

The Trademark Dilution Revision Act of 2005 Takes Actual Dilution To Task

BY RACHAEL G. SAMBERG*

Fenwick
FENWICK & WEST LLP

Three years ago, in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (“*Victoria’s Secret*”), the Supreme Court held that the Federal Trademark Dilution Act of 1995 (“FTDA”) requires holders of famous trademarks to demonstrate “actual”—rather than “likely”—dilution of their famous marks before they are entitled to injunctive relief against trademark dilution. Since *Victoria’s Secret*, owners of famous marks have faced an uphill battle to prove such “actual dilution.” Winning these battles has been challenging—but not impossible—for the holders of famous marks, particularly where the marks at issue are not identical.

On March 8, 2006, the Senate passed HR 683—The Trademark Dilution Revision Act of 2005—by unanimous consent. Intended to clarify Congress’ intentions on the issue of proof, HR 683 requires showing only that dilution is likely, not that it has occurred. If signed into law, HR 683 could significantly impact the availability of injunctive relief against trademark dilution.

Trademark dilution occurs when there is a “lessening of the capacity of a famous mark to identify and distinguish goods or services.” 15 U.S.C. § 1127. Because trademark holders rely on their marks to identify and differentiate their products from those of their competitors, a famous mark’s distinctiveness is critical to its advertising effectiveness. Dilution of a mark’s distinctiveness can occur in two principal ways. First, dilution by “blurring” occurs when the famous mark comes to identify more than one type of good. For example, if a junior user places the “Buick” mark on aspirin, over time “Buick” may come to identify both the car and aspirin. Second, dilution can occur through “tarnishment,” whereby the mark is disparaged by its association with a lower quality or unsavory product. If, for example, a junior user registers “ADULTS R US” for an internet site selling adult products, the advertising capacity of the “TOYS ‘R’ US” mark may be diminished. In this regard, and unlike traditional trademark protections,

anti-dilution laws redress the “whittling away of the value of a trademark” (*Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002))—and therefore are more akin to preventing trespass of absolute property rights in the marks, themselves, rather than the likelihood of confusion as to the marks’ source.

In 1995, Congress amended the Federal Trademark Dilution Act to make injunctive relief available against commercial use of famous marks where such use dilutes the marks’ distinctive quality. 15 U.S.C. 1125(c)(1); Lanham Act § 43(c)(1). To that end, Congress also set forth the factors for a mark to be considered “distinctive” or “famous” under the Act. *Id.* A split of authority soon developed between the Second and Fourth Circuits as to whether a holder of a famous mark had to prove *actual* dilution or simply the *likelihood* of dilution to be entitled to injunctive relief. The Fourth Circuit held that the trademark holder must prove “actual economic harm to the famous mark’s economic value.” *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999), *cert. denied* 528 U.S. 923 (1999). Conversely, the Second Circuit maintained that FTDA makes injunctive relief available proactively, so that dilution can be prevented before it occurs; thus, the holder of a famous mark need only demonstrate the *likelihood* of dilution to merit relief. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224-225 (2d Cir. 1999).

The Supreme Court granted certiorari in *Victoria’s Secret* to resolve this split of authority. Largely falling in line with *Ringling Bros.*, the Supreme Court held that proof of “actual dilution” is required for finding violation of the Lanham Act’s anti-dilution provisions. In *Victoria’s Secret*, the Moseleys opened a retail store in Elizabethtown, Kentucky called “Victor’s Secret.” Among other things, the store sold adult novelty items and toys. *Victoria’s Secret* asked the Moseleys to change the name of their store, and the Moseleys settled on “Victor’s Little Secret” but refused to compromise further.

Concerned about store's effect on the Victoria's Secret mark, Victoria's Secret brought an action for both trademark infringement and dilution. The district court granted summary judgment in Victoria's Secret's favor on the federal anti-dilution act claim, and the 6th Circuit affirmed.

Reversing and remanding, the Supreme Court held that the owner of a famous mark must demonstrate evidence that the challenged mark actually "causes dilution" (and not just a "likelihood of dilution") to merit relief under the FTDA. 537 U.S. at 433. This is not to say, however, that a trademark owner must produce evidence of actual economic loss, such as lost sales or profits. "Actual dilution" instead requires evidence of legally significant damage to the mark's distinctiveness, though not necessarily a quantifiable amount of damage or even economic harm. *Id.*

This decision left important questions unanswered: How long must the owner of a famous mark wait after junior use is made before he or she has amassed sufficient evidence of "actual dilution"? And, does waiting for the accretion of harm defeat the purpose of injunctive relief in the first place?

Indeed, *Victoria's Secret* may have raised more problems than it solved. For example, the Supreme Court also distinguished between the types of evidence required to show actual dilution when a junior user makes identical and non-identical uses of a mark. The Court held that where the junior mark is not identical, "actual dilution" requires evidence of something more than consumers' mere mental association of the marks with each other. *Id.* at 433. While the Court suggested that both consumer surveys and expert testimony might establish the direct evidence of actual dilution, it failed to clarify what *types* of information such surveys or testimony should yield, and *how much* damage to the marks would be required. The Court also held that where the junior user's mark is identical to the famous mark, "circumstantial" rather than "direct" evidence of actual dilution may support an actionable claim. *Id.* at 434. Yet, the Court failed to illuminate what "circumstantial evidence" might show *actual*, as opposed to *likely*, dilution, and whether the identical nature of the marks alone is enough.

As a result, there has been inconsistent jurisprudence with respect to the type and quantity of evidence necessary to establish "actual dilution." At least where the junior mark

is identical to the famous mark, many Circuits have held that the identical nature of the marks is, itself, adequate circumstantial evidence—no matter how comparatively insignificant the junior use is in commerce. *See, e.g. Savin Corp. v. Savin Group*, 391 F. 3d 439, 452 (2d Cir. 2004), *cert. denied* 2005 U.S. LEXIS 6048 (U.S. 2005); *Am. Honda Motor Co., Inc. v. Pro-Line Protoform*, 325 F. Supp. 2d 1081, 1085 (C.D. Cal. 2004). In the Seventh Circuit, however, Judge Posner stated in dicta that "the Court did not explain and no one seems to know what that 'circumstantial' evidence might be." *See Ty Inc. v. Softbelly's, Inc.*, 353 F.3d 528, 536 (7th Cir. 2003); *see also Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir. 2004), *cert. denied* 2005 U.S. LEXIS 3332 (U.S. 2005). Thus, even with respect to identical marks, the required evidence to prove "actual dilution" is far from consistent.

Where a junior user makes *non-identical* use of a famous mark, demonstrating "actual dilution" has presented an even greater challenge. A well-crafted consumer survey is likely the most effective tool presently at a trademark holder's disposal. Indeed, the U.S. government's amicus brief in *Victoria's Secret* detailed possible types of dilution surveys that could assist in proving actual dilution. *See* Brief for the United States as Amicus Curiae Supporting Petitioners in part, 2002 WL 1378840 (June 24, 2002). However, many surveys fail because they establish only consumers' association between two marks, rather than an actual lessening of the senior mark's distinctiveness. *See, e.g., Gateway, Inc. v. Companion Prods. Inc.*, No. Civ. 01-4096, 2003 U.S. Dist. LEXIS 21461 (D.S.D. Aug. 19, 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004). Others fail because of inadequate survey methodology. *See, e.g. Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 449-452 (S.D.N.Y. 2004). Still others fall short where the survey speaks only to the likelihood of confusion for infringement, but not to actual dilution. *See, e.g. Sullivan v. CBS Corp.*, 385 F.3d 772 (7th Cir. 2004). In fact, Judge Posner has skeptically queried whether any "question could be put to consumers that would elicit a meaningful answer." *Ty Inc.*, 353 F.3d at 535.

In many cases, no dilution survey evidence is presented whatsoever. Thus, only a handful of post-*Victoria's Secret* decisions have substantively addressed the strength of

survey evidence. In one of the few cases considering the weight of survey dilution evidence, the Ninth Circuit in *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1033 (9th Cir. 2004), found that a famous mark holder had introduced evidence of likelihood of dilution: the survey suggested participants' perception that the trademark holder sponsored or was connected with the banner ads at issue. *Id.* at 1026. However, given that the survey evidence intimated only a *likelihood* of dilution rather than *actual* dilution, the Ninth Circuit remanded so that discovery could be reopened on the dilution issue. *Id.* at 1034.

Such holdings may soon change if HR 683 becomes law. And in all events, even under *Victoria's Secret*, proof of "actual" dilution has not been impossible. Well-crafted surveys and astute expert testimony have helped in that regard and will remain useful tools in demonstrating dilution, whether such dilution is actual or likely.

*Rachael G. Samberg (rsamberg@fenwick.com) is an associate in Fenwick & West's San Francisco office. Her practice concentrates on intellectual property and complex commercial litigation.

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