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### *Federal Trademark Dilution Law Overhauled*

On Oct. 6, 2006, the president signed into law the Trademark Dilution Revision Act (TDRA), a significant revision of federal trademark law that is intended to clarify the protection afforded to “famous” marks under §43(c) of the Lanham Act, 15 USC §1125(c).

However, while it resolves a number of issues under the original statute, the TDRA creates numerous other issues, making it likely that dilution will remain a controversial and evolving aspect of trademark law.

#### Background

The enactment of the first federal trademark dilution law in 1995 was of major significance because dilution has historically been a controversial theory in trademark law, affording protection to famous marks in the absence of the likelihood of confusion that is required under traditional trademark infringement analysis. Some commentators said that dilution unnecessarily extended trademark owners’ rights at the expense of noninfringing marks or even free speech rights.<sup>1</sup> Others suggested that dilution protection is unnecessary because any mark famous enough to be entitled to protection from dilution would also be protected under likelihood of confusion analysis.<sup>2</sup>

In the 10 years since the federal dilution law was enacted, the worst fears of those opposed to dilution protection have not materialized. Indeed—perhaps owing to the historical skepticism of dilution—10 years of litigation have resulted in a number of additional barriers to the would-be dilution plaintiff, as well as many unsettled questions. Most significantly, in 2003 the U.S. Supreme Court held in *Moseley v. V Secret Catalogue* that a dilution plaintiff must establish “actual” dilution, in contrast to the “likelihood” of confusion required in a trademark infringement case.<sup>3</sup> This holding has created substantial questions regarding how actual



dilution can be shown, and has proved to be an almost insurmountable barrier to dilution claims.

Although the *Moseley* ruling was the impetus for the TDRA, the new law addresses not only *Moseley*, but also a number of other issues that have arisen over the past decade. While these changes promise to revive dilution as a meaningful device for trademark protection, they also create many new questions and issues for trademark owners and practitioners.

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Most significantly, the TDRA overrules *Moseley*’s requirement of “actual” dilution, and makes clear that relief is available before a famous mark is harmed. Under the new law, Lanham Act §43(c)—the principal dilution provision of the Lanham Act—now states that the owner of a “famous mark” can enjoin use of a mark “that is likely to cause dilution” of the famous mark, “regardless of the presence or absence of...actual economic injury.”<sup>4</sup>

The TDRA also makes clear that protection from dilution is afforded not only to famous marks that

are inherently distinctive (for example, arbitrary or coined marks), but also those are distinctive “through acquired distinctiveness.” This resolves by legislation a circuit split as to whether a mark that is famous but not inherently distinctive—that is, a descriptive mark that has achieved secondary meaning—is entitled to dilution protection.<sup>5</sup>

The new act defines a “famous mark” as one “widely recognized by the general consuming public of the United States as a designation of source of the goods or services.”<sup>6</sup> This definition is intended to eliminate the concept of “niche” fame among a narrow subset of purchasers, which was recognized in some cases.<sup>7</sup> The act also revises the factors to consider in determining fame, consolidating some of the prior statute’s factors and eliminating others. Significantly, omitted from the revised factors is “the degree of inherent or acquired distinctiveness of the mark” as well as “the nature and extent of the use of the same or similar marks by third parties,” both factors under the original dilution law.

As amended, §43(c)(2) specifies two categories of dilution, dilution by “blurring” and “tarnishment.” Although *Moseley* acknowledged that dilution law was intended to protect against uses that “blur the distinctiveness of the mark or tarnish or disparage it,” it did not identify the criteria that apply to determine whether blurring or tarnishment had occurred.<sup>8</sup> The TDRA defines “dilution by blurring” as “an association arising from the similarity” between a famous mark and the diluting mark “that impairs the distinctiveness of the famous mark,” and articulates six factors a court may consider in determining whether dilution by blurring is likely: (i) the degree of similarity between the diluting mark and the famous mark; (ii) the degree of distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaged in “substantially exclusive use of the mark”; (iv) the degree of recognition of the famous mark; (v) whether the defendant intended to create an association between it and the famous mark; and (vi) any actual association between the diluting mark and the famous mark.<sup>9</sup> The TDRA defines “dilution by tarnishment” as “an association arising from the similarity” between the famous mark and diluting mark “that harms the reputation of the famous mark,” but provides no factors to assess the likelihood of tarnishment.<sup>10</sup>

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In an amended provision regarding monetary relief, the TDRA permits recovery of profits, damages and costs, if the person against whom relief is sought (a) "willfully intended to trade on the recognition of the famous mark," or (b) "willfully intended to harm the reputation of the famous mark."<sup>11</sup>

The act also amends the defenses available in a dilution case. It lists as "not...actionable" uses such as "nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services," including in comparative advertising, parody, criticism or commentary. It retains the other exclusions provided for under the original dilution law, for "[a]ll forms of news reporting" and "[a]ny noncommercial use of a mark."<sup>12</sup>

Lastly, the act amends another defense, which originally provided that a defendant's federal trademark registration bars a state law dilution claim. The TDRA retains this defense but seemingly extends it to actions brought under federal dilution law, by providing that a federally registered mark is a "complete bar" to any action that "asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement."<sup>13</sup> These references to damage to the distinctiveness or reputation of a mark appear to correspond to, and apply to, the amended dilution law's categories of dilution by blurring and dilution by tarnishment.

## Issues Raised by the TDRA

Although it was intended to resolve various issues that have arisen in a decade of federal dilution litigation, the TDRA raises several noteworthy issues.

• **First**, because the statute defines "famous" and introduces a modified set of nonexclusive factors that courts "may" consider in determining fame, it is difficult to predict whether a given mark will be considered famous—although it appears that the field of potentially famous marks has been expanded. Thus, by clarifying that marks with acquired distinctiveness can be famous, the statute confirms that even descriptive marks with secondary meaning can be famous. Similarly, the elimination from the fame analysis of the extent of third party use suggests that even marks that are not particularly unique in the marketplace can be protected from dilution. Owners of such marks might have difficulty establishing dilution by blurring (which does take into account inherent distinctiveness and exclusivity of use), but such marks might at least pass the "famous" hurdle and be protected from tarnishment.

• **Second**, it is unclear how courts will apply trademark law's newest multifactor test, that for dilution by blurring. The somewhat similar, judge-made *Polaroid* factors for likelihood of confusion have been applied in various ways by the circuits, with some circuits applying an abridged test where, for example, the goods at issue compete.<sup>14</sup> It is conceivable that the circuits will similarly adopt

individual approaches to the blurring analysis in various circumstances. It is also conceivable that the courts will give more weight to some factors, such as the exclusivity of plaintiff's use of the mark, or the degree of similarity of the marks, than other factors. Courts might also look to other factors, given that the TDRA's factors are nonexclusive. And, it is unclear what weight the last blurring factor—any "actual association" between the defendant's mark and the famous mark—will carry. Will evidence of "actual association"—whatever that might be—be considered as significant as actual confusion sometimes is in infringement actions?

• **Third**, the new blurring factors could make Lanham Act litigation more complex. Thus, a dilution claim alone would implicate four or more factors to determine whether a mark is famous, and six to determine whether dilution by blurring has occurred. If a case also includes an infringement claim, then the court also would have to address eight or more *Polaroid* factors to determine likelihood of confusion (and, in some cases, six or more factors to determine secondary meaning). In the end, a trademark case could involve more than 20 factors to consider—some of which may overlap, but which may be relevant for different reasons.

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• **Fourth**, it is unknown how extensively dilution by tarnishment will be applied. The statute defines dilution by tarnishment, somewhat vaguely, as "association arising from the similarity between a mark and a famous mark that harms the reputation of the famous mark." It is unclear what "harms the reputation" means, or how likelihood of such harm will be proven.

• **Fifth**, the provision for monetary relief, 15 USC §1125(c)(5), is noteworthy. A dilution plaintiff who proves willfulness by defendant—an intent to trade on the reputation of the famous mark, or to harm the reputation of the famous mark—presumably would need to establish actual dilution or some other actual harm in order to recover "damages sustained by the plaintiff" under §35(a) of the Lanham Act. On the other hand, even a likelihood of dilution may suffice for recovery of defendant's profits under §35(a), provided that the requisite willfulness is established. This approach arguably is consistent with the rule, embraced by some circuits in infringement cases, that profits may be recovered for trademark infringement where the defendant acted in bad faith.<sup>15</sup>

• **Sixth**, while the amended statute expands the defenses that existed in the prior act, expressly excluding as "not...actionable" nominative and

descriptive fair use other than as a designation of source for the defendant's own goods or services, it does not specify whose burden it is to establish these defenses. Although fair use is typically viewed as an affirmative defense, some judges have suggested, at least in the infringement context, that it should be incorporated into the elements a plaintiff must establish.<sup>16</sup> The amended defenses provision also does not explain what is required in order to prove the presence or absence of "fair use."

• **Seventh**, the impact of the new §43(c)(6), which bars certain dilution claims against federally registered marks, is also unclear. As noted above, the amended statute leaves unchanged the bar on state dilution claims against federally registered marks, but also appears to bar even federal dilution claims against federally registered marks.<sup>17</sup> On the other hand, federal law continues to provide that a registered mark that is likely to cause dilution "may be canceled" pursuant to a cancellation proceeding under the Lanham Act.<sup>18</sup> Must the owner of a famous mark first obtain cancellation of a dilutive registered mark before bringing a dilution claim under 15 USC §1125? Or does the new §43(c)(6) not bar federal dilution claims at all, notwithstanding its apparent meaning?

## Conclusion

In sum, the new TDRA arguably creates as many questions as it was intended to answer. There can be little doubt, however, that it gives new life to an avenue of relief for trademark owners that was severely curtailed by the Supreme Court's *Moseley* decision.

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1. E.g., Kenneth L. Port, "The 'Unnatural' Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?," 18 Seton Hall Legis. J. 433, 434-35 & n.3 (1994).

2. E.g., Milton W. Handler, "Are the State Antidilution Laws Compatible With the National Protection of Trademarks?," 75 T.M.R. 269, 277 (1985); Port, *supra* n.1 at 459-60.

3. See 537 US 418, 433 (2003).

4. 15 USC §1125(c)(1).

5. Compare *Savin Corp. v. Savin Group*, 391 F.3d 439, 449 (2d Cir. 2004), with *Times Mirror Magazines, Inc. v. Las Vegas Sports News LLC*, 212 F.3d 157, 167 (3d Cir. 2000).

6. 15 USC §1125(c)(2).

7. See, e.g., *Times Mirror Magazines*, 212 F.3d at 164.

8. 537 US at 431 (citing H. R. Rep. No. 104-374, p. 1029 (1995)).

9. 15 USC §1125(c)(2)(B).

10. 15 USC §1125(c)(2)(C).

11. 15 USC §1125(c)(5).

12. 15 USC §1125(c)(3).

13. 15 USC §1125(c)(6).

14. See, e.g., *Express Servs., Inc. v. Careers Express Staffing Servs.*, 176 F.3d 183, 186 (3d Cir. 1999).

15. See, e.g., *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1270 (10th Cir. 2005).

16. See, e.g., *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 233 (3d Cir. 2005) (Fisher, C.J., dissenting).

17. 15 USC §1125(c)(6).

18. 15 USC §1052(f).