

Victor's Other Little Secret and the New Trademark Dilution Law

Introduction

Trademarks form the basis of modern commerce, and are essential in conducting everyday business, whether in the brick and mortar world or on the internet. The usual standard for infringement of a trademark is the “likelihood of confusion” standard, which protects trademarks as both a property right as well as protecting competitors under the unfair competition concept in tort law. However, certain trademarks have been singled out to be given a higher level of protection. These trademarks are “famous” and are entitled to protection against dilution. The new dilution law has taken us back to the “likelihood of dilution” standard which provides a less stringent level for plaintiffs to show that dilution of their trademark has taken place. As a result, more plaintiffs are likely to win their dilution claims while dilution law has become stronger by codifying tarnishment as a type of dilution claim in the new federal law.

In trademark law, dilution occurs when there is a “lessening of the capacity of a famous mark to identify and distinguish goods and services.”¹ Since trademark owners rely on the distinctiveness of their mark to differentiate their good from other goods on the market, a famous mark’s distinctiveness is critical to its effectiveness. Dilution can occur in two forms- blurring and tarnishment. Blurring occurs when the famous mark comes to identify more than one type of good.² For example, if a junior user places the KODAK mark on ice cream, over time consumers may understand KODAK as a mark for film (registered by the senior user) and ice cream. Furthermore, dilution can occur through tarnishment which happens when a mark (such as CANDYLAND for a board game) is disparaged by its association with a lower quality or unsavory product, such as CANDYLAND for a pornographic website.³ In this respect, anti-

¹ 15 U.S.C. §1127 (2006).

² *Id.*

³ Hasbro, Inc. v. Internet Entertainment Group, Ltd., 40 U.S.P.Q.2 1479 (D. Wash. 1996).

dilution laws protect famous trademark owners from the “whittling away of the value of a trademark”⁴ since trademark owners are extremely interested if consumer connection between their mark and product has been reduced by a third party.

Background of Dilution

I. Dilution in General

A trademark owner has a property right in a trademark.⁵ In dilution theory, the owner of a trademark has a right to enjoin uses that may not confuse a consumer but might diminish the identification power of the mark in the marketplace over time.⁶ Thus, even though there is not a likelihood of confusion, the mere adverse effect on the trademark itself is sufficient to yield a remedy. To determine if dilution has occurred, courts consider if an original owner’s mark is distinctive and famous, if both marks are used in commerce, if the new mark came into being after the original mark became famous, and if there is likelihood of dilution.⁷ The key purpose of anti-dilution law is to protect a mark’s “selling power” and to protect famous marks which typically have a strong or distinctive character.⁸

According to the Restatement (Third) of Unfair Competition, “a trademark is sufficiently distinctive to be diluted by a non-confusing use if the mark retains its source significance when encountered outside the context of the goods or services with which the mark is used by the trademark owner.”⁹ In general, “arbitrary, fanciful, or coined” trademarks are distinctive while

⁴ *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002).

⁵ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

⁶ *Id.*

⁷ 15 U.S.C. § 1125(c) (2006).

⁸ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

⁹ *Restatement (Third) of Unfair Competition*, *supra* note 27, 25 cmt. e.

“generic or descriptive” marks are not.¹⁰ Some descriptive marks may be protected from dilution but only when “extensive advertising and long and exclusive use” has given the mark “a sufficiently high degree of distinctiveness.” The owners of descriptive marks face a high burden of showing that consumers associate the mark exclusively with the relevant service or product.¹¹

There is a difference between trademark infringement and trademark dilution. Trademark infringement laws prevent consumer confusion by regulating the use of similar marks only on confusingly similar goods while anti-dilution laws prevent unauthorized junior trademark use on confusingly similar and dissimilar goods due to the special protection afforded to famous trademarks.¹² For famous trademarks, anti-dilution law prohibits junior use of similar trademarks for competing or non-competing goods, regardless of consumer confusion.¹³ In effect, anti-dilution law protects the value of famous trademarks by preventing the diminishment of their uniqueness, singularity, and source identification power.¹⁴

II. State vs. Federal Dilution Law

In trademark dilution law, there are also differences between state and federal law. State trademark law and registrations cannot override rights provided by federal law or federal registrations.¹⁵ For example, when state rules conflict with federal law, the federal trademark law will supersede state rules.¹⁶ As a result, state law cannot narrow the rights of a federal trademark registrant or permit confusion of customers which federal law seeks to prevent.¹⁷ State law cannot limit the rights of a federal registrant but it can expand those rights afforded a federal

¹⁰ *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1166 (N.Y. 1977).

¹¹ *Restatement (Third) of Unfair Competition*, *supra* note 27, 25 cmt. e.

¹² Kathleen Goodberlet, “The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm”, 6 *J. High Tech L* 249, 2006.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 22:3 (4th ed. 1998).

¹⁶ *Id.*

¹⁷ *Id.*

registrant without conflicting with federal law or policy.¹⁸ Before the Federal Trademark Dilution Act (FTDA), there was no anti-dilution statute to provide a baseline of protection in every U.S. state. Moreover, certain states provided more protection than others since the standard for a dilution claim in several states was actual dilution whereas in others it was likelihood of dilution.

III. Overview of the Federal Trademark Dilution Act (FTDA) of 1995

The FTDA was enacted in 1995 with the purpose of protecting “famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of confusion”¹⁹, creating a unitary federal system on trademark dilution and anticipating that the federal law would mirror the state laws on standards of infringement and dilution effects of both blurring and tarnishment. The FTDA also provides that the owner of a famous mark is entitled to obtain an injunction against the commercial use of a mark by others “if such use begins after the owner’s mark has become famous and causes dilution of the distinctive quality of the mark.”²⁰ On the other hand, prior to the passage of the FTDA, dilution statutes in twenty five different states provided limited relief for trademark holders in dilution cases.²¹ All the state statutes proscribed actual and consummated dilution in addition to “likelihood of dilution.”²²

Congress amended the FTDA to give trademark owners injunctive relief against commercial use of famous marks where such use dilutes the mark’s distinctive quality.²³ Under the FTDA, eight non-exclusive factors are provided for a court to use in determining whether a

¹⁸ *Id.*

¹⁹ Ira J. Hammer. “Dilution Law since ‘Moseley’”, *The National Law Journal*, May 9, 2005.

²⁰ *Id.*

²¹ J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 22:3 (4th ed. 1998).

²² *Id.*

²³ Rachael G. Samberg. “The Trademark Dilution Revision Act of 2005 Takes Actual Dilution to Task”, Fenwick & West, LLP. http://www.fwpa.com/docstore/Publications/IP/Trademark_Dilution.pdf

particular mark is “distinctive and famous.”²⁴ These factors include: (1) the degree of inherent or acquired distinctiveness of the mark, (2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used, (3) the duration and extent of advertising and publicity of the mark, (4) the geographical extent of the trading area in which the mark is used, (5) the channels of trade for the goods or services with which the mark is used, (6) the degree of recognition for the mark in the trading areas and channels of trade used by the mark’s owner and the person against whom the injunction is sought, (7) the nature and extent of use of the same or similar marks by third parties, and (8) whether the mark was registered under federal law.²⁵ Although these factors are considered in court when determining if a mark is famous, it is a highly fact specific and sometimes unpredictable undertaking.²⁶ Whether a mark is famous is a question of fact to be determined by the factors noted above. If a mark is judged to be famous, dilution law protection will be available.

If dilution is proven by the holder of a trademark, extensive remedies are provided to the holder of the mark.²⁷ The holder of a famous mark is entitled under the FTDA to an injunction against the junior user’s commercial use of the mark. If the mark holder can show that the offending party acted willfully, the holder may be entitled to additional remedies which include an account of profits, actual damages, treble damages, attorney fees, and an order requiring destruction of the offending items.²⁸

²⁴ 15 U.S.C. §1125 (1995).

²⁵ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, *36 Am. Bus. L.J.* 255 (1999).

²⁶ *Id.*

²⁷ 15 U.S.C. § 1125 (1995).

²⁸ *Id.*

IV. Blurring and Tarnishment of a Trademark

“Blurring” of a trademark occurs when a well-known mark is used in connection with the goods and services of another.²⁹ Although buyers may not be confused “as to source, sponsorship, affiliation or connection”, the fear is that over time consumers will cease to associate the mark exclusively with the senior user’s goods or service, thus eroding the ability of the mark to “evoke among perspective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner.”³⁰

“Tarnishment” of a trademark occurs when a junior user of a trademark uses the senior user’s mark or a similar mark in a manner that could hurt the reputation of the senior user’s mark; this is the use of a trademark in a manner “totally dissonant with the image projected by the mark”.³¹ Tarnishment typically involves the use of a famous or distinctive mark on products of low quality or the use of the mark in an unwholesome manner, such as in pornography.³²

Issues Raised by the FTDA and the *Moseley* Case

I. Pre-Moseley Interpretations of the FTDA

Before the U.S. Supreme Court *Moseley* decision, most federal courts interpreted dilution to mean the “lessening of the capacity of a famous mark to identify or distinguish goods or services” and that dilution is not “confusion, mistake, or deception.”³³ Therefore, dilution was essentially interference with a famous trademark’s source identification function which comes from an unauthorized junior use of a famous trademark or a junior mark similar to a famous mark.³⁴ For example, if one saw IPOD sweatshirts being sold, one might think they were

²⁹ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

³⁴ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

licensed or sponsored by Apple Computer. Since this definition of dilution is fairly broad, only the effects of dilution are defined and not the causes. As a result, different courts provided different interpretations as to when dilution of a mark is present.

a. Blurring

As one part of dilution, pre-*Moseley* decisions came up with a unified answer to when “the lessening of the capacity of a famous mark to identify and distinguish goods or services” took place. Some courts stated that blurring occurred when the famous mark failed to operate as a unique source identifier.³⁵ Other courts related blurring to lost revenues while other courts equated blurring with consumer confusion although the FTDA makes it clear that consumer confusion is not necessary for a dilution claim.³⁶

For example, the Seventh Circuit led by Judge Posner used a two-prong test to determine dilution by blurring in *Ty Inc. v. Softbelly’s, Inc.*, 353 F.3d 528, 536 (7th Cir. 2003). In this test, once the court determined that the effected mark was famous, the court then looked at the similarities between the famous mark and the diluted mark.³⁷ If the junior mark and the senior mark were similar, the court would then determine that dilution by blurring has occurred since the first in time will be first in right.³⁸

On the other hand, the Second Circuit used a different test to determine dilution by blurring found in the *GOLDFISH* crackers case. The multifactor test used include the analysis of these factors: (1) the degree of distinctiveness of the senior mark, (2) the similarity of the marks, (3) the proximity of the products and likelihood of bridging the gap, (4) the interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

of the products, (5) the extent of overlap among the parties' consumers and the geographic reach of their products, (6) the sophistication of consumers, (7) the existence of any actual confusion, (8) the adjectival or referential quality of the junior use, (9) the potential harm to the junior user and the existence of undue delay by the senior user, and (10) the effect of the senior user's prior laxity in protecting the mark.³⁹ The Third and Sixth Circuits also analyzed blurring cases in a similar manner by using a multi-factor test to see if blurring has occurred. As a consequence, this test is similar to the test used for trademark infringement, which is based on likelihood of consumer confusion which makes both causes of action similar and not unique.⁴⁰

b. Tarnishment

Pre-Moseley decisions have shown that tarnishment occurs when a junior trademark detracts from consumers' positive view of a famous trademark. Essentially, most federal courts have agreed that tarnishment occurs when a famous mark is used in connection with unwholesome or low quality products.⁴¹ In addition, a tarnishing junior trademark may not interfere with the famous mark's ability to distinguish and identify its goods, which is needed for the definition of dilution in the United States Code under prior law before the 2006 revision.⁴²

For example, in *The Coca-Cola Co. v. Gemini Rising*, the court determined that the defendant's use of a version of plaintiff's mark COCA-COLA and its logotype on a poster displaying ENJOY COCAINE tarnished plaintiff's mark through association with an unwholesome product which hurt positive associations between plaintiff's product and mark.⁴³

³⁹ *Nabisco Inc. v. PF Brands Inc.*, 191 F.3d 208, 217-222 (2d Cir. 1999).

⁴⁰ Kathleen Goodberlet. "The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm", 6 *J. High Tech L* 249, 2006.

⁴¹ *Id.*

⁴² 15 U.S.C. § 1125(c) (1995).

⁴³ *The Coca-Cola Co. v. Gemini Rising*, 346 F. Supp. 1183 (D.N.Y. 1972).

c. Standard of Harm Plaintiffs Need to Prove for Trademark Dilution

After the FTDA was enacted, different circuit courts had different interpretations whether the owner of a famous mark had to prove actual harm or a likelihood of harm for injunctive relief.⁴⁴ In the Fourth and Fifth Circuits, judges stated that the trademark owner must show actual dilution, not just a likelihood of dilution. From *Ringling Bros.-Barnum & Bailey Combined Shows Inc. v. Utah Div. of Travel Dev. (THE GREATEST SHOW ON EARTH vs. THE GREATEST BAR ON EARTH)*, the Fourth Circuit stated that dilution is defined as a reduction in capacity of the famous trademark to identify and distinguish goods.⁴⁵ The Fourth Circuit came to this standard since they feared that famous marks would be overprotected so that famous mark owners would not obtain an improper “property-right-in-gross”.⁴⁶

On the other hand, in the First, Second, Third, Sixth, and Seventh Circuits, trademark owners had to show a likelihood of dilution in order to obtain relief.⁴⁷ Many of these Circuits provided different reasons as to why they did not agree with the Fourth Circuit’s standard. For example, the Second Circuit said that the Fourth Circuit’s standard was “excessive literalism” and “defeated the intent of the statute” while the Seventh Circuit stated that the Fourth Circuit’s standard held plaintiffs to “an impossible level of proof”.⁴⁸

II. Moseley v. V Secret Catalogue

In *Moseley v. V Secret Catalogue*, Victor and Cathy Moseley opened a retail store called “Victor’s Secret” in February 1998 in a strip mall in Elizabethtown, Kentucky.⁴⁹ The store sold a wide variety of items which include men’s and women’s lingerie, adult videos, sex toys, and

⁴⁴ *Id.*

⁴⁵ *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

⁴⁶ *Id.* at 459.

⁴⁷ Kathleen Goodberlet. “The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm”, 6 *J. High Tech L* 249, 2006.

⁴⁸ *Nabisco*, 191 F.3d at 224; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000).

⁴⁹ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

adult novelties.⁵⁰ After V Secret Catalogue, Inc. (the owner of VICTORIA'S SECRET) found out about the Kentucky store, a cease and desist demand letter was sent to Mr. and Mrs. Moseley.⁵¹ In response to the letter, the Moseleys changed their store name to "Victor's Little Secret".⁵² Then V Secret Catalogue, Inc. sued the Moseleys for trademark infringement, unfair competition, and dilution of the VICTORIA'S SECRET federal trademark registration.⁵³

At trial, summary judgment was granted to the Moseleys for the trademark infringement and unfair competition claims while the dilution claim for tarnishment and blurring was appealed to the U.S. Supreme Court.⁵⁴ In its holding, the Supreme Court interpreted the text of the FTDA to require a showing of actual dilution rather than a likelihood of dilution.⁵⁵ Since the plaintiff could not show actual dilution, it did not succeed on its dilution claim.⁵⁶ In addition, the Supreme Court stated that where the marks at issue are not identical, the mere fact that consumers mentally associate the junior mark with a famous mark will not necessarily reduce the capacity of the famous mark to identify the goods.⁵⁷ Moreover, in dicta, the Supreme Court suggested that tarnishment is not part of the FTDA, just blurring.⁵⁸

From the *Moseley* decision, the U.S. Supreme Court held that a plaintiff needs to prove actual dilution instead of likelihood of dilution. This is the Supreme Court's interpretation of the phrase "causes dilution of the distinctive quality of the mark" of 15 U.S.C. § 1125(c)(1) and the

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

definition of dilution provided by 15 U.S.C. 1127, which states that dilution “means the lessening of the capacity of a famous mark to identify and distinguish goods and services”.⁵⁹

Although the *Moseley* decision tried to resolve the split in authority in determining a dilution claim, *Moseley* did little to resolve disputes because the Supreme Court only addressed the standard of harm necessary for injunctive relief.⁶⁰

III. Post-Moseley Interpretations of the FTDA

From *Moseley*, the Supreme Court has provided little guidance on what actual dilution is. In trying to determine a definition for plaintiffs to prove actual dilution, the Court rejected the argument that actual loss of sales or profits was a required element of a claim.⁶¹ Second, the Court determined that the mere mental association of consumers of the marks at issue is not sufficient to establish dilution.⁶² Since *Moseley*, plaintiffs claiming dilution of a trademark are usually only able to win when they have sought to enjoin the use of an identical mark.⁶³ In fact, when plaintiffs have had success in proving claims under the FTDA when the marks are identical, the court has not had to define or discuss what is needed to prove actual dilution in situations when trademarks are not identical.⁶⁴ Perhaps the greatest unresolved issue is the status of tarnishment since *Moseley* essentially eliminated tarnishment as a ground of dilution at the federal level, yet many state dilution statutes still include it as a valid ground of dilution in the respective states.

⁵⁹ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

⁶⁰ Kathleen Goodberlet. “The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm”, 6 *J. High Tech L* 249, 2006.

⁶¹ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

In many respects, the *Moseley* decision created more problems than it solved. As a consequence of the *Moseley* case, there has been inconsistent jurisprudence regarding the type and quantity of evidence necessary needed to establish “actual dilution”.⁶⁵ In many post-*Moseley* cases, few decisions have addressed the strength of consumer survey evidence as proper evidence to help a dilution claim.⁶⁶

a. Identical Junior Mark Use

When a junior mark is identical to a famous mark, many Federal Circuits have held that the identical nature of the marks is adequate circumstantial evidence no matter how comparatively insignificant the junior use is in commerce.⁶⁷ When junior and senior marks are identical, reliable circumstantial evidence can be used to prove trademark dilution.⁶⁸ On the other hand, in the Seventh Circuit, Judge Posner stated in dicta that “the Court did not explain and no one seems to know what that ‘circumstantial’ evidence might be”.⁶⁹ As a result, even with respect to identical marks, the required evidence needed to prove “actual dilution” is far from consistent.⁷⁰ Despite the difficulties of using consumer surveys as evidence to prove actual dilution, the Court emphasized the importance of using actual dilution as the standard for proving diluting and non-diluting junior trademarks.⁷¹

b. Non-Identical Junior Use

⁶⁵ *Id.*

⁶⁶ Rachael G. Samberg. “The Trademark Dilution Revision Act of 2005 Takes Actual Dilution to Task”, Fenwick & West, LLP. http://www.fwpa.com/docstore/Publications/IP/Trademark_Dilution.pdf

⁶⁷ *Savin Corp. v. Savin Group*, 391 F.3d 439, 452 (2d Cir. 2004); *Am. Honda Motor Co., Inc. v. Pro-Line Protoform*, 325 F. Supp. 2d 1081, 1085 (C.D. Cal. 2004).

⁶⁸ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. at 434 (2003).

⁶⁹ *Ty Inc. v. Softbelly’s, Inc.*, 353 F.3d 528, 536 (7th Cir. 2003).

⁷⁰ Lynda J. Oswald. “‘Tarnishment’ and ‘Blurring’ under the Federal Trademark Dilution Act of 1995”, 36 *Am. Bus. L.J.* 255 (1999).

⁷¹ *Id.*

Moreover, when a junior user makes non-identical use of a famous trademark, showing “actual dilution” becomes an especially difficult challenge. Consumer surveys may help in determining if dilution of a famous mark has occurred but many surveys fail because they establish only consumers’ association between two marks, rather than an actual lessening of the senior mark’s distinctiveness while others have improper survey methodologies.⁷²

In one case, *Playboy Enters., Inc. v. Netscape Communications Corp.*, in considering the weight of survey dilution evidence, the Court found that a famous mark holder had introduced evidence of likelihood of dilution. Since only likelihood of dilution was found present, no action could be taken against the junior mark and the Ninth Circuit remanded the case so discovery could be reopened on the dilution issue.⁷³

c. Blurring

The Court in *Moseley* stated that trademark dilution by blurring may occur when consumers see a famous mark and think of the junior user’s products.⁷⁴ The Court made clear that blurring is more than a mental association between the junior and senior marks when the marks at issue are not identical and dilution by blurring does not require a showing a loss of sales or profits.⁷⁵ In addition, if a contested mark is not identical to a famous mark, actual dilution requires more than consumers’ mental association between the famous mark and the junior mark since blurring does not necessarily arise from mental association.⁷⁶

⁷² Rachael G. Samberg. “The Trademark Dilution Revision Act of 2005 Takes Actual Dilution to Task”, Fenwick & West, LLP. http://www.fwpa.com/docstore/Publications/IP/Trademark_Dilution.pdf

⁷³ *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1030 (9th Cir. 2004).

⁷⁴ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

⁷⁵ *Id.*

⁷⁶ Kathleen Goodberlet. “The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm”, 6 *J. High Tech L* 249, 2006.

d. Tarnishment

The *Moseley* Court questioned in dicta whether the FTDA definition of dilution included tarnishment so whether tarnishment under the FTDA remains is unsolved from the *Moseley* decision.⁷⁷ As noted above, state dilution law still includes tarnishment making a state dilution claim in addition to a federal dilution claim advisable in certain circumstances.

Case Examples Using *Moseley* and the Federal Trademark Dilution Act with identical trademarks

i. Savin Corp. v. Savin Group

In the *Savin* case, the senior trademark owner, Savin Corp., was engaged in the business of marketing, selling, and distributing business equipment while owning three uncontestable trademarks.⁷⁸ The senior owner owned the name SAVIN for developing liquid for office copiers and photocopy machines, copy paper for copy machines and photocopying machines, and maintenance of photocopiers, word processors, and facsimile machines.⁷⁹ The senior trademark owner sued the junior user, Savin Engineers, for trademark dilution under the FTDA since Savin Engineers was using SAVIN for their engineering consulting services.⁸⁰ After reviewing the case, the Federal Court for the Southern District of New York decided that the trademark dilution claim failed because the trademark owner did not show actual dilution even though there were identical junior and senior marks.⁸¹

In applying *Moseley* and the FTDA, the *Savin* court discussed that a plaintiff must show actual dilution and that actual dilution may be shown through circumstantial evidence particularly when the marks in question are identical.⁸² The *Savin* court also used the FTDA to

⁷⁷ *Id.*

⁷⁸ *Savin Corp. v. Savin Group*, 391 F.3d 439, 452 (2d Cir. 2004).

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Id.*

define “dilution” and show that the FTDA allows the owner of a famous mark to an injunction of another person’s commercial use of a mark if it causes dilution of the senior mark as a possible remedy.⁸³ Furthermore, *Savin* upholds the *Moseley* decision by showing the fact that both the junior and senior marks are identical does not alone provide circumstantial evidence of dilution.⁸⁴ Since this is not sufficient to prove dilution, the plaintiffs failed to raise a material issue of fact necessary to have a dilution claim.⁸⁵

ii. GMC v. Autovation Techs, Inc.

In the *GMC* case, General Motors brought a claim against Autovation Technologies for trademark dilution, trademark counterfeiting and infringement, and false designation of origin.⁸⁶ In the case, Autovation Technologies was selling and marketing parts, products, and services for GM’s vehicles on the Internet, catalog, telephone, and mail order.⁸⁷

The *GMC* court held that Autovation was violating GM’s trademark rights by advertising and selling products containing fake GM logos and by directly competing with GM’s foot pedals.⁸⁸ Autovation was selling foot pedals that bore GM trademarks for TAHOE, YUKON, SILVERADO, CORVETTE, and others.⁸⁹

In its holding, the *GMC* court used the FTDA to define “dilution” and *Moseley* to show that actual dilution needed to be present in a dilution claim.⁹⁰ The court found that Autovation was making commercial use of the GM trademarks after those marks became famous and that Autovation’s use of counterfeits presented a likelihood of diluting the distinctive value of GM’s

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *GMC v. Autovation Techs., Inc.*, 317 F. Supp.2d 756 (2004).

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.*

trademarks.⁹¹ Since Autovation's usage of GM's trademarks lessened GM's capacity to identify products authorized by, sponsored by, or affiliated with GM, dilution of GM's trademarks was established.⁹²

Case Examples Using *Moseley* and the Federal Trademark Dilution Act with non-identical trademarks

i. Corbond Corp. v. Core Foam, Inc.

In the *Corbond Corp. v. Core Foam, Inc.* case, a foam insulation manufacturer sued a competitor for infringement and dilution of the CORBOND mark.⁹³ The defendant in this case was using the COREFOAM mark in which both products were similar and used by foam insulation consumers.⁹⁴ The court specifically found that since there was similarity between the marks, similarity in each of the parties' products, potential initial interest confusion among foam insulation consumers, and the senior user's mark was strong in the foam insulation marketplace, the defendant's motions for summary judgment for trademark infringement and unfair competition were denied while the defendant's motion for summary judgment for dilution was granted in light of *Moseley* and 15 U.S.C. § 1125.⁹⁵

In applying *Moseley*, the *Corbond* court discussed at length the precedent of *Moseley* while using the FDTA to define "dilution".⁹⁶ In reasoning to its holding, the court quotes *Moseley* by stating that "where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Corbond Corp. v. Core Foam, Inc.*, 356 F. Supp.2d 910 (2005).

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.*

dilution”.⁹⁷ From this reasoning and the fact that the plaintiff did not have adequate evidence to support its claim, the plaintiff did not have a valid dilution claim.⁹⁸

ii. Kellogg Co. v. Toucan Golf, Inc.

In the *Kellogg Co. v. Toucan Golf, Inc.* case, Kellogg Company owned a trademark in TOUCAN SAM for its character on its cereal, Kellogg’s Fruit Loops.⁹⁹ Kellogg sought de novo review of the Trademark Trial and Appeal Board’s decision to register TOUCAN GOLD for Toucan Golf’s promotional golf equipment since Kellogg believed there would be a likelihood of confusion between its TOUCAN SAM character and Toucan Golf’s use of TOUCAN GOLD.¹⁰⁰ The U.S. District Court for the Western District of Michigan dismissed the complaint and Kellogg appealed this decision.¹⁰¹

In its holding, the U.S. Court of Appeals for the Sixth Circuit found that the plaintiff, Kellogg Co., did not present any evidence that Toucan Golf’s use of its marks diluted the fame or distinctiveness of any of Kellogg’s marks.¹⁰² Specifically, Judge Suhrheinrich held that the plaintiff’s mark was strong, the parties’ products were unrelated, the parties’ marks were not sufficiently similar to support a finding of likely confusion, the defendant’s marks did not give rise to likelihood of confusion, the defendant’s marks did not dilute fame of the plaintiff’s TOUCAN SAM marks, the defendant waived a claim for attorney’s fees, and the defendant was not entitled to damages for an allegedly frivolous appeal.¹⁰³

The *Kellogg* court defined “dilution” from the FTDA and used *Moseley* to show that dilution law exists to protect quasi-property rights a trademark holder has in maintaining the

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616 (6th Cir 2003).

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.*

distinctiveness of a trademark while providing that a plaintiff must prove actual dilution to prevail on a dilution claim.¹⁰⁴ In addition, the *Kellogg* court stated that Kellogg presented no evidence that Toucan Golf's use of its toucan marks reduced the ability of consumers to recognize Kellogg's TOUCAN SAM mark.¹⁰⁵ As a result, Kellogg's did not show a lessening of capacity to identify and distinguish its goods and services, an important factor in determining dilution from *Moseley*.¹⁰⁶

Recent Congressional Legislation and its effect on the *Moseley* holding

In order to deal with the uncertainties in determining dilution after the *Moseley* holding, House of Representatives Representative Lamar Smith (R-Texas) introduced the Trademark Dilution Revision Act (TDRA) of 2006 (H.R. 683) on February 9, 2005 on the House floor.¹⁰⁷ On April 19, 2005, the House passed the 2005 FTDA Revision by a 411 to 8 vote and forwarded it to the U.S. Senate.¹⁰⁸ On March 8, 2006, the bill passed the Senate floor with unanimous consent and was remanded back to the House to look at the changes. The House approved of the Senate modifications and the President signed the bill into law on October 6, 2006.¹⁰⁹

Under the TDRA, plaintiffs only need to show that dilution is likely, not that it has occurred.¹¹⁰ The language states that “the owner of a famous mark...shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ Kathleen Goodberlet. “The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim Analyses, and Standard of Harm”, 6 *J. High Tech L* 249, 2006.

¹⁰⁸ *Id.*

¹⁰⁹ “President Bush Signs H.R. 683, H.R. 2066, H.R. 4841, S. 3187, and S. 3613”, <http://www.whitehouse.gov/news/releases/2006/10/20061006-14.html>.

¹¹⁰ Rachael G. Samberg. “The Trademark Dilution Revision Act of 2005 Takes Actual Dilution to Task”, Fenwick & West, LLP. http://www.fwpa.com/docstore/Publications/IP/Trademark_Dilution.pdf

or dilution by tarnishment.”¹¹¹ Essentially, “likely” dilution can occur “regardless of the presence or absence of actual or likely confusion, competition, or actual economic injury.”¹¹² This greatly reduces the burden of proof needed for plaintiffs to prove dilution in the wake of the *Moseley* decision.

a. Blurring

The TDRA splits the definition of dilution into blurring and tarnishment. In this act, blurring is defined as an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”¹¹³ Included in the definition of blurring is a list of six factors courts may consider to see if dilution is present.¹¹⁴ The new definition of blurring requires the owner of a famous mark to prove that consumers associate the famous mark with a junior mark because of the similarity between the marks and that such an association is likely to affect the distinctiveness of the famous mark.¹¹⁵ The TDRA also provides four factors courts can use to determine if a famous mark is distinctive in order to determine if blurring has occurred.¹¹⁶ These factors include: (1) the degree of similarity between the junior mark and the famous mark, (2) the degree of inherent or acquired distinctiveness of the famous mark, (3) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark, and (4) the degree of recognition by consumers of the famous mark.¹¹⁷ As a result, these TDRA factors for assessing if blurring is present will provide courts with a uniform framework to evaluate if a junior mark dilutes the distinctiveness of a famous mark.

¹¹¹ Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. (2006) (as enacted by the Senate, March 8, 2006).

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ H.R. 683, 109th Cong. § 2 (2006).

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

b. Tarnishment

The TDRA defines tarnishment as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark”.¹¹⁸ This inclusion of the definition of tarnishment marks a major change from the *Moseley* decision which questioned whether tarnishment was a form of dilution.¹¹⁹ In effect, this provision places tarnishment to federal dilution law.

c. Prospective Effects of the TDRA

As a result, the TDRA definition of dilution is much more specific than under the FTDA and provides a clear definition of blurring and tarnishment which were not defined in the FTDA.¹²⁰

Furthermore, the key provisions of the TDRA include providing clearer definitions of dilution by blurring, dilution by tarnishment, likelihood of dilution, protection for famous marks that are inherently distinctive or have acquired distinctiveness, and the definition of a famous mark (“if it is 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”).¹²¹ Essentially, the TDRA completely changes the FTDA definition of trademark dilution and the language regarding dilution remedies available to plaintiffs.¹²² In place of the current sections of trademark dilution and available remedies, 15 U.S.C. § 1125(c) is changed to merge the new definition of trademark dilution and the new language of available remedies for dilution.¹²³

¹¹⁸ *Id.*

¹¹⁹ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

¹²⁰ Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. (2006) (as enacted by the Senate, March 8, 2006).

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.*

The TDRA also specially defines a famous mark to be a mark “widely recognized by the general consuming public of the United States as a designation of source of the goods or services for the mark’s owner.”¹²⁴

The prospective impact of the TDRA is important and one must understand the effect it will have on the *Moseley* holding. Most notably, the TDRA changes the standard of harm necessary for injunctive relief from dilution by changing the phrase from “causes dilution” in *Moseley* to “likely to cause dilution” in the TDRA.¹²⁵ The TDRA also states that “likely dilution” may occur “regardless of the presence or absence of actual or likely confusion, or competition, or of actual economic injury”.¹²⁶ As a result of these changes, a shift in law has occurred which allows a famous trademark owner to respond to junior use at the first sign of blurring or tarnishment and not when actual injury has occurred. This also shows that Congress wants courts to hear dilution cases before a junior mark owner spends a lot of money in the development and promotion of a mark by allowing senior mark owners to bring their cases earlier. This “likelihood of dilution” standard also brings the amount of evidence plaintiffs need to show for a successful dilution claim in line with other Lanham Act standards which only require likelihood of injury, not actual injury.

Conclusion

In conclusion, the effect of the *Moseley* holding has had a large impact in determining the burden of proof of when dilution has occurred. Before *Moseley*, courts were divided on whether dilution plaintiffs needed to prove likelihood of dilution as opposed to actual dilution. Since the TDRA was recently signed by the President into federal law, plaintiffs having a dilution claim

¹²⁴ *Id.*

¹²⁵ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003); Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. (2006) (as enacted by the Senate, March 8, 2006).

¹²⁶ Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. (2006) (as enacted by the Senate, March 8, 2006).

will only need to prove a likelihood of dilution and not actual dilution, thus reverting dilution law back to the pre-*Moseley* era in federal trademark law. As a result, dilution law's shift back to the "likelihood of dilution" standard will make it easier for plaintiffs to prove dilution when the junior and senior marks are not identical or are identical in federal dilution claims. Moreover, the re-introduction of tarnishment into dilution law will make it easier to stop uses such as those at the Victor's Little Secret Shop. Furthermore, dilution law has been strengthened by codifying tarnishment into federal law while reducing the burden of evidence plaintiffs need to prove their dilution cases; consequently, federal dilution law has recently included new protection with easier burdens for trademark holders to obtain protection- this is Victor's Other Little Secret.