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IP LAW
A KEY 'DILUTION' RULING

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When Congress passed the Federal Trademark Dilution Act in 1995, its purpose seemed straightforward. The laws of more than 20 states had long protected against the "dilution" of "famous" trademarks, prohibiting the unauthorized use of such marks even on non-competitive goods where there is no likelihood of consumer confusion—outlawing, for example, "DuPont" shoes, "Buick" aspirin and "Kodak" pianos. Congress wanted to bring nationwide "uniformity and consistency to the protection of famous marks." Since the statute took effect in January 1996, however, the federal courts of appeal have been far from uniform or consistent.

An array of circuit court decisions is confusing

No accepted definition of "dilution" has emerged, with some circuits applying the factors used to measure likelihood of confusion in a traditional infringement analysis, and others rejecting those principles or saying it is too soon to formulate a test. In the U.S. courts of appeal for the 3d, 5th and 7th circuits, a mark may be "famous" in a "niche market"—a market as small as the sale of plastic baskets used for floral bouquets at funerals, see *Syndicate Sales Inc.* v. *Hampshire Paper Corp.*, 192 F.3d 633 (7th Cir. 1999)—while in the 1st and 2d circuits, only marks that are close to "household words" throughout the country will qualify. In the 4th and 5th circuits, a dilution case may be brought only after the plaintiff has suffered actual harm, while in the 1st, 2d and 7th circuits, a mere likelihood of harm is enough. Compare *Ringling Bros.-Barnum & Bailey Combined Shows Inc.* v. *Utah Division of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999) (actual injury needed) with *Nabisco Inc.* v. *PF Brands Inc.*, 191 F.3d 208 (2d Cir. 1999) (likelihood of injury sufficient).

A recent 2d Circuit decision, *TCPIP Holding Co*. v. *Haar Communications Inc.*, No. 99 Civ. 7744, 2001 WL 197939 (2d Cir. Feb. 28, 2001), adds more confusion to the mix. Contradicting at least one other circuit (see *Times Mirror Magazines Inc*. v. *Las Vegas Sports News LLC*, 212 F.3d 157 (3d Cir. 2000)), the *Haar* court is the first to hold that no "descriptive mark," including those that have acquired secondary meaning in the marketplace, is protected under the Dilution Act, even if the mark has achieved the degree of fame required under the law. A mark is "descriptive" when its primary function is to describe a product or its attributes. A descriptive mark, such as "Federal Express," has "secondary meaning" when it comes to identifying the goods or services of a particular company. The *Haar* decision effectively removes thousands of marks, including some of the most recognizable, from the reach of the statute.

TCPIP, the plaintiff in *Haar*, was the owner of the registered mark "The Children's Place," used in more than 200 stores selling children's clothing and accessories. Defendant Haar registered the domain name "thechildrensplace.com" to create an internet "portal" for children. After receiving a cease-and-desist letter from TCPIP, Haar registered dozens of similar domain names, which it offered to sell to TCPIP for a steep price—conduct the trial court found to be evidence of bad faith. While upholding most of the district court's preliminary injunction barring traditional trademark infringement, the 2d Circuit vacated the trial court's dilution injunction because TCPIP's mark is descriptive.

The 2d Circuit found in the statute a sharp boundary between marks that are inherently distinctive ("Chevrolet" or "Boeing") and those that are descriptive. While the "action for infringement under the Lanham Act serves the interests of consumers, as well as sellers," the 2d Circuit ruled that a dilution claim "offers no benefits to the consumer public—only to the owner." Fearing that protecting a descriptive mark would "inhibit competitors from using descriptions of their competing products," the court found it "highly unlikely" that Congress had extended the "expanded rights" of the statute to descriptive marks, even those that have become famous.

Haar builds upon the 2d Circuit's 1999 decision in *Nabisco*, also written by Judge Pierre N. Leval, the author of *Haar*. In *Nabisco*, the court hinted in dictum that only inherently distinctive marks may be diluted. One commentator, who believes that any mark with secondary meaning is covered by the statute, reacted to *Nabisco* by complaining that "the Second Circuit has turned down a dead end street on this issue and must reverse course sooner or later." See *McCarthy on Trademarks and Unfair Competition*, J. Thomas McCarthy, § 24:91 at 24-161 (4th ed. 2000). *Haar* indicates, however, that the 2d Circuit is proceeding full speed ahead.

Will other courts follow the 2d Circuit in 'Haar'?

Any doctrine that can prevent overreaching under the Dilution Act will find a base of support among those who believe that the dilution cause of action restricts legitimate competition. See *Avery Dennison Corp*. v. *Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (dilution must be "reserved for a select class of marks"). But, in view of the long history of protection for descriptive marks with secondary meaning, it is hard to find clear evidence that Congress intended to deny protection to such a large group of marks—marks such as "The New York Stock Exchange," "Metropolitan Life" or "All the News That's Fit to Print." In the *Times Mirror* case noted above, the 3d Circuit found dilution of the descriptive mark "The Sporting News." Critics of *Haar* will argue that the problems of dilution can be dealt with by issuing injunctions only where marks are truly "famous" and dilution is really threatened, not through the blunt instrument of denying any remedy to descriptive marks. Until these issues are worked out, the selection of a proper forum for a dilution suit will be a little more important and the Dilution Act a little more mysterious.

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