

# Who Should Decide? Judges and Juries in Trademark Dilution Actions

by David S. Welkowitz\*

## I. INTRODUCTION

It has been sixteen years since a powerful form of federal trademark protection became available to a select group of trademark owners—those with “famous” trademarks. This relatively new protection, a form of infringement called trademark dilution, is the result of the Federal Trademark Dilution Act of 1995 (FTDA).<sup>1</sup> This Act, which added a new section to the federal trademark statutes,<sup>2</sup> was later amended by the Trademark Dilution Revision Act of 2006 (TDRA).<sup>3</sup> These statutes have resulted in a plethora of court opinions, as litigants have eagerly sought to exploit the power of this statute.<sup>4</sup> The major attraction of trademark

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I would like to thank my colleague, William W. Patton, who served as sounding board and helpful critic as I thought through many of these issues.

1. Pub. L. No. 104-98, 109 Stat. 985 (1996) (current version at 15 U.S.C. §§ 1125(c), 1127 (2006)).

2. Lanham Act, 15 U.S.C. §§ 1051-1141n (2006). Throughout this Article, references will be made to both the Lanham Act and its corresponding sections in the United States Code.

3. Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c) (2006)). The amendments made a number of significant changes in the operation of the statute, some of which affect the discussion in this Article. Although the amendments are often referred to by the acronym TDRA, the reader should assume that references in this Article to the FTDA include the TDRA unless the context indicates otherwise.

4. *See generally* DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW (2002 & Supp. 2011) [hereinafter WELKOWITZ, TRADEMARK DILUTION and WELKOWITZ, Dilution Supp. respectively]. Whether the potential power of dilution claims has actually led to successes in court is far more questionable. *See generally* Clarisa

dilution is that, unlike the usual trademark infringement claim, dilution does not require any showing of confusion.<sup>5</sup>

But this Article is not about the main elements of a federal dilution claim; there is a plethora of scholarship discussing the merits and demerits of this cause of action.<sup>6</sup> The focus of this Article is about process—the process by which the decision-making that underlies the claim is made. In particular, it is about the roles of the judge and jury in this process and about various flaws, some inherent and some artificially created, in the decision-making process. Few dilution claims reach a trial and even fewer reach a jury;<sup>7</sup> thus, there are relatively few cases that discuss the problem. For the most part, there is little question that dilution cases will be decided by a judge, whether by motion to dismiss, motion for summary judgment, or motion for a preliminary injunction. Even if the case goes to trial, there normally will not be a dispute over the proper decision maker. The statute makes clear that the presumptive remedy for dilution is an injunction.<sup>8</sup> Thus, the trial judge would be the decision maker, both as to fact and law, subject to appropriate appellate review. However, in limited circumstances, the federal dilution statute permits the owner of a famous trademark to obtain other remedies, such as monetary damages, where someone other than a judge might be involved in the process. If the offending user “willfully intended to trade on the recognition of the famous mark,” or “willfully intended to harm the reputation of the famous mark,”<sup>9</sup> then the remedies of sections 35(a) and 36 of the Lanham Act,<sup>10</sup> which include various forms of monetary and other

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Long, *Dilution*, 106 COLUM. L. REV. 1029 (2006).

5. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (creating a cause of action against one whose “use of a mark or trade name in commerce . . . is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury”).

6. I plead guilty to being responsible for a certain amount of that scholarship. See WELKOWITZ, TRADEMARK DILUTION and WELKOWITZ, *Dilution Supp.*, *supra* note 4.

7. Many are disposed of on motions to dismiss. Others are decided on summary judgment motions. Still others result in a preliminary injunction ruling, which often results in an appeal, followed by a negotiated settlement if the court of appeals upholds a preliminary injunction. However, there have been several reported jury trials in dilution cases. By and large, they are part of a larger action that includes conventional trademark infringement claims. See discussion *infra* Part V.

8. Section 43(c)(1) begins as follows: “Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an *injunction* against” one whose actions are likely to cause dilution of the famous mark. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (emphasis added).

9. *Id.* § 43(c)(5)(B)(i), (ii), 15 U.S.C. § 1125(c)(5)(B)(i), (ii) (2006).

10. *Id.* §§ 35(a), 36, 15 U.S.C. §§ 1117(a), 1118 (2006).

relief, are available.<sup>11</sup> However, the TDRA states that these other remedies are “subject to the discretion of the court and the principles of equity.”<sup>12</sup> Furthermore, section 35(a) not only reiterates that its provisions are subject to the principles of equity, it indicates that to some degree awards of damages are subject to the discretion of the court, solidifying the court’s control over damage awards.<sup>13</sup>

Thus, it seems that Congress intended that trial judges would be in charge of conducting the trial in dilution cases, whether the plaintiff requests an injunction or damages. But, as any first-year law student can tell you, when the remedy sought is damages, the Seventh Amendment of the United States Constitution<sup>14</sup> enters the picture and may require a jury trial, at least for some of the issues.<sup>15</sup>

But the Seventh Amendment is only a starting point when discussing the allocation of decision-making responsibility.<sup>16</sup> For a number of reasons, regardless of how one resolves the Seventh Amendment issue, there will be jury trials in dilution cases.<sup>17</sup> We can move beyond the binary jury trial choice (trial by jury or judge for all issues) and ask whether we can divide the roles of judge and jury depending on the issue to be decided. This question involves a combination of constitutionality and institutional competence. Yet this, too, is simply a prelude to a

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11. *Id.* § 43(c)(5), 15 U.S.C. § 1125(c)(5) (2006).

12. *Id.*

13. *See id.* § 35(a), 15 U.S.C. § 1117(a). A portion of § 35(a) states the following: In assessing damages *the court* may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times that amount. If *the court* shall find that the amount of the recovery based on profits is either inadequate or excessive *the court may in its discretion* enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.

*Id.* (emphasis added).

14. U.S. CONST. amend. VII.

15. Thirty-eight states have dilution laws, a majority of which mirror the original federal law (four states have statutes that are similar to the current federal law). *See WELKOWITZ*, Dilution Supp., *supra* note 4, at 21-24. If dilution claims are brought under state law as supplemental claims to a federal dilution claim, then the Seventh Amendment would apply to those claims as well. *See Simler v. Conner*, 372 U.S. 221, 222 (1963); *Rivera-Flores v. Puerto Rico Tel. Co.*, 64 F.3d 742, 749 (1st Cir. 1995) (mandating jury trial even where commonwealth court does not provide for it). This Article does not attempt to determine whether state courts would hold jury trials; in any case, state dilution claims are most often brought as part of a federal trademark suit.

16. Even when a jury trial is not required on the dilution claim, trial judges may submit the entire case—assuming it includes other, jury-triable claims—to a jury and use the jury’s findings on dilution in an advisory capacity. FED. R. CIV. P. 39(c).

17. One clear example is when a dilution claim is joined with another claim that clearly requires a jury trial.

larger issue. In theory, juries are supposed to decide historical facts, while the judge decides issues of law. However, the line between “fact” and “law” in many trademark claims, including dilution claims, is sometimes a fuzzy one, and the demarcation between them is made even more difficult by ill-defined statutory terms. This leads to several questions. Can juries be instructed in a way that allows them to make decisions that are consistent with the policies and limitations that are central to dilution claims? To what degree can judges assert control over the decision-making process, perhaps as to certain elements or perhaps as to the entire decision? Where is the proper place to draw the line between the province of the judge and that of the jury in these cases? An examination of actual jury instructions further demonstrates flaws when giving primary decision-making authority to juries. Can these flaws be fixed? As will be seen, there is no simple answer to these questions.

Thus, this Article is a general examination of the appropriateness of using juries as fact finders and, potentially, decision makers in trademark dilution cases. In Parts II-IV, I discuss the Seventh Amendment issue in different forms. Parts II and III focus on whether the kind of monetary remedy likely to be awarded in dilution claims is properly denominated legal (in which case a jury is required) or equitable (in which case it is not). Part III ultimately concludes that many dilution cases need not be tried before a jury. Part IV discusses whether we can separate one element of a dilution claim—what might be called a “gatekeeper” element—and have it tried by a judge, while the remainder of the case is tried to a jury.

Part V then takes on the larger issue of the proper allocation of authority between the judge and jury. Its thesis is that juries are being asked to make normative decisions but that those decisions are often reviewed as if they are purely factual decisions. Exploring this thesis involves several interrelated problems. One is the inequality of information available to a judge and jury. Another is the degree to which we assign, whether knowingly or by default, the creation of legal parameters to juries and the propriety of such assignments. The second issue leads to an examination of actual jury instructions to illuminate the problem. This is followed by a discussion of why the assignment of that role to juries is not institutionally appropriate. The section concludes with a proposed jury instruction that attempts to mitigate this problem.

I do not propose to solve the larger problem in this Article. The goal is simply to lay out the problem using actual cases in which juries were empanelled and to make some tentative suggestions about solutions. Hopefully, this will lead to some useful insights and productive future discussions about the appropriate means of deciding not only dilution

cases, but many other types of cases as well. While that may seem a rather modest aspiration, I submit that the basic problem is sufficiently important and unrecognized, thus requiring further discussion before robust solutions can be implemented.

## II. DILUTION AND THE SEVENTH AMENDMENT—FIRST, THE TEST

Jury trials in trademark infringement claims are not uncommon events. However, our discussion is not about ordinary trademark infringement claims; it is about trademark dilution claims. Traditional claims of trademark infringement are based on a likelihood of consumer confusion about the source or sponsorship of goods and services. Trademark dilution is a somewhat unusual breed of trademark violation. It is not based on consumer confusion; instead, it is intended to protect the uniqueness of a strong trademark by precluding other uses of that mark even when they do not cause confusion.<sup>18</sup> Until 1996, dilution protection was exclusively a creature of state law, and a fairly recent one at that.<sup>19</sup> In 1996, federal dilution protection commenced but was limited to “famous” marks.<sup>20</sup> At that time, most state dilution laws only provided for injunctive relief; no monetary awards were possible under those statutes.<sup>21</sup> However, the federal statute does permit damage awards, albeit under limited circumstances.<sup>22</sup> If, and only if, willful intent to trade on the recognition of or to harm the reputation of the famous mark is shown, then monetary relief may be awarded.<sup>23</sup> But the limited circumstances in which damages are available under the federal statute do not change the basic problem. After all, damages are

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18. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 4-7 (discussing trademark dilution).

19. The first state statute protecting trademarks against dilution was enacted in Massachusetts in 1947. Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300 (current version at MASS. GEN. LAWS ch. 110H, § 13 (Supp. 2010)). Prior to that, there were scattered cases apparently giving relief in such situations. WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 10-12. Even after 1947, only a handful of states enacted dilution laws until the 1960s. *Id.* at 13, 19-21.

20. FTDA, Pub. L. No. 104-98, § 3, 109 Stat. 985 (1996) (current version at 15 U.S.C. § 1125 (2006)).

21. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 15-25, 196. The federal statute became effective on January 16, 1996. 109 Stat. at 987. Of the 32 states that had dilution statutes at that time, only 5 allowed monetary damages. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 16-25. They generally were the ones patterned after (or similar to), the 1992 Model State Trademark Bill. See *id.* No state dilution law allowed monetary damages until Washington state in 1989. See *id.*

22. See Lanham Act §§ 35(a), 36, 43(c)(5), 15 U.S.C. §§ 1117(a), 1118, 1125(c)(5) (2006 & Supp. IV 2010).

23. *Id.* § 43(c)(5), 15 U.S.C. § 1125(c)(5).

damages, and damages are normally the quintessential remedy for which a jury trial is required. Why is there any doubt that a jury trial is merited whenever monetary awards are possible?<sup>24</sup> Why indeed. In *Dairy Queen, Inc. v. Wood*,<sup>25</sup> the United States Supreme Court appeared to decide that trademark *infringement* suits for damages carry with them, under the Seventh Amendment to the United States Constitution,<sup>26</sup> the right to a jury trial.<sup>27</sup> But the few trademark cases that have discussed the issue since then are divided—some hold that a jury trial is mandated while others hold that it is not.<sup>28</sup> What accounts for the split? The answer is found both in the statute and in the mysterious pronouncements of the Supreme Court, often in the very cases upholding a right to a jury trial.

The Seventh Amendment provides as follows:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.<sup>29</sup>

On its face, the amendment is simple: suits at common law for more than \$20 carry a right to a jury trial.<sup>30</sup> But because of the ancient separation of “common law” courts from the courts of equity, it is necessary to decide whether an action is “legal”—that is, one “at common law”—or equitable in order to determine whether a right to a jury trial

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24. One situation in which a jury is not empanelled is a default judgment. A significant number of dilution cases that result in damages are default judgments. For a sampling of recent cases, see *Coach, Inc. v. Ocean Point Gifts*, No. 09-4215 (JBS), 2010 WL 2521444 (D.N.J. June 14, 2010); *Doctor's Assocs., Inc. v. Agnello*, No. 08 Civ. 5452 (WHP), 2009 WL 2878098 (S.D.N.Y. Aug. 27, 2009); *Artemis Mktg. Corp. v. Rooms 2 Go Furniture, Inc.*, No. 09-CV-2413 (FB)(SMG), 2009 WL 3247008, at \*2 (E.D.N.Y. Oct. 6, 2009) (referring case to magistrate to calculate damages after default); *Century 21 Real Estate, LLC v. Bercosa Corp.*, 666 F. Supp. 2d 274 (E.D.N.Y. 2009).

25. 369 U.S. 469 (1962).

26. U.S. CONST. amend. VII.

27. *Dairy Queen*, 369 U.S. at 472, 476.

28. See *infra* text accompanying notes 145-71.

29. U.S. CONST. amend. VII.

30. The second portion of the amendment—the so-called reexamination clause—prevents a court from altering a jury verdict except as allowed at common law. See, e.g., *Dimick v. Schiedt*, 293 U.S. 474, 482-83 (1935) (holding remittitur consistent with reexamination clause, but not additur); see also *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 432-33 (1996) (discussing interplay of reexamination clause and state law). That provision is not central to this analysis.

exists.<sup>31</sup> This task is complicated by the merger of law and equity into a “civil action” by the Federal Rules of Civil Procedure.<sup>32</sup>

It would be an understatement to say that the contours of the jury trial right often seem shrouded in mystery.<sup>33</sup> Despite several Supreme Court opinions on the subject,<sup>34</sup> there are many areas of uncertainty. Some general principles can be stated. Although the Seventh Amendment speaks of suits “at common law,”<sup>35</sup> the jury trial right is not limited to causes of action that existed in 1791, when the Seventh Amendment was ratified. Causes of action embodied in federal statutes passed recently, which create rights unknown in 1791, may also carry a constitutional right to a jury trial.<sup>36</sup> Thus, to use federal dilution claims as the example, the fact that such claims may have been unknown at common law will not preclude a right to trial by jury.

Over fifty years ago, the Supreme Court reminded us of the importance of the jury trial. As the Court wrote: “Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.”<sup>37</sup> Thus, in *Beacon Theatres, Inc. v. Westover*,<sup>38</sup> the Court held that where a complaint—or, in *Beacon Theatres*, a counterclaim—includes both legal and equitable claims, the legal claims must be tried to a jury before the court determines the equitable claims.<sup>39</sup> But *Beacon Theatres* does not tell us how to distinguish what is legal from what is equitable; it simply tells us that after the merger of law and equity in the federal courts, preserving the right to a jury trial requires the court to proceed with the

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31. It is worth noting that the Seventh Amendment only applies to suits brought in federal court; the right to trial by jury in state court is governed by state law. *E.g.*, *Mattison v. Dallas Carrier Corp.*, 947 F.2d 95, 99 n.1 (4th Cir. 1991). *But cf.* *Dice v. Akron, Canton & Youngstown R. Co.*, 342 U.S. 359, 363 (1952) (stating that federal law requires that state courts give jury trial in Federal Employers Liability Act suits).

32. *See* FED. R. CIV. P. 38. Rule 38 “preserves” the right to trial by jury but does nothing to guide the decision about when one is to be granted. *See id.*

33. *See, e.g.*, Kenneth S. Klein, *The Myth of How to Interpret the Seventh Amendment Right to a Civil Jury Trial*, 53 OHIO ST. L.J. 1005, 1007 (1992) (referring to “a cumbersome system replete with anomalous and inconsistent rules governing jury practice”).

34. *See, e.g.*, *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998); *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558 (1990); *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33 (1989); *Tull v. United States*, 481 U.S. 412 (1987); *Dairy Queen*, 369 U.S. 469; *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500 (1959).

35. U.S. CONST. amend. VII.

36. *Curtis v. Loether*, 415 U.S. 189, 193-94 (1974).

37. *Beacon Theatres*, 359 U.S. at 501 (quoting *Dimick*, 293 U.S. at 486).

38. 359 U.S. 500 (1959).

39. *Id.* at 508-09.

decision-making process in a manner that gives primacy to the jury as fact finder. A subsequent case, *Dairy Queen, Inc. v. Wood*, addressed the distinction between law and equity, albeit only to a degree. The case involved a breach of contract claim under which the trademark DAIRY QUEEN was licensed to the defendant. The complaint alleged both a breach of contract and subsequent unauthorized use of the mark, which would constitute trademark infringement.<sup>40</sup> The crux of the jury trial problem was that the complaint requested an “accounting” of the damages owed to the plaintiff.<sup>41</sup> Because an accounting is often viewed as an equitable proceeding, the plaintiff (the counterclaim defendant) asserted that no trial by jury was required.<sup>42</sup> However, the Court rejected this assertion, noting that an equitable accounting assumed that the parties’ accounts were too complicated to be determined by a jury, which was not the case here.<sup>43</sup> That the remedy sought was labeled an “accounting” did not sway the Court since the actual remedy was viewed as no more than an ordinary claim for damages.<sup>44</sup>

The *Dairy Queen* case tells us that labels alone do not distinguish legal from equitable claims. But it is far from a comprehensive analysis of the problem. Its most significant contribution to this discussion, apart from its refusal to accept labels as controlling, is the context: it was in part a trademark infringement action. This alone has made it an influential decision in subsequent trademark cases that raise jury trial questions. In addition, it clearly reinforces the Court’s admonishment in *Beacon Theatres* that jury trials are not to be dispensed with lightly. However, it remained for a series of cases after *Dairy Queen* and *Beacon Theatres* to refine the parameters of the Seventh Amendment right to a jury trial.

Over time, the Court has created a historical test for determining whether a jury trial is mandated: “First, we compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity . . . . Second, we examine the

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40. *Dairy Queen*, 369 U.S. at 474-75. There appears to have been some ambiguity about whether the complaint simply alleged breach of contract, trademark infringement, or both. *See id.* at 476-77.

41. *Id.* at 477 (internal quotation marks omitted). The plaintiff also requested an injunction against further use of the trademark and against the defendant’s collection of money from its franchisees. *Id.* at 475.

42. *Id.* at 477-78.

43. *Id.* at 478-79; *see id.* at 480-81 (Harlan, J., concurring) (arguing equitable accounting requires that the accounts be of a complex nature). Justice Harlan viewed the complaint as one of trademark infringement, rather than breach of contract. *Id.* at 480.

44. *Id.* at 477-78 (majority opinion).

remedy sought and determine whether it is legal or equitable in nature.”<sup>45</sup> Moreover, the Court has characterized the remedy portion as the “more important” part of the test.<sup>46</sup> The Court also made clear that Congress cannot, by statute, shift the historical responsibilities of a jury to the trial judge.<sup>47</sup> Of course, stating the test and implementing it are two different things. In particular, finding the best historical analogy often proves elusive, making the remedy the key to the analysis.<sup>48</sup>

The two-part test will form the foundation of the analysis in Part III. As will be seen, the test has been embellished in various ways that make its application less than straightforward.

### III. APPLYING THE COURT’S TEST: THE SEVENTH AMENDMENT, DILUTION, AND DISGORGEMENT OF PROFITS

#### A. *The Historical Analogue*

The first part of the Supreme Court’s Seventh Amendment<sup>49</sup> analysis asks whether there is a historical analogue to the cause of action at issue and whether that analogue would have been tried in the courts of law or the courts of equity in 1791.<sup>50</sup> Although one can trace logical

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45. *Tull*, 481 U.S. at 417-18 (citations omitted).

46. *Granfinanciera*, 492 U.S. at 42; *Tull*, 481 U.S. at 421 (quoting *Curtis*, 415 U.S. at 196).

47. *Feltner*, 523 U.S. at 353. In *Feltner*, the Court held that a jury must determine the damages under the statutory damages section of the Copyright Act, despite the fact that Congress clearly intended that this determination be made by the trial judge. *Id.*

48. In *Terry*, the Court split over which of the two most promising analogies (one equitable, one legal) was the most appropriate, with no majority for either. 494 U.S. at 570 (plurality opinion); *id.* at 584 (Kennedy, J., dissenting); *id.* at 574-75 (Brennan, J., concurring) (resting his decision solely on the remedy). In *Tull*, the Court also found the search for a historical analogue to be inconclusive. 481 U.S. at 421. The Court here also stated that its search for an analogous claim included both the nature of the claim *and* the relief sought. *Id.* at 421, n.6. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (noting that historical precedent did not indicate clearly whether claim construction was the province of a judge or a jury). In *Markman*, the Court did not adhere precisely to the two-part test. It did not look at the remedy involved, presumably because the issue was not whether the *entire* case should be tried to a jury, but whether one issue—claim construction—was the province of a judge or jury. See *id.* at 376 (restating the historical test in different terms). The Court acknowledged that the ultimate issue of infringement would be tried to a jury. *Id.* at 377. See also *Granfinanciera*, 492 U.S. at 48-49 (acknowledging that, although setting aside fraudulent conveyances was primarily legal, equity may have had concurrent jurisdiction).

49. U.S. CONST. amend. VII.

50. The Court has not made clear whether the existence of a clear historical analogue makes the second facet of the analysis superfluous. See *Chauffeurs, Teamsters & Helpers*,

analogues to trademark dilution, denominating them as legal or equitable is not a simple task.

Trademark dilution claims were unknown in the late eighteenth century. What, then, is the proper historical analogue? The logical answer would appear to be trademark infringement claims, or perhaps unfair competition claims. However, even trademark infringement was somewhat uncommon in 1791—the first reported United States trademark case was in the nineteenth century<sup>51</sup>—and although one can trace an English trademark-like case back to the sixteenth century, such cases apparently were not common even in the late eighteenth century.<sup>52</sup> Unfair competition claims, from which trademark infringement can be derived, apparently trace to the same source.<sup>53</sup> But dilution claims are peculiar; unlike traditional infringement claims, they do not rely on any notion of deception or confusion. And, unlike unfair competition, which itself often relies on deception or confusion, the archetypical dilution claim would not be between competitors. Thus, the analogy is somewhat imperfect, though it is probably the best available.

Even categorizing dilution claims as part of the law of trademarks and unfair competition does not resolve the question. True enough, *Dairy Queen, Inc. v. Wood*<sup>54</sup> included a trademark claim, and that was found to be legal.<sup>55</sup> But historically trademark claims were not the exclusive province of courts of law. They appear to have been equally, perhaps even predominantly, actions in equity.<sup>56</sup> Dilution, moreover, did not really evolve naturally from those claims. Although a smattering of dilution-like claims can be found in the late 19th and early 20th centuries, dilution claims are largely creatures of state statutes, passed

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Local No. 391 v. Terry, 494 U.S. 558, 584 (1990) (Kennedy, J., dissenting) (arguing that once historical analogue is found, inquiry should end); Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 348 (1998) (“To determine whether a statutory action is more analogous to cases tried in courts of law than to suits tried in courts of equity or admiralty, we examine both the nature of the statutory action and the remedy sought.”).

51. Thomson v. Winchester, 36 Mass. (19 Pick.) 214 (1837).

52. See Mark A. Thurmond, *Ending the Seventh Amendment Confusion: A Critical Analysis of the Right to a Jury Trial in Trademark Cases*, 11 TEX. INTELL. PROP. L.J. 1, 58-65 (2002) (discussing early English cases); 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:2 (4th ed. 2008).

53. See Thurmond, *supra* note 52; MCCARTHY, *supra* note 52.

54. 369 U.S. 469 (1962).

55. *Id.* at 479.

56. Tandy Corp. v. Malone & Hyde, Inc., 769 F.2d 362, 364 (6th Cir. 1985); MCCARTHY, *supra* note 52 (citing Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 561 (2006)).

in the wake of a proposal by Frank Schechter to give such protection.<sup>57</sup> Under these state laws, the *exclusive* remedy for dilution was an injunction.<sup>58</sup> Monetary remedies for dilution did not exist until the state of Washington enacted a statute permitting damages in 1989.<sup>59</sup> Thus, one could reasonably assert that dilution cannot easily be analogized to a historical cause of action that is clearly legal. That, once again, leads us to examine the remedy.

*B. The Remedy Problem: Unjust Enrichment, Disgorgement, and Restitution*

**1. Not all Monetary Remedies are Legal.** The second part of the Supreme Court's test for a jury trial right, and seemingly the most crucial, is whether the remedy is equitable or legal. Because we are focusing on cases involving requests for monetary relief, one would expect that the answer would be a simple one. However, that the claim is one for monetary relief does not answer the question. Various Supreme Court opinions have indicated that certain monetary claims are equitable in nature.

In *Feltner v. Columbia Pictures Television, Inc.*,<sup>60</sup> discussing plaintiff's arguments against a jury trial right for statutory copyright damages, the Court stated the following: "Columbia [the defendant] makes no attempt to draw an analogy between an action for statutory damages under § 504(c) and *any* historical cause of action—including those actions for monetary relief that we have characterized as equitable, such as actions for disgorgement of improper profits."<sup>61</sup> The Court, in *Feltner*, cited two previous Supreme Court cases at this point, *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*<sup>62</sup> and *Tull v. United States*.<sup>63</sup> In *Terry*, the Court stated that "we have characterized damages as equitable where they are restitutionary, such as in 'action[s]"

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57. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927); Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300 (current version at MASS. GEN. LAWS, ch. 110H, § 13 (Supp. 2010)).

58. See, e.g., Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300.

59. See WASH. REV. CODE § 19.77.160 (2003), available at <http://aps.leg.wa.gov/RCW/>. The Washington statute was modeled after a proposed federal law that failed in Congress in 1988. See David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 582-83 (1991) (discussing the failure of the 1988 dilution proposal).

60. 523 U.S. 340 (1998).

61. *Id.* at 352.

62. 494 U.S. 558 (1990).

63. 481 U.S. 412 (1987).

for disgorgement of improper profits.”<sup>64</sup> This adds a small amount of explanation—that actions for disgorgement of profits characterized as “restitution” may be deemed equitable, even if they result in monetary damages. *Tull* adds a bit more explanation. In *Tull*, the Government argued that suits for Clean Water Act<sup>65</sup> penalties should be analogized to actions for disgorgement of profits.<sup>66</sup> The Court disagreed, noting that actions for disgorgement are brought as “a remedy only for restitution—a more limited form of penalty than a civil fine. Restitution is limited to ‘restoring the status quo and ordering the return of that which rightfully belongs to the purchaser or tenant.’”<sup>67</sup> Thus, it seems that “restitutionary” remedies designed to restore the status quo can be deemed equitable, even if they involve the payment of money.<sup>68</sup>

The Court’s willingness to view some monetary remedies as equitable goes back beyond its recent cases to the early part of the twentieth century. *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*<sup>69</sup> was a trademark case involving the alleged infringement of the mark “American Girl,” which was used on shoes. An injunction was issued, and the only evidence adduced to support monetary relief was directed to the defendant’s profits.<sup>70</sup> In the course of disposing of the defendant’s argument that the defendant’s profits were not a proper remedy, the Court noted that “it is insisted by petitioner that the normal recovery does not include the gains and profits of defendant, *according to the rule admittedly applicable in equity to trademark cases.*”<sup>71</sup> Later, when setting forth its rationale for upholding the defendant’s profits as a proper remedy, the Court stated the following:

The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used . . . . The infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits

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64. 494 U.S. at 570 (quoting *Tull*, 481 U.S. at 424).

65. 33 U.S.C. §§ 1251-1387 (2006 & Supp. III 2009).

66. *Tull*, 481 U.S. at 424.

67. *Id.* (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 402 (1946)).

68. The Court’s reference to a “purchaser or tenant” looks like a reference to a constructive trust, where the profits of one are deemed to be held in trust for the rightful owner. *Id.*; see *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916).

69. 240 U.S. 251 (1916).

70. *Id.* at 253-56. The defendant claimed that the trademark was descriptive and thereby invalid and that the only basis for recovery was unfair competition. *Id.* at 256. On that theory, the defendant asserted that its profits were not a proper measure of relief. *Id.* However, the Court ruled that “American Girl” was a valid trademark. *Id.* at 256-57.

71. *Id.* at 256 (emphasis added).

acquired by wrongful use of the property of the *cestui que trust*. Not that equity assumes jurisdiction upon the ground that a trust exists . . . . [T]he jurisdiction must be rested upon some other equitable ground,—in ordinary cases, as in the present, the right to an injunction—but the court of equity, having acquired jurisdiction upon such a ground, retains it for the purpose of administering complete relief, rather than send the injured party to a court of law for his damages. And profits are then allowed as an equitable measure of compensation, on the theory of a trust *ex maleficio*.<sup>72</sup>

*Hamilton-Brown Shoe* was decided in 1916, well before the merger of law and equity in the federal system.<sup>73</sup> Thus, the Court's conclusion in *Hamilton-Brown Shoe* that a court of equity would hear a claim for disgorgement of profits in a trademark dispute is significant.<sup>74</sup> On the other hand, it is not the strongest authority for refusing a jury trial where the remedy is disgorgement of profits. The case assumed that equitable jurisdiction could be based on some other equitable remedial ground, such as an injunction.<sup>75</sup> The Court relied on the equitable clean-up doctrine, which allows equity to award monetary relief as an adjunct to the main equitable remedy, to permit a court of equity to award a disgorgement remedy.<sup>76</sup> In almost all cases, a dilution plaintiff would ask for an injunction—a traditional equitable remedy, as well as a monetary remedy. Thus, the basic jurisdictional issue identified in *Hamilton-Brown Shoe* would not be a problem. It has been argued that the equitable clean-up doctrine did not survive *Dairy Queen*, but it seems clear that courts may order certain types of monetary payment as a means of affording complete equitable relief.<sup>77</sup> Nevertheless, *Hamilton-Brown Shoe* is not a strong basis to assert that disgorgement is an equitable remedy standing by itself. In any event, the later Supreme Court cases asserting that disgorgement is equitable were not limited to the clean-up situation, although they do appear limited to cases in which the remedy is somehow either deemed “restitutionary,” or (somewhat contrarily) noncompensatory. Moreover, the notion that disgorgement of profits is equitable has a fairly significant following in the lower

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72. *Id.* at 259.

73. See FED. R. CIV. P. 39 advisory committee's note (discussing the roles of courts and juries in particular cases).

74. *Hamilton-Brown Shoe*, 240 U.S. at 259.

75. *Id.*

76. See *id.*; see, e.g., *Medtronic, Inc. v. Intermedics, Inc.*, 725 F.2d 440, 442-43 (7th Cir. 1984).

77. *E.g.*, *Golden v. Kelsey-Hayes Co.*, 73 F.3d 648, 661 (6th Cir. 1996).

federal courts.<sup>78</sup> At the very least one can say that if the only monetary remedy sought is disgorgement of defendant's profits, then there is a serious question whether a jury trial is required.

Unfortunately, the Supreme Court probably did not look carefully at the nuances of restitution and unjust enrichment when it characterized an equitable disgorgement of profits as restitutionary.<sup>79</sup> The difficulties presented by this distinction are evident in the Restatement (Third) of Restitution and Unjust Enrichment.<sup>80</sup> Section 1 links the concepts of restitution and unjust enrichment: "A person who is unjustly enriched at the expense of another is subject to liability in restitution."<sup>81</sup> As the accompanying comments make clear, the phrase "unjust enrichment" is not well defined.<sup>82</sup> Comment c deals with the issue of "Restitution and restoration,"<sup>83</sup> the subject of the Supreme Court's remarks about disgorgement in *Tull*.<sup>84</sup> As the comment states,

78. *E.g.*, *Grace v. Rosenstock*, 228 F.3d 40, 50-51 (2d Cir. 2000); *LeBlanc v. Cahill*, 153 F.3d 134, 153 (4th Cir. 1998) (declaring disgorgement under ERISA equitable); *Herman v. S.C. Nat'l Bank*, 140 F.3d 1413, 1422 (11th Cir. 1998) (holding the same as *LeBlanc*); *SEC v. Patel*, 61 F.3d 137, 139 (2d Cir. 1995); *SEC v. Rind*, 991 F.2d 1486, 1493 (9th Cir. 1993); *SEC v. Commonwealth Chem. Sec., Inc.*, 574 F.2d 90, 95 (2d Cir. 1978); *Am. Air Filter Co. v. McNichol*, 527 F.2d 1297, 1300 (3d Cir. 1975) (noting, also, that profits are not the same as damages); *Univ. of Colo. Found., Inc. v. Am. Cyanamid Co.*, 153 F. Supp. 2d 1231, 1243 (D. Colo. 2001) (stating "restitution of profits" is equitable); *Resnick v. Resnick*, 763 F. Supp. 760, 767-68 (S.D.N.Y. 1991); *Robert Bruce, Inc. v. Sears, Roebuck & Co.*, 343 F. Supp. 1333, 1348 (E.D. Pa. 1972); *see also Sheldon v. Moredall Realty Corp.*, 22 F. Supp. 91, 93 (S.D.N.Y. 1937) (finding that equity can decree an accounting for profits in copyright cases even without granting an injunction), *rev'd in part on other grounds, aff'd in part*, *Sheldon v. Moredall Realty*, 95 F.2d 48, 50 (2d Cir. 1938) ("Nor can we be sure at this time that equity does not have concurrent jurisdiction of the accounting on general principles."); *Fishel v. Lueckel*, 53 F. 499, 501 (C.C.S.D.N.Y. 1892) (finding a right to accounting incident to injunction in copyright case); *Gilmore v. Anderson*, 38 F. 846, 848 (C.C.S.D.N.Y. 1889) (noting that while forfeiture is not within equity jurisdiction, accounting of profits is); *cf. NordicTrack, Inc. v. Consumer Direct, Inc.*, 158 F.R.D. 415, 423 n.15 (D. Minn. 1994) (calling the issue "unclear" but declining to decide it).

79. For a discussion of the many and various uses of the term "restitution," see generally Colleen P. Murphy, *Misclassifying Monetary Restitution*, 55 SMU L. REV. 1577 (2002). Among other things, Professor Murphy asserts that classifying a remedy as restitutionary does not resolve the issue of law versus equity. *Id.* at 1580, 1598-1607, 1623-28 (describing, in the latter pages, the notion that disgorgement is always equitable as "misleading").

80. RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 (2011).

81. *Id.*

82. *See id.* § 1 cmt. b. Comment b favors the phrase "unjustified enrichment" over "unjust enrichment" as being more explanatory and recognizes the danger that "unjust enrichment" is often "a name for a legal conclusion that remains to be explained." *Id.*

83. *Id.* § 1 cmt. c.

84. *See Tull*, 481 U.S. at 424.

the concepts of unjust enrichment and restitution (in the literal meaning of “restoration”) correlate only imperfectly . . . . [T]here are significant instances of liability based on unjust enrichment that do not involve the restoration of anything the claimant previously possessed. The most notable examples are cases involving the disgorgement of profits, or other benefits wrongfully obtained, in excess of the plaintiff’s loss.<sup>85</sup>

The same comment further states the following: “When used in this Restatement to refer to a theory of liability or a body of legal doctrine, the terms ‘restitution’ and ‘unjust enrichment’ will generally be treated as synonymous.”<sup>86</sup> This would belie the distinction in *Tull* between restorative and nonrestorative claims for disgorgement.<sup>87</sup> To the extent that restitution is viewed as primarily equitable, equating restitution and unjust enrichment, and including nonrestorative remedies within the realm of restitution, makes disgorgement look more like an equitable remedy. However, equating all remedies labeled “restitution” as equitable is probably a mistake.<sup>88</sup>

Of course, none of these comments directly addresses the issue of a jury trial. The issue of characterizing restitution as either legal or equitable is discussed in Section 4 of the Restatement. Section 4(1) states the following: “(1) Liabilities and remedies within the law of restitution and unjust enrichment may have originated in law, in equity, or in a combination of the two.”<sup>89</sup> The very first comment to this section illuminates the problem:

The status of restitution as belonging to law or to equity has been ambiguous from the outset. The answer is that restitution may be either or both . . . . The purpose of § 4(1) is to alert the reader to the fact that modern restitution is difficult to characterize in law/equity terms.<sup>90</sup>

The Restatement does not resolve the problem but recognizes the difficulty it causes for the jury trial issue. Moreover, as another comment to this section notes, the historical origins of unjust enrichment and restitution, while containing equitable principles, can be traced to a pronouncement of a judge of the law courts.<sup>91</sup>

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85. RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 1 cmt. c.

86. *Id.*

87. *See Tull*, 481 U.S. at 424.

88. *See Murphy*, *supra* note 79.

89. RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 4(1).

90. *Id.* § 4 cmt. a.

91. *Id.* § 4 cmt. b (citing *Moses v. Macferlan*, (1760) 97 Eng. Rep. 676, 678, 681 (K.B.)).

The Restatement's ambiguity and reticence about the subject notwithstanding, we are required by the Seventh Amendment to make some judgments about the matter. And there is some additional guidance that may be gleaned from other Supreme Court cases. The Court's earlier, somewhat offhand, comments about restitution and equity were given additional explanation in two Supreme Court cases from outside the Seventh Amendment context that better reflect the ambiguity indicated by the Restatement.

In *Great-West Life & Annuity Insurance Co. v. Knudson*<sup>92</sup> and *Sereboff v. Mid Atlantic Medical Services, Inc.*,<sup>93</sup> medical insurance companies sought to recover medical payments made on behalf of their insureds out of proceeds recovered by the insured persons from third parties (namely, a tortfeasor who caused injury to the insured).<sup>94</sup> In both cases, the key question for the Supreme Court was whether the action by the insurance companies against the insureds would be deemed equitable or legal in nature.<sup>95</sup> This issue arose because the applicable federal law—a provision of the Employee Retirement Income Security Act of 1974 (ERISA)<sup>96</sup>—only permits such suits if they are brought “to obtain . . . appropriate equitable relief . . . .”<sup>97</sup> In both cases, the insured recovered funds from a tortfeasor in a lawsuit after the medical insurer had paid for various medical bills, and the insurers sought to recover their payments from the recoveries.<sup>98</sup> In *Knudson*, the Court ruled that the insurer's suit was essentially one for breach of contract to impose personal liability on the defendants according to their contract with the insurance plan and, as such, was legal, not equitable, in nature.<sup>99</sup> However, four years later, in *Sereboff*, the Court distinguished *Knudson* and held that the insurer's suit was equitable in nature.<sup>100</sup> In both cases, the Court compared the lawsuits to an action for restitution.<sup>101</sup> Noting that restitution was not always an action in equity, the Court sought to determine the characteristics of an equitable action for restitution.<sup>102</sup> The Court found that actions in equity were

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92. 534 U.S. 204 (2002).

93. 547 U.S. 356 (2006).

94. *Knudson*, 534 U.S. at 208; *Sereboff*, 547 U.S. at 360.

95. See *Knudson*, 534 U.S. at 210; *Sereboff*, 547 U.S. at 361.

96. Pub. L. No. 93-406, 88 Stat. 829 (codified as amended in scattered sections of U.S.C. tits. 5, 18, 26, 29, and 42).

97. ERISA § 503(a)(3), 29 U.S.C. § 1132(a)(3) (2006).

98. See *Knudson*, 534 U.S. at 208; *Sereboff*, 547 U.S. at 360.

99. *Knudson*, 534 U.S. at 210, 221.

100. *Sereboff*, 547 U.S. at 363, 369.

101. *Knudson*, 534 U.S. at 213-14; *Sereboff*, 547 U.S. at 363.

102. *Knudson*, 534 U.S. at 213-14; *Sereboff*, 547 U.S. at 363.

brought to impose an equitable lien on an identifiable fund or property, whereas actions at law sought to obtain funds from the general assets of the defendant.<sup>103</sup> In *Sereboff*, the Court distinguished *Knudson* on the ground that, in *Knudson* the funds sought by the insurer's lawsuit had been deposited directly in a trust fund set up under California law whereby the settlement funds were segregated into a fund to provide for the care of the injured party.<sup>104</sup> Thus, the *Knudson* suit could not reach the funds received from the settlement and, therefore, sought to recover funds directly from the Knudsons personally.<sup>105</sup> By contrast, in *Sereboff*, the funds sought by the insurer had been paid directly to the injured party.<sup>106</sup> Although the funds may have been commingled by the time of the lawsuit, they were still sufficiently identifiable to impose an equitable restraint on them.<sup>107</sup> However, the Court also noted that the insurer's claim was the result of an agreement between the parties and indicated that the agreement was important in determining that the lien on the funds received by the insured was equitable, not legal.<sup>108</sup>

These two cases supply further bases to analyze the remedy of disgorgement of profits.<sup>109</sup> The key under *Sereboff* and *Knudson* appears to be whether the suit seeks to recover an identifiable fund in the possession of the defendant belonging (equitably) to the plaintiff, or whether the suit seeks simply to impose personal liability on the defendant from the defendant's general assets.

However, although *Sereboff* and *Knudson* provide some additional guidance to the Court's understanding of the relationship between restitution and equity, they are not without contradictions. While consistent with the "restorative" idea of restitution, both cases could be seen as simple breaches of contracts. A common remedy for breach of contract is restoring the plaintiff to the position she would be in if the contract had been fulfilled.<sup>110</sup> That makes both cases look like ordinary claims at law. Neither *Sereboff* nor *Knudson* deals squarely with unjust enrichment in the larger sense represented by disgorgement of

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103. *Knudson*, 534 U.S. at 213-14; *Sereboff*, 547 U.S. at 363.

104. *Sereboff*, 547 U.S. at 362.

105. *Knudson*, 534 U.S. at 213-14.

106. *Sereboff*, 547 U.S. at 362-63.

107. *See id.* at 364.

108. *Id.* at 364-65.

109. In another ERISA case, *Mertens v. Hewitt Associates*, 508 U.S. 248, 260 (1993), the Supreme Court characterized "restitution of ill-gotten plan assets or profits" as equitable.

110. RESTATEMENT (SECOND) OF CONTRACTS § 344(a) (1981); *Lakota Girl Scout Council, Inc. v. Havey Fund-Raising Mgmt., Inc.*, 519 F.2d 634, 639-40 (8th Cir. 1975).

profits.<sup>111</sup> On the other hand, there are so many references in Supreme Court cases to disgorgement as an equitable remedy that it is difficult to ignore them, even if they are not well explained.

**2. A Closer Look at the Monetary Remedy for Dilution.** We have focused much of our attention on a particular remedy—disgorgement of defendant's profits. The reason for this focus is that disgorgement is the most likely monetary remedy available to dilution plaintiffs. To see why, let us examine the remedies structure for federal dilution claims.

The primary remedy for dilution is an injunction.<sup>112</sup> That much is clear from Section 43(c)(1) of the Lanham Act,<sup>113</sup> the operative section of the dilution statute, which mentions *only* injunctive relief.<sup>114</sup> However, under limited circumstances, another section of the law allows noninjunctive relief as well. Section 43(c)(5), which is the provision in the federal dilution statute permitting an award of damages, reads as follows:

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.<sup>115</sup>

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111. See generally *Knudson*, 534 U.S. 204; *Sereboff*, 547 U.S. 356. The statement in *Mertens* appears to contemplate a broader concept of unjust enrichment as equitable, but it would be a mistake to make too much of a less than fully analyzed comment. See 508 U.S. at 260.

112. See Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (2006).

113. *Id.*

114. See *id.*

115. *Id.* § 43(c)(5), 15 U.S.C. § 1125(c)(5) (2006). Section 1117(a), corresponding to § 35(a) of the Lanham Act, is the chief provision in the trademark statute providing for monetary relief. 15 U.S.C. § 1117(a) (2006). Section 1117(c) provides a separate damage remedy for trademark counterfeiting. Lanham Act § 35(c), 15 U.S.C. § 1117(c) (2006). Section 1117(d) provides a statutory damage remedy for cybersquatting. Lanham Act § 35(d), 15 U.S.C. § 1117(d) (2006). Section 1118, corresponding to § 36 of the Lanham Act,

On its face, the statute points to the judge as the arbiter of damage awards.<sup>116</sup> It makes any award “subject to the discretion of the court and the principles of equity,” both of which point to a judicial decision.<sup>117</sup> It is not illogical to assume that Congress wanted the courts to keep a tight rein on damage awards for dilution claims. For most of the fifty years preceding the federal statute, dilution protection meant only an injunction.<sup>118</sup> Under the federal dilution law, damages are recoverable only in limited circumstances; indeed, dilution itself is only remediable under federal law if plaintiff’s mark is “famous.”<sup>119</sup> Congress may have wanted courts to make sure that dilution protection does not overshadow ordinary trademark infringement by making the award of any remedy subject to the court’s discretion.

Section 43(c)(5) does not specify what kind of other relief is available upon proof of “willful intent” to trade on the famous mark’s reputation (for blurring claims) or to harm the famous mark’s reputation (for tarnishment claims).<sup>120</sup> Instead, it references Sections 35 and 36 of the Lanham Act.<sup>121</sup> Section 35(a) is the most pertinent here, providing in part:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, *and subject to the principles of equity*, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.<sup>122</sup>

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allows a court to order the destruction of infringing articles. 15 U.S.C. § 1118 (2006).

116. See Lanham Act § 43(c)(5), 15 U.S.C. § 1125(c)(5).

117. *Id.*

118. Massachusetts enacted the first dilution statute in 1947, which provided only for injunctive relief. See Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300. The first dilution statute to permit damages was enacted in Washington, in 1989. See WASH. REV. CODE § 19.77.160.

119. Lanham Act § 43(c)(5), 15 U.S.C. § 1125(c)(5).

120. See *id.*

121. Sections 35 and 36 of the Lanham Act correspond to 15 U.S.C. §§ 1117(a) and 1118. Sections of the Lanham Act are commonly referred to by their original section number, rather than the codified section number.

122. Lanham Act § 35(a), 15 U.S.C. § 1117(a) (emphasis added).

Clearly, defendant's profits are a permissible remedy for dilution, as are plaintiff's actual losses, though again "subject to the principles of equity."<sup>123</sup>

Consider now the probable monetary remedies in a dilution case. The archetypical dilution claim is by the owner of a famous mark against someone offering *non*-competing goods or services under the same or a similar mark.<sup>124</sup> If the defendant is not a competitor (and, in particular, if there is no consumer confusion about the source of each party's goods or services) then the plaintiff will not lose any sales. Although the plaintiff could claim that its mark's "uniqueness" is damaged by the dilution, it will be difficult to quantify that loss. Actual economic harm is not an element of a dilution claim.<sup>125</sup> Thus, the most logical remedy, other than an injunction, is a disgorgement of the defendant's profits from the use of the famous mark. If the defendant intentionally traded on the plaintiff's reputation, then the defendant's profits are an equally logical remedy since the defendant's gains may have been obtained by using the plaintiff's brand name. If the defendant engaged in dilution by tarnishment<sup>126</sup> and intentionally harmed the mark's reputation, there could be some actual demonstrable monetary loss to the plaintiff in the form of lost sales, which would undoubtedly be a legal remedy. But if no such loss occurred—or if the court is concerned with unjust enrichment—the court may view disgorgement of the defendant's profits

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123. *Id.*

124. This refers to a form of dilution called "blurring," which is defined as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." Lanham Act § 43(c)(2)(B), 15 U.S.C. § 1125(c)(2)(B) (2006). Ironically, particularly where the diluting use is not an Internet domain name, it is very common for successful FTDA claims to be between competitors or near competitors. *E.g.*, *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (addressing competing makers of fish-shaped crackers), *abrogated on other grounds by Moseley v. Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003), *as recognized in Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 435 n.96 (S.D.N.Y. 2004); *N.Y.C. Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305 (S.D.N.Y. 2010); *Big Boy Rest. v. Cadillac Coffee Co.*, 238 F. Supp. 2d 866 (E.D. Mich. 2002). *But see Visa Int'l Serv. Ass'n v. JSL Corp.*, 610 F.3d 1088 (9th Cir. 2010) (noting that diluting use was a domain name, *evisa.com*); *Nike, Inc. v. Nikepal Int'l, Inc.*, 84 U.S.P.Q.2d 1820 (E.D. Cal. 2007). But the non-competing second user is the paradigmatic situation.

125. *See* Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1).

126. Dilution by tarnishment is a separate form of dilution, which is defined as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." Lanham Act § 43(c)(2)(C), 15 U.S.C. § 1125(c)(2)(C) (2006).

as a logical remedy.<sup>127</sup> Thus, whether the claim is for dilution by blurring or dilution by tarnishment, the defendant's profits are a likely remedy. Although the plaintiff may seek to recover actual losses, as measured, for example, by lost sales (most likely in a case between competitors), disgorgement will likely be the more common monetary remedy.<sup>128</sup> Thus, it seems wise to focus on whether this remedy would be considered legal or equitable.

Both Section 43(c)(5) and 35(a) point to the judge as the arbiter of damages and make damage awards "subject to the principles of equity."<sup>129</sup> As noted earlier, Section 43(c)(5) inserts the additional qualifier "subject to the discretion of the court."<sup>130</sup> Given that the "subject to the principles of equity" language alone has not precluded jury trials,<sup>131</sup> and given that trademark, or trademark-like, cases were tried to both judges and juries before the merger of law and equity, it is interesting to consider why Congress thought (or appeared to think) it could direct courts of equity to make damage awards.

If we compare Section 35(a) to other intellectual property statutes, we find that neither Section 504 of the Copyright Act,<sup>132</sup> nor Section 284 of the Patent Act,<sup>133</sup> the damages sections, contains any such "principles of equity" language.<sup>134</sup> Indeed, the Patent Act expressly recognizes the possibility that a jury will assess damages.<sup>135</sup> That should raise a question of what the drafters of the Lanham Act were thinking when they inserted the language.<sup>136</sup>

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127. For further discussion, see *infra* text accompanying notes 187-202. In *George Basch Co. v. Blue Coral, Inc.*, the court identified three rationales for awarding defendant's profits as damages: as a measure of actual damages, as a remedy for unjust enrichment, or "to deter a willful infringer from doing so again." 968 F.2d 1532, 1537 (2d Cir. 1992) (quoting *Burndy Corp. v. Teledyne Indus., Inc.*, 748 F.2d 767, 772 (2d Cir. 1984)).

128. *George Basch Co.*, 968 F.2d at 1539.

129. Lanham Act § 43(c)(5), 15 U.S.C. §§ 1117(a); Lanham Act § 35(a), 15 U.S.C. § 1125(c)(5).

130. Lanham Act § 43(c)(5), 15 U.S.C. § 1125(c)(5).

131. *E.g.*, *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 629 F. Supp. 644, 646 (D. Me. 1986). In fact, because § 43(c)(5) refers to the remedies provided by § 35(a), the "principles of equity" language in § 43(c)(5) appears a bit redundant. *See* 15 U.S.C. §§ 1117(a), 1125(c)(5).

132. 17 U.S.C. § 504 (2006 & Supp. IV 2010).

133. 35 U.S.C. § 284 (2006).

134. *See* 17 U.S.C. § 504; 35 U.S.C. § 284.

135. *See* 35 U.S.C. § 284.

136. The language seems to have made its first appearance relatively late in the drafting process, in 1945, in H.R. 1654, § 35, 79th Cong. (1945). *See also* Act of July 5, 1946, Pub. L. No. 79-489, § 35, 60 Stat. 427, 440.

It appears that the drafters believed that at least one measure of recovery would be deemed equitable. The most likely candidate is the defendant's profits. "[D]amages sustained by the plaintiff"<sup>137</sup> seems clearly legal, and the fact that courts of law did entertain trademark infringement suits indicates that such a remedy should be regarded as a legal, not equitable, remedy. By contrast, at a minimum, the history of awards of the defendant's profits indicates that courts of equity entertained suits requesting that remedy, including trademark suits. One could pass the language in the statute off as a reference to general equitable principles, but that seems much too facile. More than likely, the drafters believed that some or all of the remedies available in trademark infringement actions—or at least the ones listed in Section 35(a)—were actionable in a court of equity prior to the merger of law and equity—which took place just eight years prior to the enactment of the Lanham Act.<sup>138</sup> Because the Lanham Act percolated for so many years in Congress, it was conceived before the merger occurred.<sup>139</sup> This assumption is supported by other parts of Section 35(a). Consider the following language:

In assessing damages *the court* may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If *the court* shall find that the amount of the recovery based on profits is either inadequate or excessive *the court* may in its discretion enter judgment for such sum as *the court* shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.<sup>140</sup>

Clearly, the provision assumes that the court—that is, a judge, not a jury—will be making the ultimate damage award. Although that language is not controlling—similar language in the Copyright Act was found not to preclude a jury trial in *Feltner v. Columbia Pictures Television, Inc.*<sup>141</sup>—the last sentence quoted above provides an interesting clue to the drafters' thinking. As with the "principles of equity" language, nothing like this appears in either the Copyright Act (whether the current version or the 1909 Act) or the Patent Act.<sup>142</sup> This lan-

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137. § 35, 60 Stat. at 440.

138. Lanham Act § 35(a), 15 U.S.C. § 1117(a); see FED. R. CIV. P. 39 advisory committee's note.

139. See *infra* note 145.

140. Lanham Act § 35(a), 15 U.S.C. § 1117(a) (emphasis added).

141. 523 U.S. 340, 353 (1998).

142. See 17 U.S.C. § 504; 35 U.S.C. § 284. Section 284 of the Patent Act also allows the court to treble the damages, but without any limiting language. 35 U.S.C. § 284.

guage, precluding a punitive award even when the court is authorized to award an amount in excess of the proven damages or profits, has been a source of difficulty for courts.<sup>143</sup> It seems anomalous to permit a court to add to the proven damages, while preventing the court from doing so as a penalty for bad actions. However, if one views the language through the lens of the law/equity distinction, it makes more sense. As the Supreme Court has told us, penalties were traditionally viewed as remedies at law.<sup>144</sup> Therefore, if the remedy was seen as punitive, it could only be granted by a court of law. However, if the remedy is not a penalty, then, assuming it was otherwise within the jurisdiction of equity, a court of equity could make the award intended by the statute. Moreover, since the statute clearly contemplates that a court should be guided by a sense of what is just, as well as the “principles of equity,” it makes sense that the drafters thought that the remedies provided by the quoted language would be available in an action in equity. Given the timing of the Lanham Act’s legislative drafting and passage, just before and after the merger of law and equity in the federal courts, it is hard to see this as accidental.<sup>145</sup> The drafters presumably were aware of the distinctions between and limitations of actions at law and equity. That they were careful to add this limitation indicates that they assumed equity had jurisdiction of such cases. This was not simply a policy judgment about which body, judge or jury, was better able to make the assessment. It was about which body was the *proper* agent to make that determination.

Again, the focus seems to be disgorgement as a possible equitable remedy. At this point, we will examine the case law to see whether Congress’s understanding—which, after *Feltner*, is simply hortatory—has been borne out.

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143. See *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340, 1347 (7th Cir. 1994).

144. *Tull*, 481 U.S. at 422.

145. The “compensation and not a penalty” language appeared in a very early version of the bill in the House and an even earlier version in the Senate. H.R. 6284, 69th Cong. § 18(d) (1926), IPMALL.INFO, [http://ipmall.info/hosted\\_resources/lipa/trademarks/PreLanhamAct\\_002\\_HR\\_6284.pdf](http://ipmall.info/hosted_resources/lipa/trademarks/PreLanhamAct_002_HR_6284.pdf) (last visited Sept. 12, 2011); S. 2679, 68th Cong. § 18(d) (1925), IPMALL.INFO, [http://ipmall.info/hosted\\_resources/lipa/trademarks/PreLanhamAct\\_001\\_S\\_2679.pdf](http://ipmall.info/hosted_resources/lipa/trademarks/PreLanhamAct_001_S_2679.pdf) (last visited Sept. 12, 2011). The House version, part of H.R. 6284, was issued in 1926, twelve years before the merger of law and equity. H.R. 6284 § 35. The Senate version was issued in 1925. S. 2679 § 34. The early House and Senate versions, in Section 18(h), state that, in addition to an injunction, a “court may give the plaintiff the benefit of all other remedies named in this section,” which would include the defendant’s profits. H.R. 6284 § 18(h); S. 2679 § 18(h).

**3. Application: Dilution, Disgorgement, and Juries.** Several lower court cases have relied on the equitable nature of disgorgement of profits to deny jury trials in trademark cases.<sup>146</sup> One of the more extensive discussions is in *Empresa Cubana Del Tabaco v. Culbro Corp.*<sup>147</sup> Discussing the plaintiff's claim for disgorgement of profits for the defendant's wrongful use of the plaintiff's trademark, the United States District Court for the Southern District of New York noted that the United States Court of Appeals for the Second Circuit had held that disgorgement as a remedy for unjust enrichment was equitable, not legal.<sup>148</sup> The court further distinguished between claims for profits as a remedy for unjust enrichment and claims for profits as a rough measure of the actual damages suffered by the plaintiff.<sup>149</sup> Because the plaintiff and the defendant did not compete,<sup>150</sup> the court held that any award of the defendant's profits would be a remedy for unjust enrichment, not a proxy for actual damages.<sup>151</sup> In such cases, the court held, a jury is not required.<sup>152</sup> Distinguishing another case that upheld a jury trial in somewhat similar circumstances,<sup>153</sup> the court stated that profits are not always a proxy for the plaintiff's actual damages and that, in the Second Circuit, one must carefully parse the rationales underlying the request for the defendant's profits before

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146. *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 325 F. Supp. 2d 841, 851 (M.D. Tenn. 2004), *rev'd on other grounds*, 423 F.3d 539 (6th Cir. 2005); *Empresa Cubana Del Tabaco v. Culbro Corp.*, 123 F. Supp. 2d 203, 206-09 (S.D.N.Y. 2000); *G.A. Modeline S.A. v. Burlington Coat Factory Warehouse Corp.*, 888 F. Supp. 44, 45 (S.D.N.Y. 1995); *Am. Soc'y for the Prevention of Cruelty to Animals v. Alexanian*, No. 95 Civ. 0205(RO), 1995 WL 580276, at \*1 (S.D.N.Y. Oct. 3, 1995); *see also* *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 598, 605 (E.D. Va. 1997) (arguing *via dicta*), *aff'd on other grounds*, 170 F.3d 449, 466 (4th Cir. 1999) (the Fourth Circuit did not specifically address the disgorgement issue).

147. 123 F. Supp. 2d 203 (S.D.N.Y. 2000). Although this case included a dilution claim, for which the court specifically denied a jury trial, the holding on the dilution issue was based on the lack of any evidence of willful intent to dilute or trade on the plaintiff's reputation. *Id.* at 209-10. Thus, under the FTDA, only an injunction—clearly an equitable remedy—was available. *Id.*

148. *Id.* at 206 (quoting *George Basch Co.*, 968 F.2d at 1538).

149. *Id.* at 206-07.

150. *Id.* at 207. Although both companies sold cigars under the COHIBA trademark, the plaintiff was a Cuban entity and, therefore, could not sell its cigars in the United States. *Id.*

151. *Id.*

152. *Id.* at 208.

153. *Id.* (distinguishing *Ideal World Mktg., Inc. v. Duracell, Inc.*, 997 F. Supp. 334, 337-38 (E.D.N.Y. 1998)).

determining whether a jury trial is required.<sup>154</sup> Other courts have followed *Empresa* and held that disgorgement of profits in a trademark action may be equitable.<sup>155</sup>

Apart from *Empresa*, the most significant case finding disgorgement not to warrant a jury trial is *G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp.*,<sup>156</sup> a case that did not involve a dilution claim. Citing what it believed to be controlling Second Circuit precedent, the court held that a claim for defendant's profits was an equitable claim and did not merit a jury.<sup>157</sup> Unfortunately, the court did not engage in much discussion of the issue.<sup>158</sup>

On the other side are several cases (again, mostly infringement cases, not dilution cases) in which district courts held that disgorgement was a legal remedy and required a jury trial. In *Libbey Glass, Inc. v. Oneida Ltd.*,<sup>159</sup> the United States District Court for the Northern District of Ohio found that Congress's intent was to have the court, not a jury, decide the issue of damages.<sup>160</sup> However, the court also recognized that such intent cannot override the Seventh Amendment.<sup>161</sup> In its analysis, the court noted that because dilution is a recent cause of action, "examining archaic English jurisprudence is of little benefit" in determining jury trial rights.<sup>162</sup> Abandoning the search for a historical analogue and turning to the remedy, the court cited *Dairy Queen* for the proposition that the defendant's profits are a remedy at law.<sup>163</sup> However, it is significant that the *Libbey* case involved a claim for actual damages as well as the defendant's profits, and therefore included a clearly legal claim.<sup>164</sup>

Another case in which a court found profits to be legal, not equitable, is *Ideal World Marketing, Inc. v. Duracell, Inc.*<sup>165</sup> The case is signifi-

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154. See *id.* at 206-07.

155. *SPSS, Inc. v. Nie*, No. 08 C 66, 2009 WL 2579232, at \*3 (N.D. Ill. Aug. 19, 2009); *Juicy Couture, Inc. v. L'Oreal USA, Inc.*, No. 04 Civ. 7203 (DLC), 2006 WL 559675, at \*1 (S.D.N.Y. Mar. 7, 2006).

156. 888 F. Supp. 44 (S.D.N.Y. 1995).

157. *Id.* at 45-46 (citing *George Basch Co.*, 968 F.2d 1532).

158. See *id.*; see also *Merriam-Webster, Inc. v. Random House, Inc.*, No. 91 Civ. 1221 (LMM), 1993 WL 205043, at \*3 (S.D.N.Y. June 10, 1993) (holding disgorgement is equitable, analogizing it to constructive trust).

159. No. 3:98CV439, 1999 WL 684180 (N.D. Ohio July 12, 1999) (dilution claim not included).

160. *Id.* at \*1.

161. *Id.* at \*2.

162. *Id.*

163. *Id.* at \*3.

164. *Id.*

165. 997 F. Supp. 334 (E.D.N.Y. 1998).

cant in large part because it cites the same Second Circuit authority as *Modelfine*, while coming to a different result.<sup>166</sup> Noting that the *George Basch* case categorized profits into three different functions—unjust enrichment, deterrence, and rough proxy for damages—the United States District Court for the Eastern District of New York concluded that it was not feasible to separate the functions distinctly.<sup>167</sup> Further, the court cited the Supreme Court’s opinion in *Hamilton-Brown Shoe* as indicating that profits were not *independently* equitable because the grant of profits by a court of equity was said to require an independent equitable jurisdictional basis.<sup>168</sup> Thus, the court concluded that the remedy of disgorging the defendant’s profits was legal.<sup>169</sup> However, in this case, the two sides were competitors, and the defendant’s profits could be seen as a rough proxy for the plaintiff’s actual damages, especially since the plaintiff alleged that the defendant used the same trademark as the plaintiff on its products.<sup>170</sup>

Other district court cases also have concluded that disgorgement of the defendant’s profits is a legal remedy, though often with the accompanying finding that profits would constitute a rough proxy for actual damages and therefore should be deemed a legal remedy on that basis.<sup>171</sup>

More recent precedent appears to have vindicated the *Empresa* view, at least in the Second Circuit. In *Design Strategy, Inc. v. Davis*,<sup>172</sup> the Second Circuit upheld a jury trial denial on the grounds that all of the monetary remedies sought, including a disgorgement of the defendant’s profits, were equitable.<sup>173</sup> As the court explained, those remedies would not be compensatory for losses suffered by plaintiff.<sup>174</sup> Rather, they represented “monies unjustly earned by” defendant.<sup>175</sup>

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166. *Id.* at 337.

167. *Id.* at 337-38.

168. *Id.* at 338-39.

169. *Id.* at 339.

170. *Id.* at 335.

171. *Alcan Int’l, Ltd. v. S.A. Day Mfg. Co.*, 179 F.R.D. 398, 401-02 (W.D.N.Y. 1998) (finding profits as rough proxy for damages); *Daisy Grp., Ltd. v. Newport News, Inc.*, 999 F. Supp. 548, 551-52 (S.D.N.Y. 1998); *Oxford Indus., Inc. v. Hartmarx Corp.*, 15 U.S.P.Q.2d 1648, 1654 (N.D. Ill. 1990) (finding profits more like compensation than restitution); see also *adidas-America, Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029, 1087-88 (D. Ore. 2008) (citing *Dairy Queen*, 369 U.S. at 477); *Gucci Am., Inc. v. Accents*, 994 F. Supp. 538, 540-41 (S.D.N.Y. 1998).

172. 469 F.3d 284 (2d Cir. 2006).

173. *Id.* at 299-300.

174. *Id.* at 299.

175. *Id.* at 300. *Design Strategy* was not a trademark case; it involved a breach of fiduciary duty and unfair competition. *Id.* at 287-88. *But cf.* *Visible Sys. Corp. v. Unisys*

The courts upholding a jury trial right frequently cite *Dairy Queen* as controlling precedent.<sup>176</sup> But *Dairy Queen* is a somewhat awkward foundation upon which to build a generalized jury trial right in a trademark case.<sup>177</sup> *Dairy Queen* at its core involved a contract, albeit one to license the use of a trademark.<sup>178</sup> In *Dairy Queen*, the plaintiff claimed that the defendant was in material breach of the contract, which led to a trademark infringement due to the resulting unauthorized use of the plaintiff's trademark.<sup>179</sup> Thus, the accounting requested by the plaintiff would, at least in part, determine actual damages for breach of the licensing agreement.<sup>180</sup> Although it is possible to read *Dairy Queen* more broadly, the confusing nature of the complaint at issue, coupled with the Court's later statements concerning the equitable nature of claims for disgorgement of profits, counsel caution when interpreting the reach of *Dairy Queen*.

*Dairy Queen* aside, there are difficult questions to confront concerning the asserted lack of a jury trial right when a plaintiff asks that a defendant's profits be disgorged. The Court's pronouncements concerning the equitable nature of disgorgement indicate that such awards *may* be deemed equitable, even if some of its language about restitution is inconsistent with the Restatement. Moreover, the Court's opinion in *Sereboff* points away from mandating a jury trial in cases seeking to recover the defendant's profits, at least where those profits are *not* a rough proxy for the plaintiff's actual damages.<sup>181</sup> A key element of the Court's finding that the remedy was equitable in *Sereboff* was an ability and willingness to trace funds unjustly held by the defendant (the insured) that, equitably, belonged to the plaintiff (the insurance company).<sup>182</sup> Because the funds paid to the defendant by the third-party tortfeasor, even if commingled with defendant's own funds, could

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Corp., 551 F.3d 65, 78-79 (1st Cir. 2008) (declining to decide the issue and finding "[n]o federal court of appeals decision which extensively discusses the issue").

176. *Terry*, 494 U.S. at 589; *Daisy Group, LTD.*, 999 F. Supp. at 551; *L.L. Bean*, 629 F. Supp. at 646.

177. For an extended discussion of *Dairy Queen*, see Thurmond, *supra* note 52, at 9-27, 108-114.

178. *Dairy Queen*, 369 U.S. at 473-74.

179. *See id.* at 476-77 & nn.12-13. The majority of the Court seemed inclined to construe the complaint as one for both breach of contract and trademark infringement; the concurring opinion viewed it as trademark infringement. *See id.*

180. *Id.* at 479.

181. *See* 547 U.S. at 363-65.

182. *Id.*

be “identified,” this provided sufficient justification to impose a kind of equitable trust on the funds for the benefit of the plaintiff.<sup>183</sup>

The analogy in a dilution case would work as follows: The diluter, who by statutory definition must either have intentionally sought to harm the reputation of the plaintiff’s mark or to have traded on the reputation of the famous mark, unjustly appropriated plaintiff’s mark for the diluter’s own purposes. The diluter garnered a profit by these efforts. That profit represents a form of unjust enrichment to the diluter, and not a compensatory loss to the plaintiff, because the plaintiff probably cannot (and need not) demonstrate an actual loss or harm to the famous mark.<sup>184</sup> This is particularly true if the plaintiff and defendant are not in any sort of competition, since defendant’s gains would not represent a loss of sales to the plaintiff. Therefore, the defendant is roughly in the position of a fiduciary who embezzles property and invests it for her own benefit, making a profit. An equitable trust would be imposed on such profits for the benefit of the person whose property was wrongfully used, even if the embezzler repaid the original amount taken.<sup>185</sup> Thus, even if there is no identifiable loss to the plaintiff, the profits made by the diluter rightfully belong to the plaintiff. And those profits can be identified (through records of sales) and traced to payments made to the defendant, even if the funds now have been commingled with the defendant’s other funds. That would seem to make the recovery a matter of equity, not law.

One difficulty is that the Court in *Sereboff* also noted that the case involved an *agreement* between the parties.<sup>186</sup> In a dilution claim, although the “fund” could be identified as the profits gained by the defendant, there normally would be no agreement between the parties allocating the profits to the plaintiff. Nevertheless, recovery of a defendant’s profits appears to be based more on an unjust enrichment theory than compensation.

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183. *Id.* at 363-64.

184. Obviously, the wording of § 35(a) might be seen as a conceptual obstacle here. Section 35(a), when discussing a court’s authority to enhance the damage award, states that such an enhancement must be “compensation and not a penalty.” Lanham Act § 35(a), 15 U.S.C. 1117(a). However, that phrase appears in the portion of the statute dealing with enhanced damages, not the initial award of damages, which is still subject to the “principles of equity.” *Id.* Thus, it is not a technical obstacle.

185. See RESTATEMENT (THIRD) RESTITUTION & UNJUST ENRICHMENT § 55 & illus. 4-5 (2011).

186. 547 U.S. at 365 (stating “no tracing requirement of the sort asserted by the *Sereboffs* applies to equitable liens by agreement or assignment”).

**4. Conclusion: Jury Trials . . . Sometimes.** As the foregoing analysis indicates, deciding whether a jury trial is mandated is not a simple task. However, certain principles lead to the conclusion that a jury trial is not always required in dilution cases where money damages are requested. Although the Supreme Court's precedents are less than clear, there is a consistent theme that disgorgement of profits is equitable (even if that conclusion is not always congruent with the Court's rationale for separating law and equity). The decision in *Sereboff* somewhat strengthens the argument in favor of judge trials by designating a claim that is essentially for unjust enrichment as equitable, at least where the damages will come from somewhat identifiable proceeds received by a defendant that equitably belong to the plaintiff. The long history of lower federal courts designating disgorgement of profits as an equitable remedy (although not under all circumstances) also supports this conclusion. The key principle seems to be that a defendant's gains must be seen as an unjust enrichment at the expense of the plaintiff. With that in mind, we can analyze the dilution cause of action.

Courts must make a somewhat nuanced evaluation of the case before deciding whether a jury trial is mandated. First, they must determine whether the case involves dilution by blurring<sup>187</sup> or dilution by tarnishment<sup>188</sup>, or even both. Start with a dilution by blurring case, where damages may be awarded if a defendant intended to trade on the reputation of the plaintiff's mark.<sup>189</sup> If a case involves competitors, a court may presume, though not irrefutably, that an award of defendant's profits would be a rough proxy for actual damages and a jury trial is warranted.<sup>190</sup> If the parties are competitors, there will either be confusion, in which case the defendant's profits may be assumed to be lost sales to the plaintiff, or no confusion. If the latter, but the parties

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187. Dilution by "blurring," is defined as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." Lanham Act § 43(c)(2)(B), 15 U.S.C. § 1125(c)(2)(B).

188. Dilution by tarnishment is a separate form of dilution, which is defined as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." Lanham Act § 43(c)(2)(C), 15 U.S.C. § 1125(c)(2)(C).

189. Lanham Act § 43(c)(5)(B)(i), 15 U.S.C. § 1125(c)(5)(B)(i). Ironically, as mentioned before, particularly where the diluting use is not an Internet domain name, it is very common for successful dilution claims to be between competitors or near competitors. See *supra* note 124.

190. Although the paradigm of dilution is a suit between noncompeting users, this is not always true in practice. See *supra* note 124.

are competitors (imagine a coffee house using the trademark NOT STARBUCKS), because the statute allows damages only when defendant intended to trade on the plaintiff's reputation, the defendant's profits may be thought to result from a diversion of potential trade from the plaintiff. The dilution claim requires a likely loss of distinctiveness which, when applied to a competitor, may result in lost selling power, exemplified by the defendant's sales. The correspondence is not perfect, of course, but it seems preferable to err on the side of a jury trial here.

If the parties are not competitors—which is the archetypical dilution case—then the basis for presuming the defendant's profits to be compensation for the plaintiff's loss breaks down. Unless the second user has gained a large following in a short time,<sup>191</sup> an injunction should repair the loss of distinctiveness (or uniqueness) within a fairly short period, meaning that the plaintiff's loss of distinctiveness likely will not have resulted in a quantifiable loss, and the actual loss is probably *de minimis*. In that case, the defendant's profits from trading on the plaintiff's reputation would represent unjust enrichment, not unlike the unfaithful trust fiduciary whose gains are subject to an equitable lien. In that case, a jury trial should not be mandated.<sup>192</sup>

A tarnishment case presents different problems. Damages are only permitted if the defendant intended to harm the reputation of the plaintiff's trademark.<sup>193</sup> If the parties are competitors, one may assume that the defendant's profits at least roughly correspond to the harm to the plaintiff's reputation. As above, this assumption may not be wholly accurate, but we can err on the side of granting a jury trial. If the parties are not competitors, it is appropriate to assume a rough correspondence between profits and harm. Although this seems to treat tarnishment plaintiffs better than blurring plaintiffs,<sup>194</sup> it is justified in light of the statutory language. Although most tarnishment defendants intend to trade on the reputation of the famous mark, that

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191. One presumes that the case would be brought fairly soon after the offending use begins or defendant may assert a laches defense. See *generally* 6 MCCARTHY, *supra* note 52, § 31:1.

192. However, if the court deems a "reasonable royalty," not profits, to be the proper measure of damages, it *would* represent a kind of compensatory damage. Famous trademark owners do license their marks for goods and services unrelated to their core businesses. Granting a reasonable royalty would compensate for a loss of distinctiveness in the form of a loss of licensing power. On the other hand, defendant's *profits* would not normally correspond to a reasonable royalty.

193. Lanham Act § 43(c)(5)(B)(ii), 15 U.S.C. § 1125(c)(5)(B)(ii).

194. It gives them a choice of fact finders, and if jurors are seen as more plaintiff-friendly, then it is an advantage. See *infra* Part V(C) for a discussion of several dilution cases tried to a jury.

is not the standard for awarding damages.<sup>195</sup> They are only available in a tarnishment case if the defendant intends harm to the famous mark's reputation.<sup>196</sup> Few tarnishment defendants actually intend to harm the mark's reputation—that would seem to be self-defeating. Moreover, the three statutory exclusions from dilution liability—fair use in various circumstances, noncommercial use, and news reporting and commentary—<sup>197</sup> will eliminate many tarnishing uses from consideration. Thus, the number of tarnishment cases that can justify a damages award should be very small. Allowing a jury trial in the few egregious cases of malicious tarnishment should not be a serious problem, unless the jury is improperly instructed.<sup>198</sup>

This analysis does not work for all cases. For example, a number of recent dilution cases have involved counterfeiting.<sup>199</sup> In reality, counterfeiting is more of a reputation attack (tarnishment) than a uniqueness attack (blurring). In theory, a counterfeiter should not want to actually attack the reputation of the famous mark because that would hurt the counterfeiter's business as well. But it is difficult to tell whether courts are making this distinction because these claims are usually coupled with a claim for ordinary infringement, which does not have the intent to harm the reputation requirement.<sup>200</sup> Counterfeiters are competitors of the famous mark owner and, as such, their profits may be seen as compensating for the plaintiff's losses on the assumption that a sale by the defendant deprives the plaintiff of a sale.<sup>201</sup> Even if we assume that no confusion is involved and, therefore, that the defendant's customers would not necessarily be the plaintiff's customers,

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195. See Lanham Act § 43(c)(5)(B)(ii), 15 U.S.C. § 1125(c)(5)(B)(ii).

196. *Id.*

197. *Id.* § 43(c)(3)(A)-(C), 15 U.S.C. § 1125(c)(3)(A)-(C).

198. See *infra* Part V for a discussion of this issue.

199. See, e.g., *Tiffany Inc. v. Ebay, Inc.*, 600 F.3d 93, 111-112 (2d Cir. 2010); *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, 689 F. Supp. 2d 585, 598 (S.D.N.Y. 2010). I am putting aside the issue of whether counterfeiting is properly the subject of dilution claims, since the object of a counterfeit is to confuse the consumer, not to lessen the distinctiveness of the mark. Indeed, such dilution would make counterfeiting less profitable. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 386-87.

200. See, e.g., *Tiffany*, 600 F.3d at 101.

201. This is not necessarily an accurate portrayal of the injury to a plaintiff. Many purchasers are aware of the fact that they are buying a counterfeit and do so because they cannot afford to buy a real one. Some, however, know that they are buying a counterfeit, could afford to buy a genuine one, but choose to buy a good, lower priced counterfeit. Those consumers do represent probable lost sales. Even confused consumers may not be potential customers for the full priced goods. Nevertheless, the defendant's profits are at least a rough proxy for damages, either for lost sales, or for reputational damage due to the poor quality of the counterfeiter's goods.

we can infer a compensatory rationale for damages. Some of the defendant's customers may have been attracted to the defendant's goods by the association with the famous brand, which may be nonconfusing but diverting nonetheless. And if the counterfeiting is of lower quality, then there could be a subliminal loss of reputation, even if consumers know they are buying a knock-off. Thus, at least in a very rough way, monetary dilution claims against competitors may be deemed compensatory, and legal, rather than equitable. That, in turn, suggests a rather simple means of mandating a jury trial—just ask for compensatory damages. However, such damages will not always be provable, and if this becomes obvious during discovery, a defendant may move to strike the jury demand.<sup>202</sup>

#### IV. BIFURCATING THE TASK: PART BY THE JUDGE AND PART BY THE JURY?

Even assuming that jury trials are required in dilution cases, one can posit an alternative to allowing a jury to decide all of the issues. In *Tull v. United States*,<sup>203</sup> the Supreme Court decided that, although a jury was required to decide the issue of liability, a judge would decide how to assess any penalties in the case (in other words, the judge determined the proper remedy).<sup>204</sup> Perhaps there are some issues in a dilution case that should be decided by a judge, while others are properly the province of the jury?

Such a bifurcation is not unique to *Tull*. In *Markman v. Westview Instruments, Inc.*,<sup>205</sup> the Supreme Court held that in a patent case, claim construction—that is, construing the scope of the patent claims—is for the judge, while determining whether the patent was infringed is for the jury.<sup>206</sup> The Court invoked the familiar two-part test used in Seventh Amendment<sup>207</sup> cases.<sup>208</sup> As to the first part—the historical analogue—the Court stated that there was “no dispute that infringement cases today must be tried to a jury, as their predecessors were more than

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202. See *Overbeck Corp. v. Overbeck GMBH*, No. 03 CV 0844 (DRH) (ETB), 2007 WL 1029025, at \*4 (E.D.N.Y. Mar. 30, 2007) (quoting *Design Strategies, Inc. v. Davis*, 367 F. Supp. 2d 630, 636 (S.D.N.Y. 2006)).

203. 481 U.S. 412 (1987).

204. *Id.* at 426-27.

205. 517 U.S. 370 (1996).

206. *Id.* at 372, 377.

207. U.S. CONST. amend VII.

208. *Markman*, 517 U.S. at 376.

two centuries ago.”<sup>209</sup> However, that did not end the discussion. The Court went on to state as follows:

This conclusion raises the second question, whether a particular issue occurring within a jury trial (here the construction of a patent claim) is itself necessarily a jury issue, the guarantee being essential to preserve the right to a jury’s resolution of the ultimate dispute. In some instances the answer to this second question may be easy because of clear historical evidence that the very subsidiary question was so regarded under the English practice of leaving the issue for a jury. But when, as here, the old practice provides no clear answer, . . . we are forced to make a judgment about the scope of the Seventh Amendment guarantee without the benefit of any foolproof test.<sup>210</sup>

Although the Court’s first resort was to whatever historical analogues existed to the particular issue in question (because claim construction as we know it did not exist in 1791), it found no conclusive analogue.<sup>211</sup> Thus, the Court was left to look at past precedent and to “consider both the relative interpretive skills of judges and juries and the statutory policies that ought to be furthered by the allocation.”<sup>212</sup> As to the former, the Court noted that “[t]he construction of written instruments is one of those things that judges often do and are likely to do better than jurors unburdened by training in exegesis.”<sup>213</sup> In addition, the Court cited “uniformity in the treatment of a given patent”<sup>214</sup> as a reason to leave the construction of claims to the judge, with the hope that the first judge’s construction would be followed as a matter of stare decisis.<sup>215</sup> At the end of the day, patent cases present an example of bifurcated fact finding. The judge is to decide the proper construction of claims, while the jury determines issues of infringement.<sup>216</sup>

Is any issue in a dilution claim analogous to claim construction in *Markman*? If so, the most likely candidate is the issue of whether plaintiff has a famous mark. The original FTDA<sup>217</sup> did not define the term “famous”; it simply listed eight factors that courts could use to

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209. *Id.* at 377.

210. *Id.*

211. *Id.* at 384.

212. *Id.*

213. *Id.* at 388.

214. *Id.* at 390.

215. *Id.* at 391.

216. *See id.* at 372, 377.

217. FTDA, Pub. L. No. 104-98, 109 Stat. 985 (1996) (current version at 15 U.S.C. §§ 1125(c), 1127 (2006)).

decide the issue.<sup>218</sup> Although this may look like an ordinary factual issue, court opinions suggested otherwise. Some courts asserted that famous marks had to be a “household name,”<sup>219</sup> and the United States Court of Appeals for the Federal Circuit held that “fame” for purposes of a confusion inquiry was not the same as “famous” for dilution eligibility.<sup>220</sup> This indicates that fame is a term of art, a legal term, rather than a simple factual issue.

The amendments made by the TDRA in 2006<sup>221</sup> make the argument in favor of bifurcating the issue of fame much stronger. The TDRA added a definition of a famous mark: to be famous, a mark must be “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.”<sup>222</sup> More to the point, the existence of a fairly particularized definition makes the issue of fame look more like an interpretation of a legal term of art than an issue of fact.<sup>223</sup>

To a significant degree, the issue of a famous mark, as currently defined, fits the structure of *Markman*.<sup>224</sup> First, dilution itself was unknown to the common law, although one could make analogies to trademark law.<sup>225</sup> More important, however, the issue of a famous mark is a specialized construct largely unknown to trademark law until the advent of the federal dilution law.<sup>226</sup> In ordinary infringement cases, a stronger mark will carry with it the ability to preclude its use

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218. *Id.* § 3(a), (c).

219. *E.g.*, *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 911 (9th Cir. 2002); *Vallavista Corp. v. Amazon.com, Inc.*, 657 F. Supp. 2d 1132, 1138 (N.D. Cal. 2008).

220. *Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondée en 1772*, 396 F.3d 1369, 1374-75 (Fed. Cir. 2005).

221. Pub. L. No. 109-312, 120 Stat. 1730 (2006) (codified as amended at 15 U.S.C. § 1125(c) (2006)).

222. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A) (2006). This definition was drafted to inject some clarity into the analysis of whether a mark is famous. Before the TDRA, there were splits in the circuits as to the proper analysis of the issue. *See WELKOWITZ, Dilution Supp.*, *supra* note 4, at 211-18, 226-27.

223. In *Markman*, the Court stated that when an issue “falls somewhere between a pristine legal standard and a simple historical fact, the fact/law distinction at times has turned on a determination that, as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question.” 517 U.S. at 388 (quoting *Miller v. Fenton*, 474 U.S. 104, 114 (1985)) (internal quotation marks omitted).

224. *See id.*

225. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003).

226. The original group of state dilution laws did not require a famous mark, just a “distinctive” one. *See WELKOWITZ, Dilution Supp.*, *supra* note 4, at 40-41.

on a wider variety of goods and services.<sup>227</sup> However, once a mark is deemed “distinctive,”—that is, capable of distinguishing the goods of one merchant from those of another—there is no added threshold for a mark to claim protection from infringement.<sup>228</sup> Thus, “strength” is an issue without real boundaries; it is more of a sliding scale in which strength varies widely depending on context and historical facts.<sup>229</sup> By contrast, there is no dilution protection available under federal law unless a mark is famous.<sup>230</sup> The term is binary in its effect. Although the term famous has been used somewhat loosely in trademark law to provide protection to certain trademarks that have not been used in the United States but nevertheless claim protection from infringement,<sup>231</sup> this terminology is neither consistently defined, nor consistently used internationally.<sup>232</sup> The concept of a famous mark, as used in the TDRA, is somewhat unique. Furthermore, it is a concept better suited to interpretation by a judge than a jury. Because it is a threshold issue and an artificial legal construct, lay understandings of the term famous can lead a jury astray in the analysis. As was true with respect to claim construction in *Markman*, it is also important that a mark be given a uniform interpretation as being famous or not famous, at least at any point in time, so that others can determine their potential liability under the TDRA.<sup>233</sup> A judge would be in a good position to determine the

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227. The Federal Circuit has used the term “famous” to denominate marks with the greatest scope of protection in the registration context. *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973) (listing the “fame” of the mark as a factor). The Federal Circuit is the successor court to the Court of Customs and Patent Appeals. *Brown v. Regents of Univ. of Cal.*, 866 F. Supp. 439, 444 n.7 (N.D. Cal. 1994). The court also has distinguished fame in the likelihood of confusion context of registration—to determine the scope of protection from fame in the dilution context, where it is a threshold requirement for eligibility for protection. *Palm Bay Imports, Inc.*, 396 F.3d at 1374-75.

228. See *Nabisco v. PF Brands, Inc.*, 191 F.3d 208, 215-16 (2d Cir. 1999), *abrogated on other grounds by Moseley*, 537 U.S. at 433, *as recognized in Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 435 n.96 (S.D.N.Y. 2004).

229. See *id.*

230. See Lanham Act § 43(c), 15 U.S.C. § 1125(c) (2006).

231. See *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 145, 157-160 (2d Cir. 2007); *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1093 (9th Cir. 2004).

232. Paris Convention for the Protection of Industrial Property, art. 6bis, Mar. 20, 1883, *last revised* July 14, 1967, 828 U.N.T.S. 306, 325 (referring to “well-known” marks), *available at* <http://treaties.un.org>; Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), pt. II, § 2, art. 16(2) (Apr. 15, 1994), *available at* <http://www.wto.org/english/tratop-ctrips-elt-agm0-e.htm> (referring to “well-known” marks); see David S. Welkowitz, *Famous Marks Under the TDRA*, 99 TRADEMARK REP. 983, 993-94 (2009).

233. See *Markman*, 517 U.S. at 390 (quoting *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1996)) (noting that inconsistent claim construction could lead to a reduction in publicly useful activity). Unlike the patent situation, where claim construction

proper weight to give another court's determination that a mark is or is not famous. Finally, the policy of the statute favors having a judge make the determination of fame. The TDRA, like the FTDA, intended to create a remedy for a very limited group of marks—those that are famous.<sup>234</sup> It is important that dilution protection be cabined by a strict interpretation of this requirement, lest it swallow up trademark infringement as the general remedy for trademark violations.<sup>235</sup>

On the other hand, it must be conceded that the analogy to patent claim construction is a rough one at best. For one thing, the fluid nature of mark fame means that uniformity cannot be as strongly enforced as with patent claim construction.<sup>236</sup> Second, juries often determine a lesser threshold issue in the confusion context, whether a mark is distinctive and thus eligible for protection from infringement.<sup>237</sup> Moreover, fame may be a mixed question of fact and law that could be determined by a jury, if the jury is properly instructed.<sup>238</sup> In theory, if bounded by appropriate parameters, a jury could determine whether a given mark fits the parameters.<sup>239</sup> Thus, although bifurcation provides a possible means of allocating the fact finding duties, it seems unlikely that the Supreme Court would bless such an arrangement.

#### V. THE LARGER VIEW OF THE JUDGE-JURY DIVIDE

Regardless of the results of a Seventh Amendment<sup>240</sup> analysis, there will continue to be jury trials in dilution cases. Dilution claims may be appended to other claims, such as trademark infringement by confusion,

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would be static, whether a mark is famous can be fluid. Thus, a mark that is not famous at one point in time could later be found to be famous. And a mark that is famous at a particular point in time could lose its status as a famous mark at a later point in time. Nevertheless, one who wishes to make certain, nonconfusing uses of a mark would want to know whether there was a potential for dilution liability—the first step for which would be the existence of a famous mark.

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

235. Recall that dilution, unlike ordinary infringement, does not require any showing of likelihood of confusion, in many cases making it easier to establish than ordinary infringement. See *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 729 (D. Minn. 1998).

236. See *Markman*, 517 U.S. at 389.

237. See *e.g.*, *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 765-66 (1992).

238. See *Big Boy Rest. v. Cadillac Coffee Co.*, 238 F. Supp. 2d 866, 870 (E.D. Mich. 2002).

239. The problems raised by the need for such construction are discussed *infra* Part V.

240. U.S. CONST. amend. VII.

that carry a jury trial right,<sup>241</sup> or the dilution plaintiff may ask for a monetary remedy that is legal, not equitable.<sup>242</sup>

In this section, we consider a larger question concerning the efficacy of jury decision making in these cases. The question is whether jury trials are inherently flawed decision-making vehicles in dilution cases and, if so, what reasonable mechanisms exist to improve them or to limit the scope of the problem. The issue discussed in this section is not unique to dilution cases. However, dilution claims are a good illustration of the problem and, perhaps, of some solutions.

Juries are being asked to make decisions that are beyond the institutional mandate of the jury. Juries are being asked to make *legal* decisions, as well as factual ones, because legislators and judges are unable, or unwilling, to draw legal boundaries in the statute and in jury instructions.<sup>243</sup> As a result, the instructions given to jurors in dilution claims are badly flawed. This is illustrated by the actual instructions in several cases which will be examined in a later portion of this section.<sup>244</sup> In the final subsection of this part of the article, I present a proposed instruction on one element of the dilution claim—whether a mark is famous—as one possible avenue of solving some of the problems discussed here. But the nature of the problem, or problems, requires further explanation.

#### A. *The Information Gap Between Judge and Jury*

Juries occupy a special place in civil litigation. We give their decisions great deference,<sup>245</sup> and courts often strive mightily to uphold jury verdicts. But this deference creates serious flaws in the normative landscape of dilution, as well as other areas of intellectual property law.

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241. The Supreme Court's holding in *Beacon Theatres, Inc. v. Westover* only requires that the legal issues be tried to a jury first. 359 U.S. 500, 508-09 (1959). But a court could choose to try all of the claims to a jury, even if it only considers the jury's findings to be advisory on the nonlegal issues.

242. As noted earlier, where the parties are competitors, the defendant's profits may be a rough proxy for actual damages and thus legal in nature. See *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1538-39 (2d Cir. 1992). Some of the examples in subsection C of this Part would fall into this category.

243. See, e.g., Peter M. Tiersma, *Asking Jurors to do the Impossible*, Legal Studies Paper No. 2009-12, at 21-25 (2009), available at <http://ssrn.com/abstract=1352093> (last visited Sept. 1, 2011).

244. See *infra* Part V.C.

245. See *Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120, 127 (2d Cir. 1998) (quoting *George Basch Co.*, 968 F.2d at 1536) (indicating that the jury's verdict would be upheld unless "there is such a complete absence of evidence supporting the verdict that the jury's finding could only have been the result of] sheer surmise and conjecture"), *rev'd on other grounds*, 529 U.S. 205 (2000).

Moreover, the deference may be misplaced in dilution cases because jurors are at a serious disadvantage in their decision-making due to a paucity of important information.

The problem posed by deference to jury decisions can be illustrated by considering the issue of a famous trademark in a dilution case. In order to be eligible for federal dilution protection, a mark must be famous.<sup>246</sup> The federal statutory definition of a famous mark contains several elements: a mark must be (1) “widely recognized,” (2) “as a designation of source,” (3) “by the general consuming public of the United States.”<sup>247</sup> At first blush, these elements appear to require factual decisions, which are the usual province of a jury. In reality, however, each of those elements contains an intermingling of fact and law, because the definition is not tied to a lay understanding of the term famous.<sup>248</sup> Instead, it is a legal limitation on the universe of eligible marks.

The definition of a famous mark raises a number of difficult questions. What do we mean by “widely recognized”? Must it be recognized in all fifty states? Is it sufficient if a very substantial *percentage* of the population recognizes it (and if, so, what is that percentage)?<sup>249</sup> Also, what constitutes the “general consuming public of the United States”? Does this mean the mark must be known by young and old, rich and

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246. Lanham Act § 43(c)(1), (2)(A), 15 U.S.C. § 1125(c)(1), (2)(A) (2006). Most state dilution laws also require the protected mark to be famous, but the parameters governing the decision about whether a mark is famous under most state laws are not identical to the federal ones. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 36-40. Thus, not all of the problems discussed here are equally applicable to most state law dilution claims. On the other hand, the prevalence of attaching supplemental state dilution claims to federal ones presents a separate problem of jury confusion. When the same term—famous—has multiple meanings in the same case, juries may not be able to separate the contexts of each decision.

247. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A). The dilution laws of Alabama, California, Mississippi, and Oregon contain a similar definition of a famous mark. ALA. CODE § 8-12-17(b) (Supp. 2010); CAL. BUS. & PROF. CODE § 14247(a) (West 2008); MISS. CODE ANN. § 75-25-25(b) (2009); OR. REV. STAT. § 647.107(2) (2009). However, under these state laws, marks need only be famous in the forum state to be eligible for dilution protection. Indeed, a majority of state dilution laws now require a mark to be famous *in the state* in order to be eligible for dilution protection, although most of the state laws do not contain any definition of a famous mark. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 37-38.

248. *Maker’s Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 703 F. Supp. 2d 671, 697 (W.D. Ky. 2010) (“‘Fame’ is a lexicon of art particular to trademark jurisprudence; it is not at all the same thing as asking ‘the man on the street’ whether a name, mark or product is ‘famous.’”).

249. It has been suggested that 75% is an appropriate threshold, but no court has so held. See 4 MCCARTHY, *supra* note 52, § 24:106, at 24-293.

poor, hip and not so hip, parents and people without children, and so on?<sup>250</sup>

These types of questions raise two fundamental issues. First, which questions raise issues of fact and which raise issues of law? Although in some ways the statutory definition raises factual questions, the questions just posed are normative questions about the intended reach of the statute. If they are normative questions, then they are not questions that should be answered case by case, depending on context. They are questions that should have a consistent answer in all cases.<sup>251</sup>

The fact/law question will be explored in more depth in subsections B and D. For the purposes of the current discussion, we will assume that the question of fame is a fact-finding question, and examine the problem of jury decision-making in that context. Although juries are commonly trusted as fact finders, there are significant differences in capacity and information between judges and juries that could materially affect the ultimate decision.<sup>252</sup> Consider a typical dilution case decided by a judge and assume that we are either having a final bench trial or, more likely, either a summary judgment motion or a motion for a preliminary injunction. In these latter two situations, of course, the standards of proof are not identical to a bench trial.<sup>253</sup> In each situation the judge

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250. See *Coach Servs., Inc. v. Triumph Learning LLC*, 96 U.S.P.Q.2d 1600, 1611 (T.T.A.B. 2010) (noting that Coach's evidence did not indicate the level of awareness of the mark among men).

251. See *Wal-Mart Stores, Inc.*, 529 U.S. at 213-14 (noting effects of unclear boundaries in trade dress cases). It is also important that a lay definition of famous not be substituted for the statutory one, lest the cabining of dilution intended by the requirement of fame be undone by an overly broad universe of eligible marks.

252. This is not to say that judges are necessarily the best fact finders. See, e.g., Jeffrey W. Stempel, *Refocusing Away from Rules Reform and Devoting More Attention to the Deciders*, 87 DENV. U. L. REV. 335, 353-60 (2010) (noting many imperfections in judicial decisions, factual and legal).

253. A preliminary injunction can issue if there is a *likelihood* of success on the merits and if the equities favor granting a preliminary injunction. See, e.g., *TCPIP Holding Co. v. Haar Comm'ns, Inc.*, 244 F.3d 88, 92 (2d Cir. 2001) (quoting *Fed. Express Corp. v. Fed. Express, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000)). Summary judgment is a fairly stringent standard, in theory looking only to see whether there is any genuine issue of material fact to be tried. See *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1031 (9th Cir. 2010) (quoting *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2002)) (holding that summary judgment in trademark cases is disfavored). *But cf.* *Sally Beauty Co. v. Beautyco, Inc.*, 304 F.3d 964, 972 (10th Cir. 2002) (indicating that trademark cases may be "amenable to summary judgment in appropriate cases"). If there is such an issue, then summary judgment must be denied, even if the side opposing the motion has a weak case. See 10A CHARLES A. WRIGHT, ARTHUR R. MILLER & MARY K. KANE, *FEDERAL PRACTICE & PROCEDURE* § 2725 (3d ed. 1998).

must apply the applicable legal principles to a specific set of facts. For example, a judge (like a jury) would have to decide whether the evidence demonstrates that the plaintiff's mark is "widely recognized by the general consuming public."<sup>254</sup> On what can the judge draw for assistance when making these decisions? All federal judges can (and certainly do) consult written judicial opinions in other trademark cases, whether by district judges or appellate panels. In trademark law, and intellectual property law in general, there are more opportunities for appellate review and interpretation of the law than in garden variety tort cases, for a very simple reason. Litigants in trademark cases typically request a preliminary injunction to stop the alleged infringement as soon as possible.<sup>255</sup> Often the preliminary injunction motion is the most critical juncture of the case, and may end it. Although a decision on a preliminary injunction is interlocutory, the grant or denial of the motion is immediately appealable.<sup>256</sup> Thus, appellate courts hear a relatively large number of such appeals.<sup>257</sup> These appellate opinions do more than simply espouse general legal principles. They must apply the law to a given set of facts, providing an effective database with which a district judge can compare the current set of facts. Much the same is true of district court opinions, though with less precedential force. The various opinions do more than draw legal boundaries; they give the judge some idea of how different sets of facts fit within the boundaries. Thus, the result in a case—accepting or rejecting a claim of fame—and the application of both the definition and factors that guide decisions about a famous mark in a particular

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254. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A). The statute contains four factors to assist the court in making this determination:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

*Id.* § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(2)(A)(i)-(iv). But the factors are open ended and not prioritized.

255. *See, e.g., TCPIP Holding*, 244 F.3d at 92.

256. 28 U.S.C. § 1292(a)(1) (2006).

257. The standard of review for factual matters is technically a strict one, but appellate courts are not shy about reversing district courts in these cases. *See, e.g., Libman Co. v. Vining Indus., Inc.*, 69 F.3d 1360, 1361-63 (7th Cir. 1995) (discussing district court's analysis); *id.* at 1364-68 (Coffey, J., dissenting) (accusing majority of ignoring the clearly erroneous standard of review). *But cf. Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 793, 790-96 (5th Cir. 1983) (applying clearly erroneous standard).

situation (for example, by finding certain levels of advertising to be weighted positively, negatively, or neutrally in the analysis of fame) will give guidance in the next case. Furthermore, many judges, particularly those sitting in districts such as the Southern District of New York, the Northern District of Illinois (Chicago), or the Central and Northern Districts of California (Los Angeles and San Francisco), see a relatively large number of trademark cases. Those judges can rely on their own experience with trademark cases to assist them. In sum, a district judge has a large database of examples of the application of the law to specific factual situations, which can provide useful bases for comparison with the case before the court.

In addition, the district judge may consult secondary sources, such as law review articles and treatises, as well as the actual legislative history of the statute, giving further context to the language and purpose of the statute. Thus, even without formal guidance from the statute or appellate decisions, a district judge has a wealth of information available to guide the decision-making process for each element of the dilution claim.

Jurors, by contrast, have none of these supplemental aids. With no prior knowledge or experience in this area they must make a decision guided only by the judge's instructions, which may not give very much context or guidance to the decision they are about to make.<sup>258</sup> Although they may be given examples,<sup>259</sup> it would be impossible to make the same breadth of material available to juries that is available to judges.

Now consider the composition of the jury. Juries are drawn from one locale—they may not even be representative of the state, let alone the United States.<sup>260</sup> It would not be surprising if jurors used their own experiences to evaluate fame. But their experiences may not be representative of the “general consuming public.”<sup>261</sup> There could be surveys introduced into evidence, which would be more representative, as well as advertising figures from other areas of the country. But they are not required.<sup>262</sup> Jurors have no idea about the relationship of “strong” marks in the infringement context (about which they may have

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258. See *infra* Part V.C for an examination of several examples of jury instructions on the issue of fame.

259. See Roselle L. Wissler, Patricia F. Kuehn, & Michael J. Sacks, *Instructing Jurors on General Damages in Personal Injury Cases*, 6 PSYCHOL. PUB. POL'Y. & L. 712, 719 (2000) (discussing proposals to give juries examples to aid deliberations on the issue of damages).

260. Judges, of course, are not representative, either, but their large database of precedent and experience with trademark cases makes a wide perspective available.

261. See Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

262. Perhaps they should be, at least in a jury trial.

been instructed in the same case) and “famous” ones in the dilution context.<sup>263</sup> And this represents only one facet of the jury’s decision in a dilution case. How different facts interact in a given case—some pointing one way, some another—makes the decision more complicated. Judges can consult similar cases, but juries cannot.

If we move to the issue of likelihood of dilution, the problem is equally prevalent. If we consider dilution by blurring, the questions are whether the defendant’s mark causes an “association” between its mark and the famous one, whether that association is likely to impair the distinctiveness of the famous mark, and whether the defendant intended to trade on the reputation of the famous mark.<sup>264</sup> Although the statute lists six factors for decision makers to use to answer the first two questions (relating to impairment of distinctiveness), as with the issue of fame, the statute does not specify the relative importance of any factor and, in fact, indicates that there is no mathematical formula for deciding the question and even that the factors are not mandatory.<sup>265</sup> Moreover, because the factors are indirect measures of dilution, their applicability varies with context. As with fame, a judge can compare the present case with published cases to see how other courts have assessed similar fact situations. If she wishes, the judge can consult secondary sources, such as law reviews and treatises. Jurors cannot consult any of these additional sources of information. And, because dilution is a concept with which few, if any, jurors (not to mention judges) will have had experience, having examples of different factual contexts in which dilution was and was not found is extremely important.<sup>266</sup>

Thus, in the fact-finding process, the jury is at a decided disadvantage. Lacking relevant experience,<sup>267</sup> the jury is not supplied with the

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263. See Lanham Act § 43(c)(2), 15 U.S.C. § 1125(c)(2) (discussing famous mark); *Accu Pers., Inc. v. AccuStaff, Inc.*, 823 F. Supp. 1161, 1165 (D. Del. 1993) (discussing strong marks). In theory, a judge could instruct the jury on some of these issues with greater specificity. However, as discussed later in subsections C and D, this does not happen in actual cases.

264. See Lanham Act § 43(c)(2)(B), 15 U.S.C. § 1125(c)(2)(B) (2006).

265. See *id.* § 43(c)(2)(B)(i)-(vi), 15 U.S.C. § 1125(c)(2)(B)(i)-(vi). The statute says that “the court may consider all relevant factors, including the following [six factors].” *Id.*

266. By contrast, the mental state constituting confusion can be presented to jurors in a manner that allows their personal experience to have relevance. No doubt they all have been confused at one time or another. Similarly, the question of intent to trade on another’s reputation, which is required for a damage award, see Lanham Act § 43(c)(5), 15 U.S.C. § 1125(c)(5) (2006), is a matter that is more likely to be similar to some experiences of at least some of the jurors.

267. In a garden variety tort or contract case, jurors usually have relevant experiences, at least at some level of generality. See *infra* Part V.D.

factual context that judges have and that can assist the decision-making process.

But there is a larger problem lurking in the background. In the decision about fame, a jury needs to answer the three basic questions posed in the definition: is it (1) widely recognized; (2) as a designation of source; (3) by the general consuming public.<sup>268</sup> Unfortunately, those questions are very open-ended. Judicial opinions and the statutory factors have delineated the boundaries of those questions somewhat, but the limited purview of summary judgment, combined with court pronouncements that seem to discourage its use,<sup>269</sup> may put pressure on trial judges to allow cases to go to a trial (before a judge or jury).

In theory, at trial, the judge should provide the necessary legal parameters to the jury. However, as we shall see, this is not the case.<sup>270</sup> The issue of fame requires additional legal parameters if the basic questions are to be answered accurately: Is there a minimum level of recognition that comports with being “widely recognized”? Is there a required level of diversity of the public to constitute the “general consuming public”? And what do we mean by a “designation of source”?<sup>271</sup> The definition also has a history, which is important when deciding which marks are famous. The current definition was a reaction to the decisions of courts under the original federal statute which, most notably, split on the issue regarding whether marks were eligible for dilution protection if they were famous only within a limited product market (with a limited pool of consumers)—so-called “niche fame.”<sup>272</sup> The definition of a famous mark in the TDRA<sup>273</sup> was intended to eliminate niche fame, but the statute only says that indirectly.<sup>274</sup> In addition, the original dilution statute contained no definition of a famous mark but listed eight guiding factors.<sup>275</sup> The TDRA contains a some-

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268. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

269. See *Fortune Dynamic, Inc.*, 618 F.3d at 1031 (quoting *Entrepreneur Media v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2007)) (disfavoring summary judgment in trademark cases).

270. See *infra* Part V.C. If there is a bench trial, the court must issue findings of fact and conclusions of law. FED. R. CIV. P. 52. The appellate court’s review of conclusions of law is de novo, but it must uphold the findings of fact unless clearly erroneous. FED. R. CIV. P. 52(a)(6).

271. See Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

272. See WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 304-13.

273. Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c)).

274. *E.g.*, *Top Tobacco, L.P. v. N. Atl. Operating Co.*, 509 F.3d 380, 384 (7th Cir. 2007); *Maker’s Mark Distillery, Inc.*, 703 F. Supp. 2d at 697.

275. See FTDA, Pub. L. No. 104-98 § 3(c)(1)(A)-(H), 109 Stat. 985 (1996) (current version at 15 U.S.C. § 1125(c) (2006)).

what specific definition and only four factors.<sup>276</sup> All of this history is relevant to the proper application of the statutory definition. Judges can look to court opinions and legislative history for assistance when applying the definition; juries look to the trial judge's instructions. If there are gaps in the instructions, then juries must fill in the gaps themselves. If these are deemed simply fact gaps, then the information gap just discussed is the main problem. However, if these are normative questions about where lines ought to be drawn, then we are asking juries to make legal decisions, not factual ones.

Similarly, the questions to be answered when considering the likelihood of dilution contain many gaps. How do we know whether an "association" between the second mark and the famous mark will "[impair] the distinctiveness" of the famous mark?<sup>277</sup> The statute lists six factors to consider, but gives them no context.<sup>278</sup> How much actual association is relevant—if only ten percent of the public makes an association, is that enough? Does the association have to be widespread or can it be confined to a single type of consumer? Does inherent distinctiveness count more than acquired distinctiveness in blurring?<sup>279</sup> Should intent be decisive if intent to create an association is found?<sup>280</sup> In reality, this may be the most important question: Are these purely factual questions, or are they really legal questions?

To some degree, these questions can be illuminated by jury instructions. Of course, that assumes that there are helpful judicial opinions available to be used in the formation of instructions.<sup>281</sup> In addition, summary judgment can set the outer limits of a jury's domain—at some point, the record does not allow a finding of fame and/or dilution, and at some point, fame and dilution exist as a matter of law. However, summary judgment is a very crude tool for drawing lines. Courts are discouraged from granting summary judgment, and trial judges often deny summary judgment because the standard is fairly strict.<sup>282</sup> Thus,

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276. Lanham Act § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(A)(2)(i)-(iv).

277. *See id.* § 43(c)(2)(B), 15 U.S.C. § 1125(c)(2)(B).

278. *See id.* § 43(c)(2)(B)(i)-(vi), 15 U.S.C. § 1125(c)(2)(B)(i)-(vi).

279. *See Nat'l Pork Bd. v. Supreme Lobster & Seafood Co.*, 96 U.S.P.Q.2d 1479, 1497 (T.T.A.B. 2010) (focusing its dilution analysis primarily on inherent distinctiveness, rather than acquired distinctiveness).

280. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1582 (2006) (noting that intent to cause confusion tends to be decisive in infringement cases).

281. *See* discussion *infra* Part V.D.

282. 10A WRIGHT, MILLER, & KANE, *supra* note 253, § 2712 ("summary judgment must be used with a due regard for its purposes and should be cautiously invoked so that no person will be improperly deprived a trial of disputed factual issues"); *see id.* § 2725. *See*

the parameters within which the ultimate fact finder operates, be it judge or jury, are very broad. In effect, this cedes to the fact finder much of the normative line drawing.

The consequence is a huge information gap between a judge and a jury. The information gap has two dimensions: (1) a lack of factual reference from which to draw factual conclusions, and (2) a lack of legal reference points from which to make both factual decisions and, when it is left to the trier of fact, making decisions about where the statute's legal boundaries may lie. It is difficult to believe that this information gap is not significant when it comes to decision-making in a fairly technical (in the legal sense) area.

### *B. The Law-Fact Divide and the Example of Fame*

As the above discussion makes clear, the problem with jury decision-making in dilution cases presents both fact determination issues and normative line-drawing issues. It is the second of these with which this subsection is concerned. To what extent are the elements of dilution really legal issues, not factual issues? The normal judge-jury divide is a legal-factual one.<sup>283</sup> If the issue to be decided is legal, then it is for the judge to decide, not a jury. Again, we will focus on the element of fame in a dilution case to illustrate the problem, though other elements of the dilution claim raise similar concerns. The issue of fame and the legal parameters that guide the decision are particularly important because fame is a gatekeeper in dilution analysis. If too many marks are allowed through the gate, then the careful balance that Congress struck between granting some marks special protection and ensuring that dilution does not supplant ordinary infringement will be disrupted. A jury has no knowledge of this balance or of the gatekeeping function. It decides the case before it in a vacuum. It may be tempting to send the issue of fame to a jury because of the factual overtones of the decision. Certainly the decision to find a mark famous sounds like an issue of fact. But experience indicates that this is not really the case; the issue of fame involves an interplay of legal norms and historical facts. Furthermore, as indicated in the previous section, the legal norms are not completely expressed in the statutory language.<sup>284</sup>

The problem that this presents in trademark cases was discussed in an opinion by Judge Jon O. Newman of the Second Circuit, dissenting

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also 11 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE-CIVIL ¶ 56.24[2] (3d ed. 2011); cf. *id.* ¶ 56.24[3][a] (noting difficulties distinguishing law and fact).

283. See generally James B. Thayer, "Law and Fact" in *Jury Trials*, 4 HARV. L. REV. 147 (1890) (classical discussion of the divide).

284. See Lanham Act § 43(c)(2), 15 U.S.C. § 1125(c)(2) (2006).

in *Samara Brothers, Inc. v. Wal-Mart Stores, Inc.*<sup>285</sup> The *Wal-Mart* case, which eventually went to the Supreme Court,<sup>286</sup> involved a claim of trade dress infringement, where the alleged protectable trade dress was the design of the clothing manufactured by the plaintiff.<sup>287</sup> A jury decided that the trade dress was “inherently distinctive” and therefore protectable, and the majority upheld that finding.<sup>288</sup> In a portion of his dissent, Judge Newman delineated the detriments of giving juries too much leeway in certain types of cases:

Every jury verdict is entitled to a fairly high degree of deference regardless of the nature of the issue decided. To state that proposition, however, does not preclude recognition of the principle that the boundaries within which an issue is reasonably a fact issue for a jury are narrower in some contexts than in others. When juries are called upon to resolve conflicting versions of historical facts, the boundaries are fairly wide. Reviewing courts take a generous view of what a reasonable jury could conclude with respect to historical facts, such as what happened at the scene of an accident. But the broad range of reasonable fact-finding as to historical facts and familiar legal issues like negligence is not appropriate for issues infused with technical legal meaning, issues with which juries are almost completely unfamiliar.

When reviewing courts consider jury verdicts on such issues as the reasonableness of a challenged restraint of trade or the protectability of a trade dress, I believe reviewing courts should recognize that the boundaries in which jury fact-finding may permissibly occur are somewhat narrow. It is not a matter of giving less deference to a jury's fact-finding, reached within an allowable scope. Rather, it is a matter of recognizing that the scope of allowable fact-finding is narrower. When the issue is negligence, many combinations of fact patterns can reasonably be found in the typical contested case, and juries have wide latitude to determine what they think the facts were and thereby to find either that there was negligence or there was not. But on more esoteric issues, courts should recognize that there are fewer combinations of fact patterns that could reasonably be found in a given case, and should therefore somewhat narrow the range in which jury fact-finding is permissible. Otherwise, we are ceding to juries broad

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285. 165 F.3d 120, 133-37 (2d Cir. 1998) (Newman, J., dissenting in part), *rev'd on other grounds*, 529 U.S. 205.

286. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, *rev'g* 165 F.3d 120. The Supreme Court did not discuss the issue presented in the portion of Judge Newman's dissent that is reproduced below. *See id.*

287. *Wal-Mart*, 165 F.3d at 123 (majority opinion).

288. *Id.* at 127 (internal quotation marks omitted).

authority to determine the substantive scope of the law on topics such as antitrust, copyright, trademark, and, in this case, trade dress.<sup>289</sup>

Judge Newman's observations could be criticized as making unwarranted assumptions both about jury capabilities and about the scope of possible fact patterns in a given trademark case. However, there are two points in his remarks that have particular salience to this discussion. His last comment, that giving a wide berth to jury decisions effectively "ced[es] . . . broad authority to determine the substantive scope of the law," goes directly to the law-fact divide.<sup>290</sup> One interpretation of this comment is that many of the decisions labeled "factual" are really heavily infused, explicitly or implicitly, with normative limits, and those limits are not made known to juries. A related interpretation, or perhaps a corollary, is that many factual issues, such as whether a mark is famous for dilution purposes, are either purely legal issues or a mixture of fact and law, in a manner approximating the issue of negligence in an ordinary tort case, but of a kind that does not lend itself to resolution by a jury.

This leads to his second point, about the "allowable scope" of jury fact finding.<sup>291</sup> Taking the issue of fame as an example, the allowable scope of fact finding—by either a judge *or* a jury—is circumscribed by the statutory definition of a famous mark.<sup>292</sup> Thus, the fact finder cannot simply rely on a lay understanding, or a dictionary definition, of fame.<sup>293</sup> However, the statutory definition, as we have discussed, includes some poorly defined parameters, such as "widely recognized."<sup>294</sup> Because the issue is not whether the mark is famous in a lay historical sense, but whether the mark is famous in the limited sense intended by the statute, it is up to the courts to give meaning to the ill-defined terms and phrases. This recognizes the appropriate division of labor between judge and jury. The jury determines the historical facts and then fits them into the normative framework provided by the judge. The fact-finding mission of the jury is necessarily limited to those facts necessary to fill in the factual gaps in the legal framework. Thus, in the case of fame, the jury would decide, as a matter of historical fact, what percentage of the population had heard of the mark,<sup>295</sup> how widely

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289. *Id.* at 135-36 (footnotes omitted) (Newman, J., dissenting in part).

290. *Id.*

291. *Id.* at 135.

292. See Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

293. *Maker's Mark Distillery, Inc.*, 703 F. Supp. 2d at 697.

294. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

295. The mark also must be famous prior to the time when the unauthorized use began. *Id.* § 43(c)(1), 15 U.S.C. § 1125(c)(1).

geographically dispersed that group is, and what subgroups within the population were aware of the mark, as well as at what percentages each subgroup was aware.<sup>296</sup> However, in order to know whether a mark is famous, the jury must be given a framework of legal relevance—what range of percentages are significant, what geographic dispersal is required, how many subgroups must be aware to constitute the “general consuming public,” etc.<sup>297</sup> In theory, that arrangement would appear to satisfy Judge Newman’s criteria.<sup>298</sup> However, in reality, the legal framework given to a jury is nothing like the one just posited. The question, then, is whether it is legitimate to give the jury a fairly skeletal legal framework and then review its conclusions under a deferential standard of review that effectively assumes that the jurors were aware of the unstated nuances of the statutory language.<sup>299</sup>

Of course, as Judge Newman concedes, in an ordinary negligence case we allow the jury to decide the issue of negligence notwithstanding the fact that the decision implicates a normative function: what *should* a “reasonable person” do under the circumstances.<sup>300</sup> The question is why an issue like fame should be treated differently. One answer may be that when we delegate the normative function to the jury, we do so on the assumption that the jurors’ ability to draw a proper normative line is comparable to that of a court or a legislature. In the usual negligence case, there are few “unseen” normative lines which would materially alter the parameters of a jury’s deliberations if they were known. Although a jury might find it informative to know how other juries decided similar cases, it is assumed not to be material, and we assume that it would not send inappropriate messages about proper behavior to the general public if the results are not congruent from case to case.<sup>301</sup>

By contrast, when deciding an issue like fame, there are a number of unseen normative limits of which a jury would be unaware, and which would materially alter the parameters of its deliberations. The simplest example is the concept of niche fame, which was supposed to have been eliminated by the TDRA.<sup>302</sup> If a jury is not aware of this limit, which

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296. *See id.* § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(2)(A)(i)-(iv).

297. *See id.* § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

298. *See Wal-Mart*, 165 F.3d at 135-36 (Newman, J., dissenting).

299. In Judge Newman’s view this would be an abdication of the judicial role. *See id.*

300. *Id.* at 135.

301. Indeed, this may be viewed as desirable because a vague line keeps behavior (mostly) at a reasonable distance from the line dividing legal from illegal conduct, whereas a clear line allows one to go up to the edge of the line.

302. *E.g.*, *Haynes Int’l, Inc. v. Electralloy*, No. 04-197E, 2009 WL 789918, at \*18 (W.D. Pa. Mar. 24, 2009); *Am. Mensa, Ltd. v. Inpharmatica, Ltd.*, No. WDQ-07-3283, 2008 U.S.

is only indirectly expressed in the language of the statute, it could easily ignore an important *legal* limit on its decision-making. But because fame is viewed as a factual matter, courts may be tempted to give only cursory review to the jury's decision, upholding it if it is at least "reasonable."<sup>303</sup> Similarly, although the statute formally includes the existence of a federal registration as a factor favoring fame, it is actually a minor boost at best.<sup>304</sup> Although the existence of registration is a fact, the weight it is given is really a matter of the *legal* effect of registration on the issue of fame, and an uninformed jury probably would misinterpret its *legal* weight in the decision.<sup>305</sup> However, a reviewing court would not necessarily reverse just because the jury was not informed that the weight to be accorded federal registration is small. Moreover, the absence of normative congruence has a significant effect

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Dist. LEXIS 99394, at \*35 (D. Md. Nov. 6, 2008); Bd. of Regents, The Univ. of Tex. Sys. v. KST Elec., Ltd., 550 F. Supp. 2d 657, 662, 678 (W.D. Tex. 2008) (magistrate judge opinion adopted by the district court); ComponentOne, L.L.C. v. ComponentArt, Inc., No. 0205 cv1122, 2008 WL 4302108, at \* 2 (W.D. Pa. Dec. 6, 2007); Milwaukee Elec. Tool Corp. v. Robert Bosch Tool Corp., No. 05 C 1171, 2007 WL 2875232, at \*3 (N.D. Ill. Sept. 28, 2007) (noting that, prior to the TDRA, the Seventh Circuit accepted niche fame); PBI Performance Prods., Inc. v. NorFab Corp., No. 05-4836, 2007 WL 2677627 (E.D. Pa. Aug. 3, 2007) (discussing niche fame in subsection IV). The House also thought that it eliminated niche fame. H.R. REP. NO. 109-23, at 8 (2005), *reprinted in* 2006 U.S.S.C.A.N. 1091, 1096-97.

303. See *Super Duper, Inc. v. Mattel, Inc.*, 382 F. App'x 308, 312 (4th Cir. 2010) (quoting *Dotson v. Pfizer, Inc.*, 558 F.3d 284, 292 (4th Cir. 2009)) (upholding jury verdict). One might question how the court concluded that the verdict was "reasonable" without resorting to any of the normative limits on the jury's decision. See *id.*

304. See Lanham Act § 43(c)(2)(A)(iv), 15 U.S.C. § 1125(c)(2)(A)(iv). Courts have cited registration, or lack thereof, but it has not been a dispositive factor. See, e.g., *Big Boy Rests. v. Cadillac Coffee Co.*, 238 F. Supp. 2d 866, 870 (E.D. Mich. 2002); *Pocono Int'l Raceway, Inc. v. Pocono Mountain Speedway, Inc.*, 171 F. Supp. 2d 427, 444 (M.D. Pa. 2001) (citing registration); *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, No. IP 97-1682 C M/S, 2000 WL 1428665, at \*17 (S.D. Ind. Aug. 30, 2000) (holding that lack of registration "weighs against finding famousness, although it alone is not dispositive"); *Wash. Speakers Bureau, Inc. v. Leading Auths., Inc.*, 33 F. Supp. 2d 488, 504 (E.D. Va. 1999) ("The conclusion that 'Washington Speakers Bureau' is not famous is bolstered by WSB's failure to register . . ."), *aff'd on other grounds*, 217 F.3d 843 (4th Cir. 2000); *Hershey Foods Corp. v. Mars, Inc.*, 998 F. Supp. 500, 517 (M.D. Pa. 1998) (holding that failure to register weighs against fame); *Star Markets, Ltd. v. Texaco, Inc.*, 950 F. Supp. 1030, 1036 (D. Haw. 1996).

305. This is particularly true of the factor of registration. Most registered marks are not famous, and there is no inherent reason why registration makes it more likely that a mark is famous, although most famous marks probably are registered. However, an unguided jury may overemphasize the importance of registration.

on the behavior of trademark owners, and that effect may be undesirable.<sup>306</sup>

An additional argument that fame is different than negligence is rooted in the different normative judgments required in each instance. Generally speaking, making normative judgments is a matter for judges and legislators. Juries are empanelled to adjudicate historical facts. This is consistent with the nature of a jury as a one-time tribunal, constituted solely to examine a single case and determine what happened in that case. The trial process is oriented toward this one-time nature, by focusing the evidence on what is relevant to the particular case, not the wider normative aspects of the case.<sup>307</sup> When a jury enters the realm of normative judgments, it is straying from its institutional competence. Normative judgments are, or ought to be, the product of a consideration of a wide range of experiences, often far afield from the case at hand, so that the policy is a result of an accumulation of different experiences that gives the decision maker sufficient data from which to make an informed policy choice. Legislators invoke this process when they hold hearings on proposed legislation, where they may also be provided data by various interested groups. Judges invoke the process in several ways. As discussed in the previous section, they have access to the reports of other cases, giving them a larger database from which to evaluate the effects of a particular normative decision. To the extent that judges hear significant numbers of these types of cases, they have their own data set from which to draw.<sup>308</sup> Finally, through

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306. It could lead to an excessive number of lawsuits claiming dilution if trademark owners think they can defeat a motion for summary judgment. *See infra* text accompanying notes 319-22.

307. *See* William C. Whitford, *The Role of the Jury (and the Fact/Law Distinction) in the Interpretation of Written Contracts*, 2001 WIS. L. REV. 931, 932-33 (arguing that the fact/law distinction turns on particularity versus generality: if the matter is particular to this case, it is one of fact). This is not to say that trials never include evidence of the wider significance of the issues, but the scope of relevance in a typical civil case—that is, one that is not aimed at institutional reform, for example—will limit the admissible facts to ones focused more on the situation at hand. *But see* Stephan Landsman, *Appellate Courts and Civil Juries*, 70 U. CIN. L. REV. 873, 882-83 (2002) (noting that cigarette litigation began to flourish when lawyers introduced evidence of societal harm from smoking).

308. Here, I wish to draw a distinction between the advantages of a judge using his or her experience to make *normative* judgments and the perceived advantages—which may be ephemeral or even disadvantageous—of having a judge make factual and credibility judgments in individual cases based on experience. *See* Barbara A. Spellman, *On the Supposed Expertise of Judges in Evaluating Evidence*, 156 U. PA. L. REV. PENNumbra 1, 7-8 (Mar. 2007), <http://www.pennumbra.com/responses/03-2007/Spellman.pdf> (suggesting that judges will not be better than, and may in some ways be worse than, juries in evaluating facts and that expertise may lead to “inflexibility” in thinking).

the vehicle of amicus curiae briefs and legislative history, judges have access to the kind of data provided to legislators. Fame requires an understanding of the legal world outside of the case before the court.

Jurors, by contrast, would be forced to make policy based on a data set consisting only of one case. That is hardly the sort of representative sampling that makes for good policy choices. But, one might point out, we do allow juries to make normative judgments in negligence cases; how is fame (or dilution) different? After all, we allow juries to determine the contours of negligence in cases large and small. Although many negligence cases are relatively simple, others are complex, so simplicity cannot be the basis for a distinction. Nor can the size of the potential judgment be critical, because many negligence cases lead to very large judgments. Focusing on the issue of fame for dilution purposes, one can explain the difference by the intended effect of historical facts on the ultimate decision, and by the type of normative judgment demanded in a negligence case. Juries are instructed that negligence is a failure to act as a reasonable person should *under the particular circumstances of the case*.<sup>309</sup> How does a jury decide what actions were or were not reasonable under the circumstances?<sup>310</sup>

First of all, because the standard is focused on the circumstances of the case, it is particularized in that context. When it comes to negligence, even if the jury agrees about the basic historical facts, there may be room for disagreement about whether those facts create a violation—that is, whether defendant's actions were unreasonable under the circumstances. For example, it may be agreed that the defendant was driving under the speed limit but was looking in the rear view mirror at the moment that the plaintiff, who signaled for a lane change, moved into the lane in front of defendant's car. The defendant looked down but there wasn't enough time or room to slow sufficiently, and the defendant rear-ended the plaintiff's car. All of the "historical facts" can be agreed upon. However, allocating fault is another matter, and we are willing to leave this to a jury because the law provides no solution to the issue. It is a normative judgment, but one that we believe can be made as well by the jury as by the judge. Although a negligence decision has effects beyond the particular case, the actual legal interpretation is really limited to those facts. However, in the case of fame, the jury must formulate a global interpretation of the statute in order to make a decision.

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309. *W. Union Tel. Co. v. Catlett*, 177 F. 71, 76 (4th Cir. 1910).

310. Some might argue that, because the judgment of reasonableness applies only to a single case, there are sufficient grounds to allow the jury to decide the issue. See Whitford, *supra* note 307, at 933-34.

The particularization can be illustrated by jury instructions and supporting case law in negligence cases. In California, juries are instructed as follows: "A person is negligent if he or she does something that a reasonably careful person would not do in the same situation."<sup>311</sup> They are further instructed that "You must decide how a reasonably careful person would have acted in [*name of plaintiff/defendant*]'s situation."<sup>312</sup> The supporting authority for this instruction states that the California Supreme Court has called this standard "inherently situational," and further, that "the amount of care deemed reasonable in any particular case will vary, while at the same time the standard of conduct itself remains constant . . . ."<sup>313</sup> Moreover, even in more complex cases, the essential standard is not materially different. Thus, in professional negligence cases—for example, legal malpractice—jurors are told to judge negligence by looking at "the skill and care that a reasonably careful [*insert type of professional*] would have used in similar circumstances."<sup>314</sup> In a strict liability action for defective design, where, in theory, "negligence" is not the issue, the California jury is instructed to use a "Risk-Benefit Test" that weighs the potential harm and the likelihood of its occurrence against the feasible existing alternatives, the costs of the alternatives, and the disadvantages of the alternatives.<sup>315</sup> Although it does not use the word "negligence," this standard is also situational, much the same as an ordinary negligence case.<sup>316</sup>

Contrast this with the issue of fame. Assume that the plaintiff has spent \$10 million advertising its ZOWIEWOWIE mark in the Northeast, Far West, Texas, and the upper Midwest (Michigan, Minnesota, Ohio, northern Illinois and northern Indiana) on television and in various local newspapers. Seventy-five percent of men eighteen and older and thirty percent of women of the same age group have heard of the mark. Only forty percent of the nonwhite population of those areas has heard of the mark. Is ZOWIEWOWIE famous? Here, the question is whether the mark is "widely recognized . . . by the general consuming public of the

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311. JUDICIAL COUNCIL OF CALIFORNIA CIVIL JURY INSTRUCTIONS (CACI) No. 401 (2011), available at [http://www.courts.ca.gov/partners/2011\\_Edition.pdf](http://www.courts.ca.gov/partners/2011_Edition.pdf).

312. *Id.*

313. *Id.* Sources & Auth. (quoting *Flowers v. Torrance Mem. Hosp. Med. Ctr.*, 884 P.2d 142, 144 (Cal. 1994)).

314. *Id.* No. 600.

315. *Id.* No. 1204.

316. See *Lambert v. Gen. Motors*, 67 Cal. App. 4th 1179, 1185 (1998) ("Where liability depends on the proof of a design defect, no practical difference exists between negligence and strict liability; the claims merge."); see also Whitford, *supra* note 307, at 932.

United States.”<sup>317</sup> This, in turn, depends on the proper interpretation of that statutory language. If fewer than half of minorities and women recognize the mark, is that sufficiently representative of the general consuming public? How widely recognized does the statute require? In theory, a proper statutory interpretation would answer those questions. But the instructions in several dilution cases discussed below give no guidance, leaving the statutory interpretation to the jury. However, unlike the car accident, where we are content to leave the question of unreasonable conduct under the circumstances to a jury, a question of statutory interpretation should be for a judge. And unlike the negligence situation, the statute, properly interpreted, should answer the question fairly definitively once the basic historical facts are determined.

Fame requires a jury to imagine whether the mark is widely recognized outside of the context of any single case. In addition, the jurors would use their collective experiences of similar or at least analogous circumstances. Thus, the decision about what constitutes negligent behavior is not based solely on a single case, but on the life experiences of the jurors collectively. It is inherent in the nature of the negligence decision that this is a relative decision, requiring consideration of other situations, some of which would be instances of reasonable conduct, others of which would be considered unreasonable. The jury’s experiences would be highly relevant to this normative policy choice. Thus, the jury’s normative decision is the result of a process that somewhat resembles that of a legislator or judge.

By contrast, unless there are trademark lawyers on the jury, the decision about fame would be uninformed by relevant experience. In the first place, because fame is circumscribed by a statutory definition and because it is a statutory scheme that only applies in unusual circumstances, jurors are unlikely to have any actual experience with the line-drawing issues involved. And, because the jurors have no other outside sources from which to glean enlightenment, their normative decision will be a highly uninformed one.<sup>318</sup>

There is an additional consequence of allowing jurors excessive leeway in deciding trademark cases. In the Supreme Court’s unanimous opinion

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317. Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

318. This does not mean it will necessarily be wrong, but it is unlikely to be the product of a consideration of all truly relevant factors. It may also be argued that the decision involves use of parameters that are more generalized and that those parameters are thus issues of law. *See* Whitford, *supra* note 307, at 934-35 (noting that some contracts issues may be generalized, while others are particular to a single case).

in *Wal-Mart*,<sup>319</sup> the Court justified imposing a higher standard for demonstrating eligibility for protection of product designs than for other trademark devices partly on the grounds that lawsuits can be anticompetitive weapons.<sup>320</sup> If it is too easy to threaten a plausible lawsuit, competitors will hesitate to compete in ways that may benefit consumers but may risk lawsuits. The threat of a dilution lawsuit based on a claim that one's mark is famous is similarly problematic. If it is difficult to distinguish famous marks from nonfamous marks, then many trademark owners could make a "plausible threat" of a dilution lawsuit against an unauthorized user of the same or a similar mark.<sup>321</sup> Because dilution does not require confusion, this would result in many potential defendants faced with a decision about liability and lawsuit expenses under circumstances that would not expose them to liability for ordinary trademark infringement. This problem, naturally, suggests that a solution is simply a statutory clarification of the definition of a famous mark. But apart from the political barriers to implementing such a fix, the practical problem is that any definition will inevitably be imprecise. That imprecision must be filled in with judicial decisions. The sum of those decisions creates limits on the scope of the definition of famous. Except in those instances where clear lines are drawn by appellate courts, however, trial judges will be reluctant to include such information in jury instructions, resulting in a lack of normative guidance.<sup>322</sup> That, in turn, can lead to the problems identified in *Wal-Mart*, at both the Court of Appeals and Supreme Court levels.<sup>323</sup>

Thus, Judge Newman's critique may be restated as a desire to tailor the scope of jury discretion to the appropriate legal standards that govern the case.<sup>324</sup> In essence, the critique recognizes that in many cases, notably trademark cases, there is a normative overlay on the fact-finding process, of which the jury is unaware.<sup>325</sup> This represents the underlying policy that circumscribes the substantive law. Thus, in a

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319. The Court reversed the Second Circuit, holding that a product design must have secondary meaning to be protected, which was not shown in *Wal-Mart*. 529 U.S. at 216.

320. *Id.* at 213 ("Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.").

321. *See id.*

322. *See, e.g.,* Nancy S. Marder, *Bringing Jury Instructions Into the Twenty-First Century*, 81 NOTRE DAME L. REV. 449, 451 (2006).

323. *See Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d at 135-36 (Newman, J., dissenting); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. at 213-14.

324. *See Wal-Mart*, 165 F.3d at 135-36 (Newman, J., dissenting).

325. *See id.*

trade dress case, allowing juries a wide scope to determine whether a particular trade dress is protectable would risk overprotection of what might be functional or relatively common attributes, making competition difficult. It would be extremely difficult to inform juries properly of the need to account for competitive problems (although if functionality is at issue, then *some* instruction would be necessary).<sup>326</sup> As discussed above, the lack of information available to the jury makes it difficult for the jury to make informed decisions on these issues.

However, Judge Newman's critique does not specify how an appellate court, or a trial court, should set the necessary boundaries, especially within the confines of the Seventh Amendment's reexamination clause.<sup>327</sup> The problem is particularly acute where, as in dilution cases, there is relatively little appellate guidance available and where the statutory definition and guiding factors are themselves somewhat vague.

Addressing the problem requires greater attention by the trial judge at the summary judgment or the judgment as a matter of law phases of the litigation, or both. Weeding out cases that are not within the intended statutory parameters would largely, though not entirely, solve the problem of giving too much discretion to juries. But this runs into two problems. First, there is the reluctance of trial courts to be overly searching at that stage of the litigation, lest they be reversed and have the case come back to them.<sup>328</sup> Second, there is a need to articulate the legal boundaries that are implicit in the language of the statute.

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326. See, e.g., *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277 (Fed. Cir. 2002) (stating analysis of functionality includes consideration of effect on competition of permitting trademark owner to preclude others' use of the trademarked design).

327. See *Wal-Mart*, 165 F.3d at 135-36 (Newman, J., dissenting). That part of the Seventh Amendment states that "no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law." U.S. CONST. amend. VII. The wording, obviously, invites a law-fact division of labor.

328. This, too, has its problems: an appellate court will be reluctant to rely on a judgment as a matter of law to overturn a jury verdict, as illustrated by the Second Circuit's majority opinion in *Wal-Mart*, 165 F.3d at 123-24 (citing *Schlaifer Nance & Co. v. Estate of Warhol*, 119 F.3d 91, 98 (2d Cir. 1997)). *But see* Landsman, *supra* note 307, at 873 (arguing that appellate courts are often too willing to overturn jury verdicts). A comprehensive empirical study of federal appellate decisions also concluded that "[a]ppellate courts are indeed more favorable to defendants than are trial judges and juries." Kevin M. Clermont & Theodore Eisenberg, *Plaintiphobia in the Appellate Courts: Civil Rights Really Do Differ From Negotiable Instruments*, 2002 U. ILL. L. REV. 947, 949 (2002). That study still found that most trial court decisions are affirmed. *Id.* at 952 (showing that defendants win about a third of their appeals, while plaintiffs win about 12%). Clearly, the study and Professor Landsman's analysis argue at least for caution about common generalizations about the appellate process.

Unfortunately, when cases are not properly confined before trial, the nature of the jury's decision-making often switches from historical fact finding to legal line-drawing. This is illustrated more concretely in the next section, which examines the instructions from several recent dilution jury trials.

*C. Illustrations of the Problem: Jury Instructions on the Issue of Fame*

The best way to see the depth of the problem is to examine some actual examples of jury instructions. In this section, we shall review several recent jury trials as case studies of the issues discussed here.

The problems discussed above are well illustrated by a recent case that was tried to a jury, *Super Duper, Inc. v. Mattel, Inc.*<sup>329</sup> The case involved claims of both trademark infringement by confusion and trademark dilution, but for the moment, we will focus on the dilution claim. When Super Duper's application to register certain marks was opposed by Mattel, Super Duper brought a declaratory judgment suit, asking that its marks be declared not to violate Mattel's trademark rights. Mattel counterclaimed, alleging, among other things, that Super Duper's use of "SEE IT! SAY IT!" (and other marks) as a trademark was likely to dilute the distinctiveness of Mattel's "SEE 'N SAY" and "THE FARMER SAYS" trademarks.<sup>330</sup> In order to win its dilution claims Mattel had to show (1) that its trademarks were "famous"; (2) that the marks were famous before Super Duper made a "use in commerce" of the offending marks; and (3) that Super Duper's marks were likely to cause either "dilution by blurring" or "dilution by tarnishment" of Mattel's famous mark.<sup>331</sup> The terms "famous," "dilution by blurring," and "dilution by tarnishment" are all defined in the current version of the federal dilution statute.<sup>332</sup>

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329. 382 F. App'x 308 (4th Cir. 2010) (upholding jury verdict).

330. *Id.* at 311-12 n.1.

331. *See* Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1).

332. *Id.* §§ 43(c)(2)(A) (defining a "famous mark"), (c)(2)(B) (defining "dilution by blurring"), and (c)(2)(C) (defining "dilution by tarnishment"), 15 U.S.C. §§ 1125(c)(2)(A), (c)(2)(B), (c)(2)(C). The original version of the statute did not define what a "famous" mark was—it simply included eight factors to assist in the decision—and it did not use the terms "dilution by blurring" or "dilution by tarnishment." *See* FTDA, 109 Stat. 985. There was a single definition of "dilution" for all types of claims, although it was not particularly satisfactory. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 421 n.1, 432-33 (2003) (citing the original definition of dilution and noting that it did not clearly encompass tarnishment as a form of dilution).

Let us consider the instructions to the jury in *Super Duper* on the issue of a famous mark.<sup>333</sup>

**FEDERAL TRADEMARK DILUTION - IN GENERAL**<sup>334</sup>

IF THE OWNER OF A FAMOUS TRADEMARK ESTABLISHES THAT ANOTHER PARTY BEGAN USING A TRADEMARK, WHICH IS LIKELY TO CAUSE DILUTION OF THE FAMOUS TRADEMARK AFTER THE OWNER'S TRADEMARK BECAME FAMOUS, IT CAN ENJOIN THE USE OF THAT TRADEMARK, REGARDLESS OF THE PRESENCE OR ABSENCE OF ACTUAL OR LIKELY CONFUSION, THE PRESENCE OR ABSENCE OF COMPETITION, OR THE PRESENCE OR ABSENCE OF ACTUAL ECONOMIC INJURY. THIS IS KNOWN AS AN INJUNCTION. DILUTION IS THE LESSENING OF THE CAPACITY OF A FAMOUS TRADEMARK TO IDENTIFY AND DISTINGUISH PRODUCTS.<sup>335</sup> DISTINCTIVENESS REFERS TO THE ABILITY OF THE FAMOUS TRADEMARK TO UNIQUELY IDENTIFY A SINGLE SOURCE AND THUS MAINTAIN ITS SELLING POWER. A TRADEMARK IS FAMOUS WHEN IT IS WIDELY RECOGNIZED BY THE GENERAL CONSUMING PUBLIC OF THE UNITED STATES AS A DESIGNATION OF SOURCE OF THE PRODUCTS OF THE TRADEMARK'S OWNER. TO PREVAIL ON ITS DILUTION CLAIM UNDER FEDERAL LAW, MATTEL MUST PROVE THE FOLLOWING THINGS BY A PREPONDERANCE OF THE EVIDENCE:

1. MATTEL OWNS ONE OR MORE FAMOUS TRADEMARKS THAT IS DISTINCTIVE;
  2. SUPER DUPER IS MAKING COMMERCIAL USE OF ONE OR MORE OF ITS TRADEMARKS;
  3. SUPER DUPER'S USE OF ITS TRADEMARKS CAME AFTER AT LEAST ONE OF MATTEL'S TRADEMARKS BECAME FAMOUS;
- AND

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333. The entire set of jury instructions can be found on Westlaw. Jury Instructions, *Super Duper, Inc. v. Mattel, Inc.*, No. 605CV01700, 2008 WL 4328935 (D.S.C. Apr. 25, 2008). The instructions only refer to one of Mattel's marks, SEE 'N SAY. *See id.* However, the court of appeals clearly believed that the jury found another Mattel mark, THE FARMER SAYS, to be famous as well. *Super Duper*, 382 F. App'x at 312 n.1.

334. Jury Instructions, *Super Duper*, 2008 WL 4328935. Obviously, this first instruction deals with more than just fame. However, it is the only place in the instructions where the basic definition of a famous mark can be found.

335. The court's definition of dilution is not the one in the TDRA; it is from the original FTDA. *Compare* FTDA, 109 Stat. 985, *with* Lanham Act § 43, 15 U.S.C. § 1125 (2006). However, the "likelihood of dilution" standard is from the TDRA, not the FTDA, and the definition of famous is also from the TDRA. *See* Lanham Act §§ 43(c)(2)(B), (C), 15 U.S.C. §§ 1125(c)(2)(B), (C).

4. SUPER DUPER'S USE OF ITS TRADEMARKS IS LIKELY TO CAUSE DILUTION BY LESSENING THE CAPACITY OF MATTEL'S TRADEMARKS TO IDENTIFY AND DISTINGUISH ITS GOODS.

#### FACTORS FOR FAMOUS TRADEMARKS

IN DETERMINING WHETHER MATTEL'S TRADEMARKS POSSESS THE REQUISITE DEGREE OF RECOGNITION THAT MAY SUBJECT THEM TO DILUTION, YOU MAY CONSIDER ALL RELEVANT FACTORS, INCLUDING THE FOLLOWING:

1. THE DURATION, EXTENT, AND GEOGRAPHIC REACH OF ADVERTISING AND PUBLICITY OF THESE TRADEMARKS, WHETHER ADVERTISED OR PUBLICIZED BY THE OWNER OR THIRD PARTIES.
2. THE AMOUNT, VOLUME, AND GEOGRAPHIC EXTENT OF SALES OF GOODS OR SERVICES OFFERED UNDER THE SEE [‘N] SAY TRADEMARKS.
3. THE EXTENT OF ACTUAL RECOGNITION OF THE MARK.
4. WHETHER THE SEE ‘N SAY TRADEMARKS WERE REGISTERED UNDER THE ACT OF MARCH 3, 1881, OR THE ACT OF FEBRUARY 20, 1905, OR ON THE PRINCIPAL REGISTER. HERE, THE PARTIES AGREE THAT MATTEL'S SEE ‘N SAY TRADEMARKS WERE REGISTERED ON THE PRINCIPAL REGISTER OF THE CURRENT U.S. TRADEMARK ACT. THEREFORE, YOU MAY FIND THAT THE [FOURTH]<sup>336</sup> FACTOR IN PROVING FAME FAVORS MATTEL.<sup>337</sup>

These instructions contain several critical deficiencies. First of all, the actual statutory definition of a famous mark is buried in the middle of the first instruction, which is denominated a “general” instruction on dilution.<sup>338</sup> Therefore, the jury likely will not focus on the actual definition. In addition, the definition is presented with no additional explanation, so the nuances and policies—namely, the normative aspects of the definition—are lost entirely. The second instruction, labeled “Factors for Famous Trademarks,”<sup>339</sup> which focused on the issue of a famous mark, was clearly deficient as well. It consisted entirely of a recitation of the factors listed in the statute which are intended to guide the decision, but did not reiterate the definition, nor did it even refer

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336. The trial judge made a handwritten correction here to the instructions that is not reflected on Westlaw. A copy of the original jury instructions is on file with the author.

337. Jury Instructions, *Super Duper*, 2008 WL 4328935.

338. *See id.*

339. *Id.*

back to the definition in the previous instruction.<sup>340</sup> It seems likely that the jury, when deciding the issue of fame, would focus on this second instruction because of its label. But by including only the factors, this instruction ignores the fact that the factors are at best indirect evidence of a famous mark and that it is the definition that must govern. Thus, the court's instructions were likely to mislead the jury into focusing on the factors to the exclusion of the definition. Furthermore, this instruction highlighted the factor of registration as favoring fame, when that factor actually should be accorded minor weight in the decision.<sup>341</sup> The appropriate weight to be accorded this factor is another normative aspect of the definition of a famous mark which could be found in judicial opinions but was omitted from the instruction.

The instruction thus illustrates the problems just discussed. First, there is a lack of factual guidance from other situations. Second, there is the normative information gap—a judge could look up other opinions and sources of the law, but a jury cannot. Third, because the instructions do not fill in the details, the jury will have to do so, creating the problem of the jury effectively setting the legal standard. There was a general normative gap on the issue of fame, one that may not easily be correctable. The instructions did nothing to indicate to the jury the rigorous analysis that courts are expected to undertake in this area, nor that the statute intended a very limited universe of famous marks.<sup>342</sup> The concept of a rigorous analysis provides an important implicit normative limit on the determination of fame. Judges understand this limitation because of the information available to them from other opinions. How one introduces such an implicit limit into jury instructions is not clear.

The problem of lack of jury guidance is compounded by the nature of appellate review of jury decisions. In *Super Duper*, the jury decided in favor of Mattel on this issue—namely, it decided that Mattel's trademarks were famous—and it decided in favor of Mattel on the issue of dilution.<sup>343</sup> The judgment on the verdict was appealed to the United States Court of Appeals for the Fourth Circuit, which affirmed in an

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340. *See id.* This may be a remnant of the previous version of the statute, which did not include a definition, but only listed eight factors to be used as guidance in making the decision. See FTDA § 3(c), 109 Stat. at 985-86.

341. This problem was compounded by the court's earlier instructions on the relevance of registration to the "strength" of a mark for infringement by confusion purposes. *See infra* text accompanying notes 400-10.

342. *Green v. Fornario*, 486 F.3d 100, 105 (3d Cir. 2007) (noting that fame is a "rigorous standard"); *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 907-08 (9th Cir. 2002).

343. *Super Duper*, 382 F. App'x at 312.

unpublished, per curiam opinion.<sup>344</sup> In that opinion, the court stated that “the jury was well situated to make the *factual* determination that Mattel’s marks were ‘famous,’ . . . and we are prohibited from reweighing the evidence or drawing inferences from the facts.”<sup>345</sup> Nothing more was said about the issue of fame. The court treated the issue as if it were a simple matter of historical fact, instead of a nuanced combination of law and fact. It said nothing about the proper parameters for the jury’s deliberations. Further evidence of the deference accorded to jury verdicts is contained in the court’s discussion of the jury’s verdict on other issues of both dilution and confusion.<sup>346</sup> Although the court found error in various individual instructions, it held that “as a whole” the instructions correctly stated the law.<sup>347</sup> This, of course, is not unique to trademark law. Courts use this standard in civil cases generally.<sup>348</sup> At least one of the errors was rather serious—the court allowed the jury to consider awarding damages for dilution when the statute would not allow it.<sup>349</sup> But the court did not reverse.<sup>350</sup>

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344. *Id.*

345. *Id.* at 314 (emphasis added) (citations omitted).

346. *Id.* at 315-16.

347. *Id.* at 314; *see also id.* at 314-16 (discussing Super Duper’s objections to jury instructions and the fact that the judge erroneously allowed the jury to award dilution damages when the statute would not have allowed them).

348. *See, e.g.,* Matthews v. Wis. Energy Corp., 642 F.3d 565, 571 (7th Cir. 2011) (considering “jury instructions as a whole” in a breach of contract case). In *Super Duper*, the Fourth Circuit used the same standard to judge the jury’s findings related to infringement by confusion. *Super Duper*, 382 F. App’x at 314-15. In particular, in response to a challenge to a jury instruction relating to a lack of evidence of actual confusion, the court called it a “factual matter best left to the jury’s determination.” *Id.* at 315. The trial court had instructed the jury that this was a neutral fact that “does not favor either party.” *Id.* But earlier in its opinion, the Fourth Circuit acknowledged that a fact finder *may* use a lack of evidence of actual confusion as “a strong inference” of lack of confusion. *Id.* at 313 (quoting CareFirst of Md., Inc. v. First Care, P.C., 434 F.3d 263, 269 (4th Cir. 2006)) (internal quotation marks omitted). Yet the jury instructions gave no hint of that possibility, and seemed to steer the jury away from such a finding. Deference to the jury’s weighing of the evidence would be more appropriate if the jury had been properly informed of the legal parameters that govern the process.

349. *See* Jury Instructions, *Super Duper*, 2008 WL 4328935.

350. *Super Duper*, 382 F. App’x at 317-18. In *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992), the Second Circuit appears to have upheld a jury verdict on a special verdict even without a finding on a crucial issue. The court held that a reasonable jury *could* have determined that the particular trade dress at issue had secondary meaning—being recognized by the public as a trademark—and therefore its verdict was valid. *Id.* at 1536-37. However, there was no indication that the jury had actually made a finding on that issue, even though the case was submitted under a special verdict. *See id.* at 1535-36.

The wide berth given the jury's finding by the court of appeals in *Super Duper* meant that there was virtually no oversight of the jury's decision, one that held SEE 'N SAY to be a mark "widely recognized by the general consuming public of the United States."<sup>351</sup> Parents of young children may generally recognize this as a trademark, but one might be forgiven some skepticism about other groups of consumers. In other words, these marks may have niche fame, but the intent of the 2006 amendments to the federal dilution statute was to eliminate such marks from eligibility for dilution protection.<sup>352</sup>

Unfortunately, that bit of information was never transmitted to the jury. Furthermore, the trial court's instructions highlight what should be a minor factor in the decision, namely federal registration, without any explanation of its relative importance.<sup>353</sup> It would not be surprising if a jury interpreted the judge's instructions in a manner that greatly overvalued the federal registration. If the court of appeals had reviewed the jury's verdict with a close eye on the legal limits of what can be called a famous mark, perhaps it would have reversed, but its unwillingness to question the jury's verdict was clear.

One might argue that the Fourth Circuit's review of the jury's verdict was not materially different from the review that would have been given a judge's decision. After all, under Rule 52 of the Federal Rules of Civil Procedure, the court of appeals is supposed to uphold the trial court's findings of fact unless they are "clearly erroneous."<sup>354</sup> But that would be too simplistic. In the first place, a bench trial would have required the judge to issue both findings of fact and conclusions of law.<sup>355</sup> That would have made review of a bench trial an easier task. Thus, for example, a judge would be likely to comment on the issue of niche fame, which would be a legal matter for appellate review. Similarly, the relative weight given to federal registration probably would have been made clear, again facilitating the appropriate review.

Second, as I have been arguing, the issue of whether a mark is famous may not be a true factual issue. An opinion that sets forth both findings of fact and conclusions of law may make that point more clearly to an appellate court. In the infringement context, the Second Circuit has held that the determination of the weight of individual factors in a

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351. See *Super Duper*, 382 F. App'x at 314; Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

352. H.R. REP. No. 109-23, at 8.

353. See Jury Instructions *Super Duper*, 2008 WL 4328935.

354. FED. R. CIV. P. 52(a)(6).

355. FED. R. CIV. P. 52(a)(1). A special verdict would contain additional detail as to factual findings, but would not include conclusions of law. See FED. R. CIV. P. 49.

likelihood of confusion analysis is an issue of fact, while the overall decision about likelihood of confusion is an issue of law.<sup>356</sup> The analysis of fame is not that different from the analysis of confusion in terms of the intertwining of fact and law. If anything, the legal underpinnings of the term famous are more pronounced than the legal aspects of confusion. Thus, a court of appeals could justify a different kind of review, one that looks for proper and complete legal standards, especially of a judge trial. The existence of findings of fact and conclusions of law would make this task an easier one, as the appeals court could determine whether the trial judge was applying the proper *legal*, normative standards by reviewing the trial judge's findings. Thus, for example, although the *fact* of registration may not be reviewable (except minimally), the *weight* to be accorded that fact could be considered a legal issue subject to de novo review.

The problem of jury instructions and the understanding of juries is one to which we will return shortly. But as our review of the *Super Duper* instructions and the Fourth Circuit's refusal to exercise serious oversight shows, somewhere in the decision-making process there needs to be an injection of normative standards that will govern the decisions, otherwise the jury will effectively be setting the legal rules of behavior in this area.

Thus far, we have only examined a single set of jury instructions. The *Super Duper* problem, however, is not unique. Other cases tried to juries in the past few years exhibit similar deficiencies. I have gathered the relevant instructions from four other jury trials: *adidas-America, Inc. v. Payless Shoesource, Inc.*,<sup>357</sup> *University of Kansas v. Sinks*,<sup>358</sup> *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*,<sup>359</sup> and *SLB Toys USA, Inc. v. Wham-O, Inc.*<sup>360</sup> The jury instructions from each on the dilution claims are reproduced in Appendices A-D. I cannot claim that these are necessarily representative of dilution instructions generally.

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356. *Estee Lauder, Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997).

357. No. CV 01 1655 KI, 2008 WL 4279812 (D. Or. Sept. 12, 2008); Jury Instructions, *adidas-America, Inc. v. Payless Shoesource, Inc.*, No. 01-1655-KI (D. Or. May 1, 2008) (on file with the Author) (reproduced in part in Appendix C).

358. 644 F. Supp. 2d 1287 (D. Kan. 2008); Jury Instructions, *Univ. of Kan. v. Sinks*, No. 06-2341-JAR (D. Kan. July 9, 2008) (on file with the Author) (reproduced in part in Appendix B).

359. No. C 07-03752 JSW, 2009 WL 1082175 (N.D. Cal. Apr. 22, 2009); Jury Instructions, *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, No. 307CV03752, 2008 WL 5721750 (N.D. Cal. Dec. 22, 2008) (reproduced in Appendix A).

360. 330 F. App'x 634 (9th Cir. 2009); Trial Transcript, *SLB Toys USA, Inc. v. Wham-O, Inc.*, No. CV 06-1382-RSWL (C.D. Cal. Oct. 10, 2007) (on file with the Author) (reproduced in Appendix D).

However, the similarities among them, and the fact that all of the cases are from different districts, may be indicative of a pattern. All but one of the cases, including *Super Duper*, share one other attribute that I believe is no coincidence—all but one of the juries found in favor of the dilution plaintiff both on the issue of fame and the issue of likelihood of dilution (in one case, awarding an extraordinarily large monetary verdict).<sup>361</sup>

Consider first the most recent of the cases: *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, a case involving both infringement and dilution.<sup>362</sup> Of the five cases discussed here, this one provided the most detailed set of instructions on the issue of a famous mark.<sup>363</sup> The *Levi Strauss* court gave two instructions on the issue of fame.<sup>364</sup> The first largely recited the definition contained in the Lanham Act, but with two additional admonitions:

In determining whether Levi Strauss's Arcuate trademark is famous, you may consider several factors I will describe for you in a moment. These factors are only suggestions and may not constitute all of the possible types of evidence indicating whether a mark is famous. The presence or absence of any one particular factor on this list should not

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361. The jury in *adidas-America, Inc.* awarded over \$300 million, including over \$137 million in punitive damages, on all claims, including both infringement and dilution. 2008 WL 4279812, at \*1. This was later reduced by the trial court to a total of approximately \$65 million, including \$15 million punitive damages. *Id.* at \*11. The original award included over \$30 million for a reasonable royalty and \$137 million of the defendant's profits. *Id.* at \*1. The profits award was reduced to \$19.7 million. *Id.* at \*16. The jury in *Super Duper* awarded damages (on all claims) of \$400,000, which was increased by the trial court to \$993,113. 382 F. App'x at 312. In *Sinks*, the jury awarded \$119,087 of the defendant's profits (it is not clear whether other awards were made), and the trial judge upheld that award. 644 F. Supp. 2d at 1308. The jury in *SLB Toys* found in favor of Wham-O and awarded damages, though the amount is unclear. 330 F. App'x at 636-37. The exception was the jury in the *Levi Strauss* case, which did not find a likelihood of dilution. See 2009 WL 1082175, at \*9.

362. See Jury Instructions, *Levi Strauss*, 2008 WL 5721750 (reproduced in Appendix A). Because plaintiff dropped its damage claims before trial, the jury verdict was technically advisory. See *Levi Strauss*, 2009 WL 1082175, at \*1. Interestingly, because the trial court found no likelihood of dilution, the trial court specifically declined to make any finding concerning the fame of the mark based on the jury's verdict. *Id.* at \*9 n.6. Following denial of the plaintiff's motion for judgment as a matter of law, No. C 07-03752 JSW, 2009 WL 1561432, at \*1 (N.D. Cal. June 1, 2009) (denying the motion based on whether dilution requires marks to be "identical or nearly identical"), the case was appealed to the Ninth Circuit, and the Ninth Circuit reversed, but not on the issue of fame. *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1159 (9th Cir. 2011) (reversing on issue of "identical or nearly identical").

363. See Jury Instructions, *Levi Strauss*, 2008 WL 5721750.

364. *Id.*

necessarily determine whether a trademark is famous. You should consider all the relevant evidence in making your determination.<sup>365</sup>

This instruction has the virtue of admonishing the jury not to simply add up factors. However, it would have been preferable for it to have reiterated the primacy of the definition. Moreover, it gave no indication of the relative importance of any of the four factors.<sup>366</sup> As discussed earlier, at least one of the factors, whether the mark is federally registered, should be given little weight because it says almost nothing about the mark's actual recognition by the "general consuming public."<sup>367</sup> Yet a jury would have no way of knowing this without proper guidance. This problem is magnified in a case such as this, where the jury also was instructed on a trademark infringement claim.<sup>368</sup> In that portion of the instructions, the jury was specifically told that the existence of federal registrations for the mark meant that "you *must* find that Levi Strauss owns the Arcuate trademark as depicted in those registrations and that the Arcuate trademark as depicted in those registrations is valid and protectable."<sup>369</sup> Nothing in the instructions about dilution cautioned the jury that the effect of federal registration in the area of fame was vastly different than what it had been told in connection with infringement. The opportunity for misunderstanding the importance of registration in the fame analysis is obvious.<sup>370</sup>

The second instruction on the issue of fame was partly a matter of proper timing (the mark must be famous before defendant began using it), but it contained some additional guidance:

To be "famous," Levi Strauss's Arcuate trademark must have been truly prominent and renowned at the time of Abercrombie's first commercial use of the Ruehl design. Levi Strauss's Arcuate trademark must have become very widely recognized by the consuming public as the designator of Levi Strauss's goods and must have such significant consumer associations that even uses of marks on non-competing goods can affect the Arcuate trademark's value.<sup>371</sup>

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365. *Id.* (instruction labeled "TRADEMARK DILUTION-FAME OF PLAINTIFF'S MARK").

366. *See* Lanham Act § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(2)(A)(i)-(iv).

367. *Id.* § 43(c)(2)(A)(iv), 15 U.S.C. § 1125(c)(2)(A)(iv).

368. Jury Instructions, *Levi Strauss*, 2008 WL 5721750.

369. *Id.* (emphasis added) (instruction labeled "INFRINGEMENT-ELEMENTS PRESUMED VALIDITY AND OWNERSHIP-REGISTERED TRADEMARK").

370. Essentially the same instruction was given in the *Super Duper* case regarding the effect of registration and validity in connection with the trademark infringement by confusion claim in that case. *See* Jury Instructions, *Super Duper*, 2008 WL 4328935.

371. Jury Instructions, *Levi Strauss*, 2008 WL 5721750.

Unlike the instructions in *Super Duper*, this one gives the jury some understanding that the bar for famous marks may be significantly higher than for merely strong marks.<sup>372</sup> Unfortunately, “truly prominent and renowned”<sup>373</sup> probably does not add enough to the jury’s understanding; it would have been better if the court had given examples and/or some additional normative guidance. An instruction that the analysis is a “rigorous” one,<sup>374</sup> perhaps even adding that doubts should be resolved against fame,<sup>375</sup> would have made the point more clearly. The last part of the instruction, concerning noncompeting marks, is only helpful if one can imagine what other marks might satisfy such criteria.<sup>376</sup> To a limited degree, the second instruction comes back to the underlying definition of a famous mark.<sup>377</sup> However, it does not explicitly tie the factors back to the definition. Although it has the outlines of some normative limits, including the idea of “very widely recognized” and instructing the jury to consider noncompeting uses as relevant to fame, those boundaries are poorly defined and may well be lost in the mass of instructions.<sup>378</sup> As in *Super Duper*, there was no explicit instruction on the issue of niche market fame, which is an important boundary for the jury to understand, nor was there any attempt to provide boundaries for the concept of “widely recognized.”<sup>379</sup>

A third case, *University of Kansas v. Sinks*,<sup>380</sup> used an instruction that seemed to blend pre-TDRA dilution law with a small amount of the TDRA—namely, the factors for fame (advertising, sales, recognition, and

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372. *See id.*

373. *Id.*

374. *See Green*, 486 F.3d at 105 (describing fame as “a rigorous standard, as it extends protection only to highly distinctive marks that are well-known throughout the country”).

375. *See KST Elec.*, 550 F. Supp. 2d at 679.

376. Jury Instructions, *Levi Strauss*, 2008 WL 5721750. That portion of the instruction appears to be based on the opinion of the Trademark Trial & Appeal Board in *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1181 (T.T.A.B. 2001).

377. Jury Instructions, *Levi Strauss*, 2008 WL 5721750; *see* Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A). However, the instruction refers to “the consuming public,” not “the general consuming public.” Jury Instructions, *Levi Strauss*, 2008 WL 5721750. The omission of the word “general” is not a trivial one. That word encapsulates the distinction between niche fame and fame as intended by the TDRA. The “consuming public” might be understood as only including those who are the intended buyers of the trademarked goods. The “general consuming public” implies a wider group of people, even those who would not even think of buying the trademarked goods.

378. *See* Jury Instructions, *Levi Strauss*, 2008 WL 5721750.

379. *See* Jury Instructions, *Super Duper*, 2008 WL 4328935; Jury Instructions, *Levi Strauss*, 2008 WL 5721750.

380. 644 F. Supp. 2d 1287 (D. Kan. 2008).

registration).<sup>381</sup> The instruction lacked the definition currently in the statute, yet listed the four factors from the TDRA.<sup>382</sup> But there was an additional complication in this case. Kansas, where the suit was brought, has a dilution statute modeled after the original FTDA.<sup>383</sup> The court separately instructed the jury on the requirements of Kansas law, which also requires a “famous” mark, but only requires the mark to be one famous in the state of Kansas to satisfy the state statute.<sup>384</sup> The court’s instruction on “fame” under state law included the eight factors listed in state law, which are largely the same as the eight factors originally in the federal statute.<sup>385</sup> However, most are not the same as the four factors currently included in the federal law. There was no instruction that would assist the jury in separating the issue of fame under Kansas law and the factors used to decide fame, from the issue of fame under federal law.<sup>386</sup> The state law factors themselves do not circumscribe the inquiry. Even the TDRA definition gives some boundaries, though they are not particularly clear.<sup>387</sup> The jury instructions in *Sinks* combine a lack of normative guidance with a lack of understanding so that jurors may be confused when faced with the task of determining fame and dilution under two different laws with two different standards.

A fourth case to consider is *adidas-America, Inc. v. Payless Shoesource, Inc.*<sup>388</sup> This case involved the “three stripes” marking that adidas puts

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381. See Jury Instructions, instruction 49, *Sinks*, No. 06-2341-JAR (on file with the Author). The case involved activity that began before the TDRA. *Sinks*, 644 F. Supp. 2d at 1294. Because damages were requested, the pre-TDRA standard of actual dilution applied. See *adidas Am.*, 546 F. Supp. 2d 1029, 1061–62 (D. Or. 2008) (citations omitted). Prior to the TDRA, the statute contained no definition of a famous mark. See FTDA, 109 Stat. 985.

382. See Jury Instructions, instruction 49, *Sinks*, No. 06-2341-JAR (on file with the Author).

383. See KAN. STAT. ANN. § 81-214(a) (Supp. 2004).

384. Jury Instructions, instruction 51, *Sinks*, No. 06-2341-JAR (on file with the Author).

385. See *id.*

386. See *id.*, instructions 50-51. The issue of geographic limits could be critical here. A Kansas jury may be familiar with the logo and colors of the University of Kansas, which were the primary trademarks at issue in the case. *Sinks*, 644 F. Supp. 2d at 1294-95. Thus, the University of Kansas colors may be famous in Kansas. But whether a broader segment of the United States population would be aware of those marks is far more questionable. See *KST Elec.*, 550 F. Supp. 2d at 679 (University of Texas “longhorn” logo not famous because widely known only to sports fans); *Champagne Louis Roderer v. J. Garcia Carrion, S.A.*, 732 F. Supp. 2d 836, 880 (D. Minn. 2010) (CRISTAL champagne only a niche mark in 1993, when defendant’s use began).

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

388. *adidas-America*, No. CV 01 1655 KI, 2008 WL 4279812 (D. Ore. Sept. 12, 2008).

on its footwear, which adidas claims as a trademark.<sup>389</sup> Like *Sinks*, this case included infringement, federal dilution, and state dilution claims (along with state claims for unfair competition). Also like *Sinks*, because of the time period involved, the case was tried under the old federal standard, not the current one, even though the case was tried after the TDRA was enacted.<sup>390</sup> The jury instructions on dilution similarly reflect an interesting blending of pre-TDRA law and post-TDRA law. On the issue of fame, the court essentially stuck to pre-TDRA law, in contrast to *Sinks*.<sup>391</sup> The court recited the eight factors listed in the original FTDA with no embellishment or added guidance (the original FTDA did not define the term famous).<sup>392</sup> This is in contrast to some of the instructions concerning infringement (by confusion), where the court gave the jury additional guidance on the applicable factors, apparently drawn from case law.<sup>393</sup> In *adidas-America*, the blend of current and former federal law comes from the court's instruction on demonstrating dilution, rather than fame, where it lists the factors included in the TDRA's definition of dilution by blurring as relevant to that decision under pre-TDRA law (there were no factors in the original statute and the definition was not the same as that contained in the TDRA).<sup>394</sup>

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389. See *id.* at \*1.

390. See generally *id.*; see also *adidas-America v. Payless Shoe Source, Inc.*, 546 F. Supp. 2d 1029, 1043 (D. Ore. 2008) (order granting summary judgment, in part).

391. See Jury Instructions, instructions 31-34, *adidas-America*, No. 01-1655-KI (on file with the Author). There is an oddity in the instructions that could conceivably have confused the jury. Although the court did instruct the jury that federal law required a famous mark, see *id.*, instructions 32-34, in an instruction just prior to these, the court stated that "dilution is the lessening of the capacity of a famous or well-known or distinctive mark or trade dress to identify and distinguish goods or services as coming from a single source." *Id.*, instruction 31 (emphasis added). The use of "or" is incorrect as a matter of federal law; as the later instructions indicate, federal law requires a mark to be famous and distinctive. The term "well-known" is not relevant to dilution law, and as a term of art in trademark law, it has a very different meaning than "famous." See Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1).

392. See Jury Instructions, instruction 34, *adidas-America*, No. 01-655-KI (on file with the Author).

393. See, e.g., *id.*, instruction 26 (Likelihood of Confusion) (not included in the appendix).

394. See *id.*, instruction 36. This is a bit odd, since the TDRA made the standard easier to prove—it changed the actual dilution standard promulgated by the Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) to likelihood of dilution—and thus one could question whether it was appropriate to use the TDRA's factors. They are not necessarily irrelevant to the decision, so the court's instruction may be perfectly fine, but it is somewhat strange.

Even more than the other cases, the instructions in *adidas-America* lack normative guidance on an essential prerequisite to recovery—namely, whether the plaintiff’s marks were famous. And the wording of the pre-TDRA law creates an additional problem (which would also apply to the *Sinks* claim under state law). It lists eight factors as relevant to the determination of whether a mark is “distinctive and famous,” without separating factors relevant to each determination.<sup>395</sup> Distinctiveness in trademark law has a meaning that is different from fame—distinctiveness—refers to the baseline ability of a mark to identify and distinguish goods or services of its owner; fame is a heightened standard that requires showing widespread actual recognition, something not required by distinctiveness. All trademark claims, confusion and dilution, require that a mark be distinctive, but only dilution requires that a mark be famous.<sup>396</sup> Without any understanding of the fact that the level of recognition for a famous mark is significantly greater than that for a distinctive mark, it is unclear how and whether a jury would readily separate the two inquiries. Because the jury also was instructed on the issue of distinctiveness and on its significance as a prerequisite to recovery on an *infringement* claim, there is a serious danger that the jury would not understand that distinctiveness is a much different and lower standard than fame.<sup>397</sup>

Similarly, in *SLB Toys USA, Inc. v. Wham-O, Inc.*,<sup>398</sup> the court simply recited the eight factors used in the pre-TDRA statute to determine fame without any further guidance.<sup>399</sup>

It is interesting to compare the instructions for dilution to the instructions for infringement, especially when it comes to the factor analyses relevant to each claim. For the dilution claims and, in particular, on the issue of fame, the courts do little more than recite the factors; there is no additional guidance as to the meaning and relevance of each factor. The infringement claims are treated rather differently. Jurors are instructed about the factors of confusion, which are entirely judge made (and which, it should be noted, vary a bit from circuit to circuit), and they are instructed about the difference between “strong” and “weak” marks, again, based on case law, not statutory language.<sup>400</sup>

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395. See FTDA, 109 Stat. at 985-86.

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

397. See Jury Instructions, *adidas-America*, No. 01-1655-KI.

398. 330 F. App’x 634 (9th Cir. 2009).

399. Trial Transcript, *SLB Toys USA, Inc.*, No. CV 06-1382-RSWL (on file with the Author) (reproduced in part in Appendix D). The instructions here are not as complete as the others, but the effect is basically the same.

400. Strong marks are given greater protection from potential confusion than weak marks. *Roederer*, 732 F. Supp. 2d at 865.

For example, in the *Super Duper* case, the jury was given several instructions on the issue of likelihood of confusion.<sup>401</sup> In one infringement instruction, the court listed the factors used in the Fourth Circuit to analyze likelihood of confusion.<sup>402</sup> As with the dilution instructions on the issue of fame, the court notes that no one factor is dispositive and that not all will be present in any given case.<sup>403</sup> Interestingly, the court adds that “Any doubt regarding the outcome of the likelihood of confusion analysis must be resolved in favor of Mattel.”<sup>404</sup> No such instruction was given regarding dilution in general, or fame in particular.<sup>405</sup>

One of the factors in the confusion analysis is “The Strength or Distinctiveness of Mattel’s Trademarks.”<sup>406</sup> In contrast with the dilution instructions, the court gave the jury additional guidance about the meaning of “strength.”<sup>407</sup> There were four separate instructions on this issue alone, two of which contained multiple subparts.<sup>408</sup> The court distinguished “conceptual strength” from “commercial strength,”<sup>409</sup> and instructed on the role of third-party use in this area.<sup>410</sup> For each of the other confusion factors, the court gave an additional instruction to assist the jury.<sup>411</sup> No doubt these instructions reflect the fact that there is considerable case law discussing confusion, while there is a relative paucity of case law discussing dilution in detail.

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401. See Jury instructions, *Super Duper*, 2008 WL 4328935.

402. *Id.* (instruction labeled “Infringement–Elements–Likelihood of Confusion–Factors (15 U.S.C. §§ 1114(1) and 1125(a))”). The Lanham Act does not contain any factors to guide the analysis of confusion. Each circuit has developed a slightly different set of factors to guide courts, although many of the important factors are similar across the circuits. See GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 506-08 (3d ed. 2010) (including chart showing each circuit’s factors).

403. Jury Instructions, *Super Duper*, 2008 WL 4328935 (instruction labeled “Infringement–Elements–Likelihood of Confusion–Factors (15 U.S.C. §§ 1114(1) and 1125(a))”).

404. *Id.* The court of appeals held that this instruction was erroneous, but that the instructions, taken “as a whole,” were appropriate. *Super Duper*, 382 F. App’x at 314.

405. See Jury Instructions, *Super Duper*, 2008 WL 4328935.

406. *Id.* (instruction labeled “Infringement-Elements-Likelihood of Confusion-Factors (15 U.S.C. §§ 1114(1) and 1125(a))”).

407. See *id.*

408. See *id.*

409. See *id.* Conceptual strength refers to the mark’s inherent uniqueness—the mark “xycc” would be conceptually stronger than the mark “flavorful.” Commercial strength refers to the actual recognition of the mark by consumers *as a mark*—that is, as a source identifier, not a descriptive term or a decoration or other nonsource identifying matter. See *id.*

410. See *id.* That is, use by people other than the trademark owner to refer to the trademarked goods, showing wider recognition of the mark. See *id.*

411. See *id.*

Certainly the judge perceived himself to be on more solid ground giving additional instructions in the area of confusion.

Unfortunately, the additional clarification of confusion may have impeded the jury's understanding of the dilution instructions. The factors of strength and similarity are also present in dilution (the latter in the analysis of dilution itself, rather than fame), but their role in dilution is not the same as their role in confusion. With no added clarification in the dilution instructions, the jury most likely would assume that the clarifications with respect to these issues in the confusion instructions applied equally to the dilution claim. There was nothing in the dilution instructions to disabuse the jury of this notion.

Thus, the lack of guidance in the dilution instructions is doubly problematic. Not only does it leave the jury in the dark about the normative goals and structure of the dilution claim,<sup>412</sup> it may actually lead them astray, by implying that dilution can be analyzed using the same conceptual tools as confusion.

#### *D. Who Should Decide? Parsing the Factual from the Legal*

The lack of guidance in these instructions produces the very problem discussed earlier. Jurors are effectively left to create legal standards, and their decisions are likely to be less predictable and less reflective of the standards intended by the statute than are judicial decisions. Moreover, jury decisions are subject to fairly deferential review, making correction of the jury's implicit, and incorrect, *legal* standards unlikely.

One obvious solution is to include more legal guidelines in the instructions. There are institutional impediments to this solution, most notably the reluctance of trial judges to give instructions that are not directly tied to either statutory language or language contained in a relevant circuit court opinion.<sup>413</sup> But even if we can overcome that barrier, it is instructive to review some of the research that has been conducted into methods of improving juror comprehension of instructions in order to see whether this solution would be effective.

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412. It is worth noting here that the court gave a general instruction entitled "Trademark Liability—Theories and Policies (15 U.S.C. §1114(L), 11125(a))." *Id.* Given the label, this presumably was not intended to apply to dilution under 15 U.S.C. § 1125(c). However, the absence of such an instruction in the dilution area may have led the jury to use this instruction as a general guide to trademark law, since the jurors may not have recognized the distinction between §1125(a), the confusion provision, and §1125(c), the dilution section. Curiously, the instruction virtually invited the jury to make *policy* judgments of a kind normally left to judges and legislatures. *See id.* The Ninth Circuit pattern jury instructions for trademark cases contain the same instruction. MODEL CIV. JURY INSTR. § 15.4 (9th Cir. 2007).

413. *See Marder, supra* note 322, at 451, 459, 473-74, 495.

At least from the perspective of logic and judicial belief, the functioning of the jury system would be enhanced by giving jurors proper guidance so as to improve their comprehension of their function and of the applicable law.<sup>414</sup> Obviously, there is an underlying assumption that underadvised jurors will be less capable than judges in deciding cases.<sup>415</sup> However, there is another aspect of the problem that is underappreciated in cases like trademark dilution. As seen in the instructions discussed in the previous subsection, the statutory language is fraught with uncertainty. Much of that uncertainty is not filled in with normative instruction by the judge. Consequently, juries must engage in a certain amount of statutory interpretation. Unfortunately, this is an issue that has not been well-studied empirically,<sup>416</sup> so it is difficult to make definitive statements about its effect on decision-making.<sup>417</sup>

Studies have been conducted to determine whether and how juror comprehension of the law can be improved.<sup>418</sup> Some reform proposals are procedural—that is, they focus on the timing of giving instructions (before trial, before summation, after summation), giving jurors copies of the instructions, and the like.<sup>419</sup> For our purposes, however, the

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414. See, e.g., Judge B. Michael Dann, *Jurors and the Future of "Tort Reform,"* 78 CHI.-KENT L. REV. 1127, 1130 (2003) ("jurors will benefit from any tort reform proposal that will, by its terms or consequences, enhance jury comprehension"); J. Brittany Cross, *Juror Incomprehension: Advocating for a Holistic Reform of Jury Instructions*, 98 KY. L.J. 355, 355-56 (2009-10) ("Juror incomprehension of the law in jury instructions is a widespread problem in American courts.").

415. One author reviewed patent cases and found marked differences in the outcomes of jury trials compared with judge trials. Amy Tindell, *Toward a More Reliable Fact-Finder in Patent Litigation*, 13 MARQ. INTELL. PROP. L. REV. 309, 320-23 (2009); see also Frederick Schauer, *Is There a Psychology of Judging?* 3-4 (Harvard University Faculty Research Working Papers, Paper No. RWP07-049, 2007), available at <http://ssrn.com/abstract=1015143> (questioning whether judicial decision-making would be similar to decision-making by juries); Stempel, *supra* note 252.

416. See Darryl K. Brown, *Plain Meaning, Practical Reason, and Culpability: Toward a Theory of Jury Interpretation of Criminal Statutes*, 96 MICH. L. REV. 1199, 1201-03 (1998).

417. Because there are relatively few jury trials in dilution cases, the effect may be small. But given the large jury verdict in the *adidas-America* case, its effect on the behavior of other companies cannot be ignored. See *adidas-America*, 2008 WL 427812 at \*1.

418. E.g., Wissler, et al., *supra* note 259; Shari Seidman Diamond, Michael J. Saks & Stephan Landsman, *Juror Judgments About Liability and Damages: Sources of Variability and Ways to Increase Consistency*, 48 DEPAUL L. REV. 301 (1998).

419. See Phoebe C. Ellsworth & Alan Reifman, *Juror Comprehension and Public Policy*, 6 PSYCHOL. PUB. POL'Y & L. 788, 814-15 (2000).

most salient materials are proposals that address the substance of the jury instructions.<sup>420</sup>

Damages traditionally have been the province of a jury. Some researchers have studied jury understanding of instructions by focusing on damage instructions and the proper application of normative limits on damages. One study examined the effect of variations in jury instructions on general damage awards.<sup>421</sup> The authors suggest that failing to instruct jurors (“blindfolding” them) on issues such as attorneys fees and insurance, about which jurors have prior knowledge will not keep them from wrongly consulting their own knowledge of these matters.<sup>422</sup> This can be analogized to the issue of fame, where jurors almost certainly will have preconceived (and legally erroneous) notions of what a famous mark would be. Jury misunderstanding of the law is also evident in the handling of damages where there is comparative negligence. In theory, the jury should decide the total amount of damage suffered by plaintiff and, *separately*, the percentage of plaintiff’s fault. The award is then calculated by reducing damages by the percentage of fault. But studies indicate that jurors do not separate the two, possibly resulting in a double reduction of the damages—once by jurors and again by the fault percentage.<sup>423</sup> This further indicates that jurors will make erroneous normative choices when the instructions leave gaps in the legal regime to be filled in by jurors.<sup>424</sup> A separate study indicated that jurors given examples of damage awards from other cases showed less variability in their awards; also, suggestions made by the parties are shown to affect awards.<sup>425</sup> Again, this suggests that

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420. This is not to say that procedural reforms cannot address the problem. For a discussion of proposals to give jurors more empirical data *see* Dann, *supra* note 414, at 1134-35.

421. Wissler, et al., *supra* note 259. This article noted that an earlier study indicated that giving jurors guidelines based on awards in other cases (upper and lower bounds, and examples from other cases) tended to reduce the variance in the size of awards. *Id.* at 719. This relates to the information gap discussed earlier, suggesting that giving jurors access to some of the judge’s database would affect jury behavior.

422. *Id.* at 721-23. Jurors are not supposed to consider insurance or attorneys fees in making awards. However, most of them know that attorneys fees are taken out of the award and that many people have insurance. *Id.* at 721-22.

423. *Id.* at 728-30 (collecting and discussing studies).

424. The study conducted by the article’s authors indicated that clear instructions about how and by whom the award would be reduced tended to produce more consistent jury awards when comparing significantly negligent plaintiffs to minimally negligent ones. *Id.* at 735-36. This further reinforces the notion that clarifying legal norms can positively affect jury decision making.

425. Diamond et al., *supra* note 418, at 319-22.

narrowing the information gap may result in more accurate decision-making.<sup>426</sup>

Of course, even if additional information and normative guidance is given, this is no guarantee that the additional material will be understood by jurors.<sup>427</sup> However, with additional guidance there is at least the possibility that some jurors will be able to assimilate the new material and, through the deliberative process, bring greater understanding to the jury as a whole. Unfortunately, these studies do not provide consistent answers to the question of how best to guide jury decision-making. Included in these studies were a variety of instructional concepts, from general to specific, which attempted to demonstrate the efficacy of different approaches to instructing a jury on an issue. In the aggregate, it appears that these studies came to varying conclusions.<sup>428</sup> One possible implication of these studies is that influencing jury behavior through instructions is far from simple and could lead to unanticipated problems. That suggests a solution that comes from outside the realm of jury instructions, which brings us back to the judge.

Clearly, as cases are decided, trial courts can integrate more of those analyses into jury instructions. However, even then there will be a need for additional scrutiny in dilution cases, for the problem is not as much one of understanding, as a lack of capacity or information. Thus, it is necessary that the decision be made with proper information. Trademark strength in a confusion claim is a sliding scale, and a wrong decision in any one case is not as problematic, nor likely to be as drastically wrong, as a wrong decision on fame—a jury is unlikely to find a weak mark to be a very strong mark, or vice versa. Fame, however, is a binary decision. A wrong decision, especially a wrong decision in favor of fame, can lead to significant overprotection of a trademark and possible anticompetitive and in terrorem effects on other people.<sup>429</sup>

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426. This is, of course, somewhat inferential, in that the studies showing that information affects damage awards do not necessarily translate when the examples given to the jury—for example, of other marks determined to be famous—are far more nebulous than damage figures.

427. See Marder, *supra* note 322, at 454-56 (reviewing studies showing that jurors have difficulty understanding the language of jury instructions).

428. *E.g.*, Ellsworth & Reifman, *supra* note 419 (commenting on various studies); Wissler et al., *supra* 259 (collecting and analyzing studies); Marder, *supra* note 322 (collecting and analyzing studies). Individual studies came to specific conclusions favoring one method or another, but the variation across the studies suggests that no one method is conclusively superior.

429. Trademark owners overstepping their rights have been termed “trademark bullies,” and the Patent and Trademark Office has been directed to conduct a study of the issue. United States Patent and Trademark Office, *Request for Comments: Trademark Litigation Tactics*, [http://www.uspto.gov/trademarks/bullies\\_survey.jsp](http://www.uspto.gov/trademarks/bullies_survey.jsp) (last visited Aug. 30,

Although there are far fewer cases analyzing fame for dilution purposes than there are cases analyzing strength for infringement purposes, there still are enough cases to add useful detail to jury instructions.

*E. A Proposal: Jury Instructions With Normative Guidance*

The combination of the information gap and the lack of guidance from jury instructions points to a need for post-trial normative guidance. That is, when reviewing a jury's decision, (and, presumably, a judge's decision) an appellate court<sup>430</sup> should determine the legal parameters within which a jury's decision must fall and then determine whether the evidence would support a decision within those parameters. However, although useful, that is not an effective method of injecting normative guidance into the jury's decision-making process. First of all, there is no particular reason to keep the normative parameters a secret from the jury. If an appellate court can promulgate legal parameters that circumscribe the decision concerning fame, or any other aspect of the case, then the jury should be given those parameters. In trademark cases, we see this in the instructions regarding ordinary infringement.<sup>431</sup> To the extent that judges can give jurors explanations of the meaning of the statutory terms (hopefully using language that is not entirely couched in a layer of legalese), and can set parameters within which the fact-finding process should be cabined, then it seems more efficient to do so, in the hope that it will prevent reversals and lead to consistency. Whether such explanations will improve the quality of jury decision-making is an interesting question. Intuitively, one would imagine that giving jurors explicit parameters to guide their decision would avoid the most egregious errors. However, studies of juror behavior when given additional guidance are not conclusive on this point.<sup>432</sup> Nevertheless, it seems worth the attempt. On the other hand, even if more guidance is given to juries, the need for more careful review should not be ignored. Appellate courts should keep the jury's area of discretion within legal parameters that are reasonably clear and understandable to trial judges (who are the first reviewers of jury

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2011); see Eric Goldman, *Shining the Spotlight on Trademark Bullies (a Long-Delayed Recap of a Trademark Scholars Roundtable)*, TECHNOLOGY & MARKETING LAW BLOG (Oct. 13, 2010), [http://blog.ericgoldman.org/archives/2010/10/shining\\_the\\_spo.htm](http://blog.ericgoldman.org/archives/2010/10/shining_the_spo.htm).

430. A trial judge reviewing a jury verdict on a post-trial motion also could perform this task.

431. See, e.g., Jury Instructions, *Super Duper*, 2008 WL 4328935.

432. See Wissler et al., *supra* note 259; Edith Greene & Brian Bornstein, *Precious Little Guidance: Jury Instructions on Damage Awards*, 6 PSYCHOL. PUB. POL'Y & L. 743 (2000). Both articles discuss various studies of juries and jury instructions.

decision-making) and should not automatically defer to the jury's decision on the facile hope that the jury has understood the boundaries of its fact-finding authority.

Unfortunately, as seen above, the jury instructions currently used by courts on the issue of a famous mark clearly lack sufficient guidance. In an attempt to ameliorate that problem, I offer a set of jury instructions on the issue of fame that include additional parameters to guide and circumscribe the jury's decision. In particular, I have attempted to give meaning to the statutory phrases "widely recognized" and "general consuming public of the United States."<sup>433</sup> The instructions are divided into several segments. This is intended to allow judges to tailor the instructions according to the circumstances of the case, and according to the other claims included in the lawsuit. I have annotated the instructions with case law from which many of these parameters are drawn. Although these instructions relate only to the issue of fame, they indicate the kind of detail that could be used to instruct jurors on issues such as likelihood of dilution. What follows is the proposed instruction.

**TRADEMARK DILUTION -  
WHETHER PLAINTIFF'S MARK IS FAMOUS**

As I have instructed you, in order to be eligible for protection against dilution, plaintiff's trademark must be famous. Under the federal dilution law, a trademark is famous if it is widely recognized by the general consuming public of the United States as a designation of the source of the goods or services of the trademark's owner. When considering whether the plaintiff's mark is famous, you should undertake a careful examination of the question.<sup>434</sup> It is not enough for a trademark to be distinctive to be considered famous for purposes of dilution protection. To be considered "famous," the plaintiff's trademark must have been truly prominent and renowned at the time of the defendant's first commercial use of [its mark]. [In my instructions regarding the plaintiff's infringement claim, I instructed you on the issue of strong versus weak marks. For purposes of dilution protection, however, you should understand that strong marks are not

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433. See Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

434. See, e.g., *Green*, 486 F.3d at 105 (describing fame as "a rigorous standard, as it extends protection only to highly distinctive marks that are well-known throughout the country"); *Provide Commerce, Inc. v. Preferred Commerce, Inc.*, No. 07-80185 CIV, 2008 WL 926777 at \*5 (S.D. Fla. Apr. 4, 2008) ("rigorous" standard for determining fame).

necessarily famous marks. Although all famous marks are strong, not all strong marks are famous.<sup>435]</sup>

When determining whether a mark is widely recognized, you should consider both geographic and numerical recognition. A famous mark should be recognized in a substantial part of the United States.<sup>436</sup> This does not mean that it must be widely recognized in all fifty states. However, a trademark that is widely recognized only in one part of the country—only in the West, only in the East, only in the Southwest, only in the Northeast—should not be considered famous. Numerically, if a mark is recognized by three quarters of the general consuming public, then there is a good chance that it is famous.<sup>437</sup> If a mark is recognized by less than half of the general consuming public, then you should exercise caution when deciding whether such a mark is famous.

A mark must be widely recognized by what the law calls the general consuming public of the United States. This means that a trademark that is widely recognized by only one segment of the population—for example, only men, only women, only bicycle riders, only people with high incomes, only people of a particular ethnic background—would not be considered famous.<sup>438</sup> However, this does not mean that you should only look at the intended purchaser of the trademarked goods or services. For example, even though most of the public could not afford to purchase a Rolls Royce automobile, the Rolls Royce trademark could be widely recognized by a wide cross section of the general consuming public.

In determining whether the plaintiff's trademark is famous, you may consider several factors I will describe for you in a moment. These factors are only suggestions and may not constitute all of the possible types of evidence indicating whether a mark is famous. The presence or absence of any one particular factor on this list should not necessarily determine whether a trademark is famous. You should consider all the relevant evidence in making your determination. The factors you may wish to consider include:

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435. Obviously, this instruction should only be given where a court has previously instructed the jury on the issue of strong marks. Since most dilution cases also include an infringement claim, this normally will be true.

436. *Green*, 486 F.3d at 105; see *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633, 641 n.7 (7th Cir. 1999) (dictum) (rejecting geographically limited marks as famous).

437. See, e.g., 4 MCCARTHY, *supra* note 52, § 24:106 at 24-293; WELKOWITZ, *Dilution Supp.*, *supra* note 4, at 209.

438. E.g., *Roderer*, 732 F. Supp. 2d at 880 (“niche” fame not sufficient for dilution eligibility).

1. the duration, extent and geographic reach of advertising and publicity of the plaintiff's trademark, whether advertised or publicized by plaintiff or third parties;
2. the amount, volume, and geographic extent of sales of goods offered under the plaintiff's trademark;
3. the extent of actual recognition of the plaintiff's trademark; and
4. whether the plaintiff's trademark was federally registered. Registration under state law does not matter for this purpose.<sup>439</sup>

[In this case, the plaintiff's trademark is federally registered. Earlier, I instructed you that federal registration meant that you could consider the plaintiff's trademark to be valid and protectable. While that is true, it does not mean that the plaintiff's trademark is famous. Therefore, although you may consider the existence of a federal registration in favor of a finding of fame, you should not overemphasize its importance in the determination of fame. Registration, and the other factors that I have suggested to you, are intended to guide your decision as to whether the plaintiff's mark is widely recognized by the general consuming public as a designation of the source of the plaintiff's goods and services. That is the ultimate question that you must determine.<sup>440</sup>]

[In this case, the plaintiff's mark is not federally registered. Therefore, you may decide to consider that against a determination that the mark is famous. However, I must caution you not to overemphasize this factor. A trademark may be famous even if it is not federally registered. Remember that the factors I have suggested are intended to guide your decision as to whether the plaintiff's mark is widely recognized by the general consuming public as a designation of the source of the plaintiff's goods and services. That is the ultimate question that you must determine.]

If, after careful examination of the evidence, there is uncertainty about whether the plaintiff's mark is famous, then you may make a determination that it is not famous.<sup>441</sup>

## VI. CONCLUSION

This Article speaks to the immediate problem of the proper division of labor between judges and juries. In that regard, it is evident that judges

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439. Lanham Act § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(2)(A)(i)-(iv).

440. Use this instruction if, and only if, the plaintiff's mark is federally registered. Use the next instruction if the plaintiff's mark is not registered. In the unusual case that the validity of a registration is in issue, a court would have to modify both instructions and give the modified combination to the jury. But that should be a rare case.

441. *KST Elec.*, 550 F. Supp. 2d at 679; Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 *FORDHAM INTELL. PROP. MEDIA. & ENT. L.J.* 1143, 1158 (2006).

are not giving juries the appropriate information for the task demanded of them. It is also evident that juries are being asked to make legal, as well as factual, determinations, and that this is not an appropriate role in dilution cases for jurors.

Although the analysis presented here technically only applies to a narrow band of cases, it also speaks to a larger issue that is relevant to many dilution cases. That larger issue is the recognition of, and willingness to address, the many ambiguities in trademark dilution law. By forcing us to consider how to explain the law to a jury, we are reminded that courts owe each other and practitioners a reasonable explanation of the working of the law. This is not to say that courts should reach out to decide issues unnecessarily. However, courts deciding dilution cases should not be content with making perfunctory attempts (or sometimes no attempt) to fit their analyses into the statutory language. Rather, they should attempt to lay out in greater detail the proper parameters of the decision. This is especially true of appellate courts, in two important ways. First, appellate courts should make a more careful examination of what is an issue of law and what is an issue of fact. As we have discussed, fame is actually a conglomeration of law and fact, and in order to review a decision properly, an appellate court ought to try and separate the issues. Second, appellate courts should be more proactive in giving guidance to lower courts about the proper parameters of the law. Thus, the ultimate goal of this Article is to stimulate thought about both the law versus fact issues in dilution and to promote more communication between courts about what, exactly, they are doing and why.

**Appendix A****Jury Instructions in Levi, Strauss & Co.  
v. Abercrombie & Fitch, Trading Co., 2008 WL 5721750  
(N.D. Cal. Dec. 22, 2008)**

What follows is the instructions on the issue of dilution given by the court.

**TRADEMARK DILUTION – ELEMENTS AND BURDEN OF PROOF**

In this case, Levi Strauss contends that Abercrombie has diluted Levi Strauss's Arcuate trademark. "Dilution" means a lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence of absence of competition, actual or likely confusion, mistake, deception, or economic injury.

To prove this claim, Levi Strauss has the burden of proving by a preponderance of the evidence the following elements:

1. that it is the owner of a trademark that is famous;
2. that the famous mark is distinctive, either inherently or through acquired distinctiveness;
3. that Abercrombie is making use of an identical or nearly identical trademark, in this case the Ruehl design;
4. that Abercrombie's use of its Ruehl design began after Levi Strauss's Arcuate trademark became famous;
5. and that Abercrombie's use of its Ruehl design is likely to cause dilution by blurring of Levi's Arcuate trademark.

**TRADEMARK DILUTION – FAME OF PLAINTIFF'S MARK**

A trademark is famous if it is widely recognized by the general consuming public of the United States as a designation of the source of the goods or services of the trademark's owner. In determining whether Levi Strauss's Arcuate trademark is famous, you may consider several factors I will describe for you in a moment. These factors are only suggestions and may not constitute all of the possible types of evidence indicating whether a mark is famous. The presence or absence of any one particular factor on this list should not necessarily determine whether a trademark is famous. You should consider all the relevant evidence in making your determination. The factors you should consider are:

1. the duration, extent and geographic reach of advertising and publicity of the Arcuate trademark, whether advertised or publicized by Levi Strauss or third parties;
2. the amount, volume, and geographic extent of sales of goods offered under the Arcuate trademark;
3. the extent of actual recognition of the Arcuate trademark; and
4. whether the Arcuate trademark was federally registered.

#### **TRADEMARK DILUTION – FAMOUSNESS**

To be “famous,” Levi Strauss’s Arcuate trademark must have been truly prominent and renowned at the time of Abercrombie’s first commercial use of the Ruehl design. Levi Strauss’s Arcuate trademark must have become very widely recognized by the consuming public as the designator of Levi Strauss’s goods and must have such significant consumer associations that even uses of marks on non-competing goods can affect the Arcuate trademark’s value.

#### **TRADEMARK DILUTION – DILUTION BY BLURRING**

Dilution by blurring is an association arising from the similarity between Abercrombie’s Ruehl design and Levi Strauss’s Arcuate trademark that impairs the distinctiveness of the Arcuate trademark. In determining whether the Ruehl design is likely to cause dilution by blurring, you may consider all relevant factors, including the following:

1. the degree of similarity between Abercrombie’s Ruehl design and the Arcuate trademark;
2. the degree of inherent or acquired distinctiveness of the Arcuate trademark;
3. the extent to which Levi Strauss is engaging in substantially exclusive use of the Arcuate trademark;
4. the degree of recognition of the Arcuate trademark;
5. whether Abercrombie intended to create an association with the Arcuate trademark; and
6. any actual association between Abercrombie’s Ruehl design and the Arcuate trademark.

#### **TRADEMARK DILUTION – ELEMENTS – SIMILARITY**

In determining the degree of similarity between the Ruehl design and the Arcuate trademark, you should consider whether the Arcuate trademark and the Ruehl design are used on competing goods and whether the Arcuate trademark and the Ruehl design are identical, or nearly identical, to one another. In order to be nearly identical, the two designs must be similar enough that a significant

segment of the target group of customers sees the two designs as essentially the same.

**RELATIONSHIP BETWEEN TRADEMARK CONFUSION  
AND DILUTION**

Evidence that establishes a likelihood of confusion also is sufficient to establish a likelihood of dilution.



**Appendix B****Jury Instructions in University of Kansas v. Sinks,  
Case No. 06-2341-JAR (D. Kan. July 9, 2008) (on file with the Author).**

What follows is the jury instructions on the federal *and* state dilution claims in this matter.

**INSTRUCTION NO. 46**

KU has also asserted two trademark dilution claims, one under federal law and one under state law. I will now give you some specific instructions to apply in considering these claims. Trademark dilution is the lessening of the capacity of a famous or well-known or distinctive mark or trade dress to identify and distinguish goods or services.<sup>442</sup> The purpose of the anti-dilution laws is to protect against the erosion, or blurring, of the trademark's value, or the tarnishment of a trademark's image.<sup>443</sup>

**INSTRUCTION NO. 47**

Dilution can happen in two ways: blurring and tarnishment.

Blurring occurs when a defendant uses an identical or nearly identical version of the plaintiff's trademark to identify the defendant's goods or services, creating the possibility that the plaintiff's mark or trade dress will lose its ability to serve as a unique identifier of the plaintiff's product. This can occur even though there is no confusion as to source, sponsorship, affiliation, or connection.

Tarnishment is using a mark that is identical or nearly identical to a famous mark or trade dress of the plaintiff in such a way that harms the reputation of the plaintiff's mark by degrading the public's positive associations with the mark.

If KU proves dilution either by blurring or by tarnishment, then you should find for KU. KU is not required to prove dilution both by blurring and by tarnishment.

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442. This reflects the definition of dilution included in the original FTDA. That definition would have applied to the claims for damages, though not the claim for an injunction. The TDRA replaced this definition with separate definitions of "dilution by blurring" and "dilution by tarnishment." Lanham Act § 43(c)(2)(B), (C), 15 U.S.C. § 1125(c)(2)(B), (C).

443. The court's description here is, to be charitable, overstated. The purpose of the dilution claim is to protect against the blurring of the trademark's *distinctiveness*, not its value. *Id.* § 43(c)(2)(B), 15 U.S.C. § 1125(c)(2)(B).

**INSTRUCTION NO. 48**

Defendants are liable on the federal dilution claim if KU has proven the following by a preponderance of the evidence:

- (1) KU owns famous marks that are distinctive;
- (2) Defendants are making use in commerce of one or more marks that are so similar to the famous marks as to give rise to an association between the marks;
- (3) Defendants' use began after KU's Marks became famous and distinctive; and
- (4) The association between the marks impairs the distinctiveness of KU's marks or harms the reputation of the marks through either blurring or tarnishment.

**INSTRUCTION NO. 49**

To prevail on its federal law claims for dilution of its marks, KU must prove by a preponderance of the evidence that its marks are "famous." In considering whether KU's trademarks are "famous," you may consider the following factors:

- (1) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by KU or third parties;
- (2) The amount, volume, and geographic extent of sales of goods or services offered under the mark;
- (3) The extent of actual recognition of the mark; and
- (4) Whether the mark is registered.<sup>444</sup>

**INSTRUCTION NO. 50**

Defendants are liable for state dilution if KU has proven the following by a preponderance of the evidence:

- (1) KU's marks are distinctive and famous;
- (2) Defendants are making use in commerce of one or more marks that are identical or nearly identical to KU's marks;
- (3) Defendants' use began after KU's marks became distinctive and famous; and
- (4) Defendants' use of a mark identical to or nearly identical to KU's marks causes dilution of the distinctive quality of the marks.

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444. Somewhat oddly, the court chose to use the four factors, but not the definition, contained in the TDRA instead of the eight factors contained in the original FTDA (the original FTDA had no definition of "famous"). See Lanham Act § 43(c)(2)(A)(i)-(iv), 15 U.S.C. § 1125(c)(2)(A)(i)-(iv); FTDA § 3(c)(1)(A)-(H), 109 Stat. at 985-86.

**INSTRUCTION NO. 51**

To prevail on its state law claim for dilution, KU must prove by a preponderance of the evidence that its mark is “distinctive and famous.” In determining whether the mark is distinctive and famous, consider the following, non-exclusive list of factors:

- (1) The degree of inherent or acquired distinctiveness of KU’s marks in Kansas;
- (2) The duration and extent of KU’s marks in connection with the goods and services with which the marks are used;
- (3) The duration and extent of advertising and publicity of KU’s marks in Kansas;
- (4) The geographical extent of the trading area in which KU’s marks are used;
- (5) The channels of trade for the goods or services with which KU’s marks are used;
- (6) The degree of recognition of KU’s marks in the trading areas and channels of trade in Kansas used by KU and defendants;
- (7) The nature and extent of use of the same or a similar marks by third parties; and
- (8) Whether KU’s marks are subject to a federal or State of Kansas registrations.<sup>445</sup>

**INSTRUCTION NO. 52**

To prevail on its dilution claims, KU need not prove actual or likely confusion.

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445. Except for the effect of a *state* registration, the Kansas dilution statute mimics the factors included in the *original* federal dilution statute. See KAN. STAT. ANN. § 81-214. As can be seen, these are not the same as the factors included in the instruction regarding the federal dilution claim that used the current TDRA factors.



**Appendix C****Jury Instructions in adidas-America, Inc. v. Payless Shoesource, Inc.,  
Civil Case No.01-1655-KT (D. Or. May 1, 2008) (on file with  
the Author).**

What follows are the instructions on both federal and state dilution claims in this matter.

**INSTRUCTION NO. 31****Dilution**

adidas has also brought three trademark and/or trade dress dilution claims, two under federal law and one under state law. I will now give you some specific instructions to apply in considering these claims.

Under federal law, trademark or trade dress dilution is the lessening of the capacity of a famous or well-known or distinctive mark or trade dress to identify and distinguish goods or services as coming from a single source. The purpose of the anti-dilution laws is to protect against erosion of the trademark's or trade dress' value as a source identifier, or the tarnishment of a trademark's or trade dress' image. The mere fact that consumers mentally associate the junior user's mark with a famous mark is not enough to establish dilution.

adidas has asserted two claims for dilution under federal law. In one claim, adidas asserts that Payless has used design features that dilute the distinctive quality of adidas's Three-Stripe Mark. In the other claim, adidas asserts that Payless has used design features that dilute the distinctive quality of adidas's SUPERSTAR Trade Dress.

Under state law, trademark dilution requires adidas to prove a likelihood of injury to business reputation or dilution of the distinctive quality of the Three-Stripe Mark.

**INSTRUCTION NO. 32****Dilution**

Payless is liable on the first federal dilution claim if adidas has proven each of the following by a preponderance of the evidence:

- (1) The Three-Stripe Mark is famous and distinctive;
- (2) Payless is making use in commerce of one or more design features that are identical or nearly identical to the Three-Stripe Mark;
- (3) Payless's use began after the Three-Stripe Mark became famous; and

(4) Payless's use of a design feature identical to or nearly identical to the Three-Stripe Mark caused actual dilution of the distinctive quality of the Three-Stripe Mark.<sup>446</sup>

#### INSTRUCTION NO. 34

##### Dilution

To prevail on its federal law claims for dilution of its Three-Stripe Mark and/or SUPERSTAR Trade Dress, adidas must prove by a preponderance of the evidence that its Three-Stripe Mark and/or SUPERSTAR Trade Dress are "famous" and "distinctive." In considering whether adidas's trademark and/or trade dress are "famous" and "distinctive," you may consider the following factors:

- 1) The degree of inherent or acquired distinctiveness of the trademark and/or trade dress;
- 2) The duration and extent of use of the trademark and/or trade dress in connection with the goods or services with which the trademark and/or trade dress is used;
- 3) The duration and extent of advertising and publicity of the trademark and/or trade dress;
- 4) The geographical extent of the trading area in which the trademark and/or trade dress is used;
- 5) The channels of trade for the goods or services with which the trademark and/or trade dress is used;
- 6) The degree of recognition of the trademark and/or trade dress in the trading areas and channels of trade used by adidas and Payless;
- 7) The nature and extent of use of the same or similar trademark and/or trade dresses by third parties; and
- 8) Whether the trademark and/or trade dress was registered.

#### INSTRUCTION NO. 35

##### Dilution

As discussed above, to prevail on its federal law claims for dilution of its Three-Stripe Mark and/or SUPERSTAR Trade Dress, adidas must prove by a preponderance of the evidence that Payless used one or more design features that were identical or nearly identical to those owned by adidas.

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446. This instruction reflects federal law prior to the TDRA. *See Moseley*, 537 U.S. at 433 (actual dilution required to prevail on federal dilution claim). This instruction was used because the TDRA only applies to claims for injunctions and claims for damages that arose after October 6, 2006. *See* Pub. L. No. 109-312, 127 Stat. 1730, 1733 (codified as amended at 15 U.S.C. § 1125(c)). Although this claim was tried in 2008, the claim arose prior to the TDRA. *See adidas-America*, 546 F. Supp. 2d at 1041-42 (order granting summary judgment, in part).

“Identical or nearly identical” does not mean that the adidas mark or trade dress has to be exactly the same as Payless’s design features. The two are considered “identical or nearly identical” if a significant segment of the consuming public would see the two as essentially the same.

#### INSTRUCTION NO. 36

##### **Dilution**

Under federal law, dilution can happen in two ways: blurring and tarnishment.

Blurring occurs when the association arising from the similarity between a design feature used by Payless with the mark or trade dress used by adidas impairs the distinctiveness of the adidas mark or trade dress. Factors you can consider in determining whether dilution by blurring has occurred include:

- 1) The degree of similarity between the mark or trade dress used by adidas and Payless’s design features;
- 2) The degree of inherent or acquired distinctiveness of adidas’s mark or trade dress;
- 3) The extent to which adidas is engaged in substantially exclusive use of the mark or trade dress;
- 4) The degree of recognition of the mark or trade dress with adidas;
- 5) Whether Payless intended to create an association with adidas’s mark or trade dress; and
- 6) Any actual association between the design features used by Payless and adidas’s mark or trade dress.<sup>447</sup>

Tarnishment is using design features that are identical or nearly identical to a famous mark or trade dress of the plaintiff in such a way that harms the reputation of the plaintiff’s mark or trade dress by improperly associating it with an inferior or offensive product or service.

If adidas proves dilution either by blurring or by tarnishment, then you should find for adidas. adidas is not required to prove dilution both by blurring and by tarnishment.

To prevail on its dilution claims, adidas need not prove likelihood of confusion.

#### INSTRUCTION NO. 37

##### **Dilution**

Payless is liable on the state dilution claim if adidas has proven the following by a preponderance of the evidence:

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447. Although the court purported to use the pre-TDRA standard of actual dilution, it instructed the jury using the factors contained in the TDRA to show *likelihood* of dilution. See Lanham Act § 43(c)(2)(B)(i)-(vi), 15 U.S.C. § 1125(c)(2)(B)(i)-(vi). This could have resulted in an erroneous conclusion by the jury, since the likelihood of dilution standard is supposed to be easier to prove than actual dilution.

- 1) The Three-Stripe Mark is distinctive;
- 2) Payless is making use in commerce of one or more design features that are identical or nearly identical to the Three-Stripe Mark;
- 3) Payless's use began after the Three-Stripe Mark became distinctive; and
- 4) Payless's use of design features identical to or nearly identical to the Three-Stripe Mark presents a likelihood of injury to the business reputation of adidas or of diminution of the Three-Stripe Mark as an advertising tool among consumers of adidas's products.<sup>448</sup>

#### INSTRUCTION NO. 38

##### Dilution

To prevail on its state law claim for dilution of its Three-Stripe Mark, adidas must prove by a preponderance of the evidence that its Three-Stripe Mark is "distinctive." For this state law claim, adidas does not need to prove that the Three-Stripe Mark is famous. Distinctiveness may be developed by long use, consistent superior quality instilling customer satisfaction, or extensive advertising. If the Three-Stripe Mark has come to signify adidas's product in the mind of a significant portion of the consumers, and if the mark evokes favorable images of adidas or its products, the mark is distinctive.

#### INSTRUCTION NO. 39

##### Dilution

Under state law, blurring occurs when the association arising from the similarity between design features used by Payless with the mark used by adidas impairs the distinctiveness of the adidas mark.

Also under state law, tarnishment is using design features that are identical or nearly identical to a distinctive mark of the plaintiff in such a way that harms the reputation of the plaintiff's mark by improperly associating it with an inferior mark or trade dress or offensive product or service.

If adidas proves dilution either by blurring or by tarnishment, then you should find for adidas. adidas is not required to prove dilution both by blurring and by tarnishment.

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448. The court chose to instruct the jury on the state dilution claim, even though at that time Oregon's dilution law only permitted injunctive relief. Thus, the state claim was properly the province of the judge, not the jury. To the extent that the jury awarded monetary damages based on the lower standard of proof available under state law, this would be a serious error. As this instruction makes clear, the state standard was *likelihood* of dilution, not actual dilution. As the next instruction makes clear, a mark did not need to be famous to claim protection under Oregon law at that time. This has since been changed. See OR. REV. STAT. § 647.107.

**INSTRUCTION NO. 47****Damages**

For adidas's federal dilution claim, adidas seeks to recover:

- 1) Actual damages; and
- 2) Payless's profits.

In order for adidas to be entitled to recover actual damages or Payless's profits on adidas's dilution claims under federal law, adidas must prove by a preponderance of the evidence that Payless willfully intended to trade on adidas's reputation or to cause dilution of the Three-Stripe Mark and/or SUPERSTAR Trade Dress.

adidas has the burden of proving actual damages by a preponderance of the evidence. Damages means the amount of money which will reasonably and fairly compensate adidas for any injury you find was caused by Payless's dilution of adidas's Three-Stripe Mark and/or SUPERSTAR Trade Dress.

In determining the amount of adidas's actual damages, you should consider the following:

- 1) The injury to adidas's reputation;
- 2) The injury to adidas's goodwill, including injury to adidas's general business reputation; and
- 3) Whether the evidence would support a reasonable royalty.



**Appendix D****Jury instructions in SLB Toys USA, Inc. v. Wham-O, Inc.,  
NO. CV 06-1382-RSWL (C.D. Cal. Oct. 10, 2007) (on file with  
the Author).**

This is an excerpt from the trial transcript containing instructions regarding the dilution claims.

19 The owner of a famous mark also may be entitled to  
20 damages for dilution of the mark. Dilution is a lessening of  
21 the availability of a famous trademark to signify its source.  
22 The elements of a claim for dilution that Wham-O must prove  
23 by a preponderance of the evidence in this case in order to  
24 be entitled to damages for dilution are as follows:  
25 1. That the mark was famous at the time that SLB

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1 began using it.  
2 2. That SLB's use of the mark caused a lessening  
3 of the acquired distinctiveness, also known as secondary  
4 meaning, of the mark.  
5 3. That SLB willfully intended to trade on  
6 Wham-O's reputation or to cause dilution of the famous mark.  
7 In determining whether Wham-O's mark was famous at  
8 the time SLB began using it, you may consider the following  
9 factors:  
10 1. The degree of acquired distinctiveness of the  
11 mark.  
12 2. The duration and extent of the use of the mark  
13 in connection with the goods with which the mark is used.  
14 3. The duration and extent of advertising and  
15 publicity of the mark.  
16 4. The geographical extent of the trading area in  
17 which the mark is used.  
18 5. The channels of trade for the goods or services  
19 with which the mark is used.  
20 6. The degree of recognition of the mark in the  
21 trading areas and channels of trade used by Wham-O and SLB.  
22 7. The nature and extent of use of the same or  
23 similar marks by third parties.  
24 8. Whether the mark is registered.