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LEGISLATION

SERVICE-MARK REGISTRATION AND ANTI-DILUTION PROTECTION IN NEW YORK

Recent amendments to Article 24 of the New York General Business Law, effective September 1, 1961, have incorporated two basic and important changes in New York's system of trade-mark registration.¹ First, provision is made for the registration of service-marks which previously were not registrable.² Secondly, state registration has been definitively eliminated as a *sine qua non* for relief under New York's anti-dilution statute.³ In the following discussion an attempt will be made to describe the circumstances which occasioned these developments and to indicate their significance for the owners of trade and service-marks.

Service-Marks

In 1953, two bills were presented to the legislature which sought to create a comprehensive statutory scheme for the registration and protection of trade-marks.⁴ One of these bills, sponsored by the Joint Legislative Committee on Interstate Cooperation, contained no provision for the registration of service-marks.⁵ The other, sponsored by the Law Revision Commission, did.⁶ Both

¹ N.Y. GEN. BUS. LAW §§ 360 to 368-e (Supp. 1961).

² Compare N.Y. GEN. BUS. LAW §§ 360-62 (Supp. 1961) with N. Y. Sess. Laws 1954, ch. 628, § 1, as amended.

Section 360, as amended, defines trade and service-marks as follows: "(a) The term 'trade-mark' means any word, name, symbol or device or any combination thereof, adopted and used by a person to identify goods made or sold by him and to distinguish them from goods made or sold by others.

"(a-i) The term 'service-mark' means anything used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others and includes without limitation the marks, names, symbols, titles, designations, slogans, character names, and distinctive features of radio or other advertising used in commerce."

³ Compare N.Y. GEN. BUS. LAW § 368-d (Supp. 1961) with N.Y. Sess. Laws 1955, ch. 453, § 1.

⁴ See 1953 N.Y.C.B.A. LEG. BULL. 295-302.

⁵ *Id.* at 301.

⁶ *Ibid.* See also 1953 LEG. DOC. NO. 65, N.Y. LAW REVISION COMM'N REP. (T) 101.

bills were approved by the Legislature but vetoed by the Governor with the recommendation that they be consolidated.⁷ However, no such consolidation was attempted. Rather, in 1954 the bill of the Committee on Interstate Cooperation was re-introduced and passed, without any provision for service-mark registration.⁸ The 1954 bill was signed by the Governor and is the subject of the 1961 amendments.⁹

The reasons for the exclusion of service-marks from the statute seem to have been threefold. The 1954 bill was based on the United States Trademark Association's Model State Trademark Bill which also excluded service-marks, and the feeling of the sponsors of the 1954 bill was that to make service-marks registrable would tend to militate against the interstate uniformity contemplated by the Model Bill.¹⁰ It was also suggested that the operation of a registration system encompassing service-marks as well as trade-marks would create an impractical administrative burden.¹¹ Finally, it was considered advisable to study the implications of service-mark registration in the federal area before attempting to implement a comparable system on the state level.¹²

In light of this, owners of service-marks in New York between 1954 and 1961 could obtain registration only under the federal system. The Federal Trademark Act (Lanham Act) of 1946 made service-marks registrable, provided, however, that the services represented by those marks were rendered "in commerce."¹³ Although the Lanham Act defines "commerce" as "all commerce which may lawfully be regulated by Congress,"¹⁴ this provision has been strictly construed. In order to obtain a federal service-mark registration, it has been necessary that the services actually be rendered across state lines.¹⁵ This approach has been in marked contrast to the extremely liberal concept of interstate commerce fashioned by the courts in the area of federal regulation.¹⁶

Consequently, service-marks have been denied registration under the federal act in situations involving businesses such as the

⁷ See N.Y. LEG. ANN. 373 (1953).

⁸ See 1954 N.Y.C.B.A. LEG. BULL. 239.

⁹ N.Y. Sess. Laws 1954, ch. 628, § 1, as amended.

¹⁰ See 8 TRADEMARK BULL. (n.s.) (March 17, 1953).

¹¹ 1953 LEG. DOC. No. 65, N.Y. LAW REVISION COMM'N REP. (T) 113.

¹² *Ibid.*

¹³ Trade-Mark Act (Lanham Act) § 3, 60 Stat. 429 (1946), 15 U.S.C. § 1053 (1958).

¹⁴ Trade-Mark Act (Lanham Act) § 45, 60 Stat. 443 (1946), 15 U.S.C. § 1127 (1958).

¹⁵ See VANDENBURGH, TRADEMARK LAW AND PROCEDURE 33, 215 (1959).

¹⁶ See, for example, *Wickard v. Filburn*, 317 U.S. 111 (1942), in which the Supreme Court held that a farmer's production of wheat for personal needs had a sufficient effect on interstate commerce to warrant federal control based on the commerce clause.

following: (a) a restaurant catering to a clientele which included many out-of-state customers,¹⁷ (b) a ski resort attracting a sizeable percentage of out-of-state business,¹⁸ (c) automobile service stations, servicing vehicles directly engaged in interstate commerce,¹⁹ and (d) home construction companies building homes for residents of other states.²⁰ The rationale behind this line of cases has been that although certain superficial aspects of interstate commerce may have been involved, the *services themselves* had been rendered in purely intrastate commerce.²¹

As a result of this highly restrictive approach, the owners of service-marks used exclusively in intrastate commerce in New York were, in many instances, deprived of the benefits of registration. The 1961 amendment to Article 24 of the General Business Law permitting the registration of service-marks is intended, in part, to fill this vacuum created by the narrow interpretation of the Lanham Act discussed above. Since trade-marks and service-marks differ only circumstantially as to scope of designation (one being applied to goods, the other to services), a determination of the effect of registration upon common-law rights in service-marks can be made by way of analogy with the corresponding effect of registration upon rights in trade-marks, which has been observable on the state level in New York since 1954. With this in mind, it is possible to describe accurately the probable implications of service-mark registration.

¹⁷ *Ex parte* Bookbinder's Restaurant, 103 U.S.P.Q. 274 (Comm'r Pats. 1954), *aff'd*, 112 U.S.P.Q. 326 (C.C.P.A. 1957).

¹⁸ *Ex parte* The Aspen Co., 107 U.S.P.Q. 238 (Comm'r Pats. 1955).

¹⁹ *Ex parte* The Standard Oil Co., 92 U.S.P.Q. 259 (P.O. Ch. Exam. 1952).

²⁰ *Ex parte* Thomas Plantone & Sons, Inc., 115 U.S.P.Q. 355 (Comm'r Pats. 1957); *Ex parte* Bayberry, 111 U.S.P.Q. 189 (Comm'r Pats. 1956). The applicant for registration in the *Bayberry* case, a builder of residential homes in New York, was, in addition, subject to regulation under the VA and the FIA banking laws. Nevertheless, it was held that he was not engaged in "commerce which may lawfully be regulated by Congress." See Trade-Mark Act (Lanham Act) § 45, 60 Stat. 443 (1946), 15 U.S.C. § 1127 (1958).

²¹ See, *e.g.*, *Ex parte* Bookbinder's Restaurant, 103 U.S.P.Q. 274 (Comm'r Pats. 1954), *aff'd*, 112 U.S.P.Q. 326 (C.C.P.A. 1957); *Ex parte* Parichy Bloomer Girls, Inc., 110 U.S.P.Q. 247 (Comm'r Pats. 1956); *Ex parte* The Aspen Co., 107 U.S.P.Q. 239 (Comm'r Pats. 1955).

In *Aspen*, the Commissioner stated: "The record clearly shows that whatever services are rendered by this applicant are rendered within the State of Colorado, after the interstate journeys of its visitors have ended when they disembark at the railroad station, airport, or other place in Aspen." *Ex parte* The Aspen Co., *supra* at 241. In *Bookbinder*, it was held: "[T]he service is performed, or rendered, in a restaurant located in Philadelphia, which lies within the single State of Pennsylvania, irrespective of the places from which the customers come." *Ex parte* Bookbinder's Restaurant, *supra* at 274-75.

Registration under the New York statute does not in any way affect substantive common-law rights in marks.²² The common-law principle of priority of use is not altered by the fact of registration.²³ An individual acquires no substantive rights by registering a mark which he did not possess previously. Although it is true that state registration may be of certain evidential value,²⁴ the primary significance of a registration procedure is that, functioning properly, it furnishes a convenient and centralized source of reference and provides notice of existing common-law rights in marks.²⁵

The case of *Victory Chain, Inc. v. Rosenberg*²⁶ illustrates the point very effectively. Although a trade name was involved there, such a name seemingly would be registrable today as a service-mark under the amended provisions of Section 360 of the General Business Law.²⁷ The defendant in this case acting entirely in good faith, opened a grocery store business and used the trade name "Victory." In 1942 the store grossed \$65,000 and had an advertising budget of about \$3,000. By 1957 the defendant's store had become a modern supermarket with an annual projected gross of \$1,800,000 and an advertising budget of approximately \$48,000. In the end, it appeared that the plaintiff, a large super-market chain, had actually used the name "Victory" more than twenty years prior to its adoption by the defendant and therefore had the better common-law right. As a result, an injunction was issued against the defendant's further use of the name in his business.

This outcome, although distasteful to the court, was inevitable. Yet, had the defendant been able to ascertain the existence of a prior right to the name "Victory" in 1942, he could have regulated his initial choice accordingly and thus avoided the serious loss of his commercial good will which it took him fifteen years

²² N.Y. GEN. BUS. LAW § 368-d (Supp. 1961). See DERENBERG, TRADE-MARK PROTECTION AND UNFAIR TRADING 468-83 (1936).

²³ See VANDENBURGH, TRADEMARK LAW AND PROCEDURE 42 (1959).

²⁴ Although state registration is always subject to prior common-law rights, it gives rise to a rebuttable presumption of validity which can be of importance where problems of proof exist. The probative value of state registration, however, is at times considerably less than that of federal registration. Compare DERENBERG, *op. cit. supra* note 22, at 482 with 4 CALLMANN, UNFAIR COMPETITION AND TRADE-MARKS 2072-73 (2d ed. 1950).

²⁵ See 1961 N.Y.C.B.A. LEG. BULL. 429.

²⁶ 10 Misc. 2d 382, 174 N.Y.S.2d 46 (Sup. Ct. 1958).

²⁷ Trade names *as such* are not registrable but may comply with the provisions of section 360 which define "service-mark" so as to include "anything used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others. . . ." N.Y. GEN. BUS. LAW § 360 (a-i) (Supp. 1961).

to acquire. The plaintiff would also have profited by being able to forego the time and expense of a court action and the ever-present danger of an unfavorable outcome.

Service-mark registration is significant precisely because it is calculated to prevent such occurrences.²⁸ The individual who in good faith contemplates the adoption of a certain mark has a vital interest in being able to ascertain its availability. Of course, the feasibility of state registration as a preventive device will directly depend upon the willingness of the business community to register its marks on a wide scale and a general awareness, on the part of general practitioners, of the necessity and desirability of registering a client's mark. Although compulsory registration is undesirable because of its possible abuses,²⁹ apathy toward registration can be expected to be minimal, since the enlightened businessman is well aware of the advisability of making known his rights to others. Staying out of court can be a compelling practical consideration.

Dilution

The predecessor to section 368-d read as follows:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief in cases of trade-mark infringement or unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.³⁰

Section 368-d, as amended, now provides:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a *mark* or trade name shall be a ground for injunctive relief in cases of infringement of a mark *registered* or *not registered* or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.³¹

²⁸ In addition to New York, eleven other states have adopted provisions for service-mark registration. COLO. REV. STAT. ANN. §§ 141-1-1 to -2 (1953); ILL. ANN. STAT. ch. 140 §§ 8-10 (Smith-Hurd Supp. 1960); IND. ANN. STAT. §§ 66-131 to -133 (Supp. 1960); MINN. STAT. ANN. §§ 333.18-.20 (Supp. 1960); N.M. STAT. ANN. § 49-4-7 (Supp. 1961); OHIO REV. CODE ANN. §§ 1329.54-.56 (Baldwin Supp. 1960); OKLA. STAT. ANN. tit. 78 §§ 21-23 (Supp. 1960); PA. STAT. ANN. tit. 73, §§ 12-16 (1960); UTAH CODE ANN. §§ 70-3-1 to -4 (1953); VA. CODE ANN. §§ 59-189.3 to .7 (Supp. 1960); WASH. REV. CODE §§ 19.77.010-.040 (Supp. 1957).

²⁹ Were registration compulsory, unregistered marks, though valid at common law, would become public property which could be appropriated by the first to obtain a valid registration. Fraud and deception would likely result from such a system. See DERENBERG, *op. cit. supra* note 22, at 23-24 & n.89.

³⁰ N.Y. Sess. Laws 1955, ch. 453, § 1.

³¹ N.Y. GEN. BUS. LAW § 368-d (Supp. 1961) (emphasis added).

The amended version extends the operation of the statute so as to include service-marks as well as trade-marks.³² Therefore, what will be said concerning the doctrine of dilution generally and its effect upon rights in trade-marks will be applicable to service-marks as well. In addition, section 368-d now expressly states that marks will be entitled to protection against dilution irrespective of registration. In order to understand the implications of this latter provision, it is necessary to consider the general development of the dilution concept and the recent circumstances which prompted legislative action in this area.

Traditionally, in order to make out a case in trade-mark infringement it was necessary to establish the existence of confusion or likelihood of confusion, *i. e.*, that a defendant's use of plaintiff's mark had resulted or was calculated to result in a misconception on the part of the public as to the source or origin of the goods in question.³³ This view, which conceived of the trade-mark as a designation of source or origin of goods, contemplated the protection of the public against deception rather than the safeguarding of property rights in marks *per se*.³⁴

In 1927, it was suggested that the uniqueness of certain so-called "strong" marks justified trade-mark protection based on the preservation of independent property rights.³⁵ According to Dr. Schechter, who introduced the dilution theory in the United States,³⁶ certain fanciful and distinctive marks surpass the traditional function of identification of origin and reflection of commercial good will, and attain an intrinsic value of their own based on selling power.³⁷ Since the worth of such marks is rooted in their distinctiveness and singularity, it was proposed that protection might be extended to them, regardless of whether or not confusion or competition might be found, where selling power was threatened by deterioration of the marks' uniqueness (dilution) through use on non-competing goods.³⁸ From 1932 onward, the decisional law of New York has been characterized by an apparent

³² Section 368-d provides protection against dilution of a "mark" which action of an interloper in seeking to use the same mark or trade name in a

³³ See VANDENBURGH, *op. cit. supra* note 23, at 102-16.

³⁴ See DERENBERG, TRADE-MARK PROTECTION AND UNFAIR TRADING 47-55 (1936).

³⁵ See Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

³⁶ See Middleton, *Some Aspects of Trademark Dilution*, 47 TRADEMARK REP. 1023 (1957).

³⁷ See Schechter, *supra* note 35, at 813-19.

³⁸ See Callmann, *Unfair Competition Without Competition?*, 37 TRADEMARK REP. 175 (1947). Dilution has been defined as the "eventual loss of the distinctive quality of a valuable mark or trade name caused by the action of an interloper in seeking to use the same mark or trade name in a non-competing business." 1961 N.Y.C.B.A. LEG. BULL. 430.

assimilation of the dilution doctrine, although, as will be pointed out, this process has not as yet culminated in outright adoption.³⁹ In 1954 New York became the third state to adopt an anti-dilution statute.⁴⁰

The next major development in this area was the holding of *Dawn Donut Co. v. Hart's Food Stores, Inc.*,⁴¹ which directly led to the statute's revision in 1961.⁴² The plaintiff in this action was a nationwide wholesale distributor of doughnut mixes under the trade-marks "Dawn" and "Dawn Donut." These marks had been registered under the Lanham Act and plaintiff customarily licensed retail dealers throughout the country to use its marks in connection with sales of products made from its mixes. Although no such licenses had been granted in New York on the retail level, plaintiff was engaged in the wholesale distribution of its mixes throughout the state. Defendant, which operated a retail grocery chain in New York had sold doughnuts under the trade-mark "Dawn" since 1951, apparently in good faith. In denying injunctive relief, the Second Circuit took the position that, although defendant, as junior user, could acquire no rights in plaintiff's mark since registration under the Lanham Act constituted constructive notice of plaintiff's prior claim, no likelihood of confusion was shown to exist as a result of defendant's use.⁴³ It was pointed out, however, that upon plaintiff's commencement of business on the *retail* level in New York, further use of its mark by defendant would be enjoined.⁴⁴ For purposes of this discussion the case is significant because of its interpretation of the New York anti-dilution statute, upon which the plaintiff relied secondarily and which would have entitled it to injunctive relief despite the court's finding that no likelihood of confusion existed. In this connection Judge Lumbard stated:

³⁹ The question of protection against dilution was first considered in New York in *Tiffany & Co. v. Tiffany Prods., Inc.*, 147 Misc. 679, 264 N.Y. Supp. 459 (Sup. Ct.), *aff'd*, 237 App. Div. 801, 260 N.Y. Supp. 821 (1st Dep't 1932) (per curiam), *aff'd mem.*, 262 N.Y. 482, 188 N.E. 30 (1933). Although the court seemed to rest its decision on a finding of dilution, there was evidence of actual "confusion" in the case. The same appears to be true today. See, e.g., *Greyhound Corp. v. Greyhound Securities, Inc.*, 26 Misc. 2d 303, 207 N.Y.S.2d 742 (Sup. Ct. 1960); *James Burrough, Ltd. v. Ferrara*, 8 Misc. 2d 819, 169 N.Y.S.2d 93 (Sup. Ct. 1957). See also *Middleton*, *supra* note 36, at 1027.

⁴⁰ N.Y. Sess. Laws 1954, ch. 628, §1, as amended. Anti-dilution statutes are currently in force in four states: Georgia, Illinois, Massachusetts and New York. See 1961 N.Y.C.B.A. LEG. BULL. 430.

⁴¹ 267 F.2d 358 (2d Cir. 1959).

⁴² See 1961 N.Y.C.B.A. LEG. BULL. 430-31.

⁴³ *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 365 (2d Cir. 1959).

⁴⁴ *Ibid.*

Section 368-c of New York's General Business Law [the predecessor to the current section 368-d] may provide relief against dilution of a trademark but plaintiff has not registered its mark in New York and the first sentence of § 368-c limits protection therein provided to owners of marks registered under New York law. Plaintiff is therefore remitted to his common-law rights.⁴⁵

The adoption by the court of this view, which made the applicability of the New York anti-dilution statute contingent upon prior registration within the state, seems to have departed completely from the apparent position of the New York courts. The latter, in construing the statute, consistently disregarded registration as a factor of any significance.⁴⁶ In some instances, an opinion might state that a plaintiff's mark had been registered under the federal act,⁴⁷ but at no time, it would seem, was mention made of state registration nor did the outcome turn upon the presence or absence of registration of any kind.⁴⁸ The correctness of this approach becomes further apparent from a consideration of the statute's legislative history.⁴⁹

Indeed, if we may assume that this legislation was merely a codification of already existing common law, it is difficult to comprehend what relevancy the fact of registration could have. In this regard, it would appear that New York's anti-dilution statute was never intended to be any more than a codification.⁵⁰ Judge Lumbard seems to discount the idea that dilution existed in

⁴⁵ *Id.* at 366.

⁴⁶ See *United Merchants & Mfrs., Inc. v. Amtex Fabrics, Inc.*, 29 Misc. 2d 86, 212 N.Y.S.2d 498 (Sup. Ct. 1961); *James Burrough, Ltd. v. Ferrara*, 8 Misc. 2d 819, 169 N.Y.S.2d 93 (Sup. Ct. 1957); *Renofab Process Corp. v. Renotex Corp.*, 158 N.Y.S.2d 70 (Sup. Ct. 1956); *International Latex Corp. v. Revlon Prods.*, 3 Misc. 2d 487, 148 N.Y.S.2d 304 (Sup. Ct. 1955). In addition, in two recent cases involving the 1955 version of the statute, plaintiff was given relief although a *non-registrable trade name* was involved. *Greyhound Corp. v. Greyhound Securities, Inc.*, 26 Misc. 2d 303, 207 N.Y.S.2d 742 (Sup. Ct. 1960); *Victory Chain, Inc. v. Rosenberg*, 10 Misc. 2d 382, 174 N.Y.S.2d 46 (Sup. Ct. 1958).

⁴⁷ See, *e.g.*, *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y.S.2d 332 (Sup. Ct. 1959); *International Latex Corp. v. Revlon Prods.*, 3 Misc. 2d 487, 148 N.Y.S.2d 304 (Sup. Ct. 1955).

⁴⁸ See note 46 *supra*.

⁴⁹ See N.Y. LEG. ANN. 49 (1954). "The proposed bill has nothing to do with registration; it should not affect any presently existing legislation or be connected in any way with other trade-mark bills now pending. We take no position on such other legislation, considering the proposed 'dilution' bill as a subject all its own." *Id.* at 50-51.

⁵⁰ *Id.* at 49. The dilution bill was here referred to as one "to codify the State common law concerning dilution of trade-marks." See *Fancee Free Mfg. Co. v. Fancy Free Fashions, Inc.*, 148 F. Supp. 825, 829-30 (S.D.N.Y. 1957); *Renofab Process Corp. v. Renotex Corp.*, 158 N.Y.S.2d 70 (Sup. Ct. 1956).

New York as part of the common law of unfair competition.⁵¹ Yet, if it does exist at all it would appear inconsistent to attribute its efficacy to state registration which supposedly does not affect substantive trade-mark rights in any way.⁵² Furthermore, it should be noted that the prior version of the current section 368-d provided for relief against "dilution of the distinctive quality of a *trade name* or trade-mark. . . ." ⁵³ If the section extended only to registered marks as *Dawn Donut* held, it would seem to follow that trade names could never be protected against dilution since they are not registrable.⁵⁴ Although the court's conclusion finds some support in the highly technical rationale of the opinion, the result would seem to have been clearly incompatible with New York law.⁵⁵ The speedy enactment of section 368-d seems indicative of this fact.

An attempt to evaluate the significance of this amendment on the state level poses a broader question regarding the development of the dilution concept in general. It has been suggested that an examination of the decisional law in the dilution area from *Tiffany & Co. v. Tiffany Prods., Inc.*⁵⁶ to the present, including cases since 1954 construing New York's anti-dilution statute, will suggest that dilution has not, in fact, become part of our trade-mark law, despite the lip service paid by the courts to the concept.⁵⁷ It would appear that the courts have not found dilution except where likelihood of confusion was also present.⁵⁸ However, it

⁵¹ *Dawn Donut Co. v. Hart's Food Stores, Inc.*, *supra* note 43, at 366.

⁵² If the right to protection against dilution is contingent upon state registration, then the latter creates a substantive right which did not exist at common law. Such a result was clearly beyond the scope of New York's registration statute. See 1954 N.Y.C.B.A. LEG. BULL. 238.

⁵³ N.Y. Sess. Laws 1955, ch. 453, § 1 (emphasis added).

⁵⁴ The 1954 version of Article 24 of the General Business Law contained no provision for the registration of trade names. Although the 1961 amendments effect no change in this regard, a definition of the term "trade name" has been incorporated into section 360(a-iii). Possibly, the reason for this is the reference made to "trade name" in section 368-d.

⁵⁵ See text accompanying note 45 *supra*. Professor Derenberg has characterized the interpretation of New York's anti-dilution statute in *Dawn Donut* as "disturbing." See Derenberg, *The Twelfth Year of Administration of The Lanham Trademark Act of 1946*, 49 TRADEMARK REP. 1019, 1073 (1959).

⁵⁶ 147 Misc. 679, 264 N.Y. Supp. 459 (Sup. Ct.), *aff'd*, 237 App. Div. 801, 260 N.Y. Supp. 821 (1st Dep't 1932) (per curiam), *aff'd mem.*, 262 N.Y. 482, 188 N.E. 30 (1933).

⁵⁷ See Middleton, *Some Reflections On Dilution*, 42 TRADEMARK REP. 175, 187 (1952); Middleton, *Some Aspects of Trademark Dilution*, 47 TRADEMARK REP. 1023, 1031 (1957).

⁵⁸ See Derenberg, *The Problem of Trademark Dilution and the Anti-dilution Statutes*, 44 CALIF. L. REV. 439, 451 (1956). It would seem that the New York cases after 1956 have continued this trend. See *Greyhound Corp. v. Greyhound Securities, Inc.*, 26 Misc. 2d 303, 207 N.Y.S.2d 742

does not necessarily follow that the dilution doctrine is an empty form.⁵⁹ In fact, the steadily increasing facility of the courts for finding likelihood of confusion in cases involving non-competing goods may well be explainable as a reaction to the dilution principle.⁶⁰ It is true that the courts have not yet overcome their reluctance toward accepting dilution at face value.⁶¹ Nevertheless, the traditional tests have been extended to cope with the so-called "unfair competition without competition" situation originally contemplated by the dilution theory,⁶² and the increasing tendency toward enlargement of the "confusion" standard would seem to indicate an eventual unqualified adoption of the dilution theory.⁶³ Section 368-d speeds the process by foreclosing the possibility of a future adoption of Judge Lumbard's holding by the New York courts.

The dilution theory has never been incorporated into the federal system—although at one time its adoption was considered.⁶⁴ With regard to infringement, the Lanham Act follows the traditional common-law test of confusion.⁶⁵ However, relief has at times been sought in the federal courts on the basis of state anti-dilution legislation. In this way, the New York statute several times became the subject of interpretation by federal

(Sup. Ct. 1960); *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y.S.2d 32 (Sup. Ct. 1959); *Victory Chain, Inc. v. Rosenberg*, 10 Misc. 2d 382, 174 N.Y.S.2d 46 (Sup. Ct. 1958); *James Burrough, Ltd. v. Ferrara*, 8 Misc. 2d 819, 169 N.Y.S.2d 93 (Sup. Ct. 1957).

⁵⁹ See *Derenberg*, *supra* note 58, at 451.

⁶⁰ Mr. Middleton has suggested that the constantly expanding confusion doctrine has been used by the courts as a device for steering clear of "this strange and hybrid thing called dilution." Middleton, *Some Aspects of Trademark Dilution*, *supra* note 57, at 1033. If this is true, it would appear that the dilution principle has been an important factor in the development of New York's trade-mark law, rather than an alien concept of little significance.

⁶¹ *But see United Merchants & Mfrs., Inc. v. Amtex Fabrics, Inc.*, 29 Misc. 2d 86, 212 N.Y.S.2d 498 (Sup. Ct. 1961). The court in construing the New York anti-dilution statute stated: "[T]he defendant's contention that . . . no confusion can arise, even if correct, in its assumptions, is neither determinative nor persuasive." *Id.* at 87, 212 N.Y.S.2d at 500. The usual finding of some degree of confusion seems to be lacking here.

⁶² See Callmann, *Unfair Competition Without Competition?*, 37 TRADE-MARK REP. 175 (1947).

⁶³ It does not seem unlikely that the approach of "extend[ing] the penumbra of the plaintiff's mark until it embraces the field of the defendant's activity," and thereby finding "confusion," will ultimately be replaced by the more direct procedure afforded by a literal application of section 368-d. Middleton, *Some Aspects of Trademark Dilution*, *supra* note 57, at 1033.

⁶⁴ See *Derenberg*, *supra* note 58, at 449-50.

⁶⁵ Trade-Mark Act (Lanham Act) §§ 2(d), 32(1), 60 Stat. 428, 438 (1946), 15 U.S.C. §§ 1052(d), 1114(1) (1958).

courts.⁶⁶ As on the state level, a basic reluctance toward unqualified acceptance of the dilution doctrine has been apparent. Despite the plain language of the New York anti-dilution statute, its application was, in effect, made contingent upon the existence of some degree of confusion.⁶⁷ In the *Dawn Donut* case the court did not resort to this device but instead relied on the registration requirement.

Now that state registration has been eliminated as a test, the dilution principle will likely become an increasingly important factor in federal trade-mark litigation. Whereas the New York state courts, in which infringement actions are seemingly more limited in scope,⁶⁸ have found it possible, in effect, to give relief against dilution in terms of traditional theories, the *Dawn Donut* case is a possible indication that in similar situations in the federal area the confusion standard may not prove quite so flexible. This would appear to be so where the holder of a federal registration attempts to protect his mark against a purely intrastate user far removed from the registrant's projected competitive area. Assuming that the tendency of *Dawn Donut* in this regard remains unchanged,⁶⁹ applicable state anti-dilution statutes apparently will present the most logical basis for relief in these situations. It seems highly probable that the federal courts will strongly resist any effective application of these state statutes. A possible device for doing so was suggested by Judge Lumbard in *Dawn Donut* when he stated that even absent the necessity for state registration, plaintiff's mark did not possess the "well established secondary meaning"⁷⁰ which protection against dilution would require. It remains to be seen what attitude the federal courts will in fact adopt.

⁶⁶ See, e.g., *Kitchens of Sara Lee, Inc. v. Nifty Foods Corp.*, 266 F.2d 541 (2d Cir. 1959); *Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*, 157 F. Supp. 621 (S.D.N.Y. 1958).

⁶⁷ See, e.g., *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 167 F. Supp. 427 (N.D.N.Y. 1958), *rev'd on other grounds*, 271 F.2d 569 (2d Cir. 1959); *Vacheron & Constantin-Le Coultre Watches, Inc. v. Benrus Watch Co.*, 155 F. Supp. 932, 936 (S.D.N.Y. 1957) (dictum), *modified*, 260 F.2d 637 (2d Cir. 1958).

⁶⁸ More often than not both parties in a trade-mark infringement action in a state court will be doing business within the state. In the federal courts, on the other hand, the parties frequently are engaged in business in different states. As a result, one might expect that the state courts would experience less difficulty in making a finding of possible confusion between competing marks.

⁶⁹ The court's finding of no possibility of confusion and the consequent denial of relief have been criticized as "startling and almost unprecedented. . . ." Derenberg, *The Twelfth Year of Administration of The Lanham Trademark Act of 1946*, 49 TRADEMARK REP. 1019, 1070 (1959).

⁷⁰ *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366 (2d Cir. 1959).

Conclusion

The recent changes incorporated into the General Business Law constitute a salutary development in New York's trade-mark law. In the first place, the practical benefits of state registration have been made accessible to the owners of service-marks used exclusively in intrastate commerce. And in the dilution area, New York law has been clarified by the elimination of state registration as a prerequisite for relief under the anti-dilution statute. The implications of service-mark registration would seem to be reasonably well-defined but the impact of section 368-d remains somewhat conjectural. Although on both the state and federal level it does remove the possibility of an adoption of Judge Lumbard's interpretation of the New York anti-dilution statute, it remains unclear to what extent the statute may prove a basis for relief in the state or federal courts.