State of the State: The Future of State Dilution Laws

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In the beginning…

- There was very little…
- Until Frank Schechter's 1927 article proposing dilution as the only rational basis for trademark protection

State laws: First “wave”

- 1947-64: Five states pass laws
- 1964: Model State Trademark Bill adds dilution provision
- By 1989, 24 states have dilution laws

The Second Wave

- 1988-TLRA almost adds a federal dilution provision
- 1992-Model Bill provision revised
- 1989-96, many states add or change laws

Significant state law cases

- These decisions did have influence even after FTDA:
  - *Sally Gee* (1983): extremely strong mark
  - *Mead Data v. Toyota (1989)*: multifactor test (*but cf. Nabisco v. PF Brands*)
  - *Deere v. MTD Products (1994)*: expansive use of tarnishment
  - *L.L. Bean v. Drake Publishers (1987) & Hormel v. Jim Henson Ent (1996).*: dilution has its limits

Sidelight: The Restatement

- Rest. (3d) Unfair Competition §25 (1995)
- In some ways more restrictive than many state laws
- Seemingly rejects *Deere* (requires trademark use or independent tort)
- Surprisingly little influence

Enter the FTDA

- Late 1995: FTDA passes (eff. 1996)
- Model Bill revised to reflect FTDA
- Many dilution claims are asserted
- More states add dilution laws
  - Total by 2003: 37 (now 38)

FTDA and state laws (1996-2003)

- Many state claims filed as add-ons to federal claims
- Most courts assume all state laws use likelihood of dilution
- Some distinction in 2d Cir.

Moseley muddies the waters

- *Moseley* (2003): "causes dilution" means "actual dilution"
- Does FTDA cover tarnishment?
- Most state laws now have "causes dilution" language
  - Large states with older laws do not (NY, Cal., Tex.)

The Effect of the TDRA

- TDRA (2006): likelihood of dilution; two categories; new fame factors; new blurring factors
  - No state law has latter three; only one new state law has the first
- Drafting problems unsolvable without state legislative action
  - Virtually no state interpretations
  - Federal precedent used for state law
  - Circuit splits will no longer be resolved because of TDRA

The Effect of the TDRA

- At least three separate types of law: TDRA, newer state laws, older state laws.
  - TDRA & older laws: Likelihood
    - Same standard?
  - Newer laws: actual dilution, maybe no tarnishment

Uses for State Laws: Remedy Enhancement?

- Lanham Act limits damage remedies
  - Must be “compensation, not a penalty”
  - No punitive damages
- Attorney’s fees in exceptional cases
- States may have different laws

Remedy Enhancement: Caveats

- Older laws only allow injunctions
- FTDA and newer laws only allow damages in limited circumstances
- Should states be allowed to override balances in IP laws, even if Congress chooses not to preempt?
  - Original non-preemption decision was made when few states allowed damages

Further Problem: State laws are not state laws

- State law claims overwhelmingly in federal court
- Few state court interpretations
- Federal courts make bad guesses
- Is this sensible?

The Proper Role for State laws

- Respond to unique local conditions
  - None apparent for dilution
- Fill “gaps” in federal law and push Congress to pass national law
  - Few gaps remain worth filling
  - National law exists

Preemption?

- Implied: by upsetting balance in trademark law?
- Express: be careful what you wish for.
- Politics: federal—concern for states' rights; state—independence, plus repeal is not a priority

A final word: State laws & famous marks (Paris Convention)

- Art. 6*bis*: Protection of "well known" marks
- If 2d Circuit's *Punchgini* decision spreads, a "gap" may be created
- Is this a place for state law?
  - Temporary until national law
  - Undesirable to have treaty obligations dependent on state law

The End!