

# TRADEMARK DILUTION DOCTRINE: THE SCENARIO POST TDRA, 2005

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*'Trademark Dilution Doctrine' is basically a trademark law concept that permits the owner of a famous mark to forbid others from using that mark in a way which would harm its uniqueness. A trademark is diluted when the use of similar or identical trademarks in other non-competing markets means that the trademark in and of itself will lose its capacity to signify a single source. In other words, unlike ordinary trademark law, dilution protection extends to trademark uses that do not confuse consumers regarding who has made a product. Instead, dilution protection law aims to protect sufficiently strong trademarks from losing their singular association in the public mind with a particular product, perhaps imagined if the trademark were to be encountered independently of any product. The aim of this paper is to study in detail this doctrine as it stands today after the enactment of the Trademark Dilution Revision Act 2005 in the United States, and indicate key issues which require detailed inquiry and analysis.*

## I. INTRODUCTION

Trademark law essentially aims at consumer protection. Therefore, Trademark law is traditionally concerned with situations where an unauthorized party sells goods that are directly competitive with, or at least related to those sold by the trademark owner. However, in many jurisdictions, the concept of dilution has developed recently<sup>1</sup> to protect trademarks as a property right, securing the investment the trademark owner has made in establishing and promoting a strong mark. Trademark Dilution is a trademark law concept permitting the owner of a

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<sup>1</sup> The concept of 'dilution' is much newer than the rest of trademark law. The US enacted a law against trademark dilution only in 1995. However, various states had begun adopting such laws shortly after World War II, and the idea was floated in academic writing as early as 1920s.

famous trademark to forbid others from using that mark in a way of that would lessen its uniqueness. In most cases, trademark dilution involves an unauthorized use of another's trademark on products that do not compete with, and have little connection with those of the trademark owner. For example, a famous trademark used by one company to refer to hair-care products might be diluted if another company began using a similar mark to refer to breakfast cereals or spark plugs.<sup>2</sup>

This paper analyzes the current state of trademark dilution doctrine after the *Moseley v. Victoria Secret Catalogue Inc*<sup>3</sup> decision and the Trademark Dilution Revision Act, 2006 (*hereinafter* TDRA). Section II provides a brief background of trademark dilution including the definition of a trademark, the trademark registration process, and the remedies available for trademark violations, especially under trademark dilution laws. Section III addresses the state of the Federal Trademark Dilution Act (*hereinafter* FTDA), and the various interpretations given to it before the Mosley case. Section IV discusses in detail the United States Supreme Court's judgment in Moseley. Section V examines the aftermath of Moseley and the contents of the TDRA. Section VI addresses an analysis of the implications of the TDRA and discusses key changes brought about by the Statute. Section VII compares the current trademark dilution doctrine of United States (*hereinafter* US) with similar doctrines in the European Union (*hereinafter* EU), especially the United Kingdom (*hereinafter* UK).

## II. HISTORY AND BACKGROUND OF TRADEMARK DILUTION

### A. WHAT IS A TRADEMARK?

Trademarks protect source identifications (marks of trade), which are used by manufacturers and merchants to identify and distinguish their goods from those of competitors.<sup>4</sup>

### B. REGISTRATION OF TRADEMARKS

In the US, protectable and exclusive rights to a trademark are not conditioned on the registration of that mark.<sup>5</sup> Instead, an owner can automatically acquire trademark rights in a geographical area of use simply by using or displaying a mark in connection with goods for sale or in advertising of services.<sup>6</sup> However,

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<sup>2</sup> Ty Inc. v. Perryman, 306 F. 3d 509 (7<sup>th</sup> Cir. 2002).

<sup>3</sup> 537 U.S. 418 (2003).

<sup>4</sup> Anna Wong, *Big Business in Their Belfry: Congress to Dumb Down Dilution*, 6 LOY. L. & TECH. ANN. 43, 45 (2006).

<sup>5</sup> WILLIAM M. BORCHARD, A TRADEMARK IS NOT A COPYRIGHT OR A PATENT 2, 3 (Cowan, Liebowitz & Latman, P.C. ed., 2005).

even in the US, nationwide trademark rights can be attained by registering the mark in the U.S. Patent and Trademark Office (*hereinafter* USPTO). Applications for registration of the trademark are subject to an examination by the USPTO and registration can be refused if, among other reasons, the marks are functional,<sup>7</sup> immoral, scandalous, merely descriptive or deceptively mis-descriptive, or consist of a U.S. flag or coat of arms.<sup>8</sup> Anyone with a commercial interest in a mark can oppose federal registration.<sup>9</sup>

Unlike copyright or patent rights, trademark rights do not expire; protection continues indefinitely as long as the mark is not abandoned or becomes a generic term.<sup>10</sup> Federal law presumes that a mark is abandoned after three consecutive years of non-use.<sup>11</sup>

### *C. VIOLATION OF TRADEMARKS AND EMERGENCE OF THE DILUTION DOCTRINE*

The English common law is believed to be the source of trademark infringement and unfair competition laws in the United States.<sup>12</sup> The current federal trademark legislation is situated in the Lanham Act, 1946.<sup>13</sup> Unlike the other intellectual property rights, which derive from the Patent and Copyright clause of the US Constitution,<sup>14</sup> trademark law emanates from the Commerce Clause and rests on a policy of protecting consumers from fraud and deceit.<sup>15</sup> Trademark

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<sup>6</sup> *Id.* In India, the law with respect to registration of a trademark is a little different. Though the registration of a trademark in India is contingent on whether the person claiming to be the proprietor of the trademark used or proposed to be used by him desires to get it registered, it is explicitly settled that there shall be no remedy available for infringement of an unregistered trademark. *See* § 18 & § 27, Trade Marks Act, 1999.

<sup>7</sup> “[I]n general terms, a product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article, that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.” *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 165 (1995) (citing *Inwood Lab., Inc., v. Ives Lab., Inc.*, 456 U.S. 844, 850, n.10).

<sup>8</sup> BORCHARD, *supra* note 5, 4.

<sup>9</sup> *Id.*

<sup>10</sup> A mark becomes generic when it loses its significance as a mark and becomes the common name of a product, such as aspirin or xerox.

<sup>11</sup> *See* The Trade Mark Act, 1946, (*also known as* The Lanham Act) 15 U.S.C. § 1127 (2000) (stating that three consecutive years of non-use constitutes *prima facie* abandonment).

<sup>12</sup> *Moseley*, *supra* note 3 (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) for the proposition that United States trademark law is grounded in the English common law and is codified in the federal trademark statute, The Trade Mark Act, also known as the Lanham Act, 1946).

<sup>13</sup> 15 U.S.C. §§ 1051-141 (2000).

<sup>14</sup> Anna Wong, *supra* note 4.

<sup>15</sup> *Id.*

protection was designed to shield consumers from being misled by the use of infringing marks and also to protect producers from unfair practices.<sup>16</sup> Federal trademark law protects against the likelihood of confusion, and also protects the owners of a highly distinctive or famous mark against dilution even if there is no likelihood of confusion. Trademark infringement forms part of the broader law of unfair competition. Infringement occurs when another uses the same or a confusingly similar term, on the same or closely related goods or services. Unlike the traditional trademark law which is rooted in the concern for protecting consumers, dilution statutes aim at protecting and benefiting a seller's investment in the mark.<sup>17</sup>

Initially, the only available federal trademark remedy was trademark infringement, and the likelihood of consumer confusion was the essential to a successful trademark infringement claim.<sup>18</sup> However, trademark protection was only designed to protect against trademark infringement in competing markets; thus, trademark protection did not include a remedy for use of a mark on non-competing goods.<sup>19</sup> The first instance in modern times of a court providing 'likelihood of confusion' remedy in a non-competing product and service happened in England in 1898, in the case of *Eastman Photographic Material Co. v. John Griffiths Cycle Corp.*<sup>20</sup> In this case, the court allowed the camera maker to successfully enjoin the use of 'Kodak' bicycles, even though they did not directly compete with Kodak cameras. This case marked the first significant shift from traditional trademark protection.

Trademark dilution refers to conduct that lessens the capacity of a famous mark to distinguish its goods or services.<sup>21</sup> This conduct alters the public perception of a trademarked product that over time can devalue a famous mark and mislead the consuming public. Thus, dilution does not rely on the traditional infringement tests of likelihood of confusion, deception, or mistake; rather dilution results when the unauthorized use of a famous mark reduces the public opinion that the mark signifies something unique, singular, or particular.<sup>22</sup> According to Frank

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<sup>16</sup> *Moseley v. Victoria* *supra* note 12 [citing *Qualitex Co. v. Jacobson* *supra* note 7]. See also, Monica Wallace, *Using the Past to Predict the Future: Refocusing the Analysis of a Federal Dilution Claim*, 73 U. CIN. L. REV. 945, 951 (2005); Michael Adams, *The Dilution Solution: The History and Evolution of Trademark Dilution*, 12 DE-PAUL-LCA J. ART & ENT. L. & POL'Y 143, 145 (2002).

<sup>17</sup> ("The Dilution Act offers no benefit to the consumer public - only to the owner"). See *TCPIP Holding Co. Inc., v. Haar Commc'n Inc.*, 244 F.3d 88, 95 (2nd Cir. 2001), see also *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1012 (9th Cir. 2004) [citing *Thane Int'l Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 904 (9th Cir. 2002) that the purpose of dilution law is to protect an owner's investment in his mark].

<sup>18</sup> Monica Wallace, *supra* note 16.

<sup>19</sup> Robert Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 816 (1997).

<sup>20</sup> 15 R.P.C. 105 (High Ct. of Justice, Ch. 1898), as cited in Monica Wallace, *supra* note 16.

<sup>21</sup> See The Trade Mark Act, 1946, (also known as The Lanham Act) 15 U.S.C. § 1127 (2000). However, the Lanham Act defines dilution without mentioning dilution by blurring or tarnishment.

<sup>22</sup> H.R. Rep. No. 109-23, 4 (2005).

Schechter who is considered the pioneer of the dilution doctrine, the only rational basis for protecting a mark is to preserve the uniqueness of a trademark.<sup>23</sup> Traditional trademark rights did nothing to protect arbitrary, fanciful, and distinctive marks in non-competing markets. Hence, Schechter, in his landmark article in the Harvard Law Review, argued the need for protecting distinctive marks that were linked with a product's particular quality or characteristics, such as Rolls-Royce, Kodak, and Corona.<sup>24</sup> He urged the adoption of a new way of protecting a trademark's ability to generate sales and developed the classic view that the injury caused by the unauthorized concurrent use of a distinctive mark results in the "gradual whittling away or dispersion of the identity and hold upon the public mind".<sup>25</sup>

The first Dilution statutes appeared in late 1940s, starting with Massachusetts. However, they were only sporadically (and inconsistently) applied by the courts, perhaps due to dissimilar and varied language of the state statutes.<sup>26</sup> This led to the need for uniformity and certainty for trademark owners. As a result, US Congress amended the Lanham Act to create a federal cause of action for trademark dilution. This was the FTDA, 1995.<sup>27</sup> It extended the scope of protection available to owners of famous trademarks, and offered a remedy where traditional trademark infringement claims would fail.<sup>28</sup> The Act applied when an unauthorized user of a trademark attempted to trade upon the goodwill established by a famous mark, thereby diluting the mark's distinctive quality. The FTDA did not offer any benefit to the consumer, but only to the trademark owner.<sup>29</sup> The relevant part of the Act provides:

"The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."<sup>30</sup>

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<sup>23</sup> Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 831 (1927). See also *Moseley v. Victoria supra* note 12 (citing Schechter's rational basis for trademark protection).

<sup>24</sup> *Id.*; See also Monica Wallace, *supra* note 16.

<sup>25</sup> Frank Schechter, *id.*

<sup>26</sup> Robert Klieger, *supra* note 19. See also, Restatement (Third) of Unfair Competition § 25, Statutory Note (1995).

<sup>27</sup> 15 U.S.C. § 1125(c) (2000).

<sup>28</sup> H.R. Rep. No. 109-23, 4 ("the purpose of the FTDA is to protect famous trademarks [...] even in the absence of a likelihood of confusion").

<sup>29</sup> TCPIP Holding Co. Inc., v. Haar *supra* note 17.

<sup>30</sup> 15 U.S.C. § 1125(c)(1) See generally 15 U.S.C. § 1125(2), (3) (noting that only a remedy for injunctive relief is provided). However, if a junior user willfully intended to trade on the senior's reputation or to cause dilution of the famous mark, then remedies (i.e. profits, damages, or costs) set forth in §§ 1117(a) and 1118 are allowed. Also, the statute provides for specific exclusions from a dilution cause of action; namely fair use, noncommercial use, and news reporting and commentary.

Furthermore, the FTDA provided a non-exclusive list of eight factors that the court may use in considering whether a mark is distinctive and famous.<sup>31</sup>

### III. INTERPRETATION OF THE FEDERAL TRADEMARK DILUTION ACT BEFORE MOSELEY

The FTDA was interpreted dissimilarly by the various federal circuit courts. Specifically, the phrase ‘causes dilution of the distinctive quality of the mark’<sup>32</sup> necessitated the courts to determine whether the Act required a showing of actual harm for a cause of action to arise. While the Fourth, Fifth and Ninth Circuits interpreted the FTDA strictly and required showing of an actual harm before granting an injunction,<sup>33</sup> the Second, Sixth and Seventh Circuits read the Act in a more liberal manner, holding that the language did not require an actual harm for relief.<sup>34</sup>

#### A. STRICT INTERPRETATION OF THE FTDA

The leading case which evidenced a strict interpretation of the FTDA was the Fourth Circuit’s decision in *Ringling Brothers-Barnum & Bailey Combined*

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<sup>31</sup> 15 U.S.C. § 1125(c)(1)(A)-(H) (listing the factors that a court may consider in determining whether a mark is distinctive and famous). They are as follows:

(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

<sup>32</sup> See 15 U.S.C. § 1125(c)(1) (2000).

<sup>33</sup> For cases supporting a strict interpretation of the FTDA, see, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999), *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000), and *Panavision Int’l v. Toepfen*, 141 F.3d 1316 (9th Cir. 1998). In *Panavision*, for example, defendant Toepfen registered the domain name *www.panavision.com*, and posted aerial views of the city of Pana, Illinois on the site. The Ninth Circuit Court of Appeals found that trademark dilution occurred when potential customers of Panavision could not find its web site at *www.panavision.com*, and instead were forced to search through other (less obvious) domain names. The fact that potential customers might be discouraged from locating Panavision’s legitimate website, coupled with evidence that Toepfen was in the business of registering domain names for profit, led the court to find that Toepfen’s conduct ‘diminished the capacity of the Panavision marks to identify and distinguish Panavision’s goods and services on the Internet’, and thus constituted infringement. Interestingly, the Court said that to find dilution, it need not rely on the traditional definitions such as ‘blurring’ and ‘tarnishment’.

<sup>34</sup> For cases supporting a liberal interpretation of the FTDA, see, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), *Victoria Secret Catalogue Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001) and *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000).

*Shows, Inc. v. Utah Division of Travel Development*.<sup>35</sup> Ringling Brothers Circus alleged that the Utah Tourism Department's commercial use of the slogan 'The Greatest Snow on Earth' diluted the Circus' most famous slogan, 'The Greatest Show on Earth'.<sup>36</sup> Ringling Brothers argued that according to the statutory interpretation of the FTDA, "dilution by 'blurring' occurs whenever a junior mark is either identical to or sufficiently similar to the famous mark that persons viewing the two instinctively will make a 'mental association' between the two."<sup>37</sup> According to the appellants, if this interpretation was accepted, the consumer's familiarity of the goods or services became irrelevant; all that mattered was the identity and sufficient similarity of the mark.<sup>38</sup> Ringling Brothers therefore argued that the two marks were so similar that the required 'mental association' between the two was obvious and evident as a matter of law, and the establishment of dilution by blurring did not require substantiating evidence.<sup>39</sup>

The Fourth Circuit Court rejected this interpretation and held that in addition to the mental association element, Ringling Brothers was required to prove that the mental association caused actual harm to the senior mark's capacity to 'identify and distinguish' its goods or services.<sup>40</sup> The Court examined the language of both federal and state dilution laws, and found a significant difference between the two, being that the federal statute spoke of the 'actual dilution' requirement as against the 'likelihood of dilution' requirement found in most state laws.<sup>41</sup> This led the Court to determine that the Congress knowingly designed the federal dilution statute to create a claim that provided a narrower scope and stringent burden of proof on the plaintiff than state statutes require.<sup>42</sup> Applying this strict rule to Ringling Brothers, the court found that Ringling Brothers failed to meet the higher federal burden of proof necessary to acquire an injunction because the circus could not prove actual harm by economic injury of their mark by Utah's use of 'The Greatest Snow on Earth' slogan.<sup>43</sup>

## B. LIBERAL INTERPRETATION OF THE FTDA

In contrast to the strict interpretation of the FTDA by the Fourth Circuit Court, the Second Circuit adopted a liberal approach in case of *Nabisco, Inc. v. PF Brands, Inc.*<sup>44</sup> In an effort to promote its new animated series, 'CatDog', Nickelodeon Television Network entered into an agreement with Nabisco to produce and launch a snack marketed to children. These snacks were uniquely shaped cheese crackers

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<sup>35</sup> 170 F.3d 449 (4th Cir. 1999).

<sup>36</sup> *Id.*, 451-452.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*, 449.

<sup>40</sup> *Id.*, 464-5.

<sup>41</sup> *Id.*, 458.

<sup>42</sup> *Id.*, 459.

<sup>43</sup> *Id.*, 464-465.

<sup>44</sup> 191 F.3d 208 (2d Circuit. 1999).

modeled on the cartoon,<sup>45</sup> and consisted of three shapes: a Cat-Dog, a fish, and a bone.<sup>46</sup> However, the fish cracker closely resembled Pepperidge Farm's Goldfish cracker. Pepperidge Farm argued that Nabisco's fish amounted to trademark infringement and dilution under federal and New York state laws.<sup>47</sup> Ruling for Pepperidge Farm, the trial court found a likelihood of successfully proving dilution and ordered a preliminary injunction against Nabisco's market of the *CatDog* snack.<sup>48</sup>

The Second Circuit centered its opinion on the definition of distinctiveness, and held that Pepperidge Farm's Goldfish was distinctive enough to warrant anti-dilution protection.<sup>49</sup> Agreeing with the trial court, the Second Circuit held that Nabisco's fish cracker diluted the distinctiveness of Pepperidge Farm's Goldfish because the products were sufficiently similar to negatively affect the distinct Goldfish.<sup>50</sup> In this case, the Second Circuit also discussed at length the Fourth Circuit's judgment in the Ringling Brothers case,<sup>51</sup> and the difficulties and inappropriateness of proving actual dilution.<sup>52</sup>

#### IV. MOSELEY V. VICTORIA SECRET CATALOGUE INC. : AN ANALYSIS<sup>53</sup>

In *Moseley*, the US Supreme Court made an effort to reconcile the significant split among the Circuit courts and to set a uniform national standard for trademark dilution. In this case, Victoria Secret Catalogue Inc. was the owner of the 'Victoria's Secret' trademark, while Victor Moseley ran a small retail store in Kentucky called 'Victor's Secret', selling a wide variety of items, including lingerie.<sup>54</sup> Moseley claimed that he had named the store after himself.<sup>55</sup> Victoria's Secret requested

<sup>45</sup> *Id.*, 213.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*, 213-14, (granting an injunction on the dilution claims but not the infringement ones). The court held that the Pepperidge Farm goldfish mark was nonfunctional, distinctive, and famous; thus it was protectable under dilution and infringement laws. The court applied the six factors proposed in a concurring opinion in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir.1989) and concluded a finding in favor of dilution. It held that Pepperidge Farm took a unique and fanciful idea of a goldfish shaped cracker and made it its signature, and Nabisco's use of a goldfish-shape cracker was likely to weaken the focus of consumers on the true origin of the Goldfish.

<sup>49</sup> *Id.*, 216.

<sup>50</sup> *Id.*, 217-8.

<sup>51</sup> Ringling Bros, *supra* note 33.

<sup>52</sup> Nabisco, Inc., *supra* note 34.

<sup>53</sup> 537 U.S. 418 (2003).

<sup>54</sup> *Id.*, 423.

<sup>55</sup> See generally, Warren Richey, *Is 'Victor's Little Secret', Copyright Infringement?* available at <http://www.csmonitor.com/2002/1112/p04s02-usju.htm> (Last visited on August 12, 2008); Gina Holland, *High Court Fight: Victoria's Secret v. Victor's Little Secret*, available at <http://www.freerepublic.com/focus/f-news/666366/posts> (Last visited on August 12, 2008) (noting Moseley's reason for choosing the business name).

Moseley not to use ‘Victor’s Secret’ as a store-name as it would cause consumer confusion with the famous ‘Victoria’s Secret’ trademark.<sup>56</sup> At this, Moseley changed the store-name to ‘Victor’s Little Secret’, which was not acceptable to Victoria’s Secret.<sup>57</sup> The Corporation filed a case against Moseley claiming, *inter alia*, trademark dilution, as Victor’s use of the similar name to attract business was ‘likely to blur and erode the distinctiveness’ and ‘tarnish the reputation’ of the well-known ‘Victoria’s Secret’ trademark.<sup>58</sup> At the trial, while Victoria’s Secrets could not provide any evidence concerning the impact ‘Victor’s Little Secret’ had on the famous mark,<sup>59</sup> the Moseleys testified that the lingerie sales made up for less than five percent of their sales.<sup>60</sup> Therefore, the trial court did not find a trademark infringement violation because there was no evidence of a likelihood of confusion between the two marks.<sup>61</sup> However, the Court found that dilution existed under the FTDA. It concluded that Moseley’s products, had a *risqué* quality that ‘widely differentiated’ it from Victoria’s Secret. As such, the court enjoined the Moseleys from using the ‘Victor’s Little Secret’ mark because it was sufficiently similar to the distinctive ‘Victoria’s Secret’ mark to dilute by tarnishment.<sup>62</sup>

The Sixth Circuit affirmed the trial court’s decision in Moseley.<sup>63</sup> To implement the Second Circuit’s standards<sup>64</sup> and to expand on the trial court’s ruling, the Sixth Circuit examined two questions that the trial court did not address: (1) whether the ‘Victoria’s Secret’ mark is distinctive and (2) whether injunctive relief could be granted before actual dilution. After examining these questions, the appellate court held that the ‘Victoria’s Secret’ mark as a whole was ‘arbitrary and fanciful’ and hence, distinctive and worthy of vast trademark protection. Further, it held that the evidence presented was sufficient to establish dilution, even in the absence of actual harm.<sup>65</sup> The Court thought it to be a ‘classic’ case of dilution by tarnishment because a consumer was likely to associate the famous mark with the

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<sup>56</sup> Moseley v. Victoria *supra* note 12.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*, 423-424. Victoria’s Secret sued under the federal trademark dilution because Kentucky has not adopted a state trademark dilution statute. Restatement (Third) of Unfair Competition § 25, Statutory Note (1995).

<sup>59</sup> *Id.*, 424-425.

<sup>60</sup> *Id.* As per the ‘Polaroid’ likelihood of confusion test, the low percentage of lingerie sales indicated that the products were not proximate. *See*, Polaroid Corporation v. Polaroid Elects. Corporation, 287 F.2d 492, 495, (2<sup>nd</sup> Circuit 1961).

<sup>61</sup> Moseley v. Victoria *supra* note 12.

<sup>62</sup> *Id.* *See also*, Tony Morrow, *High Court takes a Peek at Victoria’s Secret Trademark*, available at <http://www.law.com/jsp/article.jsp?id=1036630408180> (Last visited August 20, 2008).

<sup>63</sup> *Id.*

<sup>64</sup> *See generally*, Nabisco, Inc., *supra* note 34.

<sup>65</sup> The court relied on congressional intent found in a House report issued prior to the FTDA enactment and also relied on the difficulty of proving actual harm. It said, “confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark”, Moseley v. Victoria *supra* note 12.

novelties sold by the Moseleys, as well as dilution by blurring from linking the renowned enterprise with a single, unauthorized business.<sup>66</sup>

The Moseleys petitioned the Supreme Court for Certiorari. The Supreme Court now had to address the question whether a dilution claim required proof of actual dilution or merely a 'likelihood of dilution'. It must be noted that the common language of state dilution statutes, as well as some provisions of the Lanham Act allowed for remedy on the showing of a likelihood of injury, rather than a consummated harm.<sup>67</sup> The FTDA does not contain the 'likelihood' language; instead it provides an injunction if a junior's use 'causes dilution of the distinctive quality' of the famous mark.<sup>68</sup> In a unanimous decision, the Supreme Court held that in drafting the FTDA, Congress consciously chose the words 'causes dilution', rather than use the 'likelihood' standard found in other trademark statutes. Hence, the plain text of the statute unambiguously required a showing of actual dilution, rather than a mere likelihood of dilution.<sup>69</sup> By applying the actual dilution standard and the definition of dilution, the Supreme Court reversed the lower courts' rulings and remanded the case for further proceedings. This was because evidence presented did not demonstrate that the Moseleys' use of 'Victor's Little Secret' lessened the capacity of 'Victoria's Secret' to identify and distinguish its products. In *Moseley*, the Supreme Court settled the disagreement among the circuit courts by rejecting the lenient interpretations adopted by the Second, Sixth, and Seventh Circuits and embracing the overall strict construction as espoused by the Fourth and Fifth Circuits; in doing so the Court made clear that actual dilution is an essential element of a FTDA claim.<sup>70</sup>

## V. TRADEMARK DILUTION REVISION ACT, 2005

The ambiguity in the Court's language in *Moseley* caused inconsistent application of the actual dilution standard as to whether identical marks in themselves automatically constitute sufficient circumstantial evidence to prove actual dilution or if circumstantial evidence, as opposed to direct evidence, may be used to prove dilution when the marks are identical.<sup>71</sup> For example, in *Savin Corp. v. The Savin Group*<sup>72</sup>, the

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<sup>66</sup> *Id.*, 427-28 (citing the Sixth Circuit Court of Appeals' express rejection of the Ringling Bros. court's requirement of actual dilution). *See also*, Keola Whittaker, *Trademark Dilution in a Global Age*, 27 U. PA. J. INT'L. ECON. L. 907, 917 (2006).

<sup>67</sup> *Moseley v. Victoria supra* note 12; *see also*, 15 U.S.C. § 1125 (c) (1).

<sup>68</sup> *Id.*

<sup>69</sup> *Id.*; *See also*, Ringling Bros, *supra* note 33 [citing I.P. Lund Trading ApS & Kroin, Inc. v. Kohler Co. 163 F.3d 27, 45 (1st Cir. 1998) that given the critical provisions that expressly differentiate the federal and state statutes, one must assume that the federal statute is intended by Congress to provide a more narrow scope]. *See also* Warren Richey & Linda Feldman, *Court Scores One for a Store Called 'Victor's Little Secret,'* available at <http://www.csmweb2.emcweb.com/2003/0305/p02s02-usju.htm> (Last visited on August 20, 2008).

<sup>70</sup> *Moseley v. Victoria supra* note 12.

<sup>71</sup> *Id.*, (quoting that "Direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where the junior and senior marks are identical"). *See also*, Lee Middleton Original Dolls Inc. v. Seymour Mann Inc., 299 F. Supp. 2d 892, 902 (2004). *See also*, *Savin Corp. v. The Savin*

trial court rejected the interpretation that identity alone was sufficient to automatically prove dilution, holding that the existence of identical trademarks did not excuse the plaintiff from having to present some evidence of actual dilution.<sup>73</sup> However, the Second Circuit reversed that decision, interpreting *Moseley* to stand for the proposition that the identity of marks alone creates a presumption of future dilution, and that a plaintiff need not submit further proof of actual dilution.<sup>74</sup> The appellate court emphasized that the presumption only applies when the marks are exact replications, noting that a close similarity to the marks would not suffice to establish *per se* evidence of actual dilution.<sup>75</sup> On the other hand, the Seventh Circuit's decision in *Ty, Inc. v. Softbelly's Inc.*<sup>76</sup> stated that although the Supreme Court did not explain 'circumstantial evidence', it should be interpreted to require the need for 'trial-type evidence'.<sup>77</sup> Simply presenting identical marks will not suffice. In that case, the trial court determined that the plaintiff's mark was famous, but on appeal, the court expressed great doubt that the plaintiff proved dilution since no evidence to meet the statutory definition was presented.<sup>78</sup> In response to the Supreme Court's interpretation establishing actual harm as a necessary element of a dilution claim, a new legislation, the TDRA was proposed, to adopt a 'likelihood of dilution' standard by amending the FTDA.

The TDRA in its present form makes important changes to the law of trademark dilution and is intended to clarify Congress's intent when it first passed the Federal Dilution Statute in 1995.<sup>79</sup> It strives to eliminate confusion on key dilution issues that increases litigation, and offers guidance for the courts in adjudicating dilution cases. Most importantly, the TDRA establishes a 'likelihood of harm' standard for dilution actions and offers protection to famous marks that are inherently distinct or acquire distinctiveness. However, it raises the bar for proving fame, requiring that a mark be 'widely recognized by the general consuming public', contrary to fame isolated in niche markets.<sup>80</sup> The TDRA also clearly recognizes dilution by blurring and tarnishment.<sup>81</sup> Furthermore, the TDRA reinforces express exclusions of trademark dilution claims; specifically, allegations of trademark dilution by blurring or tarnishment

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Group, 68 U.S.P.Q.2d, 1893, 1904 (2003) (providing examples of various interpretations of the Supreme Court's dicta in *Nike Inc. v. Variety Wholesalers*, 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) and *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 431-432 (M.D.N.C. 2003)).

<sup>72</sup> *Savin Corp. v. The Savin Group*, *id.*

<sup>73</sup> *Id.*, 1904-5.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> 353 F.3d 528, 535 (7th Cir. 2003). *See also* *Lee Middleton v. Seymour* *supra* note 71.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> *See generally*, *The purpose of the TDRA*, available at <http://www.govtrack.us/congress/record.xpd?id=109h20050419-33&bill=h109-683> (Last visited on August 18, 2008).

<sup>80</sup> Trademark Dilution Revision Act, H.R. 683, 109th Cong. § 2(c) (2) (2005). This comment asserts that although the 'likelihood' standard will expand dilution claims, at least the refinement of the fame requirement will serve to retrench that expansion to some degree; thus hopefully resulting in less litigation.

<sup>81</sup> Trademark Dilution Revision Act, H.R. 683, 109th Cong. § 2(c)(2)(B)-(C) (2005).

will fail in cases involving any fair use, all forms of news reporting and commentary, and any non-commercial use.<sup>82</sup>

## VI. ANALYSIS OF TRADEMARK DILUTION REVISION ACT, 2005

The most critical aspect of the TDRA is its express inclusion of likelihood of dilution as the operative standard.<sup>83</sup> Establishing the ‘likely to cause dilution’ proof standard would have been of little practical merit without clarification of what constitutes ‘dilution’, especially in light of the Moseley decision. The TDRA provides much needed clarity in this regard. The FTDA had a single definition for ‘dilution’.<sup>84</sup> This definition simply failed to elucidate the standards to be applied in cases of alleged dilution. The Supreme Court in Moseley remarked that the FTDA, by defining dilution in this manner, encompassed the phenomenon known as ‘blurring’ but questioned whether the precise text of the definition encompassed tarnishment.<sup>85</sup> The TDRA now expressly defines two species of dilution, ‘dilution by blurring’ and ‘dilution by tarnishment’, each comprising a separate cause of action with appropriately different legal standards.<sup>86</sup> For each cause of action, the underlying phenomenon causing dilution harm is addressed specifically, in recognition that the nature of dilution harm resulting from blurring is different from that resulting from tarnishment. For blurring, the ‘distinctiveness’ of the mark is impaired by the association, whereas for tarnishment, the reputation of the mark is harmed by the association.

In addition, the TDRA creates a new standard for demonstrating that a mark is famous: it must be ‘widely recognized by the general consuming public of the US as a designation of source’ and reduces the number of guiding factors in the analysis of the fame of the mark to four. It also makes clear that a mark that is not inherently distinctive, but that has strong secondary meaning, can be famous and appropriate for dilution protection.<sup>87</sup> Since none of the existing state statutes contains such definitions, the result of the TDRA is that state laws are nearly

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<sup>82</sup> *Id.*, § 2(c)(3) (2005).

<sup>83</sup> See generally, Scott Duval, *The Trademark Dilution Revision Act of 2006: Balanced Protection for Famous Brands*, 97 TRADEMARK REP. 1252, 1258 (2007).

<sup>84</sup> FTDA defined dilution as the “lessening of the capacity of a famous mark to identify and distinguish goods and services”.

<sup>85</sup> *Moseley v. Victoria supra* note 12.

<sup>86</sup> Dilution by blurring is “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” TDRA, 15 U.S.C. § 1125(c)(2)(B). Dilution by tarnishment is ‘association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark’. 15 U.S.C. § 1125(c)(2)(C). See also, *Louis Vuitton Maletier S.A. v. Haute Diggity Dog, LLC*, 2007 WL 3348013 (4th Circuit., No. 06-2267, November. 13, 2007), where the Fourth Circuit held that in the context of blurring, “distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power.” See generally, Scott Duval, *supra* note 83.

<sup>87</sup> It also states that a famous mark that is “distinctive, whether inherently or through acquired distinctiveness”, can qualify for protection against dilution. *Supra* note 83.

superfluous.<sup>88</sup> Further, while many scholars have argued that it is premature to enjoin a user of a mark before actual harm is done,<sup>89</sup> it is also believed that requiring the owner of a famous mark, threatened with dilution of the mark's distinctiveness, to wait until the damage is done before granting an injunction is contrary to the principles of equity.<sup>90</sup>

## VII. COMPARISON OF TRADEMARK DILUTION DOCTRINE IN THE UNITED STATES WITH 'WELL KNOWN MARKS' IN THE UNITED KINGDOM

The *Well-Known Marks* doctrine protects marks that have become well-known in a geographic area in association with certain goods or services.<sup>91</sup> According to the Agreement on Trade Related Aspects of Intellectual Property Rights (*hereinafter* TRIPS Agreement), well known marks are also protected against use with other goods or services, even if there is no use with those goods and services, if that use would lead consumers to believe that there is a connection between the source of the goods or services that are well-known and those that are not.<sup>92</sup> The protection of the well-known marks doctrine extends to protect a mark within a nation if the mark "is well-known in that nation even though the mark is not actually used or registered in that nation."<sup>93</sup> One common use of the doctrine is to fight trademark pirates who rush to register a famous mark on goods on which it has not yet been registered in a nation by the legitimate foreign owner.<sup>94</sup> In order to qualify for the protection, the mark must be considered 'well-known' or 'famous' in that region.

A comparison of trademark dilution doctrine in US with the protection against dilution of well known marks in the EU shows that the differences between

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<sup>88</sup> For a detailed discussion on this point, see David Welkowitz, *State of the State: Is there a Future for State Dilution Laws*, 24 SANTA CLARA COMPUTER & HIGH TECH. L. J. 681, 693 (2007).

<sup>89</sup> On the criticism of the TDRA on this point, see Anna Wong, *supra* note 4. See also, Matthew Sumpter, *Brands, Dilution and Parody: An Indigestible Dish*, 11 NZBLQ 29, 42-4 (2005).

<sup>90</sup> *Moseley v. Victoria* *supra* note 12 (Kennedy, J., concurring) (Equity principles encourage those who are injured to assert their rights promptly. A holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded). In defence of the TDRA on this point, see, Matthew Oesterle, *It is as clear as Mud: A Call to Amend the Federal Trademark Dilution Act of 1995*, 81 CHI. KENT L. REV. 235, 268 (2006). See also, Julie Frymark, *Trademark Dilution: A Proposal to Stop the Infection from Spreading*, 38 VAL. U. L. REV. 165, 213 (2003) (recommending Congress amend the FTDA to reflect a likelihood of dilution standard) and Jennifer Mae Slonaker, *Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection*, 26 U. DAYTON L. REV. 121, 124 (2000).

<sup>91</sup> Tashia Bunch, *Well Known Marks Doctrine: Where do we go from here?* 90 J. PAT. & TRADEMARK OFF. SOC'Y 227, 228 (2008).

<sup>92</sup> Agreement on Trade-related aspects of Intellectual Property Rights (TRIPS), 1994, Part II, § 2, Article 16, 108 Stat. 4809.

<sup>93</sup> J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 29-109 (1984).

<sup>94</sup> *Id.*

the two are quite fundamental.<sup>95</sup> The Paris Convention, the TRIPS Agreement and the E.U. Directive all contain provisions for the protection of marks that enjoy an increased recognition or reputation, labeled by the term ‘well-known mark’ or ‘mark with a reputation’. These provisions, however, neither define these terms nor use them with an identical meaning or the same legal consequences, and, interestingly, they do not use the term ‘famous mark’, which is used in the TDRA and in the national laws in some other countries.<sup>96</sup> This suggests that these regimes provide dilution protection at a lower level of recognition than required by the TDRA for the term ‘famous mark’. *Prima facie*, therefore, EU laws seem to grant a greater scope of protection than the US laws as it determines the eligibility of marks based on their recognition not only by the general consuming public but also by specialized consumer groups.

In 2000, WIPO created guidelines for determining whether or not a mark is well known.<sup>97</sup> In an effort to establish a unified mark that would allow goods to move freely between nations, the European Community sought to harmonize many different intellectual property laws, including trademark regulations. The Trademark Harmonization Directive<sup>98</sup> meets that goal by providing a system of trademark protections. Directives are generally binding as to the ‘result to be achieved’ but individual nations may choose the form in which those results will be achieved.<sup>99</sup> Provisions in Articles 4 and 5 provide protections that are similar to those found in the FTDA. Article 5(1) (b) gives the owner of a mark the right to prevent uses that may either create a ‘likelihood of confusion’ or ‘likelihood of association’. Some have argued that this provision protects marks even when confusion has not been demonstrated.<sup>100</sup> Furthermore, Article 5(2) provides:

“Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the

<sup>95</sup> Marcus Luepke, *Taking Unfair Advantage or Diluting a Famous Mark: A 20/20 Perspective on the Blurred Differences between US and EU Dilution Law*, 98 TRADEMARK REP. 789 (2008).

<sup>96</sup> Such as in Germany, where the status ‘famous mark’ designates the highest level of recognition, which traditionally allows protection against dilutive uses. *See generally*, FREDERICK W. MOSTERT, FAMOUS AND WELL-KNOWN MARKS: AN INTERNATIONAL ANALYSIS 4-179 (2004).

<sup>97</sup> Keola Whittaker, *supra* note 66. *See also*, World Intellectual Property Organization, *Joint Recommendation Concerning Provisions On the Protection of Well-Known Marks*, 9-11 (2000), available at [http://www.wipo.org/about-ip/en/development\\_iplaw/pub833.htm](http://www.wipo.org/about-ip/en/development_iplaw/pub833.htm) (Last visited on May 3, 2009)(showing guidelines for determining whether a mark is well-known).

<sup>98</sup> First Council Directive 89/104, 1989 O.J. (L 40) 1 (EEC). (also known as Trademark Harmonization Code).

<sup>99</sup> *See Consolidated Version of the Treaty Establishing the European Community*, December 24, 2002, 2002 O.J. (C 325) 33, 132 (“A directive shall be binding, as to the result to be achieved [...] but shall leave to the national authorities the choice of form and methods”).

<sup>100</sup> DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW, 439 (2006) “It has also been argued that the ‘likelihood of association’ language in Article 5(1) (b) [...] permits protection of marks without any demonstration of confusion”.

latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”<sup>101</sup>

As its language indicates, Article 5(2) is not binding on member nations; nonetheless most states have implemented its protections.<sup>102</sup> While Article 5 seems to provide protections similar to those in the FTDA, there has been varying applications in EU member nations.

The United Kingdom implemented the Trademark Harmonization Directive in 1994 by enacting the Trademark Act, 1994. The strongest protections for trademark dilution are granted to marks in Section 10(3) of the Act, which specifically protects registered trademarks and prohibits use of the mark:

“[...] in relation to goods or services which are not similar to those for which the trade mark is registered, where the trade mark has a reputation in the United Kingdom and the use of the sign [. . .] takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”<sup>103</sup>

Unlike other sections of the Act, a claim under Section 10(3) does not require proof of confusion. Interpretations of the statute, like interpretations of similar statutes in the U.S. and Japan, have confused the distinction between *trademark dilution* and other trademark claims and have required a showing of confusion for claims under Section 10(3). *Baywatch Prod. Co. Ltd. v. Home Video Channel*<sup>104</sup> pitted the popular U.S. television series Baywatch that features male and female lifeguards usually wearing red bathing suits against the Adult Channel, which broadcast episodes of a pornographic film series, entitled ‘Babewatch’. Like Baywatch, Babewatch featured lifeguards wearing red bathing suits.<sup>105</sup> Instead of saving drowning victims, however, these ‘lifeguards’ engaged in sexual acts.<sup>106</sup> Seeking a preliminary injunction against the Adult Film Channel, Baywatch asserted actions under Section 10(2) and Section 10(3) of the Trade Marks Act as well as a passing off claim.<sup>107</sup> While Section 10(2) requires a showing of a ‘*likelihood of confusion*’, Section 10(3) does not have such a requirement. Baywatch, however, admitted that consumers would not be confused between the television series and the pornographic film.<sup>108</sup> In determining Baywatch’s claim under Section 10(3), the

<sup>101</sup> Article 5 (2), Trademark Harmonization Code, First Council Directive 89/104, 1989 O.J. (L 40) 1 (EEC).

<sup>102</sup> WELKOWITZ, *supra* note 100, 439 (“As its language indicates, it was not mandatory that countries adopt this provision [...] but it has been widely implemented”).

<sup>103</sup> § 10(3) (b), Trademark Act, 1994.

<sup>104</sup> [1997] F.S.R. 22.

<sup>105</sup> *Baywatch Prod. Co. Ltd. v. Home Video Channel*, [1997] F.S.R. 22, 24.

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*, 26.

<sup>108</sup> *Id.*, 27.

Chancery Division held that it would be illogical to grant greater protection to famous marks with regards to non-similar goods or services.<sup>109</sup> Despite the wording of the statute, the judge found that since the television show and the pornographic video are not similar goods, they will not cause confusion of source and, therefore, the plaintiff has no claim under Section 10(3). It is not clear under Baywatch case if the Chancery Division would distinguish between Sections 10(2) and 10(3) or if they would provide any greater protections to *well-known marks*.

## VIII. CONCLUSION

In 1927, Frank Schechter displayed remarkable prescience when he stated:

“The fact that through the existence of the telephone, the automobile, the motor bus, the high-speed interurban trolley, and the railroad, the consumer now projects his shopping far from home and comes to rely more and more upon trademarks and tradenames as symbols of quality and guaranties of satisfaction.”<sup>110</sup>

In this era of globalization, worldwide branding has become an increasingly important marketing tool as companies seek to provide their goods and services to a public that is less and less restricted by international borders. As the Internet becomes a common form of communicating to the four corners of the world, trademarks may become key assets in a global branding campaign. Entities conducting business internationally must be increasingly vigilant against brand piracy.

Given these diminishing barriers to trade and increase in globalization, the issue as to protection of famous and well-known trademarks has become even more important. Internationally, the trend appears to be moving towards making dilution-style arguments more readily available to owners of famous and well-known marks. A potential model for a dilution statute already exists in the US in form of the TRDA. It remains to be seen what will eventually develop in this increasingly important area of the law.

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<sup>109</sup> *Id.*, 29.

<sup>110</sup> Frank Schechter, *supra* note 23.