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The Federal Trademark Dilution Law: Is It Working?

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In the past 15 years, Congress has enacted two versions of a federal trademark dilution law. These laws have been passed in response to lobbying by brand owners to provide broader protection for famous trademarks beyond that provided under the trademark infringement laws. In contrast with trademark infringement laws, which require a finding of likelihood of confusion, the federal trademark dilution laws are designed to protect famous trademarks where no likelihood of confusion exists. With so much time having passed since the first federal trademark dilution law was enacted, it is appropriate to ask whether the federal dilution laws are providing owners of famous trademarks with the protection that they want, without diminishing the rights of others to compete fairly in the market place. Unfortunately, but not unpredictably, the answer seems to be mixed.

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Unanswered Questions

Congress passed the initial Federal Trademark Dilution Act ("FTDA") in 1995, which set out the basic parameters for a federal trademark dilution claim for famous trademarks, including a multi-element test to determine if a trademark is famous. Under the FTDA, truly famous trademarks are protected from dilution, which is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services," regardless of whether confusion exists or is likely. The FTDA, however, left many questions unanswered. For example, was a likelihood of dilution sufficient or was actual dilution required to establish a dilution claim? Could dilution be established through tarnishment, or was it limited to blurring? Was nationwide fame required under federal dilution laws or would marks be protected if they were famous only in a niche market? Finally, was the federal dilution law limited to inherently distinctive marks, or did it protect marks that were not inherently distinctive?

Early cases answering these questions surprised many, particularly owners of famous marks who had hoped that the FTDA would provide broader protection for their marks. The U.S. Supreme Court answered two of these questions in 2003 in *V Secret Catalogue v. Mosley*, 537 U.S. 418 (2003), holding that under federal law a likelihood of dilution was not sufficient to prevail on a federal dilution claim, and that the federal dilution law did not protect marks from tarnishment. As a result, the U.S. Supreme Court held that the Victoria's Secret mark had not been diluted by the use of Victor's Secret for a small store selling lingerie, adult videos, and sex toys. At about the same time, the Third Circuit concluded that niche

fame would be sufficient to merit protection under the federal dilution law, and the Second Circuit ruled that marks that are not inherently distinctive are never entitled to protection under the federal dilution laws, regardless of how famous they become. The Second Circuit's ruling left no federal dilution protection for numerous marks that were not inherently distinctive, for example, McDonalds for restaurants and Windows for computer operating systems that opened within "windows."

Congress Provides Some Answers

As a result of further lobbying by brand owners, Congress enacted the Trademark Dilution Revision Act of 2006 ("TDRA") to address the issues raised by the FTDA. Its key changes address the four issues highlighted above. First, it establishes that a likelihood of dilution is enough to establish a claim (actual dilution is not required). Second, it establishes tarnishment as an alternative form of dilution under federal law. Third, it defines the fame that is required to merit protection under federal law as nationwide fame, not niche fame. Fourth, it establishes that marks do not need to be inherently distinctive to be famous. Even a mark that starts off as merely descriptive can be protected under the federal trademark dilution laws once it becomes sufficiently famous.

Following the enactment of the TDRA in 2006, it would be reasonable to think that courts are now making predictable decisions based upon the clear guidelines provided by the combination of the FTDA and TDRA, but that would be wrong. In fact, recent decisions under the federal trademark dilution law show that courts remain confused about what dilution is, what is needed to prove dilution, what marks are protected by the federal dilution laws, and what defenses are available. As a result, a poorly reasoned body of case law is developing around the issue. Unfortunately, because so few cases have been decided since the TDRA was enacted in 2006, those cases are likely to be widely cited going forward.

Dilution Run Awry

For example, although the Supreme Court's decision in the Victoria's Secret case and the TDRA both establish that a mere association between the defendant's mark and the plaintiff's mark is not sufficient to establish dilution by blurring, and both expressly state that a plaintiff seeking to establish dilution by blurring *must* show that the defendant's activities are likely to "impair the distinctiveness of" the plaintiff's famous mark, harm to the plaintiff's mark is seldom mentioned, let alone considered. As a result, judges are routinely finding dilution by blurring once they conclude that a defendant's mark creates *any* association with the plaintiff's mark, regardless of whether the association is likely to impair the distinctiveness of the plaintiff's mark. *See Nike, Inc. v. Nikepal Int'l*, 84 U.S.P.Q.2d 1820, 1828 (E.D. Cal. 2007) (dilution by blurring found and injunction issued with no mention of harm to the plaintiff's mark); *The Hershey Co. v. Art Van Furniture*, 2008 U.S. Dist. LEXIS 87509 (E.D. Mich. 2008) (same). Although these decisions might make owners of famous trademarks happy, they are based upon a faulty application of federal trademark dilution law. If courts continue to decide dilution by blurring cases without finding that the distinctiveness of the plaintiffs' marks have been impaired, trademark owners will be emboldened to pursue dilution claims even in cases where they know that they have no colorable claim of harm.

Similarly, although dilution by blurring is limited to cases where the defendant's mark is "identical" or "nearly identical" to the plaintiff's famous mark (after all, blurring refers to the use of an identical mark on a dissimilar product that comes from another source, such as ROLEX for bread or KODAK for pianos), courts have not adhered to this strict standard in deciding dilution by blurring under federal law. On remand in the Victoria's Secret case, the judge was satisfied with his conclusion that Victor's Secret was "substantially similar" to Victoria's Secret, while the judge in the *Hershey* case, cited above, found dilution by blurring where she concluded that there was "an unmistakable resemblance" between a HERSHEY chocolate bar and an advertisement with the wording "ART VAN" superimposed over a generic chocolate bar. In the *Nike* case, cited above, the judge did cite the correct "nearly identical" standard, but his conclusion that NIKEPAL is "nearly identical" to NIKE surely surprised the defendant in the case and should serve as a warning that judges still have a lot of discretion in these cases.

Dilution As It Should Be

In contrast with the *Nike* case and the *Hershey* case, there have been some recent decisions where courts have gone through the entire trademark dilution analysis and have found no dilution. One

example is *Louis Vuitton Malletier v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Circ. 2007), where the Fourth Circuit found no dilution by blurring. Key to its analysis was that the defendant's CHEWY VUITON dog chew toys were using a mark that was not identical to the famous LOUIS VUITTON mark and that the LOUIS VUITTON mark was so strong and famous that its distinctiveness could not be impaired by the use of CHEWY VUITON on dog chew toys. Although the court reached these conclusions in the context of analyzing the defendant's parody defense, these conclusions should have been sufficient to establish that there was no dilution by blurring regardless of whether the parody defense was available. This is exactly what happened in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 559 F. Supp. 2d 472 (S.D.N.Y. 2008), where the court found no dilution by blurring from defendant's use of CHARBUCKS on coffee products. The court's conclusion was based on the fact that defendant's CHARBUCKS marks were not substantially similar to plaintiff's STARBUCKS marks and that the use of CHARBUCKS for coffee products was not likely to impair the distinctiveness of the famous STARBUCKS marks.

Why Are Dilution Cases So Unpredictable?

Despite the fact that the combination of the FTDA and the TDRA were intended to establish clear parameters for federal trademark dilution cases, we are continuing to see inconsistent decisions in dilution cases. While this could lead to the assumption that the federal trademark dilution law is still not as clear as it should be, there may be another issue at play in these cases, namely a concept of fundamental fairness. Despite the fact that there is nothing in the dilution law to prohibit free riding, the judges in the *Nike* case and the *Hershey* case seem to have been influenced by the idea that it is inappropriate for defendants to take a "free ride" by creating an association with a famous mark; they enjoined the use of the trademarks, and thereby stopped the free riding, even without evidence that the plaintiffs had been harmed in any way by the defendants' activities. These decisions stand in stark contrast with the *Louis Vuitton* and *Starbucks* cases where the judges understood that if the defendants were not being harmed by the plaintiffs' activities, they could not be enjoined under the federal trademark dilution laws.

Trademark dilution law is not a complicated mystery and should not be treated as such by the parties or judges. The statute is quite clear as to what type of marks are to be protected under the federal law, and as to what elements must be satisfied to establish dilution by blurring and dilution by tarnishment. Because predictability is better for both plaintiffs and defendants, it is up to both plaintiffs' counsel and defense counsel to do a better job educating the courts on the issues underlying trademark dilution and elements required to establish a claim.
