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SCHECHTER’S IDEAS IN HISTORICAL CONTEXT AND DILUTION’S ROCKY ROAD

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Abstract

Dilution is one of the great mysteries of trademark law. Ever since Frank Schechter first proposed the theory in his famous 1927 Harvard Law Review article, The Rational Basis of Trademark Protection, judges have had trouble understanding it and scholars have had difficulty justifying it. Still, dilution manages to hang on. Just when it seems that the theory might wither away, it gains new life and cycles through another period of ascendancy and then decline. The adoption of the Trademark Dilution Revision Act in October 2006 completes the latest cycle, reinvigorating Section 43(c) just when restrictive judicial interpretations threatened its viability. This Article traces the history of dilution law back to its origins in Schechter’s 1927 article. It focuses on two stages: (1) Schechter’s original 1927 proposal and its reception, and (2) the adoption of state anti-dilution statutes starting in the late 1940s. The Article challenges the generally accepted account of these events and situates Schechter’s ideas in a richer economic, jurisprudential, and doctrinal context. Schechter was not a formalist, nor did he advocate for broad property rights in marks or rely principally on Lockean labor-desert or anti-free-riding arguments, as some have argued. Schechter was a legal realist. He believed that dilution was the real reason to protect marks because it was the reason that fit the way marks actually functioned in the marketplace, and he urged judges to acknowledge this fact openly because doing so would produce better decisions. Dilution never made any serious headway between 1927 and the early 1940s not because Schechter’s contemporaries rejected the idea in theory, as some have assumed, but rather because they saw a strategic advantage to using broad confusion theories to expand trademark protection. When states began adopting anti-dilution statutes in the late 1940s, two developments played an important role. First, dilution found a strong and aggressive advocate in the person of Rudolf Callmann, and second, political factors favored action on the state level.

Introduction

† Professor of Law, Boston University School of Law. I would like to thank the participants in the Trademark Dilution Conference held at Santa Clara University Law School on October 5, 2007 for their helpful comments and insightful questions. In addition, I am grateful to Stacey Dogan and Mark Lemley for reading an early draft and providing helpful input. Finally, I could not have completed this project without the splendid research assistance of Peter Zalzal.
With congressional passage of the Trademark Dilution Revision Act (TDRA)\(^1\) in October, 2006, scholarly attention has again focused on trademark dilution. Dilution is one of the great mysteries of trademark law. Judges have trouble understanding it, and scholars have difficulty justifying it. Many of its applications are highly problematic – expansive in scope, anti-competitive in potential effect, and threatening to values of free expression. Yet dilution maintains a firm grip on trademark law. Just when it seems that the theory might wither away, it gains new life and cycles through another period of ascendancy and then decline. The TDRA completes the latest cycle, reinvigorating Section 43(c)\(^2\) just when restrictive judicial interpretations threatened its viability.\(^3\)

This Article traces the history of dilution law back to its origins in Frank Schechter’s famous 1927 Harvard Law Review article, *The Rational Basis of Trademark Protection*,\(^4\) and challenges the generally accepted account of that history. According to the standard account, Schechter proposed dilution-based liability as a way to fill a widening gap between common law trademark doctrines and rapidly changing commercial practices.\(^5\) Because dilution was so

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\(^3\) For example, the TDRA amends Section 43(c)(1) to codify likelihood of dilution as the standard for injunctive relief, thereby overruling *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that proof of actual dilution was required. Also, the TDRA makes clear that dilution liability under Section 43(c) includes tarnishment as well as blurring and applies to descriptive marks with acquired distinctiveness as well as inherently distinctive marks. The tarnishment provision counters a suggestion in *Moseley* that the statute only covers blurring, and the inclusion of descriptive marks overrules the Second Circuit’s holding in *TCP/IP Holding Co. v. Haar Commc’ns., Inc.*, 244 F.3d 88, 98 (2d Cir. 2001).


sharply at odds with traditional confusion-based common law principles, however, and because it essentially protected marks on a broad misappropriation theory, it was not well received in the years immediately following publication of Schechter’s 1927 article, and it never caught hold.⁶ Schechter did not help his cause much either because he never provided a coherent policy justification.⁷ Eventually, the gap between doctrine and commercial practice was filled by broader types of actionable confusion, and with this development, there was no need for dilution.

There is certainly some truth to this account, but it also misconceives important elements of the history. This Article corrects some of these misconceptions and situates Schechter and his dilution idea in a richer historical context. In particular, it explores in greater depth the reasons for Schechter’s proposal and the reception it received. It also outlines briefly an explanation for the re-emergence of dilution in state statutes starting in the late 1940s.

The remainder of this Article is divided into four parts. Part I briefly describes the dilution theory and focuses on the main reasons why it is so problematic. This sets the stage for the history recounted in Parts II and III.

Part II focuses on Schechter’s original 1927 article and its reception. As Part II explains, mass marketing through advertising and trademarks was well underway by the time Schechter wrote and many firms had been diversifying since the turn of the century. Moreover, the common law was already adapting to changing commercial practices by expanding the scope of

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⁶ See Klieger, supra note 5, at 807-10; see also Nelson, supra note 5, at 757-58.
⁷ See Magliocca, supra note 5, at 978.
confusion theories. Schechter might have been frustrated with the slow pace of this change, as some versions of the standard account argue, but this was not the main reason he proposed dilution in 1927. Schechter proposed dilution in the spirit of legal realism. He believed that dilution was the real reason to protect marks because it was the reason that fit the way marks actually functioned in the marketplace, and he urged judges to acknowledge this fact openly because doing so would produce better decisions.

This revised account of Schechter explains a feature of trademark history that is difficult to reconcile with the standard account. For more than a decade after publication of *Rational Basis*, no one attacked Schechter’s argument or seriously engaged the merits of his dilution theory in a critical way. This does not readily fit the standard account’s focus on the radical nature of Schechter’s ideas, and it at least raises some questions about how strong the opposition to those ideas really was. To be sure, dilution did not catch on as an independent theory of liability, but the challenge is to explain why. Part II offers an explanation.

Part III moves the clock forward twenty years to the late 1940s and the adoption of anti-dilution statutes in the states. According to the standard account, dilution fell on deaf ears after Schechter proposed it. Moreover, it never made any headway in the original Lanham Act. Given this dismal record, one might well have expected dilution to fade away. Yet, only one year after the Lanham Act was passed, Massachusetts adopted an anti-dilution statute. The

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8 See Magliocca, *supra* note 5, at 975-76; Klieger, *supra* note 5, at 801-02.
9 See Klieger, *supra* note 5, at 810.
12 Mass. Gen. Laws c. 110 § 7A.
puzzle is to explain why dilution sprang back to life just when it appeared to be buried for good. Part III outlines one possible explanation.

Part IV concludes.

I. A Brief Primer on Dilution Law

At its core, trademark law protects against confusing uses of a mark and liability attaches only when the defendant’s use is likely to cause consumer confusion.\(^{13}\) Confusion can take different forms. Consumers might be confused into believing that the plaintiff is actually selling the defendant’s product (source confusion) or that the plaintiff authorizes, endorses, or sponsors the defendant’s product in some way (sponsorship confusion).\(^{14}\) Also, consumers might be confused at the time of purchase (point-of-purchase confusion), before purchase (initial interest confusion), or after purchase (post-sale confusion).\(^{15}\) Whatever form it takes, the confusion requirement is supposed to anchor trademark law to policies that protect the quality of information transmitted to consumers.\(^{16}\)

Dilution is different. It imposes liability without any requirement of confusion.\(^{17}\) There are two general types: tarnishment and blurring.\(^{18}\) Tarnishment covers cases where the defendant

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\(^{15}\) See *id*., §§ 23:6 (initial interest confusion), 23:7 (post-sale confusion).


\(^{18}\) See 4 *McCarthy on Trademarks*, supra note 14, § 24:67.
uses a similar mark in a way that severely clashes with the meanings that consumers associate with the plaintiff’s mark.\textsuperscript{19} Suppose the defendant names its striptease club “The Tiffany Club.”\textsuperscript{20} This use of TIFFANY is not likely to confuse anyone into thinking that the jewelry company is involved with the strip club, but it is likely to tarnish TIFFANY’s meaning as a symbol of elegance and prestige.

Dilution by blurring works differently. It is based on the idea that multiple uses of the same mark on different products will “dilute the distinctive quality of the mark” and make it more difficult for consumers to recall the original product quickly.\textsuperscript{21} To illustrate, suppose a firm names its soap “Tiffany Soap;” a car company names its new car “The Tiffany;” a restaurant opens under the name “Tiffany;” and so on. These uses of the TIFFANY mark may not confuse anyone about a possible connection with the jewelry company, but they could clutter the signal sent by the mark and make it more difficult for consumers to link it to Tiffany jewelry. Or so the blurring theory supposes.

It is difficult to justify dilution on policy grounds, and especially difficult to justify liability for blurring.\textsuperscript{22} Some scholars argue that blurring increases consumer search costs, but the limited empirical data suggests that any increase is likely to be very small and probably not

\textsuperscript{19} See Daniel Klerman, Trademark Dilution, Search Costs, and Naked Licensing, 74 FORDHAM L. REV. 1759, 1762 (2006).

\textsuperscript{20} Ty Inc. v. Perryman, 306 F.3d 509, 511 (7th Cir. 2002) (Posner, J.) (using this example).

\textsuperscript{21} See Klerman, supra note 19, at 1762.

\textsuperscript{22} See Robert G. Bone, A Skeptical View of the Trademark Dilution Revision Act, 11 INTELL. PROP. L. BULL. 187, 188-94 (2007) [hereinafter Bone, Skeptical View] (critically reviewing the policy arguments for dilution protection); Klerman, supra note 18, at 1763-70 (criticizing the policy rationales for blurring and tarnishment).
worth the cost of a legal remedy.23 Other scholars point to blurring’s role in protecting prestige goods, but it is not clear that blurring is needed for that purpose – even if protecting prestige goods is something trademark law should do.24 A third approach shifts from promoting consumer welfare to protecting sellers, and justifies blurring as a way to prevent free riding on a seller’s goodwill.25 But this anti-free-riding rationale is highly problematic: it fits trademark doctrine and history awkwardly at best and is difficult to justify in a coherent way.26

This account of dilution presents a puzzling question. If dilution diverges so much from conventional trademark doctrine and if it is so difficult to justify on policy grounds, why did it ever become a part of trademark law? The rest of this Article provides an answer to this question.

II. 1927-1937: Frank Schechter and His Dilution Idea

A. The Rational Basis Article

Frank Schechter is properly credited as the first person in the United States to present the dilution theory in a systematic form.27 Schechter was a New York lawyer practicing trademark

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24 Bone, Skeptical View, supra note 22, at 191 n. 15.
27 I searched for references to dilution, loss of distinctiveness, and the like before Schechter, but found nothing in the United States. As is well known, Schechter relied in part on an earlier German decision, the Odol case, which he read to implement a dilution theory. Schechter, Rational Basis, supra note 4, at 831-33. It is worth mentioning, however, that an article published the same year as Schechter’s (1927) proposed almost as expansive an approach but on the basis of a different theory, one that supposed that identical marks by themselves can evoke an association and thus mislead even when the marks are used on unrelated goods. See George W. Goble, Where and What a Trade-Mark Protects, 22 ILL. L. REV. 379, 388 (1927) (“It seems reasonable to suppose that ordinarily
law when, in the early 1920s, he took a leave from practice to study for the new Doctor of 
of the Law Relating to Trade-Marks*, in 1925 and received his degree that same year – the first 
such degree granted by Columbia Law School.\(^{29}\)

Schechter’s 1925 thesis, published by Columbia University, was well received.\(^{30}\) Most of 
the book is devoted to tracing the history of trademark law back to the personal, proprietary, and 
regulatory marks of the Middle Ages, and forward to the emergence of marks as guarantors of 
quality and symbols of goodwill in the sixteenth and later centuries.\(^{31}\) In the final chapter, 
however, Schechter offered some critical comments. In a somewhat scattered and mostly 
suggestive discussion, Schechter criticized aspects of trademark doctrine, especially the direct 
competition requirement, and joined many of his contemporaries in pushing for broader 
protection in noncompeting product markets.\(^{32}\)

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(forthcoming in Columbia Journal of Law & the Arts) (copy on file with author).

\(^{29}\) *F. I. Schechter, The Historical Foundations of the Law Relating to Trade-Marks* (1925) 
(hereinafter *F. I. Schechter, Historical Foundations*).

\(^{30}\) See, e.g., Am. Agric. Chem. Co. v. Moore, 17 F.2d 196, 199 (M.D. Ala. 1927) (referring to *Historical 
Foundations* as Schechter’s “recent and admirable treatise”); Hearings Before the Committee on Patents of the 
House of Representatives, 72nd Cong., at 1 (Feb. 8-9, 1932) [hereinafter 1932 HEARINGS] (referring to Schechter as 
“one of the most eminent authorities on the subject of the trade mark law” and to Schechter’s dissertation as 
“perhaps the most outstanding work on the subject”).

\(^{31}\) *F. I. Schechter, Historical Foundations*, *supra* note 29, at 19-145.

\(^{32}\) *Id.* at 163-171.
Two years later, Schechter was ready to present his theoretical views in a more comprehensive and systematic form, and he did so in *Rational Basis.* Schechter argued that protecting the distinctiveness of a mark was “the only rational basis” for trademark protection. For Schechter, this conclusion followed from the “true functions of the trademark,” which were “to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public.” The rise of mass national marketing and the extensive reliance on advertising had transformed the trademark from a symbol of goodwill to “an agency for the actual creation and perpetuation of good will.” As he succinctly put it, “the mark actually sells the goods.”

This was his crucial move – from the idea of protecting existing goodwill to the idea of protecting the mark itself as a device to sell products and generate new goodwill. The rest followed easily. “The more distinctive the mark, the more effective is its selling power,” he argued, so marks should be protected from uses on other products that erode their uniqueness and distinctiveness. As a result, trademark law should prevent the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods.” Although he never used the words “dilution” or “blurring,” this famous

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34 *Id.* at 831.
35 *Id.* at 818.
36 *Id.*
37 *Id.* at 819.
38 *Id.* See also Frank I. Schechter, *Trade Morals and Regulation: The American Scene,* 6 FORDHAM L. REV. 190, 204 n. 42 (1937) [hereinafter Schechter, *Trade Morals*] (in summarizing the German *Odol* decision, Schechter equates dilution to impairment of a mark’s “selling-power or drawing-power”).
passage from Schechter, with its “gradual whittling away” phrase, became standard language for describing what we today call the blurring theory of dilution.40

Some who subscribe to the conventional account see a major shift in Schechter’s thinking from *Historical Foundations*, where he is supposed to have endorsed confusion-based liability, to *Rational Basis*, where his impatience with the slow pace of doctrinal change apparently caused him to reject confusion and embrace the much more radical theory of dilution.41 This reading of Schechter is incorrect. While the final chapter of *Historical Foundations* contains only fragments of Schechter’s thinking, those fragments are consistent with his later analysis in *Rational Basis* and anticipate the dilution idea.

In particular, Schechter in *Historical Foundations* downplayed the importance of public deception as a ground of trademark liability and focused instead on the seller’s interests, especially the interests of a seller who had invested heavily in advertising its mark.42 Remarking on a line of cases protecting marks against use on noncompeting goods, Schechter observed that the “*ratio decidendi* … would appear to be simply a reluctance on the part of the Court to permit defendant ‘to get the benefit of complainant’s reputation or of its advertisement or to forestall its extension of trade,’” and he heralded this development as a “salutary, if somewhat belated, recognition of the actual nature and function of the trade-mark under modern conditions of production and distribution.”43 He concluded that a firm that invests heavily in advertising and

40 Schechter focused exclusively on blurring. Tarnishment was not included in dilution law until many decades later.

41 See Magliocca, supra note 5, at 975-76; Klieger, supra note 5, at 801-02.


43 *Id.* at 170.
builds a strong mark “should receive the same protection from the courts for his investment in advertising his trade-mark that he would undoubtedly be entitled to receive for investment in plant and materials.”

This is an important point. It suggests that Schechter’s endorsement of dilution was not a result of frustration or impatience or simply a strategic ploy to speed up judicial recognition of trademark liability in noncompeting markets. Schechter actually believed that dilution was the proper way to conceive trademark law. He defended dilution not simply as another type of harm that a mark might suffer or just another doctrine to supplement existing confusion-based liability rules. Rather, dilution for Schechter was a general theory of trademark liability superior to the confusion theory. As he put it, “the preservation of the uniqueness of a mark should constitute the only rational basis for its protection.” The following section explores this point in more detail.

B. Schechter’s Rational Basis Project

To understand more clearly what Schechter had in mind when he wrote *Rational Basis*, it is important to situate his analysis in the broader economic, doctrinal, and jurisprudential climate

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44 *Id.* at 171.

45 Professor Nelson recognizes this point in her *Wages of Ubiquity* article. See Nelson, *supra* note 5, at 746.

46 Schechter, *Rational Basis*, *supra* note 4, at 831 (emphasis added). Since Schechter limited his new theory to fanciful, arbitrary, and coined marks, one might wonder how descriptive marks, personal name marks, geographic marks, product packaging, and the like were supposed to be handled. Though he did not discuss this issue, it is reasonable to suppose that Schechter assumed these marks and symbols would continue to be protected by unfair competition principles based on consumer deception and confusion. In other words, Schechter’s dilution proposal was intended for “technical trademarks” rather than “tradenames,” as those terms were understood at the time. Technical trademarks included fanciful, arbitrary, and sometimes also suggestive marks. They could be registered federally under the 1905 Trademark Act, and they were protected by the tort of trademark infringement at common law. Tradenames were descriptive marks, personal name marks, and geographic marks, and they were protected by the tort of unfair competition, which required proof of secondary meaning and evidence of likely deception or confusion. See *infra* note 76 & accompanying text (distinguishing technical trademarks from tradenames).
of the 1920s and 1930s. The following discussion briefly summarizes this historical context before turning to Schechter’s views.

1. **Historical Context**

   a. **Economic**

   The end of the nineteenth and beginning of the twentieth century witnessed three major economic changes of particular importance to trademark law: the nationalization of markets, the diversification of product lines, and the emergence of psychological advertising.47

   Nationalization of markets was made possible by the rapid expansion of railroads and improvements in communication technology during the second half of the nineteenth century, and national marketing elevated the importance of trademarks and advertising.48 As long as goods were sold only locally, trademarks were not terribly important because consumers were likely to know the local seller personally.49 When markets became national, however, a distant manufacturer or importer needed some way to identify its products to the ultimate consumer and convince those consumers to buy its brand.50 National advertising featuring distinctive and memorable trademarks solved this problem. While a consumer was not likely to remember who manufactured the product, she was likely to remember a heavily advertised mark. As Schechter

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47 The following account is based primarily on Part III.C. of my *Hunting Goodwill* article. Bone, *Hunting Goodwill*, supra note 16, at 576-82. See also Wilf, supra note 28, at 48-58 (describing some of the same developments).


49 Moreover, goods imported from elsewhere, such as coffee, flour, and sugar, were often sold in bulk without distinguishing trademarks. *Id.*, at 575.

50 *Id.* at 577.
put it in *Rational Basis*, “through his trademark the manufacturer or importer may ‘reach over the shoulder of the retailer’ and across the latter’s counter straight to the consumer.”

The second major development, the diversification of product lines, was well underway by the early decades of the twentieth century. When a company sold only one type of product, the trademark symbolized only the goodwill of the company’s particular brand, but when the company diversified into other product lines, it had an incentive to use the mark on its other products in order to capitalize on the mark’s general reputation. Consumers seeing that mark would assume that the new product line had the same high quality as the old one. In short, a mark has value because of its firm goodwill (goodwill associated with the firm itself and thus with all the products sold by the firm) as well as its brand goodwill (goodwill associated with the particular product brand). Thus, a mark that has developed brand goodwill can be used on other products to exploit its firm goodwill – that is, as long as the mark can be protected in different product markets.

The third development took place in the field of advertising. During the nineteenth century, the typical ad was informational, relying mostly on prose and simple illustrations. In the opening decades of the twentieth century, the focus shifted to psychological ads that relied on arresting trademarks, clever slogans, and vivid graphics and that targeted basic human needs and

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51 Schechter, *Rational Basis*, supra note 4, at 18.


54 *Id.* at 579.
emotions. The idea was to imprint the product and the mark on the mind of the consumer so the trademark automatically evoked the positive emotions and images created by the advertising.

Enthusiasm for psychological advertising reached a peak in the 1920s. It is difficult for the modern advertising skeptic to appreciate the popularity of psychological advertising in the early twentieth century. In general, the advertising profession was held in high esteem and psychological advertising was celebrated for its ability to align consumer preferences with the needs of a vigorously expanding economy. To feed strong post-war economic growth, consumers had to be induced to change their preferences and tastes from those associated with the self-sufficiency of a rural life style to those more in line with patterns of materialistic consumption necessary to support a vigorous economy and a wide variety of consumer goods. Psychological advertising was thought to be a particularly effective tool to accomplish this objective because psychological ads appealed directly to human emotion.

The use of psychological advertising elevated the importance of trademarks. The trademark was essential to this marketing strategy, for it conveyed the emotional messages to consumers at the point of purchase. Sellers chose distinctive and memorable marks and used

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55 Id. at 579-82.
56 Id.
57 Id. at 580-81.
58 Id. at 580. See also Wilf, supra note 28, at 49-57 (describing the perceived value of advertising in changing consumption patterns and supporting a New Deal paradigm of a “consumer republic”).
59 This is a simplification, of course. There were certainly critics of materialistic consumption and psychological advertising during Schechter’s time, see Schechter, Trade Morals, supra note 38, at 202 n. 41 (recognizing these criticisms and arguing for other forms of regulation to handle the problems), but there was also remarkably strong approval, especially during the period of economic boom in the 1920s before the Great Depression.
psychological ads to invest those marks with strong affective content in the hope of turning the mark into a commercial magnet to attract consumers.60

b. Doctrinal

For most of the nineteenth century, marks were protected only against uses on competing goods.61 As firms began to diversify into multiple product lines, it became increasingly important to be able to protect existing marks for future use in new product markets. To do this, a firm had to be able to stop others from using its mark in the new market before it entered, and this necessitated extending trademark protection to noncompeting goods.62 Protecting marks in noncompeting markets was important for consumers too. Confusion between different products was a serious risk by the 1920s because consumers had become accustomed to companies diversifying across product lines.63

As a result, one of the most pressing issues in the opening decades of the twentieth century was how far to expand trademark protection into noncompeting product markets.64 The

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60 See Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) (referring to the “commercial magnetism” created through advertising); Schechter, Trade Morals, supra note 38, at 204 n. 42 (referring to a mark’s “drawing-power.”).

61 See, e.g., McCARTHY ON TRADEMARKS, supra note 14, § 24:2; WALTER J. DERENBERG, TRADE-MARK PROTECTION AND UNFAIR TRADING 397, 409 (1936) [hereinafter W. J. DERENBERG, TRADE-MARK PROTECTION].

62 See Lukens, supra note 52, at 204-05.

63 See id.

64 This issue arose in two distinct but related contexts. The first context involved application of the 1905 Trademark Act. The 1905 Act conferred benefits on registered trademarks and prohibited registration of a mark that was already in use by another for goods “of the same descriptive properties.” 33 Stat. 724 § 5 (1905). Courts realized rather quickly that the “same descriptive properties” language was too limiting in view of the fact that firms were diversifying into quite different product lines. Moreover, the phrase focused on the physical and functional relatedness of the products rather than on the real reason for denying registration, the risk of consumer confusion. See Lukens, supra note 63, at 203-04. As a result, the statutory language came in for heavy criticism, and courts interpreted it ever more generously until it was finally eliminated by the Lanham Act in 1946. See W. J.
usual approach was to apply confusion-based theories liberally. As early as 1917, for example, a company selling pancake flour was able to enjoin another company from selling pancake syrup under the same mark.65 The court justified the result on the ground that syrup and flour were closely enough related so that consumers might be confused into believing that the plaintiff actually sold the defendant’s syrup.66 Over time, the scope of protection expanded much further.67

These doctrinal changes were well underway by the time Schechter wrote his Rational Basis article. National marketing was firmly entrenched; firms were heavily diversified; psychological advertising was all the rage, and trademark law was extending protection for marks through ever-broader applications of confusion theories.68

c. Jurisprudential

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66 Aunt Jemima, 247 F. at 410.

67 See W. J. Derenberg, TRADE-MARK PROTECTION, supra note 61, at 408-31; Lukens, supra note 63, at 200-01. Indeed, these expansions were made even easier by the availability of injunctive relief on a showing of mere likelihood of source or sponsorship confusion without any need to prove actual confusion at all.

68 See Lukens, supra note 63, at 200 (noting in 1927 that “[i]t is now established beyond controversy that the products need not be the same, in order that relief may be granted.”); Goble, supra note 27, at 387 (noting in 1927 “that a diversion of patronage is essential to the tort of unfair competition has long since ceased to be a requirement of the law”).
The third piece of the picture has to do with changes in legal thought in the early twentieth century. By the 1920s, late nineteenth century formalism had been under attack by Progressive reformers for more than a decade, and Columbia Law School was one of the hotbeds of reform and home for several well-known legal realists. Schechter, of course, studied at Columbia, and it is safe to assume he maintained ties with the law school while practicing in New York.

The literature on Progressive legal reform and legal realism is vast, and this article is not the place to review it in detail. I shall refer to the collection of ideas and beliefs that influenced Schechter as “legal realism” because that is the term most commonly used today. However, it is important to bear in mind that these ideas were shared generally in the early twentieth century by Progressive lawyers, judges, and academics of all kinds, including many who might not have called themselves “legal realists.”

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70 For some specific connections between Schechter and legal realists, see infra note 83.


72 One must be careful about using the label “legal realism.” It was coined by Karl Llewellyn in a famous 1930 article announcing the legal realist movement, and it gained prominence largely as a result of Llewellyn’s heated exchange with Roscoe Pound. See M. J. HORWITZ, TRANSFORMATION, supra note 69, at 169-72. Llewellyn affixed the legal realist label to a loosely knit group of lawyers and academics who were in fact independent thinkers sharing common beliefs on a very general level but using different approaches and holding somewhat divergent views. See, e.g., id.; Wiseman, supra note 71, at 470 n. 15.
Two general features of realist thought – and of Progressive legal thought more generally – are particularly salient to a discussion of Schechter. First, the realists focused on the way law actually worked in practice, and second, they approached the law pragmatically and instrumentally with an eye to making legal rules that served social interests well. The following discussion describes these features in somewhat more detail.

The legal realists rejected the formalistic and conceptualistic jurisprudence of the late nineteenth century. Roughly speaking, conceptualism purported to derive lower level principles, rules, and results in cases from abstract concepts and principles that were assumed to be given. For example, nineteenth century jurists derived exclusive rights in trademarks from the abstract concept of property coupled with general principles of possession and ownership. The realists criticized this mode of argument for assuming that “property” had a definite meaning and a determinate content. In their view, it made no sense to determine whether a mark was “property” and then deduce exclusive legal rights from the “property” concept. Instead, one should first determine what legal rights to give by consulting the functions and policies

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73 See M. J. Horwitz, Transformation, supra note 69, at 187-89; White, supra note 69, at 1020.

74 See M. J. Horwitz, Transformation, supra note 69, at 18-19, 188.


76 See Bone, Hunting Goodwill, supra note 16, at 561-67. They reasoned that a fanciful or arbitrary mark (called a “technical trademark” at the time) could be exclusively possessed because it was not part of the general language and therefore not held in common. A firm exercised possession by being the first to use the mark in trade, and the mark then became that firm’s “property.” From this, it followed, by the nature of “property,” that the owner should have exclusive legal rights against anyone who used the mark on competing goods. Descriptive marks, by contrast, started out as words in the common language and therefore were common property belonging to everyone from the beginning. However, a firm could make a descriptive mark into its individual property by giving the word a different meaning; in other words, by developing secondary meaning.

77 See id. at 585-89.
trademark law should serve, and only then label the result “property” as a handy way to refer to it.78

When making policy judgments, many (though not all) realists looked to existing practice for normative as well as empirical guidance.79 This feature of legal realism reflected a broader pragmatic movement in the early twentieth century, which in turn was strongly influenced by American philosophical pragmatism.80 Very roughly, philosophical pragmatists believed that what worked well was good and what was good worked well.81 Those realists who were strongly influenced by pragmatism aimed for legal rules and institutions that facilitated the best features of existing practice in an optimal way, and they did this because they believed that the way things actually worked contained normative clues to the way things ought to work – in other words, that the “is” and the “ought” were not neatly separated.82 In short, where the conceptualists were preoccupied with abstract concepts and logical deduction, the realists focused on concrete practice and instrumental reasoning.

2. Understanding Schechter’s Project

With this brief historical background in place, it is possible to construct a plausible account of what Schechter was trying to do in Rational Basis. In brief, Schechter was a legal

78 See, e.g., Goble, supra note 27, at 380.
79 See, e.g., Wiseman, supra note 71, at 492-503, 505-09 (describing Karl Llewellyn’s realist vision of commercial law as embodying the “better rules” of merchant practice and involving a Grand Style of judging).
80 See generally MORTON WHITE, SOCIAL THOUGHT IN AMERICA: THE REVOLT AGAINST FORMALISM (1976).
81 Pragmatism is vulnerable to the criticism that it does not have a clear definition of what it means for something “to work well.”
82 This focus on the way things actually worked fueled a strong interest in empirical social science. See generally Schlegel, supra note 71.
realist—a moderate legal realist, to be sure, but a realist nonetheless.83 Rational Basis has all the elements of a typical realist project. It attacks inherited legal doctrines and older forms of reasoning as excessively formalistic; it criticizes nineteenth century rules for not keeping pace with technological, commercial, and social change; it focuses on actual practice as the basis for designing new legal rules; and it advocates fitting rules to the way things actually work.

I am not suggesting that Schechter was a sophisticated legal theorist. He was certainly an intelligent and thoughtful man and knew a great deal about legal theory, but he was also a practicing lawyer and, I imagine, had limited time for abstract jurisprudential reflection. My point is that Schechter’s thinking about trademark law was shaped by the realist ideas and beliefs that permeated the legal thought of his time.

My claim that Schechter was a legal realist runs counter to the standard account.84 One version of that account holds that Schechter advocated broad property rights in a mark and even

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83 There are many connections between Schechter and noted legal realists. For one thing, Schechter was recruited to study for the doctor of jurisprudence degree by Harlan Fiske Stone, then dean of Columbia Law School, see Wilf, supra note 29, at 59; and Stone himself was a Progressive reformer and early realist. See M. J. Horwitz, Transformation, supra note 69, at 182 n. 94. Furthermore, in the preface to Historical Foundations, Schechter credits several Columbia Law School professors, including Herman Oliphant and especially Hessel Yntema, both of whom were legal realists with a strong social science bent. See F. I. Schechter, Historical Foundations, supra note 29, at xiv (giving credit to Oliphant and Yntema); see generally M. J. Horwitz, Transformation, supra note 69, at 181 n.85 (discussing Oliphant and Yntema as realists). In addition, Schechter was inspired by the work of Paul Vinogradoff, who, while not strictly a realist, still rejected juridical abstractions and formalisms and insisted on studying the way law actually worked in social practice. See Frank I. Schechter, Paul Vinogradoff – “The Pontiff of Comparative Jurisprudence,” 24 Ill. L. Rev. 528, 538-40 (1929) [hereinafter Schechter, Vinogradoff]. Finally, Schechter overlapped at Columbia with Karl Llewellyn, one of the most famous legal realists. Llewellyn visited at Columbia Law School near the end of Schechter’s time there and joined the faculty permanently the year Schechter graduated. See W. Twining, Llewellyn, supra note 71, at 102 (noting that Llewellyn visited Columbia Law School in 1924 and joined the faculty in 1925). However, I have no evidence that Schechter worked with Llewellyn or even took a course from him.

84 I am not the only person to note the connection between Schechter and legal realism through Columbia Law School. See Wilf, supra note 29, at 61-62. To the best of my knowledge, however, I am the first to read Rational Basis as a quintessentially realist article.
treated the mark itself as property.\(^85\) This interpretation of Schechter is understandable given Schechter’s focus on the mark as a thing of value in itself. But it is also mistaken. Schechter clearly and firmly rejected the property formalism that informed late nineteenth century trademark jurisprudence, and he repeatedly stressed the importance of a functional approach.\(^86\) Trademark law, in his view, should be designed to protect the “true functions” of trademarks in the marketplace,\(^87\) and “a condition precedent to any intelligible discussion of [trademark] problems is the proper appraisal of the functional concept of a trade-mark today.”\(^88\)

Schechter also had little patience for formalistic reasoning. For example, he criticized those who relied on the “cardinal principle” that no property exists in a mark except in connection with the trade or business in which it is used to defend the rule that trademark law should protect marks only against uses on the same type of goods.\(^89\) According to Schechter, the flaw in the argument was that it assumed a universal “cardinal principle” applicable to all of

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\(^85\) See, e.g., Franklyn, supra note 25, at 123 (noting that one strand of Schechter’s thinking “tended toward a property rationale”); Nelson, supra note 5, at 756 (suggesting that Schechter’s dilution doctrine embraced a “‘propertized’ vision of trademarks”); Klieger, supra note 5, at 796-97 (“Schechter sought to … recognize in senior users of distinctive marks an in gross property right no more limited than that in the physical aspects of a business”); see also Wilf, supra note 29, at 63, 64 (noting that under the dilution theory, “a trademark was now property–and there were property rights in the mark itself subject to harm”).

\(^86\) For example, he agreed with Justice Oliver Wendell Holmes, one of the early pragmatic instrumentalists, that “[t]o say that a trade-mark is property and therefore should be protected clarifies the situation no more than to say that a trade-mark is protected and is therefore property.” F. I. SCHECHTER, HISTORICAL FOUNDATIONS, supra note 29, at 160-61. And he sounded the same critical theme in his later writing. See, e.g., Frank I. Schechter, Fog and Fiction in Trade-Mark Protection, 36 COLUM. L. REV. 60, 64-65 & n. 13 (1936) [hereinafter Schechter, Fog and Fiction] (“Nothing is to be gained, in determining the nature of a trade-mark and the basis of its protection by describing the trade-mark as ‘property’”). The charge that formalism invites circular reasoning was a typical realist critique, and Schechter’s application of the critique to trademark law calls to mind the same criticism made in 1935 by Felix Cohen, one of the most distinguished legal realists of the early twentieth century. See Felix Cohen, Transcendental Nonsense and the Functional Approach, 35 COLUM. L. REV. 809, 815-17 (1935).

\(^87\) Schechter, Rational Basis, supra note 4, at 818.

\(^88\) Schechter Fog and Fiction, supra note 86, at 64.

\(^89\) Schechter, Rational Basis, supra note 4, at 822-23.
trademark law. For Schechter, the principle in question was not universal; rather it was designed for a specific problem, assignments in gross, and the policies relevant to that problem were different than the policies involved in deciding whether to protect marks on noncompeting goods.90 This is a quintessential form of realist critique – probe beneath the formalisms to the underlying policies and argue from the policies rather than the formalisms.

Nor did Schechter rely principally on Lockean natural right or anti-free-riding theories. Lockean and anti-free-riding arguments in trademark law are usually invoked to justify protecting seller goodwill, and by their nature they focus on goodwill already created by a trademark owner’s investments in advertising.91 Schechter’s dilution theory, however, protected marks not just as embodiments of existing goodwill, but also, and more significantly, as devices to generate future goodwill not yet created.92 It is not easy to use Lockean and anti-free-riding arguments to justify a right to future goodwill.

Moreover, Schechter did not see dilution as simply a way to prevent appropriation of goodwill value or free riding on a seller’s investments. The wrong that concerned Schechter involved actual harm, not mere appropriation. Dilution was a “concrete injury” to the owner resulting from impairment of the mark’s selling power.93 As Schechter put it when describing the true function of marks:

90 Id.
91 See Bone, Hunting Goodwill, supra note 16, at 592-615.
92 See supra notes 36-38 & accompanying text.
93 Schechter, Rational Basis, supra note 4, at 825. It is worth mentioning that many legal realists were critical of the idea that the law should give exclusive rights in a thing just because it had value and the owner made it valuable. See, e.g., Int’l News Serv. v. Associated Press, 248 U.S. 215, 246-47 (Holmes, J., dissenting), 248-64 (Brandeis, J., dissenting) (1918); Cohen, supra note 86, at 815 (noting that the law does not protect something like a
To describe a trademark merely as a symbol of good will, without recognizing in
it an agency for the actual creation and perpetuation of good will, ignores the
most potent aspect of the nature of a trademark and that phase most in need of
protection. To say that a trademark “is merely the visible manifestation of the
more important business goodwill, which is the ‘property’ to be protected against
invasion” or that “the good will is the substance, the trademark merely the
shadow,” does not accurately state the function of a trademark today and obscures
the problem of its adequate protection … today the trademark is not merely the
symbol of good will but often the most effective agent for the creation of good
will …

Still, there are some passing remarks in *Rational Basis* that suggest a concern about
preventing free riding and protecting a seller’s investment. But these references are very few in
number, and they all take the form of suggestive snippets rather than developed arguments.

The thrust of Schechter’s justification for dilution was not based on abstract moral theories, but
rather on how marks were actually used by companies in the economy of the 1920s and what sort
of legal protection was needed to support that use. Schechter assumed that correct legal
principles ”necessarily emerge[d]” from “the necessities of modern trademark protection.”

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94 Schechter, *Rational Basis*, supra note 4, at 818-19. See also id. at 831 (“[the mark’s] selling power depends
for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally
upon its own uniqueness and singularity”).

95 Reading Schechter generously, I count three such refere nces. On page 825, he refers to “trademark pirates”
and in the same vein, on page 832, he refers to “the commercial buccaneer.” The metaphor of piracy is often
associated with free riding. On page 830, he notes that without dilution protection highly distinctive marks might
lose their distinctiveness “despite the originality and ingenuity in their contrivance and the vast expenditures in
advertising them which the courts concede should be protected to the same extent as plant and machinery.” The
reference to advertising expenditures calls to mind a Lockean justification.

96 *Id.* at 830. It is important to note in this connection that Schechter did not ignore morality. Indeed, he was
keenly interested in the development of what he called “trade morals.” See, e.g., Schechter, *Trade Morals, supra*
note 38. He believed that conventional moral norms evolved even in competitive markets, and like many realists, he
relied on moral principles like these to check that established and generally accepted economic practices were
working well and thus should be part of what the law was made to fit. My point is only that Schechter did not reason
from *abstract* moral theories, such as the Lockean theory of labor-desert or a general anti-free-riding theory.
From today’s perspective, Schechter’s argument for dilution seems weak. It does not explain why existing practice should be accepted as a normative baseline. Nor does it take explicit account of all the costs of dilution protection or explain carefully how dilution fits the policies of trademark law. But recall that Schechter wrote *Rational Basis* at a time when mass national marketing and psychological advertising were celebrated as positive developments, necessary to build and maintain the infrastructure supporting robust economic growth. It is quite possible that Schechter simply took for granted that his audience would accept these features as normatively desirable and worth nurturing.

In addition, criticizing Schechter for failing to offer a justification ignores his pragmatism. Schechter did offer a justification, one that defended his proposal as supporting pervasive and entrenched economic practices. He argued that marks should be protected against dilution because this form of protection would work well given the way companies actually used trademarks in the national economy.

Schechter’s legal realism manifests itself in another way that also sheds light on what he was trying to do in *Rational Basis*. Schechter’s description of changing commercial practices and judicial responses has an air of inevitability about it. Schechter seems to assume that judges would eventually have to change the law to protect against dilution because the law cannot

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97 Schechter did address one type of social cost at the end of *Rational Basis*: the possibility that dilution protection would create trademark monopolies. He argued that protecting distinctive marks “cannot affect legitimate competition” because other companies have many alternative marks to choose from. *Id.* at 833. This contention, of course, ignores the possibility that protecting a mark’s brand loyalty might raise barriers to entry and impede product market competition.

98 He first identified the “true functions” of trademarks in the modern economy, see *id.* at 818, and then argued that trademark law should protect those functions as they actually operate in the national market, *id.* at 818, 825 (reasoning that “the mark actually sells the goods” in the national economy and therefore “the more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.”).
remain out of synch with social and economic necessity for very long.\footnote{See 1932 HEARING, supra note 30, at 29.} This conception of legal evolution – that the law evolves not to express some ideal form fixed in general principles, but to fit changing social conditions and needs – was a basic tenet of legal realism.\footnote{See also Schechter, Fog and Fiction, supra note 86, at 82 (referring to trademark law as “a living and developing jurisprudence”).}

Schechter believed that trademark law was in the midst of just such a period of major change and that judges were already responding intuitively by manipulating traditional doctrines to protect the distinctiveness of marks. For example, at the beginning of Rational Basis, Schechter observed that “forward strides in trademark protection are being attained by appeals to ‘good conscience’ and ‘judicial sensibilities.’”\footnote{Schechter, Rational Basis, supra note 4, at 813.} In other words, the law was already changing as judges responded intuitively to new conditions. However, he also cautioned that relying on “judicial sensibilities” without “critical analysis of the real tort involved” was not the best approach, for it gave judges too much latitude to apply “historical preconceptions” that did not fit modern conditions.\footnote{Id.} He noted in particular that judges were extending trademark protection to non-competing goods “by indirection” and “circuitously approaching” a dilution theory.\footnote{Id. at 826, 832. His chief example had to do with a doctrinal development that gave broader protection to coined and arbitrary marks than to more common, “semi-descriptive” marks.} However, he criticized this approach as “a process of making exceptions rather than a frank recognition of the true basis of trademark protection.”\footnote{Id. at 821; see also id. at 825 (noting that courts extending protection to non-competing goods “were obliged to resort to an exceedingly laborious spelling out of other injury to the plaintiff in order to support their decrees.”). His point was that the expansion in confusion theories reflected a deeper change in what the law of trademark was protecting. In the way of the common law, incrementally and case by case, judges were gradually...}
Schechter set out to eliminate the “obsolete conceptions” that were “hamper[ing]” the “proper expansion of trademark law,” bring the real reasons for the judicial decisions to the surface, and encourage judges to base their decisions on those real reasons. His purpose was not to speed doctrinal change, although that might have been a side benefit. Instead, his purpose was to construct an account of the goals of trademark law that fit actual practice in the hope that “frank recognition of the true basis of trademark protection” would produce better decisions.

This is a quintessential legal realist project. Schechter’s analysis follows a typical realist format: start by explaining how judges are straining formalistic doctrines to implement underlying policies in a modern setting; then expose the policies beneath the formalisms; and conclude by calling for the elimination of formalisms and for decisions based directly on the policies.

C. Schechter’s Reception

Many judges, trademark scholars, and lawyers took note of Schechter’s Rational Basis article during the decade following its publication. What is surprising, given the article’s supposedly radical thesis, is just how mild a reception it received. No one criticized the merits of Schechter’s proposal and no vigorous debate ensued.

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105 Id. at 824.
106 Id. at 821.
My research identified eight articles,\footnote{See Bertram F. Willcox, Protection of a Trade Name in New York State, 3 St. John’s L. Rev. 1, 3 (1929) (citing Schechter’s “masterly article” to support the new advertising function of trademarks); Milton Handler & Charles Pickett, Trade-Marks and Trade Names – An Analysis and Synthesis, 30 Colum. L. Rev. 168 (pt. I), 759 (pt. II), at 176, 783 (1930) (relying on the idea that use of distinctive marks can cause injury in the form of “dilution of [the mark’s] advertising appeal, rather than passing off” to argue that “in some cases confusion of source should not be demanded”); James F. Oates, Jr., Relief in Equity Against Unfair Trade Practices of Non-Competitors, 25 Ill. L. Rev. 643, 657-58 (1931) (referring to Schechter’s article as a “most interesting comment” and endorsing dilution as a harm but not necessarily as an independent theory); Grover C. Grismore, Assignment of Trade Marks and Trade Names, 30 Mich. L. Rev. 489, 491 (1932) (noting Schechter’s argument for “a broader measure of protection” for “demand creation” capacity as an interesting footnote aside but relying on the proposition that the mark has value as a repository of goodwill); Charles Pickett, Nicknames and Unfair Competition, 35 Colum. L. Rev. 33, 40 (1935) (noting Schechter’s idea that marks serve as selling devices not just embodiments of goodwill, but concluding that “whatever legal interest an owner of a brand has in its popular nickname … is founded on the traditional theory of passing-off”); Milton Handler, Unfair Competition, 21 Iowa L. Rev. 175, 183 (1936) (relying on Schechter in observing that there are some cases that marks are sometimes protected even without “diversion of trade or confusion of goods” because of “injury to prestige and reputation, loss of distinctiveness of the mark, and a consequent dilution of demand-creating properties”); John Wolff, Non-Competing Goods in Trademark Law, 37 Colum. L. Rev. 582, 601-02 (1937) (approving Schechter’s dilution theory but recommending reliance on confusion-based theories because dilution was not likely to be accepted); Ralph E. Lum & Joseph J. Biunno, Unfair Competition: A Re-Consideration of Basic Concepts, 2 U. Newark L. Rev. 1, 4 (1937) (quoting Schechter’s article to the effect that “use of similar marks on noncompeting goods is perhaps the normal rather than the exceptional case of infringement”).} four judicial opinions,\footnote{The four opinions, all from the New York Supreme Court, are in chronological order: Tiffany & Co. v. Tiffany Prods., Inc., 147 Misc. 679, 682-683 (NY Sup. Ct. 1932); Maison Prunier v. Prunier’s Restaurant & Café, Inc., 159 Misc. 551, 555 (NY Sup. Ct. 1936); Dorothy Gray Salons v. Mills Sales Co. of New York, Inc., 162 Misc. 789, 792 (NY Sup. Ct. 1937); and Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 54-55 (NY Sup. Ct. 1937).} and one major treatise\footnote{See W. J. Derenberg, TRADE-MARK PROTECTION, supra note 61, at 414. Derenberg’s treatise was one of two very important trademark treatises published prior to 1945, the other of which was written by Harry Nims. See Zechariah Chafee, Jr., Book Review, 61 Harv. L. Rev. 562, 562-63 (1948) (reviewing RUDOLF CALMANN, The LAW OF UNFAIR COMPETITION AND TRADE-MARKS (1945)) (singling out Nims’s and Derenberg’s treatises for special attention and comparing them to Calmann’s 1948 treatise, noting that these are the “three excellent large textbooks” available). The fourth edition of Nims’s treatise was published in 1929 and did not even mention Schechter though it did note, with approval, the expansion of trademark liability to noncompeting markets by means of broad confusion theories. See HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS §§ 221, 374 (3rd ed. 1929).} citing Rational Basis between 1927 and 1937.\footnote{I cannot guarantee that I have found all the sources, but I believe I have found most of them. In particular, I retrieved the opinions by searching the state and federal caselaw databases in WESTLAW and LEXIS for citations to Schechter between 1927 and 1937. Locating all the articles and treatises was more difficult. My research assistants searched through the Index to Legal Periodicals and HeinOnline for articles and used the Boston University and Harvard Law School libraries to retrieve treatises.} One of the eight articles endorsed the dilution...
theory, but ultimately advised against using it to expand trademark protection, mainly for practical reasons.\textsuperscript{111} Four other articles, three by Columbia Law School professors Milton Handler and Charles Pickett, cited to dilution favorably but without endorsing it as a stand-alone basis for liability.\textsuperscript{112} Two of the four judicial opinions, including the famous \textit{Tiffany & Co.} case,\textsuperscript{113} refer to dilution, but use it mainly as another type of injury alongside confusion rather than as a distinct theory of liability.\textsuperscript{114} The single treatise mentioning Schechter is by Walter Derenberg, and it relies on \textit{Rational Basis} for the specific point that strong and unique marks get more protection in noncompeting product markets than weaker marks – and does so without taking a position on Schechter’s general dilution proposal.\textsuperscript{115}

\textsuperscript{111} Woff, \textit{supra} note 107, at 601-02 (noting “the very incongruousness of Schechter’s theory with the traditional and the fundamental principles of the common law forms the chief obstacles to its general acceptance in this country.”).

\textsuperscript{112} Pickett’s sole-authored 1935 article on nicknames recognizes preventing dilution as a serious business interest but questions whether it is also a “legal interest” and analyzes the legal issues under a passing off theory. See Pickett, \textit{supra} note 107, at 40. Pickett and Handler’s jointly authored 1930 article and Handler’s sole authored 1936 article focus on protecting marks in noncompeting markets when there is no source confusion or diversion of trade; they invoke Schechter for seller injury associated with impairment a mark’s advertising value and demand creation capacity; but they still rely on broad confusion theories and do not endorse dilution as an independent basis for liability. See Handler & Pickett, \textit{supra} note 107, at 783; Handler, \textit{supra} note 107, at 183 n.22. Finally, a 1931 article by James Oates, Jr. advocates expanding the protection of tradenames in noncompeting markets, cites Schechter for recognizing dilution has a harm, but ultimately rests on source or sponsorship confusion. See Oates, Jr., \textit{supra} note 107, at 657-58, 670.

\textsuperscript{113} In a particularly bold move, Schechter cited the \textit{Tiffany & Co.} case as having adopted his dilution theory as the law of New York. Schechter, \textit{Fog and Fiction}, \textit{supra} note 86, at 65 n. 14. This was more than a bit of an exaggeration. \textit{Tiffany & Co.} was not a decision of the New York Court of Appeals, and it found a likelihood of confusion as well as dilution.

\textsuperscript{114} See \textit{Tiffany & Co.}, \textit{supra} note 108; \textit{Philadelphia Storage Battery}, \textit{supra} note 108. In the late 1940s, when dilution began to come into its own, both of these cases, and especially \textit{Tiffany & Co.}, were cited as early precedent for the theory – and are still cited that way today -- even though they also find confusion and treat dilution only as a type of injury and not an independent cause of action. As for the other two opinions, \textit{Maison Prunier, supra}, relies on Schechter just for the general proposition that courts of equity appeal to “judicial conscience” to expand remedies for unfair competition, \textit{id.} at 555, and \textit{Dorothy Gray Salons, supra}, merely quotes \textit{Maison Prunier, id.} at 792.

\textsuperscript{115} See W. J. DERENBERG, \textit{TRADE-MARK PROTECTION}, \textit{supra} note 61, at 414. In this treatise, Derenberg strongly advocates the expansion of liability to noncompeting markets and at times stresses the wrongfulness of the
This record is an embarrassment for the standard account. That account explains
dilution’s failure to take hold after the publication of Schechter’s article by supposing that courts
and commentators objected to its radical departure from confusion-based principles.\(^{116}\) If this
were true, however, one might have expected that the criticisms of dilution would be voiced
publicly. Schechter was a very important figure in trademark circles.\(^{117}\) If a prominent figure
proposed a radical re-conceptualization of a legal field today, his views would almost certainly
prove heated debate. To be sure, there was not as much legal scholarship in the 1920s and
1930s as there is today, but there were still many trademark-related articles and numerous
debates in the literature. Why was there no debate about Schechter’s dilution proposal?

One possible answer is that no one really took Schechter’s ideas seriously, but I find this
highly implausible. For one thing, Schechter’s article was not ignored; indeed, as noted just
above, several judges and legal scholars cited *Rational Basis* with approval and relied on at least
some of its arguments. Also, Schechter’s mode of reasoning, his rejection of property

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\(^{116}\) *See* Klieger, *supra* note 5, at 807-10; *see also* Nelson, *supra* note 5, at 757-58.

\(^{117}\) His doctoral thesis was enthusiastically received when it came out in book form. He published at least four
other articles in major journals during the late 1920s and 1930s, before he died in 1937. *See* Schechter, *Trade
Morals, supra* note 38; Schechter, *Fog and Fiction, supra* note 86; Frank I. Schechter, *A Study in Comparative
Trade Morals and Control*, 19 Va. L. Rev. 794 (1932); Schechter, *Vinogradoff, supra* note 83. He also wrote an
essay for a book published in 1935, which included numerous contributions from notable scholars. Frank I.
Schechter, *The Law And Morals of Primitive Trade* in *LEGAL ESSAYS IN TRIBUTE TO ORRIN KIP MCMURRAY* 565
(M. Radin & A.M. Kidd, eds. 1935). And he was invited to testify before Congress as a trademark expert in 1932,
when the House considered major reforms to the 1905 Trademark Act. *1932 HEARINGS, supra* note 30, at 1-34.
formalism, and his empirical observations and assumptions about the value of marks were shared quite generally in the 1920s. Finally, Rational Basis would have been hard to ignore since it dealt with one of the most important issues of early twentieth century trademark law: how far to extend trademark protection to non-competing goods.

Three factors likely contributed to the mild nature of the response. First, and foremost, many of the major writers on trademark law in the 1920s and 1930s were practicing lawyers and probably not deeply concerned about debating the theoretical foundations of trademark law. They were probably more concerned about the practical issue of how to get trademark protection extended to noncompeting goods. Moreover, they already had a theory that worked well enough to achieve that goal. That theory focused on the goodwill that a mark symbolized and protected that goodwill as the seller’s property. This goodwill-as-property theory was flexible enough to support broad trademark protection provided “goodwill” was defined to include goodwill that attached to the firm as well as to the particular brand.

In addition, the goodwill-as-property theory had an advantage over Schechter’s dilution theory. The goodwill-as-property theory was capable of reconciling seller protection with the dominant and persistent consumer protection strand of trademark law. The way a defendant

118 See supra notes 47-60, 69-81 & accompanying text.
119 Edward Rogers, perhaps the most famous and prolific trademark writer in the early twentieth century, was a practicing lawyer in New York City and Chicago. Frank Schechter, of course, practiced in New York, as did Rudolf Callmann. Walter Derenberg received his law degree from New York University Law School in 1938. Presumably he practiced law before being appointed by NYU as an assistant professor in 1947. Milton Handler and Charles Pickett, Columbia Law School faculty, are notable exceptions, as is Zecharia Chafee, who was on the Harvard Law School faculty.
120 See supra notes 61-68 & accompanying text,
121 See Bone, Hunting Goodwill, supra note 16, at 567-75.
122 See id.
injured or appropriated a plaintiff’s firm goodwill was by confusing consumers about sponsorship. Therefore, protecting a mark against sponsorship confusion prevented harm to the seller at the same time as preventing harm to the consumer.\textsuperscript{123}

Second, many of Schechter’s contemporaries likely thought that Schechter’s dilution theory, even if sensible, was a strategically impractical way to expand trademark protection because it departed too radically from traditional common law principles.\textsuperscript{124} At the same time, they would not have wanted to criticize Schechter, either because they agreed with him in theory or because they thought dilution might come in handy whenever a judge demanded a showing of seller injury to bolster a shaky confusion finding.\textsuperscript{125} Moreover, those who opposed dilution-based liability had no need to voice their opposition strongly as long as advocates of expanded liability relied on confusion theories and did not push dilution too aggressively. In short, practically-minded lawyers and judges were much more interested in getting the doctrine changed than getting the theory right.

Third, Schechter himself did not push aggressively for a dilution cause of action after he published \textit{Rational Basis}. He seemed willing to accept the direction of doctrinal expansion with

\begin{itemize}
  \item [\textsuperscript{123}] See, e.g., \textsc{Frank Shepard Moore, Legal Protection of Goodwill} 40, 173-74 (1936) (explaining that protecting goodwill and preventing fraud were interrelated purposes, since goodwill was impaired whenever the public was deceived and the seller’s goodwill was protected whenever public deception was prevented).
  \item [\textsuperscript{124}] See, e.g., Wolff, supra note 107, at 602-06.
  \item [\textsuperscript{125}] One challenge for justifying extended trademark protection involved identifying concrete harms that broader protection might prevent. When the plaintiff and defendant sold different products, the plaintiff lost no sales or customers as a result of defendant’s use. Moreover, if the defendant’s goods were high quality, there was no reputation injury, and if the plaintiff had no plans to enter the defendant’s market, there was no basis for arguing market foreclosure. In these cases, it was not obvious that expanding confusion-based liability was needed to prevent harms to the seller. For some, it was enough that the defendant intended to free ride on the seller’s goodwill, but others were troubled by the fact that free riding alone did not diminish the seller’s goodwill or cause any other seller injury. Dilution helped supply the missing injury element. Advocates of expansive liability could rely on Schechter’s \textit{Rational Basis} article to argue that the seller suffered harm to the distinctiveness and thus the selling power of its mark. See, e.g., \textsc{Tiffany & Co. v. Tiffany Prods., Inc.}, 147 Misc. 679, 682-683 (NY Sup. Ct. 1932).
\end{itemize}
confusion theories even as he reminded his readers that dilution made more sense. I believe that one reason for this behavior is that Schechter was much more a scholar than an advocate. For example, he was keenly interested in comparative law, and when he died, he was working on a large project exploring competition norms and trade morals.

Moreover, Schechter died in 1937, ten years after publication of *Rational Basis*. This left Edward Rogers as the dean of trademark jurists, and it was Rogers who drafted the bill that eventually became the Lanham Act. Although I have never seen any indication that Rogers had a problem with the dilution idea in the abstract, he was a strong proponent of the goodwill-as-property theory and content with using confusion to expand the law.

**D. Summary**

To sum up, the foregoing discussion corrects the standard account of dilution’s history in five important respects. First, national marketing, product diversification, and psychological

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126 See Schechter, *Fog and Fiction*, supra note 86, at 84 (noting that the *Yale Electric* and *Waterman* decisions articulate a broad concept of confusion that, while not exactly matching the functional concept of a trademark, is probably a sound basis on which to revise the Trademark Act); 84-85 (quoting his proposed amendment to the Vestal Bill, which is based on a confusion principle). But see Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CAL. L. REV. 439, 449 (1956) (reporting that Schechter in 1932 drafted a revision of the trademark act, known as the Perkins Bill, which included a provision protecting coined, invented, fanciful, or arbitrary marks on grounds broader than confusion, but that the Perkins Bill was quickly abandoned).


128 See Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173, 180 (1949) (recounting how he drafted what was introduced by Congressman Lanham in 1938 as the original bill based on ABA committee meetings). On Rogers’s stature in the trademark community, see Zecharia Chafee, Jr., *Unfair Competition*, 53 HARV. L. REV. 1289, 1289 (1940) (referring to Rogers as “one of the leading American writers and practitioners in the field” of unfair competition); Beverly W. Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967, 967 (1952) (calling Rogers “the Dean of the trade-mark bar”). Rogers was born in 1875 and died in 1949. He published a number of articles and a major treatise on trademark law.


130 See, *e.g.*, 1932 HEARINGS, supra note 30, at 39, 41-42.
advertising were well underway by the time Schechter wrote *Rational Basis*, and trademark law was already making adjustments. One could be optimistic in the 1920s that the gap between doctrine and economic reality would be closed in due course. Second, Schechter’s thinking in *Rational Basis* does not represent a radical break from his earlier work; instead, it reflects the maturation of ideas expressed earlier in only a fragmentary form. Third, Schechter was not a formalist, a natural property rights theorist, or a knee-jerk proponent of anti-free-riding principles. He was a legal realist and believed that legal rules should be designed to function well in practice given the purposes those rules were meant to serve. Fourth, Schechter did provide a justification for dilution in *Rational Basis*, despite suggestions to the contrary, but it was not a justification that would satisfy trademark scholars today. Schechter offered the kind of pragmatic argument that was typical of the early twentieth century legal realists. Fifth, Schechter’s ideas received a remarkably positive, if relatively mild, reception in the decade after publication of *Rational Basis*. Dilution was never recognized as an independent cause of action, to be sure, but the reason lies in a mix of factors, including strategic considerations, doctrinal developments, and Schechter’s own reluctance to push his ideas aggressively.

The dilution idea in trademark law might have died out completely but for the adoption of state anti-dilution statutes, starting with Massachusetts in 1947. Part III briefly explores this important development.

### III. 1947-1977: State Anti-Dilution Statutes

The issue whether to extend trademark protection to noncompeting goods was resolved in the affirmative relatively quickly, but the question of how far to extend protection continued to vex the judiciary throughout the 1940s. Judge Learned Hand’s changing views are a good
example. Hand wrote the *Yale Electric* opinion in 1928 and included language that seemed to approve extremely broad expansions without any risk of confusion.\(^\text{131}\) Only six years later, he retreated from these broad pronouncements in his *Waterman* opinion.\(^\text{132}\) And during the 1940s, he took a narrow approach, often insisting on proof of concrete injury to reputation or actual entry plans before enjoining use of marks on noncompeting goods.\(^\text{133}\) The evolution of Hand’s views, as well as those of others on the Second Circuit and in the trademark community generally, tracked growing concerns about the potential monopoly costs of broad trademark protection and the pernicious influence of anti-free-rider arguments.\(^\text{134}\)

In the midst of this debate in the 1940s, the dilution idea made several appearances in opinions but never as an independent basis of trademark liability.\(^\text{135}\) Then, in 1946, the Lanham

\(^{131}\) Yale Electric Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928). Schechter thought that Judge Hand’s rationale in *Yale Electric* would form a sound basis for rules regarding trademark registration, even though it was not as broad as a dilution theory. Schechter, *Fog and Fiction*, supra note 86, at 84.

\(^{132}\) L. E. Waterman Co. v. Gordon, 72 F.2d 272, 273-74 (2d Cir. 1934).

\(^{133}\) See, e.g., Dwinell Wright Co. v. White House Milk Co., 132 F.2d. 822, 825 (2d Cir. 1943) (Hand, J.) (noting that “the right to preempt” the use of the mark in defendant’s market on the ground of likely entry “is a very slender thread indeed” and that “protection to reputation is more substantial” but still must be evaluated on the facts of each case); S.C. Johnson & Son, Inc. v. Johnson, 116 F.2d 427 (2d Cir. 1940) (Hand, J.) (explaining that where “the injured party has not lost any sales, the courts have based his right upon two other interests: first, his reputation with his customers; second, his possible wish to expand his business into the disputed market.”).

\(^{134}\) Concerns about creating monopolies by using trademark law to protect a seller’s ability to exploit brand loyalty intensified in the 1930s and 1940s, and anti-free-rider arguments came under attack as well. See, e.g., Triangle Pub., Inc. v. Rohrlich, 167 F.2d 969, 974, 980 n.13 (2d Cir. 1948) (Frank, J., dissenting) (cautioning that broad trademark protection “enables one to acquire a vested interest in a demand ‘spuriously’ stimulated through ‘the art of advertising’ by ‘the power of reiterated suggestion’ which creates stubborn habits”); S.C. Johnson & Son, Inc. v. Johnson, 116 F.2d 427, 429 (2d Cir. 1940) (Hand, J.) (“There is always the danger that we may be merely granting a monopoly, based upon the notion that by advertising one can obtain some “property” in a name.”); National Fruit Product Co. v. Dwinell-Wright Co., 47 F. Supp. 499, 506-07 (D. Mass. 1942) (Wyzanski, J.) (noting that because of concerns about monopoly abuse and skepticism about free riding as a basis for liability, “it is quite possible that today we stand on the threshold of a change of viewpoint” to one more hostile to trademark protection); Bone, *Hunting Goodwill*, supra note 26, at 589-9 (describing these views and collecting sources).

Act was adopted with confusion-based liability principles and no dilution provision.\textsuperscript{136} One might have expected that with its weak track record and its ultimate demise in the Lanham Act, dilution would have been buried once and for all. Yet, just at this point, it sprang back to life in the form of state anti-dilution statutes. The challenge is to explain why.

A. State Anti-Dilution Statutes

Massachusetts led the way in adopting an anti-dilution statute in 1947, one year after passage of the Lanham Act. Illinois followed six years later and New York and Georgia two years after that.\textsuperscript{137} The next wave of adoptions, which did not start until the 1960s, was given a boost in 1965 by the United States Trademark Association’s decision to add an anti-dilution provision to its Model State Trademark Bill.\textsuperscript{138}

The Massachusetts and New York statutes were virtually identical, while the language of the Illinois statute was a bit different. The original version of the Massachusetts statute read as follows:

\begin{quote}
Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade-name or trade-mark shall be ground for injunctive relief in cases of trade-mark infringement or unfair competition, notwithstanding the absence of
\end{quote}

\textsuperscript{663, 670} (7th Cir. 1943); \textsuperscript{Pennzoil Co. v. Crown Central Petroleum Corp., 50 F.Supp. 891, 900 (D. Md. 1943); Bulova Watch Co. v. Stolzberg, 69 F.Supp. 543, 546 (D. Mass. 1947).}

\textsuperscript{136} Congressman Fritz Lanham originally introduced the bill in 1938, and the legislation spent eight years gestating in Congress. The delay was no doubt partly due to the intervention of World War II, but it also reflected controversy over the advisability of federal substantive trademark regulation and broad trademark protection.


\textsuperscript{138} \textit{Id.} at 621.
competition between the parties or the absence of confusion as to the source of goods or services.\textsuperscript{139}

State legislative histories for the Massachusetts and New York statutes – the two I have researched – are very sparse, making it difficult to determine why they were adopted when they were. Nevertheless it is possible to construct a plausible explanation that fits the historical record.

B. A Plausible Explanation

My explanation focuses on two factors: (1) emergence of a strong advocate for dilution in the mid-1940s in the person of Rudolf Callman, who articulated the dilution theory clearly and was willing to push it aggressively, and (2) the structure of politics on the state level following adoption of the Lanham Act.

Before discussing these two factors, however, it is important to bear in mind that state trademark statutes were nothing unusual at the time. The states had been the primary locus of trademark regulation prior to the Lanham Act. State common law permeated the field, and there were statutes that furnished additional protection to marks registered with the state.\textsuperscript{140} The Lanham Act did not preempt any of these state laws; rather, it operated against the background of state common law principles. Thus, a state legislator would have had no reason to be particularly concerned about adopting a state trademark statute even after Congress adopted the Lanham Act.

1. Rudolf Callmann

\textsuperscript{139} Mass. Gen. Laws c. 110 § 7A.

\textsuperscript{140} See Rogers, \textit{supra} note 128, at 178.
Rudolf Callmann was a major figure in trademark law during the 1950s and 1960s. He published an important treatise in 1945, with a second edition coming out in 1950 (and a third edition in 1967). Callmann’s treatise was considered one of the major works on trademark law and unfair competition.

Callmann was born in 1892 in Germany and practiced law there before emigrating to the United States in 1936. His emigration was sponsored by Harvard Law School Professor Zecharia Chafee, himself a noted trademark and unfair competition law scholar. Callmann studied at Harvard Law School from 1936 until 1939 and practiced law in New York City.

As a practicing German lawyer for fourteen years before emigrating, Callmann must have known German law very well and been familiar with the German Odol case on which Schechter relied. Perhaps for this reason, Callmann’s 1945 treatise assigned a prominent place to

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141 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS (1945) [hereinafter R. CALLMANN (1st ed.)]

142 In a review published in 1948, Zecharia Chafee praised Callmann’s treatise as one of the three leading treatises on trademark and unfair competition law and pronounced it more theoretically ambitious than the other two (by Derenberg and Nims). See Chafee, supra note 109, at 562-63. Callmann’s theoretical ambition is on clear display in his treatment of dilution.


144 Id.

145 Id. Walter Derenberg, another dilution supporter, was also born in Germany (in 1903) and practiced law there before emigrating to the United States in 1934. See NEW YORK TIMES, Sept. 10, 1975, at 48, available at http://proquest.umi.com.ezproxy.bu.edu/pqdweb?index=1&did=76602948&SrchMode=1&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1193774035&clientId=3740.

dilution as a distinct theory of liability.\textsuperscript{147} Callmann reserved a separate section for dilution; he unequivocally endorsed dilution as a distinct cause of action; he gave it the name “dilution” (recall that Schechter never named it); and he distinguished it from confusion in a much clearer and crisper way than Schechter or anyone else had managed to do previously.\textsuperscript{148} Moreover, he justified dilution by stressing the owner’s property right in its mark and relied heavily on Lockean and anti-free-riding principles.\textsuperscript{149}

When the treatise entered its second edition in 1950, Callmann again featured dilution and pushed it aggressively.\textsuperscript{150} As a matter of fact, he went so far as to characterize dilution as a special type of “confusion” in a transparent attempt to fit dilution into the Lanham Act’s confusion-based infringement provisions.\textsuperscript{151}

\textsuperscript{147} 2 R. Callmann (1st ed.), supra note 141, § 84.2.

\textsuperscript{148}  Id. § 84.2, at 1335 (noting that “the injury [from dilution] differs materially from that arising out of confusion … [c]onfusion leads to immediate injury, while dilution is the infection, which if allowed to spread, will inevitably destroy the advertising value of the mark” and also noting that “it should be recognized therefore that dilution gives rise to a cause of action and should not be relegated to the status of a test of infringement”). See also id. § 84.2(a) (showing how some of the cases fit only a dilution theory even if they pretend to find confusion). Moreover, Callmann had the good sense to present the dilution cause of action as a supplement to confusion-based liability in contrast to Schechter, who presented it as a substitute. Id. § 84.2, at 1334-36 (attributing Schechter’s poor reception to his attempt to make dilution the only basis for liability and the fact that dilution was “diametrically opposed to the tradition and fundamental principles of the common law”).

\textsuperscript{149} For property rights in marks, see also Rudolf Callmann, Unfair Competition Without Competition: The Importance of the Property Concept in the Law of Trade-Marks, 95 U. P.A. L. REV. 443, 453 (1947) [hereinafter Callmann, Property Concept] (“the protection that can be granted to a trade-mark on the basis of a property right is most extensive”).

\textsuperscript{150} 3 Rudolf Callmann, The Law of Unfair Competition and Trade-Marks (2d ed. 1950): § 65.3 (elaborating on the advertising function of marks), § 74.2 (proposing dilution liability as a safeguard against creeping genericity), § 80.3 (suggesting that dilution protects against “noncompetitive confusion”), § 84.2 (focusing on dilution directly and proposing a dilution cause of action), § 84.2(a) (applying the dilution cause of action, noting that it protects a value of marks that is due mostly to “irrational” consumer purchasing habits).

\textsuperscript{151} Callmann argued that use of the same mark on an entirely different product can cause confusion about “whether the mark is still a good trade-mark or a free, generic term.” Id. § 80.3. In fact, he floated this idea two
Until Callmann took up its cause, dilution had no champion willing to promote the theory aggressively. As we saw above, Schechter himself never pushed strongly for dilution during the ten years between *Rational Basis* and his death in 1937, and other supporters in the 1930s and 1940s, such as Walter Derenberg, reserved judgment on it as a distinct cause of action.\(^\text{152}\) Callmann was the first to promote dilution vigorously and distinguish it sharply from source and sponsorship confusion (which he called “confusion of goods” and “confusion of business,” respectively).\(^\text{153}\) Indeed, one commentator, himself a supporter of the dilution cause of action, described Callmann in 1953 as “perhaps, the most vociferous advocate of the dilution theory writing today.”\(^\text{154}\)

Callmann’s influence was felt strongly during the late 1940s and 1950s. Not only did he promote dilution in his treatise, but he also pushed for it, and more generally for the protection of property rights in marks, in his other published writing and in his speaking engagements.\(^\text{155}\)

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\(^{152}\) See supra notes 107-115 & accompanying text.

\(^{153}\) Indeed, some of the most problematic features of modern dilution law can be traced back to Callmann. For example, it was Callmann, not Schechter, who linked dilution clearly to property rights in a mark, and it was Callmann, not Schechter, who advocated dilution protection for descriptive marks with strong secondary meaning. Indeed, Callmann was such a fan of dilution that he even suggested that dilution should be used to protect newly minted and inherently distinctive marks before they acquire popularity. 2 R. CALLMANN (1st ed.), supra note 141, § 84.2(a), at 1343 (noting that “dilution may even be more detrimental to a new born advertising effort, for its vitality as a selling power may be sapped by the first imitation appearing on the market”).

\(^{154}\) Beverly M. Pattishall, *The Case for Anti-Dilution Trade-Mark Statutes*, 43 TRADEMARK REP. 887, 889 (1953); see also Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L. J. 1165, 1192 (1948) (referring to Callmann as “[dilution] theory’s most vigorous living champion”); Derenberg, supra note 126, at 450 (referring to Callmann as the only “distinguished American writer” since Schechter to speak out “clearly in favor of recognizing ‘dilution’ as a separate tort”).

\(^{155}\) See Callmann, *Property Concept*, supra note 147; Callmann, *One Year*, supra note 151; Rudolf Callmann, *Trade-Mark Infringement and Unfair Competition*, 14 LAW & CONTEMP. PROBS. 185 (1949). It might also be significant that Edward Rogers, perhaps the most distinguished member of the trademark bar, the one who drafted the original bill that became the Lanham Act, and a powerful advocate for confusion-based liability, died in 1949.
Other proponents of dilution, such as Walter Derenberg, followed Callmann’s lead.  

Opponents of dilution countered with critical articles of their own emphasizing the monopoly risks and the dangers of psychological advertising. What followed was the first vigorous dilution debate in the literature, a debate that lasted from the late 1940s well into the 1950s.

With a strong champion, dilution was much more likely to receive serious attention from policymakers. Also, many of dilution’s supporters were influential lawyers in states that adopted anti-dilution statutes early on – for example, Callmann and Derenberg in New York and Beverly Pattishall in Illinois – and they probably helped push the legislation through in their own states.

See NEW YORK TIMES, May 23, 1949, at 23, available at http://proquest.umi.com.ezproxy.bu.edu/pqdweb?index=4&did=85641415&SrchMode=1&sid=2&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1193799321&clientId=3740. With a powerful opponent out of the way, it is likely that Callmann had an easier time pushing his ideas.

See, e.g., Derenberg, supra note 126, at 451 (supporting dilution for highly distinctive marks used on noncompeting goods); Pattishall, supra note 154, at 890, 892 (describing the dilution tort favorably and defending it on the ground that it corrects for practical deficiencies in the likelihood of confusion test).

See, e.g., George E. Middleton, Some Reflections on Dilution, 42 TRADEMARK REP. 175, 187 (1952); Brown, supra note 154, at 1191-94.

Walter Derenberg was a public supporter of dilution by 1956, at the latest. See, e.g., Derenberg, supra note 126, at 451. The New York statute was adopted in 1955 and it is very likely that Derenberg was a supporter at that time too.

See Pattishall, supra note 154.

The historical record reveals no similarly distinguished figure for Massachusetts. The Massachusetts bill was drafted by Joseph Healey, a recently minted lawyer and member of the Boston Bar. See Food Fair Stores v. Food Fair, Inc., 83 F. Supp. 445, 450 (D. Mass. 1948). Healey graduated from Harvard Law School in 1945 and got involved with the dilution bill only two years later. Although I have no direct support for the connection, it might not be coincidental that Callmann attended Harvard Law School from 1936 to 1939, only six years before Healey did, and that the first edition of Callmann’s treatise was published in 1945, the year Healey graduated. Recall that Zecharia Chafee sponsored Callmann’s immigration to the United States. See supra note 145 & accompanying text. Chafee was on the Harvard Law School faculty during Healey’s time there. It is not too big a leap to think that Healey took a course from Chafee while at Harvard and that he was exposed to Callmann’s ideas in that course. I have not been able to find any published writings of Chafee that state his views about dilution, but a Chafee-Callmann-Healey connection through Harvard Law School is at least possible.
2. **Local Politics**

Strong allies would not have been enough, however, without local politics favorably aligned for legislative action. This political piece of the story is hard to reconstruct because of the paucity of legislative history and the difficulty determining local political alignments from the historical record. The following, though speculative to some extent, is a plausible account based on the evidence.

The political explanation is a relatively straightforward public choice story: the supporters of dilution were well organized, powerful, and influential, and the opponents were not. After the Lanham Act was passed without a dilution provision, the pro-dilution forces, armed with Callmann’s treatise, turned to the states to enact dilution protection. The failure of dilution on the federal level counseled against a federal strategy. Working on the state level also avoided confrontation with federal authorities, such as representatives of the Department of Justice who worried about trademark monopolies and opposed the Lanham Act.\(^{161}\) And a state-by-state strategy would have had the advantage of fragmenting the opposition, at least if lawyers in one state were unlikely to get involved in the politics of another state.

To illustrate, consider Massachusetts. The supporters of the Massachusetts dilution bill included members of the Boston Bar as well as industry groups such as the Retail Board of Trade, Better Business Bureau, and Associated Industries of Massachusetts.\(^ {162}\) The opponents are more difficult to identify. No names are mentioned in the slim legislative history and thin

\(^{161}\) See Rogers, *supra* note 128, at 183-84 (noting the Department of Justice opposition on the ground that broad trademark protection risked creating monopolies).

\(^{162}\) See Derenberg, *supra* note 126, at 452 (describing a memorandum prepared by members of the Boston Bar and representatives of the listed industry groups, and submitted in support of the dilution bill).
historical record. Walter Derenberg reports that there was only one legislative hearing, which suggests that the opposition was probably weak.

In fact, it is hard to imagine who could possibly have opposed the bill successfully. The costs of dilution protection would have fallen mostly on consumers and on small firms interested in securing a head start in a new market by using a more established company’s distinctive mark. As for consumers, it is unlikely that they would have been capable of lobbying as an organized group in the 1940s and 1950s (the consumer movement did not begin until the 1970s). As for small firms, they would not have had the resources to exercise much influence in the legislature or to counter the lobbying power of larger companies. There were some academic opponents of dilution, such as Ralph Brown at Yale, but I doubt very much that they would have been inclined to insert themselves into the nitty-gritty of state politics.

Furthermore, the dilution bill was sold to the legislature as a much less controversial measure than it really was. For example, a memorandum submitted to the Massachusetts House by a group of lawyers and industry representatives argued that Massachusetts law “was hampered by old precedents, and that a dilution statute was needed to update it. The

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163 See Food Fair Stores v. Food Fair, Inc., 83 F.Supp. 445, 450 (D. Mass. 1948) (Wyzanski, J.) (“there is no written record preserved of the hearings conducted by any Massachusetts legislative committee considering the bills that led up to the 1947 Act”).

164 Derenberg, supra note 126, at 452 (noting that the hearing took place before a joint committee of the Massachusetts House and Senate). In fact, the bill moved through the legislature remarkably quickly. The original bill was reported out of the Mercantile Affairs Committee on March 17, 1947 after only one hearing; see H.R. 656, 1947 Leg., Reg. Sess. (Ma. 1947); the Senate substituted the broader bill in the form actually adopted on April 8, 1947, see S. 528, 1947 Leg., Reg. Sess. (Ma. 1947), and the modified bill was approved on May 2, 1947.

165 See generally Nelson, supra note 5, at 733 n. 5 (noting that today practitioners tend to favor dilution and academics tend to oppose it).

166 Derenberg, supra note 126, at 452. See also Food Fair Stores, supra, at 450 (noting that the Massachusetts legislature might have thought that it was merely bringing “Massachusetts local law into line with federal cases”). Indeed, the original bill, as first introduced into the House, was limited to “any coined or peculiar word,” just as
memorandum cited outlier cases, such as *Tiffany & Co.*, for the modern view without mentioning how radical those cases actually were.\(^{167}\) Busy state legislators with only a limited grasp of the complexities of trademark law, facing bar and industry pressure to adopt the bill, and hearing little, if any, opposition would have been unlikely to spend much time worrying about the merits, especially if the statute was marketed simply as a way to modernize antiquated aspects of Massachusetts law.

The New York experience was similar. The Committee on Trademarks of the Federal Bar Association of New York, New Jersey, and Connecticut, proposed the dilution statute.\(^{168}\) The Committee argued that New York would simply be following the lead of Massachusetts and Illinois and that “Massachusetts and Illinois business people are very happy with their recent legislation.”\(^{169}\) The Committee also downplayed the radical nature of the bill in other ways, arguing that it merely codified existing New York law on the subject. *Tiffany & Co.* and *Philadelphia Storage Battery Co. v. Mindlin* were cited as “explicitly adopt[ing] the ‘dilution’ theory” and no mention was made of how unusual those decisions actually were.\(^{170}\) And the

\(^{167}\) Derenberg, *supra* note 126, at 452.

\(^{168}\) Federal Bar Association of New York, New Jersey, and Connecticut Memorandum reprinted in *New York State Legislative Annual* 49 (1954) [hereinafter *Bar Association Memorandum*].

\(^{169}\) *Id.* at 49.

\(^{170}\) *Id.* at 50 (“the proposed bill, then essentially is a codification of common law, but a necessary one.”)
Committee’s memorandum quoted Rudolf Callmann’s treatise to reassure legislators that “a leading scholar in the field” thought that “[t]he theory of dilution is sound.”

The New York proponents of dilution also employed a federalism argument. They insisted that the New York statute was necessary to clarify state law in the face of mistaken interpretations by federal courts. The target of this complaint was Judge Hand’s restrictive approach to protecting marks in noncompeting product markets, an approach that dilution proponents claimed was out of line with New York precedents. This claim was hardly clear-cut; the cited New York precedents were, in fact, the few outlier cases and no mention was made of others that took a more restrictive view.

Although it is difficult to know for sure, federalism concerns might have influenced the actions of state legislators beyond New York. By creating a federal cause of action for infringement, the Lanham Act threatened to move trademark cases from state to federal court, with state claims getting jurisdiction as pendent to Lanham Act claims. In the face of this

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171 Id.

172 In particular, they complained that the Second Circuit was “misinterpreting our State law” when deciding unfair competition claims under its Erie mandate, and they concluded that “the proposed bill should prevent further [misinterpretations] by clarifying, through explicit legislation, just what our State law is for others who follow it.” Id.

173 See supra notes 132-134 and accompanying text. During the 1940s and 1950s, the judges on the Second Circuit Court of Appeals split sharply on the question of how far to extend trademark protection to noncompeting product markets. Judge Hand and Judge Frank took a restrictive view while Judge Clark took a more expansive position. It was Judge Hand’s and Judge Frank’s restrictive view that the proponents of dilution legislation criticized. Their main example of a misreading of state law was Hyde Park Clothes, Inc. v. Hyde Park Fashions, 204 F.2d 223 (2d Cir. 1953), an opinion written by Judge Swan and joined by Judge Frank with a sharp dissent by Judge Clark. The Court in Hyde Park reviewed the plaintiff’s unfair competition claim and concluded that there was no unfair competition under state or federal law because the products (men’s clothes and women’s clothes) did not compete, there was no risk of confusion, no reputation harm, no plans to enter the defendant’s market, and no intentional palming off, and the defendant had already established good will in the mark in its own market. Id. at 224-226. The Court cited New York state cases that, it claimed, supported its conclusion.
possibility, it might have seemed especially important to clarify state law so that federal judges would not misinterpret it.174

IV. Conclusion

The rest of dilution’s history is familiar to those who have studied the subject. Most judges in the 1950s and 1960s refused to apply the state statutes broadly, insisting instead that trademark owners offer some proof of likely confusion in dilution cases.175 The New York Court of Appeals, in 1977, called for broad enforcement of New York’s anti-dilution statute according to its literal terms, but the court’s decision, while heralded as a turning point in dilution law, in fact had only a limited impact.176 In 1995, Congress adopted the Federal Trademark Dilution Act, which gave dilution an initial boost, but courts soon interpreted the statute restrictively and dilution faded into the background yet again.177 The Trademark Dilution Revision Act, adopted in 2006, marks the latest stage in this history, but it is too early to predict its fate.

174 Moreover, substantive trademark law was traditionally understood as falling within the exclusive domain of state regulation. The Trademark Act of 1905, for example, was not supposed to create any substantive rights; it was only supposed to provide additional procedural protections. In the 1930s and 1940s, when the early push was made for federal substantive trademark legislation, debates raged over whether Congress had the constitutional power to adopt a substantive statute (like the Lanham Act) and whether it ought to do so as policy matter in view of the strong tradition of state regulation in the field. Compare, e.g., Schechter, Fogs and Fiction, supra note 86, at 67-79 (arguing for broad commerce clause power to enact substantive trademark legislation) with 1932 HEARINGS, supra note 30, at 37, 42 (Rogers expressing doubts about congressional power to enact substantive trademark legislation). See generally Sylvester J. Liddy, Has Congress the Constitutional Power to Legislative on the Substantive Law of Trademarks, 6 FORDHAM L. REV. 408 (1937) (discussing the issues). Given this strong federalism concern, it would not have been surprising for state legislatures to react to passage of the Lanham Act by reasserting state control over trademark law. The dilution statutes provided an opportunity to do just that. I hasten to emphasize, however, that all of this is purely speculative.

175 See Pattishall, supra note 137, at 621, 624-25.

176 See Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 42 N.Y.2d 538, 544-45 (1977); Klieger, supra note 5, at 820-21.

Throughout its history, dilution has been an awkward theory, and since the late 1940s, a very controversial one as well. Today, dilution is probably more controversial than at any other time in its history and certainly more so than when it was first proposed by Frank Schechter in 1927. This Article provides useful background for understanding why. The answer lies, just as it did for Schechter when defending dilution, in jurisprudential, economic, and doctrinal changes, in this case changes that have taken place over the eighty years since *Rational Basis* was published.

In the 1920s and 1930s, for example, Frank Schechter’s pragmatic style of argument had considerable force, but it no longer satisfies those trademark scholars today who demand that dilution be justified by a more careful accounting of its social costs and benefits. In the 1920s and 1930s, national marketing, product diversification, and psychological advertising were the most salient economic practices and the main issue was how far to expand trademark protection into noncompeting product markets. Today brand extension and broad licensing are the most salient practices, and a major issue is how far to use trademark law to protect a company’s brand identity in distant licensing markets, including those that sell the mark as a product in itself.\(^{178}\) In the 1920s and 1930s, trademark and unfair competition law protected conventional word marks and some forms of product packaging. Today it protects much more, including elements of product design under conditions that threaten product market competition.\(^{179}\) And last but not least, the invention of the internet has opened up new technologies such as novel search devices

\(^{178}\) See Nelson, *supra* note 5, at 776-783 (describing the changes in brand promotion and licensing practices).

\(^{179}\) See, e.g., Nabisco, Inc. v. PF Brands, 191 F.3d 208 (2d Cir. 1999).
and aggregation sites that promise benefits for consumers but also use seller marks without permission.  

All these changes have put considerable pressure on dilution. When sellers turn to dilution to control their brand identities, to prevent expressive uses of their marks as social symbols, to monopolize licensing markets, to frustrate promising technologies, or to protect attractive and useful product design features, the social costs can be very high, and high social costs trigger serious concerns and heated controversy.

It only makes matters worse that there is no convincing normative account of why trademark law should protect against dilution. As the history recounted in this Article shows, the original arguments for protecting against dilution were based on beliefs and modes of justification that are no longer compelling today. Schechter’s pragmatic approach, so congenial to early twentieth century legal realists, does not persuade modern trademark scholars, and Callmann’s defense relied heavily on property rights and Lockean rationales that fit current understandings of trademark law very poorly. If dilution is to remain viable, it is past time for its advocates to provide a rigorous policy justification, one that rests on more than intuitive appeals to the wrongfulness of free riding. Trademark law will be the better for it.

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