# The Federal Trademark Dilution Act Becomes the "Greatest Show on Earth"?

Professor Doris Estelle Long

Doris Estelle Long

The rush to judgment to enact the Federal Trademark Dilution Act (FTDA)[1], after only one hearing and few public comments, has resulted in a rash of inconsistent court decisions that have left trademark owners reeling, and Congress scrambling to fill the void.

The FTDA went into effect on January 16, 1996 and added a new Section 43(c) to the Lanham Act.[2] Section 43(c) granted the owner of a "famous and distinctive" mark the right to obtain an injunction (and, in the case of willful dilution, money damages) for the "commercial use" of a mark or trade name that begins "after the [complainant's] mark has become famous" so long as such commercial use "causes dilution of the distinctive quality of the [complainant's] mark."[3] The statute defined "dilution" as the "lessening of the capacity [of the mark] to distinguish goods and services, regardless of the presence or absence of … competition between the owner of the famous mark and other parties, or likelihood of confusion, mistake or deception."[4] The factors to consider in deciding whether such "blurring" has occurred were not listed, either in the statute or in its legislative history.

While numerous state dilution statutes used the terms "well-known" or "distinctive,"[5] the new Federal Dilution Act referred solely to "famous marks." It did not define what a famous mark was but it did list eight, non-exclusive factors to consider in deciding whether a mark was "famous and distinctive." They are:

1. the degree of inherent or acquired distinctiveness of the mark;
2. the duration and extent of use of the mark in connection with the relevant goods or services;
3. the duration and extent of advertising and publicity of the mark;
4. the geographical extent of the trading area in which the mark is used;
5. the channels of trade for the goods or services with which the mark is used;
6. the "degree of recognition of the mark" in the trading areas and channels of trade of both marks at issue;
7. the nature and extent of use of the same or similar marks by third parties; and
8. whether the mark has been federally registered on the Principal Registe[6]

The Federal Trademark Dilution Act did not preempt state dilution statutes or common law causes of action. It did, however, provide that once a mark receives a federal registration on the Principal Register of the U.S. Patent and Trademark Office, no state dilution statute or common law cause of action can be used to prohibit the use of such federally registered mark on the grounds of dilution. To the contrary such registration serves as a complete bar to any such protection.[7]

Despite the relationship between dilution, federal registration and state dilution causes of action, Section 2 of the Lanham Act[8] governing the bases for refusing registration, was not amended by the FTDA. This failure was cited by the Trademark Trial and Appeal Board to support its decision in *Babson Bros. Co. v. Surge Power Corp.*,[9] denying a motion to add dilution as a grounds for opposition. Thus, famous mark owners are currently precluded from challenging the attempted or continued registration of a diluting mark before the USPTO.[10]

In view of the paucity of statutory guidelines under the FTDA, courts have split over virtually every issue faced by a famous mark owner seeking relief under the statute. Most importantly, courts have currently provided inconsistent answers to the seminal questions (a) what qualifies as a "famous" mark under the statute, and therefore qualified to be protected against dilution of its distinctive nature; and (b) what is required to prove that actionable dilution has occurred.

There is presently no consistent test for determining whether a particular mark is a famous one under the FTDA. Although, as noted above, the statute provides a non-exclusive eight factor test, some courts have virtually ignored these factors, focusing instead on the existence of a federal registration to establish fame.[11] Some courts have found fame if a mark is well-known in a particular industry or geographic region. Under this analysis, "famous" status has been extended to marks such as WAWA for convenience store services[12] and [city] Gazette for local newspapers.[13] Other courts have found fame if the mark has acquired distinctiveness.[14] More recent decisions seem to indicate that some type of national reputation is required before dilution protection will attach. Thus, in *Breuer Electric Manufacturing Co. v. The Hoover Co.*,[15] the court declined to protect the TORNADO mark for vacuum cleaners where the evidence did not demonstrate "a degree of recognition sufficient to be considered famous … outside the narrow market for commercial vacuums and floor cleaning."[16]

In one of the most recent cases to examine the strength of a mark required before it could be considered sufficiently "famous" under Section 43 (c), the First Circuit in *I.P. Lund Trading ApS. & Kroin v. Kohler*,[17] required a greater showing of strength and distinctiveness than is required for trademark infringement. Despite the fact that "in the world of interior design and high-end bathroom fixtures [plaintiff's faucet design] is renowned,"[18] this was not sufficient to establish fame under the Circuit's heightened test.

The effect of a federal registration for the accused mark on the determination of fame has been inconsistent. Some courts, however, have cited the presence of such registrations as a basis for rejecting plaintiff's claim of fame.[19]

Courts are also in conflict over so fundamental an issue as the test to apply to determine whether actionable dilution has occurred. Most courts apply a "likelihood of dilution" standard.[20] In deciding "likelihood of dilution" under the FTDA, these courts, including particularly the Second Circuit, examine likelihood-of-confusion-type factors to decide whether dilution by blurring is likely to occur.[21] (These factors are often referred to as "Sweet Factors" after Judge Sweet who first proposed their use in a New York state anti-dilution case, *Mead Data Central Inc. v. Toyota Motor Sales USA, Inc.*)[22] Despite the fact that Section 43(c) specifically states that likelihood of confusion is not required for relief, some courts applying the "likelihood of dilution" test have denied relief where no evidence of some type of "product diverting consumer confusion" has been shown.[23] The First Circuit in *I.P. Lund*.[24] has recently rejected the use of these "Sweet factors" in deciding federal trademark dilution. Although the author applauds this decision for the same reasons cited by the court, the rejection of these factors has added yet another level of uncertainty in the application of the FTDA.

Perhaps the development which has introduced the most significant element of uncertainty into federal dilution analysis is *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*.[25] In Ringling Bros. the Fourth Circuit recently rejected a likelihood of dilution analysis under the FTDA. Instead, it required proof of actual dilution. The Fourth Circuit expressly rejected both the Sweet factors and application of a likelihood of dilution test, as being contrary to the express statutory language of the FTDA. Focusing on the fact that the statute refers to marks which "cause dilution" (as opposed to those that are "likely to cause dilution"), the court insisted: "The [FTDA] proscribes and provides remedy only for actual, consummated dilution and not for the mere "likelihood of dilution" proscribed by state statutes."[26] Consequently, the Fourth Circuit required not merely proof of a sufficient similarity in the challenged marks to establish an "instinctive mental association" of the two marks by the relevant consumers, but also evidence that this similarity is "the effective cause of … an actual lessening of the senior mark's selling power, expressed as 'its capacity to identify and distinguish goods or services.'"[27]

The new element of uncertainty interjected by the court in *Barnum & Bailey* has also made the presence of a federal trademark registration for an accused mark an issue of dire concern. By raising the bar of protection from likelihood of dilution to actual dilution, *Barnum & Bailey* has made it less likely that relief for dilution will be granted under the FTDA. The initial impact of this decision may be to increase the filing of state claims for dilution (where the standard remains the lesser "likelihood of dilution"). But it threatens to have a much more dire effect for those cases where the defendant has a federal registration. Under Section 43(c)(3), such claims are barred.[28] Thus, owners of famous marks in those states that fall within the jurisdiction of the Fourth Circuit may be precluded from obtaining relief against diluting uses if the defendant's mark has been federally registered.

Despite the myriad of problems posed by the inconsistent standards used under the FTDA, Congress is currently focusing its efforts only on correcting the perceived harm created by the inability to challenge the registration (or continued registration) of a potentially diluting mark. HR 1526, introduced by Representative Howard Coble on April 27, 1999, amends Section 2 of the Lanham Act[29] by adding a final sentence that provides: "A mark which when used would cause dilution under Section 43(c) may be refused registration only pursuant to a proceeding brought under section 13. A registration for a mark which when used would cause dilution under section 43(c) may be cancelled pursuant to a proceeding brought under either section 14 or section 24."[30] It also makes technical amendments to Sections 13, 14 and 24 to conform these sections to the addition of dilution as a grounds for opposition and cancellation procedures.

Hearings on the bill indicated strong early support. The International Trademark Association and the American Intellectual Property Law Association both spoke in favor of the bill at a May 5th hearing.[31] Even the Acting Commissioner of Patents and Trademarks, Q. Todd Dickinson, supported the amendment at least in principal.[32] Despite what appears to be early initial acceptance of including the Trademark Trial and Appeal Board in efforts to clarify the meaning of dilution under the FTDA, passage of the bill is by no means assured. Recently, the Intellectual Property Law Section of the ABA declined to support such an amendment, questioning the efficacy of exposing the Board to expanded duties in light of the present lack of clarity in federal dilution doctrines. Given this lack of agreement among the trademark bar, it is not certain whether H.R. 1565 will pass during this session. Thus, even a mark owner's ability to challenge the registration (or continued registration) of a diluting mark remains the subject of heated debate. Until the courts (or Congress) agree on the standards against which federal dilution is to be judged, owners of famous marks will have to continue to play a guessing game.

Professor Long is an Associate Professor at The John Marshall Law School. She currently serves as the Chair of the Federal Trademark Legislation Committee of the Intellectual Property Section of the American Bar Association and is the author of a resolution in support of amending the Lanham Act to permit opposition and cancellation proceedings on the grounds of dilution.

[1] Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified generally at 15 U.S.C. §§ 1125(c) & 1127).

[2] 15 U.S.C. §1125(c).

[3] 15 U.S.C. §1125(c).0

[4] 15 U.S.C. § 1127.

[5] See, e.g., N.Y. Gen. Bus. Law § 360-1; Cal. Bus. & Prof. Code § 14330; 765 Ill. Comp. Stat. Ann. §1035/15.

[6] 15 U.S.C. § 1125(c).

[7] 15 U.S.C. (1125(c)(3).

[8] 15 U.S.C. §1052.

[9] 39 USPQ2d 1953 (TTAB 1996).

[10] Owners should still be able to challenge such registration in court actions, since Section 37 grants courts jurisdiction to "determine the right to registration, order the cancellation of registrations ... and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C. § 1119.

[11] See, e.g., *Hershey Foods Corp. v. Mars, Inc.*, 998 F. Supp. 500, 520 (M.D. Pa. 1998); *Star Markets Ltd .v Texaco*, 950 F. Supp. 1030 (D. Hawaii 1996).

[12] *Wawa Inc.* v. *Haaf*, 40 USPQ2d 1629 (E.D. Pa. 1996), aff'd per curiam, 116 F.3d 471 (3d Cir. 1997).

[13] *The Gazette Newspapers Inc. v. The New Paper Inc.*, 934 F. Supp. 688 (D. Md. 1996).

[14] *The Gazette Newspapers Inc. v. The New Paper Inc*, supra.

[15] 48 USPQ2d 1705 (N.D. Ill. 1998).

[16] Id. at 16. See also *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*, 33 F. Supp.2d 488 (E.D. Va. 1999)(fame among competitors and speakers insufficient).

[17] 163 F.3d 27 (1st Cir. 1998).

[18] Id. at 47.

[19] See, e.g., *Star Markets Ltd .v Texaco*, 950 F. Supp. 1030 (D. Hawaii 1996).

[20] This standard appears in most state anti-dilution statutes. See statutes cited in note 6 supra.

[21] See, e.g., *Clinique Laboratories Inc. v. DEP Corp.*, 945 F. Supp. 547 (S.D.N.Y. 1996). Under the FTDA courts have decided that dilution under the statute includes both dilution by blurring and tarnishment. See, e.g., *Hormel Foods Corp. v. Jim Henson Products, Inc.*, 73 F.3d 497 (2d Cir. 1996). Courts have generally defined "blurring" as the unauthorized use of a mark which "rais[es] the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's goods or services." *Deere & Co. v. MTD Products*, 41 F3d 39, 43 (2d Cir. 1994). Tarnishment occurs when a trademark is "linked to products of shoddy qualify, or is portrayed in an unwholesome or unsavory context with the result that the public will associate that lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." *Hormel Foods Corp. v. Jim Henson Products, Inc.*, 73 F.3d 497, 507 (2d Cir. 1996).

[22] 875 F.2d 1026 (2d Cir. 1989). The six factors are (1) the similarity of the marks; (2) the similarity of the products covered by the marks; (3) the sophistication of the relevant consumers; (4) predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark. Although Mead Data was decided under the New York state dilution statute, prior to the enactment of the FTDA, the Second Circuit has adopted its reasoning in analyzing claims brought under the FTDA. See, e.g., *Clinique Laboratories Inc. v. DEP Corp*, supra..

[23] See, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp*, 937 F. Supp. 204 (S.D.N.Y. 1996).

[24] 163 F.3d 27 (1st Cir. 1998). See also *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999)(discussed in greater detail infra).

[25] 170 F.3d 449 (4th Cir. 1997).

[26] Id. at 458.

[27] Id. See also *American Cyanamid Co, v. Nutraceutical Corp.,1999 U.S. Dist.* LEXIS 9156 (D. N.J. 1999)(adopting the Fourth Circuit's actual dilution test).

[28] 15 U.S.C. § 1125(c)(3).

[29] 15 U.S.C. § 1052.

[30] HR 1565, 106th Congress at Section 1 (1999). ). Section 13 (15 U.S.C. § 1063) concerns oppositions to proposed registration on the Principal Register. Section 14 (15 U.S.C. § 1064) concerns petitions to cancel registrations on the Principle Register. Section 24 (15 U.S.C. § 1092) concerns petitions to cancel registrations on the Supplemental Register. (Applications for registration on the Supplemental Register may not be opposed. Id.).

[31] See Statement of the International Trademark Association on H.R. 1565 (May 5, 1999)(Kim Miller); Statement of the American Intellectual Property Law Association on H.R. 1565 (May 5, 1999)(Michael Kirk).

[32] Statement of Q. Todd Dickinson, Acting Assistant Secretary of Commerce and Acting Commissioner of Patents and Trademarks at 1 (May 5, 1999). Acting Commissioner Dickinson, however, also indicated that internal PTO studies indicate that 36% of the opposition and cancellation proceedings filed last year could have included a dilution claim and expressed concern over the administrative burdens that would be entailed in examining so many claims. Id. at 1.