

CONTRIBUTORY AND VICARIOUS LIABILITY FOR TRADEMARK DILUTION

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The cause of action for trademark dilution is fundamentally different than all other rights afforded by trademark law. In traditional trademark actions, the owner of a mark must demonstrate at least a risk of customer confusion in order to recover. No such showing is required in dilution. Instead, the owner need only prove that use of the mark by the defendant may decrease either the quantity of goodwill--commonly called "blurring"--or the quality of goodwill-- commonly called "tarnishment"--that consumers have toward the owner. [\[FN1\]](#) Although allowing the owner to recover for dilution may help consumers in some situations, the primary purpose of the cause of action is to protect the tremendous investments that firms make in cultivating goodwill in their marks. [\[FN2\]](#)

Because dilution is both new and unique, a debate continues in the scholarly literature as to whether it should even be actionable. [\[FN3\]](#) However, most doubts about dilution are confined to the *626 academy. Legislatures and courts have by and large embraced the new cause of action with considerable enthusiasm. To date, thirty-four states have enacted their own dilution statutes. [\[FN4\]](#) These state laws demonstrate remarkable consistency, falling into three basic categories. [\[FN5\]](#) Following the state lead, Congress added *627 dilution protection to the Lanham Act in 1995. [\[FN6\]](#) Although courts initially were reluctant to enforce these new rights, today they are quite willing to impose liability in appropriate cases. [\[FN7\]](#) As more dilution cases are litigated, the courts have begun to clarify many of the ambiguities in the language of the dilution statutes, further refining the parameters of the action.

One of the ambiguities in dilution law is determining exactly who can be held liable for diluting a trademark or service mark. On their face, the Lanham Act and most of the state dilution statutes apply only to those who use the mark on goods or services. [\[FN8\]](#) Read literally, then, only actual users can be held liable. *628 If this literal reading accurately reflects the scope of the law, an employer could not be held liable if its employees use the mark, nor could a competitor of the mark's owner be liable for paying or otherwise inducing a third party to use the mark in a diluting fashion.

On the other hand, the infringement provisions of most trademark laws similarly apply on their face only to those who use the mark. [\[FN9\]](#) Yet, one can find many cases in which courts have extended liability to parties who assist, employ, or even merely supply goods or services to the actual infringer. [\[FN10\]](#) This imputed liability for infringement, commonly referred to as "contributory" infringement, has been accepted with little debate by courts and commentators. Most discussions of contributory infringement simply assume that the cause of action arises under the trademark statutes, notwithstanding the lack of any clear basis in the statutory text.

This Article explores whether the same arguments used to justify contributory infringement might also support imputed liability for dilution. There have already been references to a doctrine of "contributory dilution" in a handful of cases. These decisions are discussed in Part I. However, imputing liability in dilution *629 cases presents special problems of its own. Because of the unique nature of the right to prevent dilution, the policy considerations that support imputed liability in infringement cases do not necessarily apply with equal strength to dilution. Part II analyzes these policy concerns and concludes that imputed liability should be more limited in dilution than in infringement. Finally, given that no dilution statute expressly mentions imputed liability, a court's power to recognize such a claim may be limited. These issues are addressed in Part III.

The Article concludes that imputed liability for dilution exists in two situations. First, certain parties may be vicariously liable for dilutions committed by those under their legal control. The rationale for liability in these cases is that someone who specifically orders, or directly benefits from, a dilution committed by a person under her control should be held responsible. However, the standard for imposing liability in these cases differs depending on the degree of control. Thus, while employers are always liable for authorized acts of their employees, a principal

will be liable for the independent acts of an agent only upon a showing of actual benefit.

Second, under certain state dilution statutes, someone who intentionally contributes to an act of dilution may be contributorily liable. A party can contribute in a number of ways, including supplying a product that is to be resold under the offending mark or by otherwise actively encouraging the actor to use that mark. However, contributory liability is significantly more limited than vicarious. First, a party who provides goods or services to the diluter should be held liable only upon a showing that the party directly benefited from the dilution of the plaintiff's mark. This limit is necessary because of the serious policy concerns involved in imposing liability on someone who markets goods or services. Second, these same concerns, coupled with the lack of any mention of contributory liability in the Lanham Act, lead to the conclusion that contributory liability does not exist at all under federal law.

Before beginning the discussion, it may be useful to agree on a uniform terminology. Courts and commentators in intellectual property cases often use the adjective "contributory" to identify all situations in which one person is held liable for a violation of intellectual property rights actually committed by another. [FN11] *630 However, technically speaking "contributory" liability is but one form of imputed liability. Because the distinction between the two main forms of imputed liability is crucial to this Article's analysis, the Article will use the term "imputed dilution" as a generic reference to all types of imputed liability for dilution. [FN12] References to contributory and vicarious dilution will refer to particular branches of imputed liability, which will be described in greater detail below.

I

Imputed Dilution in the Courts

To date, only a handful of courts have even acknowledged that the owner of a famous mark might be able to sue for imputed dilution. Of these, only the U.S. District Court for the Northern District of Illinois has actually accepted the cause of action. In *Kegan v. Apple Computer, Inc.*, [FN13] the plaintiff owned a family of ___GUIDE marks that it used in connection with various computer help publications. Defendant, Apple Computer, produced its own help software, which it marketed as APPLGUIDE and MACINTOSH GUIDE. [FN14] Plaintiff sued in the Northern District of Illinois, alleging that Apple's use of those marks constituted both infringement under the Lanham Act [FN15] and dilution under the Illinois dilution statute. [FN16] Plaintiff further claimed that Apple *631 was encouraging third-party software developers to market their products under marks that contained the term GUIDE. [FN17] Because that third-party use could likewise infringe and dilute plaintiff's marks, the complaint also alleged that Apple was liable for both contributory infringement and contributory dilution. [FN18]

Apple moved for summary judgment on all of the claims. Finding that use of the word GUIDE in a title did not infringe plaintiff's mark, the court granted summary judgment for Apple on the infringement and contributory infringement claims. [FN19] However, the court found some evidence that dilution might be occurring. Therefore, it allowed plaintiff's dilution and contributory dilution claims to proceed to trial. [FN20]

Although the *Kegan* court technically held that a cause of action for contributory dilution existed, the decision is of only limited use as precedent. First, the court was interpreting the provisions of the Illinois dilution statute. The court's conclusions accordingly do not necessarily apply to dilution claims under the Lanham Act or other state dilution laws. [FN21] In fact, as Illinois completely revamped its dilution statute in 1998, the opinion is of little use even for claims governed by Illinois law. [FN22] Second, even if other courts find the basic notion of contributory dilution appealing, the *Kegan* opinion provides little in the way of particulars. For example, the opinion fails to list the elements of the cause of action. Nor does it discuss the policy implications of recognizing a cause of action for contributory dilution.

Dictum in one other case suggests that the Lanham Act may afford a cause of action for contributory dilution. In *Lockheed Martin Corp. v. Network Solutions, Inc.*, a plaintiff sought to *632 amend its complaint against the registrar of Internet domain names to add a claim for contributory dilution. [FN23] The U.S. District Court for the Central District of California refused to allow the amendment, both because of the plaintiff's delay in filing its request and because it was clear to the court that plaintiff would not recover. [FN24] The court accepted for the sake of argument that the cause of action existed, and that the elements paralleled those of contributory trademark

infringement. Therefore, the court reasoned plaintiff would be required to prove both that defendant knew that third-party infringement was occurring and that it took no steps to prevent it. [FN25] Because the plaintiff in Lockheed could not possibly demonstrate that defendant knew of the dilution, the court held that it could not prevail on the claim even if it were allowed to amend its complaint. [FN26]

Three months after Lockheed, however, a different district judge of the Central District of California strongly intimated that the Lanham Act provides no cause of action for contributory dilution. Like Lockheed, Academy of Motion Picture Arts and Sciences v. Network Solutions, Inc. [FN27] involved a challenge to a domain name registration. The plaintiff sought to enjoin Network Solutions, Inc. (NSI) from registering a domain name that included plaintiff's trademark, arguing that such registration would constitute, among other things, contributory dilution. [FN28] Plaintiff also sought a preliminary injunction pending the outcome of the case. [FN29] The court refused preliminary relief. [FN30] One element that courts consider in determining whether to grant a preliminary injunction is the movant's ultimate likelihood of success on the merits. [FN31] In Academy of Motion Pictures, the court held that the plaintiff had failed to demonstrate a strong likelihood *633 of success because there was no evidence that the Lanham Act afforded a cause of action against one who merely helped another person dilute. [FN32]

When Lockheed was appealed, the Court of Appeals for the Ninth Circuit cleared up the discrepancy between the district court opinions in that case and Academy of Motion Pictures. [FN33] The Ninth Circuit found no evidence that a cause of action for contributory dilution existed under the Lanham Act. Although acknowledging the Northern District of Illinois's decision in Kegan, the court readily distinguished it by noting that the plaintiff there had alleged that defendant actively induced the diluting use of the mark by the third parties. [FN34]

To date, these four opinions are the only reported cases to deal directly with the issue of imputed dilution. [FN35] No court has yet allowed a plaintiff to sue for imputed dilution under the Lanham Act. Although the Northern District of Illinois recognized a state law cause of action in Kegan, it did not elaborate on when a party who contributes to a dilution may be held liable. Moreover, given the significant amendments to Illinois's dilution statute, it is not clear that any court, including the Northern District of Illinois, would rule the same way today.

Nor has contributory dilution received much attention in the literature. In fact, only a few authors even mention it. Most, including *634 Professors Gilson and McCarthy, agree that courts could eventually recognize a cause of action roughly parallel to the existing action for contributory infringement. [FN36] Professor Lemley, by contrast, has lambasted the very idea of contributory dilution. In an article highly critical of a number of recent developments in trademark law, he singles out contributory dilution as "the most pernicious concept ever to come out of trademark theory." [FN37]

On the whole, imputed dilution has managed a lukewarm reception at best. Although some authors have acknowledged in passing that the claim may exist, there has been no in-depth analysis of the topic to date. This may be due in large part to the paucity of imputed dilution claims that have been raised in actual litigated cases. Given the resourcefulness of the practicing bar, however, it is likely that more such claims will be asserted. Accordingly, a serious analysis of imputed dilution is overdue.

The logical starting point for any discussion of imputed dilution is the general principles of imputed liability. After all, imputed liability is not unique to the law of trademarks. Instead, contributory and vicarious trademark infringement developed when courts adapted the basic principles of imputed liability for use in trademark cases. In the process, these courts modified the legal standards in several ways to reflect the special considerations relevant to infringement cases. If imputed dilution ever becomes widely recognized, it will be a result of a like process of adapting imputed liability doctrine to the unique nature of dilution. As long as courts work carefully to fit the basic principles of imputed liability to the special features of dilution, some form of imputed liability for dilution is no more "pernicious" than dilution itself. [FN38] As with so many other issues in law, imputed dilution would become a problem only if courts lose sight of these *635 core concerns. [FN39]

II

Applying the Principles of Imputed Liability to Dilution

Holding one person responsible for the wrongful acts of another is a fairly common phenomenon in the Anglo-American legal system. It is perhaps best known in criminal law, where it appears under labels such as "aiding and abetting," felony murder, and conspiracy. However, imputed liability is also a significant feature of tort law. Businesses are often held responsible for torts committed by their employees and agents. A party who contracts with another to accomplish an improper end may be held liable if that other commits the wrongful act. Even absent a contractual relationship, someone who facilitates the commission of a tort or crime may be held civilly accountable for the harm that occurs.

These basic notions of imputed tort liability were quickly imported into the field of intellectual property. Congress explicitly ***636** incorporated contributory liability in the Patent Act of 1952. [\[FN40\]](#) Although neither the Copyright nor Lanham Acts contain an express provision, courts have construed both to impute liability on certain controlling and contributing parties in infringement actions. Early copyright decisions finding premises owners liable for infringements committed by their licensees and tenants [\[FN41\]](#) gradually evolved into a broader theory of imputed liability. [\[FN42\]](#) During roughly the same period, courts also developed a doctrine of imputed liability for trademark infringement. [\[FN43\]](#) Today, imputed liability is firmly established in all three of the main areas of intellectual property, although the standards in each area differ in certain significant respects. [\[FN44\]](#)

Because dilution is a new intellectual property right afforded to trademark owners, it might seem natural simply to borrow the ***637** standards that apply to imputed infringement. However, the right to prevent dilution of a trademark differs in several ways from other intellectual property rights. These differences are great enough to call into doubt whether a cause of action for imputed dilution exists under any circumstances. Even if the cause of action does exist, its parameters may differ significantly from imputed infringement. Therefore, it is advisable to take a close look at the principles of imputed liability to determine how--or even whether--they apply given the unique policy and practical issues involved in dilution.

The field of imputed liability is blessed--or perhaps cursed--with an abundance of labels. Depending on the court and context, such liability may be described as "vicarious," "respondeat superior," "agency," "alter ego," "master-servant," "aiding and abetting," "inducement," or any of a number of other terms. Notwithstanding this rich array of labels, imputed liability can logically be divided into three basic categories. "Attributed" liability involves both ascribing liability to corporations for the acts of its human officers and directors, and the converse, imposing liability on those individuals who are the "alter ego" of the corporation. [\[FN45\]](#) Because this category usually depends on considerations unique to corporate law, this Article will not deal with this branch of imputed liability. [\[FN46\]](#) This is not to say, however, that cases involving officers, directors, and shareholders are irrelevant. For example, because corporate officers work for the corporation, the corporation might also be vicariously liable for their acts.

The main focus of this Article will be the remaining two branches: vicarious and contributory liability. Vicarious liability comprises situations in which a party is held liable for acts performed on his behalf, and over which he has significant legal control. Contributory liability, by contrast, involves situations where ***638** the party has no legal control over the actor, but nevertheless facilitates the act by providing encouragement or materials.

A. Vicarious Liability

1. Generally

Vicarious liability has roots in both tort and agency law. Its core principle is that a person should be liable for acts committed on his behalf. Someone who would be liable for committing an act herself should not escape liability merely because she asked an underling to commit the tort. The Second Restatement of Torts accordingly holds a defendant liable if she "orders" another person to engage in conduct that she knows is tortious. [\[FN47\]](#) Similarly, the Second Restatement of Agency holds a person liable for acts of another that the person specifically directs. [\[FN48\]](#) However, the Second Restatement of Agency also goes a step further, allowing principals and employers to be held liable even for acts they did not explicitly order. A principal is liable for all acts performed by an agent within the scope of the agency relationship. [\[FN49\]](#) Employer liability is even broader. An employer is vicariously liable for all torts committed by an employee that lie within, and even some torts that lie without, the scope of employment. [\[FN50\]](#)

A second main subcategory of vicarious liability involves joint tortfeasors. The Second Restatement of Torts holds all parties who act "in concert" to commit a tort liable for all harm caused to the victim. [FN51] Parties act in concert when they have an agreement, explicit or tacit, to further the commission of the wrongful act. [FN52] Although this agreement is sometimes referred to as a "conspiracy," that term does not have the same connotation in vicarious liability as it does in criminal law.

However, this Article will classify most joint tortfeasor cases as situations of contributory rather than vicarious liability. The only *639 joint tortfeasor cases that fall within this Article's definition of vicarious liability are those in which the agreement between the parties is legally enforceable. [FN53] Of course, as long as imputed liability exists, the label is largely irrelevant. Other things equal, a defendant that is held contributorily liable is subject to the same remedies, and has the same rights of contribution and indemnity, as one held vicariously liable. [FN54] Nevertheless, grouping the non-binding agreement cases under contributory liability allows for a cleaner division between vicarious and contributory liability. Once the non-binding joint tortfeasor cases are excluded, there is a clear thread tying together the various subcategories of vicarious liability. That thread is the existence of legal control. An employer or principal has the ability to coerce the employee or agent to act in certain ways. Similarly, if the agreement between joint tortfeasors is a contract, one party can compel the other to perform the agreed-upon acts. Of course, the breadth of control differs in these situations. An employer has significant control over the employee's day-to-day activities. A principal's control may be significantly less, often giving the authority to compel a particular end, but not the means to that end. Nevertheless, in all cases the party to whom liability is imputed has legal control over the act that constitutes the tort. [FN55]

2. Application of These Principles to Intellectual Property

Courts have borrowed these basic concepts for use in intellectual property cases. Employers and principals can be held liable when their employees and agents infringe intellectual property rights. [FN56] Joint tortfeasors are likewise vicariously liable. [FN57] It is *640 hardly surprising that courts were so willing to apply the principles of vicarious liability to these cases. After all, infringement of an intellectual property right is essentially a tort. The patent, copyright, and trademark laws create a "duty" not to use someone else's intellectual property in certain ways. Infringement constitutes a breach of that duty, subjecting the infringer to damages and equitable remedies. Therefore, the same considerations that justify holding an employer liable for personal injuries committed by an employee could readily be applied to the sorts of economic injuries generated by an infringement of intellectual property. This sort of reasoning resulted in the general acceptance of vicarious liability in trademark, patent, and copyright infringement cases.

Most of the vicarious liability cases involve employers and principals. [FN58] Cases in which the employer or principal specifically orders the infringement are rare. A more typical case will involve the situation envisioned by the Restatement of Agency, where the employer or principal is held liable merely because of its ability to control the tortfeasor. In cases involving principals, however, courts have modified the standards of the Second Restatement of Agency in one significant respect. In order to impose liability on a principal when an agent, without specific orders from the principal, infringes a copyright or trademark, [FN59] a court must determine that the financial interests of the principal are "intertwined" with those of the agent. Usually, a court finds the interests intertwined only when the principal receives a benefit from the infringement. [FN60] Moreover, the benefit must stem directly from the act of infringement, not merely from the general *641 principal-agent relationship. [FN61] That additional element of benefit, which is not required in employer-employee cases, strikes a balance between the principal's legitimate interest in competing with the intellectual property owner, and the intellectual property owner's interest in protecting its legal rights.

In copyright cases, courts have extrapolated a more general theory of vicarious liability from these principles. Many copyright cases have involved legal relationships that do not fit easily into the employer-employee, principal-agent, or joint tortfeasor molds. For example, several cases have dealt with whether landlords and other owners of premises can be liable for infringements committed by tenants and licensees. Courts have imposed vicarious liability in these cases when the defendant both has the ability to control the actions of the infringer and experiences a financial benefit directly attributable to the act of infringement. [FN62] However, that more general approach has not gained favor in trademark cases. The few courts dealing with the issue have cited the differences between the

two types of intellectual property as a reason for rejecting the more general rule of vicarious liability. [FN63] Thus, in trademark cases, only employers and principals are vicariously liable for conduct that they did not specifically order or direct.

3. Vicarious Liability for Dilution

There is no immediately apparent reason why at least some form of vicarious liability could not apply in dilution. As noted above, courts apply principles of vicarious liability in intellectual property cases because intellectual property rights are basically tort-like in nature. Although it is one of the newest forms of intellectual property, [FN64] dilution also exhibits the essential characteristics *642 of a tort. Dilution statutes impose a duty not to use a word, symbol, or identifying device in a way that harms someone who has acquired rights in that item. Improper use breaches that duty. Although dilution and infringement often differ with respect to what marks can be protected--under the Lanham Act and many of the state statutes, at least, only "famous" marks are protected from dilution [FN65]--and the types of use that give rise to liability--dilution theoretically requires no showing that customer confusion may occur [FN66]--both causes of action help a seller maintain its position in the market. Therefore, it is altogether *643 possible that the same tort law principles of vicarious liability would apply to dilution.

As a policy matter, rejecting vicarious dilution out-of-hand would create a real opportunity for abuse. In essence, a firm that wanted to reduce the goodwill enjoyed by a competitor could do so without fear of liability simply by assigning an employee or contracting with an agent to "do the dirty work" of dilution. Even if the plaintiff obtained an injunction [FN67] against the actual diluter, the firm could arrange for another party to continue the harm.

Therefore, a convincing argument can be made for allowing at least some form of vicarious liability in dilution. Moreover, the standard used should be the same as that used in trademark infringement. Under this standard, vicarious liability will exist in four situations. First, a defendant who specifically orders or directs someone under his legal control to use a mark is liable for any resulting dilution. In addition to employers and principals, franchisors might be subject to vicarious liability under this standard. [FN68] Second, joint tortfeasors should be vicariously liable for all acts of dilution contemplated by the parties in their agreement. Third, an employer should be vicariously liable for acts of her employees to the full extent contemplated by the Second Restatement of Agency. Finally, principals should be liable for acts of their agents performed in furtherance of the agency agreement and from which the principal derives a direct benefit.

Recognizing vicarious liability in these cases presents no real policy concerns. First, it will not result in an explosion of new claims. It is a fundamental--but sometimes overlooked--axiom that there can be no imputed liability without an underlying tort. Therefore, vicarious liability will not create new dilution claims, but merely expand the pool of defendants who can be held liable for a given dilution.

Second, the proposed standard for vicarious liability has a *644 "common- sense" appeal. Few would object to imposing liability on someone who specifically orders an underling to dilute. In the same vein, if two parties enter into a contract to work together toward diluting a famous mark, both should bear the full legal consequences. [FN69] With respect to employers and employees, because the employee is acting mainly (if not exclusively) to carry out the employer's will, the employer should suffer the same fate as the employee. In one sense, the employee's acts are those of the employer. [FN70]

The only potentially controversial rule is that proposed for principals. As noted above, the element of "benefit" does not apply to most cases involving the vicarious liability of principals. It evolved in contributory infringement cases because of the special nature of infringement. Because dilution is different than infringement, one cannot simply assume that the additional element applies in dilution. Nevertheless, further reflection makes it clear that the additional element also makes sense in dilution cases. A principal does exercise legal control over the agent, as he specifies the general goals toward which the agent is to work. Unlike an employer, however, the typical principal does not dictate the means by which the agent is to accomplish those goals. Instead, the choice of means usually falls to the agent.

This difference between principals and other controlling parties justifies a stricter standard for vicarious dilution. The principal should clearly be liable if the specified goal of the agency agreement is to cause a dilution, or if that

agreement explicitly requires the agent to use particular means that dilute. On the other hand, both of those situations could just as easily be treated as "ordering" a dilution, a separate and less controversial category of vicarious liability. Absent a specific requirement in the agency agreement, however, the principal had no direct control over the agent's decision to use means that dilute. As control is a key element of vicarious liability, the argument for imposing vicarious dilution on the non-controlling party is much less convincing.

*645 Of course, in many cases the principal could have controlled the specific acts of the agent. But the question is whether he should be required to exercise that control. Imposing vicarious dilution would in effect place a duty on principals to protect the goodwill of famous companies by policing the acts of the principal's agents. As a general matter, adding that duty makes no sense. Policing agents would certainly entail a considerable cost. And in the typical case, it would prove of little benefit to the trademark owner. Holding the agent liable is enough to prevent the harm to the trademark owner's goodwill. Faced with that liability, the agent will opt for a different way to satisfy the requirements of the agency contract.

This balance of interests shifts, however, in cases where the principal directly benefits from the agent's use of the mark. In that case, the principal might encourage--probably tacitly or by suggestion--the agent to continue to use the mark. Therefore, imposing liability on the agent alone might not prove sufficient to prevent further harm to the owner. Second, many would argue that it is somehow unfair to let the principal reap the benefits of a dilution committed by her agent. [FN71] Therefore, the standard used in infringement cases, which requires proof of direct benefit in order to hold a principal vicariously liable, is also appropriate for dilution. [FN72]

Even if the standard is the same, however, one would anticipate that vicarious liability for principals would be less common in dilution cases than infringement cases. As with infringement, cases in which a principal specifically orders or arranges a dilution are likely to be quite rare. Adopting a new trademark is a costly endeavor. In most cases, the cost of adopting the mark far outweighs any dilution in the goodwill of the owner of the famous *646 mark. Therefore, few parties have any real financial incentive to cause a dilution.

Most plaintiffs are likely to seek recovery under the "direct benefit" theory. However, relatively few cases are likely to meet this standard. The problem lies in proving benefit to the principal. In many respects, dilution is unique among intellectual property rights. Infringement of a trademark simultaneously hurts the owner of the right and benefits the infringer, because the infringer has diverted sales that could have been made by the owner. Part of that benefit may inure to the principal. But in a case where a party uses a mark that dilutes, but does not infringe, [FN73] it is less likely that the principal will benefit. To illustrate this point, consider the facts of some actual dilution cases. In *Hyatt Corp. v. Hyatt Legal Services*, defendant operated a legal services firm under the mark HYATT, which happened to be the surname of the firm's founder. [FN74] That use was found to dilute Hyatt Hotel's goodwill in its identical mark. The defendant in Hyatt could conceivably have sold its services under a different mark. It gained no special benefit--other than being able to take advantage of any reputation for quality developed by its founder [FN75]--from the fact that its mark happened to be similar to a famous mark. [FN76]

Hyatt is a blurring case. However, the same logic applies in the typical tarnishment case. Consider *Eastman Kodak Co. v. *647 Rakow*, [FN77] where a stand-up comedian adopted KODAK as his stage name. Because the comedian's act was exceedingly vulgar, the court found that his use of Kodak's famous mark constituted a dilution. Again, however, although the defendant may have harmed Kodak, it did not appropriate anything from Kodak merely by using a similar name.

In many cases, then, the actual diluter will derive no benefit from the dilution. And if the actual diluter does not benefit, nor will a principal who has hired that diluter as its agent. Had the actual diluters in Hyatt and Kodak been agents of another company in the legal services or comedy business, the company would have gained no benefit from their acts of dilution, and accordingly should not be held vicariously liable.

On the other hand, there undoubtedly could be cases where the principal would benefit. In some cases, the principal will compete directly with the owner of the mark. [FN78] The principal in this case would directly benefit from a dilution effected by its agent, as that dilution would, by definition, reduce the quantity or quality of association that consumers make between the mark and the competing owner and accordingly, make consumers less likely to buy from the owner. That benefit to a competing principal would exist even if the agent did not compete. Holding the principal liable in this case would discourage companies from trying to dilute a competitor's goodwill

by contracting with someone to use the competitor's mark on an entirely different product or service.

A second category of cases in which the principal may benefit is when the diluting use is a "play on" a well-known term or phrase. A good example of this situation is provided by the series of cases in which the Ringling Brothers Circus sued to prevent variations on its phrase THE GREATEST SHOW ON EARTH. [FN79] Regardless of whether such usage dilutes, [FN80] the party *648 using the mark directly benefits. Consumers are drawn by the famous mark to the diluter's product or service. If they are drawn because they mistakenly associate the goodwill they have for the owner with the diluter, there is actual confusion, and the owner can recover for infringement. On the other hand, use of a famous mark may result in a benefit even absent confusion. If consumers are able to keep the owner and diluter distinct in their minds, the goodwill they have towards the owner may nevertheless put them in a more pleasant frame of mind, making them view the diluter's product or service in a more favorable light. A brewer who calls her product "The Cadillac of Beers," for example, might gain from the public's favorable perception of that car company. In the alternative, consumers might prefer the diluter's product not because the goodwill they have toward the owner somehow carries over, but because of the positive feelings they have for the mark as a literary term. Certain terms and phrases such as WHERE'S THE BEEF?, KOOL, and MR. CLEAN acquire their own specific innuendo, and join the vernacular as a unique way to express certain ideas or feelings. [FN81] If a second party uses that mark on a different good or service, that party in essence "piggybacks" on whatever feelings are associated with the mark. [FN82] The Ringling Brothers Circus cases involved one or both of these more ephemeral connections. Even absent any confusion as to source, invoking the positive feelings connected with the circus or its mark might increase sales, resulting in a benefit to the diluter, and in most cases to that diluter's principal.

Accordingly, it is possible for principals to benefit from their agents' use of another's mark. [FN83] In most cases, however, the controlling *649 party will not be better off as a result of the acts of its agent or employee. Therefore, comparatively few plaintiffs will be able to prove the benefit required to succeed on a vicarious dilution claim against a principal.

B. Contributory Liability

1. Generally

Unlike vicarious liability, which is a hybrid of the law of tort and agency, contributory liability comes purely from tort. Several provisions in sections 876 and 877 of the Second Restatement of Torts deal with situations in which a defendant actually facilitates another party's commission of a tort. Section 876(b), for example, imposes liability on someone who "knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself." [FN84] Section 877(a) has a similar tenor, providing that a person is liable if he "induces the [tortious] conduct [of another], if he knows or should know of circumstances that would make the conduct tortious if it were his own." [FN85] Section 877(c), by contrast, deals with those who provide indirect encouragement, imposing liability on one who "permits the other to act upon his premises or with his instrumentalities, knowing or having reason to know that the other is acting or will act tortiously." [FN86] Finally, as indicated above in the discussion of vicarious liability, this article's definition of contributory liability includes those joint tortfeasor cases in which the agreement between the parties is not a binding contract. Authority for this type of contributory liability can be found in section 876(a), which imposes liability on everyone who acts "in concert . . . or pursuant to a common *650 design." [FN87]

Because the defendant has "contributed" something to the tortious conduct, all four situations involve contributory liability. [FN88] Nevertheless, the four types of contributory liability described above can be grouped into two distinct categories. In the first, exemplified by Restatement sections 876(a) (joint tortfeasors), 876(b) (encouragement), and 877(a) (inducement), the defendant actively furthers commission of the tort. In the second, reflected in section 877(c), the defendant acts much more passively, merely enabling the tortfeasor to act by supplying tools or other property which can be used in committing the tort. This distinction between the "inducement" and "enabling" branches of contributory liability is especially relevant to the question of dilution, as will be discussed below.

The language in section 876(a) actually hints at a broader theme; a feature shared by all cases of contributory liability. Black's Law Dictionary defines contributory liability as encompassing those situations where the actor and the party held contributorily liable are jointly promoting a single purpose. [FN89] That single purpose is most apparent in the case of joint tortfeasors. It is similarly present in the encouragement and inducement situations. Although less obvious, the notion of a single purpose also underlies the section 877(c) instrumentalities cases. A person who supplies instruments to a tortfeasor is liable only if his involvement is sufficiently great to allow the court to infer a single purpose shared by the parties. [FN90] In other words, the person providing the premises or instrumentality must not only know of the tort, but must be motivated to supply those tools at least in part because of that tort. That core notion of "single purpose" helps to limit the potentially broad scope of contributory liability.

2. Application to Intellectual Property

Contributory liability founded on these basic principles clearly exists in intellectual property cases. [FN91] Congress explicitly included *651 contributory liability in the Patent Act. [FN92] Even absent clear statutory language, courts have similarly found contributory liability in copyright and trademark infringement suits. In trademark, [FN93] the seminal case is *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, [FN94] where the United States Supreme Court established a test for determining when a party, who supplies a product to an infringer, may be held liable for the infringement. The language used by the Court clearly mirrors the Restatement provisions cited above: "Thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible" [FN95]

These same basic principles also found their way into the relatively new Restatement of Unfair Competition. [FN96] Section 27 provides that a party who supplies goods or services to a third person can be contributorily liable for that third person's infringement if the party either "intentionally induces" the infringement [FN97] or "fails to take reasonable precautions against the occurrence of the third person's infringing conduct in circumstances *652 in which the infringing conduct can be reasonably anticipated." [FN98] Other provisions of that Restatement apply similar rules to printers and publishers [FN99] and parties who contribute to deceptive marketing. [FN100]

Courts have employed all of these forms of contributory liability in trademark cases. Findings of inducement appear with some regularity in the case reports. [FN101] In addition, several cases have imposed contributory liability based on the joint tortfeasor rationale. [FN102] In many of these cases, however, the main fact supporting *653 a finding of inducement or joint tortfeasor arrangement was the defendant's provision of goods or services to the actual tortfeasor. [FN103] In truth, then, the majority of contributory trademark infringement claims are actually better thought of as enabling cases. Indeed, although they call them inducement and joint tortfeasor cases, the courts typically analyze the disputes using the *Ives* enabling test.

Under this test, it can be relatively difficult for a plaintiff to prevail. The "knowledge" element is typically plaintiff's highest hurdle. In *Ives* itself, for example, the Supreme Court refused to impose liability on a drug manufacturer because plaintiff had not proven that defendant knew or should have known that pharmacists were substituting defendant's drugs for those of the plaintiff. [FN104] Merely providing a similar-looking drug did not put defendant on notice that infringement would likely occur. [FN105] Lower courts have applied an equally strict standard. Although "willful blindness" by one who possesses facts strongly suggesting infringement is no excuse, [FN106] a defendant who does not possess such facts is under no obligation to police its customers to ensure that they do not engage in illegal substitution. [FN107] Thus, the standard for contributory infringement helps preserve competition by allowing companies to imitate the products sold by others. [FN108]

3. Contributory Liability for Dilution

As discussed above, contributory liability actually comprises three distinct branches: inducement, enabling, and joint tortfeasors. Inducement liability easily applies to dilution. A party who owns a famous mark should be able to sue not only those who actively use the mark in a way that causes dilution, but *654 also anyone who actively encouraged that user. [FN109] In fact, this situation is not appreciably different from that of the employer or principal who is held vicariously liable for ordering a dilution. The only difference is the degree of suasion the

defendant has over the tortfeasor. In both cases, were the inducing party not held liable, a person who clearly intended to dilute a competitor's famous mark could do so without fear of any consequences merely by encouraging someone else to actually use the mark.

Indeed, the sole federal case to recognize a contributory dilution claim falls into the category of inducement. In *Kegan v. Apple Computer, Inc.*, [FN110] discussed above, the plaintiff alleged that defendant had, inter alia, encouraged other software developers to use marks similar to plaintiff's. The court held that allegation sufficient to state a cause of action for contributory dilution under the Illinois dilution statute. [FN111] Assuming for the moment that plaintiff's allegations were true, it makes perfect sense to hold Apple equally liable. Because Apple not only competed with plaintiff in the market for plaintiff's product, but also used similar marks itself, Apple would benefit directly from any dilution in the distinctiveness of plaintiff's mark that resulted from the third-party use. Allowing plaintiff to sue Apple would prevent this unfair benefit. [FN112]

However, liability for inducement should be limited to situations where the defendant could anticipate the consequences of its act. Merely encouraging the third party to sell a product, or even to use a mark identical or similar to plaintiff's, should not be actionable. Instead, plaintiff should be required to show that defendant knew or had reason to know that the third party's use was likely to result in dilution of plaintiff's mark. This limitation *655 is fully consistent with the Second Restatement of Torts, which imposes liability for inducement only when the defendant realizes that the third party will be committing a tort. [FN113] Enjoining a defendant who encourages use of a particular mark, but does not realize that the use will result in dilution, would unduly limit commerce while providing no corresponding benefit to the owner of the famous mark. [FN114]

The joint tortfeasor branch of contributory liability likewise presents no special problems in dilution. As in other areas in which the theory applies, the thorniest problem is defining the level at which cooperation with a diluter becomes actionable. The best way to deal with this definitional problem is to refer to the notion of "single purpose" that undergirds all of contributory liability. [FN115] Merely providing assistance to a diluter is not enough, even if the defendant knows that the dilution is occurring. Instead, the plaintiff must demonstrate that the defendant and diluter both wanted to bring about the dilution. Liability is appropriate only when the parties have the single purpose of harming the trademark owner.

The final branch of contributory liability--enabling--is considerably more problematic in dilution than in other trademark cases. There are, admittedly, some cases where liability would be appropriate. However, the standard used for determining that liability should be quite strict. More particularly, courts should avoid the obvious temptation to apply the Ives standard used in contributory infringement cases. Because of the unique nature of dilution, the Ives test is inappropriate insofar as it includes too many parties who contribute to the dilution, but do not act with a single purpose.

An illustration may show why the infringement standard is inappropriate. It is safe to assume that MICROSOFT is a famous mark under the federal dilution statute. Suppose another company begins to market small pillows under the same mark. Even *656 though customers are not likely to be confused, the software company may well prevail should it elect to sue the pillow seller for dilution. [FN116] Suppose further that the seller does not produce its own pillows, but buys them from Manufacturer. By providing the seller with goods used in the dilution, Manufacturer has clearly "contributed" in some fashion to the dilution. Under the Ives standard used in infringement cases, Manufacturer could be held contributorily liable for enabling that dilution if it knew the seller was using the mark in a diluting fashion [FN117] and made no effort to prevent that use.

In some instances, imposing liability on Manufacturer would clearly be justified. For example, if Manufacturer attached the MICROSOFT label before selling the pillows to the diluter, it should ordinarily be liable to the same extent as the diluter for the dilution that results. This situation can be referred to as "indirect dilution," [FN118] and may actually be better thought of as a special type of direct liability rather than imputed liability. But even if it is treated as imputed liability, it is relatively clear that Manufacturer and the diluter are acting with the single purpose that forms the basis of contributory liability; namely, selling the product under a famous mark owned by another. [FN119]

However, in cases where Manufacturer does not attach the mark, the argument for holding it liable becomes much less tenable. If Manufacturer did not either choose or use the offending mark, it should not be liable. [FN120]

Manufacturer has admittedly "contributed" to the dilution by supplying the product sold under the offending mark. However, unlike the case of contributory infringement, there is nothing special about Manufacturer's contribution. *657 Infringement requires proof of customer confusion. Only certain types of products are capable of causing such confusion. Therefore, a contributory infringer typically has supplied a product that is similar to that sold by the trademark owner, making it easier for the seller to deceive the public. [FN121]

Dilution, by contrast, requires no proof of confusion. [FN122] To prevail on a dilution claim, the owner of a famous mark need only show that the strength of the mark has been reduced, either through blurring or tarnishment. [FN123] Therefore, the nature of goods labeled with the offending mark is typically irrelevant. Dilution can occur when the famous mark is used on any goods or services, regardless of whether the goods or services bear any resemblance *658 to those sold by the plaintiff. Although hardly free from controversy, liability for the actual diluter can be justified under the rationale that that party has at least used a mark that was not only previously used by another, but has come to be widely associated with that prior user. Extending that liability to those who merely supply goods to the direct diluter is a far more difficult proposition. Because liability for dilution is possible even absent any similarity in the goods, every supplier in the nation is potentially liable for contributory dilution. Allowing the owner of a famous mark to reach into these various industries gives that owner too great a weapon without any real corresponding need of the owner or benefit to consumers.

This argument suggests that the results may well differ between a contributory dilution case and an analogous contributory infringement case. To return to our hypothetical, if Manufacturer sold computer software instead of pillows, it would be liable for contributory infringement as long as it knew that the party who purchased that software was adding the MICROSOFT label before reselling to consumers. [FN124] If Manufacturer sells pillows, however, it would not be liable for contributory dilution.

This difference between contributory dilution and contributory infringement is justified by the significant differences between the underlying causes of action. Unlike a software manufacturer, a pillow manufacturer derives no benefit from the act of dilution. In contributory infringement, Manufacturer automatically benefits because the customer confusion as to the source of its product results in additional demand for the software. Therefore, Manufacturer has an incentive to encourage, either actively or tacitly, the reseller's tortious conduct. No similar benefit occurs in a typical dilution case. Consumers are not fooled into buying Manufacturer's pillows because of any confusion as to their origin. And unless it holds a grudge against the software company, Manufacturer gains nothing from Microsoft's loss. In fact, most product suppliers will be indifferent as to whether the reseller uses the famous mark or some other mark. [FN125] And if the Manufacturer is indifferent, it can hardly be gainsaid that it and the seller are working with the single purpose of causing a dilution.

*659 Of course, neither the Second Restatement of Torts nor the Restatement of Unfair Competition make proof of benefit an element of contributory liability. But that is because those standards were not written with dilution in mind. The Restatement of Unfair Competition was designed to cover contributory infringement, where, as noted above, the contributory infringer always receives a benefit. Moreover, the notion of benefit does appear in the comments to the Restatement of Unfair Competition. Those comments make it clear that liability for enabling is justified because of the need to prevent the enabling party from receiving a benefit from the infringement. [FN126]

That same logic also suggests that there are cases in which a plaintiff can recover for contributory dilution against a party who supplies an unbranded product. More specifically, a supplier who actually benefits from the dilution should be contributorily liable. As with infringement, imposing contributory liability is necessary to prevent the supplier from reaping an unjust benefit.

Note that under the standard proposed just above, a trademark owner can recover only if the supplier benefitted from the dilution. Thus, the owner must demonstrate that the supplier is better off precisely because of the harm to the owner's goodwill. Of course, the notion of benefit was also relevant in determining whether vicarious liability is imposed on principals. [FN127] There, however, it was suggested that the benefit need only stem directly from the defendant's diluting act, not the harm resulting from that act. This difference in standards is intended. In short, plaintiffs should be required to make a more specific showing of benefit in contributory dilution than in vicarious dilution.

The more specific showing of benefit proposed for enabling cases reflects an important distinction between

vicarious and contributory liability. The key difference between the two forms of imputed liability is the notion of control. The party held vicariously liable can exercise legal control over the acts of the diluter, including the act that led to the dilution. Because it has the power to require or restrict that act, the controlling party should be held liable whenever it benefits from that act. A party supplying *660 goods, by contrast, has no legal control over the acts of the diluter. Therefore, it should not be liable merely because it happened to benefit from the diluter's act. Instead, liability should be imposed only when the party benefits from the dilution of the plaintiff's mark. Limiting liability in this manner removes much of the incentive for the supplier to encourage the diluter, while at the same time limits the plaintiff's ability to control unrelated markets. [FN128]

The stricter test for benefit also better fits the basic theme underlying contributory liability--the notion of a single purpose. Contributory dilution should exist when the parties are working in concert with the specific goal of effecting a dilution. A court can easily infer that single purpose when the supplier benefits from the dilution. It should not infer a single purpose merely because the supplier benefits from the mark selected by the diluter. Although the supplier and diluter may have tacitly agreed to use the mark-- because they both benefit--they did not necessarily agree to cause the dilution. Taking advantage of the seller's existing goodwill, after all, does not necessarily result in dilution of that goodwill.

Requiring that the benefit flow directly from the dilution will significantly limit the actual scope of contributory dilution. As discussed above, a party who supplies a product can benefit from its buyer's use of a mark in several different ways. If that mark makes the goods stand out from others in the market, for example, it may result in increased sales. [FN129] Although those increased *661 sales would be enough of a benefit to impose vicarious liability on a principal, they would not be enough to impose contributory liability on someone whose contribution is limited to supplying the product, as there is not necessarily any loss to the goodwill of the plaintiff. In fact, the only time the product supplier will benefit from the dilution itself is when that supplier is in competition with the plaintiff. Only then will a reduction in the plaintiff's goodwill directly benefit the supplier. Thus, contributory dilution for parties who supply unbranded goods should ordinarily be limited to parties in direct competition.

To this point, the discussion of contributory liability for enabling a dilution has focused on a party whose contribution involves supplying the product that the diluter sells under the famous mark. However, there are many different ways that someone can enable a dilution. An equipment seller can provide specialized machinery used in manufacturing a product. A shipper can transport the diluting goods to sellers. A billboard company or television station may make advertising space or time available to the diluter, allowing the diluter to present the mark to customers. Because these parties can be held contributorily liable in infringement cases, they may also be subject to claims for contributory dilution.

The standard for imposing liability on these other providers should be the same as that applied to the product supplier. In other words, these other providers should be contributorily liable only if they directly benefit from the diminution in goodwill suffered by the plaintiff. Although the policy concerns may, at first glance, appear less serious than in the case of the manufacturer, upon further reflection it is clear that they are exactly the same. Machinery producers and shippers are also engaged in competition in their respective markets. Moreover, like the supplier in a pure dilution case, there is nothing special about the goods or services they provide. Just as any product can bear a diluting mark, any good or service may help the diluter distribute its *662 product. Therefore, just like the manufacturer of an unlabelled good, these parties have no incentive to cause the plaintiff any harm, either directly or by encouraging the diluter. It is only when the provider does benefit from the harm that the law should step in and impose contributory liability.

C. Remedies

All dilution statutes currently in force in the United States significantly limit what plaintiffs can recover. In the vast majority of cases, a court can grant only injunctive relief. [FN130] The Lanham Act and the nineteen state statutes that employ similar language have a narrow exception to this rule, allowing the plaintiff to recover damages if it can demonstrate that defendant intended either to dilute or trade off the plaintiff's goodwill. [FN131]

That limitation on remedy would apply not only to actual diluters, but also to vicarious and contributory diluters. Because the doctrine of imputed liability simply extends liability for an underlying tort to additional parties, imputed

liability cannot exceed the liability of the original tortfeasor. [FN132] Therefore, a plaintiff would be able to recover damages from a vicarious or contributory diluter only under the Lanham Act and the law of nineteen states, and then only in those rare cases in which the defendant intended to dilute or trade off the plaintiff's goodwill. [FN133] Except where the defendant competes with plaintiff or has some other reason to encourage use of the plaintiff's mark, [FN134] plaintiff will *663 receive only an injunction.

Limiting the plaintiff to injunctive relief may well reduce the number of vicarious and contributory dilution claims that plaintiffs elect to bring. Injunctions are often difficult to obtain, as courts typically consider not only the merits of the underlying claim, but also whether an injunction would be in the public interest. Moreover, in a case of dilution, an injunction will be most effective against the person actually using the mark. If the plaintiff can enjoin the primary diluter, there may be no practical need to enjoin a party who controlled or contributed to that dilution.

These limits on remedy also lend additional support to the standards proposed above for vicarious and contributory dilution. First, they negate a widely recognized--although often not admitted--rationale for imposing liability: the "deep pocket" argument. If damages are unavailable for the dilution itself, imputed liability would not serve the function of ensuring the plaintiff a solvent defendant against whom it could recover.

Second, in some dilution cases there will be practical problems with injunctive relief. The most obvious form of injunctive relief would be the mandatory injunction, which would require the defendant to take steps to prevent the diluter from diluting in the future. Such relief is perfectly reasonable in the case of an employer, who controls most of the employee's daily activities. It may be less practical in the case of a principal, who may or may not have any way to control the specific acts of the agent who caused the dilution. A mandatory injunction is virtually useless in contributory dilution cases, where the defendant by definition has no legal control over the acts of the diluter.

The alternative would be a prohibitory injunction. That remedy is perfectly suited for the "ordering" branch of vicarious dilution and the "inducement" branch of contributory dilution, where a court could in both cases order the defendant to cease encouraging the dilution. A prohibitory injunction might also be effective in some joint tortfeasor cases, as the court could prevent the defendant from further collaboration. And in theory, the *664 prohibitory injunction would work in an enabling case. Drawing an analogy to contributory infringement, the court could order the defendant to quit providing the products, equipment, or services that the diluter uses to effect the dilution. As demonstrated above, however, giving the plaintiff the right to sue a defendant who supplies products, goods, or services, is overkill. A prohibitory injunction only makes sense in cases where the supplier reaps a benefit--which under the standard proposed above are the only cases in which the plaintiff will be able to prevail. [FN135] Therefore, the remedies provisions support the standards for vicarious and contributory dilution outlined in this section.

III

The Source of the Cause of Action

The prior section discussed the extent to which courts should impose liability on one party for acts of dilution committed by others. This section, by contrast, deals with whether such liability actually does exist at the present time. Merely because some form of imputed liability makes sense as a matter of policy does not mean that current law actually creates such liability.

The cause of action for trademark dilution is almost exclusively a creature of statute. [FN136] Yet neither the Lanham Act nor any of the state dilution statutes explicitly creates either vicarious or contributory liability. [FN137] Given the statutory origins of dilution, that omission strongly suggests that no cause of action for imputed dilution exists.

On the other hand, the lack of express language does not necessarily preclude a court from recognizing a cause of action. After all, trademark statutes are equally silent concerning imputed liability for infringement. Yet, courts routinely recognize claims *665 for contributory and vicarious infringement, treating them as if they arose from the trademark statutes.

A court could rely on two different theories to recognize imputed dilution. First, the claims could conceivably exist at common law. State courts retain considerable authority to define the substantive legal rights of parties. At times, they will exercise this authority to supplement rights created by statute. For example, courts routinely impose vicarious liability on an employer whose employee violates a statutory duty while acting within the scope of employment. In a similar fashion, a court might recognize a claim for vicarious or contributory dilution as a common law supplement to a dilution statute.

However, it is clear that the common law approach could not be used to create imputed dilution under the Lanham Act. A federal court's authority to recognize new common law rights is severely circumscribed by both the doctrine of separation of powers and the Erie line of cases. [FN138] Those doctrines limit a federal *666 court's ability to create new substantive rights, even when those rights merely supplement a cause of action set out in a federal statute. Therefore, the common law theory would apply, if at all, only under state dilution law. [FN139] Given the significant differences in state law, whether a particular state would choose this option is beyond the scope of this Article.

The second possible basis for imputed dilution is the "implied *667 cause of action" doctrine. In essence, a court could imply that a legislature meant for imputed liability to exist even though it failed to mention it in the dilution statute. [FN140] Courts routinely conclude that a statute provides legal rights nowhere mentioned in the statute. For example, when a statute proscribes certain behavior but provides no civil remedy, courts will nevertheless sometimes conclude that the victim of that behavior can sue the violator under the statute for appropriate relief. [FN141] Similarly, when a statute makes two actors liable for the same harm, courts sometimes imply that each may sue the other for indemnity or contribution. [FN142] Although the standards for implying causes of action differ widely, the basic concept appears in both state and federal case law.

However, there is a crucial difference between vicarious and contributory dilution and the implied rights mentioned just above. Most implied rights impose liability on parties whose acts fall directly within the express language of the statute. In the examples set out in the prior paragraph, for example, the defendant violated an explicit statutory norm. The only issue is whether, and to what extent, civil liability attaches to that violation. Imputed liability, by contrast, involves situations where the person's acts are not actually mentioned in the statute. In imputed liability cases, the court is in effect proscribing an entirely new set of acts, resulting in a new claim against a new defendant. Even though this cause of action merely parallels the express statutory claim, the fact that it extends the statute to defendants not explicitly covered makes applying common law principles of imputed liability a more difficult question than other types of implied causes of action.

Courts "imply" claims from statutes by applying two concepts that are similar on their face, but significantly different in their application. We can call the first--and more common--the "Intended-but-Unstated" approach. Here, the court concludes --*668 typically based on evidence in the statutory text or legislative history--that the legislature actually intended for the cause of action to exist. A court implies a cause of action to carry out the legislature's unstated intent.

The second approach can be called the "Incorporated" approach. This approach differs from the Intended-but-Unstated approach in that it is not necessary to conclude that the legislature ever actually intended, or even considered, the specific corollary right in question. Nevertheless, when that sort of corollary right is a regular feature of the common law, courts may apply it to the new right created by statute. Legislatures, it is often said, pass laws against the "backdrop" of the common law. [FN143] As one obvious example, when a statute uses, but does not define, terms like negligence, contract, or damages, a court will assume that the legislature intended those terms to mean the same thing as they do in the common law. However, the full common law backdrop also includes an array of substantive rights. When the legislature creates a new right by statute, it may also have intended that right to be treated like analogous common law rights, including whatever rights the common law would recognize as corollary to the basic right.

Of course, a court runs the risk of confounding the legislature's true intent whenever it implies a cause of action under either of these approaches. Even though the legislature can always cure any mistake by enacting new legislation, many courts are reluctant to risk undermining the statutory scheme. This reluctance is especially notable in the federal courts. Over the past two decades, the United States Supreme Court has been steadily scaling back a federal court's power to imply a federal cause of action from an act of Congress. [FN144]

*669 The Court applied that new thinking to a form of imputed liability in its 1994 decision in *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.* [FN145]. *Central Bank* involved a claim under section 10(b) of the Securities Exchange Act of 1934 [FN146] based on disclosures made in connection with the sale of government bonds. Plaintiff sued the entities directly responsible for making the false statements as well as the bank that served as indenture trustee. [FN147]. Although the bank had not actually published the statements, plaintiff alleged that it was liable because it had "aided and abetted" the actionable misrepresentation. [FN148]

The Supreme Court held that there was no cause of action for aiding and abetting a violation of section 10(b). The Court's analysis began and ended with the text of the statute. At the outset, it reached the "uncontroversial conclusion" that the statute did not expressly create liability for aiding and abetting a section 10(b) violation. [FN149]. Indeed, as the private cause of action under that section is itself implied rather than express, [FN150] it would have been odd indeed for the section to contain any mention of aiding and abetting liability.

Nor was the Court willing to imply a cause of action for aiding and abetting from the statute. It did acknowledge that its earlier *Musick* decision had implied a right of contribution among joint violators of section 10(b). [FN151]. However, it found that situation distinguishable in two ways. First, other express causes of action created by the Securities Act of 1934 explicitly provided for contribution. [FN152]. Because the substantive right to sue for a section 10(b) violation was itself an implied cause of action, the Court reasoned that Congress must have intended that the scope of liability under section 10(b) should parallel that under these express *670 causes of action, including the right to contribution. By contrast, no provision of the Securities Act created an express right to sue an aider or abettor. Therefore, the Court determined that it would be a much greater stretch to conclude that Congress meant for aiders and abettors to be liable under section 10(b).

Second, the Court found it significant that the right to contribution recognized in *Musick* was based on exactly that conduct expressly proscribed by section 10(b). That section concentrated exclusively on making material statements or omissions, and committing manipulative acts. A party could be sued for contribution only if it committed an act of that type. A party who merely aided and abetted that conduct, by contrast, did not actually engage in any deceptive or manipulative acts. Therefore, the Court found no evidence that Congress intended that the aider and abettor should be liable. In fact, the Court even suggested that it would never be appropriate to imply rights--at least under section 10(b)--with respect to conduct not explicitly mentioned in the text of the statute. [FN153]

The Court likewise rejected plaintiff's argument that Congress had meant to incorporate the common law doctrine of aiding and abetting in the 1934 Act. The Court noted that although aiding and abetting was well established in the criminal law, it was not widely recognized in tort. [FN154]. In fact, a number of states have never clearly embraced civil liability for aiders and abettors. Because of this lack of pedigree, the Court concluded: "thus, when Congress enacts a statute under which a person may sue and recover damages from a private defendant for the defendant's violation of some statutory norm, there is no general presumption that the plaintiff may also sue aiders and abettors." [FN155]

The Court reinforced its conclusion by noting how Congress had dealt with imputed liability elsewhere. It pointed out that Congress specifically wrote aiding and abetting liability into *671 other statutes. [FN156]. Moreover, certain provisions of the securities laws themselves explicitly dealt with other types of imputed liability. Section 20 of the 1934 Act imposed vicarious liability on controlling parties. [FN157]. And Congress had even dealt with aiding and abetting liability in another section, although confining enforcement of the provision to the SEC. [FN158]. These explicit references to aiding and abetting and other forms of imputed liability simply reinforced the Court's conclusion that Congress did not intend to incorporate a private cause of action for common law aiding and abetting with respect to section 10(b).

Technically, of course, *Central Bank* is limited to the issue of aiding and abetting liability under section 10(b) of the 1934 Act. However, in some places the majority opinion paints with a very broad brush. The passage quoted just above, for example, casts doubt on whether liability for aiding and abetting should ever be inferred from a federal statute, at least where the defendant's conduct is not explicitly covered by the statute. In addition, as another in an increasingly long series of Supreme Court cases refusing to imply private civil actions under federal statutes, [FN159] *Central Bank* may have an even more significant impact. If the broad language of *Central Bank* reflects a general rule governing imputed liability under federal statutes, it could have a significant effect on the scope of

imputed liability under federal trademark law.

The full effect of Central Bank on imputed liability under the Lanham Act has yet to be fully explored. In fact, it seems that most courts have not even realized that an issue exists. Many courts have continued to apply vicarious and contributory liability in infringement cases to exactly the same extent as before Central Bank, without even mentioning that case or any of the other Supreme Court cases limiting a court's power to infer causes of action. [FN160] The one case that seriously considers Central *672 Bank is AT&T v. Winback and Conserve Program, Inc. [FN161] That case involved a claim that a principal was vicariously liable for acts of its agents that violated section 43(a) of the Lanham Act. [FN162] The court of appeals held that the Lanham Act did create vicarious liability. Although acknowledging that "the language of Central Bank is undeniably broad," the court found that the rationale of that case was limited to aiding and abetting. [FN163] Therefore, the court reasoned, Central Bank did not affect vicarious liability of principals for the acts of their agents.

The court bolstered its argument by noting the long history of vicarious liability in infringement cases. It reasoned that the Supreme Court in Central Bank did not intend to overturn "settled constructions of other statutes that relied on common law doctrines to determine the scope of liability." [FN164] Vicarious liability certainly qualified as a "settled construction," as a number of decisions predating Central Bank recognized vicarious liability for trademark infringement under the Lanham Act. Congress knew--or at least should have known--of those cases, and yet took no action to abolish or limit vicarious liability on the several occasions that it amended other provisions of the Lanham Act. Therefore, even if Congress did not create imputed liability itself, its failure to amend the statute demonstrated that it had accepted the judicial gloss.

The AT&T decision is well reasoned, and probably reaches the correct result for the issue at hand. [FN165] Whether it applies to other forms of imputed liability under the Lanham Act is less clear. AT&T deals with what is in some respects the easiest case; namely, vicarious liability for infringement. The factors cited by *673 the court do not necessarily apply to contributory infringement or to either contributory or vicarious dilution.

Although it is a more difficult case, the court's logic probably does extend to vicarious dilution. Vicarious liability in tort has a long and well-established lineage. Moreover, because of the element of control, there are strong policy arguments in support of such liability. When Congress created the new intellectual property right of dilution, it almost certainly intended to prevent employers and other controlling parties from indirectly benefitting from dilutions performed by their employees and agents. Therefore, a court should conclude that the Lanham Act affords a right to sue for vicarious dilution.

Contributory infringement also probably has a home in the Lanham Act, although for different reasons. Notwithstanding a strong argument to the contrary, [FN166] courts have simply assumed for many years that the Lanham Act creates a cause of action for contributory infringement. If the AT&T court is correct in its conclusion that Central Bank did not intend to upset existing, well-established implied causes of action, then it has no effect on this precedent. Moreover, Congress has tinkered with the Lanham Act on a number of occasions, without ever dealing with contributory infringement. Although Central Bank correctly points out that this sort of congressional inaction is of little relevance in ascertaining Congress's intent, [FN167] it does stand to reason that Congress would have acted had it clearly not wanted contributory infringement claims to exist.

The most difficult issue is contributory dilution. As courts have not explicitly accepted the cause of action, it does not share contributory infringement's pedigree. Therefore, to the extent that congressional acquiescence is a factor, it can hardly be gainsaid that Congress has accepted the existence of an implied cause of action for contributory dilution. It is accordingly possible that *674 it falls squarely into the type of implied cause of action that Central Bank rejects.

In fact, contributory liability is essentially the same as aiding and abetting. [FN168] In all three branches of contributory liability--joint tortfeasors, inducement, and enabling--the defendant is held liable for doing nothing more than providing encouragement, time, or material to the actual diluter. But the Lanham Act nowhere mentions that sort of conduct. Instead, the Lanham Act, like the Securities Act, explicitly focuses on one type of conduct. In the case of the Lanham Act, the prohibited conduct always involves actual use of a mark or other indicator of source. [FN169] When Congress focuses on one specific type of conduct, Central Bank indicates that a court oversteps its authority by concluding, at least absent a long history of consistent interpretation or other strong

evidence to the contrary, that Congress also meant the statute to impose liability for qualitatively different types of acts.

Moreover, it is significant that the federal dilution statute was enacted in 1995--one year after the Central Bank decision. Given the Court's expressed reluctance in inferring causes of action, it is hard to imagine that Congress intended for contributory liability to exist, but nevertheless omitted any express provisions dealing with that liability in the legislation. [FN170] Therefore, a court should not be able to imply any cause of action for contributory dilution from the terms of the Lanham Act.

Of course, Central Bank does not apply to state dilution statutes. Nevertheless, many state courts are likely to prove equally reluctant to imply contributory liability under those statutes, especially given some of the policy concerns expressed in Part II.B.3. Although state courts have a greater inherent power to craft common law rights, they usually try to carry out the legislature's *675 intent once the legislature has spoken. Therefore, it is unlikely that many courts will imply a cause of action for contributory dilution from state dilution statutes. In fact, some states may even reject vicarious liability on the same basis.

Conclusion

Under a literal reading of the Lanham Act and the state dilution statutes, liability is limited to those parties who actually use the owner's mark in commerce. But a diluter rarely acts alone. In today's interconnected economy, any number of other parties are likely to have played a role in facilitating the diluter's acts. Because those parties helped cause the harm to the owner of the mark, an argument can be made that they should share in any liability imposed on the diluter.

Of course, a line must be drawn somewhere. Parties who play an inconsequential role in the dilution, such as consumers who use the mark to ask for the diluter's product or service, or a landlord who leases space to a tenant with knowledge that the tenant is using the space to sell the product or service, should not be held liable. Imposing liability on these parties is not only unfair, but also does little to remedy the harm being suffered by the owner of the diluted mark.

Courts need not invent a new body of legal dogma to guide them in crafting appropriate limits for imputed dilution. Instead, they can turn to the already well-developed body of principles dealing with imputed liability. Those principles, as modified to reflect the special character of intellectual property in general and dilution in particular, will confine imputed liability to certain categories of cases. Employers and principals may be vicariously liable for those under their legal control, although depending on the degree of control the plaintiff may need to demonstrate benefit. A party who orders or knowingly induces another to dilute should also be liable, regardless of any control. Finally, a party who supplies essential goods and services to a diluter with knowledge of the dilution should be liable when it benefits from the diminution in the owner's goodwill.

Although one can justify liability for these parties in theory, that does not mean it exists in practice. Dilution is almost exclusively a statutory cause of action. Because no dilution statute even mentions imputed liability, courts may be hesitant to create the cause of action of their own accord. Nevertheless, many jurisdictions *676 allow courts to imply causes of action from a statute. In the case of the Lanham Act, courts will probably imply vicarious liability for dilution. However, because of increasing reluctance on the part of the courts to imply causes of action, contributory dilution is not likely to be implied from the Lanham Act.

Without a cause of action for contributory dilution, a party who supplies goods or services to a diluter cannot be held liable, even if they knew of the diluter's wrongful acts. However, this problem is by no means insurmountable. Congress could easily amend the Lanham Act to extend liability to controlling and facilitating parties. As long as Congress acts in accordance with the basic principles of imputed liability, a limited version of vicarious and contributory dilution would make good sense, and would relieve the courts of the burden of divining legislative intent.

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[FN1]. See Mead Data Cent., Inc. v. Toyota Motor Sales, Inc., 875 F.2d 1026, 1034 (2d Cir. 1989) (discussing the New York dilution statute).

[FN2]. "The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself..." H.R. Rep. No. 104-374, at 3 (1995) (discussing the Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1995)).

[FN3]. For a small sampling of the debate, compare Gerard N. Magliocca, One and Inseparable: Dilution and Infringement in Trademark Law, 85 Minn. L. Rev. 949 (2001), and Simone A. Rose, Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti-competitive "Monopoly" or Earned "Property" Right?, 47 Fla. L. Rev. 653 (1995) (both favoring dilution protection), with Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 Yale L.J. 1687 (1999), Kenneth L. Port, The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?, 18 Seton Hall Legis. J. 433 (1994), and Jerre B. Swann & Theodore H. Davis, Jr., Dilution, An Idea Whose Time Has Gone: Brand Equity as Protectable Property, The New/Old Paradigm, 1 J. Intell. Prop. L. 219 (1994) (strongly criticizing dilution).

[FN4]. The following state dilution statutes were in force at the time of this printing: Ala. Code § 8-12-17 (1995); Alaska Stat. § 45.50.180 (Michie 1995); Ariz. Rev. Stat. § 44-1448.01 (1994) (definition of dilution set out in section 44-1441); Ark. Code Ann. § 4-71-113 & 213 (Michie 1995) (two separate and independent substantive provisions; definition of dilution for purposes of section 4-71-213 set out in section 4-71-201); Cal. Bus. & Prof. Code § 14330 (West 1997); Conn. Gen. Stat. § 35-11i(c) (2000) (definition of dilution set out in section 35-11a(11)); Del. Code Ann. tit. 6, § 3313 (1999); Fla. Stat. Ann. § 495.151 (West 1997); Ga. Code Ann. § 10-1-451(b) (Harrison 2000); Idaho Code § 48-513 (Michie 2000); 765 Ill. Comp. Stat. Ann. 1036/65 (West 2000); Iowa Code § 548.113 (West 1996); Kan. Stat. Ann. § 81-214 (1995) (definition of dilution set out in section 81-202(k)); La. Rev. Stat. Ann. § 223.1 (West 1996); Maine Rev. Stat. Ann. tit. 10, § 1530 (West 1985); Mass. Gen. Laws ch. 110B, § 12 (1993); Minn. Stat. Ann. § 333.285 (West 1988); Miss. Code Ann. § 75-25-25 (1999) (definition of dilution set out in section 75-25-1); Mo. Rev. Stat. § 417.061 (2000); Mont. Code Ann. § 30-13-334 (1999); Neb. Rev. Stat. section 87-140 (1997) (definition of dilution set out in section 87-128(3)); N.H. Rev. Stat. Ann. § 350-A:12 (1999); N.J. Stat. Ann. § 56:3-13.20 (West 2001) (definition of dilution set out in section 65:3-13.1a); N.M. Stat. Ann. § 57-3B-15 (Michie 1998); N.Y. Gen. Bus. Law § 360-1 (McKinney 2001); Or. Rev. Stat. § 647.107 (1999); 54 Pa. Cons. Stat. § 1124 (2000); R.I. Gen. Laws § 6-2-12 (1996); S.C. Code Ann. § 39-15-1165 (Law. Co-op. 1990) (definition of dilution set out in section 39-15-1105); Tenn. Code Ann. § 47-25-513 (1995) (definition of dilution set out in section 47-25-501(3)); Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 1998); Wash. Rev. Code § 19.77.160 (1995); W. Va. Code § 47-2-13 (Michie 2000) (definition of dilution set out in section 47-2-1(11)); Wyo. Stat. Ann. § 40-1-115 (Michie 2001).

No local dilution statute is in force in Hawaii, Indiana, Kentucky, Maryland, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, South Dakota, Utah, Vermont, Virginia, and Wisconsin, as well as the District of Columbia. On the other hand, Ohio explicitly recognizes a common law action for trademark dilution. See United States Playing Card Co. v. Bicycle Club, 695 N.E.2d 1197, 1201 (Ohio Ct. App. 1997); Jet, Inc. v. Sewage Aeration Sys., 165 F.3d 419, 424 (6th Cir. 1999). Colorado and Indiana may also recognize a common law claim. A federal district court in Colorado has suggested that that state will allow a trademark owner to use the common law tort of unfair competition to protect its goodwill even absent confusion. Adolph Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131 (D. Colo. 1980). However, that decision is of limited value as precedent, not only because it was rendered by a federal court, but also because the case involved resale of an original product without quality control, with the court explicitly finding that consumers were confused. Similarly, in Westward Coach Manufacturing Co. v. Ford Motor Co., 258 F. Supp. 67, 79-80 (S.D. Ind. 1966), the district court assumed for the sake of argument that a common law cause of action existed in ruling on defendant's motion for summary judgment. However, as the court found no evidence that any dilution had occurred, this decision is likewise of limited value as precedent for a common law dilution claim.

[FN5]. Nineteen states (Alaska, Arizona, Arkansas, Connecticut, Idaho, Illinois, Iowa, Kansas, Minnesota, Mississippi, Nebraska, New Jersey, New Mexico, Pennsylvania, South Carolina, Tennessee, Washington, West Virginia, and Wyoming) have statutes that follow the "Lanham Act Model." The statutes in these states are largely identical to section 43(c) of the Lanham Act (15 U.S.C. § 1125(c) (1994 & Supp. IV 1998)) discussed in note 6. Of course, certain substantive provisions of these state laws can differ significantly from the Lanham Act. For example, eighteen of the nineteen (Washington is the only exception) require that the mark be famous only in that state.

Thirteen states (Alabama, Arkansas, California, Delaware, Louisiana, Maine, Massachusetts, Missouri, Montana, New Hampshire, New York, Oregon, and Rhode Island) have statutes that follow the "Massachusetts Model." These statutes all closely parallel Massachusetts's original dilution statute, enacted in 1947.

Note that Arkansas appears in both of these lists. As indicated in note 4, Arkansas has two separate dilution statutes. Section 4-71-213 is a Lanham Act Model law, while the older section 4-71-113 follows the Massachusetts Model. However, one recent federal case indicates that section 4-71-113 is limited to actions between competitors. Gaston's White River Resort v. Rush, 701 F. Supp. 1431 (W.D. Ark. 1988). If so, section 4-71-213, the Lanham Act model law, would be the state's main dilution statute in practice. Of the remaining three statutes, those of Florida and Georgia are virtually identical. Texas's statute lies somewhere between the Massachusetts model and the Florida/Georgia version.

[FN6]. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1995) (effective Jan. 1, 1996) (codified at 15 U.S.C. § § 1125(c) & 1127 (1994 & Supp. IV 1998)). "Dilution" is defined in § 1127 as "the lessening of the capacity of a famous mark to identify and distinguish goods or services..." As written, this language covers only blurring. However, some courts have also interpreted it to reach situations of tarnishment. See, e.g., Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456 (7th Cir. 2000); Hasbro Inc. v. Internet Entm't Group, Ltd., 40 U.S.P.Q.2d (BNA) 1479 (W.D. Wash. Feb. 9, 1996); Anheuser-Busch, Inc. v. Andy's Sportswear, Inc., 40 U.S.P.Q.2d (BNA) 1542 (N.D. Cal. Aug. 28, 1996).

[FN7]. See, e.g., Eli Lilly, 233 F.3d at 456 (finding that plaintiff demonstrated likelihood of dilution); Panavision Int'l L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998) (finding that selection of Internet domain name can constitute dilution); Syndicate Sales, Inc. v. Hampshire Paper Corp., 192 F.3d 633 (7th Cir. 1999) (allowing plaintiff to proceed even though it could demonstrate "fame" in only a niche market); Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 50 U.S.P.Q.2d (BNA) 1454 (E.D. Penn. Mar. 4, 1999) (granting preliminary injunction).

[FN8]. The Lanham Act allows the court to enjoin "another person's commercial use in commerce of a mark or trade name." 15 U.S.C. § 1125(c)(1) (1994 & Supp. IV 1998). States following the "Lanham Act Model," see supra note 5, typically leave out the "in commerce" requirement, as they do not need to rely on the Commerce Clause of the United States Constitution as a source of legislative jurisdiction. See, e.g., Minn. Stat. § 333.285 (1988) ("against another person's commercial use of a mark or trade name").

The Florida and Georgia statutes similarly apply only to "use by another of the same or any similar mark ["trademark" in the Georgia statute], trade name, label, or form of advertisement..." See supra note 4.

The thirteen statutes following the Massachusetts Model, see supra note 5, do not explicitly require use of the mark. None of those statutes specify the sort of act covered. Instead, they seem to allow recovery whenever defendant is somehow responsible for a "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark" Or. Rev. Stat. § 647.107 (1999). Texas is only slightly more specific, imposing liability for "an act likely to injure a business reputation or to dilute the distinctive quality of a mark...." Tex. Bus. & Code Ann. § 16.29 (Vernon 1998).

[FN9]. See, e.g., 15 U.S.C. § 1114(1) (1994 & Supp. IV 1998) (registered marks); id. § 1125(a)(1) (unregistered marks).

[FN10]. See, e.g., Polo Fashions, Inc. v. Ontario Printers, Inc., 601 F. Supp. 402 (N.D. Ohio 1984) (finding printer assisted infringement by preparing labels for the infringer); AT&T v. Winback & Conserve Program, Inc., 42 F.3d

1421 (3d Cir. 1994) (principal liable for acts of agent it had employed); Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378 (9th Cir. 1984) (finding wholesaler liable for providing non-authentic goods to dealers who in turn passed them off to consumers).

[FN11]. The leading treatises in the field, however, correctly distinguish the various forms of liability. 3 Jerome Gilson, Trademark Protection and Practice § § 11-24 to 11-26 (3d ed. 1988); 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § § 25-34 to 25-48 (4th ed. 2001).

[FN12]. This term is borrowed from Restatement (Second) of Torts § 13 (1977). The term "secondary liability" sounds more natural, but is unfortunately already saddled with another meaning. Secondary liability exists when a party's liability is contingent on the occurrence of certain events other than the breach of duty. For example, the liability of a guarantor is secondary.

[FN13]. 42 U.S.P.Q.2d (BNA) 1053 (N.D. Ill. Nov. 12, 1996).

[FN14]. Kegan, 42 U.S.P.Q.2d (BNA) at 1053.

[FN15]. Plaintiff had obtained a federal registration for the mark MACGUIDE. However, it had not registered the "GUIDE" suffix. *Id.* Therefore, plaintiff sued under both section 32 of the Lanham Act, 15 U.S.C. § 1114, which applies only to registered marks, and section 43(a), 15 U.S.C. § 1125(a), which applies to both registered and unregistered marks. Plaintiff also tacked on an unfair competition claim. *Id.* at 1053.

[FN16]. Trademark Registration Act, 765 Ill. Comp. Stat. Ann. 1035/15 (1992) (repealed 1998).

Plaintiff could not avail itself of the federal anti-dilution statute, section 43(c) of the Lanham Act (15 U.S.C. § 1125(c)), because that law did not come into force until January 1996. Moreover, even if section 43(c) had been in force, it would have proven of no use to the plaintiff in *Kegan*. The federal statute protects only "famous" names. Registration alone does not make a mark famous. From the facts, it appears quite unlikely that plaintiff's GUIDE suffix would be considered famous under the criteria set out in 15 U.S.C. § 1125(c)(1)(A)-(H).

[FN17]. Kegan, 42 U.S.P.Q.2d (BNA) at 1053.

[FN18]. *Id.*

[FN19]. *Id.* at 1057. The court found that because the term GUIDE was the generic description of a help publication, plaintiff had no rights in the "family" of GUIDE marks. *Id.* at 1055. Therefore, it could not prevent others from using that term as a mark for their products. Although the federally-registered MACGUIDE mark was valid, the court found that Apple's use of the word GUIDE in a descriptive sense qualified as fair use. *Id.* at 1056.

[FN20]. *Id.* at 1057.

[FN21]. See statutes cited *supra* note 4.

[FN22]. Illinois P.A. 90-231, § 905 (effective Jan. 1, 1998) (codified at 765 Ill. Comp. Stat. Ann. § 1036/65). The statute in force at the time of *Kegan* is quoted in Kegan, 42 U.S.P.Q.2d (BNA) at 1062.

[FN23]. Martin Corp. v. Network Solutions, Inc., 175 F.R.D. 640, 643 (C.D. Cal. 1997). The plaintiff claimed that by allowing another company to register a domain name similar to plaintiff's federally registered SKUNK WORKS service mark, the defendant had contributed to the dilution of the mark.

[FN24]. Id. at 643-46.

[FN25]. Id. at 646.

[FN26]. Id.

[FN27]. 989 F. Supp. 1276 (C.D. Cal. 1997). In this case, defendant had allowed others to register names such as academyaward.com, academyawards.net, and oscar.net; which threatened to dilute plaintiff's registered ACADEMY AWARDS and OSCAR marks. Id. at 1278.

[FN28]. Id. The Academy also alleged a host of other trademark-related claims. Id.

[FN29]. Id.

[FN30]. Id. at 1279.

[FN31]. Id. at 1278.

[FN32]. Id. at 1279. Although plaintiff also brought a state-law dilution claim under section 14330 of the California Business and Professions Code, it did not allege a contributory dilution claim under that statute. Id.

[FN33]. Lockheed Martin v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999).

[FN34]. Id. at 986.

[FN35]. Contributory dilution claims have been asserted in at least two additional cases. In Mattel, Inc. v. MCA Records, Inc., 28 F. Supp. 2d 1120 (C.D. Cal. 1998), plaintiff brought regular and contributory dilution claims under both federal and state law. The court held that plaintiff could not prevail on its dilution claims, and granted summary judgment for the defendant. Id. at 1156. Although the court did not specifically address the issue of contributory dilution, its ruling on the regular dilution claim sealed the fate of the contributory dilution claims; for if the third party's use of the mark did not dilute plaintiff's mark, defendant did nothing wrong in helping that third party in its use.

Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873 (9th Cir. 1999), also involved a claim for contributory dilution. The trial court granted summary judgment to defendant on the contributory dilution claim. Id. However, the trial court's opinion provides no grounds for the court's ruling. Although the court indicated that it might supplement its terse opinion, no additional explanation has been forthcoming. Because the court could have dismissed the contributory dilution claim because it did not recognize the cause of action or because plaintiff had failed to prove one of the elements, Avery Dennison is of no use in determining whether a cause of action exists.

[FN36]. Gilson, *supra* note 11, at 11-26 (contributory dilution "in theory" should exist, but recognizes that claims have "not fared well in the courts"); McCarthy, *supra* note 11, at 25-46 ("there would seem to be no logical reason why the doctrines of vicarious liability and contributory infringement should not apply to a claim under the federal antidilution law"); Sean K. Murphy, Note, When "March Madness" Came Back to Chicago, 1998 Wis. L. Rev. 1337, 1372-73.

[FN37]. Lemley, *supra* note 3, at 1699 n.56.

[FN38]. Indeed, some of the reluctance to embrace contributory dilution may stem from a basic discomfort--admittedly shared by this author--with the very idea of a cause of action for dilution. A number of scholars have criticized the very concept of dilution. See, e.g., articles cited *supra* note 3. However, because many state legislatures and Congress seem enamored with the idea, it seems as if we will have to live with dilution, at least for the time being.

[FN39]. Professor Lemley's criticism appears to be based on a fear that contributory dilution creates a whole new species of liability, one that could be unlimited in scope. Admittedly, many people can "contribute" to the dilution of a trademark. A manufacturer and various distributors may have provided the product to which the diluter attached the mark. The media may have carried advertisements for that good, or printed news stories mentioning the famous mark without making clear that it is protected. Even consumers may contribute to a dilution by requesting products bearing the mark. Professor Lemley cites the examples of the media and consumers as an example of how contributory dilution goes too far. See Lemley, *supra* note 3, at 1699.

If courts were to hold the media and consumers liable for contributory dilution, I would agree with Professor Lemley that the cause of action is pernicious. However, there is no reason to assume that courts will extend the doctrine that far. As long as courts stick to the principles of imputed liability discussed in Part II, consumers would not be secondarily liable. Consumers could not be held vicariously liable because they have no legal control over the acts of the seller. Nor do consumers actively encourage a seller to use the mark, or provide the seller with any instrumentality necessary to effect the dilution. That consumers may specifically ask for goods sold under the mark merely indicates that the mark has developed its own meaning as an indication of source.

Moreover, imputed liability for infringement of a trademark developed by the same process of adapting the basic principles of imputed liability. Yet courts have not held consumers liable for contributory or vicarious infringement. As long as courts do not mechanically apply the underlying rules, but instead acknowledge the unique nature and policy underlying dilution, there is no reason why at least some forms of imputed liability cannot exist.

[FN40]. The Patent Act explicitly deals with imputed liability. Section 271(b) imposes liability on anyone who "actively induces" infringement of a patent. 35 U.S.C. § 271(b) (1994). Section 271(c) imposes liability on anyone who sells or imports a component of, or material for, a patented invention, if that component or material is especially made for use in infringement. *Id.* § 271(c). These sections involve "contributory" infringement, as defined *infra* in the text accompanying notes 81 to 85. In addition, notwithstanding any explicit language in the Patent Act, courts hold entities such as parent corporations vicariously liable for infringements caused by people under their control. See 7 Ernest Bainbridge Lipscomb III, *Lipscomb's Walker on Patents* 124-125, 129 (3d ed. 1988); L.A. Gear, Inc. v. E.S. Originals, Inc., 859 F. Supp. 1294 (C.D. Cal. 1994).

[FN41]. See, e.g., Deutsch v. Arnold, 98 F.2d 686 (2d Cir. 1938) (landlord); Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (7th Cir. 1929).

[FN42]. The leading case on contributory infringement is Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984), which sets the parameters for contributory infringement.

Although the Copyright Act, unlike the Patent Act, contains no special provisions dealing with imputed liability, it

is possible to find support for at least some forms of imputed liability in the language of the statute. For example, section 106 of the Copyright Act, the basic provision dealing with the rights of copyright owners, gives the owner the exclusive right to authorize reproduction and other listed acts. 17 U.S.C. § 106 (1994). Some situations of imputed liability, most notably the vicarious liability of employers and principals, arise because the party has "authorized" another to infringe. However, that language cannot support the full scope of imputed liability in copyright.

[FN43]. The United States Supreme Court recognized that a manufacturer could be held liable for contributory trademark infringement in William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526 (1924). Although the rule announced in this case was a rule of "federal common law" that did not survive Erie, courts continued to apply the doctrine as if Erie had never occurred. The Supreme Court reaffirmed the existence of the cause of action for contributory infringement in Inwood Lab., Inc. v. Ives Lab., Inc., 456 U.S. 844 (1982).

[FN44]. For a discussion of the standards used in trademark cases, see text accompanying notes 54 to 60 (vicarious infringement) and 84 to 107 (contributory infringement).

[FN45]. See, e.g., Hair Assocs., Inc. v. Nat'l Hair Replacement Serv., Inc., 987 F. Supp. 569 (W.D. Mich. 1997) (corporate officer liable for trademark infringement committed by corporation).

[FN46]. The officer-director cases focus on identifying those situations in which it is appropriate to ignore the legal fiction of the corporate personality and pierce the corporate veil. Some of the factors justifying piercing, such as whether the officer is the "driving force" behind the specific act, are closely akin to those used in vicarious and contributory liability cases. See, e.g., Monsanto Co. v. Haskel Trading, Inc., 13 F. Supp. 2d 349 (E.D.N.Y. 1998) (officer was driving force behind corporation's infringement). Other factors, such as inadequate capitalization, involve principles unique to corporate law.

[FN47]. Restatement (Second) of Torts § 877(a) (1977).

[FN48]. Restatement (Second) of Agency § 212 (1958).

[FN49]. Id. § § 215-216. Section 215 deals with acts that were authorized, but unintended. Section 216 deals with unauthorized acts.

[FN50]. Id. § 19. Under this provision, an employer is vicariously liable for acts committed outside the scope of employment if, for example, the employer intended the conduct or its consequences.

[FN51]. Restatement (Second) of Torts § 876 (1977). Liability for shareholders, officers, and directors arising out of an infringement by the corporation is sometimes treated as a situation of joint tortfeasors. Gilson, *supra* note 11, at 11-15.

[FN52]. Restatement (Second) of Torts § 876 cmt. a (1977).

[FN53]. Of course, a contract that specifically calls for the commission of an intentional tort or crime is generally not enforceable. But a contract to engage in a general operation is enforceable, even if one of the parties happens to commit torts or crimes in carrying out the contract.

[FN54]. Some states do not allow an "active" tortfeasor to obtain contribution from a joint tortfeasor. See, e.g., City of Orange Beach v. Scottsdale Ins. Co., 166 F.R.D. 506 (S.D. Ala. 1996) (applying Alabama law). A joint tortfeasor will be considered an "active" participant regardless of whether its liability is labeled vicarious or contributory.

[FN55]. As discussed supra in note 50, an employer can sometimes be held liable for certain acts of an employee that fall outside the scope of the employee's duties. Although the employer may not actually have controlled the specific acts in these cases, liability is nevertheless imposed because the employer should have controlled the employee.

[FN56]. See generally Lipscomb, supra note 40, at 124-25, 129; Westinghouse Elec. & Mfg. Co. v. Independent Wireless Tel. Co., 300 F. 748 (S.D.N.Y. 1924) (patent); 2 Paul Goldstein, Copyright 6:17-6:18 (2d ed. 2000) (copyright); Gilson, supra note 11, at 11-38 (trademark).

[FN57]. Lipscomb, supra note 40, at 126; Goldstein, supra note 56, at 6:7- 6:8; Gilson, supra note 11, at 11-15.

[FN58]. Of course, as this Article includes joint tortfeasor cases under the mantle of vicarious liability only when the tortfeasors have a binding agreement, courts may be treating joint tortfeasor cases as principal-agent situations.

[FN59]. Although there are only a few cases, courts in patent infringement actions do not seem to require a showing of benefit. See, e.g., Mobil Oil Corp. v. Linear Films, Inc., 718 F. Supp. 260, 271-72 (D. Del. 1989); L.A. Gear, Inc. v. E.S. Originals, Inc., 859 F. Supp. 1294, 1299 (C.D. Cal. 1994); Baut v. Pethick Const. Co., 262 F. Supp. 350 (M.D. Pa. 1966) (suggesting in dictum that proof of control alone might suffice to establish vicarious liability).

[FN60]. Gershwin Publ'g Corp. v. Columbia Artists Mgm't, Inc., 443 F.2d 1159 (2d Cir. 1971) (copyright); AT&T v. Winback & Conserve Program, 42 F.3d 1421 (3d Cir. 1994) (trademark).

[FN61]. See AT&T, 42 F.3d at 1438.

[FN62]. Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 263 (9th Cir. 1996) (operator of "swap meet" where infringing products sold); Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n, 554 F.2d 1213, 1215 (1st Cir. 1977) (race track operator liable when infringing musical performances occurred on premises).

[FN63]. See, e.g., AT&T, 42 F.3d at 1440-41; Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143 (7th Cir. 1992); United States v. Washington Mint, L.L.C., 115 F. Supp. 2d 1089 (D. Minn. 2000).

[FN64]. The first reported case to allow recovery for dilution--that is, against a defendant who used a mark without causing any likelihood of confusion--was in England. The court in that case held that defendant could not use the mark KODAK on bicycles. Eastman Photographic Materials, Co. v. John Griffith Corp., 15 R.P.C. 105 (1898). Germany also toyed with the doctrine in the first part of this century. Walter J. Derenberg, The Problem of Trademark Dilution and the Antidilution Statutes, 44 Cal. L. Rev. 439, 448 (1956).

In the United States, the main impetus for dilution was Frank Schechter's well-known 1927 law review article. See Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813 (1927). Massachusetts enacted the nation's first dilution statute in 1947. Mass. Gen. Laws ch. 110B, § 12 (1993). For a general discussion of the early development of dilution in the United States, see Derenberg, supra, at 448-63.

[FN65]. As discussed supra in note 5, nineteen states have dilution statutes that are very similar to the Lanham Act's dilution provision. These statutes require the owner to prove that the mark is famous. However, unlike the Lanham Act, eighteen of the nineteen statutes require the mark to be famous only in that state. Washington is the lone exception.

The other statutes do not specifically require that the mark be famous. Instead, all of these statutes merely imply that the mark must be "distinctive," because they only allow recovery when the defendant's acts dilute the "distinctive quality" of the mark. Although some have argued that distinctiveness and fame are the same thing, at least one court has found "distinctiveness" to be a lower standard of notoriety. In Advantage Rent- A-Car, Inc. v. Enterprise Rent-A-Car Co., 238 F.3d 378 (5th Cir. 2001), the court dealt with claims under the Lanham Act and the laws of Arkansas, Louisiana, New Mexico, and Texas. Finding that the mark in question was not "famous," the court refused to impose liability under the Lanham Act. Id. at 381. The court likewise refused recovery under the Arkansas and New Mexico laws, which are crafted on the Lanham Act model and therefore also require fame. Id. at 380. However, the Louisiana and Texas statutes merely require distinctiveness. The court rejected the argument that fame and distinctiveness were synonymous, and remanded to determine whether the mark was distinctive for purposes of either of those statutes. Id.

[FN66]. I use the word "theoretically" in the text to reflect a logical problem that many have with the concept of dilution. In fact, it is quite possible that "blurring" -style dilution occurs only when customers are confused. Suppose a customer is familiar with DELTA airlines. It is difficult to see how the strength of that mark as an indicator of the source of airline services would diminish when that customer buys a DELTA faucet or joins the DELTA dental plan. The strength of the mark would decrease only if the customer confused the multiple sellers. And if confusion has occurred, a cause of action for blurring-style dilution is unnecessary. It seems that at least one court agrees with this logic. In Thane International, Inc. v. Trek Bicycle Corp., 53 U.S.P.Q.2d (BNA) 1523, 1534 (C.D. Cal. Dec. 20, 1999), the court indicated that a plaintiff must demonstrate likelihood of confusion to prevail on a dilution claim.

[FN67]. All of the dilution statutes in force in the United States limit plaintiffs to injunctive relief. See statutes cited supra note 4. However, the Lanham Act and the nineteen states with similar statutes contain one exception. In these states, a plaintiff may obtain damages upon a showing that the defendant has willfully caused dilution or traded on the owner's reputation. How this limitation on remedy affects imputed dilution is discussed infra in Part II.C.

[FN68]. "Ordering" and "control" are separate categories of vicarious liability. Therefore, although vicarious liability based on control is limited to employers and principals, liability for ordering a dilution extends to any party who issues a legally binding order.

[FN69]. As discussed in note 67, the legal "consequences" of diluting another's mark will often be only an injunction.

[FN70]. In fact, vicarious liability for employers is conceptually not that far removed from attributed liability for corporations based on acts of its principals. See supra text accompanying notes 75 and 46.

[FN71]. The suggestion that reaping benefits is "unfair" is open to debate. Although the defendant is undoubtedly trying to "reap where it has not sown," Int'l News Serv. v. Associated Press, 248 U.S. 215, 239 (1918), the law by no means always provides a cause of action for appropriating a valuable idea or symbol created by another. In fact, unlike the typical cases where such appropriation is actionable, the gain to the principal from an agent's dilution need not come at the expense of the plaintiff. Plaintiff does not lose anything when a defendant happens to "piggyback" on its goodwill by using it for an unrelated product.

[FN72]. Of course, Congress and many states have elected to hold the actual diluter liable without regard to benefit. Liability for the diluter can be justified because of the potential harm to the owner of the famous mark and its customers. However, that rationale does not extend to principals who neither ordered nor had a reason to want the agent to pick a mark that diluted the trademark owner's goodwill.

[FN73]. Dilution and infringement are generally thought of as mutually exclusive. Under this paradigm, a party would sue for infringement when defendant's mark causes customer confusion, and opt for dilution when no confusion occurs. However, the statutes do not confine dilution to situations where there is no confusion. The Lanham Act's definition of dilution, for example, states that dilution occurs whenever the identifying power of a famous mark is reduced, "regardless of the presence or absence of... likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127 (1994 & Supp. IV 1998). Therefore, a party could in theory assert both infringement and dilution claims from a single use of its mark.

Many of this article's conclusions about imputed dilution do not apply when use of the mark also causes customer confusion. I have made an effort to indicate in the text or notes when a given conclusion does not apply to an act that both dilutes and infringes.

[FN74]. 736 F.2d 1153 (7th Cir. 1984).

[FN75]. Moreover, if the hotel chain took no action against Hyatt while he built up goodwill in his own name, the hotel chain might well have been barred by laches from obtaining injunctive relief.

[FN76]. There is no indication in the case that consumers were led to purchase the legal services because of any confusion as to their source or sponsorship. In other words, use of HYATT may have diluted, but not infringed. See Hyatt Corp. v. Hyatt Legal Servs., 736 F.2d 1153 (7th Cir. 1984).

[FN77]. 739 F. Supp. 116 (W.D.N.Y. 1989).

[FN78]. Kegan v. Apple Computer, Inc., discussed supra at text accompanying notes 13 to 22, was such a case. However, the court in that case eschewed any discussion of vicarious liability and concentrated solely on contributory liability, possibly because the defendant had no legal control over the actual diluters.

[FN79]. See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc., 855 F.2d 480 (7th Cir. 1988) (challenge under prior version of Illinois statute to car dealer's use of THE GREATEST USED CAR SHOW ON EARTH); Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999) (challenge under Lanham Act to state agency's use of THE GREATEST SNOW ON EARTH); Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp., 937 F. Supp. 204 (S.D.N.Y. 1996) (challenge under both Lanham Act and New York statute to bar owner's use of THE GREATEST BAR ON EARTH).

[FN80]. The Ringling Brothers Circus has had mixed success protecting that phrase under the dilution statutes. In the first and third cases cited in the prior note the company won on its dilution claims, while in the second it lost because the court found no evidence that any dilution had occurred.

[FN81]. This author has previously written about the various messages that may be conveyed by a trademark. John T. Cross, Language and the Law: The Special Role of Trademarks, Trade Names, and Other Trade Emblems, 76 Neb. L. Rev. 95, 102-09 (1997).

[FN82]. Mattel, Inc. v. Internet Dimensions, Inc., 55 U.S.P.Q.2d (BNA) 1620 (S.D.N.Y. Jul. 13, 2000), is a tarnishment version of the same phenomenon. In that case, the defendant used plaintiff's well-known BARBIE mark--a mark that supposedly conjures up images of the "All-American girl"--in an unsavory way.

[FN83]. In fact, the two examples cited in the text do not exhaust the situations in which the controlling party could benefit. For example, suppose that a seller of motor oil adopts the COCA-COLA mark. Confusion as to source or sponsorship is unlikely. Nevertheless, that seller may derive a benefit from employing the famous mark. Because the mark is so well-known, it will catch the shopper's eye, making the seller's product stand out from others on the same shelf. Other things equal, that initial interest may well increase sales, which would result in a benefit to the diluter and the controlling party.

[FN84]. Restatement (Second) of Torts § 877(a) (1977).

[FN85]. Section 877(a) would also impose liability on someone who "orders" conduct. The word "order," however, intimates that the ordering party has legal control over the other. Id. § 877(a). Thus, a case involving a defendant who ordered conduct would for purposes of this article be considered a case of vicarious, not contributory, liability.

[FN86]. Id. § 876(c).

[FN87]. Id. § 876(a).

[FN88]. See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264-65 (9th Cir. 1996) (discussion of contributory copyright and trademark infringement).

[FN89]. Black's Law Dictionary 330, 925 (7th ed. 1999).

[FN90]. Viewed in this light, the "instrumentalities" cases may not actually be a separate subcategory of contributory liability. If the supplier and recipient have a single purpose, the two are essentially joint tortfeasors, albeit with a tacit understanding.

[FN91]. The application of these Restatement principles to intellectual property was by no means a foregone conclusion. Restatement section 876 contains an important caveat; namely, that the provisions may not apply to strict liability. See Restatement (Second) of Torts § 876 (1977). Infringement of intellectual property rights is a form of strict liability. One can infringe a patent or trademark without even realizing that someone else has created the invention or used the mark. Although copyright infringement requires that the defendant copy an original created by someone else, it is not inconceivable in this electronic age that the copying could be unintentional. Moreover, an infringer of any of the three rights is liable even if she did not realize that plaintiff had intellectual property rights.

[FN92]. See discussion of Patent Act *supra* note 40.

[FN93]. For the analogous rule in copyright, see Goldstein, *supra* note 56, at 6:6 to 6:17.

[FN94]. 456 U.S. 844 (1982).

[FN95]. Id. at 854. Interestingly, notwithstanding the similarity in language, the Court did not cite the Restatement.

[FN96]. Restatement (Third) of Unfair Competition (1995). Although the work holds itself out as the "Third" Restatement of Unfair Competition, that title is a misnomer, as there is neither a First or Second Restatement devoted to this topic. Certain basic principles of unfair competition law were included in First Restatement of Torts. However, unfair competition was purposefully omitted from the Second Restatement of Torts, with the intent to create a separate restatement on that topic. The American Law Institute has only recently achieved this task. It chose the ordinal "Third" to avoid confusion with other Restatements being published about the same time, most of which truly are the Third Restatement in their respective fields.

[FN97]. Id. § 27(a).

[FN98]. Id. § 27(b). When it described the standard for contributory infringement in Ives, the Supreme Court mentioned only producers and distributors. Some lower courts have concluded from this language that the enabling branch of contributory infringement applies only to those who supply goods for resale. Thus, in Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984-85 (9th Cir. 1999), the court held that a corporation that registered Internet domain names was not a contributory infringer because registration was a service instead of a good. See also Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (9th Cir. 1992) (space at a flea market is more like a good than a service, so lessor can be held liable for contributory infringement). Other courts do not limit liability to the sale of goods. See, e.g., Transdermal Prods., Inc. v. Performance Contract Packaging, Inc., 943 F. Supp. 551 (E.D. Pa. 1996) (packager of goods held liable under Pennsylvania law); Polo Ralph Lauren Corp. v. Chinatown Gift Shop, 855 F. Supp. 648 (S.D.N.Y. 1994) (landlord held liable).

The Restatement (Third) of Unfair Competition by contrast, would not limit contributory infringement to the provision of goods. Section 27 allows contributory liability when someone supplies goods or services. Restatement (Third) of Unfair Competition § 27 (1995). However, that section imposes liability only when the person actually "markets" those goods or services to the infringer. Id.

Both of these rules are unduly restrictive. The crux of contributory liability, reflected in Restatement (Second) of Torts § § 876-877 (1977), is that the defendant knowingly and purposefully helps another person commit a tort, with both of them working toward a single end. Defendant "can provide that assistance regardless of whether they supply goods or services, and regardless of whether they market those items" or supply them gratis. Indeed, Professor McCarthy goes so far as to suggest that "[e]veryone who knowingly participates in the preparation, distribution, and sale of infringing goods or services is potentially liable as a contributory infringer." McCarthy, *supra* note 11, at 25-43.

[FN99]. See Restatement (Third) of Unfair Competition § 26 (1995).

[FN100]. See id. § 8.

[FN101]. Cases finding inducement include Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378 (9th Cir. 1984); Mini Maid Services Co. v. Maid Brigade Systems, Inc., 967 F.2d 1516 (11th Cir. 1992); Bauer Lamp Co. v. Shaffer, 941 F.2d 1165 (11th Cir. 1991); National Federation of the Blind, Inc. v. Loopmanics Enterprises, 936 F. Supp. 1232 (D. Md. 1996); and Transdermal Products Inc. v. Performance Contract Packaging Inc., 943 F. Supp. 551 (E.D. Pa.). See also Kegan v. Apple Computer, Inc., 42 U.S.P.Q.2d 1053 (N.D. Ill. Nov. 12, 1996) (discussed *supra* notes 13-22).

[FN102]. Cases finding that the defendant and infringing parties were joint tortfeasors include Stabilisierungsfonds für Wein v. Kaiser Stuhl Wine Distributors Pty. Ltd., 647 F.2d 200 (D.C. Cir. 1981); David Berg & Co. v. Gatto International Trading Co., 884 F.2d 306 (7th Cir. 1989); Smithkline Beckman Corp. v. Pennex Products Co., 103 F.R.D. 539 (E.D. Pa. 1984); and Make Up For Ever, S.A. v. SOHO Forever, LLC, 198 F.R.D. 56 (S.D.N.Y. 2000).

[FN103]. Of the joint tortfeasor cases cited in the prior note, for example, all except David Berg involved parties in the chain of distribution.

[FN104]. Inwood Lab, Inc. v. Ives Lab., Inc., 456 U.S. 844, 855 (1982).

[FN105]. Id. at 853.

[FN106]. See Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992).

[FN107]. Id.

[FN108]. Of course, in certain circumstances the configuration of a product can itself function as a trademark. In these cases, a manufacturer who copies that configuration would almost always be aware that resale could result in infringement. However, this situation is more akin to "indirect" infringement, where a manufacturer attaches an infringing mark before shipping the product to the ultimate seller. See *infra* text accompanying note 117.

[FN109]. If the "encouragement" is provided by payment or other contractual consideration, the case will involve vicarious liability.

[FN110]. 42 U.S.P.Q.2d (BNA) 1053, 1055 (N.D. Ill. Nov. 12, 1996). Kegan is discussed *supra* at text accompanying notes 13 to 22.

[FN111]. Id. at 1062.

[FN112]. As discussed in note 67, *supra*, most dilution statutes limit plaintiff to injunctive relief. Kegan involved a claim under an earlier version of the Illinois dilution statute, which similarly authorized only an injunction. Under the Lanham Act and those state statutes based on the Lanham Act, however, a plaintiff can also recover damages, profits, treble damages, and attorneys' fees provided it shows that defendant "willfully intended to trade on the owner's reputation or to cause dilution." See, e.g., 15 U.S.C. § 1125(c)(a) (1994 & Supp. IV 1998); see also state statutes cited *supra* note 4. Thus, if a case like Kegan were to be brought under the Lanham Act, the current Illinois dilution statute, or any of the similar state statutes, the contributory infringer could be required to pay damages.

[FN113]. Restatement (Second) of Torts § 876(b) (1977) (liability where defendant "knows that the other's conduct constitutes a breach of duty"); id. § 877(a) (liability where defendant "knows or should know of circumstances that would make the conduct tortious if it were his own").

[FN114]. Of course, once a court determines that the third party has diluted the famous mark, a defendant who encourages the third party to continue using the same mark would have the requisite level of knowledge. As a practical matter, then, a victory by the plaintiff against the diluter will have the effect of causing the defendant to

quit encouraging others to use the mark.

[FN115]. See *supra* text accompanying note 85-87.

[FN116]. Although victory is likely, it is far from certain. As discussed *supra* in note 66, it is quite conceivable that our hypothetical seller's use on pillows would in no way affect the strength of the MICROSOFT mark when used on software.

[FN117]. Courts applying the Lanham Act are split concerning whether the plaintiff must demonstrate actual dilution, or, like in the case of infringement, a mere likelihood of dilution. For an excellent discussion of the competing views, see *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466-68 (7th Cir. 2000). The state statutes are also likely to differ on this question.

[FN118]. See John T. Cross, Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement, 80 Iowa L. Rev. 101, 107-08 (1994).

[FN119]. A finding of single purpose would not be warranted, however, where Manufacturer intended to limit the distribution of its goods to areas other than where they are sold by the plaintiff. If a party brings the goods into plaintiff's market area without defendant's knowledge, defendant does not intend to dilute.

[FN120]. If Manufacturer actually controlled the diluter's use, of course, the case would involve vicarious liability.

[FN121]. Contributory liability for manufacturers, distributors, and wholesalers is controversial even in infringement cases. The defendant in a contributory infringement case has admittedly produced a product that can be readily substituted for plaintiff's. But producing substitutes is the very essence of competition. Unless plaintiff's product is protected by a patent or copyright, or has a protected "trade dress," federal policy not only allows, but actively encourages, others to copy it. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) (stating that the policy of federal patent law--which is to allow anyone to produce products not protected by patent--preempts state law prohibiting a certain type of product copying). This free competition will suffer if a manufacturer, distributor, or wholesaler is held liable for supplying goods similar to the plaintiff's.

Of course, the defendant in these cases is not contributorily liable merely because it supplies a similar good. Under the Ives test, liability is imposed only if the defendant also fails to take steps to prevent the infringer from violating the plaintiff's rights. On the other hand, it is often unclear exactly how a manufacturer, distributor, or wholesaler is to prevent the infringement. Unlike situations falling within vicarious liability, the defendant has no direct control over the infringer. The only way to avoid liability may be to quit selling its product to the infringer. This problem is even more serious when the defendant distributes to many sellers and learns that some are passing the product off as plaintiff's. Unless that defendant can accurately identify which sellers are infringing, it could in theory be forced to cease distribution altogether, giving the trademark owner an unfair advantage in the market for the underlying product.

[FN122]. The Lanham Act, and those state statutes that mirror it, see *supra* note 5, define dilution as a decrease in the strength of a mark, "regardless of the presence or absence of... likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127 (1994 & Supp. IV 1998). States whose statutes follow the Massachusetts model, see *supra* note 5, as well as Florida, Georgia, and Texas, do not require proof of confusion.

Of course, even though confusion is not required, it may exist in a case of dilution. Thus, a given use of the mark may, in theory at least, both dilute and infringe. See *supra* note 73. In these situations, a party supplying the product to the reseller might be liable for contributory infringement even if it is not liable for contributory dilution.

[FN123]. These terms are defined in the Introduction. See supra text accompanying note 1. As indicated in note 6, the Lanham Act, as written, covers only blurring, not tarnishment; although, several courts have interpreted it to cover both.

[FN124]. The standards for contributory infringement are discussed above in the text accompanying notes 84 to 108.

[FN125]. Indeed, the same can be said for an employer, principal, or other party subject to vicarious liability.

[FN126]. See Restatement (Third) of Unfair Competition § 27 cmt. a ("This Section recognizes such liability when the manufacturer or distributor... accepts the benefits of the infringement by failing to take reasonable precautions against its occurrence." (emphasis added)). Section 8, comment a, which applies to deceptive advertising, contains virtually identical language.

[FN127]. See supra text accompanying notes 73 to 83.

[FN128]. In fact, focusing on the concept of control sheds new light on all of imputed trademark liability. Rather than discrete categories, imputed liability may actually involve a sliding scale that varies depending on the degree of control and the directness of the benefit. Consider the difference in the vicarious liability standards applied to employers and principals. Employers have virtually complete control over the day-to-day activities of their employees. Therefore, because the employer will typically ensure that she benefits from those day-to-day activities, employers are liable for contributory dilution without requiring actual proof of benefit. Principals also have significant control over their agents, although not necessarily over the specific acts. Because the agent may choose from a variety of means to accomplish the particular end, the principal should be vicariously liable only if he benefits from the particular means chosen by the agent. When one turns to situations of contributory liability, on the other hand, the defendant has no legal control over the actual infringer or diluter. Therefore, someone like a product supplier should be liable only when she actually benefits from the harm suffered by the plaintiff.

[FN129]. The domain name cases involve their own unique considerations. In some ways, they are similar to the "piggybacking" situation discussed in the text accompanying notes 79 to 82. The diluter often derives a benefit from having a domain name that is like a famous mark. That benefit stems from at least two different sources. First, because only one party can use a given domain name, the diluter has acquired a discrete asset that may be of significant value to a party that uses that same term as a trademark or trade name. Second, the diluter may benefit from the goodwill that people have toward the trademark owner or the mark.

In neither of these cases, however, will the domain name register derive any benefit from the fact that the diluter chose the mark in question. Because the registrar charges the same flat fee for every domain name, it is indifferent as to what mark the applicant chooses. Absent such a benefit, contributory liability should not exist.

[FN130]. The thirteen states that follow the Massachusetts model, as well as Florida, Georgia, and Texas, provide for only injunctive relief. See supra notes 4-5.

[FN131]. 15 U.S.C. § 1125(c)(2) (1994 & Supp. IV 1998). The nineteen states that model their statutes after the Lanham Act are listed supra in note 5.

[FN132]. Of course, imputed liability can be different in kind than the liability of the original tortfeasor. In fact, courts in contributory infringement cases sometimes hold the actual infringer liable for damages, but grant only an injunction against the contributing party.

[FN133]. On the other hand, most trademark owners who prevail on the merits of an enabling case may be entitled to damages under the Lanham Act model statutes. Recall that a defendant in an enabling case is not liable for contributory dilution without a showing that it either induced or benefitted from the dilution. See supra text accompanying notes 119-121. If plaintiff can prove that defendant induced the dilution, then it has also shown the intent necessary for an award of damages. Similarly, although the correlation is not as great, a plaintiff who demonstrates that the defendant both knew of and benefitted from the fact of dilution has strong evidence that the defendant intended to dilute. Therefore, although few plaintiffs are likely to succeed on the merits, most who do prevail should also receive damages from the contributing defendant.

[FN134]. One other reason why the defendant might encourage use of the mark is when the seller hopes to "piggyback" on the trademark owner's reputation. See supra text accompanying notes 79-82. Under the language of the Lanham Act, damages might be available in such a case. However, the trademark owner should lose on the merits of its claim against the contributing party. Although the contributing party undoubtedly benefits from the seller's use, that benefit does not come at the expense of the trademark owner. Therefore, because plaintiff will lose on the merits, damages are not an issue.

[FN135]. See supra text accompanying notes 117-21.

[FN136]. As discussed in note 4, Ohio clearly recognizes a common law claim for dilution. Colorado and Indiana may also, although the discussion in these cases is dictum.

[FN137]. If one is willing to engage in an extremely broad reading, it is admittedly possible to find a cause of action for imputed dilution in the state laws that follow the Massachusetts model. These statutes impose liability whenever there is "likelihood of... dilution to the distinctive quality of a mark registered under this chapter, or of a mark valid at common law," without limiting the acts that might cause such dilution. However, the author could find no cases in which these state laws were interpreted so broadly.

[FN138]. In addition to the case from which the doctrine gets its name, Erie R.R. Co. v. Tompkins, 304 U.S. 64 (1938), major decisions in the Erie line of cases include Guaranty Trust Co. of New York v. York, 326 U.S. 99 (1945); Hanna v. Plumer, 380 U.S. 460 (1965); and Gasperini v. Center for Humanities, Inc., 518 U.S. 415 (1996).

The Erie rule does not entirely prohibit a court from crafting binding legal rules. First, both Guaranty Trust and Hanna recognize that a court has a limited authority to pass rules governing its own procedure. However, rules of vicarious and imputed liability are clearly substantive, not procedural.

Second, in certain areas of significant federal interest, the federal courts may also enact substantive law. Although Congress undoubtedly cares about trademark law, its interest in that field pales in comparison to those areas in which the Court has recognized that the federal courts may enact law, such as rights and liabilities of the United States, admiralty, and international and interstate relations. For a discussion of this substantive "federal common law," see Erwin Chemerinsky, *Federal Jurisdiction* 349-72 (3d ed. 1999). It is accordingly extremely unlikely that vicarious and contributory dilution are federal common law actions.

It would make no difference that the federal courts would be enacting the law of imputed dilution against the backdrop of a federal statute. Admittedly, the Supreme Court has on occasion found that a federal statute delegates Congress's lawmaking authority to the courts. In Hanna, for example, the Court found that it had the power to enact laws governing the procedure in the federal courts because of the delegation of authority contained in the Rules Enabling Act, 28 U.S.C. § 2072 (1994). However, this delegation rationale is usually applied to matters of procedure. Although the Supreme Court's ability to craft rules of procedure under the Rules Enabling Act is broader than a federal court's inherent power to enact rules of procedure, rules governing vicarious and contributory liability clearly fall outside even this expanded realm of procedural law.

On rare occasions, however, the Court has found that a federal statute delegated the power to enact substantive rules. The best-known decision in this area is Textile Workers Union of America v. Lincoln Mills of Alabama, 353

U.S. 448 (1957), where the Court held that the federal courts had been delegated the power to craft a federal common law governing labor contracts. The Court has recognized a similar law-making power under ERISA. Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101 (1989).

On the other hand, the rationale of these cases is extremely limited. In areas other than ERISA the Court has been increasingly unwilling to recognize federal judge-made causes of action as a corollary to a federal statute. See generally Chemerinsky, *supra*, at 375-76. In its more recent cases, the Supreme Court has indicated that a court should use essentially the same approach in grafting new rights onto a statute as it uses in inferring a cause of action from the language of that statute, an issue to be discussed below. Northwest Airlines, Inc. v. Transp. Workers Union of Am., 451 U.S. 77, 95-96 (1981); Texas Indus., Inc. v. Radcliff Materials, Inc., 451 U.S. 630, 643-45 (1981); Merrell Dow Pharm., Inc. v. Thompson, 478 U.S. 804, 812 n.10 (1986). After all, if Congress did not intend the statute to provide a particular cause of action, it would frustrate Congress's intent for a court to create a federal common law cause of action.

[FN139]. Depending on state law, a state court might have the authority to craft a common law corollary to its own state dilution act. In addition, however, state courts can hear claims under the Lanham Act. 28 U.S.C. § 1338(b) (1994). In theory, then, a state court might try to craft a state law claim that is a corollary to the Lanham Act dilution provision.

Few states are likely to bother creating a state law corollary to the federal dilution statute. Should one choose to do so, however, it is unlikely that the cause of action would be preempted. The state law cause of action would not interfere with the federal dilution provision, as the primary diluter would remain responsible. Nor does federal trademark law "occupy the field" of dilution to such a degree that it preempts parallel state law. Indeed, the Lanham Act's dilution provision was enacted after a number of states had already passed dilution statutes of their own. There is no indication that section 43(c) of the Lanham Act preempts these state dilution laws. If a state can provide a parallel cause of action against the primary diluter, surely it should be able to provide a cause of action against those who facilitated that dilution, a right not covered by federal law.

The only facet of state dilution law that may be preempted is the question of remedy. The Lanham Act's dilution provision authorizes only injunctive relief, unless the defendant "willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." 15 U.S.C. § 1125(c)(2) (1994 & Supp. IV 1998). That limitation on remedy represents a balancing of the needs of the owner of a famous mark to protect its acquired goodwill with the legitimate interests of those who happen to use a mark similar to the famous mark. Although a court should be able to rectify the harm to the owner's goodwill, the defendant has not really gained from that harm. Therefore, unless the defendant purposefully caused the harm, he should not be required to compensate the owner. In the majority of the cases in which the Lanham Act limits relief against the primary diluter to an injunction, it could interfere with Congress's careful balance for a state to allow the plaintiff to recover damages from one who merely facilitates the dilution.

[FN140]. In truth, there is no clear line between interpreting legislation to find an implied right of action and creating a common law action for violating that statute. Peter Westen & Jeffrey S. Lehman, *Is There Life for Erie After the Death of Diversity?*, 78 Mich. L. Rev. 311, 332 (1980).

[FN141]. 2B Norman J. Singer, *Statutes and Statutory Construction* 392-402 (6th ed. 2000).

[FN142]. See, e.g., Minichello v. Rocky Mountain Helicopters, Inc., 1995 WL 322543 (Conn. Super. Ct. May 19, 1995); Morgan v. Kirk Bros., 444 N.E.2d 504 (Ill. App. Ct. 1982); Gaulden v. Burlington N., Inc., 654 P.2d 383 (Kan. 1982).

[FN143]. Singer, *supra* note 141, at 133, 137-38

[FN144]. In its 1979 decision in Touche Ross & Co. v. Redington, 442 U.S. 560 (1979), the Court adopted a new approach to the question of implied rights of action. Under the Touche Ross approach, the Court will imply a right

of action only if there is actual evidence that Congress intended the action to exist. Since that decision, the vast majority of the Court's decisions refuse to imply causes of action. Compare Cent. Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A., 511 US 164 (1994); Karahalios v. Nat'l Fed'n of Fed. Employees, 489 U.S. 527 (1989); Thompson v. Thompson, 484 U.S. 174 (1988); Merrell Dow Pharm. Inc. v. Thompson, 478 U.S. 804 (1986); California v. Sierra Club, 451 U.S. 287 (1981); and Transamerica Mortgage Advisors, Inc. v. Lewis, 444 U.S. 11 (1979) (all finding no implied right) with Herman & MacLean v. Huddleston, 459 U.S. 375 (1983) and Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran, 456 U.S. 353 (1982) (finding an implied right). See also Chemerinsky, supra note 138, at 376-84.

[FN145]. 511 U.S. 164 (1994).

[FN146]. 15 U.S.C. § 78j(b) (1994 & Supp. IV 1998).

[FN147]. Cent. Bank, 511 U.S. at 168.

[FN148]. Id. The bank's actual course of conduct is described at pages 167-68.

[FN149]. Id. at 177.

Plaintiff argued that because the language of section 10(b) covered those who "directly or indirectly" violated the rules of that section, the statute did expressly apply. The Court rejected that argument, noting that "indirect" violations referred to a different situation than aiding and abetting. Id. at 175-76.

[FN150]. Id. at 171.

[FN151]. Musick, Peeler & Garrett v. Employers Ins. of Wausau, 508 U.S. 286 (1993) (discussed in Cent. Bank, 511 U.S. at 178).

[FN152]. Cent. Bank, 511 U.S. at 178. The Court specifically referred to sections 9 and 18.

[FN153]. After concluding that there was no express cause of action in the statute, the Court stated:

[W]e think that conclusion resolves the case. It is inconsistent with settled methodology in § 10(b) cases to extend liability beyond the scope of conduct prohibited by the statutory text.... The proscription does not include giving aid to a person who commits a manipulative or deceptive act. We cannot amend the statute to create liability for acts that are not themselves manipulative or deceptive within the meaning of the statute.

Id. at 177-78.

[FN154]. Id. at 181-82.

[FN155]. Id. at 182.

[FN156]. Id. at 182-83.

[FN157]. 15 U.S.C. § 78t(a) (1994), quoted in Cent. Bank, 511 U.S. at 184.

[FN158]. 15 U.S.C. § 78o (1994), noted in Cent. Bank, 511 U.S. at 183.

[FN159]. See cases cited supra note 144.

[FN160]. See Getty Petroleum Corp. v. Aris Getty, Inc., 55 F.3d 718 (1st Cir. 1995); A&M Records, Inc. v. Abdallah, 948 F. Supp. 1449 (C.D. Cal. 1996); Fila U.S.A., Inc. v. Kim, 884 F. Supp. 491 (S.D. Fla. 1995); Microsoft Corp. v. Grey Computer, 910 F. Supp. 1077 (D. Md. 1995); Hair Assocs., Inc. v. Nat'l Hair Replacement Servs., Inc., 987 F. Supp. 569 (W.D. Mich. 1997); SecuraComm Consulting, Inc. v. Securacom Inc., 984 F. Supp. 286 (D.N.J. 1997), rev'd on other grounds, 166 F.3d 182 (3d Cir. 1999); Monsanto Co. v. Haskel Trading, Inc., 13 F. Supp. 2d 349 (E.D.N.Y. 1998); Grupke v. Linda Lori Sportswear, Inc., 921 F. Supp. 987 (E.D.N.Y. 1996); Consol. Cigar Corp. v. Monte Cristi de Tabacos, 58 F. Supp. 2d 188 (S.D.N.Y. 1999).

[FN161]. 42 F.3d 1421 (3d Cir. 1994).

[FN162]. The agents were defendant's sales representatives. Id. at 1424.

[FN163]. Id. at 1430.

[FN164]. Id. at 1432.

[FN165]. One troubling aspect of the opinion is the court's argument that vicarious liability is different from aiding and abetting in that it does not punish "new" conduct, but instead merely spreads liability for conduct that already falls within the specific language of the statute. Id. at 1430-31. That argument has serious logical flaws. Although prohibited conduct has occurred, the defendant did not themselves commit any of the prohibited acts. The court's decision to extend vicarious liability turns not only on those acts, but on other acts--such as establishing a principal-agent relationship-- that are not mentioned in the statute. Nevertheless, the author agrees that the court reaches the right result on the issue at hand.

[FN166]. This author argued several years ago that most contributory infringement claims arise under state law, not the Lanham Act. Cross, supra note 118, at 109-29. However, most courts continue to assume, rarely even considering the issue, that the Lanham Act creates such liability. See, e.g., Polo Ralph Lauren Corp. v. Chinatown Gift Shop, 855 F. Supp. 648 (S.D.N.Y. 1994) (court found that it had federal question jurisdiction over a contributory infringement claim because the action arose in the Lanham Act).

[FN167]. Cent. Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A., 511 U.S. 164, 186 (1994).

[FN168]. Indeed, the Supreme Court cited section 876(b) of the Restatement (Second) of Torts (1977) as authority for aiding and abetting liability. Cent. Bank, 511 U.S. at 181.

[FN169]. 15 U.S.C. § 1114(1)(a) (1994 & Supp. IV 1998), which protects only registered marks, applies to "[a]ny person who shall... use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark...."

15 U.S.C. § 1125(a)(1) (1994 & Supp. IV 1998), which applies to all marks, similarly applies to "[a]ny person

who... uses in commerce any word, term, name, symbol, or device,..., or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact..."

[FN170]. The reasoning in the text does not apply to vicarious dilution. As indicated in AT&T, see supra text accompanying note 163, Central Bank called into question only aiding and abetting liability. Because vicarious liability has a much more well-established history, it may indeed be implied in statutes such as the Lanham Act.

END OF DOCUMENT