

THE CLAIM FOR CONTRIBUTORY DILUTION UNDER THE TRADEMARK DILUTION
REVISION ACT

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ABSTRACT

Various courts in which plaintiff's claimed contributory dilution have failed to explain whether there is a valid claim and what its elements are. Most courts faced with the issue dealt with it in passing and not as the main issue in the case. The court that did deal with the issue also failed to provide much jurisprudence.

The scarcity of discussion carried over to the academic world where the usual scholarly critique that is observed in relation to new phenomena is almost absent in the case of contributory dilution. The few authors to deal with it either discussed it as a foot note or briefly discuss it in passing. The only major article to deal with contributory and vicarious liability for trademark dilution was written by John T. Cross in 2001.¹

This article will begin by introducing the reader to the concept of contributory dilution and the general background regarding trademark dilution. In part II, the judicial developments regarding contributory dilution will be discussed and analyzed. Part III involves discussion of the statutory interpretation of the TDRA and policy debates that may arise in relation to the claim for contributory dilution. A conclusion is given under part IV.

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¹ John T. Cross, *Contributory and Vicarious Liability for Trademark Dilution*, 80 Or. L. Rev. 625 (2001)

I. INTRODUCTION

Amish P. Shah and other allegedly registered Microsoft's trademarks as domain name and received payments from clients when mis-led users visited their client's sites and downloaded software represented as being from Microsoft Corporation.² Microsoft brought a suit claiming, among other things, contributory trademark dilution and defendants moved to dismiss the claim.³ In a decision that surprised lawyers working in the area⁴, Judge Ricardo Martinez of the district court for the western district of Washington rejected defendant's motion. In ruling for Microsoft, Judge Martinez held that "It would be inconsistent with the Trademark Dilution Act to prohibit a cause of action for contributory dilution." Other judges had not asserted the existence and importance of the claim in this way and the claim was perceived to be a 'novel' claim.⁵ After the ruling against the motion to dismiss, parties settled outside of court and all claims were dismissed with prejudice.⁶

The recognition of a special right for 'famous marks' though recognition of claim for dilution has been subject of debate in journal articles but the claim has mostly been

² Microsoft Corp. v. Shah, C10-0653 RSM, 2011 WL 108954 (W.D. Wash. Jan. 12, 2011) (order rejecting motion to dismiss) at 1

³ Id, at 1

⁴ Blog posts: Michael Atkins, available at <http://seattletrademarklawyer.com/blog/2011/1/19/western-district-denies-dismissal-of-novel-trademark-theorie.html> last visited June 7, 2012; Venkat Balasubramani on Eric Goldman's blog, available at http://blog.ericgoldman.org/archives/2011/01/contributory_cybersquatting.htm, last visited June 7, 2012; Elina Saviharju – Edited by Jonathan Allred, available at <http://jolt.law.harvard.edu/digest/jurisdiction/district-courts/microsoft-corp-v-shah> last visited on June 7, 2012

⁵ Id, Atkins

⁶ Supra note 2, Microsoft v. Shah, No. 10-cv-00653-RSM (W. D. Wash. Jul. 15, 2011) (stipulated motion for dismissal with prejudice of all claims)

accepted by courts.⁷ However, when it comes to contributory dilution, courts have generally hesitated to embrace it. For the most part, the claim for contributory dilution has been discussed in court rooms in the context of defendants' motion to dismiss for lack of cause of action or plaintiff's motion for preliminary injunction. As a result, most courts dodged the issue and did not attempt to give detailed explanation. In the following sections, the cases in which courts have talked about contributory dilution⁸ will be discussed. Although most of the cases are at the district level, at least one circuit court discussed the claim for contributory dilution.⁹

II. CASE LAW: DEVELOPMENT OF CLAIM FOR CONTRIBUTORY DILUTION

Despite the absence of express recognition of claims for contributory dilution, some attorneys have included such claims in their complaint.¹⁰ Most of the courts that have been faced with the issue of validity of claim for contributory dilution are district courts.¹¹ Most of them dodged the question and did not address the existence or otherwise of the claim. A few courts, at least, gave some lip service to it.

⁷ Supra note 1, Cross, p1; As defined in *Microsoft (supra note 2)*, "Dilution can occur by blurring of the famous mark, which weakens the connection between the good and the mark in the minds of consumers. Dilution can also occur by tarnishment, where a defendant makes use of the mark in an unwholesome manner or connects it to inferior goods."

⁸ Contributory dilution and vicarious liability are sometimes understood to be different concepts. However, unless expressly stated, reference to contributory dilution here includes vicarious liability for dilution.

⁹ *Lockheed Martin Corp v Network Solutions Inc.* 194 F.3d 980 (1999)

¹⁰ 4 Callmann on Unfair Comp., Tr. & Mono. § 22:19 (4th Ed.) update April, 2012

¹¹ *Kegan v. Apple Computer, Inc.*, 95 C 1339, 1996 WL 667808 (N.D. Ill. Nov. 15, 1996); *Acad. of Motion Picture Arts & Sciences v. Network Solutions Inc.*, 989 F. Supp. 1276, 1277 (C.D. Cal. 1997); *Mattel, Inc. v. MCA Records, Inc.*, 28 F.Supp.2d 1120 (1998); *Steinway, Inc. v. Ashley*, 01 CIV 9703 GEL, 2002 WL 122929 (S.D.N.Y. Jan. 29, 2002); *Am. Girl, LLC v. Nameview, Inc.*, 381 F. Supp. 2d 876 (E.D. Wis. 2005); *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd.*, 07 CIV 6959 DAB, 2010 WL 4968072 (S.D.N.Y. Dec. 6, 2010); *Microsoft Corp. v. Shah*, C10-0653 RSM, 2011 WL 108954 (W.D. Wash. Jan. 12, 2011); *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, No. C03-05340, 2005 WL 832398 (N.D.Cal. Mar.30, 2005); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 167 F.Supp 2d 1114 (C.D.Cal.2001); *Coach, Inc. v. Gata Corp.*, 10-CV-141-LM, 2011 WL 1582954 (D.N.H. Apr. 26, 2011)

The first of such courts is the U.S. district court for the northern district of Illinois in the case *Kegan v. Apple computers*.¹² Kegan owns the federally registered trademark – MACGUIDE – but not the suffix ___GUIDE. However, Kegan claimed to own a “family of ___GUIDE trademarks, evocative of computer issues.”¹³ Apple on the other side is the owner of the trademarks APPLE, MACINTOSH and THE MACINTOSH BUYER’S GUIDE and is famous for using “Apple” and “Mac” prefixes with internal capital letters. Apple had filed a petition to cancel MacGuide Magazine’s MACGUIDE trademark but the parties reached a settlement under which Apple agreed not to contest the trademark or its family of trademarks and MacGuide Magazine AGREED to withdraw its challenge on the registration of the mark THE MACINTOSH BUYER’S GUIDE.

On March 1, 1995, plaintiff brought an action against Apple Computer on four counts: (1) trademark infringement, (2) false designation of origin and false description, (3) dilution and (4) contributory infringement and dilution.¹⁴ Kegan argued that “Apple’s *encouragement* of software developers to use the suffix ___GUIDE to name their APPLE GUIDE software has created an unauthorized trademark family that is likely confused with” ___GUIDE trademark family. Apple moved for summary judgment on all of the claims.

The court re-iterating the summary judgment standard of “no genuine issue of material fact” granted Apple’s motion with regard to the first and second claims for trademark infringement and for false designation of origin/false description. It also granted Apple’s motion with regard to count four “to the extent that count alleges contributory

¹² *Kegan v. Apple Computer, Inc.*, 95 C 1339, 1996 WL 667808 (N.D. Ill. Nov. 15, 1996)

¹³ *Id.*, p1

¹⁴ *Id.*, p2

infringement.”¹⁵ However, “because the court finds that there is not sufficient evidence in the record to state, as a matter of law, that Apple’s use of APPLE GUIDE and MACINTOSH GUIDE will not dilute” the mark; Appel’s motion in relation to count three and count four (contributory dilution) were denied.

Even if the Kegan decision recognized the existence of cause of action for contributory dilution, the decision is “of limited use as a precedent”¹⁶ because (1) the claim was bought under Illinois dilution statute which amended its dilution statute in 1998 (2) the court did not list down elements of the claim or discuss in detail what kind of situation would fall under ‘contributory dilution’ and (3) there was no discussion of the policy implications of recognizing such a claim.¹⁷

In another case brought in the Central District of California, Lockheed Martin Copr v. Network Solutions Inc., plaintiff Lockheed used the “Skunk Works” mark for 50 years in connection with its aerospace development and production facility. Its federally registered trademark – SKUNK WORKS – was sold as a domain name (SKUNKWORKS.COM and SKUNKWORKS.NET) to 3rd parties. Because it was not satisfied with the responses to its letter informing both defendant NSI and 3rd party purchasers of the matter, Lockheed brought action against NSI for false designation of origin, federal and state trademark dilution, contributory infringement and declaratory relief under the Declaratory Judgment Act. However, in August 19, 1997 (almost a year from the date the original claim was

¹⁵ Id, p12

¹⁶ Supra note 1, Cross, p2

¹⁷ Id, p2

brought) Lockheed filed for motion for leave to amend its complaint to include “contributory dilution” of its SKUNK WORKS trademark.¹⁸

The court accepted, *for the sake of argument*, that there was a claim for contributory dilution with elements similar to contributory trademark infringement that (1) the defendant knew of the third party infringement and (2) it did not take any steps to prevent the infringement. However, because the court believed that Lockheed could not possibly show that NSI had knowledge of the third party infringement, it considered the claim “tenuous at best” and even if Plaintiff’s motion for leave to amend was granted, it would not have succeeded. The tenuous nature of the claim coupled with the un-explained delay in requesting for motion for leave to amend resulted in the rejection of plaintiff’s motion.¹⁹

NSI is the leading registrar of domain name, and the only organization permitted by the National Science Foundation, to register domain names that end in “.com”, “.org”, “.net”, “.edu” or “.gov”.²⁰ As a result, Lockheed is not the only contributory dilution claim to be brought against NSI for registering trademarks as domain names. Academy of Motion Pictures owns trademarks “ACADEMY AWARDS” and “OSCARs”. Soon after the Lockheed case, and because NSI registered domain names including “academyaward.com,” academyawards.net,” “academyawards.net,” “theoscars.net” and “Oscar.net,” to third parties, the Academy brought a claim for contributory dilution. Pending the outcome of the case, the Academy sought preliminary injunction enjoining NSI from registering domain names similar to the Academy’s trademarks.

¹⁸ The amendment also added allegations that NSI registered additional internet domain names similar to its trademark since the original claim was brought in October 22, 1996.

¹⁹ Lockheed Martin Corp. v. Network Solutions, Inc., 175 F.R.D. 640, 646 (C.D. Cal. 1997)

²⁰ Acad. of Motion Picture Arts & Sciences v. Network Solutions Inc., 989 F. Supp. 1276, 1277 (C.D. Cal. 1997)

The court recognized that in order to obtain a preliminary injunction, the Academy had to prove among other things that, “there is a strong likelihood that the party will eventually succeed on the merits”. After noticing that the Academy had not provided any statute to base its position on, it stated:

“The very fact that there is no precedent of success on the merits on a contributory dilution claim weighs strongly against the Court granting a preliminary injunction—which must be supported by a finding of a strong likelihood of success on the merits—on such a claim.”²¹

This is the first reported case in which the court to deal with a claim of contributory dilution under the Lanham Act which makes the position of the court that the Lanham act does not provide claim for contributory dilution all the more essential. In addition to its Lanham act claim, the Academy had brought its claim for contributory dilution under California’s Business and Professional Code²² but the court still held that the code does not provide for such a claim and Academy’s argument was tenuous.²³

Lockheed appealed the decision of the Central District of California and the 9th circuit affirmed the lower court’s decision. In the opinion given by Circuit Judge Trott, the court ruled that the district court was “well within its discretion to deny Lockheed leave to amend its complaint”.²⁴ Although it had already decided the case before addressing the weakness of a claim for contributory dilution, the court proceeded to state that no appellate court or statute had recognized the cause of action for contributory dilution. In

²¹ Id, p1279

²² Cal. Bus. & Prof. Code § 14330 (2005)

²³ Supra note 20, p1279

²⁴ Supra note 9, p986

what looks like ‘for the sake of argument’ position, the court distinguished the ruling in the Kegan case. It recognized that “the proposed cause of action thus appears to import the definition of ‘contributory’ from *Inwood Lab.*” its elements being knowledge of infringement and continued supply of product/services.²⁵ The court then held that NSI would still not be held liable under such claim because it lacked the necessary control and monitoring or ‘product’ in the sense under *Inwood*.

Although there are two more cases that were brought in the Central District of California, the courts do not give substantive discussion of the claim for contributory dilution. In the first case, *Mattel Inc. v. MCA Records Inc.*,²⁶ the court dismissed the claim for contributory trademark and trade dress dilution (under state and federal law) because the ordination dilution claim was found not to be a dilution. The reasoning is “if the third party’s use of the mark did not dilute plaintiff’s mark, defendant did nothing wrong in helping that third party in its use.”²⁷

In the *Avery Dennison Corp.* case,²⁸ Avery Dennison had been using the marks “Dennison” (since 1880s) and “Avery” (since 1930). Defendant Sumpton is president of a company, Mailbank, which provides “vanity” e-mail addresses to users. Mailbank’s archive includes the domain-name combinations “avery.net” and “dennison.net”. Avery Dennison sued Sumpton for trademark dilution and NSI for contributory dilution and contributory infringement. The district court, without much explanation, granted summary judgment for NSI on the claims against it and gave summary judgment for Avery Dennison on claims against Sumpton.

²⁵ Id, p986

²⁶ *Mattel, Inc. v. MCA Records, Inc.*, 28 F.Supp.2d 1120 (1998)

²⁷ *Supra* note 1, Cross, Fn 35

²⁸ *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999)

While three of the four cases discussed above are within the 9th circuit's jurisdiction, the 2nd circuit was also faced with its fair share of claims for contributory dilution. In *Steinway*²⁹ the plaintiffs Steinway Inc. and Steinway Musical Instruments, Inc. own the registered mark "STEINWAY" in relation to computer decals which they claimed to be a 'famous mark' within the meaning of the Federal Dilution Statute. They brought action against Larry Ashley alleging that defendant sold piano decals bearing the "STEINWAY" mark to people who use the decals on non-STEINWAY pianos or pianos refurbished in a way "not utilized or approved by Steinway's."³⁰ One of the five³¹ claims in the suit was for direct and contributory trademark dilution in violation of the Lanham act. Larry Ashley moved to dismiss for failure to state a claim.

In the opinion handed down by District Judge Lynch, the court held that in "adjudicating a motion to dismiss, the Court must accept as true the facts alleged in the complaint."³² It stated that the allegations are "more than adequate to support Plaintiff's claims for direct and contributory trademark dilution ..." and to survive motion to dismiss.³³ The court accepted defendants argument that such a claim is 'novel' but moved on to state that the claim for contributory dilution is entirely viable citing the decisions in *Kegan and Lockheed*. It adopted the standard of contributory dilution used in *Kegan* - by analogy to contributory dilution. Therefore the allegation that the defendant "... encouraged others to use" was sufficient in the courts' opinion to survive motion to

²⁹ *Steinway, Inc. v. Ashley*, 01 CIV 9703 GEL, 2002 WL 122929 (S.D.N.Y. Jan. 29, 2002)

³⁰ *Id*, p1

³¹ *Id*, p3; the claims were: "(1) direct or contributory trademark infringement, in violation of Lanham Act § 32, 15 U.S.C. § 1114; (2) direct or contributory false representation, in violation of Lanham Act 43(a), 15 U.S.C. § 1125(a); (3) direct or contributory trademark dilution, in violation of Lanham Act 43(c), 15 U.S.C. § 1125(c); (4) deceptive business practices, in violation of N.Y. Gen. Bus. L. § 349; and (5) breach of a 1999 settlement agreement that resolved a similar action between the parties that had been filed in this district."

³² *Id*, p1

³³ *Id*, p2

dismiss. Although the court in *Steinway* recognized the cause of action for contributory dilution, the decision was passed only in dealing with a ‘motion to dismiss for failure to state a claim” which does not help much for discussion of the elements of the cause of action or the policy and implications of such decision.

In 2005, the Eastern District of Wisconsin was faced with an issue similar to the *Lockheed* and *Academy* cases discussed above with a domain name registrar as defendant. In *American Girl*,³⁴ the plaintiff American Girl LLP owns and uses the trademark “AMERICAN GIRL” in connection with fictional characters, books, dolls, and clothing. American Girl uses www.americangirl.com to sale some of its products. When one of plaintiff’s employee mistakenly entered www.amercangirl.com with an ‘i’ missing in the word ‘american’ the site displayed pornographic and other adult content. Plaintiff discovered that Nameview Inc. was the registrar of the domain name but failed to identify the person who registered the name. Nameview’s identity shield which blocks users from identifying the person who registered the domain name, is partly to blame for plaintiff’s failure to identify the 3rd party.

American Girl LLP, brought an action for a Temporary Restraining Order TRO against both the un-identified users of the domain name)to cease using the domain name) and the registrar, Nameview (to disable such domain name). The court cited to a list of cases stating that, “absent collusion, or some other affirmative malfeasance” registrars of domain name are not liable for trademark infringement, dilution or unfair competition. And because American Girl did not argue that Nameview’s act differs from defendants in earlier

³⁴ Am. Girl, LLC v. Nameview, Inc., 381 F. Supp. 2d 876 (E.D. Wis. 2005)

cases, the court held that “plaintiff is unlikely to succeed on any of its claims against Nameview.”³⁵

After the decision of *American Girl* an important revision – the Trademark Dilution Revision Act – was passed in 2006 that included a unique phrase. While listing activities that are excluded from giving rise to dilution claim, the court mentions the facilitation of fair use. Further discussion of the implications of the inclusion of such phrase in the revision act is provided in part III below. However, the inclusion of such a new phrase does not seem to have affected the issue regarding the existence or otherwise of claim for contributory dilution.

The more recent and highly publicized case, *Tiffany v. eBay*,³⁶ involving claim for contributory dilution was brought before the Southern District of New York in 2008. Tiffany, the famous blue boxed jewelry producer, brought action against eBay, online market place, claiming among other things,³⁷ contributory dilution. Tiffany argued that eBay, by facilitating and allowing counterfeit items to be listed on its site, contributed to the dilution of the famous Tiffany mark. Tiffany further argued that eBay had obligation to investigate and control such illegal activities. eBay on the other hand argues that the obligation is on Tiffany’s part to bring illegal activity to the attention of eBay.

While discussing Tiffany’s contributory dilution claim, District Court Judge Sullivan, noted that no appellate court in the 2nd circuit recognized the cause of action for

³⁵ Id, p881

³⁶ *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 526 (S.D.N.Y. 2008) aff’d in part, rev’d in part sub nom. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010)

³⁷ The claims were for: direct and contributory trademark infringement, unfair competition, false advertising, and direct and contributory trademark dilution.

contributory dilution. It referred to *Lockheed Martin* and *Kegan* cases³⁸ and state that the cause of action would be analogous to that for contributory infringement and would exist when defendant encourages others to dilute. The court did not say if it accepted the cause of action as a valid one, but stated, even if - for the sake of argument - the cause of action is valid, it is not met in the particular case because Tiffany failed to show that eBay knowingly encouraged 3rd parties to dilute Tiffany's trademark. eBay's generalized knowledge did not meet the "knowledge" or "reason to know" requirement that would potentially exist in the claim and when there is actual knowledge of particular illegal activity, eBay responded immediately.

Tiffany appealed. The Court of Appeals, Judge Sack referred to the two situations where liability for online service providers under *Inwood* exists: (1) intentionally inducing another to infringe a trademark and (2) continuing to supply service to a person it knows or has reason to know is engaging in trademark infringement. However, because Tiffany did not contest the decision of the district court regarding its contributory dilution claim, the court did not address the issue.

Although this case was a great chance for an appellate court to clear up the matter regarding the viability of the claim for contributory dilution, because the circuit court did not address it, it is still not clear if the 2nd circuit would recognize a claim for contributory dilution in a case where the defendant had the necessary knowledge requirement. A similar issue arose, nine months later, in the next case of contributory dilution before the Southern

³⁸ The court also cited to the only district circuit case to deal with a claim for contributory dilution, *Steinway*, to strengthen its position that the claim is 'novel'.

District of New York. In *Nomination Di Antonio*³⁹ “Licensor Defendants are alleged to have licensed their intellectual property rights to famous characters (e.g., SpongeBob SquarePants, Betty Boop, Popeye, Super Mario Brothers, etc.) to the Supplier Defendants, who in turn used those licenses to market composable bracelet links that infringed on Plaintiffs’ trademark.”⁴⁰ (Internal quotation marks omitted). With regard to the claim for contributory dilution, the court cited *Tiffany* and stated that “the Second Circuit has not yet determined that a cause of action for contributory dilution exists at all.” As the court in *Tiffany* held, the court in this case also held that even if the cause of action is recognized, the plaintiff did not show adequate level of knowledge. The court granted defendant’s motion to dismiss.

However, just over a month later, a court took the strongest position contrary to the above discussed cases. In a decision that surprised most, the District Court for the Western District of Washington recognized the ‘novel’ claim for contributory dilution. Not only did the court recognize the cause of action, in rejecting the defendant’s motion to dismiss, the court held that it would be against the spirit of the Federal Anti-dilution Act not to give recognition to such claim.

In *Microsoft Corp. v. Shah*, “defendants are alleged to have registered domain names containing Microsoft trademarks in order to drive traffic to the website.”⁴¹ But the action that gave rise to the claim for contributory dilution is the fact that the defendants induced other to engage in infringement by providing instruction (including through a video narration by defendant) and by selling products with software that would allow buyers to

³⁹ *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd.*, 07 CIV 6959 DAB, 2010 WL 4968072 (S.D.N.Y. Dec. 6, 2010)

⁴⁰ *Id.*, p1

⁴¹ *Supra* note 2, *Microsoft v. Shah*

create websites including Microsoft mark. Microsoft, *inter alia*, brought a claim for contributory dilution and defendants moved to dismiss the claim arguing that such a cause of action have not been recognized.

District Judge, Ricardo Martinez, acknowledged that the cause of action for contributory dilution was a 'novel' one. Referring to *Lockheed* as the sole appellate discussion regarding the claim, it stated that in that case, the denial of leave to amend was because the plaintiff could not meet the necessary standard of contributory liability. Martinez, read *Lockheed* to recognize the cause of action for contributory dilution which arises when defendants encourages others to dilute plaintiff's mark. It also gave a list⁴² of decisions refusing to dismiss the cause of action. In explaining its decision the court held:

As with contributory cybersquatting, contributory dilution is a tort-like cause of action which naturally lends itself to the theory of contributory liability. In the case at hand, Defendants are alleged to have encouraged others to utilize the famous Microsoft mark in such a way that could cause dilution of the Microsoft mark. The Trademark Dilution Act seeks to provide a mechanism through which owners of famous marks may seek protection against exactly the kind of harm-in the form of blurring or tarnishing-that is alleged in the present case. It would be inconsistent with the Trademark Dilution Act to prohibit a cause of action for contributory dilution.

⁴² See *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, No. C03-05340, 2005 WL 832398 (N.D.Cal. Mar.30, 2005) (Defendant's sale of keyword advertisement analogized to use of metatags could result in contributory liability); *Steinway, Inc. v. Ashley*, No. 01 CIV 9703, 2002 WL 122929 (S.D.N.Y. Jan.29, 2002) (discussed above); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 167 F. Supp 2d 1114 (C.D.Cal.2001). (Allegation of partnership with direct diluters was enough to survive motion to dismiss.)

The cases did not go far as the parties settled out of court and all claims were dismissed with prejudice. The *Microsoft* decision is by far the only decision to discuss the policy implication of recognizing cause of action for contributory dilution. However, even if the court was applying the Lanham act, because it was not decided by an appellate court, and because it was only a decision rejecting a motion to dismiss, its force of precedent is low.

Only three months after Judge Martinez handed down the ruling in the *Microsoft* case, Coach brought a suit against Gata Corp claim, *inter alia*, contributory dilution.⁴³ Coach owns trademarks, trade dress, and copyright in relation to high-end purses, handbags and the like. Defendant Gata Corp has control over flea market in which counterfeit of plaintiff's products are sold. Gata Corp receives payments from both vendors and purchasers and has sole control in allowing vendors to rent a space.

The court acknowledged that the "cause of action on which Coach relied" is not "well established" and there has been scant jurisprudence but proceeded to state "that scant jurisprudence, however, counsels against dismissing Coach's claim".⁴⁴ It cited *Lockheed* to state that the only Appellate Court to discuss the issue did not say that there is no valid cause of action for contributory dilution. It quotes the famous treatises on trademark law – McCarthy on Trademarks:

*"While there is no authority directly on point, there would seem to be no logical reason why the doctrine of contributory infringement should not apply to a claim under the federal anti-dilution law."*⁴⁵

⁴³ Coach, Inc. v. Gata Corp., 10-CV-141-LM, 2011 WL 1582954 (D.N.H. Apr. 26, 2011)

⁴⁴ Id, p4

⁴⁵ J. Thomas McCarthy, 4 *McCarthy on Trademarks and Unfair Competition* § 24:133, at 24-413 (2010)

Citing *Kegan* and *Tiffany*, the court summarized the scant jurisprudence to show “one claim that survived summary judgment” ... another “claim that went to the fact finder” and “no appellate decision rejecting the existence of such a cause of action.” The court expressly stated that the cause of action for contributory dilution *does exist* and therefore defendant’s motion to dismiss was denied.

Analyzing the group of cases in the district courts and circuit court within the 9th circuit (*Lockheed*, *Academy*, *Mattel*, *Avery*, *Microsoft*) and those under 2nd circuit’s jurisdictions (*Steinway*, *Tiffany*, *Nomination*) although there is no direct conflict (split) between the two, it seems that the 9th circuit is more willing to recognize the cause of action for contributory dilution than the 2nd circuit. The 9th circuit had more chances to discuss the cause of action and considering the discussions in *Lockheed* and *Microsoft*, it seems that a plaintiff’s claim for contributory dilution will probably be accepted within the 9th circuit’s jurisdiction with elements analogous with that of contributory infringement under *Inwood*. However, within the 2nd circuit’s jurisdictions, it seems that the courts are stronger in rejecting the cause of action and therefore plaintiff bringing such a cause of action will have a hard time convincing the courts to give recognition to the claim.

III. STATUTORY INTERPRETATION AND POLICY

STATUTORY INTERPRETATION:

The Trademark Dilution Revision Act (TDRA aka FDRA), effective as of in October 6, 2006, overruled *Moseley v. V. Secret*⁴⁶ and reduced the burden a plaintiff has to show in a

⁴⁶ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 123 S. Ct. 1115, 155 L. Ed. 2d 1 (2003)

dilution claim. While, before the act, a plaintiff had to show that actual confusion and economic injury occurred, the act expressly states that the cause of action exists “regardless of actual or likely confusion, competition, or actual economic injury.”⁴⁷ More important for the current discussion of claim for contributory dilution, the act brought in a unique phrase that is relevant in contributory dilution analysis. While attempting to exclude acts from giving rise to a cause of action for dilution, 15 U.S.C.A. § 1125 (c) (3) (A), states:

“(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

*(A) Any fair use, including a nominative or descriptive fair use, or **facilitation of such fair use**” ... [Emphasis added]*

The express exclusion of facilitation of fair use from liability and the failure to refer to facilitation of non-fair use i.e. facilitation of dilution, creates ambiguity. Why did the legislature failed to expressly refer to facilitation of dilution? There may be two alternative explanations for this question: (1) the legislature did not notice the ambiguity that existed about claims for contributory dilution before the TDRA among courts or (2) the legislature *did* notice the ambiguity but decided not to address it. The first alternative – the legislature did not notice the ambiguity - seems weak considering the extensive resources in the hands

⁴⁷ Lanham Act 43 (c), 15 U.S.C. § 1125 (c)

of the legislature and the number of cases⁴⁸ in which court struggled to address the existence or otherwise of a claim for contributory dilution.

This leaves us with the second alternative - the legislature must have notice the ambiguity but decided not to expressly address it. But this begs the question: why? The leading commentator on trademark law, McCarthy, believes that the inclusion of the phrase – facilitation of fair use - shows the particular interest of the legislature to exclude those who help others use a mark in fair use.⁴⁹ The question still remains – what about facilitation of non-fair use? How should the act be interpreted considering the unique phrase included? The potential ambiguity leads us to canons of statutory interpretations.

John T. Cross's article on contributory and vicarious liability⁵⁰ was written before the TDRA and the inclusion of the unique phrase excluding facilitation of fair use from liability. Even if his discussion does not include the revision, a good discussions of statutory interpretations is made in relation to contributory and vicarious liability. He argues even if dilution is a creature of statute and court's power to infer causes of action are limited, courts could rely on different theories to recognize "imputed dilution."⁵¹

He states that courts could recognize the cause of action as a claim that exists at common law to supplement the statutory enactment. However, he proceeds to states that this does not seem to work out because of "separation of powers and the Erie line of cases" limiting "federal court's ability to create new substantive rights ..."

⁴⁸ There are at least 13 federal district and appellate court cases in which courts address the question of claim for contributory dilution albeit on different depth

⁴⁹ Supra note 45, McCarthy § 24:124 (4th ed.)

⁵⁰ Supra note 1, Cross

⁵¹ By 'imputed liability' Cross is referring to both contributory and vicarious liability. See Supra note 1, John T. Cross, Contributory and vicarious Liability for trademark Dilution, 80 Or. L. Rev. 625, p15

Alternatively, Cross argues that courts could imply that the cause of action exists using two lines of argument. The first of such argument states that the legislature meant to include the cause of action but failed to mention it in the statute. “The fact that it extends the statute to defendants for explicitly covered makes applying common law principles of imputed liability a more difficult question than other types of implied causes of action.”⁵²

The second way one could imply cause of action is through the ‘incorporated’ style. Under this approach, it is considered that Congress passes laws “against the ‘backdrop’ of the common law”.⁵³ This is essential for the current discussion as various courts have struggled and most have recognized, for the sake of argument or otherwise, the cause of in analogy to contributory infringement. As discussed above, when Congress passed the TDRA, it knew or must have known of the ambiguity and position of courts.⁵⁴ “Even if Congress did not create imputed liability itself, its failure to amend the statute demonstrated that it had accepted the judicial gloss.”⁵⁵ It could be argued that since courts were going towards the official recognitions of the claim, the legislature might have wanted courts to deal with the claims as they are faced with it.

Cross argues that because “courts have not explicitly accepted the cause of action” the case for cause of action for contributory dilution is even harder to make than for vicarious liability. However, cases decided after Cross’s article was written in 2001,

⁵² Id, p15

⁵³ Id, p16

⁵⁴ Although the Supreme Court in *Central Bank (Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A., 511 U.S. 164 (1994)* held that the failure of Congress to recognize a cause of action does not give courts power to imply automatically. Id, Cross, p18

⁵⁵ Id, p17

Microsoft and *Coach*, held that “the cause of action does, in fact, exist”⁵⁶ and “it would be inconsistent with the Trademark Dilution Act to prohibit [such] cause of action”⁵⁷ Therefore, following on Cross’s line of argument, courts could currently imply that such a cause of action indeed exist as a result of the legislature’s failure to address it.

Even if the ‘incorporated’ approach of interpretation is weak, when we consider the approach jointly with the principle *Expressio Unius Est Exclusio Alterius* (expression of one is the exclusion of the other), it seems reasonable for courts to rule that Congress did intend to include contributory liability for trademark dilution. Of course the principle does not apply to every situation where Congress fails to expressly state something. The US Supreme Court in *Barnhart*⁵⁸ held that the principle applies with force “only when the items expressed are members of an ‘associated group or series’ justifying the inference that items not mentioned were excluded by deliberate choice, not inadvertence.”⁵⁹ The court cited to its decision in *Chevron USA*⁶⁰ and stated that its when, in the reader’s mind, natural association of ideas would lead to the affirmative inference that the principle applies.

As discussed above, Congress inserted the unique phrase excluding ‘facilitation of fair-use’ from giving rise to liability in the face of cases holding (or at least presuming for the sake of argument) that there is a cause of action for contributory dilution. Additionally, when the legislature expressly *excludes* an act from liability – facilitation of fair-use – it seems reasonable to assume that the without such exclusion, the act would give rise to

⁵⁶ Supra note 43, p12

⁵⁷ Supra note 2, p4

⁵⁸ *Barnhart v. Peabody Coal Co.*, 537 U.S. 149 (2003)

⁵⁹ *Id.*, p168

⁶⁰ *Id.*, p168 & 169 citing *Chevron U.S.A. Inc. v. Echazabal*, 536 U.S. 73, 81, 122 S.Ct. 2045, 153 L.Ed.2d 82 (2002) quoting *State ex rel. Curtis v. De Dorps*, 134 Ohio St. 295, 299, 16 N.E.2D 459, 462 (1938)

liability, or at least to some level of confusion. Otherwise, why would the legislature bother including such provision?

Moreover, since fair-use is originally an act of infringement which, because of policy-driven statutory exemptions, does not give rise to liability, it seems reasonable to group fair-use and non-fair use activities as a group or as a 'series' in the sense intended under *Barnhart*. Consequently, the express statement excluding the facilitation of fair use from liability would naturally be associated, in a reader's mind, to the idea of facilitation of non-fair use (i.e. dilution). Therefore, the principle *Expressio Unius Est Exclusio Alterius* seems to apply in this case, and its application implies that Congress did intend to recognize a cause of action for contributory dilution.

POLICY CONSIDERATION:

As stated earlier, the recognition of cause of action for trademark dilution has been received with criticism, especially for academics.⁶¹ Lemley, defining the concept of contributory dilution as a claim against improper use of brand names against consumers and the media, states that it is "the most pernicious concept ever to come out of trademark theory."⁶² In response to Lemley, Cross states that the cause of action for contributory dilution is "no more 'pernicious' than dilution itself."⁶³ On the other hand McCarthy, as quoted above in *Coach*,⁶⁴ supports the recognition of the doctrine of contributory infringement in the federal anti-dilution law. He is joined by Gilson who states that

⁶¹ Kenneth L. Port, The "Unnatural" Expansion of TM Rights: Is a Federal Dilution Statute Necessary?" Vol. 85 TMR, p525(1995)

⁶² Mark A. Lemley, *The Modern Lanham Act and The Death of Common Sense*, 108 Yale L. J. 1687, (1999) p5 and FN 56

⁶³ Supra note 1, Cross, p3

⁶⁴ Supra note 43, *Coach*, p 4

“contributory diluters should face the same liability as that of contributory infringers.”⁶⁵

Gilson takes an even stronger stance as he states “courts have provided no reason for holding that contributory liability does not extend to dilution law, nor can they.”⁶⁶

McCarthy’s and Gilson’s position is the position taken in *Microsoft* and *Coach*.

Recent developments regarding online IP infringement issues, such as SOPA⁶⁷ and PIPA⁶⁸, show that there is a strong public movement against the ever expanding scope of IP rights, especially when it comes to activities online. Although such developments may create resistance towards the recognition of the claim for contributory dilution, it does not mean the cause of action for contributory dilution will face the same faith. In fact, recent developments seem to point to increasing willingness on court’s part to recognize cause of action for contributory dilution. In contrast to enacting a new legislation, as was attempted under SOPA and PIPA, recognition of the cause of action only requires interpretation of an existing act – the Trademark Dilution Revision Act of 2006 - that seems to imply the existence of such a claim.

The claim for contributory dilution becomes more complex when defendants are internet service providers. This is so because the ‘novel’ cause of action for contributory dilution mixed with not-yet-settled area of secondary liability for internet service providers. In such circumstances the case for recognition of the claim becomes hard to defend.

⁶⁵ 3-11 Gilson on Trademarks section 11.02 (2) (h) (i) (d) (2000)

⁶⁶ Id, 2-5A Gilson on Trademarks section 5A.01

⁶⁷ Stop Online Piracy Act of 2001 – 2012, H.R. 3261.IH 112th Cong. (2001 - 2012)

⁶⁸ Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 (PROTECT IP Act), s.968.IS, 112th Cong. (2011-2012)

One major question that needs to be asked is why, in the face of such public resistance, should courts expand the scope of trademark law? And what type of activities would go un-punished if the cause of action is not recognized? And this is where the gist of the argument in support of recognition emanates.

One policy rational for the recognition of contributory dilution arises where liability for direct dilution is hard or impractical to enforce. For example, the entity who registered the domain name www.amercangirl.com in the *American Girl* case discussed above could not be identified partly because of the identity shield provided free of charge by the registrar Nameview Inc. In such cases, if Nameview could not be sued under any other causes of action, the only alternative for plaintiff American Girl LLC is to bring a suit under contributory dilution. There has been a number of cases in which plaintiffs claimed contributory dilution against a domain name registrar.⁶⁹

But even if the defendant responsible for the direct dilution may be held liable easily, those who encourage such direct dilution or facilitate it should be held liable. Otherwise, a competitor who would be liable for direct dilution could avoid liability by inducing another person, though financial or other incentive, to dilute a famous mark and an employer would not be liable if its employees commit dilution.⁷⁰ And “congress almost

⁶⁹ Lockheed Martin Corp v Network Solutions Inc. 194 F.3d 980 (1999); Acad. of Motion Picture Arts & Sciences v. Network Solutions Inc., 989 F. Supp. 1276 (C.D. Cal. 1997); Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2008) aff'd in part, rev'd in part sub nom. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir. 2010)

⁷⁰ Supra note 1, p1

certainly intended to prevent employers and other controlling parties from indirectly benefiting from dilutions performed by their employees/agents.”⁷¹

If defendants can easily get around liability for diluting a famous mark, the substantial amount of money companies spend in coming up with a mark that communicates quality and specific source will be reduced or destroyed. For example, American Girl LLC website communicates this about the company and its products:

At American Girl, we celebrate girls and all that they can be. That's why we develop products and experiences that help girls grow up in a wholesome way, while encouraging them to enjoy girlhood through fun and enchanting play.

The company must have spent a considerable amount of time, money and energy into creating the ‘wholesome’ picture for its products which are marketed to girls as young as 3 years old. There must be some public interest in prohibiting an identifiable person using a domain name (that is usually displayed as a result of mis-spellings) and intentionally use the famousness of a mark to communicate pornographic and adult materials.

Taking on the defendant’s act in *Microsoft*, Amish P. Shah uploaded a video with instruction on how to mis-lead customers by building a website incorporating the famous Microsoft mark. If this act was the only thing defendant Shah did, then contributory dilution may possibly be the only claim Microsoft could have brought. As the court in that case stated, this was the exact type of act the TDRA intended to provide protection for and it would inconsistent with the act to prohibit a cause of action for contributory dilution.

⁷¹ Id, p18

Finally, the elements that a plaintiff has to prove in order to prevail on a claim of contributory dilution have been discussed. The court in *Tiffany* citing *Lockheed* stated that the standard for contributory dilution should at least be as narrow as that for contributory dilution as the former is grounded in “a much more subtle and evasive concept of injury to a mark.”⁷² Most courts including the first court to recognize the cause of action for contributory dilution did so ‘by analogy’ to contributory infringement as defined under *Inwood*⁷³. Therefore it seems reasonable that a plaintiff would have to show that the defendant induced “another person’s conduct or continued to supply a product after defendant knew or should have known that it was being used to dilute the plaintiff’s trademark.”⁷⁴ If courts correctly apply the elements of contributory infringement by analogy from contributory dilution, most of the concerns voiced by those who oppose the recognition of the claim⁷⁵ would be led to rest. In such a case “contributory dilution claims capture the needs of a senior user while leaving plenty of breathing room for third-party defendants.”⁷⁶

IV. CONCLUSION A AND RECOMMENDATION

There has been discrepancy among the judiciary regarding the viability of cause of action for contributory dilution. Especially the 9th circuit and 2nd circuit positions on the issue, although not conflicting, seem to be heading in different direction. However, after the TDRA and particularly its express exclusion of the ‘facilitation of fair use’ from giving rise to

⁷² Supra note 36, *Tiffany* p10

⁷³ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982)

⁷⁴ 4 McCarthy on Trademarks and Unfair Competition § 24:133 (4th ed.)

⁷⁵ Lemley’s worry that the recognition of the claim would result in a slippery-slop would also be led to rest. See Mark A. Lemley, *The Modern Lanham Act and The Death of Common Sense*, p5 and FN 56

⁷⁶ Sean K. Murphyal, *When “March Madness” Came Back to Chicago*, 1998 Wis. L. rev. 1337 (1998) p14

liability, it seems that courts will be more willing to accept claims for contributory dilution. More recent cases, *Microsoft*⁷⁷ and *Coach*⁷⁸ expressly recognizing the cause of action imply that courts have started to accept such claims.

Cause of action for contributory dilution should be protected with elements analogous to that of contributory infringement. Plaintiffs should prevail with sufficient evidence that the defendant induced another or continued to supply a product/service after the defendant knew or should have known that it was being used to dilute a mark. The recognition of the claim will give a suitable solution for entities investing considerable amount of money in their famous mark and will stop diluters from looking for a way to get around liability for dilution.

⁷⁷ Supra note 2, *Microsoft Corp. v. Shah*

⁷⁸ Supra note 43, *Coach v. Gata Corp.*