

The Still Blurry Standards for Proving Trademark Dilution

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In 2006, Congress passed the Trademark Dilution Revision Act, or “TDRA.” Hailed by some and criticized by others, the TDRA was widely expected to make it easier for the owners of famous trademarks to prevail in claims for trademark dilution. Unlike trademark infringement, which occurs when there is a likelihood of confusion between trademarks, dilution occurs when there is a “lessening of the capacity of a famous mark to identify and distinguish goods or services” and can occur through “blurring” or “tarnishment.” Dilution by “blurring” occurs when a famous mark becomes identified with more than one type of good, such as might occur if consumers encountered “Polaroid” shoes or “Rolls Royce” toothpaste. Dilution by “tarnishment” occurs when the mark is disparaged through association with a low quality or unsavory product, such as the use of the children’s game title “Candyland” with an adult website.

Prior to enactment of the TDRA, courts had split on whether the owners of famous marks had to prove “actual” dilution, or a “likelihood” of dilution. In 2003, the Supreme Court resolved the split in *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003), holding that proof of actual dilution was required. Speaking to concerns about the expense of “often unreliable” consumer surveys and other means of demonstrating actual dilution, the Court held that such direct evidence “will not be necessary if actual dilution can reliably be proved through circumstantial evidence.”

The Supreme Court’s holding left practitioners and trademark owners at a loss as to what kind of evidence sufficed to demonstrate actual dilution. Judge Posner, speaking for the befuddled masses, observed that “the Court did not explain and no one seems to know what that ‘circumstantial’ evidence might be.” *Ty Inc. v. Softbelly’s, Inc.*, 353 F.3d 528 (7th Cir. 2003).

Thus, the TDRA was expected to bring some much needed clarity to the question of what sort of proof was required to prevail in a dilution case. The TDRA provided that proof of actual dilution is not required, and that the owner of a famous and distinctive mark is entitled to injunctive relief against uses of the mark that are *likely* to cause dilution. 15 U.S.C. § 1125(c)(1).

While this legislation was expected to make things easier for the owners of famous marks, recent cases show that trademark dilution remains as unpredictable as ever. In *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 559 F. Supp. 2d 472 (S.D.N.Y. 2008), the famous coffee-maker brought suit against a coffee shop in New Hampshire that was using the trade name “Mr. Charbucks” on a coffee blend sold in-store and over the Internet. The original case was brought under the pre-TDRA dilution law, and the court found that Starbucks had not proven actual dilution. Congress passed the TDRA while the case was pending in the Second Circuit, leading the court to vacate the judgment and remand the case for further proceedings.

On remand, the district court found “Starbucks” mark both famous and distinctive, but it held that plaintiff had not demonstrated a likelihood of dilution. Perhaps most importantly, the court found that the marks, as used in the marketplace, were not substantially similar—that “Mr. Charbucks” was instead “playfully dissimilar” to the “Starbucks” mark. The court found “strong similarity” between “Starbucks” and “Charbucks,” but noted the importance of looking at the junior mark in the commercial context in which consumers are likely to encounter it. The court found that the addition of “Mr.” to the mark, coupled with significant differences in the products’ logos and packaging, were sufficient to distinguish the marks to the extent that the similarities did not rise to the level of dilution.

The court also found that the coffee shop intended to create an association with the “Starbucks” mark, but that such association was not likely to impair the mark’s distinctiveness. Indeed, the court felt that “Mr. Charbucks” was designed to signal that the product was a very dark roast and unlike the other products sold by defendant. However, given that the marks were not, in the court’s view, substantially similar, such an intended association was not found to be “indicative of bad faith or of an association likely to cause dilution by blurring.” The court cited Fourth Circuit authority for the proposition that where a junior mark parodies a famous mark but does not communicate that it is the senior mark, no blurring exists.

In contrast to the outcome in the *Starbucks* case, the Ninth Circuit’s take on the matter in *Perfumebay Inc. v. eBay, Inc.*, 506 F.3d 1165 (9th Cir. 2007), demonstrates reasoning much more favorable to senior mark holders. In *Perfumebay*, the well-known online auction site claimed that “Perfumebay” and “PerfumeBay” infringed and diluted the “eBay” mark. The Ninth Circuit noted that in internet search engine results, as well as in the domain name itself, the “perfumebay” mark completely incorporated the “eBay” mark. In addition, eBay offered survey evidence that consumers associated websites using the term “bay” with eBay, and the founder of Perfumebay admitted that the company had received calls from consumers asking if the site was associated with eBay.

Like the *Starbucks* court, the Ninth Circuit stressed the importance of evaluating the marks in the context in which they are typically seen by consumers—in this case, on the Internet. The court reasoned that the textual nature of the Internet limited the number of ways in which a junior mark could distinguish itself from the senior mark, and textual similarity should, in such a case, be accorded more weight as a result.

The Ninth Circuit also agreed with the *Starbucks* court in finding that the marks must be extremely similar for

a dilution claim to prevail, noting the TDRA’s emphasis on “the extent to which the marks are nearly identical and the strength of the senior mark.” However, the Ninth Circuit held that the trial court had applied the “nearly identical” standard too narrowly when finding the marks not similar enough to support a dilution claim. It further held that the eBay mark was so highly distinctive that consumers would be likely to see the Perfumebay mark as essentially the same as eBay’s mark, despite their notable differences.

In a third recent decision, the U.S. District Court for the Western District of Kentucky issued a final decision in the *Victoria’s Secret* case, 558 F.Supp.2d 734 (W.D. Ky. 2008)—the case that had gone all the way to the Supreme Court and lead Congress to amend the dilution laws. That case turned on whether defendant’s use of the marks “Victor’s Secret” and “Victor’s Little Secret” in connection with adult-oriented products diluted the famous “Victoria’s Secret” mark. In a puzzling decision, the district court there found that all factors under the TDRA for evaluating “blurring” supported plaintiff, but found the evidence insufficient to show that blurring was likely to occur. However, the court found that evidence that one individual was offended by defendant’s use of the mark supported a finding that dilution by tarnishment was likely to occur.

For practitioners, these cases are difficult to reconcile. For example, there is no reason why “Victor’s Secret” could not be viewed to be just as playfully dissimilar to “Victoria’s Secret,” as was “Mr. Charbucks” to the “Starbucks” mark. Similarly, many would find the marks at issue in *Starbucks* to be *more* similar than those in *eBay*. Also, the term “Charbucks” on its face would seem to evoke images of burnt coffee—an unsavory association tarnishing the plaintiff’s brand as did “Victor’s Little Secret.” And why the *eBay* court was persuaded by survey evidence that simply showed a mental association regarding the word “bay,” while the *Starbucks* court found similarly strong survey results insufficient to tip the balance, remains an open question.

If there is a lesson to be learned from these cases—other than the inherent unpredictability of proving something as vague and ephemeral as consumers’ mental associations—it is that the commercial context in which marks are actually used is critical. In the *Starbucks* case, for example, the Court discounted survey evidence that focused on the word “charbucks,” alone, when the mark actually used was “Mr. Charbucks” and was presented in connection with a distinctive logo. On the other hand, the context of *Perfumebay*—where consumers encountered the marks as mere strings of text on their computer screens—made much of the difference. For attorneys and experts crafting surveys, it is important to bear this contextual focus in mind, and to ensure that evidence of dilution reflects the marks as they are actually encountered in the marketplace. Finally, given the divergent outcomes and approaches in these cases, at least one thing has become clear: carefully consider venue before filing a dilution case.

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