

Unit 17 CB 715-727
Unit 18 CB 740-764

C. FEDERAL DILUTION

1. WORD MARKS

A note on the *Mead Data* test:

Mead Data (per Sweet) reviewed the Second Circuit's anti-dilution cases, and articulated a six-step analysis for considering the likelihood of dilution caused by blurring:

a) similarity of the marks

marks in question "must be 'very' or 'substantially' similar and ... absent such similarity, there can be no viable claim of dilution."

b) similarity of the products covered by the marks

Where the products sold under the marks in dispute are alike, there is a greater likelihood that blurring will occur in the mind of the consumer. For example, in *Toys R Us*, 559 F. Supp. at 1208, the court found that "the similarity of the children's products [toys and clothing] sold by the stores" led to a conclusion that the marks would blur the senior user's product identification.

c) sophistication of consumers

Blurring is less likely where the consumers of Plaintiff's product are sophisticated.

d) predatory intent

Predatory intent "requires a showing that the junior user adopted its mark hoping to benefit commercially from association with the senior mark."

e) renown of the senior mark

Having a famous mark is important for two reasons. First, the degree of fame or national notoriety which the senior mark possesses affects the "mental associations consumers make between the two marks, which in turn bears upon the likelihood of blurring." *Mead Data*, 875 F.2d at 1038. Second, "a plaintiff possessing a nationally famous mark needs to focus less on other factors, such as similarity of the products or sophistication of the consumers, to establish blurring."

f) renown of the junior mark.

Where the fame of the junior mark is non-existent, the likelihood of finding dilution by blurring is minimal.

This leads to slightly odd results: minor incursions are ok, big ones are not. (And we ignore predictions as to effects in the future!)

~~[715] Ringling Bros.-Barnum & Bailey Combined Shows, Inc. V. B.e. Windows Corp. 937 F. Supp. 204 (S.D.N.Y. 1996)-- case deleted via supp.~~

[719] **Ringling Bros.-Barnum & Bailey Combined Shows, Inc. V. Utah Division of Travel Development** 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999)

(This is the seminal case on whether the FTDA requires proof of actual damage, and if so how to show it. It's partly--but only partly--overtaken by the Supreme Court's recent *Victor's Secret* decision.) (Note also that now this case might be decided by *College Savings Bank* [496]?)

Issue: State of Utah's commercial use of its trademark slogan, THE GREATEST SNOW ON EARTH

CA4 decides FTDA requires "actual harm" for dilution claim:

“dilution” under the federal Act consists of (1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) actual harm to the senior mark's economic value as a product-identifying and advertising agent.

Issue: how to prove ‘harm’? Three approaches to date. [720]

One, pre-federal act, "harm could only be shown by evidence of some form of product-diverting consumer confusion (presumably other than source confusion)"-- which isn't do-able when you have to prove a *future* effect.

Two, *Mead Data* approach. This assumes

- (1) that likelihood of harm to selling power must be proved, and
- (2) that harm CAN occur despite the absence of any consumer confusion,

Three, some courts accept harm CAN'T be proved, or even shown inferentially, so accept "that it may simply be presumed from the identity or sufficient similarity of the marks." (citing as example *Ringling Bros. v Celozzi-Ettelson Chevrolet*).

State statutes require ‘likelihood’ of dilution, reducing need for firm proof.

[720-21]Federal statute, unlike state ones,

provides remedy only for actual, consummated dilution and not for the mere “likelihood of dilution” proscribed by the state statutes. And, by specifically defining dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services,” the federal Act makes plain what the state statutes arguably may not: that the end harm at which it is aimed is a mark's selling power, not its “distinctiveness” as such

we therefore interpret the Act,¹ in general agreement with the district court, as requiring for proof of “dilution” (1) a sufficient similarity between the junior and senior marks to evoke an “instinctive mental association” of the two by a relevant universe of consumers which (2) is the effective cause of (3) an actual lessening of the senior mark’s selling power, expressed as “its capacity to identify and distinguish goods or services.”

this is a "stringent interpretation" of the act!

. . . Ringling argues that though the Act does not literally proscribe mere “likelihood of dilution” in the manner of state antidilution statutes, that is its intended meaning. And, from that the argument implicitly runs that merely future harm could be much more easily proved (or judicially presumed?) than can the actual, consummated economic harm that the district court’s interpretation requires be independently proved.

The literal parsing argument for mere threatened, future economic harm focuses on the word “capacity” in the Act’s definition of “dilution” as the “lessening of the capacity of a famous mark to identify and distinguish goods or services.” 15 U.S.C. §1127. “Capacity,” the argument runs, necessarily imports futurity; it means in this context the ability of a mark continuously over future time to “identify and distinguish,” even if it has not yet suffered any lessening of that ability. We cannot accept that interpretation as a matter of the Act’s plain meaning. We think it is belied both by the word’s ordinary intrinsic meaning and

¹The Federal Trademark Dilution Act of 1995 (“FTDA”), **15 U.S.C. §1125(c) [LANHAM ACT §43(c)]** (c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to –

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade of the mark’s owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) the existence of a registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. §1127 [LANHAM ACT §45]

The term “dilution” means the lessening of the **capacity** of a famous mark to identify and distinguish goods or services regardless of the presence or absence of –

- (1) competition between the owner of the famous mark and other parties, or
- (2) likelihood of confusion, mistake, or deception.

by its use in context. One can surely speak expressly of “present capacity,” or of “future capacity,” or of a “former capacity,” but unless it is so temporally modified or otherwise given its intended temporal meaning, the word is neutral in that respect. In context here, it is plain that the “capacity” spoken of is “former capacity.”

On the facts, CTA upholds the DCT’s reading of the survey evidence.

The survey results showed that in Utah (1) 25% of the respondents completed the statement THE GREATEST _____ ON EARTH with only the word “show” and associated the completed statement with the Circus; (2) 24% completed the statement with only the word “snow” and associated the completed statement with Utah; and (3) 21% of respondents completed the statement with “show” and associated the result with the Circus and also completed the statement with “snow” and associated the completed statement with Utah. The survey further showed that outside of Utah (1) 41% of respondents completed the statement THE GREATEST _____ ON EARTH with only the word “show” and associated the completed statement with the Circus; (2) 0% completed the statement with only the word “snow” and associated the completed statement with Utah; and (3) fewer than 0.5% of respondents completed the statement with “show” and associated the result with the Circus and also completed the statement with “snow” and associated the completed statement with Utah.

This, it says, shows there is no dilution! (1) more folks in Utah associate slogan with circus than outside Utah (use not dilutive!) and (2) almost everyone shown ‘Greatest Show on Earth’ understood it meant circus not snow.

Thus, CTA4 **holds** the *Mead* factor analysis is NOT appropriate for FTDA analysis. [723] (accord CTA1).

So, how *do* you prove a FTDA claim?

three general means are available. [1] Most obviously, but most rarely, there might be proof of an actual loss of revenues, and proof of replicating use as cause by disproving other possible causes. [2] Most obviously relevant, and readily available, is the skillfully constructed consumer survey designed not just to demonstrate “mental association” of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred. [3] Finally, relevant contextual factors such as the extent of the junior mark’s exposure, the similarity of the marks, the firmness of the senior mark’s hold, are of obvious relevance as indirect evidence that might complement other proof.

Q: But how different *is* [3] from the *Mead* factors really???

A: Not at all, but it’s only an indirect "complement" to "other proof" rather than sufficient alone

NB what’s missing from above analysis

- predatory intent (which seems to be relevant under § 43(c)(2) giving \$ damages for willful dilution.

Reception of CTA4 view was mixed; SCT sorted it out in V. Secret

Accord in 1st and 5th, but...7th rejected it in *Eli Lilly* [724]

and, 2nd Cir, *Nabisco* court, also had its doubts:

The broader reading of the Fourth Circuit's "actual, consummated" dilution element would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction. We recognize that the language of the statute gives some support to this reading, in that it uses the formulation, "causes dilution," rather than referring to "likelihood of dilution." *Ringling Bros.*, 170 F.3d at 464. In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute. Notwithstanding the use of the present tense in "causes dilution," it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs. To read the statute as suggested by the Ringling opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), see 15 U.S.C. § 1125(c)(2), such injury would never be compensated. The Ringling reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after. That is why Nabisco sought declaratory relief as soon as Pepperidge Farm objected. If the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined. We are not at all sure that the Ringling opinion intends to limit the application of the statute to dilution that has actually occurred, as opposed to the narrower reading discussed above relating to manner of proof. In any event, we read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred.

6th Cir then joined circuits which rejected 4th Cir view in *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 59 (6th Cir.(Ky.) Jul 30, 2001) (D's use of "Victor's Little Secret" mark for lingerie and adult toy business both blurred and tarnished the Victoria's Secret mark)...which led to SCT's reversal in...

Moseley v. V Secret Catalog (US 2003) [Supp @ 80]

Question presented: "whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective 'likelihood of dilution' standard) is a requisite for relief under the FTDA."

Short answer: Yes

Why?

Note that there is no debate here that Victoria's Secret is "famous". Thus the case does not help us resolve how much renown is required to benefit from the statute. That's for another day.

D's advertisement for VICTOR'S SECRET was seen by 3rd party who was offended and complained to P. [Note: he *wasn't* confused, was he?]. D changed name to "Victor's Little Secret" but P filed suit anyway.

Four claims in complaint:

- (1) trademark infringement alleging that petitioners' use of their trade name was "likely to cause confusion and/or mistake in violation of 15 U.S.C. § 1114(1)";
- (2) unfair competition alleging misrepresentation in violation of § 1125(a);
- (3) violation of the FTDA, alleging that D's conduct was "likely to blur and erode the distinctiveness" and "tarnish the reputation" of the VICTORIA'S SECRET trademark.
- (4) trademark infringement and unfair competition in violation of the common law of Kentucky.

DCT held "no likelihood of confusion exists as a matter of law" and entered summary judgment for petitioners on the infringement (1 & 4) and unfair competition (2 & 4) claims.

On (3) DCT found for P.

Reasoning from the premise that dilution "corrodes" a trademark either by "blurring its product identification or by damaging positive associations that have attached to it," the court first found the two marks to be sufficiently similar to cause dilution, and then found "that Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark." CTA affirmed, but also considered whether P's mark is "distinctive,"² and whether relief could be granted before dilution has actually occurred.

state statutes, like several provisions in the federal Lanham Act, repeatedly refer to a "likelihood" of harm, rather than to a completed harm. The relevant text of the FTDA, quoted in full in note 1, *supra*, provides that "the owner of a famous mark"

²The court rejected the argument that Victoria's Secret could not be distinctive because "secret" is an ordinary word used by hundreds of lingerie concerns. The court concluded that the entire mark was "arbitrary and fanciful" and therefore deserving of a high level of trademark protection"

is entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "*causes dilution* of the distinctive quality" of the famous mark. [15 U.S.C. § 1125\(c\)\(1\)](#) (emphasis added). **This text unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.**

Note carefully:

This conclusion is fortified by the definition of the term "dilution" itself. That definition provides:

"The term 'dilution' means the lessening of the capacity of a famous mark to identify and

distinguish goods or services, regardless of the presence or absence of--

"(1) competition between the owner of the famous mark and other parties, or

"(2) likelihood of confusion, mistake, or deception." [§ 1127](#).

The contrast between the initial reference to an actual "lessening of the capacity" of the mark, and the later reference to a "likelihood of confusion, mistake, or deception" in the second caveat confirms the conclusion that actual dilution must be established. **Of course, that does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved.** To the extent that language in the Fourth Circuit's opinion in the *Ringling Bros.* case suggests otherwise, see [170 F.3d, at 460-465](#), we disagree. We do agree, however, with that court's conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution.

So, what do you have to show? Actual dilution, but not consequences of dilution? What's that?

SCT says, basically, surveys or maybe "actual dilution can reliably be proven through circumstantial evidence--the obvious case is one where the junior and senior marks are identical". Suggests that there is a very high burden of proof when marks are NOT identical, maybe much lower when they are???

NOTE: What are the implications of this decision for opposition to a TM application based on the allegedly dilutive effects on opposer's mark?

What about opposition to an ITU?

The 4th Cir, says the Supreme Court, expressly rejected the holding of the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development*, 170 F.3d 449 (1999). In that case, which involved a claim that Utah's use on its license plates of the phrase "greatest snow on earth" was causing dilution of the "greatest show on earth," the court had concluded "that to establish dilution of a famous mark under the federal Act requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of

consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services."

SCT reverses. Starts with source of dilution protection:

SCT then contrasts federal to state law. Notes legislative history:

Unlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers. The seminal discussion of dilution is found in Frank Schechter's 1927 law review article concluding "that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."

SCT notes that roots are in protection of very distinct, indeed coined or arbitrary, marks. Not regular words used in regular ways.

The committee's report stated that the "purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion." As examples of dilution, it stated that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.*, at 1030. In the Senate an identical bill, S. 1513, 104th Cong., 1st Sess., was introduced on December 29, 1995, and passed on the same day by voice vote without any hearings. In his explanation of the bill, Senator Hatch also stated that it was intended "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it," and referred to the Dupont Shoes, Buick aspirin, and Kodak piano examples,

Court questions whether "tarnishment" is actionable under federal statute, noting "contrast between the state statutes, which expressly refer to both "injury to business reputation" and to "dilution of the distinctive quality of a trade name or trademark," and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA. "

But, is that dicta? [Yes, but pretty strong hint.]

Actual *holding* is that SCT says that statutory text decides actual harm requirement.

Justice Kennedy concurred, noting that he'd be considerably more willing to allow injunctions to prevent foreseeable blurring and tarnishment.

. When a competing mark is first adopted, there will be circumstances when the case can turn on the probable consequences its commercial use will have for the famous mark. In this respect, the word "capacity" imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be

diminished could suffice to show dilution. Capacity is defined as "the power or ability to hold, receive, or accommodate." Webster's Third New International Dictionary 330 (1961); see also Webster's New International Dictionary 396 (2d ed. 1949) ("Power of receiving, containing, or absorbing"); 2 Oxford English Dictionary 857 (2d ed. 1989) ("Ability to receive or contain; holding power"); American Heritage Dictionary 275 (4th ed. 2000) ("The ability to receive, hold, or absorb"). If a mark will erode or lessen the power of the famous mark to give customers the assurance of quality and the full satisfaction they have in knowing they have purchased goods bearing the famous mark, the elements of dilution may be established.

Diminishment of the famous mark's capacity can be shown by the probable consequences flowing from use or adoption of the competing mark. This analysis is confirmed by the statutory authorization to obtain injunctive relief

QUESTIONS:

A. What does this mean for very large companies facing a very small company? Does it mean that the *Nabisco* horrors quoted above are correct?

B. In light of this decision, would you advise a client that the FTDA does, or doesn't, protect against tarnishment?

P. 726, Q. 3 Is lack of renown of D a relevant defense if D is a startup user of the mark?
Clinique Labs says

In a motion such as this, however, where plaintiff seeks a preliminary injunction against a company which has just entered the market, this factor will always weigh in favor of the junior user because the junior mark will never be famous. Notably, Judge Sweet, in *Mead Data*, cited no precedent in support of the proposition that the renown of the junior mark is a factor in a blurring analysis. See *Mead Data*, 875 F.2d at 1038-39 (Sweet, J., concurring). At such an early stage of a product launch, it is just as possible that a junior mark may swallow up a senior mark, causing dilution, as it is that the sophistication of the senior mark's consumers will minimize the impact of any new mental associations with the junior mark, thereby causing no dilution. Either analytical path requires speculation. Rather than speculate, or mechanically weigh a factor in favor of a junior user, this "factor" should not be included in a dilution analysis involving the launch of a new product.

...

How would you rule on this issue in light of *Moseley v. V Secret Catalogue*?