in *Eli Lilly v. Natural Answers, Inc.*,<sup>21</sup> the pharmaceutical company was able to enjoin use of "HERBZAC" which was similar to the familiar "PROZAC" trademark as applied to a stress-relieving dietary supplement. Finally, in *The Times Mirror* decision,<sup>22</sup> a competing newspaper's unauthorized use of "The Sporting News" in the title of the newspaper was the basis for a dilution claim. In each of these cases, the competitor's use of the mark could result in an increase in consumer search costs in identifying products or services or in distinguishing product quality. The products at issue were ones in which the sellers would have more information about the product than the consumer (supplements) or in which the product is a strong experience good that the consumer could only recognize after making the purchasing decision (the newspaper). Therefore, the trademarks in these cases were serving a strong signaling function. The court's decisions in favor of the owner can be additionally understood as sanctioning the alleged infringer for not sufficiently investing in the creation of stronger trademark signals in the marketplace.

Two other cases in which the owner won are more tenuous in terms of effects on consumers,

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<sup>20</sup> *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029 (9<sup>th</sup> Cir. 2007).

<sup>21</sup> 233 F.3d 456 (7<sup>th</sup> Cir. 2000).

<sup>22</sup> *Times Mirror Magazine v. Las Vegas Sports News*, 212 F.3d 157 (3<sup>rd</sup> Cir. 2000).

but can be understood in terms of investments in brand creation. In the Starbucks case,<sup>23</sup> the court found potential dilution in a competing cafe's use of the mark "Mr. Charbucks." It is hard to imagine that a discerning consumer would find it difficult to distinguish between a Starbucks and a Charbucks either in the Stigler sense of cataloguing different types of coffees or in the Akerlof sense of discriminating between high quality and low quality brands. A similar argument can be made when comparing the "Hot Wheels" mark with the "Hot Rigs" mark, which was found to be potentially diluting in the Jada case.<sup>24</sup> Both of these cases, however, can be understood as ones in which the court was concerned with the lack of investment by the alleged infringer in developing new brands that would serve a stronger distinguishing and signaling function.

The competition model can also help in understanding several cases in which the infringer had a victory at the appellate level. In *Louis Vuitton*,<sup>25</sup> the court was convinced by evidence of differences in the design and trade dress of competing handbags to find in favor of the alleged infringer. Similarly, in *Playtex*,<sup>26</sup> the infringer's mark "Moist Ones" was found not to dilute the owner's "Wet Ones." This last case is particularly noteworthy because of the way in which the competitor was able to develop a mark that evoked the owner's mark (moist evoking wet) but creating a different signal that distinguished the one product from the other. In another set of cases, the court was very careful to analyze the geographic usage of the mark as well as the particular usage of the mark by competitors in finding against the owner. For example, in the *Care First* case, the court distinguished the infringer's "First Care" mark both on the grounds that it was used in a different geographic market and in a distinctive way.<sup>27</sup> The court also found different geographic markets and usage in *National Association for Healthcare Communications* case, which involved competing uses of the mark "Carelink."<sup>28</sup> Finally, in *Everest Capital*, the court once again carefully analyzed the geographic market and the trademark use to find against the dilution claim.<sup>29</sup>

The dilution analysis is also informed by considerations of product functionality and aftermarkets. Four of the cases expressly involved product functionality and trade dress protection:

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<sup>23</sup> *Starbucks Corp. v. Wolfe's Borough Coffee*, 477 F.3d 765 (2<sup>nd</sup> Cir. 2007).

<sup>24</sup> *Jada Toys Inc. v. Mattel Inc.*, \_\_\_ F.3d \_\_\_\_ (9<sup>th</sup> Cir. 2007).

<sup>25</sup> *Louis Vuitton Malletier v. Dooney & Bourke*, 454 F.3d 108 (2<sup>nd</sup> Cir. 2006).

<sup>26</sup> *Playtex Products Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158 (2<sup>nd</sup> Cir. 2004).

<sup>27</sup> *CareFirst of Maryland, Inc. v. First Care*, 434 F.3d 263 (4<sup>th</sup> Cir. 2006).

<sup>28</sup> *Nat'l Assn. for Healthcare Communications, Inc. v. The Central Arkansas Area Agency on Aging, Inc.*, 257 F.3d 732 (8<sup>th</sup> Cir. 2001).

<sup>29</sup> *Everest Capital Ltd. v. Everest Funds Management*, 393 F.3d 755 (8<sup>th</sup> Cir. 2005).

Au-Tomotive (automobile accessories),<sup>30</sup> Converse (clothing),<sup>31</sup> Syndicate Sales (flower baskets),<sup>32</sup> and IP Lund (faucets).<sup>33</sup> The owner won in the first three cases while the infringer had a victory in the fourth case. In each of these cases, the court parsed the market effects of trade dress protection, concluding that the trade dress served a strong signaling function in the first three cases. This focus on market effects can also be seen in what I label the aftermarket cases: Thane (stationary exercise machines),<sup>34</sup> Nitro Leisure (used and refurbished golf balls),<sup>35</sup> and Connectix (gaming machines).<sup>36</sup> In each of these cases, the dilution claim was brought against a direct competitor who would have measurable effects on the mark owner's market share. In Thane, for example, the infringer's stationary exercise machines would have affected the owner's market for recreational and exercise bicycles. Similarly, in Nitro Leisure, the infringer's used and refurbished golf balls created a competing aftermarket for the mark owner's new golf balls. Finally, in Connectix, the infringer's gaming system would directly substitute for the mark owners. In each case, however, the court denied the dilution claim partly out of consideration of the consumer benefits created by these infringers through the aftermarkets.

Although a handful of these cases disposed of the dilution claim on technical grounds,<sup>37</sup> all the rest illustrate how competitive norms inform the dilution cause of action. My point here is not to conclude that the theory of competitive norms can rationalize or predict all dilution cases. Rather, the analysis highlights how competition norms do play a role in the court's analysis and disposition of cases. To the extent that the movement to a likelihood of dilution standard with the 2006 reforms bias the cases in favor of trademark owners, the precedent shows that competition norms can provide

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<sup>30</sup> Au-Tomotive Gold, Inc. v. Volkswagen of America, 457 F.3d 1062 (9<sup>th</sup> Cir. 2006).

<sup>31</sup> Alpha Kappa Alpha Sorority Inc. v. Converse, Inc., 175 Fed. Appx. 672 (5<sup>th</sup> Cir. 2006)(unpublished opinion).

<sup>32</sup> Syndicate Sales, Inc. v. Hampshire Paper Corp., 192 F.3d 633 (7<sup>th</sup> Cir. 1999).

<sup>33</sup> I.P. Lund Trading Aps. v. Kohler Co., 163 F.3d 27 (1<sup>st</sup> Cir. 1998).

<sup>34</sup> Thane Intern., Inc. v. Trek Bicycle Corp., 305 F.3d 894 (9<sup>th</sup> Cir. 2002).

<sup>35</sup> Nitro Leisure Products L.L.C. v. Acushnet Co., 341 F.3d 1356 (Fed. Cir. 2003).

<sup>36</sup> SONY Computer Entertainment Inc. v. Connectix Corp., 203 F.3d 596 (9<sup>th</sup> Cir. 2000).

<sup>37</sup> Doeblers' Pennsylvania Hybrids Inc. v. Doebler, 442 F.3d 812 (3<sup>rd</sup> Cir. 2006)(assignment of mark and trade name); ICEE Distributors, Inc. v. J&J Snack Foods Corp., 325 F.3d 586 (5<sup>th</sup> Cir. 2003)(franchise agreement); Enterprises Rent-A-Car Co. v. Advantage Rent-A-Car, inc., 330 F.3d 1333 (Fed. Cir. 20003)(procedure for opposition); K'Arasan Corp. v. Christian Dior Perfumes, 166 F.3d 1214 (6<sup>th</sup> Cir. 1998)(unpublished opinion)(memo disposition based on lack of evidence of dilution or confusion).

an important source of balance to the direction of dilution claims. More broadly, this small, but revealing, set of cases demonstrate how intellectual property law itself functions as a form of competition policy, as opposed to existing in opposition to the competitive marketplace.

## **V. Conclusion**

Intellectual property is competition policy. This proposition was recognized by Professors Kitch and Perlman when they launched their 1972 casebook. The lesson seemed to be lost with the need to be able to market the Fifth Edition of their book effectively in 1998. The lesson also seems to have been lost in the broader discourse on intellectual property. This paper is a preliminary attempt to revive the traditional thinking of intellectual property with the simple example of trademark dilution. A study of some of the cases suggest that competition norms do inform the case analysis despite all the talk of property protection. Future research will show how competition norms are ubiquitous in all the branches of intellectual property law. This Article has suggested that the doctrinal debates over trademark use, famous marks, niche markets, and geographic scope can be understood with respect to competition norms. My broader project is to show how these norms inform other doctrines such as fair use in copyright, experimental use in patent, and the other intellectual property levers. As I asked at the start of this Article, what is in a name? Quite a bit, but more critical is understanding the normative foundations of our legal structures, whatever label at the moment happens to captivate us.

| TABLE ONE   | Owner   | Alleged Infringer        | Circuit(Date)              | Trademarks              |
|---|---|--------------------------|----------------------------|-------------------------|
|   | <b>Cases in which there was a victory for trademark owner on federal dilution claim</b> |                          |                            |                         |
| 1   | Mattel  | Jada Toys                | 9 <sup>th</sup> Cir (2007) | Hot Wheels v Hot Rigs   |
| 2   | Starbucks   | Wolfe's Borough Coffee   | 2 <sup>nd</sup> Cir (2007) | Starbucks v. Charbucks  |
| 3   | Horphag Research  | Garcia                   | 9 <sup>th</sup> Cir (2007) | Pycnogenol              |
| 4   | Au-Tomotive Gold  | Volkswagen               | 9 <sup>th</sup> Cir (2006) | Volkswagen & Audi       |
| 5   | Alpha Kappa Alpha Sorority  | Converse                 | 5 <sup>th</sup> Cir (2006) | GREEKPAK                |
| 6   | Enterprise  | Advantage                | Fed. Cir. (2003)           | "Pick you up"           |
| 7   | Eli Lilly   | Natural Answers          | 7 <sup>th</sup> Cir (2000) | Prozac v Herbzac        |
| 8   | Times Mirror Magazine   | Las Vegas Sports News    | 3 <sup>rd</sup> Cir (2000) | The Sporting News       |
| 9   | Syndicate Sales   | Hampshire Paper          | 7 <sup>th</sup> Cir (1999) | trade dress for baskets |
| <b>Cases in which there was victory for alleged infringer on federal dilution claim</b> |   |                          |                            |                         |
| 10  | Doebler's Pennsylvania Hybrids  | Doebler                  | 3 <sup>rd</sup> Cir (2006) | DOEBLER                 |
| 11  | CareFirst of Maryland   | First Care               | 4 <sup>th</sup> Cir (2006) | CareFirst vs. FirstCare |
| 12  | Louis Vuitton Malletier   | Dooney & Bourke          | 2 <sup>nd</sup> Cir (2006) | design for handbags     |
| 13  | Everest Capital Ltd.  | Everest Funds Management | 8 <sup>th</sup> Cir (2005) | Everest                 |
| 14  | Playtex Products  | Georgia Pacific Corp.    | 2 <sup>nd</sup> Cir (2004) | Wet Ones vs. Moist Ones |
| 15  | Acushnet  | Nitro Leisure Products   | Fed. Cir. (2003)           | TITLEIST                |

|    |                                    |   |                            |  |
|----|------------------------------------|---|----------------------------|--|
| 16 | ICEE Distributors                  | J&J Snack Foods Corp.                       | 5 <sup>th</sup> Cir (2003) | ICEE   |
| 17 | V Secret                           | Moseley                                     | Sup Ct (2003)              | Victoria's Secret vs. Victor's Little Secret |
| 18 | Trek Bicycle                       | Thane                                       | 9 <sup>th</sup> Cir (2002) | Trek vs. Orbitrek                            |
| 19 | The Central Arkansas Area on Aging | National Assn for Healthcare Communications | 8 <sup>th</sup> Cir (2001) | Carelink                                     |
| 20 | SONY                               | Connectix Corp.                             | 9 <sup>th</sup> Cir (2001) | "Play Station" vs. "Virtual Game Station"    |
| 21 | I.P Lund                           | Kohler                                      | 1 <sup>st</sup> Cir (1998) | design of faucet                             |
| 22 | K'Arasan Corp                      | Christian Dior                              | 6 <sup>th</sup> Cir (1998) | SUN POWDER                                   |