Dilution, part 3
Unit 18 CB 740-766

Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500 (M.D. Pa. 1998). [740]
Hershey, maker of REESE's Peanut Butter Cup and REESE'S PIECES candies, sued Mars, maker of M&M's Peanut Butter candy, claiming that a portion of the REESE's orange, yellow and brown trade dress was famous under section 43(c)(1) and was being diluted by the M&M's similarly colored packaging.

Factors favoring D (heavily):
"G" - lots of people use the trade dress at issue. The Court argues (correctly, I'd say, but in an unconvincingly conclusory manner) that since this is a factor in the statute, §43(c), the court doesn't need to ask whether other uses create confusion. (I'd say, the court might want to ask whether these other uses have associations, even if not confusing.)

H - P's trade tress is not federally registered. This counts against fame.

But that's just two factors. Why does D win?
A: Weighing factors isn't arithmetic {equity again!}.

Note that here the analysis turned on the "fame" of P's use, or lack of it. There is a real lack of uniformity on this issue, as explored in the notes on pp. 742-43.

[743] **I.P. LUND TRADING ApS v. KOHLER CO.** 163 F.3d 27 (1st Cir. 1998)

D copied P's design -- more or less -- for a faucet, but sells it with D's mark prominently displayed on it.

DCT found D's faucet design (treated as trade dress) did not infringe P's faucet design but did deserve an injunction under the FTDA. The DCT also found that P's faucet design was not inherently distinctive, but had acquired secondary meaning (and indeed was 'famous'), but that there was no confusion.

The First Circuit here rejects the use of what it calls the "Sweet factors" (what we call the *Mead* factors) as the test for dilution "and instead require[s] an inquiry into whether target customers will perceive the products as essentially the same."

Argues there are constitutional concerns about application of the FTDA to a dilution claim against a competing product which does not confuse consumers.

Held, FTDA applies to trade dress and designs.

FTDA applies even when there is no customer confusion (as to source)
But only "distinctive and famous" marks are protected. ie "prominent and renowned" [745]
And even then, have to show dilution -- which is hard.

Here, although there is distinctiveness, secondary meaning, there's no (super-)fame in the design.

> national renown is an important factor in determining whether a mark qualifies as famous under the FTDA. Although the district court found that "in the world of interior design and high-end bathroom fixtures, the VOLA is renowned," *Lund I,* 11 F. Supp. 2d at 126, and that the faucet has been featured and advertised in national magazines and displayed in museums, whether the VOLA's identifying design is sufficiently famous to qualify for the FTDA's protection is far from clear. In light of the rigorous standard for fame, we find that Lund has not met its burden of showing likelihood of success.

As to dilution

- Since this design could have been the subject of a design patent, that suggests it's not the sort of thing FTDA drafters had in mind [747]
  - where the mark at issue is the design of the product itself, dilution hinges upon "whether target customers are likely to view the products [i.e., the marks] 'as essentially the same."
- This is an attempt to enjoin a competitor rather than a classic non-competing dilution case.

[not even all states allow dilution claims against competitors, cf. 747 bottom]

in particular, in competing goods case, merely showing loss of sales is not probative of dilution (it's caused by competition...., duh)

NB! McCarthy criticism of used of "sweet factors" [748]

> The *Sweet* factors have been criticized by both courts and commentators for introducing factors that "are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution by blurring." 3 McCarthy §24:94.1. The six Sweet factors are: "1) similarity of the marks 2) similarity of the products covered by the marks 3) sophistication of consumers 4) predatory intent 5) renown of the senior mark [and] 6) renown of the junior mark." *Mead Data,* 875 F.2d at 1035 (Sweet, J., concurring). McCarthy urges that only the first and fifth of Judge Sweet's factors—the similarity of the marks and the renown of the senior mark—are relevant to determining whether dilution has occurred. *See* 3 McCarthy §24:94.1;

<u>What's the constitutional issue here???</u> [749] Seems to be that *if* Congress were allowing matter that *could* be subject to a design patent to instead be entitled to a (perpetual) TM/dilution protection, that would violate the 'limited time' provision of the constitution. ("Kohler has raised serious constitutional concerns, saying that this use of the FTDA against a competing product essentially gives a perpetual monopoly to product design, a perpetual monopoly prohibited by the Patent Clause.")

[not the world's greatest argument, imho....especially after the *Eldred* decision last year]

[750] **NABISCO, INC. v. PF BRANDS, INC.**191 F.3d 208 (2d Cir. 1999)

Held, Nabisco's use of an orange, bite-sized, cheddar cheese-flavored, goldfish-shaped cracker (as part of a tie-in promotion of a Nickelodeon Television Network television production) dilutes the distinctive quality of Pepperidge Farm's mark consisting of an orange, bite-sized, cheddar cheese-flavored, goldfish-shaped cracker.

DCT found that each of the six *Mead Data* factors weighed in favor of a finding of dilution, and concluded that Pepperidge Farm had proven a likelihood of success on the merits of its dilution claims under both federal and state law.

> We understand the FTDA to establish **five** necessary elements to a claim of dilution: (1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark.

Issues here are (2) & (5).

> It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element. The operative language defining the tort requires that "the [junior] person's … use … cause[] dilution of the distinctive quality of the [senior] mark." 15 U.S.C. §1225(c)(1). There can be no dilution of a mark's distinctive quality unless the mark is distinctive. Furthermore, the statute lists factors to be considered in determining "whether the mark is distinctive and famous." *Id.* Clearly both qualities are required.

[How can a mark be famous but not distinctive? "Many famous marks are of the common or quality-claiming or prominence-claiming type--such as American, National, Federal, Federated, First, United, Acme, Merit or Ace. It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. "[754]]

Must consider factors:
(a) **distinctiveness**
-statutory element
-degree of distinctiveness of sr. mark bears on whether jr. use will dilute. The stronger the mark, the more the risk

The mark in this case is less distinctive than a coined mark or fanciful shape. "A fish shape has no logical relationship to a cheese cracker." But animals are commonly used for kid products/foods.

(b) [756] **similarity of the marks**
must have similarity or cannot dilute
(here, there's lots)

(c)[757] Proximity of the shortcuts and likelihood of bridging the gap.
CA2 holds that competing product CAN dilute! Indeed, in some cases proximity may be necessary

to dilution (lack of it would not create the association to a weak mark) [WHAT DOES THIS DO TO FAME REQUIREMENT?

(d) inter-relationship of (a)-(c)

(e) shared consumers and geographic limitations
if two sets of consumers never see both then there is no dilution

BUT NOTICE THAT THIS IGNORES FUTURITY! What about the danger of future dilution? You might say that the court here anticipated *Victor's Secret*'s focus on *actual* harm but we can't say that, see below at [761] where the court says no showing of actual harm is required.

(f) sophistication of consumers

must include analysis of post-sale as well as POS uses of mark

(g) actual confusion

(h) adjectival or referential quality of jr. use – would be ok to put fish sign in front of a fish store. [759]

(i) harm to jr. user and delay by sr. user
(j) sr. users prior laxity in protecting mark

NO need for proof of actual harm - hard to prove anyway [761] eg. revenue may grow despite dilution.

NB q. 5 p 764.