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# TRADEMARK LAW

# The Dilution Revision Act

By Lewis R. Clayton

TRADITIONAL trademark law is focused on the interests of the consumer—a trademark owner's mark is infringed when another party uses a mark so similar that actual or potential customers are likely to be confused about the origin of goods or services. That was the approach of the original federal trademark statute, the Lanham Act, enacted in 1946.

Nearly 50 years later, Congress passed the Federal Trademark Dilution Act of 1995 (FTDA), creating for the first time a federal cause of action for dilution. Dilution prohibits the use of a famous mark in ways that lessen its distinctiveness, even if no consumer confusion results—Buick furniture or Kodak pianos. Because it restricts expression even in the absence of marketplace deception, creating a sort of property interest in famous marks, the dilution cause of action has proven to be controversial and sometimes confusing.

Over the last 11 years, federal courts have struggled with basic issues arising under the FTDA. Perhaps employing a bit of hyperbole, the president of the International Trademark Association testified before Congress last year that "nine years and hundreds of cases after the FTDA was enacted, virtually everyone—courts, litigants, commentators alike— agree that the law is a mess." Last month, President Bush signed the Trademark Dilution Revision Act of 2006 (TDRA), which attempts to clarify a number of questions that have concerned trademark owners and, in some cases, divided the courts. While it takes some steps to limit dilution claims, for the most part the TDRA reaffirms Congress' support for a robust dilution statute.

## Proving likelihood of dilution is sufficient

The most significant effect of the TDRA is to overrule *Moseley v. V Secret Catalogue Inc.*, 537 U.S. 418 (2003), in which the U.S. Supreme Court held that a dilution plaintiff must show actual dilution, not simply that there is a likelihood a famous mark will be diluted.

It has long been established that the plaintiff in a traditional trademark infringement action may obtain an injunction against use of a mark that is likely to cause confusion, without showing that actual confusion is occurring in the marketplace. In *Moseley*, the court contrasted the language in the Lanham Act establishing the cause of action for infringement, which repeatedly refers to a "likelihood" of harm, with the language of the FTDA, which provided for relief when use of a famous mark "causes dilution of the distinctive quality of the famous mark." The court also analyzed the statute's definition of dilution, which it read as referring to an actual "lessening of the capacity of a famous mark to identify and distinguish goods or services."

Based on this close textual analysis— rather than consideration of the underlying purposes of the cause of action—the court found that the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."

The *Moseley* rule won praise from some opponents of a strong dilution law. For example, free speech advocates have argued that dilution—because it does not require a showing of confusion—can be used to attack critics of trademark owners who use a famous mark in their communications. For that reason, the American Civil Liberties Union argued that a likelihood of dilution standard would allow trademark owners to "stifle" speech critical of their marks.

On the other hand, the decision touched off a wave of criticism from trademark owners who thought their marks to be famous. Under *Moseley*, they argued, a trademark holder is forced to stand by while use of a mark that is likely to cause dilution produces real harm, and then required to prove measurable damage to the value of the mark. Moreover, damage to intellectual property rights is typically considered to inflict irreparable injury. Therefore, under *Moseley*, owners of famous marks cannot sue until they have suffered injury that, by definition, cannot be redressed through a damage award. Was that really what Congress intended when it failed to include a reference to the "likelihood" of dilution?

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Although it took more than three years to act, Congress unequivocally answered that question "no." The TDRA provides for injunctive relief in cases in which the defendant "commences use of a mark or trade name in commerce that is likely to cause dilution." In so doing, the TDRA removes a major impediment to an effective federal dilution claim.

The statute removed another barrier to certain dilution claims by overruling the decision in *TCPIP Holding Co. Inc. v. Haar Communications Inc.*, 244 F.3d 88 (2d Cir. 2001). *Haar* held that no descriptive mark—including those that have acquired secondary meaning in the marketplace—is eligible for protection under the FTDA. That rule potentially disqualified some of the most recognizable famous marks—consider "Holiday Inn"—from protection. The TDRA provides that a claim may be brought to enjoin dilution of any famous mark that is distinctive "inherently or through acquired distinctiveness"—thus affirming that descriptive marks can be protected.

*Moseley* and other cases highlighted another issue under the FTDA: the lack of a clear consensus on what dilution by blurring actually means. In *Mead Data Ctr. Inc. v. Toyota Motor Sales Inc.*, 875 F.2d 1026 (2d Cir. 1989), for example, the court rejected a claim of blurring under the New York dilution statute when Lexis, the computer legal research service, sued Lexus, the automobile manufacturer. However, in *Polaroid Corp. v. Polaraid Inc.*, 319 F.2d 830, 836 (7th Cir. 1963), another state law dilution case, the mark "Polaraid" for refrigeration and heating systems was found likely to blur the plaintiff's mark "Polaroid" for optical devices and cameras.

In an effort to clarify the question, the TDRA includes a list of nonexclusive factors to be used in determining whether dilution by blurring—lessening the distinctive quality of the mark—has occurred. The factors are: the degree of similarity between the challenged mark and the famous mark; the degree of distinctiveness of the famous mark; the extent to which the famous mark is used exclusively by its owner; the degree of recognition of the famous mark; whether the defendant intended to create an association with the famous mark; and any "actual association" between the challenged mark and the famous mark. None of these factors will surprise trademark practitioners. Traditional market surveys, and any other evidence of consumer reaction or expectations, are still likely to be persuasive to a fact-finder. Otherwise, the factors probably do little to offer meaningful guidance.

The *Moseley* court created some mischief by speculating in dictum that tarnishment—linking a mark to shoddy goods, or portraying it in an "unwholesome or unsavory context"—might not be embraced within the federal cause of action, although it had long been recognized under state dilution laws. The TDRA removes that uncertainty, explicitly providing that dilution embraces tarnishment. While it recognizes that tarnishment can be expected to injure the "reputation" of the mark, the statute provides no list of factors to determine when tarnishment has occurred.

**While the TDRA takes some steps to limit dilution claims, it mostly reaffirms Congress' support for a robust dilution statute.**

The TDRA did limit the federal dilution cause of action in one important respect. The act limits protection to marks that are "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." This language overrules a line of cases holding that a mark can be "famous" even though its fame is limited to "niche" markets. For example, *Syndicate Sales Inc. v. Hampshire Paper Corp.*, 192 F.3d 633 (7th Cir. 1999), approved a dilution claim brought by the maker of plastic baskets used for floral bouquets at funerals because the baskets had become "famous" in a niche market consisting of certain wholesalers and retail florists. Those cases were hard to square with the underlying purpose of the FTDA to protect only marks that are well-known outside their home markets.

## The TDRA includes free speech protections

Commentators, reporters and parodists often use famous marks—sometimes in altered form—to express or dramatize criticisms of well-known companies and their products. The TDRA expands on the FTDA's news-reporting and commentary exemptions, excluding from the dilution claim as "fair use" situations in which a famous mark appears in connection with "parodying, criticizing or commenting upon the famous mark owner" or that owner's goods or services. Some free-speech advocates complained that, to qualify as "fair" under the statute, use of the mark must not be "as a designation of source for the person's own goods or services." They argued that some nonprofit groups use parodies of famous marks to promote their work or raise funds, and questioned whether such activity might draw a dilution claim. Congress apparently was not convinced that this was a significant issue.

The TDRA is a careful and measured response to the growing pains of the federal dilution statute, and to a few instances of judicial misreading of Congress' intent in passing the FTDA. Few issues remain that could be the subject of future legislation. Some trademark holders wished that Congress had pre-empted state dilution statutes in order to create a uniform federal standard, but no one has made a persuasive case that state laws meaningfully interfere with any federal policy goal. Others complain that the statute does not deal with situations in which members of the public use a famous mark in a way that could make the mark generic (e.g., "Xerox copies"). But that too does not seem to be a substantial problem inadequately addressed by existing law. In this environment, we're unlikely to see legislative action on dilution in the foreseeable future. NLJ