

3 The suppressed misappropriation origins of trademark antidilution law: The Landgericht Elberfeld’s *Odol* Opinion and Frank Schechter’s “The Rational Basis of Trademark Protection”

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In September 1924, the Landgericht Elberfeld, a minor German regional trial court just east of Dusseldorf, issued a brief, eight-paragraph decision resolving a dispute between the complainant, the longtime registrant of the nationally famous trademark “Odol” for mouthwash, and the respondent, a recent registrant of the same mark for various steel products.¹ The court found that the “respondent has registered the mark for its steel goods for the obvious purpose of deriving from [the mark’s] selling power some advantage in marketing its own products,”² and ordered the cancellation of the respondent’s registration on the ground that “[i]t is opposed to good morals to appropriate thus the fruits of another’s labor in the consciousness that that other will or may thereby be damaged.”³ The dissimilarity of mouthwash and steel products prompted the court to explain:

* The original German text of the *Odol* case and a full English translation are available at www.bartonbeebe.com. Thanks to Hendrik van Echten and Matthias Schrader for excellent research assistance.

¹ LG Elberfeld, 14 September 1924, 204 – *Odol* [hereinafter *Odol*]. Neither the complainant nor the respondent is specifically identified in the record of the opinion. See also “§ 826 BGB. Der Inhaber einer sehr bekannten Mundwassermarkte (Odol) kann verhindern, daß ein Anderer das gleiche Zeichen für andere Waren (Stahlwaren) benutzt,” *Juristische Wochenschrift* 502 (1925). The Landgericht Elberfeld was renamed the Landgericht Wuppertal in 1930.

² *Odol*, *supra* note 1, at 204 (“Die Beklagte hat sich das Warenzeichen für ihre Stahlwaren in der offenen Absicht eintragen lassen, aus dessen Schlagkraft für die Verbreitung ihrer Waren Nutzen zu ziehen.”). The English translation is from Dr. Ludwig Wertheimer, “Broadened Protection of Names and Trade-Marks Under the German Law,” 20 *T. M. Bull.* (N. S.) 75, 77 (1925).

³ *Odol*, *supra* note 1, at 205 (“Es verstößt gegen die guten Sitten, sich die Früchte fremder Arbeit in dieser Weise anzueignen in dem Bewußtsein, daß der andere dadurch geschädigt werde bzw. geschädigt werden könne.”). The English translation is from Wertheimer, *supra* note 2, at 77.

To be sure, the parties, on account of the wholly different goods put out by them are not in actual competition. That, however, is beside the point. The complainant has created a demand for its goods, while employing thereon a word having drawing power, for only through the year[s]-long and extended activity of the complainant was its selling power acquired.⁴

The court reasoned that the complainant thus had “the utmost interest in seeing that its mark is not diluted [*verwässert*]: it would lose in selling power if everyone used it as the designation of his goods.”⁵ And so, in the seminal *Odol* opinion, whose author remains unknown, the concept of trademark dilution was born.⁶

The herald of a concept at the very edge of trademark law, the *Odol* decision soon made its way to America, and to the pages of the *Harvard Law Review*, and eventually, to the pages of the US Reports. The journey began with the December 1924 issue of the German intellectual property law journal *Gewerblicher Rechtsschutz und Urheberrecht*, which reported the *Odol* decision in full.⁷ Four months later, in April 1925, the *Bulletin of the United States Trade-Mark Association* published a two-page discussion and partial translation of the *Odol* case by one Dr. Ludwig Wertheimer.⁸ Then, in 1927, came the main event. In that year, the young German-speaking⁹ American lawyer Frank Schechter published in the *Harvard Law Review* an article entitled “The Rational Basis of Trademark

⁴ *Odol*, *supra* note 1, at 205 (“Freilich stehen die Parteien wegen der gänzlichen Verschiedenheit der von ihnen vertriebenen Waren nicht im Wettbewerb miteinander. Dies tut aber nichts zur Sache. Die Beklagte hat für ihre Ware Reklame gemacht, indem sie sich eines zugkräftigen Wortes bediente, das gerade durch die langjährige und ausgedehnte Tätigkeit der Klägerin allein seine Zugkraft erlangt hatte.”) The English translation is from Wertheimer, *supra* note 2, at 77.

⁵ *Odol*, *supra* note 1, at 204 (“Die Klägerin hat infolgedessen das größte Interesse daran, daß ihr Zeichen nicht verwässert wird; es würde an Werbekraft einbüßen, wenn jedermann es zur Bezeichnung seiner Waren verwenden würde.”). The English translation is from Wertheimer, *supra* note 2, at 77. In this and subsequent quotations from Dr. Wertheimer’s translation, I have occasionally added the underlying German in brackets, where appropriate.

⁶ For the German context of the *Odol* decision, see Andreas Sattler, “Dilution of Well-Known Trademarks—An Analysis of its Foundations in Germany and the European Union,” 3 *Zeitschrift für Geistiges Eigentum/Intellectual Property Journal* 304 (2011). See also Michael Lehmann, “Unfair Use of and Damage to the Reputation of Well-Known Marks, Names, and Indications of Source in Germany: Some Aspects of Law and Economics,” 17 *IIC* 746 (1986); Amelie Winkhaus, *Der Begriff der Zeichenähnlichkeit beim Sonderschutz bekannter Marken*, 30–31 (Peter Lang, Frankfurt am Main, 2010).

⁷ See *Odol*, *supra* note 1, at 204. ⁸ See Wertheimer, *supra* note 2, at 75.

⁹ In an August, 1919 issue of *The New York Times Magazine*, Schechter published a quite humorous and insightful Twainian account of his World War I service as a battalion intelligence officer for the American army in Germany. Frank I. Schechter, “Army of Occupation, Binsfield,” *N.Y. Times*, August 13, 1919. He wrote of using “my Columbia University German” while “Proconsul” of twenty-one German villages in 1919. *Ibid.*

Protection”¹⁰ which relied heavily, though cagily, on the *Odol* case, and which would eventually become the most cited law review article ever written on trademark law. The extraordinary influence of Schechter’s article and, through it, of the *Odol* case was confirmed in 2003 in the US Supreme Court opinion *Moseley v. V Secret Catalogue, Inc.*¹¹ The *Moseley* court quoted the thesis of Schechter’s article that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection,”¹² explained that Schechter “supported his conclusion by referring to a German case protecting the owner of the well-known trademark ‘Odol,’”¹³ and dutifully quoted in a footnote from Schechter’s discussion of the *Odol* case: “The German court ‘held that the use of the mark, “Odol” even on non-competing goods was “*gegen die guten Sitten.*””¹⁴ Remarkably, the Supreme Court offered no translation of the meaning of the German: “opposed to good morals.”

To be sure, the impact of “Rational Basis” has been profound, but it has also been scattered and confused. The article and the conception of trademark dilution that it set forth have generated an enormous amount of scholarly commentary both in the United States and abroad,¹⁵ not to mention two federal antidilution statutes,¹⁶ thirty-eight state antidilution statutes,¹⁷ and numerous foreign antidilution laws.¹⁸ Yet the “dauntingly elusive concept”¹⁹ of dilution remains essentially an enigma. As a leading American commentator attests:

No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of dilution . . . Few can successfully explain it

¹⁰ Frank I. Schechter, “The Rational Basis of Trademark Protection,” 40 *Harv. L. Rev.* 813 (1927).

¹¹ 537 U.S. 418 (2003). ¹² *Ibid.* at 429. ¹³ *Ibid.* ¹⁴ *Ibid.* at 429 n. 9.

¹⁵ See, e.g., Laura Bradford, “Emotion, Dilution, and the Trademark Consumer,” 23 *Berkeley Tech. L. J.* 1227 (2008); Clarissa Long, “Dilution,” 106 *Columbia L. Rev.* 1029 (2006); Sandra L. Rierson, “The Myth and Reality of Dilution,” 11 *Duke L. & Tech. Rev.* 212 (2012); Rebecca Tushnet, “Gone in Sixty Milliseconds: Trademark Law and Cognitive Science,” 86 *Tex. L. Rev.* 507 (2008).

¹⁶ See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at 15 U.S.C. § 1125(c)); Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312 (2006) (codified at 15 U.S.C. § 1125(c)).

¹⁷ See generally Caroline Chicoine & Jennifer Visintine, “The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006,” 96 *Trademark Rep.* 1195 (2006).

¹⁸ See generally Ilanah Simon Fhima, *Trade Mark Dilution in Europe and the United States* (Oxford University Press, 2012); David S. Welkowitz, *Trademark Dilution: Federal, State, and International Law* (Bureau of National Affairs, Washington DC, 2002).

¹⁹ *Ringling Bros.-Barnum & Bailey Circus Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 451 (4th Cir. 1999).

without encountering stares of incomprehension or worse, nods of understanding which mask and conceal bewilderment and misinterpretation.²⁰

If dilution is an enigma, even more so is “Rational Basis.” The article has produced a variety of conflicting interpretations of what its author thought dilution was, why he thought we should prevent it, and how he thought we should do so.²¹ Indeed, one wonders if even Schechter himself – who died only ten years after publishing “Rational Basis,” too young at the age of forty-seven, before he could further develop and clarify his ideas²² – ever fully understood what he intended when he used the term “dilution.”²³ The result is that now nearly a century since the *Odol* case and “Rational Basis,” we are still struggling to reach consensus on what exactly the Landgericht Elberfeld and Schechter meant – and, more importantly, what exactly we mean – by trademark dilution.

While the concept of trademark dilution, even in its pure and perfect form, whatever that may be, is no doubt quite subtle, dilution’s theoretical elusiveness cannot fully explain why the concept continues so thoroughly to befuddle trademark courts and commentators. This brief essay offers an additional explanation for the mystery surrounding the concept, an explanation grounded not in theory, but in history. It argues that Schechter deliberately sought in “Rational Basis” to obscure the true

²⁰ J. Thomas McCarthy, “Dilution of a Trademark: European and United States Law Compared,” 94 *Trademark Rep.* 1163, 1163 (2004). See also Stacey L. Dogan, “What Is Dilution Anyway?,” 105 *Mich. L. Rev. First Impressions* 103 (2006); Christine Haight Farley, “Why We Are Confused About the Trademark Dilution Law,” 16 *Fordham Intell. Prop., Media & Ent. L. J.* 1175 (2006). For a good example of the situation McCarthy describes, see the oral argument in *Moseley*, which consisted essentially of variations on the question of what, if anything, dilution is. Transcript of Oral Argument, *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003), 2002 WL 31643067.

²¹ See e.g., William G. Barber, “A ‘Rational’ Approach for Analyzing Dilution Claims: The Three Hallmarks of True Trademark Dilution,” 33 *AIPLA Q. J.* 25 (2005); Gerard N. Magliocca, “From Ashes to Fire: Trademark and Copyright in Transition,” 82 *N. C. L. Rev.* 1009 (2004); Sara Stadler Nelson, “The Wages of Ubiquity in Trademark Law,” 88 *Iowa L. Rev.* 731 (2003); Jerre B. Swann, “Dilution Redefined for the Year 2002,” 92 *Trademark Rep.* 585, 587 (2002).

²² See Sol M. Stroock, “Memorial of Frank Isaac Schechter,” *Assoc. of the Bar of the City of New York: Year Book* 416 (1938). See also “Frank Schechter, Lawyer, Dies at 47,” *N.Y. Times*, Sept. 27, 1937.

²³ Commentators often state that Schechter himself never used the term dilution. This is not correct. In a 1936 article in the *Columbia Law Review*, Schechter explained how a trademark may be damaged “by the gradual dilution or whittling away of its uniqueness—and hence of its selling power.” See Frank I. Schechter, “Fog and Fiction in Trade-Mark Protection,” 36 *Colum. L. Rev.* 60, 66 (1936) [hereinafter “Fog and Fiction”]. Schechter again used the term in a 1937 article in *Fordham Law Review*: “In [the *Odol* case] involving the same mark on such far removed articles as mouth-wash and steel ties, the court found that it was the ‘dilution’ of a mark and the impairment of its selling-power or drawing-power that must be enjoined.” See Frank I. Schechter, “Trade Morals and Regulation: The American Scene,” 6 *Fordham L. Rev.* 190, 204 n. 42 (1937).

nature of the *Odol* case and of antidilution protection, and that even a century later, his effort at obfuscation remains more or less a success, at least in the United States. What Schechter sought to obscure in “Rational Basis” is that the *Odol* case was not, strictly speaking, a trademark case. Rather, it was a misappropriation case that happened to involve a trademark. Schechter sought to suppress this basic truth – that the concept of trademark dilution is essentially a misappropriation concept – in order to sell his proposed doctrinal reforms to an American audience altogether suspicious of misappropriation doctrine and increasingly under the sway of American Legal Realism. A highly sophisticated trademark scholar and New York lawyer, a recent graduate of Columbia Law School, and the son of the great rabbi Solomon Schechter, Frank Schechter very likely understood in 1927 that his thinking – and the *Odol* decision – was in sync with the commercial realities of his time but strangely out of sync with its legal thought. Only nine years earlier, the Supreme Court had handed down its controversial majority opinion in the misappropriation case of *International News Service v. Associated Press*.²⁴ In separate dissents, which would eventually become part of the canon of American Legal Realism, Justice Holmes and Justice Brandeis both criticized Justice Pitney’s majority opinion for the empty formalism and circularity of its finding that the petitioner was “endeavoring to reap where it has not sown.”²⁵ Justice Brandeis in particular expressed concern that courts were ill-equipped to limit the reach of a broad misappropriation rule by which the respondent might “prevent appropriation of the fruits of its labor by another.”²⁶ Schechter needed to disassociate the *Odol* case from the *International News* majority; he needed somehow to clothe his essentially formalist misappropriation doctrine in the guise of legal realism. To do so required a great deal of finesse, or to put it more bluntly, of dissembling, and “Rational Basis” is full of it. As we will see, Schechter went so far as to delete from his lengthy quotation of Dr. Wertheimer’s translation of the *Odol* opinion the opinion’s central holding, that the respondent sought “to appropriate thus the fruits of another’s labor.”

Due both to its frequent misdirection and ambiguity and to its emphatic suppression of any suggestion that trademark dilution is a form of misappropriation, “Rational Basis” has remained an altogether open text. It has managed over the years to mean many different things to many different people, all seeking some theoretical means to fill the void left in the absence of misappropriation. As new generations try to decipher what the prophet meant to tell us in “Rational Basis,” each

²⁴ 248 U.S. 215 (1918). ²⁵ *Ibid.* at 239. ²⁶ *Ibid.* at 264 (Brandeis J., dissenting).

reader fastens upon a different passage and takes away a different meaning, and the exegetical debate only intensifies. The result is that “Rational Basis” still remains essentially inscrutable, as does Schechter’s concept of dilution, and this very inscrutability has been the source of the article’s enduring influence and the concept’s enduring fascination. Even now, in the face of ever more scholarly and judicial commentary recognizing that dilution is essentially a form of “free-riding,”²⁷ and likely one that typically inflicts no substantial harm on the misappropriated mark, the obfuscatory nature of Schechter’s text enables the concept of dilution to survive behind a fog of indeterminacy.

In what follows, I first discuss the *Odol* case itself. I then turn to “Rational Basis,” its expurgation of the *Odol* case, and its many artful formulations and reformulations of the concept of trademark dilution.

The *Odol* case

The *Odol* case presented the Landgericht Elberfeld with an especially difficult set of facts: The respondent had registered at the German Patent Office a trademark identical to the complainant’s widely recognized trademark, but had done so for use on goods unrelated to the complainant’s goods. While the complainant used “Odol” in connection with mouthwash, the respondent succeeded in registering “Odol” for steel products such as nail clippers. The difficulty was that the German Trademark Act of 1894²⁸ would grant relief only if the complainant could show that the respondent’s mark was likely to cause consumer confusion as to the true source of the respondent’s goods. But because the complainant’s and respondent’s goods in the *Odol* case were so different and no reasonable connection could be imagined between them, consumers were not likely to be confused as to source. Instead, consumers would likely believe that another company was now also using the “Odol” mark as a designation of source of its own goods. In 1905, the German Supreme Court at Hamburg had considered a similar set of facts in which the complainant had long been using the well-known mark “Kodak” on cameras and the respondent had more recently registered the same mark for use on, among

²⁷ See David J. Franklyn, “Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law,” 56 *Hastings L. J.* 117, 117 (2004). See also Farley, *supra* note 20, at 1185. For judicial recognition of the free-riding characteristics of trademark dilution, see, for example, *Thane Intern., Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 911 (9th Cir. 2002), and *Tiffany & Co. v. Tiffany Prods., Inc.*, 147 Misc. 679, 681 (N.Y. Sup. 1932).

²⁸ Gesetz zum Schutz der Warenbezeichnungen vom 12. Mai 1894, Deutsches Reichsgesetzblatt, Vol. 1894, No. 22, p. 441.

other things, toilets and bath tubs.²⁹ Because these facts could not support a likelihood of consumer confusion as to source, the Hamburg court refused to order the cancellation of the respondent's registration.³⁰

But importantly, the *Odol* court did not analyze the facts before it under trademark law. Instead, it based its decision on two other provisions in German law, neither of which required a showing of consumer confusion. The first was § 826 of the German Civil Code of 1900 (the "BGB"):³¹ "Who, in a manner contrary to good morals [*gegen die guten Sitten*], intentionally inflicts damage on another is liable to compensate the other for the damage."³² The second was § 1 of the Law against Unfair Competition of 1909 (the "UWG"):³³ "Who, in the course of trade, takes actions that impede against good morals [*gegen die guten Sitten*] can be sued for injunctive relief and compensation."³⁴ In theory and in practice, these two provisions were largely redundant of each other,³⁵ but § 826 BGB required a showing of intent ("intentionally inflicts damage")³⁶ while § 1 UWG was understood to require a showing of competition between the parties ("in the course of trade").³⁷

The broad provisions of § 826 BGB and § 1 UWG did not formally require anything like a showing by a trademark complainant that its mark was famous, but like a present-day trademark court considering a dilution cause of action, the *Odol* court turned first to the issue of the fame or

²⁹ RG, 12 December 1905, MuW 1906, 73 – *Kodak*, cited in Ansgar Ohly, "Blaue Kürbiskerne aus der Steiermark," in B. Schenk et al. eds., *Festschrift für Irmgard Griss*, 521, 521–22 (Jan Sramek Verlag, Vienna, 2011).

³⁰ See "The 'Kodak' Litigation in Germany," 19 *T. M. Bull.* (N.S.) 105 (1924). See also Ohly, *supra* note 29; "Protecting the Kodak Trade-Mark," 18 *T. M. Bull.* (N. S.) 267 (1923). Interestingly, in a contemporary English case, the court enjoined the defendant's unauthorized use of the mark "Kodak" on bicycles. See *Eastman Photographic Materials Co. v. John Griffith Corp.*, 15 R.P.C. 105 (1898). This led Walter Derenberg to conclude that the concept of dilution "originated in England when the British court protected the trademark 'Kodak' against use on bicycles," and then "further developed" in the *Odol* case. Walter J. Derenberg, "The Problem of Trademark Dilution and the Antidilution Statutes," 44 *Cal. L. Rev.* 439, 448 (1956). See also *Interflora, Inc. & Anor v. Marks & Spencer plc & Anor* (C-323/09) [2012] E.T.M.R. 1 at pp AG 51 (CJEU 2011) (discussing the "so-called Kodak doctrine that justifies an extensive scope of protection against confusion of well-known marks").

³¹ Bürgerliches Gesetzbuch (1900).

³² The German is: "Wer in einer gegen die guten Sitten verstoßenden Weise einem anderen vorsätzlich Schaden zufügt, ist dem anderen zum Ersatz des Schadens verpflichtet."

³³ Gesetz gegen den unlauteren Wettbewerb (1909).

³⁴ The German is "Wer im geschäftlichen Verkehre zu Zwecken des Wettbewerbes Handlungen vornimmt, die gegen die guten Sitten verstoßen, kann auf Unterlassung und Schadensersatz in Anspruch genommen werden."

³⁵ See Rudolf Callmann, *Der unlautere Wettbewerb*, 92–93 (Bensheimer, Mannheim, 1929).

³⁶ See Sattler, *supra* note 6, at 308. ³⁷ See *ibid.* at 311–14.

notoriety of the complainant's mark. Apparently, the court believed that this was a threshold issue and that only famous marks could qualify for the special form of protection the court would eventually set forth. As translated by Dr. Wertheimer, the court found:

[T]he word "Odol" has become a catchword – a nickname as distinguishing the goods of the complainant, and has attained a good-will superior to that of its former meaning as a trade-mark, so that everyone when he hears or reads the word "Odol," thinks of the complainant's mouth wash. These facts are of the greatest significance to the complainant; its goods have a good reputation, and an article designated with the name "Odol" leads the public to assume that it is of good quality.³⁸

Here, in its reference to the strong tendency of the public to link "Odol" with mouthwash and with quality, the *Odol* court anticipated the two specific forms of dilution that US trademark law would eventually recognize: the "blurring" of the link between the plaintiff's mark and the plaintiff's goods and the "tarnishment" of the plaintiff's reputation.³⁹

Having established the fame of the "Odol" mark, the court turned to the issues of damage, intent, and moral violation under § 826 BGB and competition between the parties under § 1 UWG. As to damage, the *Odol* court offered a remarkably incisive explanation of what trademark dilution entails: a mark "would lose in selling power if everyone used it as the designation of his goods." This initial appeal to the extreme case, in which many – or all – companies use the same mark and thereby dilute the mark's distinctiveness of any one of those companies, remains a very effective rhetorical strategy in describing to the uninitiated what dilution is.⁴⁰ But not "everyone" was using the "Odol" mark, so the court

³⁸ Wertheimer, *supra* note 2, at 76. The *Odol* court's description of the fame of the "Odol" mark is similar to, and was perhaps influenced by, the opinion of Landgericht Chemnitz in an April 1923 case involving the trademark "4711," used by the complainant for perfume and subsequently by the respondent for luxury goods. See "Schutz gegen Verwendung eines Warenzeichens für ungleichartige Waren, LG. Chemnitz, Urt. v. 11. April 1923, 8 Hg 354/22," *Juristische Wochenschrift* 722 (1924) [hereinafter 4711]. The 4711 court described the fame of the "4711" mark as follows: "If 4711 is used as a mark on a good, everyone who belongs to this consumer population [of those who buy perfume] will automatically first think of the goods of the plaintiff." "Wenn '4711' zur Bezeichnung einer Ware gebraucht wird, so wird jedermann, der diesen Kreisen angehört, unwillkürlich an die Waren der Klägerin zuerst denken." *Ibid.* at 722.

³⁹ As Marcus Luepke notes, German thinking typically distinguishes between dilution (*Verwässerung*), which is typically equated with blurring, and tarnishment (*Rufschädigung*). See Marcus H.H. Luepke, "Taking Unfair Advantage or Diluting a Famous Mark – A 20/20 Perspective on the Differences between U.S. and E.U. Dilution Law," 98 *Trademark Rep.* 789, 793 n. 16.

⁴⁰ Cf. Rudolf Callmann, *Callmann: Unfair Competition and Trade-Marks* (Callaghan, Chicago, 1950), at 1348 (comparing dilution to a process in which, "[i]f one dealer is allowed to sell the article as he wishes, a thousand may do so, and it would soon be forgotten which get-up is that of the trade-mark owner.").

retreated in the next paragraph of its opinion to “anyone” and to what we would now recognize as the gradual, continuous “death by a thousand cuts”⁴¹ description of dilution: “The respondent must also admit that when anyone calls his goods ‘Odol,’ the word ‘Odol’ loses value for the complainant.”⁴² The *Odol* court wisely made no effort further to quantify this loss in value, thus avoiding one of the most difficult questions in contemporary dilution doctrine: Short of “everyone” using a particular famous mark, how do even multiple unauthorized commercial uses of that mark actually damage the famous mark or its proprietor?

As to intent, the court attributed to the respondent knowledge that its conduct could cause dilution of the “Odol” mark. Here again, the *Odol* court’s discussion of what motivated the respondent to use a mark identical to the complainant’s is strikingly astute. Dr. Wertheimer translated the court’s discussion as follows:

The respondent has registered the mark for its steel goods for the obvious purpose of deriving from its selling power [*Schlagkraft*] some advantage in marketing its own products. There are of course numerous euphonious words that the respondent could have used as the symbol of its goods; it chose the word “Odol,” it was clear, because this mark had acquired an especially favorable prestige [*einen besonders guten Klang*] through the efforts of the complainant. It must further be said, that there is at least a possibility that the complainant may be damaged through its action. In this knowledge the respondent has registered its mark, thus acting at least with far-sighted cunning.⁴³

To satisfy § 1 UWG’s requirement that there be competition between the parties, the court engaged in a bit of sleight of hand typical of trademark courts of that era both in Germany and the United States.⁴⁴ The *Odol* court found competition in a more general sense:

⁴¹ Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 4 (2005) (statement of Rep. Howard L. Berman). See also Callmann, *supra* note 40, at 1338 (dilution “is analogous to the situation where the plaintiff’s building is demolished because it is carried away stone by stone”).

⁴² *Odol*, *supra* note 1, at 205. The English translation is from Wertheimer, *supra* note 2, at 77. Compare the language of the Landgericht Chemnitz in its earlier 4711 opinion: “As more firms sell their goods to this consumer population under the ‘4711’ mark, so must the mark lose power.” (“Je mehr Firmen ihre Waren unter dem Zeichen ‘4711’ in diesen Verbraucherkreis bringen, um so mehr muß es an Kraft verlieren.”). 4711, *supra* note 38, at 722. The 4711 court had earlier spoken of the mark’s “distinctiveness and advertising appeal” (“Kennzeichnungskraft und Werbekraft”). *Ibid.* The court analyzed the facts before it only under § 826 BGB, which the court held could support an action for the “impairment of the uniqueness and distinctiveness of another company” (“eine Beeinträchtigung der Eigenart und Unterscheidungskraft des fremden Betriebes”). *Ibid.* at 722. It was apparently left to the *Odol* court, however, to refine the concept of and coin the term “dilution.”

⁴³ *Ibid.* ⁴⁴ See Lehmann, *supra* note 6, at 752.

The complaint may also be based on Section 1 of the law against unfair competition, since this legal provision does not impose the condition that the one who offends against good morals in business shall be in competition with the one claiming an injunction and damages, it being sufficient that the defendant encroaches on the business of two competitors. Here, however, complainant's ability to compete with other manufacturers of mouth wash will be impaired if the significance of its mark is lessened.⁴⁵

Thus the court resolved the paradox created, on the one hand, by § 1 UWG's requirement that the parties be in competition, and on the other, by the nature of dilutive conduct, in which a defendant uses the plaintiff's mark in a manner that does not cause consumer confusion as to source, typically because the defendant is not in direct competition with the plaintiff, but rather dilutes more generally the distinctiveness of the mark.⁴⁶

In comparison to its treatment of damage, intent, and competition between the parties, the *Odol* court devoted relatively little attention to the main issue at the core of the *Odol* case: whether the respondent had actually done anything wrong, anything “*gegen die guten Sitten*.” After all, many intentional competitive acts may damage a competitor, such as selling similar goods at a lower price or placing one's store across the street from a competitor's, but not all of them, in fact, very few, are *contra bonos mores*. The moral violation is all the more difficult to establish when the conduct of one company (for example, a manufacturer of digital cameras) damages another company (a manufacturer of photographic film) with whom it is not in direct competition. More to the point, if one company copies the same innovative marketing strategy as another company (for example, an emphasis on minimalist product design), the uniqueness of that marketing strategy will be damaged, as will the company that innovated it, but we do not consider such conduct to be “opposed to good morals.” Similarly, the territoriality principle in trademark law permits one company intentionally to copy another company's trademark and use it on goods identical to those of the copied company in any country in which the copied company does not sell its goods, has not registered its mark, and is not well-known.⁴⁷ Here again, though such conduct may damage the copied company (for example, by

⁴⁵ *Odol*, *supra* note 1, at 205. The English translation is from Wertheimer, *supra* note 2, at 77.

⁴⁶ See Diethelm Klippel, “Grundfragen des Schutzes gewerblicher Kennzeichen gegen Verwässerungsgefahr,” *GRUR* 697, 702–03 (1986).

⁴⁷ See *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990). See generally Graeme B. Dinwoodie, “Trademarks and Territory: Detaching Trademark Law from the Nation-State,” 41 *Hous. L. Rev.* 885 (2004).

preventing that company from expanding its business), we do not find a violation of good morals. How then was the respondent’s conduct in the *Odol* case different? The *Odol* court offered no answer. It simply declared, as quoted above, that “it is opposed to good morals to appropriate thus the fruits of another’s labor in the consciousness that that other will or may thereby be damaged.” This was the totality of the court’s reasoning, never mind that most commercial conduct in a market economy consists, in the abstract, of exactly what the *Odol* respondent was accused of having done.⁴⁸

The *Odol* case thus had all the characteristics – and limitations – of a straightforward misappropriation case, albeit one that involved the misappropriation of a trademark’s “selling power.” German courts and commentary generally understood the *Odol* case and contemporary cases like it in these terms. To be sure, in 1905, in the *Kodak* case, the German Supreme Court at Hamburg had denied protection on the ground that the complainant had failed to show competition between the parties, likelihood of confusion, or intent by the respondent to inflict damage, even if the respondent’s exploitation of the “fruits of another’s labor” was “reprehensible from a moral standpoint.”⁴⁹ But as Rudolf Callmann’s 1929 treatise *Der unlautere Wettbewerb* suggests, sentiment quickly changed. Callmann pointed to the 1918 case *Bona – Tengelmans Bona*⁵⁰ in which, in finding infringement the court never explicitly mentioned a likelihood of consumer confusion, but rather spoke exclusively of, as Callmann put it, “the contrariety to good morals [*Sittenwidrigkeit*] of the deliberate exploitation of the ‘drawing power’ of the catchphrase ‘Bona’.”⁵¹ Alfred Rosenthal, another prominent treatise writer of the time, commented on a 1926 case involving the well-known mark “4711” for Eau de Cologne: “What is important is not whether the public will be misled, but whether the work of another is subject to unfair exploitation [*illoyalen Ausnutzung*] through the copying of one of the most well-known marks in the entire German marketplace.”⁵²

Just as German courts and commentators understood the *Odol* case as a misappropriation case, so American courts and commentators should have as well, particularly in light of its commonalities with the 1918

⁴⁸ See *International News Service v. Associated Press*, 248 U.S. 215, 257 (1918) (Brandeis J., dissenting).

⁴⁹ Comment by Leo, MuW 1906, 73 (quoted in Ohly, *supra* note 29, at 521–22).

⁵⁰ RG, 15 February 1918, MuW 1918, 214 – *Bona – Tengelmans Bona*.

⁵¹ Callmann, *supra* note 35, at 343.

⁵² Alfred Rosenthal, Comment on 4711, *Juristische Wochenschrift* 105 (1927). Other commentators described other dilution cases in similar terms. See generally Callmann, *supra* note 35, at 343–44.

Supreme Court case *International News v. Associated Press*.⁵³ There, the Supreme Court determined that International News’s practice of copying without attribution the Associated Press’s news stories (which were not protected by copyright law) violated the Associated Press’s “quasi property”⁵⁴ rights. As Justice Pitney explained in his opinion for the majority, the Associated Press’s news product “has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience.”⁵⁵ International News was acting *contra bonos mores* because it was simply free-riding on the Associated Press’s work.

The defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant, in appropriating it and selling it as its own, is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant’s members, is appropriating to itself the harvest of those who have sown.⁵⁶

In defining such conduct as a violation of a property right, albeit a property right only against competitors rather than against the world, Justice Pitney brought his classical formalism to bear on the facts before him, and this particular brand of formalism might have been quite congenial to the *Odol* case and the formation of antidilution protection in the United States. But there were other opinions in *International News*, and Justice Holmes’s and Justice Brandeis’s dissents represented the newly emerging, if not prevailing, opinion by the mid-1920s, particularly at Columbia Law School, Schechter’s intellectual home. It should thus not be surprising that when Schechter eventually addressed the *Odol* case in “Rational Basis,” he took such pains, as we will see, to distance it from Justice Pitney’s increasingly unfashionable doctrine of misappropriation.

Schechter’s revision of the *Odol* case in “Rational Basis”

In “Rational Basis,” Schechter shrewdly left his discussion of the *Odol* decision until the final paragraphs of the article. This gave the impression that he merely “supported his conclusion”⁵⁷ by reference to the decision

⁵³ *International News Service v. Associated Press*, 248 U.S. 215, 236 (1918).

⁵⁴ *Ibid.* See Shyam Balganesh, “Quasi-Property: Like, But Not Quite Property,” 160 *U. Pa. L. Rev.* 1889 (2012).

⁵⁵ 248 U.S. at 240. ⁵⁶ *Ibid.* at 239–40.

⁵⁷ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (U.S. 2003) (“Schechter supported his conclusion by referring to a German case protecting the owner of the well-known trademark “Odol” for mouthwash from use on various noncompeting steel products.”).

when in fact it appears to have inspired his entire concept of trademark dilution, much of his terminology, such as “selling power” (*Werbekraft*) and dilution (*Verwässerung*), and many of his arguments. For example, Schechter followed the *Odol* court’s lead in belittling the traditional requirement that for relief to be granted under trademark law, the parties must be in competition, or in US terminology, the goods of both parties must be “related” in some way.⁵⁸ He also emphasized that antidilution protection was most appropriate for marks that were, like “Odol,” linked to a particular product and level of quality, marks that, in Schechter’s words, “have, from the very beginning, been associated in the public mind with a particular product, not with a variety of products, and have created in the public consciousness an impression or symbol of the excellence of the particular product in question.”⁵⁹ And while the *Odol* court emphasized that there were “numerous euphonious words that the respondent could have used as a symbol of its goods,” Schechter defended antidilution protection against the “historical fear of monopoly which has possessed the courts”⁶⁰ with a quote from an American trademark case that “[a]ll the rest of infinity is open to defendant.”⁶¹

But for all of his reliance on the *Odol* case and his extensive quotation from Dr. Wertheimer’s translation,⁶² Schechter omitted one sentence in particular. The penultimate page of “Rational Basis” provides a lengthy block quotation from the Wertheimer translation, but from the middle of that block quotation Schechter excised and replaced with an ellipsis the following sentence, now familiar to us, from the *Odol* opinion: “It is opposed to good morals to appropriate thus the fruits of another’s labor in the consciousness that that other will or may thereby be damaged.”⁶³

Why would Schechter feel compelled to suppress the *Odol* court’s core finding, the very foundation of its ruling?⁶⁴ Schechter’s expurgation of this sentence is consistent with another peculiarity of “Rational Basis.” While the *Odol* court did not hesitate to explain why the respondent used the “Odol” mark (“for the obvious purpose of deriving from its selling power some advantage in marketing its own products”), Schechter scrupulously

⁵⁸ See Schechter, *supra* note 10, at 819–24. ⁵⁹ *Ibid.* at 829.

⁶⁰ *Ibid.* at 833. ⁶¹ *Ibid.*

⁶² It is not clear if Schechter ever consulted the original German-language *Odol* opinion.

⁶³ See Schechter, *supra* note 10, at 832.

⁶⁴ Admittedly, a page earlier, Schechter stated that the *Odol* court “held that the use of the mark ‘Odol’ even on non-competing goods was ‘*gegen die guten Sitten*,’ pointing out that, when the public hears or reads the word ‘Odol,’ it thinks of the complainant’s mouth wash, and that an article designated with the name ‘Odol’ leads the public to assume that it is of good quality.” *Ibid.* at 831. But note that Schechter is careful to omit from this quotation the *Odol* court’s statement that the respondent “appropriat[ed] thus the fruits of another’s labor.”

avoided speculating in “Rational Basis” on what motivated defendants to adopt famous marks.⁶⁵ Instead, he addressed only the damage such conduct inflicted on those marks.⁶⁶ Indeed, he repeatedly sought to focus attention on the mysterious nature of this damage. Schechter’s purpose here was the same that motivated his deletion of the *Odol* court’s reference to “appropriat [ing] thus the fruits of another’s labor”: he sought to suppress any link between trademark dilution and misappropriation.

Schechter did so, I suggest, in an attempt to cloak his concept of dilution in the emerging fashion of legal realism. In a recent groundbreaking article (without which this chapter would not have been possible), Robert Bone calls attention to the realist context in which Schechter published “Rational Basis,”⁶⁷ but Bone misses, I believe, the essentially duplicitous nature of “Rational Basis.” Bone argues that “Schechter was a legal realist”⁶⁸ who “proposed dilution in the spirit of legal realism.”⁶⁹ “Rational Basis” was, says Bone:

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.⁷⁰

This is certainly a fair description of the surface of “Rational Basis” (including the article’s title), and its author may well have been sympathetic with the basic insights of legal realism. As Bone emphasizes, the article repeatedly invoked the “true functions”⁷¹ of the trademark, criticized the failure of courts and commentators “to keep pace with the necessities of trade and the functional development of trademarks,”⁷² and lamented that “the proper expansion of trademark law has been hampered by obsolete

⁶⁵ As Robert Bone notes, Schechter does speak of “trademark pirates” and “commercial buccaneers.” See Robert Bone, “Schechter’s Ideas in Historical Context and Dilution’s Rocky Road,” 24 *Santa Clara Computer & High Tech. L. J.* 469, 486 n. 95 (2008) (citing Schechter, *supra* note 10, at 825 and 832). But as Bone recognizes, these references contain no detail on what motivates defendants to engage in dilutive conduct.

⁶⁶ See, e.g., Schechter, *supra* note 10, at 825 (describing dilution as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”); *ibid.* at 827 (describing dilution as the “vitiation of the identity of a mark”); *ibid.* at 831 (describing dilution as occurring when a mark’s “uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods”).

⁶⁷ See Bone, *supra* note 65.

⁶⁸ *Ibid.* at 483. See also *ibid.* (“In brief, Schechter was a legal realist – a moderate legal realist, to be sure, but a realist nonetheless.”).

⁶⁹ *Ibid.* at 471. ⁷⁰ *Ibid.* at 489.

⁷¹ See Bone, *supra* note 65, at 485 (quoting Schechter, *supra* note 10, at 818).

⁷² Schechter, *supra* note 10, at 824.

conceptions both as to the function of a trademark and as to the need for its protection.”⁷³ As Bone also notes, Schechter assailed the “cardinal principle that ‘there is no property in a trade-mark apart from the business or trade in connection with which it is employed.’”⁷⁴ In a characteristically realist line of attack, he criticized the principle as inconsistent with the underlying “consideration of public policy” that motivated it.⁷⁵

Yet for all of Schechter’s efforts to speak the new language of the realists, at least one realist reader of “Rational Basis” was not convinced, and for good reason. Buried in a footnote of Schechter’s now-forgotten 1936 article “Fog and Fiction in Trademark Law” is his admission that not all had gone as planned with “Rational Basis.” Schechter acknowledged that “Rational Basis” had been “fairly roughly handled from the general standpoint of ethics and social utility”⁷⁶ by a 1935 article that would go on to become more influential even than “Rational Basis”: Felix Cohen’s “Transcendental Nonsense and the Functional Approach.”⁷⁷ “[F]airly roughly handled” was an understatement. One of the leading texts of American legal realism, “Transcendental Nonsense” seemed to reserve special scorn for trademark law, “this homestead law for the English language,”⁷⁸ and much of this scorn seemed to be pointed directly at Schechter and his proposal that the use of certain marks be “restricted to a single firm.”⁷⁹ It is often

⁷³ Among the article’s many references to the “true functions” of a trademark, Schechter singled out the prominent trademark commentator Edward Rogers for “not accurately stat[ing] the function of a trademark today.” See *ibid.* at 818. This was a strong accusation in a high-profile journal and could not have endeared Schechter to Rogers, whom others routinely identified as the “Dean of the Trademark Bar.” Julius R. Lunsford, Jr., “Foreword,” 62 *Trademark Rep.* at iv, iv (1972). A HeinOnline search suggests that in Rogers’ thirty-four articles on intellectual property law issues appearing from the years 1902 to, posthumously, 1972, Rogers cited Schechter exactly once, and briefly. See Edward S. Rogers, “New Directions in the Law of Unfair Competition,” 74 *N. Y. U. L. Rev.* 317, 323 (1940) (citing Schechter’s *The Historical Foundations of the Law Relating to Trade-Marks* (Columbia University Press, New York, 1925)). In a hearing before the House Committee on Patents in 1932, Schechter strenuously advocated that Congress establish federal antidilution protection. See *Trademarks: Hearings Held before the Committee on Patents of the House of Representatives*, 72d Cong. 1 (1932) [hereinafter *Hearings*] (testimony of Frank I. Schechter). At the same hearing, Rogers stated that he saw no need for reform. See *ibid.* at 43 (“I have this feeling that if a situation is pretty good and is getting better perhaps the best thing to do is let it alone.”) (testimony of Edward S. Rogers); *ibid.* at 42 (“[T]he courts are dealing with [the problem of non-competing uses of famous marks] pretty adequately”). Rogers’ refusal to support Schechter’s proposal may help to explain why Congress first established federal antidilution protection only in 1995.

⁷⁴ Schechter, *supra* note 10, at 822. ⁷⁵ *Ibid.*

⁷⁶ “Fog and Fiction,” *supra* note 23, at 66 n. 14.

⁷⁷ Felix Cohen, “Transcendental Nonsense and the Functional Approach,” 35 *Colum. L. Rev.* 809 (1935).

⁷⁸ *Ibid.* at 817. ⁷⁹ *Ibid.* at 815.

forgotten that Cohen’s famous exposure of the “if value, then right” circularity⁸⁰ took the form of an attack on Schechter’s proposal for antidilution protection:

The current legal argument runs: One who by the ingenuity of his advertising or the quality of his product has induced consumer responsiveness to a particular name, symbol, form of packaging, etc., has thereby created a thing of value; a thing of value is property; the creator of property is entitled to protection against third parties who seek to deprive him of his property . . . The vicious circle inherent in this reasoning is plain. It purports to base legal protection upon economic value, when, as a matter of actual fact, the economic value of a sales device depends upon the extent to which it will be legally protected.⁸¹

“According to the recognized authorities on the law of unfair competition,” explained Cohen, “courts are not *creating* property, but are merely *recognizing* a pre-existent Something.”⁸² For Cohen, this was “economic prejudice masquerading in the cloak of legal logic.”⁸³ (In his footnote, Schechter responded: “to this article I shall have occasion to refer later in Part II of this paper.”⁸⁴ But there would be no part II. Schechter died the next year.)

Cohen correctly identified the fundamental problem with “Rational Basis,” the problem that Schechter tried to hide from his realist readers by focusing to such an extent on the damage to the plaintiff’s famous mark rather than on the motives of the defendant – on the harm rather than on the misappropriation. The problem is that, as a species of misappropriation, dilution suffers from the same circularity that besets the more general concept of misappropriation. In their dissents in *International News*, both Justice Holmes and Justice Brandeis attacked this circularity in Justice Pitney’s majority opinion. Holmes protested that “[p]roperty, a creation of law, does not arise from value.”⁸⁵ Justice Brandeis focused on the labor theory underlying misappropriation doctrine: “[T]he fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property.”⁸⁶

⁸⁰ See generally Rochelle Dreyfuss, “We Are Symbols and Inhabit Symbols, So Should We Be Paying Rent? Deconstructing the Lanham Act and Rights of Publicity,” 20 *Colum.-VLA J. L. & Arts* 123, 142 (1996).

⁸¹ Cohen, *supra* note 77, at 815. ⁸² *Ibid.* at 815 (italics in original).

⁸³ *Ibid.* at 817. ⁸⁴ “Fog and Fiction,” *supra* note 23, at 66 n. 14.

⁸⁵ *International News Service v. Associated Press*, 248 U.S. 215, 246 (1918) (Holmes J., dissenting). Notably, Justice Holmes had himself embraced exactly this form of “if value, then right” reasoning fifteen years earlier in his opinion for the majority in *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 252 (U.S. 1903).

⁸⁶ 248 U.S. at 250 (Brandeis J., dissenting).

“Transcendental Nonsense” simply brought the spirit of Holmes’s and Brandeis’s dissents to bear on “Rational Basis.”

More revealingly, another of Schechter’s contemporary readers, the intellectual property specialist and Heidelberg- and Columbia-educated comparatist John Wolff, explicitly criticized “Rational Basis” as taking *International News* too far, at least for an American audience. In a 1937 article in *Columbia Law Review* comparing American and German trademark law, Wolff expressed his sympathy with Schechter’s efforts to protect famous trademarks from dilution,⁸⁷ and correctly identified the essentially formalist spirit of Schechter’s proposed test for dilution – which would simply ask (1) does the plaintiff’s mark qualify for antidilution protection by virtue of its inherent distinctiveness and fame, and (2) is the defendant’s mark identical or closely similar to the plaintiff’s mark?⁸⁸ Wolff recognized Schechter’s attempt thus to insulate famous marks from the messy empirical inquiry that attended a likelihood of confusion analysis, but concluded that Schechter’s proposal was too radical for American courts:

What [Schechter], in effect, proposes is to divorce the law from the uncertainties inherent in estimating the state of the public mind and entirely to eliminate the issue of confusion. Yet the American law of unfair competition and trademarks rests firmly on passing off. The very incongruousness of Schechter’s theory with the tradition and the fundamental principles of the common law forms the chief obstacle to its general acceptance in this country.⁸⁹

In a footnote, Wolff went to the heart of the matter – and of the *Odol* case. He compared American and German approaches to misappropriation:

In *International News Service v. Associated Press*, it is true, the copying of news was held unfair competition even in the absence of passing off. But the courts have shown little inclination to apply the principle of this case to other types of

⁸⁷ John Wolff, “Non-Competing Goods in Trademark Law,” 37 *Colum. L. Rev.* 582, 602 (1937).

⁸⁸ See *Ringling Bros.-Barnum & Bailey Circus Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 457 (4th Cir. 1999) (discussing and collecting cases that take this approach).

⁸⁹ Wolff, *supra* note 87, at 602. With respect to the “state of the public mind,” Wolff was likely thinking of the following passage from Schechter’s book-length history of trademark law: “Any theory of trade-mark protection which . . . does not focus the protective function of the court upon the good-will of the owner of the trade-mark, inevitably renders such owner dependent for protection, not so much upon the normal agencies for the creation of good-will, such as the excellence of his product and the appeal of his advertising, as upon the judicial estimate of the state of the public mind. This psychological element is in any event at best an uncertain factor, and ‘the so-called ordinary purchaser changes his mental qualities with every judge.’” See Schechter, *supra* note 73, at 166. For further elaboration of Wolff’s view, see Callmann, *supra* note 40, at 1336.

copying . . . There is a far cry from the *International News* case to a general rule making it unlawful for one man to reap the fruits of another's efforts and expenditures.

In Germany, on the other hand, § 1 of the Unfair Competition Statute . . . forbids competitive acts *contra bonos mores*. This provision is not limited to cases of passing off. All unethical conduct is embraced within the prohibition. Thus German courts have a much wider latitude than the American courts in enlarging the concept of Unfair Competition. This is why the *Odol* case doctrine, though entirely novel . . . has found easy entrance into German law.⁹⁰

Schechter could not have been unaware of this basic difference between American and German approaches to misappropriation. On the contrary, he was likely all too conscious of this difference, which helps to explain why he presented a bowdlerized version of the *Odol* case to his American readers and sought in the process to shift his concept of dilution out of the conceptual field of misappropriation and into trademark law.

The many faces of dilution in “Rational Basis”

Despite the limitations of “Rational Basis” that Cohen and Wolff identified, it is clear that Schechter's concept of dilution survived the initial realist circumstances in which it was born. By 1955, Massachusetts, Illinois, New York, and Georgia had adopted statutory antidilution protection, and in 1965, the United States Trademark Association added an antidilution provision to its Model State Trademark Bill.⁹¹ The European Union wrote antidilution protection into its Trade Marks Directive in 1988,⁹² and in 1995, the United States established federal statutory antidilution protection,⁹³ which it revised in 2006.⁹⁴ What is notable about these various forms of statutory antidilution protection is that they define dilution in so many different ways. In many cases, these differences are slight, but in some – for example, in US federal antidilution protection as compared to EU antidilution protection – the differences are quite substantial.

⁹⁰ Wolff, *supra* note 87, at 602 n. 98.

⁹¹ See Beverly W. Pattishall, “The Dilution Rationale for Trademark – Trade Identity Protection, its Progress and Prospects,” 71 *Northwestern U. L. Rev.* 618, 620 (1976) (cited in Bone, *supra* note 65, at 497).

⁹² First Council Directive 89/104/EEC, 1989 O.J. (L 40) 1 (EC), repealed and replaced by Parliament and Council Directive 2008/95, 2008 O.J. (L 299) 28, 29 (EC).

⁹³ Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at 15 U.S.C. § 1125(c)).

⁹⁴ Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312 (2006) (codified at 15 U.S.C. § 1125(c)).

To the extent that Schechter sought in “Rational Basis” to obscure the true nature of trademark dilution, it should not be surprising that so many varying approaches to antidilution protection have developed in the article’s wake. Schechter seems deliberately to have defined dilution in a variety of subtly different ways. Sometimes he described dilutive conduct as consisting of the use of a famous mark on goods unrelated to those on which the mark was traditionally used. For example, “[dilution] is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods”;⁹⁵ or, dilution is the “destruction of the uniqueness of a mark by its use on other goods.”⁹⁶ The harm here was the “dissociation”⁹⁷ of the famous mark from the goods with which it was traditionally associated. But then “Rational Basis” also defined dilution as occurring when a mark’s “uniqueness or singularity is vitiated or impaired by its use upon either *related or non-related* goods.”⁹⁸ The harm here, under the rubric of “vitiation,”⁹⁹ was the general loss of a mark’s uniqueness in the marketplace regardless of its connection to any particular good. Thus Schechter counseled in “Rational Basis” that “the possibility of vitiation of identity of a mark should in itself constitute the basis of relief.”¹⁰⁰ On this definition, antidilution protection would promote the “preservation of the uniqueness or individuality of the trademark”¹⁰¹ in itself. And sometimes it seems that Schechter was trying to split the difference between these two possible – and incommensurate¹⁰² – forms of dilution, as when he spoke of the need to protect famous marks “against vitiation or dissociation from the particular product in connection with which it has been used.”¹⁰³

“Rational Basis” could also be quite slippery as to whether dilution involved a blurring of the link between the mark and the good with which it was traditionally used or between the mark and the company that

⁹⁵ Schechter, *supra* note 10, at 825. ⁹⁶ *Ibid.* at 823. ⁹⁷ *Ibid.* at 825.

⁹⁸ *Ibid.* at 831 (emphasis added). ⁹⁹ *Ibid.* at 825. ¹⁰⁰ *Ibid.* at 825.

¹⁰¹ *Ibid.* at 822.

¹⁰² As between “dissociation” and “vitiation,” dissociation is the more easily understood concept, but vitiation is the more fundamental and important concept that subsumes dissociation. This is likely why antidilution doctrine has generally tended towards deemphasizing whether the defendant’s goods are related or unrelated to the plaintiff’s. See Graeme B. Dinwoodie, Chapter 4 in this volume (discussing *Davidoff v. Gofkid* (C-292/00) [2003] E.T.M.R. 42). Dissociation in the unrelated goods scenario is simply one mode of the more general harm of vitiation, which can occur either in related or unrelated goods scenarios. “[V]itiation of identity of a mark” may occur in either scenario in the sense that consumers no longer believe that the mark originates from a single source and conveys a single meaning.

¹⁰³ Schechter, *supra* note 10, at 825.

produced the good.¹⁰⁴ For example, Schechter cited the 1926 case *Duro Pump & Manufacturing Co. v. California Cedar Products Co.*¹⁰⁵ as an example of a case where a court ruled in favor of the plaintiff on anti-dilution grounds. The plaintiff had long been using the mark “Duro” on “pneumatic pressure systems”; the defendant sought registration of the same mark on wall board. Schechter quoted the DC Circuit’s opinion: “If the California Cedar Products Company were permitted to use this mark, which has come to represent the Duro Company and its product to the public, other companies likewise might use it, with resultant loss of identity of the Duro Company.”¹⁰⁶ It may be that Schechter simply assumed that any given company sold only one product, so that it made little difference whether consumers, upon seeing the “Duro” mark, thought of the good (pneumatic pressure systems) or of the source (Duro Pump & Manufacturing Company). But this assumption left “Rational Basis” and the concept of dilution that it advocated unprepared for the emergence of brands, such as “Virgin,” that would identify multiple, unrelated goods, and for the emergence of the licensing of such brands to multiple, unrelated sources. Such practices would eventually give rise both to the problem of “self-blurring”¹⁰⁷ and to the need for a theory of dilution that relies solely on the loss of uniqueness rather than on any kind of blurring of a semantic link between the mark and a good or between the mark and a source.

Finally, Schechter was ultimately non-committal about what kinds of marks should qualify for antidilution protection. He implied in “Rational Basis” that only “arbitrary, coined or fanciful marks”¹⁰⁸ should qualify, and most of his readers have understood him to support this position.¹⁰⁹ And yet this is difficult to square with at least one example he gives in “Rational Basis” of a mark that should receive antidilution protection: the descriptive mark “Rolls-Royce,”¹¹⁰ which was based on the surnames of Charles Stewart Rolls and Sir Frederick Henry Royce. By the 1930s, it appears that Schechter had moderated his position, if he ever held it in the first place, that antidilution protection should extend only to inherently distinctive marks. In Congressional testimony, he pointed out that

¹⁰⁴ In semiotic terms, Schechter did not specify whether dilution involved the blurring of the link between the signifier (the mark) and the referent (the good to which the mark is affixed), or between the signifier and the signified (the company that produces the good). See Barton Beebe, “The Semiotic Analysis of Trademark Law,” 51 *UCLA L. Rev.* 621, 645–48 (2004).

¹⁰⁵ 11 F.2d 205 (D.C. Cir. 1926).

¹⁰⁶ *Ibid.* at 206 (quoted by Schechter, *supra* note 10, at 827–28).

¹⁰⁷ See Stadler Nelson, *supra* note 21, at 791.

¹⁰⁸ Schechter, *supra* note 10, at 828. ¹⁰⁹ See, e.g., Bone, *supra* note 65, at 477 n. 46.

¹¹⁰ Schechter, *supra* note 10, at 829.

“I have limited that notion of mine to marks of an arbitrary or fanciful or original nature,” but later stated that “*particularly* a unique and fanciful mark such as Odol or Kodak”¹¹¹ should receive antidilution protection. In “Fog and Fiction,” he returned to this form of qualification when he asserted that dilution could occur “*especially* when the mark is coined or fanciful.”¹¹² Schechter, it appears, would not have been troubled by the extension of antidilution protection to other non-inherently distinctive marks.

Perhaps Schechter simply was not certain what he meant by trademark dilution, be it in the form of “vitiation” or “dissociation” or some combination of the two, which would explain why he offered such a mercurial formulation of the concept and of what should qualify for antidilution protection. Yet as his published work, and particularly his history of trademark law, attests, Schechter was a highly sophisticated lawyer and legal theorist. It seems more probable that just as he sought to disguise the true nature of the *Odol* case, so he sought to invest the concept of trademark dilution with an indeterminacy sufficiently protean to evade, as it has, nearly all attacks leveled against it.

Conclusion: Schechter’s (and Callmann’s) legacy

Schechter arguably never conceived of “blurring” or “tarnishment” as forms of trademark dilution, nor did he ever use these terms.¹¹³ Yet these conceptualizations of dilution have come to dominate the US approach to antidilution protection. Congress has twice had the opportunity to include a European-style misappropriation cause of action in federal antidilution law and has twice declined to include this “third variant.”¹¹⁴ In the United States, blurring and tarnishment have rushed in to fill the

¹¹¹ Hearings, *supra* note 73, at 10 (testimony of Frank I. Schechter) (emphasis supplied).

¹¹² “Fog and Fiction,” *supra* note 23, at 65 (emphasis added).

¹¹³ In 1925, the year that Columbia Law School conferred on Schechter its first doctorate in law, the *Columbia Law Review* published an anonymous case note, “Appropriation of Trade Symbols by Noncompetitors,” 25 *Colum. L. Rev.* 199 (1925), parts of which read like an early draft of the thesis of “Rational Basis.” The author addressed both the “disparagement” of a mark and the dilution of its uniqueness: “Leaving aside all consideration of the question of disparagement, in the instant case [*Vogue Co. v. Thompson-Hudson Co.*, 300 Fed. 509 (6th Cir. 1924)], the value of the plaintiff’s symbol depended in large part upon its uniqueness. Employed in the manner described, it was indicative in the public mind of the plaintiff’s magazine. The direct tendency of the defendant’s action was to destroy this association.” *Ibid.* at 204.

¹¹⁴ See Dinwoodie, Chapter 4 in this volume. See also Barton Beebe, “A Defense of the New Federal Trademark Antidilution Law,” 17 *Fordham Intell. Prop. Media & Ent. L. J.* 1143, 1164–65 (2006).

void left by Schechter's suppression of the misappropriation basis of antidilution protection.

It is a strange irony that the German-American treatise writer Rudolf Callmann is largely responsible for the Americans' embrace in the late-century of blurring and tarnishment,¹¹⁵ terms which Callmann initially took from an anonymous 1964 *Harvard Law Review* note.¹¹⁶ The irony is that Callmann made no effort in his many publications on dilution to hide the misappropriation basis and rights-in-gross nature of antidilution protection. On the contrary, he openly advocated conceiving of trademark law as a species of property law rather than unfair competition law¹¹⁷ and candidly stated his belief that when courts held in favor of antidilution plaintiffs, they did so on misappropriation grounds.¹¹⁸ Yet Callmann – and anti-blurring and anti-tarnishment law – nevertheless benefited from Schechter's initial suppression of the misappropriation origins of the concept of trademark dilution. American courts continue to rule in favor of antidilution plaintiffs, and very likely do so on unstated misappropriation grounds, but so malleable is the doctrine that Schechter left us that they can now do so on Callmann's less formalist, more "functional" – and more "rational" – bases of blurring and tarnishment.

¹¹⁵ I am indebted to Bone for emphasizing the importance of Callmann to the antidilution story. See Bone, *supra* note 63, at 498–501. Callmann was a well-established trademark lawyer and commentator in Germany in the 1920s and 1930s and a founding member of the *Reichsvertretung der deutschen Juden*. A World War I combat veteran, he emigrated to the US in 1936. See Christopher Wadlow, "Rudolf Callmann and the Misappropriation Doctrine in the Common Law of Unfair Competition," 7 *Intell. Prop. Q.* 110 (2011).

¹¹⁶ See Note, "Dilution: Trademark Infringement or Will-o'-the-Wisp?," 77 *Harv. L. Rev.* 520, 531 (1964) ("Junior uses may blur a mark's product identification, or they may tarnish the affirmative associations a mark has come to convey."). This appears to be the earliest reference to blurring and tarnishment in trademark commentary. Callmann first cited this Note in Callmann, *supra* note 40, 1965 Cumulative Supplement, at 230. The first reference in a US court opinion to "blurring" as a form of trademark dilution appears to be *James Burrough Limited v. BeefEater Restaurants, Inc.*, 272 F.Supp. 489, 493 (D.C.Ga. 1967).

¹¹⁷ See, e.g., Rudolf Callmann, "Unfair Competition Without Competition?," 95 *U. Pa. L. Rev.* 443 (1947).

¹¹⁸ See, e.g., 2 Rudolf Callmann, *The Law of Unfair Competition and Trade-Marks* 1338 (Callaghan, Chicago, 1945) (arguing that, in dilution cases, "courts are influenced, consciously or otherwise, by the fact that the defendant is attempting to appropriate values which are properly the plaintiff's.").