

Are Trademarks Still Protectable Under the Federal Anti-Dilution Statute?
Status of Trademark Dilution One Year After *Moseley*

The Federal Trademark Dilution Act (FTDA), adding a dilution cause of action to Section 43 of the Lanham Trademark Act of 1946 (15 U.S.C. §1125(c)), was intended to bring consistency among the federal courts, which previously granted trademark dilution relief under the various state statutes, if at all. Unfortunately, due to the Supreme Court's failure to define workable parameters for proving dilution in *Moseley v. V Secret Catalogue*, 537 U.S. 418, 123 S.Ct. 1115 (2003), the federal courts are back to giving varying interpretations of often different state antidilution statutes, promoting inconsistency. It is now more difficult than ever to say what dilution is.

The FTDA defines "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." It then describes the factors that determine whether a mark is "distinctive and famous" and thus eligible for protection under the statute's aegis. If the trademark's fame qualifies it as eligible under these standards, then the test is two-pronged: whether the allegedly diluting use began "after the mark has become famous;" and whether it "causes dilution of the distinctive quality of the mark."

The trademark owner should care about this result because dilution is what controls the rights of others who are not competitors to use the trademark owner's marks. Dilution is the theory which has, in the past, prohibited the use of CADILLAC on pet food, HERBROZAC on an herbal treatment for depression, and TIFFANY on a restaurant.

In *Moseley* the Supreme Court reversed the district court's summary judgment that the petitioners' strip mall retail store VICTOR'S LITTLE SECRET, which sells adult novelties and lingerie, dilutes the admittedly famous mark VICTORIA'S SECRET, holding that the trademark owner must prove actual dilution has taken place in order to be granted relief.

The Supreme Court observed the differences in the wording between the FTDA, which on its face prohibits actual "dilution of the distinctive quality of a trade name or trademark," and does not explicitly provide for relief for a "likelihood" of dilution, as most state statutes do. Thus it held that the plain meaning of the statute requires proof that dilution has already occurred. Unfortunately, the court gave no clues as to how to prove that actual dilution has occurred.

The nature of dilution is that of a gradual whittling away of the distinctiveness of a trademark such that the trademark loses meaning as a mark. A useful analogy is that of the gradual pollution of a lake or the gradual erosion of a hillside. Professor McCarthy has characterized dilution as "trademark death by a thousand bee stings." In considering these analogies, it is easy to see that, by the time a trademark owner can actually prove its trademark has been diluted, it is too late.

The Supreme Court noted that actual loss of sales or profits need not necessarily be shown, and it disapproved the Fourth Circuit's opinion in the *Ringling Bros. case* which held the opposite. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 439 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999)(THE GREATEST SNOW ON EARTH). Although the court suggested that, when marks are identical, a trademark owner can prove dilution through circumstantial evidence, it gave no example how to do so, and it gave no further guidance on this issue. The promise of prevailing on a FTDA count in the case of identical marks has therefore proven illusory.

Since *Moseley*, the lower courts have also not given any clearly definable categories of evidence which can prove actual dilution. Accordingly, in practice the Supreme Court's distinction between identical and nonidentical marks is meaningless, because plaintiffs have thus far failed to prove actual dilution under the FTDA. Some cases in the last year have found that dilution exists, but these are cursory opinions or the court has simply adopted the plaintiff's findings of fact. We are still awaiting a clear opinion involving contested facts where a court holds that actual dilution exists. And because the federal courts are back to applying the various state antidilution laws, the decisions are once again splintered.

Another issue *Moseley* raises is whether dilution by “tarnishment” is covered by the FTDA. In a concurring opinion in *Moseley*, Justice Stevens questioned whether dilution by tarnishment is in the statute, because the statute does not contain the common state statute dilution prohibition of “injury to business reputation.” This greatly surprised many trademark practitioners. Nevertheless, in the last year, there has been no stampede of district courts holding that tarnishment is not covered by the FTDA.

In light of the Supreme Court's decision in *Moseley*, a subcommittee of the U.S. House of Representatives' Committee on the Judiciary has held a hearing on proposed amendments to the FTDA. The proposed amendments include (1) clarifying that proving actual harm is not a prerequisite for injunctive relief, and (2) defining blurring and tarnishment. The suggested amendments also enumerate specific defenses to a dilution action, increase the threshold for the fame of a trademark while denying protection for marks that are famous only in niche markets, and specify that state remedies for dilution are not pre-empted. Witnesses testifying before the subcommittee included the president of the International Trademark Association, the chair of the American Bar Association Intellectual Property Section, the American Civil Liberties Union, and Eastman Kodak Company. At present, there is no pending legislation, however.

Notwithstanding *Moseley* or any legislation, there are still several unsettled areas in dilution law practice, even after *Moseley*. One such issue is what kind of “fame” it takes to qualify for protection, specifically, whether fame in a niche market alone or only in a specific geographic area is sufficient. The cases are in direct conflict. The Seventh Circuit has held that the design of a wire basket to hold funeral floral arrangement can qualify for protection because it is well known, albeit only in its industry. The Third Circuit has held that the name of a magazine famous only in the sports periodical industry, *Sporting News*, could qualify for protection. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 54 U.S.P.Q.2d 1577 (3d Cir. 2000), *cert. denied*, 531 U.S. 1071, 121 S. Ct. 760, 148 L. Ed. 2d 662 (2001). One Oregon court held that the owner of a mark that was famous in one-half a county in Oregon could enjoin another's mark on the basis of a state antidilution statute. ___ Fed. Supp. ___ (D. Ore. ___).

By contrast other decisions say such niche fame is not sufficient. For example, the federal district court for the Southern District of New York strongly rejected the plaintiff's argument that, although BEST SELLERS is a well-known trademark only in Boston, New York City, and Seattle, it should be granted broader protection under dilution law. ___ Fed. Supp. ___ (S.D.N.Y. ___).

Another issue on which the cases are split is the ability of a product design trade dress to be protected under a dilution theory.

The U.S. Trademark Office has recently held in *The NASDAQ v. Antartica, S.r.l.* that, in spite of *Moseley*, the FTDA permits it to deny registration of a mark which is based on a foreign application, where the mark is not yet in use in the U.S. (and therefore cannot actually have diluted the trademark owner's mark in the U.S.) ___ USPQ 2d ___ (TTAB 2004).

So what is a trademark owner to do? Turning to the cases, it is evident that, when dilution not found in a given case, it is often the result of the owner having practiced good brand management strategies, such as proper use of the mark (not as a noun), distinguishing the mark from other words, claiming ownership, and so forth.

In addition, when relying on dilution as a cause of action, it is important to consider the relevant state statutes because the language differs. If the language of an applicable state statute tracks the FTDA and the court interprets it by following *Moseley*, it will be no help. On the other hand, many state statutes require only a likelihood of dilution. And various state statutes only require that a mark be distinctive, not famous. In such cases, the protection can be expansive. Some federal courts have issued nationwide injunctions based on state statutes; however, the courts are split on the reach of a given state's statute. It is important to be realistic in one's expectations and to understand the diminished importance of dilution as a basis for relief. Trademark practitioners hope for greater clarity in the near future.