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COMMITTEE PRINT TO AMEND THE FEDERAL TRADEMARK DILUTION ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

OF THE

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COMMITTEE PRINT TO AMEND THE FEDERAL TRADEMARK DILUTION ACT

THURSDAY, APRIL 22, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:03 a.m., in Room 2141, Rayburn House Office Building, Hon. Lamar S. Smith (Chair of the Subcommittee) presiding.

Mr. SMITH. The Subcommittee on Courts, the Internet, and Intellectual Property will come to order. Today's hearing is on the committee print to amend the Federal Trademark Dilution Act. I will recognize myself for an opening statement, then the gentleman from California, the Ranking Member.

Let me say to our witnesses and those in the audience that we are not going to be unduly hasty this morning, but we are going to try to expedite just because there is a Judiciary Committee bill that will be on the House floor, I am guessing around 11 o'clock and we would like to have time to hear all the witnesses and ample time for Members to ask questions, as well. And I will recognize myself, as I say, for an opening statement.

We communicate through words and symbols on a daily basis. The trademark for our favorite product or service immediately broadcasts its presence to the world. The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public, including the source, quality, and good will of a product or a service. Unfortunately, there are those in both commercial and non-commercial settings who would seize upon the popularity of a trademark for their own purposes and at the expense of the rightful owner and public.

Dilution refers to conduct that lessens the distinctiveness and value of a mark. This conduct can debase the value of a famous mark and mislead the consuming public.

This Subcommittee wrote the Federal Trademark Dilution Act, or FTDA, during the 104th Congress. The act created additional and necessary protection for trademarks that was available for the first time on a national scale. While I believe that most policy makers, trademark scholars, and affected businesses would argue that the FTDA has functioned well since its passage, it is important for our Subcommittee to exercise its oversight prerogative and review the act's operation.

For instance, has the recent Supreme Court ruling on the FTDA, the *Mosely* decision, compromised the property rights of trademark owners, or has the law, as one of our witnesses will testify, conferred too much power on trademark holders at the expense of free speech?

While review of the entire dilution statute is in order this morning, I hope that this Subcommittee and our witnesses will concentrate on the committee print before us. The primary components of the print include the following.

Subject to the principles of equity, the owner of a famous distinctive mark is entitled to an injunction against any person who commences use in commerce of a mark that is likely to cause dilution by blurring or tarnishment. The print specifies that injunctive relief is appropriate, even if there is no actual or likely confusion among the public, competition between the owner and the person, or actual economic injury to the owner.

A mark may only be famous if it is widely recognized by a general consuming public in the United States as a source designation of goods or services of the mark's owner. In determining whether a mark is famous, a court is permitted to consider, quote, "all relevant factors," end quote, in addition to prescribed conditions set forth in the print, including the duration, extent, and geographic reach of advertising and publicity of the mark.

The print defines dilution by blurring as association arising from the similarity between a source designation and a famous mark that impairs its distinctiveness. Again, a court is permitted to consider all relevant factors in determining the presence of blurring.

Specific factors that provide guidance in this regard include the degree of similarity between the source designation and the famous mark, the degree of inherent or acquired distinctiveness of the famous mark, and the degree of recognition of the famous mark.

The print further defines dilution by tarnishment as association between a source designation and a famous mark arising from their similarity that harms a reputation of the famous mark.

The committee print enumerates specific defenses to a dilution action: Fair use and comparative commercial advertising to identify the competing goods, non-commercial use of source designation, and all forms of news reporting and news commentary.

Finally, the owner of a famous mark is only entitled to injunctive relief under the committee print unless in an action based on dilution by blurring the defendant willfully intended to trade on the famous mark's recognition or, in an action based on dilution by tarnishment, the defendant willfully intended to trade on the famous mark's reputation. In either case, the owner may also seek damages, costs, and attorneys' fees.

Substantial portions of the committee print are based on the existing FTDA, but there are conspicuous differences between the texts. Under the committee print and in response to the *Mosely* decision, actual harm is not a prerequisite for injunctive relief. The definitions of blurring and tarnishment are new. The committee print also expands the threshold of fame and thereby denies protection for marks that are famous only in niche markets, which represents a deviation from case law in some circuits.

Finally, the committee print specifies that State remedies for dilution are not preemptive.

We have a very interesting subject today and an excellent roster of witnesses who can speak on the merits of dilution and so we look forward to their testimony. With that, I will recognize Mr. Berman, the Ranking Member.

Mr. BERMAN. Thank you, Mr. Chairman, and thank you for scheduling this oversight hearing to discuss the committee print to amend the Federal Trademark Dilution Act.

It has been over 8 years since the passage of that act and sufficient time has passed to analyze the effects of the Dilution Act on trademark law. We did a preliminary analysis 2 years ago when we held a hearing on the Dilution Act in which we discussed proposed legislation to change the standard from actual dilution to likelihood of dilution. A much shorter bill than this one, its goal was to resolve the conflict between the circuits about the standard for dilution. That bill was held up for various reasons, including that the Supreme Court finally took a dilution case in an attempt to resolve the conflict. We are back here today because some believe the conflict has not been resolved.

In 1995, the Federal Trademark Dilution Act was passed in order to protect, quote, "famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it," end of quote. As a result of varying State dilution laws, the purpose was to bring uniformity and consistency to the protection of famous marks. However, a significant split developed among the courts in the interpretation of key elements of the Dilution Act.

Last year, the Supreme Court took the step to resolve the controversy in its decision in *Mosely* v. *Victoria's Secret Catalog*. The Supreme Court interpreted the legislative intent of the Dilution Act to require demonstration of actual dilution based on the wording in the statute that the use would cause dilution. However, they did not require proof of lost sales or profits. The Court questioned whether dilution by tarnishment was covered by the act, as there was no specific reference to the theory within the language of the act.

If we were to maintain an actual dilution standard as the Supreme Court suggests, a number of issues arise, including how would one prove actual dilution without demonstrating lost profits? Furthermore, the classic view of dilution by blurring is that the injury caused by dilution is the gradual diminution or whittling away at the value of the famous mark, or as Professor McCarthy analogizes, it is like being stung by 100 bees where significant injury is caused by the cumulative effect, not just one.

So then how do we determine that one small use can blur the distinctiveness of a famous mark, and at that point, is it already too late? The committee print before us today makes a number of changes to the act, the most notable being the clarification of the standard of dilution from actual to one of likelihood of dilution. Actual harm would no longer be a prerequisite to injunctive relief.

In addition, the amendments include a clear reference to dilution by tarnishment. Furthermore, it elucidates the definition of fame by providing a list of factors, and also eliminates the protection of marks famous only in a niche market.

I appreciate the expressed need to impose a more lenient standard. A likelihood of dilution standard would no longer unfairly require the senior user to, one, wait until injury occurs before bringing suit, or secondly, face the threat that the senior user failed to actively protect their marks. It would also allow new companies to seek a declaratory judgment that their mark does not dilute, which would prevent unnecessary expenditures in the launch of their products. However, I am not convinced that a likelihood of dilution standard combined with the other amendments in the committee print do not create an aura of over-protectionism.

When establishing the Federal Dilution Act, we memorialized a doctrine that protects the property interest in a trademark, not just the typical infringement goal which is designed to protect the public from confusion. Are we now creating a situation which provides a zone of exclusivity for a trademark? One of our goals is to maintain the balance between fair competition and free competition to keep the economy working at a reasonable rate of efficiency and competitiveness. With passage of a lesser standard, will we, in essence, create a trademark protection which translates to a property right en grosse?

Furthermore, I am concerned how, if at all, this will affect First Amendment and Free Speech issues. Subsequent to the hearing this Subcommittee held on the Dilution Act in February of 2002, the ACLU voiced concerns relating to stifling critics with the potential weapon of an injunction for a mere likelihood of tarnishment. They are concerned with the balance between the rights of trademark holders and the First Amendment.

I am interested in hearing further about these issues and why these concerns may not be addressed in the exemptions for fair use in advertising, non-commercial use, and news reporting provided for in the act, or in the alternative, what is included in this legislation to specifically protect that freedom.

I look forward to hearing from the witnesses to shed light on why the standard needs to be changed and how the legislation would affect balance in the economic market, trademark litigation, and free speech forums.

I look forward to working with you, Mr. Chairman, to further evaluate the act and the changes recommended at today's hearing. I yield back.

Mr. SMITH. Thank you, Mr. Berman.

Our first witness is Jacqueline Leimer, who is testifying on behalf of the International Trademark Association, or INTA. Ms. Leimer is President of INTA and also serves as Chief Counsel, Global Trademarks for Kraft Foods Global, Incorporated. Before joining Kraft, Ms. Leimer was a partner in the Chicago law firm of Kirkland and Ellis. She received her B.A. and J.D. degrees from Valpraiso University.

The next witness is Mr. Robert Sacoff, who is testifying on behalf of the American Bar Association. Mr. Sacoff chairs the ABA's Intellectual Property Law Section and is a partner in the law firm of Pattishall, McAuliffe, Newbury, Hilliard, and Geraldson. In addition to having served on the boards of the American Intellectual Property Law Association and INTA, Mr. Sacoff lectures exten-

sively on trademark law. He earned his A.B. degree from Notre Dame and his J.D. from Northwestern.

Our third witness is Marvin Johnson, who serves as Legislative Counsel for the American Civil Liberties Union, where he focuses on First Amendment issues. Before relocating to Washington, Mr. Johnson worked as Executive Director of the ACLU chapter in his native Wyoming. Mr. Johnson earned his B.S. and J.D. degrees from the University of Wyoming.

Our final witness is David Stimson, the Chief Trademark Counsel for Eastman Kodak, where he has worked since 1986. Before joining Kodak, Mr. Stimson was a partner in the New York firm of Rogers, Hoge, and Hills. He received his B.A. from Hamilton College and his J.D. from the University of Cincinnati.

Welcome to you all. We have your written statements, and without objection, the entire written statements will be made a part of the record.

Ms. Leimer, we will begin with you.

STATEMENT OF JACQUELINE A. LEIMER, PRESIDENT, INTERNATIONAL TRADEMARK ASSOCIATION

Ms. LEIMER. Good morning, Mr. Chairman. Thank you for holding today's hearing.

Perhaps the easiest way to realize the value of trademarks is to imagine a world without them. How would we decide what food to buy, whose services to use, or how to differentiate the medicines prescribed by our doctors? Trademarks tell us what we like, what is safe, and what represents quality. They are an important part of everyday life, and for this reason, the law protects against trademark infringement, the use of trademarks in a manner that confuses or deceives consumers.

Next, I ask you to think about those marks, relatively few in number, that are so well known that they have become a cultural icon. They come to mind without the slightest hesitation and inspire what leading trademark scholar Jerry Gilson has called abundant goodwill and consumer loyalty. These are famous marks, and in 1996, the Federal Trademark Dilution Act was enacted to provide them with additional protection.

There are two widely accepted types of dilution. The first is blurring, a reduction in the distinctiveness of the famous mark, its ability to identify goods or services as originating from a particular source. The second is tarnishment of a famous mark's reputation. In a dilution case, the court can enjoin a junior use that blurs or tarnishes a famous mark even when there is no infringement.

A Federal dilution remedy has played an important role in protecting famous trademarks. It helped to stem the tide of cyber squatting during the earliest days of online commerce and stopped uses like "Adults-R-Us," an obvious play on Toys-R-Us, from being used as a source for sexually explicit material.

In spite of these successes, there remain a number of dilution-related issues on which the courts are split and the language of the statute led the Supreme Court in its *Mosely* decision to rule that proof of actual harm is required in a dilution case, a decision that does not account for the need to prevent dilution at its incipiency before the effectiveness and reputation of the famous mark is lost.

INTA has therefore come to the conclusion that the FTDA is in need of revision.

Because the dilution remedy can be applied regardless of infringement, we suggest that it be available only to a narrow class of marks, specifically, those marks that are widely recognized by the general consuming public of the United States. This should be explicit in the statute. Non-exclusive factors are a useful guide in determining whether a mark meets the standard and the committee print sets forth what those factors might be.

The statute should also expressly provide that famous marks are protected from the likelihood that they will be diluted. This standard permits a famous mark owner to prevent dilution at its incipiency and not have to wait until the mark is damaged beyond repair.

We further recommend that the dilution statute be revised to make it clear that there are two distinct causes of action, one for likelihood of dilution by blurring and one for likelihood of dilution by tarnishment. In each case, there should be no liability unless the famous mark owner can prove a likely association between its mark and the junior use based on the similarity between the two marks. With respect to tarnishment, a plaintiff should have to demonstrate that this likely association would harm the reputation of the famous mark.

In a case of blurring, the plaintiff should also demonstrate that the likely association would, over time, impair the distinctiveness of the famous mark. Where the famous mark and junior use are identical, this should not be difficult to do. Not so clear, however, is what analysis should take place when the famous mark and the junior use are not identical. To remedy this, a revised statute should provide a list of non-exclusive factors for a court to use in rendering a decision. Again, the committee print details what those factors might be.

A revised statute should also preserve the First Amendment defenses in the current FTDA. These defenses have worked well. To further protect free speech rights, we suggest that the plaintiff in a dilution case be required to demonstrate that the defendant is using the challenged mark as a designation of source for its own goods or services. In other words, he is using the challenged mark as his own trademark. This requirement will protect fair uses of a famous mark and safeguard all legitimate parody and satire, even if that parody and satire appear in a commercial context.

This concludes my opening statement. I thank the Subcommittee for the opportunity to testify. I would be pleased to answer your questions.

Mr. SMITH. Thank you, Ms. Leimer.

[The prepared statement of Ms. Leimer follows:]

PREPARED STATEMENT OF JACQUELINE A. LEIMER

I. INTRODUCTION

Good morning, Mr. Chairman. My name is Jacqueline A. Leimer. I am chief counsel, global trademarks for Kraft Foods Global, Inc. and serve as president of the International Trademark Association (INTA). As do all INTA officers, board members and committee members, I serve INTA on a voluntary basis.

INTA supports revision of the Federal Trademark Dilution Act (FTDA)[1] and encourages Congress to enact legislation that will provide greater clarity regarding protection afforded under the statute, better define the standard of proof for dilution, and strengthen protection for free speech interests. INTA's support for revising the FTDA in this manner comes after a nine-month comprehensive study of dilution law that was undertaken by a select committee of trademark experts. My predecessor as INTA president, Kathryn Barrett Park, organized the select committee after the U.S. Supreme Court decision in *Moseley* v. *V Secret Catalogue, Inc.*,[2] in which the court addressed a number of dilution issues, particularly the standard of proof for a dilution claim. I was honored to have chaired the select committee in my capacity then as the executive vice president of INTA.

INTA is a 126-year-old not-for-profit organization comprised of over 4,300 members. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes both manufacturers and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. INTA has a long history of making recommendations to the Congress in connection with federal trademark legislation, including: the Trademark Law Revision Act of 1988 (TLRA),[3] the Anticybersquatting Consumer Protection Act of 1999,[4] the Trademark Law Treaty,[5] and the Madrid Protocol Implementation Act.[6]

II. HISTORY OF THE FTDA

INTA was also a prime advocate for passage of the FTDA, which became law on January 16, 1996.[7] The association believed that a federal dilution statute was needed to protect famous marks because "[t]hey are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use."[8]

The FTDA affords protection that is different from trademark infringement protection. Dilution does not rely upon the standard test of infringement, that is, the likelihood of confusion, deception, or mistake. Rather, the FTDA provides equitable relief to the owner of a famous mark against another person's commercial use of a mark or trade name that lessens the "distinctive quality of the [famous] mark,"[9] "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."[10] The statute also sets forth criteria that a court should consider in determining whether a mark is famous; establishes an injunction as the primary form of relief; and provides statutory defenses to a dilution claim.[11] In 1999, Congress granted holders of famous trademarks the right to oppose a trademark application or cancel a trademark registration based on dilution of their marks.[12]

III. THE NEED FOR REVISION OF THE FTDA

Since its adoption in 1996, the FTDA has served a valuable role in protecting famous trademarks. For example, during the earliest days of online commerce, before Congress passed the Anticybersquatting Consumer Protection Act, the FTDA helped to stem the tide of the registration and trafficking in Internet domain names with the bad-faith intent to benefit from another's trademark. At the same time, however, after more than eight years, there remain open questions and courts are divided on a number of key dilution-related concepts regarding the intent of Congress when it adopted the FTDA. For example:

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[1] Pub. L. No. 104–98, 109 Stat. 505 (1995).
[2] 123 S. Ct. 1115 (2003).
[3] *See* 134 Cong. Rec. S. 16974 (daily ed. Oct. 20, 1988) (Statement of Sen. DeConcini).
[4] *See, e.g.,* S. Rep. No. 106–140, 106th Cong. 1st Sess. (1999) (relying on statements by INTA's president, made before the Senate Judiciary Committee).
[5] *See* H.R. Rep. No. 412, 106th Cong. 1st Sess. (1999).
[6] *See* Cong. 126 Rec. S. 9690 (daily ed. October 1, 2002) (Statement of Senator Leahy).
[7] *See* H. Rep. No. 104–879, 104th Cong. 2nd Sess. (1997) (noting use of testimony from INTA's executive vice president).
[8] The United States Trademark Association (predecessor to the International Trademark Association), "The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors," 77 Trademark Rep. 375, 455 (1987).
[9] 15 U.S.C. § 1125(c).
[10] 15 U.S.C. § 1127.
[11] 15 U.S.C. § 1125(c).
[12] Pub. L. No. 106–43.

1. What is a famous mark? Some courts have opted to be more "discriminating and selective"[13] in terms of what is protectable, while others have defined fame more broadly.[14] In particular, should marks that are famous only in a "niche" market and, therefore, well known only to a select class or group of purchasers, or in a limited geographic region, qualify as "famous" within the meaning of the present statute? This too is an unsettled question.[15]
2. Does the FTDA only protect famous marks that are inherently distinctive, or does it also cover famous marks that have acquired distinctiveness, *i.e.*, gained secondary meaning over time?[16] In trademark parlance, "distinctiveness" refers to the ability of a mark to identify goods or services as originating from a particular source—either immediately (as in the case of inherently distinctive marks) or only after a significant period of time or investment (as in the case of marks with acquired distinctiveness).
3. Whether tarnishment is covered under the FTDA was a question posed by the Supreme Court in *dicta* in the *Moseley* decision. This comment was based on the statutory language "dilution of the distinctive quality of the famous mark," which, in the view of the court, might not go to injury to the reputation of a famous mark, the underlying concept of dilution by tarnishment.[17] Notwithstanding this question, tarnishment, along with blurring, has long been and is still regarded by trademark scholars as one of the "two different dimensions" of dilution.[18]
4. Finally, what is dilution and how does a famous trademark owner go about proving it? In *Moseley*, the Supreme Court held that the FTDA requires proof of actual harm and that consumers' mere mental association between the famous and challenged marks, whatever its effect on the famous mark, is generally insufficient to establish such harm, particularly when the marks in question are not identical.[19] But, as I will explain later, this holding is problematic, as it does not account for the need to prevent dilution at its incipiency, before the effectiveness and reputation of the mark is lost.

These and other key questions, Mr. Chairman, should be answered through a revision of the FTDA, and not by forum shopping or waiting for further costly litigation to provide us with a solution. Congress should take the opportunity to better focus the application of the federal dilution statute, while at the same time clarifying the meaning of the harm the statute aims to prevent, as well as the manner in which a dilution claim is proven.

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[13] *I.P. Lund Trading ApSand Kroin Inc.* v. *Kohler Co and Robern, Inc.,* 163 F.3d 27, 46 (1st Cir. 1998).

[14] *See, e.g., Nabisco, Inc.* v. *PF Brands, Inc.,* 191 F.3d 208, 215 (2d Cir. 1999) (The term "fame" is used in an "ordinary English language sense" in the FTDA.); *Gazette Newspapers, Inc.* v. *New Paper, Inc.*, 934 F. Supp. 688, 690 (D. Md. 1996). In the *Gazette* case, "the court applied the FTDA to protect the use of 'Gazette' in only two counties in Maryland. The court failed to recognize, however, that there are at least seven major newspapers around the country that use 'Gazette' in their titles." Paige Dollinger, "The Federal Trademark Anti-Dilution Act: How Famous is Famous?" at *http://www.kentlaw.edu/honorsscholars/2001Students/writings/dollinger.html#—ftnref66*, citations omitted.

[15] Cases supporting niche fame, *see, e.g., Advantage Rent-A-Car, Inc.* v. *Enterprise Rent-A-Car*, 238 F.3d 378, 381 (5th Cir. 2001) ("Enterprise needed only to show that its 'We'll Pick You Up' mark is famous within the car rental industry, not in a broader market."); *Thane Int'l, Inc.* v. *Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002) ("We are bound by *Avery Dennison*, 189 F.3d 868 (9th Cir. 1999), to accept and apply the niche fame concept."). Not in support of niche fame, *see, e.g., TCPIP Holding Co.* v. *Haar Comms.*, Inc., 244 F.3d 88, 99 (2d Cir. 2001) (It is unlikely that "Congress intended to grant such outright exclusivity to marks that are only famous in a small area or segment of the nation."); *I.P. Lund Trading ApSand Kroin Inc.* v. *Kohler Co and Robern, Inc.*, 163 F.3d 27 (1st Cir. 1998).

[16] *See, e.g., TCPIP Holding Co.* v. *Haar Comms., Inc.,* 244 F.3d 88, 95 (2d Cir. 2001) (ruling that protection under the FTDA is limited to famous marks that are inherently distinctive); *Avery Dennison Corp.* v. *Sumpton*, 189 F.3d 868, 877 (9th Cir. 1999) ("We reject appellant's argument that the distinctiveness required for famousness under the Federal Trademark Dilution Act is inherent, not merely acquired distinctiveness."); *Times Mirror Magazine, Inc.* v. *Las Vegas Sporting News LLC*, 212 F.3d 157, 167 (3d Cir. 2000) (holding that marks that have acquired distinctiveness are eligible for protection under the FTDA).

[17] 123 S. Ct. 1115, 1124 (2003).

[18] 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* δ24:67, at 24–128 (4th ed. 2003). *See also* 2 Jerome Gilson, *Trademark Protection and Practice* § 5A.01[2], at 5A–7 (Rel. 50-December 2003).

[19] *Moseley* v. *V Secret Catalogue, Inc.,* 123 S. Ct. 1115, 1124 (2003).

IV. REVISING THE FTDA

Below are the principles underlying INTA's recommendation for a revision of the FTDA. To help the subcommittee in its review, I have divided these recommendations into four categories: "Qualifications for Protection," "Blurring and Tarnishment," "Safeguarding Free Speech," and "Relief and Preemption."

A. Qualifications for Protection

INTA believes that fame should remain the critical requirement to qualify for federal dilution protection. As Jerome Gilson, a leading U.S. trademark law expert has stated, these marks inspire "abundant good will and consumer loyalty . . . and federal dilution law protects the substantial investment necessary to advertise and promote the mark."[20]

A revised dilution statute should expressly state that famous marks with inherent or acquired distinctiveness are eligible for protection, because at least one circuit court of appeals has found enough ambiguity in the current statute to exclude famous marks with acquired distinctiveness[21] and because a designation that "has achieved trademark status only through the acquisition of secondary meaning is certainly capable of acquiring a greater degree of distinctiveness and achieving the status of 'famous' mark."[22]

While INTA believes that fame should remain the threshold needed in order to qualify for protection under a federal dilution statute, we do suggest that a revised statute should be more explicit as to what marks qualify as "famous." INTA recommends that Congress define the scope of fame as being limited to marks, whether or not they are registered with the U.S. Patent and Trademark Office, that are "widely recognized by the general consuming public of the United States." This standard does narrow the set of marks that would qualify for federal dilution protection. But, in our opinion, it is an appropriate step. This new standard would help to alleviate the "contradictory and inconclusive"[23] nature of the existing statutory language and legislative history on this issue, which has led to inconsistent decision-making and discomfort among some judges who feel compelled to render a finding of fame even though the mark in question is well known to a limited number of people. It will ensure that the broad protections against dilution provided for in the statute are available only to the select class of marks for which improper associations would be most damaging.[24] In addition, we believe this standard would also allow smaller companies to use marks in their businesses without undue restriction.

Under the proposed standard, marks that are famous in a niche product or service market or that are recognized only in a limited geographic region will not qualify for federal dilution protection. State dilution laws and, in appropriate cases, infringement and unfair competition statutes, such as § 43(a) of the Lanham Act, will afford adequate protection of the senior user's mark in these cases.

INTA considers non-exclusive factors to be a useful guide to mark owners and the judiciary in determining whether a mark is famous. The current FTDA fame factors that a court may consider are, but are 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 used by the marks' 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

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[20] 2 Gilson, *supra* note 18, § 5A.01[4][a], at 5A–10.

[21] *TCPIP Holding Co.* v. *Haar Comms., Inc.,* 244 F.3d 88, 95 (2d Cir. 2001).

[22] 4 McCarthy, *supra* note 18, § 24:91.1, at 24–166 (commenting on existing FTDA) (citation omitted).

[23] *Id.,* δ24:112.1, at 24–273.

[24] Dilution cases are not limited by similarities of the goods, or confusion, or other marketplace factors. "[A] dilution injunction . . . will generally sweep across broad vistas of the economy." *Mattel, Inc.* v. *MCA Records, Inc.*, 296 F.3d 894, 905 (9th Cir. 2002).

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.[25]

INTA proposes that the existing fame factors be simplified and replaced as follows:

(A) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;

(B) the amount, volume, and geographic extent of sales of goods or services offered under the mark; and

(C) the extent of actual recognition of the mark.

The first and second factors reflect traditional concepts of marketplace recognition that courts have applied for decades and incorporate some of the existing factors. The third factor, "the extent of actual recognition of the mark," is meant to incorporate survey evidence, market research such as brand awareness studies, and even unsolicited media coverage.

Some of the factors contained in the current statutory test are omitted from INTA's proposal. For the most part, their absence stems from the fact that they are already accounted for in the definition itself, or are, in our view, not relevant to the issue of fame. For example, since INTA's proposed definition of fame specifies that the mark must be "widely recognized by the general consuming public of the United States," the current factors dealing with the geographic extent of use and recognition in the junior user's trading area and channels of trade are no longer necessary. Because the mere existence of a registration is really not relevant at all to the question of fame, we suggest that it be omitted as well.

B. Blurring and Tarnishment

In INTA's opinion, famous marks should be expressly protected by statute from the likelihood that they will be either blurred or tarnished. A revised statute should be clear on what constitutes a likelihood of dilution by blurring and what constitutes likelihood of dilution by tarnishment.

1. The Incipient Nature of Dilution

First, why should *likelihood* of dilution be actionable as opposed to *actual* dilution? This question was at the heart of the *Moseley* case. In its decision, the Supreme Court ruled, "the text [of the FTDA] unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."[26] In particular, the court cited Section 43(c)(1) of the Lanham Act, which provides that "the owner of a famous mark" 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.[27] The court did, however, hold that proof of actual dilution does not require a showing of the economic consequences of dilution, such as lost sales or revenues.[28]

INTA submits that a dilution cause of action should not require an actual, provable change in the way consumers think about the famous mark. This approach, which the Supreme Court adopted based on the language of the existing FTDA, does not account for the need to prevent dilution at its incipiency, the core concept underlying the dilution remedy. In the opinion of INTA, the owner of a famous mark should be able to obtain an injunction against the first offending use, even if that use has not yet resulted in provable damage to the mark. Because dilution is a process by which the value of a famous mark is diminished over time, either by one or multiple users, the owner of the famous mark should not be required to wait until the harm has advanced so far that, in the case of blurring, the recognition of the mark, and in a tarnishment case, the reputation of the mark, is permanently impaired.

Moreover, if the owner of a famous mark must wait years to challenge the multiple uses that have entered the marketplace in the interim, the defendants in those cases will be poorly served as well. Junior users will have invested in the allegedly diluting marks over the course of time, placing their accrued goodwill in great jeopardy. And, given the great hardship that a junior user could suffer as a result of delay in challenging the marks, a court could apply the laches defense. The present FTDA, as interpreted by the Supreme Court, thus presents the plaintiff with a Hob-

[25] 15 U.S.C. § 1125(c)(1).

[26] *Moseley* v. *V Secret Catalogue, Inc.,* 123 S. Ct. 1115, 1124 (2003).

[27] *Id.* (emphasis added).

[28] *Id.* (commenting on the ruling of the Fourth Circuit in *Ringling Bros.—Barnum & Bailey Combined Shows, Incorporated* v. *Utah Division of Travel Development*, 170 F.3d 449 (4th Cir.1999)).

son's choice: sue too early and lose because the harm is not yet provable, or sue too late and lose on laches grounds.

Accordingly, the most practical way to express the incipient nature of dilution in a manner a court will understand, is to expressly phrase the cause of action as a likelihood of dilution—that is, that the junior use is likely to cause dilution (whether by blurring or by tarnishment) if allowed to continue unchecked.

2. Dilution by Blurring

INTA recommends a new statutory approach to addressing a claim of likelihood of dilution by blurring. We recommend that the statute require the owner of a famous mark to prove a likelihood of association between its mark and the junior mark, arising from the similarity of the marks, which would impair the distinctiveness of the famous mark.

Under this test, not just any mental association will suffice—it must be an association that arises from the similarity (or identity) of the two marks, as opposed to an association that arises because of product similarities or competition between the owners of the two marks. Moreover, it is association that is likely to impair the distinctiveness of the senior mark.

For example, let us assume that the CLOROX mark is "widely recognized by the general consuming public of the United States." It is a completely made up term, created only for the purpose of functioning as a trademark, not used elsewhere in the commercial arena, and associated only with a supplier of household cleaning products and detergents. If another company begins to produce CLOROX sneakers, there is little question that consumers will draw an association between the two marks due to their identity and the high degree of distinctiveness of the mark. This association will over time reduce the distinctiveness of the CLOROX mark, *i.e.*, it will make it less likely over time that consumers will identify the goods and services bearing the name CLOROX as originating from a particular source. In short, dilution is highly likely, and indeed is probably already underway, although the impairment to the senior mark may not yet be manifest.

Another situation would be one where the famous, senior mark is not as distinctive as CLOROX or the junior mark is not identical or virtually identical to the senior mark. In this type of situation, courts could use the factors for dilution by blurring (addressed later) to determine whether the requisite association and impairment are likely. The use of the likelihood of dilution standard in INTA's proposal would make clear that relief can be granted based on a court's assessment of the relevant factors, without proof of actual dilution as presently required by the Supreme Court in *Moseley*.

3. Blurring Factors

INTA recommends that a revised federal dilution statute contain non-exclusive factors to assist courts in determining whether there is a likelihood of dilution by blurring. A court will need to balance all of these factors, as well as any others it may deem relevant in order to make a determination as to whether there is a likelihood of dilution by blurring. INTA proposes that Congress consider the following:

1. The degree of similarity between the junior use and the famous mark.
2. The degree of inherent or acquired distinctiveness of the famous mark.
3. The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
4. The degree of recognition of the famous mark.
5. Whether the junior user intended to create an association with the famous mark.
6. Any actual association between the junior use and the famous mark.

Factor one is self-evident and refers to step one of the blurring analysis: How similar are the two marks? The less similar the marks, the less likely a consumer association between the marks.

The degree of inherent or acquired distinctiveness of the famous mark considers the extent to which the public may identify the mark with a single source. Further, this factor considers whether the mark is sufficiently strong to allow single-source identification upon initial use of the mark. The more distinctive and memorable the mark, the more it is likely to be blurred by the use of other identical or similar marks. The more common or descriptive the mark, the less likely it is to be blurred by uses of identical or similar marks.

Factor three, the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark, asks the court to determine whether other trademark uses similar to the famous mark already exist in the marketplace. If, for example, the famous mark is in substantially exclusive use, it could indicate that

the mark's distinctiveness is more likely to be impaired by the junior use. Conversely, where other similar marks are already in use, it may be somewhat less likely that the junior use will have the effect of blurring the famous mark, unless those uses have little or no visibility to the average consumer.

The degree of recognition is another way of asking, "just how famous is the famous mark?" The more famous the mark, the more likely it will be memorable such that the association will be made, and the more likely that the association will impair the distinctiveness of the mark in the sense of how well it stands out in the marketplace.

If it is found that the defendant intended to trade on the recognition of the famous mark, then the defendant presumably used the junior mark with the expectation that consumers would associate their mark with the famous mark. This factor operates as an admission by the defendant that the senior mark has a sufficient degree of fame such that the mark can be blurred, and that the defendant sought to appropriate that fame to itself in order to direct consumers' attention toward its own mark.

The last factor, actual association, refers to evidence found in surveys, news items that reference both of the marks, and other evidence that may support a finding that the requisite association between the marks is likely to occur.

4. Dilution by Tarnishment

In light of the ambiguity created by the Supreme Court's comments in the *Moseley* decision, INTA believes that it is important to expressly state in a revised federal dilution statute that tarnishment is within the scope of the law. Owners of famous trademarks should be able to protect their significant investment against negative associations, absent a protectable free speech interest, which is discussed in more detail below. INTA suggests that a revised federal dilution statute find liability for tarnishment if a junior use is likely to harm the reputation of the famous mark. This standard is used in state dilution statutes and most courts have capably adjudicated claims of tarnishment under this standard.

C. Safeguarding Free Speech

INTA believes that it is essential when revising the federal dilution law for Congress to confirm that the rights of famous mark owners do not interfere with free speech protections that are guaranteed by the First Amendment. To accomplish this goal, we recommend that a revised dilution statute expressly provide as an essential element of the cause of action for dilution, whether for dilution by blurring or dilution by tarnishment, that the plaintiff demonstrate that the defendant is using the challenged mark as a "designation of source" (*e.g.*, trademark, trade name, logo, etc.) for the defendant's own goods or services.

A requirement of defendant's use as a designation of source will prevent any descriptive fair use[29] or nominative fair use[30] from falling within the ambit of the revised statute. For example, a defendant using a famous mark to refer to the trademark owner's goods in comparative advertising, or a newspaper using the famous mark to refer to the mark owner's goods for purposes of news reporting or commentary, would not qualify as use as a designation of source for the defendant's own goods or services, and therefore would not be covered by the statute at all. Moreover, the requirement of use as a designation of source for the junior user's own goods or services should protect all legitimate parody and satire, even if that parody and satire appears in a commercial context. It is INTA's strong belief that this requirement is necessary to protect free speech and to ensure that dilution protection is appropriately limited.

The "designation of source" requirement will serve to strengthen the existing statutory defenses to a dilution claim:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.[31]

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[29] Descriptive fair use (or classic fair use) is the use of a normal English word in its normal English meaning to describe one's own product or service.

[30] Nominative fair use is when the alleged infringer uses the plaintiff's mark to refer to the plaintiff or the plaintiff's goods. It generally applies (a) where the mark is reasonably needed to identify the mark owner's goods or services, (b) where the use is not more than is needed to identify the mark owner's goods or services, and (c) where there is no implication of endorsement. *See, e.g., New Kids on the Block* v. *News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

[31] 15 U.S.C. § 1125(c)(4).

These defenses, as interpreted and applied by the courts, have worked well to protect parties using famous marks as a form of free expression and should therefore remain part of a revised federal dilution law.[32]

D. Relief and Preemption

INTA recommends that an injunction should continue to be the principal form of relief in a federal dilution claim. The plaintiff should continue to be entitled to remedies set forth in Sections 35(a) (profits, damages, and cost of the action) and 36 (destruction of goods bearing the registered mark) of the Lanham Act, subject to the discretion of the court and the principles of equity, if willful intent is proven. However, we suggest that a revised statute specify that in order to recover damages, willful intent to trade on the recognition of the famous mark must be proved for blurring claims, and willful intent to trade on the reputation of the famous mark must be proved for tarnishment claims.

INTA believes that a federal dilution statute should not preempt state dilution laws because preemption would adversely affect the ability of relief for intrastate and regional conduct to the extent permitted under state dilution laws. A valid federal registration should, however, be a complete bar to a state dilution claim. This is the scenario under the FTDA and we recommend that it remain unchanged in a revised federal dilution statute.

V. CONCLUSION

Thank you, Mr. Chairman, for the opportunity to testify before the subcommittee. INTA looks forward to working with Congress and interested parties in addressing issues related to the revision of the FTDA.

Mr. SMITH. Mr. Sacoff.

STATEMENT OF ROBERT W. SACOFF, CHAIR, SECTION OF INTELLECTUAL PROPERTY LAW, AMERICAN BAR ASSOCIATION

Mr. SACOFF. Mr. Chairman, Congressman Berman, thank you for your invitation to the ABA to appear before you today. The views that I express today and have expressed in our written statement advocating amendment of the Federal Trademark Dilution Act of 1985 to change the actual dilution standard articulated by the Supreme Court in *Mosely* to a likelihood of dilution standard have been adopted as ABA policy by our Board of Governors, therefore, represent views of the association. My comments on the other issues represent the views of the Intellectual Property Law Section, which I chair, as they have not gone up to or been approved by the House of Delegates or Board of Governors of the American Board Association.

As you know, the ABA is a volunteer association of many lawyers. Briefly, I would just like to mention that many of its hard-working members contributed to the work that led to the policy statements we have submitted, the lengthy statement with a lot of case analysis—I can't name them all, but wish to mention my colleague, Jonathan Jennings, who chaired the Federal Trademark Legislation Committee, and also Jonathan Hadis, who is here this morning, who led the Subcommittee on this very large project.

It is timely and important to revisit the Federal Trademark Dilution statute to fix certain problems that have become apparent through its eight-and-a-half years of experience in the courts and its interpretation by the Supreme Court in the *Mosely* case. We advocate in principle three amendments to the statute. We advocate these principles as that is the way we have discussed them and

[32] *See, e.g., Mattel, Inc.* v. *MCA Records, Inc.,* 296 F.3d 894 (9th Cir. 2002); *American Family Life Insurance Co.* v. *Hagan*, 64 U.S.P.Q.2d 1865, 1874–75. In these cases, both courts provided a broad application of the FTDA's noncommercial exemption.

considered them and made them ABA policy. We have not formulated ABA policy on the actual specific language of the proposed draft and the committee print. We would be happy to work with the Subcommittee, however, in connection with language questions.

We advocate, first, creating a likelihood of dilution standard for adjudicating dilution cases under the Federal statute in both the courts and the Trademark Trial and Appeal Board.

Secondly, we advocate an amendment allowing famous marks that have acquired their distinctiveness through use and recognition to be eligible for protection against dilution instead of the more restrictive category of inherently distinctive marks, as suggested by the minority view in the Second Circuit and as suggested by possible dicta in the Supreme Court.

And three, we recommend amending the statute to expressly include dilution by tarnishment as being actionable under the statute.

We believe these amendments are consistent with the intent of the Federal Trademark Dilution Act and are necessary to allow the statute to function properly. I will talk about them in a little more detail and also comment on the niche market fame issue, which we believe is not quite ripe for a legislative solution.

First, likelihood of dilution. The Supreme Court's decision in *Mosely* requiring actual dilution has created a lot of uncertainty and unpredictability in the lower courts as they struggle with the quantum of proof and type of trial evidence necessary to establish actual dilution. The actual dilution standard is unworkable in practice and essentially guts the trademark dilution statute. We believe it should be amended to provide that cases of trademark dilution should uniformly be decided under the likelihood of dilution standard.

The Court in *Mosely* even recognized when it was making its decision that it was creating problems of proof and stated in the course of its opinion, "whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation," as it referred to actual dilution.

But the *Mosely* case has created problems of proof and a complicated kind of bifurcated standard or system for dealing with cases where the marks are identical or the marks are not identical or the marks are almost identical. Unless the parties' marks are identical, post-*Mosely* actual dilution opinions almost uniformly have dismissed dilution claims due to the absence of sufficient evidence under the *Mosely* standard, although there is no uniform view as to what that type of evidence would be.

Judge Posner in the Seventh Circuit decision of *Ty, Inc.* v. *Softbelly's*, involving the Beanie Babies company, expressed great skepticism even of survey evidence in providing actual dilution, which is quite telling as to the difficulties of proof that the *Mosely* standard has created, because survey evidence is traditionally one of the most classic and most persuasive and most informative forms of trial evidence that trademark lawyers utilize in both prosecuting and defending against trademark claims of various sorts.

Mosely has even divided the courts on protecting identical marks. Its comments have been interpreted in a couple of different ways.

The court said it may be that direct evidence of dilution, such as surveys, will not be necessary if actual dilution can be proven through circumstantial evidence. The obvious case is one where the junior and senior marks are identical. Well, this has been interpreted as where the junior and senior marks are identical, the fact that the identity is in itself sufficient to prove dilution. In other cases, the courts say, well, when the marks are identical, additional evidence is still necessary, but it can be circumstantial as well as direct.

Mosely also divides the Trademark Trial and Appeal Board from the district courts in dealing with dilution cases under the Federal Act. In the Trademark Board, oppositions can be filed against intent-based applications where there is no use of the mark yet and, therefore, by definition, the use of the mark, the proposed use of the mark has to be deemed likely to cause dilution if the opposition is on the dilution ground. We believe that a uniform standard should be set to even out these inconsistencies.

We believe a likelihood of dilution standard is consistent with the First Amendment. We endorse the continuation of the exceptions, the defenses that are stated for proper areas of use. Nobody really has been using, in our view, the dilution statute as it presently exists to stifle free speech, and frankly, a likelihood of dilution standard has been in place under the State dilution statutes which exist for many, many years and we don't believe that there has been empirical evidence of the erosion of First Amendment rights as a result of that.

In conclusion, we believe a likelihood of dilution standard should be adopted. If the status quo remains, the Federal Trademark Dilution Act will not be an effective means of protecting famous marks.

Second, briefly on acquired distinctiveness. As I mentioned earlier, there are two kinds of——

Mr. SMITH. Mr. Sacoff, maybe we can get to that during the question and answer period, since we are out of time.

Mr. SACOFF. I will be happy to do that, and will rely upon our written statement for the remainder of our detail.

Mr. SMITH. Very good. Thank you, Mr. Sacoff.

[The prepared statement of Mr. Sacoff follows:]

PREPARED STATEMENT OF ROBERT W. SACOFF

Mr. Chairman and members of the Subcommittee:

Thank you for the opportunity to testify on behalf of the American Bar Association and that Association's Section of Intellectual Property Law. My name is Robert W. Sacoff. I am a partner in the law firm of Pattishall, McAuliffe, Newbury, Hilliard & Geraldson, and I currently serve as Chair of the ABA Section of Intellectual Property Law. The views that I express supporting amendment of the Federal Trademark Dilution Act of 1995 (the "FDTA") to provide that questions of trademark dilution should be resolved under the "likelihood of dilution" standard have been adopted as ABA policy by our Board of Governors, and therefore represent views of the Association. Views expressed on other issues regarding the FDTA have not been approved by the House of Delegates or Board of Governors of the Association. Those views are those of the Section of Intellectual Property Law (IP Law Section) alone.

The Federal Trademark Dilution Act of 1995 was enacted on January 16, 1996. After eight years of experience under the Act, it is appropriate that Congress revisit the statute to identify areas of possible amendment and improvement, and we applaud the Subcommittee for initiating that exercise. The Subcommittee has asked the witnesses today to consider a number of options for amendment to the FTDA. We have done so, and offer three recommendations in this regard and general comments on a fourth issue concerning niche market fame.

EXECUTIVE SUMMARY

The Federal Trademark Dilution Act should be amended in three ways: (1) creating a "likelihood of dilution" standard; (2) providing a specific cause of action for dilution by tarnishment; and (3) allowing for non-inherently distinctive marks to be eligible for protection. These three amendments are consistent with the intent of the FTDA. In addition, they are necessary to allow for the statute to function properly.

The Supreme Court's recent decision in *Moseley* requiring actual dilution has led to uncertainty and unpredictability in the lower courts as they struggle with the quantum of proof and type of evidence necessary to establish actual dilution. The actual dilution standard has proven unworkable in practice. There should be no concern about the

impact this proposed amendment will have on free speech, since there is no conflict between the likelihood standard and the First Amendment.

The *Moseley* decision cast doubt on whether the FTDA creates a cause of action for tarnishment. The majority of courts prior to *Moseley* did recognize an anti-tarnishment provision in the FTDA, based on the legislative history. *Moseley*, however, called this into question. Therefore, the call for a legislative amendment on this issue is understandable, and the ABA IP Law Section supports clarification of this matter by an amendment to the FTDA to expressly provide a cause of action for dilution by tarnishment.

Finally, the Second Circuit has added an additional requirement to the FTDA, namely that a mark must be inherently distinctive to qualify for protection. In other words, under this minority view some of the most famous "supermarks" (*e.g.*, FORD automobiles, DELL computers) might not be eligible for protection under the FTDA even though they have acquired massive distinctiveness and fame. This minority position therefore precludes the owners of some famous marks from exercising the rights Congress intended to grant them. There is concern that this minority position may be followed by more courts because the *Moseley* decision, in *dicta*, made comments that could be interpreted to support the Second Circuit's view.

Unlike the above issues, there is no consensus in the trademark law community as to whether the FTDA currently protects marks that have acquired niche fame or should protect such marks. Thus, a legislative amendment is not appropriate at this time.

I. LIKELIHOOD OF DILUTION STANDARD

The Federal Trademark Dilution Act should be amended to provide that cases of trademark dilution before the federal courts and Trademark Trial and Appeal Board of the USPTO should be uniformly decided under the "likelihood of dilution" standard. Our analysis of the FTDA leads us to the conclusion that the likelihood of dilution standard is not only preferable, but clearly is what Congress intended. Nonetheless, in light of the Supreme Court's decision in *Moseley* v. *V. Secret Catalogue, Inc.*, an amendment to the FTDA is now needed to provide "likelihood of dilution" as the standard.

A. *Moseley* v. *V. Secret Catalogue, Inc.*

In *Moseley* v. *V. Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003), the Supreme Court held that the text of the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution." *Id.*, 123 S. Ct. at 1124. The Court went on to state "that does not mean that the consequences of dilution, such as an actual lost of sales or profits, must also be proved. . . . [A]t least where the marks 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." *Id.*, 123 S. Ct. at 1124. Further, the Court said, "direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably can be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation." *Id.*, 123 S. Ct. at 1125. Illustrative cases are reviewed below.

B. Problems Of Proof Created By *Moseley*

The Supreme Court's "actual dilution" standard in *Moseley* has become an incredibly difficult criterion by which to measure adequate proof of dilution. Unless the parties' marks were identical, post-*Moseley* "actual dilution" opinions almost uniformly have dismissed dilution claims due to the absence of sufficient evidence under the *Moseley* standard. Even in cases where the parties' marks were identical, the *Moseley* decision has been interpreted by some courts as requiring "extra" burdens of proof. So that otherwise qualifying famous marks can be given the proper

scope of protection intended by Congress, the FTDA should be revised to expressly include a "likelihood of dilution" standard.

Ty, Inc. v. *Softbelly's, Inc.*, No. 03–1592, 2003 WL 22994564 (7th Cir. Dec. 22, 2003): Although the "actual dilution" discussion is quite brief, this decision contains language that casts some doubt on consumer surveys as proof of dilution. In an opinion written by Judge Posner, the Seventh Circuit reversed judgment as a matter of law for the manufacturer of "Beanie Babies" in a trademark infringement and dilution case against the manufacturer of "Screenie Beanies," small, plush, stuffed animals sold in computer stores for use in wiping computer screens. *See Softbelly's,* 2003 WL 22994564 at *1. On the dilution claim, the Court held that the district court's ruling for Ty "had scant grounding in the evidence." *Id.* at *6. Indeed, the Court found that "no evidence of any sort was presented that would have enabled a trier of fact to infer any lessening in the capacity of 'Beanies' or 'Beanie Babies' to 'identify and distinguish' the plush beanbag animals sold by Ty" and remanded for a new trial on the issue. *Id.* at *6–7, citing *Moseley*, 123 S. Ct. 1115 (2003).

Judge Posner noted that *Moseley* "impl[ied] a need for trial-type evidence" to determine whether dilution had occurred. *Id.* at *6. Commenting indirectly on the Supreme Court's reference to consumer surveys as direct evidence of actual dilution *Moseley*, 123 S. Ct. at 1125, Judge Posner expressed his skepticism that any "question could be put to consumers that would elicit a meaningful answer either in that case or this one." *Id.,* (citing Jonathan Moskin, "Victoria's Big Secret: Whither Dilution Under the Federal Dilution Act?", 93 *Trademark Rep.* 842, 853 (2003)). Regarding the suggestion that circumstantial evidence might be sufficient to prove actual dilution where the disputed marks were identical, *Moseley*, 123 S. Ct. at 1125, Judge Posner somewhat acerbically observed that the Supreme Court "did not explain and no one seems to know what that 'circumstantial evidence' might be."[1] *Id.* at *7.

Caterpillar Inc. v. *Walt Disney Co.,* 287 F. Supp. 2d 913, 922, (C.D. Ill. 2003): The court began its treatment of dilution by noting that *Moseley* and its actual dilution requirement pertained only to blurring and, in the case at bar, Caterpillar did not argue blurring, but rather tarnishment. *See Caterpillar,* 287 F.Supp.2d at 921–922. The court noted *Moseley* left open the question of whether tarnishment fell within the scope of the FTDA. *Id.* at 922. Assuming that actual dilution must be shown for tarnishment cases, the court further observed, "it is unclear what type of showing Caterpillar must make," although it is clear that Caterpillar need not prove loss of sales of profits nor by direct evidence such as a consumer survey, but may rely on circumstantial evidence. *Id.* (citing *Moseley*, 123 S. Ct. at 1124). Because Disney's movie had not yet been released, there was nothing in the record to suggest that Caterpillar had lost sales or profits, nor any consumer survey evidence showing actual dilution. See, *Id.* Accordingly, there was nothing in the record to show that Caterpillar was likely to succeed on its dilution claim and therefore no basis to support its request for a TRO. See, *Id.*

Although the court does not spell this out, presumably circumstantial evidence would be sufficient because the marks that Disney used in its movie were "identical," indeed, were Caterpillar's own mark. It may be inferred that, because the court did not hold that the "identity" of the marks was sufficient in itself to prove dilution, the court was siding with the "identity plus" line of post-*Moseley* decisions, although the lack of any discussion or analysis on this point makes this inference speculative at best.

Kellogg Co. v. *Toucan Golf, Inc.,* 337 F.3d 616 (6th Cir. 2003): This case began when Kellogg opposed registration of the word mark "Toucan Gold" for use in connection with golf clubs and golf putters. (Defendant Toucan Golf was a manufacturer of golf equipment for sale primarily to companies who used the clubs as promotional gifts at charity events.) *See Toucan Golf,* 337 F.3d at 620–621. In appealing the decision of the Trademark Trial and Appeal Board ("TTAB") permitting the registration to the federal district court, Kellogg claimed that the word mark and an unregistered cartoon toucan logo used by Toucan Golf infringed and diluted Kellogg's famous Toucan Sam design and word marks. *Id.* at 622. Rejecting both

[1] Judge Posner's skepticism on this point notwithstanding, several district courts have found actual dilution, on various showings, when the marks at issue were identical. *See Savin Corp.* v. *The Savin Group*, No. 02 Civ.9377 SAS, 2003 WL 22451731, *14–*15 (S.D.N.Y. Oct. 24, 2003); *Scott Fetzer Co.* v. *Gehring*, 288 F.Supp.2d 696, 2003 WL 22429698, *5 (E.D.Pa. Sept. 23, 2003); *Nike Inc.* v. *Variety Wholesalers, Inc.*, 274 F.Supp.2d 1352, 1372 (S.D.Ga. 2003); *Four Seasons Hotels and Resorts B.V.* v. *Consorcio Barr, S.A.*, 267 F.Supp.2d 1268 (S.D.Fla. 2003); and *Pinehurst, Inc.* v. *Wick*, 256 F.Supp.2d 424, 431–432 (M.D.N.C. 2003), discussed below. In the case at bar, as Judge Posner noted, neither "Beanies" nor "Beanie Babies" were identical to "Screenie Beanies." *See Softbelly's,* 2003 WL 22994564 at *7.

claims, the district court and the Sixth Circuit Court of Appeals affirmed the TTAB's decision.

As the Sixth Circuit interpreted *Moseley*, the Supreme Court held that Plaintiff V. Secret's dilution claim failed because it "did not present any empirical evidence that consumers *no longer clearly understood* to which products the 'Victoria's Secret' mark was related, and thus failed to demonstrate the 'lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs.'" *Id.* at 628 (citing *Moseley*, 123 S.Ct. at 1125) (emphasis added). Similarly, the Sixth Circuit found, Kellogg presented no evidence that Toucan Golf's use of its toucan marks "has caused consumers *no longer to recognize* that Toucan Sam represents only Froot Loops" or that "any segment of the population recognizes Toucan Sam as the spokesbird only for Froot Loops in lesser numbers than it did before TGI started using its toucan marks." *Id.* (emphases added). Indeed, the court emphasized, Kellogg presented one survey conducted in 1991 that showed 94% of children recognized Toucan Sam and 81% related him to Froot Loops and another from 1997, after Toucan Golf started business, that showed 94% recognition of Toucan Sam among adults. *Id.*

The Sixth Circuit's opinion is problematic on several levels, and demonstrates a potentially far-reaching implication of the Supreme Court's *Moseley* decision. *Moseley* nowhere articulated the "no longer clearly understood" standard that the Sixth Circuit invoked, and the Court cited no authority in case law, statute, or legislative history in support of it. The Sixth Circuit thus gave no real parameters to the standard. For example, what percentage showing in a consumer survey would suffice to prove dilution? What would be the relevant universe and the relevant time frame for such a survey? How would causation be proven? And how would factors like market conditions and general consumer preferences be treated in the survey analysis? (Of course, the latter is a fundamental flaw in the actual dilution standard itself, which the Second Circuit emphasized in *Nabisco, Inc.* v. *PF Brands, Inc.*, 191 F.3d. 208 (2nd Cir. 1999), and which the *Moseley* Court failed to address.)

Practically speaking, *Toucan Golf* presents strategic dilemmas for dilution claimants and litigators. The surveys that the Sixth Circuit relied upon to reject Kellogg's dilution claim were presented as evidence of Toucan Sam's strength and fame. *Id.* at 624 (noting that Kellogg presented the 1991 survey in support of "the strength of its Toucan Sam marks"). The 1997 survey the Court relied upon also was submitted to demonstrate fame; was a survey of a different universe (adults, not children); and was conducted after Toucan Golf had begun business but *before* the Toucan Gold mark was used in commerce. *Id.* at 624 (noting that Toucan Golf's application for "Toucan Gold" was an "intent to use" application) and 628. Nevertheless, the Sixth Circuit apparently based its conclusion that Kellogg had failed to prove any erosion in consumer recognition of its marks on that second survey.

While the Sixth Circuit's standard is quite amorphous, dilution claimants seeking to rely on survey evidence in that jurisdiction may need to have conducted a fame survey before the junior mark was introduced and then another (using the same survey instrument?) at some point thereafter, and the results will have to show erosion in consumer recognition of some uncertain amount. If, for example, a senior mark holder discovers a purportedly diluting use within the statute of limitations, but has not conducted a pre-use survey, *Toucan Golf* could be read to suggest the senior user may be unable to prove actual dilution for lack of a pre-junior-mark benchmark survey. However, such surveys, aside from their cost, present the danger of being used in litigation against claimants by alleged diluters, if they do not demonstrate erosion in consumer recognition.

C. *Moseley*'s Divisive Impact On The Issue Of Protecting Identical Marks

In *Moseley*, the Supreme Court stated a dictum touching on the situation where the disputed marks in a dilution claim are identical: "It may be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical." *Moseley*, 123 S. Ct. at 1125. The statement has given rise to several decisions and a split of authority among the lower courts.

Savin Corp. v. *The Savin Group,* No. 02 Civ.9377 SAS, 2003 WL 22451731, (S.D.N.Y. Oct. 24, 2003): As Judge Scheindlin of the Southern District of New York observed, the *Moseley*'s Court's statement is subject to at least two different readings: (1) When the junior and senior marks are identical, the fact of the identity is in itself "sufficient circumstantial evidences to prove actual dilution." Or, (2) when the marks are identical, circumstantial evidence as opposed to direct evidence may prove dilution. *See Savin Group,* 2003 WL 22451731 at *14, citing *Nike Inc.* v. *Vari-*

ety Wholesalers, Inc., 274 F.Supp.2d 1352, 1372 (S.D.Ga. 2003) and *Pinehurst, Inc.* v. *Wick*, 256 F.Supp.2d 424, 431–432 (M.D.N.C. 2003), respectively.

In *Savin Group*, a dispute over identical marks of plaintiff office services company and defendant professional engineering consultants, the court found the second interpretation more plausible. *Id.* at *1–*2, *14–*15. Judge Scheindlin emphasized the sentence that followed the dictum in *Moseley*: "Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation." *Id.* at *15, quoting 123 S. Ct. at 1125. In other words, as Judge Scheindlin read the passage, even when the marks are identical, additional proof of actual dilution is required; the simple fact of identity does not suffice. Accordingly, because plaintiff in the case at bar offered no proof beyond the identity of the marks, it "failed to raise a material issue of fact with regard to an essential prong of the dilution test," warranting summary judgment for defendant. *Id.*

HBP, Inc. v. *American Marine Holdings, Inc.,* No. 6:02–CV–957–ORL22DAB, 2003 WL 22593589, (M.D.Fla. Oct. 10, 2003): The identical mark at issue in this case was "Daytona," used by plaintiff HBP as a trade and service mark for stock car and motorcycle races and by the defendant boat manufacturer for a line of recreational powerboats. *Id.* at *2–3. Granting summary judgment for American Marine on the dilution claim, the court first found that HBP's mark was not famous for dilution purposes. *See American Marine,* 2003 WL 22593589 at *2–*3. The court found further that, even if HBP's mark was famous, HBP had failed to prove actual dilution under *Moseley*. The court pointed, in part, to the lack of evidence "demonstrating that [HBP's] customers and potential customers have, as a result of American Marine's use of the 'Daytona' mark on its boats, formed any different impression of HBP's products and services." *Id.* at *16. (Although this resembles "tarnishment" language, only dilution by blurring was at issue in the case and the court's supporting citation to *Mead Data Central, Inc.* v. *Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1029 (2d Cir. 1989), suggests that blurring was what it had in mind.)

There was an interesting procedural misstep in this case. HBP offered into evidence excerpts from a deposition transcript that it contended showed American Marine's use of the "Daytona" mark had caused loss of licensing revenue and dilution of existing royalty value. *Id.* at *15. The opinion gives the deponent's name (Glenn Padgett), but does not identify who he was or what relationship he had to either of the parties. The court did not consider this evidence, however, because HBP had failed to file the deposition transcript as part of the record before the Court. *Id.* This is unfortunate, because it leads to intriguing speculation of just how Mr. Padgett purportedly demonstrated loss of licensing revenue and what the court's findings might have been had the evidence been admitted.

Scott Fetzer C. v. *Gehring,* 288 F.Supp.2d 696 (E.D. Pa. 2003): This is one of the opinions in which the court held that the identity of the marks was, in and of itself, sufficient circumstantial evidence to prove dilution, although it did point to other circumstantial evidence supporting its finding. *See Scott Fetzer,* 288 F. Supp. 2d at 702. Plaintiff was the parent company of a vacuum cleaner business that had used the famous Kirby trademark since 1930. *Id.* at 700. Defendant ran a vacuum cleaner store and repair business that widely used the Kirby mark in its advertisements, including in the store's name—"Kirby Vacuum Sales & Service," despite not being authorized to use the mark or to sell or service Kirby vacuum cleaners. *Id.*

In holding that defendant's use of the Kirby trademark "lowered the value and esteem of plaintiff's mark," the court reasoned that "where the competing entities are using marks that are identical, dilution may be reliably found using the circumstantial evidence of the identical marks." *Id.* at 701–702; citing *Moseley*, 123 S. Ct. at 1125. In addition to the identity of the marks, the court noted that defendant sold second-hand Kirby vacuum cleaners without permission and falsely advertised that these machines came with a one-year-manufacturer's guarantee. *Id.* at 703 These facts taken together, the court concluded, sufficed to prove plaintiff's dilution claim. *Id.* at 703.

Nike Inc. v. *Variety Wholesalers, Inc.,* 274 F.Supp.2d 1352, 1372 (S.D.Ga. 2003): As in Scott Fetzer, the court in this case concluded that identity of the marks was sufficient evidence to prove dilution, albeit without any analysis or rationale beyond citing the *Moseley* dictum. While otherwise a complicated case, for dilution purposes the facts were simple: Defendant was a low-cost, "secondary market" clothing retail chain, which plaintiff proved was selling counterfeit Nike products. *See Variety Wholesalers,* 274 F.Supp.2d at 1355, 1357. The court concluded that Variety Wholesalers had diluted Nike's famous trademarks "*due to* the identical or virtually identical character of the marks on the Accused Goods to the Nike trademarks." *Id.* at 1372 (citing *Moseley*, 123 S.Ct. at 1125) (emphasis added).

Four Seasons Hotels and Resorts B.V. v. *Consorcio Barr, S.A.,* 267 F.Supp.2d 1268 (S.D. Fla. 2003): At issue was a complex dispute between a licensor and licensee involving breach of contract, claims of industrial espionage and trademark issues. Four Seasons, the famous luxury hotel chain, had contracted with Consorcio Barr to build and operate the Four Seasons hotel in Caracas, Venezuela, and licensed defendant to use its brand name, trademarks, and logo for that purpose. *See Consorcio Barr,* 267 F.Supp.2d at 1271–1272. However, the relationship was plagued with problems from the beginning. Consorcio failed to open the hotel on time; important facilities including suites, the poolside restaurant, and the spa were not completed at the hotel's opening; there was no sign in front of the hotel; hotel employees lacked the required uniforms; many vital operational functions were not in place, such as hotel bank accounts; and some rooms were furnished with rented furniture not up to Four Seasons' quality standards. See *Id.* at 1275. In addition, pertinent to the trademark claims, Consorcio's marketing materials for the residential apartments used Four Seasons' marks, an unauthorized use, the materials were not approved by Four Seasons, as required by the license, and the materials did not comply with Four Seasons' quality standards. See *Id.* at 1309–1310.

These facts, the court held, provided evidence of actual dilution. The court based this finding on the recognized duty and right of trademark licensors to police the use of the marks it licenses and the quality of the goods they are used on: "The licensor owes an affirmative duty to the public to assure that in the hands of his licensee the trademark continues to represent that which it purports to represent." *Id.* at 1327 (quoting *Siegel* v. *Chicken Delight, Inc.*, 448 F.2d 43, 51 (9th Cir. 1971)). Accordingly, as Professor McCarthy concludes, a trademark licensor has an affirmative duty under the Lanham Act "to control the quality of goods and services which reach buyers under the licensed mark." *Id.*, citing *2 McCarthy on Trademarks*, § 18:50 (4th ed. 2003). Moreover, "'[d]istribution of a product that does not meet the trademark holder's quality control standards may result in the devaluation of the mark by tarnishing its image.'" *Id.* at 1328 (quoting *Warner-Lambert Co.* v. *Northside Dev. Corp.*, 86 F.3d 3, 6 (2d Cir. 1996)).

Consorcio did not maintain Four Seasons quality standards, leading to a likelihood of consumer confusion "as to Four Seasons' approval of such use . . ." *Id.* at 1330. In addition to infringement, the court held that these facts supported a finding of dilution: "Consorcio's failure to comply with the quality control standards of the License Agreement diminished the capacity of the mark to distinguish the high quality of Plaintiffs' services." *Id.* at 1332. In addition, consumer complaints that the Caracas hotel "'wasn't a Four Seasons' due to its substandard nature, incomplete construction and inferior furnishings and finishings" constituted "evidence of actual harm" sufficient to establish dilution. *Id.*

Again, as in several of the post-*Moseley* decisions, this case concerned identical marks, although, perhaps because the context was that of licensor-licensee, the court made no particular note of the identity factor. However, the Court did appear to side with the "additional-circumstantial-evidence" school. The "plus" factors here were the licensee's failure to comply with the licensor's express quality control standards and the use of the mark on substandard, inferior services. In a footnote, the court suggested that the focus of the inquiry was whether customers "form a'different impression' of the goods or services of the senior user." *Id.* at 1332, n. 8 (citing *Moseley*, 123 S.Ct. at 1124). This was how this court seemed to understand *Moseley*'s rejection of the sufficiency of "mental association" between the disputed marks to support a finding of dilution under the Federal Trademark Dilution Act ("FTDA").

Pinehurst, Inc. v. *Wick,* 256 F.Supp.2d 424 (M.D.N.C. 2003): This was a classic cybersquatting case, with the court also finding actual dilution. In 1999, defendants registered 3,000 to 4,000 domain names that were confusingly similar to some of the most famous marks in America, including those of about 7% of Fortune 500 company names. *See Wick,* 256 F.Supp.2d at 426. Defendants then sold a number of their registered domain names to companies that contacted them requesting to purchase the company's domain name. *Id.* Plaintiff, owner of the famous Pinehurst Golf Resort and Pinehurst No. 2 golf course, instead sued defendants over their registration of the domain names "PinehurstResort.com" and "PinehurstResorts.com" under the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. section 1125(d), and the FTDA, 15 U.S.C. section 1125(c). See *id.* at 426–427. Pinehurst prevailed on both claims and obtained a permanent injunction and statutory damages in the amount of $100,000, plus attorneys' fees and costs. See *id.* at 433.

Although the *Variety Wholesalers* court relied on this decision in support of its conclusion that identity of the disputed marks established dilution, *see* 274 F.Supp.2d at 1372, *Wick* is better characterized as an "identity plus" decision, as Judge Scheindlin noted in *Savin Group*, 2003 WL 22451731 at *14. The plus factor

in *Wick* arose from the unique role trademarks serve in Internet domain names: "A customer using the Internet will be unable to discern any appreciable difference between Defendants' domain names and Plaintiff's marks," *id.* at 432, which reduced the value of that mark in two ways: Wick's registration of Pinehurst's marks as domain names prevented Pinehurst from engaging in electronic commerce using its own marks. *See Wick,* 256 F.Suppp.2d at 431. In addition, the economic value of Pinehurst's marks was reduced because customers, unable to locate Pinehurst's website and services using domain names identical to its registered marks, "'may fail to continue to search for [P]laintiff's own home page due to anger, frustration, or the belief that [P]laintiff's home page does note exist.'" *Id.* (quoting *PETA* v. *Doughney*, 263 F.3d 359, 365 (4th Cir. 2001)). The *Wick* court's reasoning gives holders of famous marks battling cybersquatters persuasive arguments in support of finding trademark dilution under the FTDA in addition to stating claims under the ACPA. Nevertheless, the status of these arguments is questionable at best. The *Wick* court relied heavily on *Panavision Int'l. L.P.* v. *Toeppen*, 141 F.3d 1316 (9th Cir. 1998). Thus, the uncertainty caused by the *Moseley* decision has left some courts relying on questionable and outdated precedents.

Golden West Financial v. *WMA Mortgage Services,* No. C 02–05727 CRB, 2003 WL 1343019 (N.D.Cal. March 13, 2003): In contrast, Judge Breyer in this case found no dilution, in part because plaintiffs could not prove that defendants' use of nearly identical marks had or would prevent any customers from succeeding in contacting them. *See Golden West Financial,* 2003 WL 1343019 at *8. In dispute were plaintiffs' "World Savings and Loan," "World Mortgage" and related marks for financial services allegedly infringed and diluted by defendants' "World Lending Group" service mark for financial services. *Id.* at *1. Even were plaintiffs' marks famous, which the court found they were not, there was no evidence in the case that defendants' use of its "World" mark had diluted plaintiffs' marks. See *id.* at *8. To the contrary, the court noted, plaintiffs in 2002 had nearly $65 million in assets and its profits were a record. *Id.* In addition, unlike in the Ninth Circuit's seminal cybersquatting decision, *Panavision Int'l, L.P.* v. *Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998), "the use of the term'World' in defendants' company names has not decreased the value of plaintiffs' trademark because plaintiffs' customers can easily recognize and contact them." *Id.*

D. Divergence Between TTAB And Case Law Precedent

The Trademark Trial and Appeal Board recently held that the likelihood of dilution standard still applies to such applications rather than the actual-dilution standard. *See The Nasdaq Stock Market, Inc.* v. *Antartica, S.R.L.,* Opposition No. 91121204 to Application Serial No. 75/546,122, 2003 WL 22021943, *19–*23 (TTAB June 30, 2003). Thus, the *Moseley* decision has created a split in the way the FTDA is applied. Federal courts use the actual dilution standard while the TTAB arguably still uses the likelihood of dilution standard. Uniformity in application is necessary for the healthy development of the law and to allow for predictability and certainty.

E. A Likelihood Of Dilution Standard Is Consistent With The First Amendment

Courts have been successfully accommodating First Amendment concerns within the Lanham Act. *See, e.g., Mattel, Inc.,* v. *Walking Mountain Productions*, 2003 WL 23018285 (9th Cir. Dec. 29, 2003) (finding defendant's expressive commercial use protected after balancing the Lanham Act and the First Amendment). *See generally Kournikova* v. *General Media Communications Inc.,* 278 F.Supp.2d 1111, 1128 (C.D. Cal. 2003) (noting that "Courts have placed limits on Lanham Act lawsuits because of the potential impact on First Amendment rights"). Thus, any concern about encroaching on free speech rights is historically unsupported.

Moreover, the FTDA explicitly provides for several exceptions to liability that alleviate potential tension with the First Amendment: "(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark; (B) Noncommercial use of a mark; (C) All forms of news reporting and news commentary." 15 U.S.C. § 1125(c)(4). In applying these exceptions, courts have construed the "noncommercial use" provision broadly to ensure no First Amendment problems. *See, e.g., Mattel, Inc.* v. *MCA Records,* 293 F.3d 894 (9th Cir. 2002) (holding that a music group's song that lampooned toy manufacturer's doll fell under non commercial use exception in FTDA). In addition, commercial speech is protected by the First Amendment and thus a court could not avoid a First Amendment analysis. *See, e.g., Virginia Board of Pharmacy* v. *Virginia Citizens Consumer Counsel,* 425 U.S. 765 (1976).

There is no reason to believe that including a likelihood standard significantly changes the approach courts will take in balancing First Amendment concerns, the likelihood standard has dominated state law dilution statutes for decades. The 1964 United States Trademark Association Model State Trademark Bill establishes liability for "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of the mark." This standard has not led to a progressive encroachment on free speech rights. *See, e.g., L.L. Bean, Inc.* v. *Drake Publishers, Inc.,* 811 F.2d 26 (1st Cir. 1987) (holding that the state law likelihood of dilution statute could not be applied to prohibit a tarnishing parody because doing so would offend the First Amendment).

F. Conclusion

Amending the FTDA to incorporate a likelihood of dilution standard will solve a host of problems created by the *Moseley* decision. If the status quo remains, the FTDA will not be an effective means of protecting famous marks.

II. TARNISHMENT IN THE FTDA

The FTDA should be amended to include a specific cause of action for tarnishment because the Supreme Court in *Moseley* cast doubt on its existence in the FTDA even though the legislative history for the Act indicates Congress intended for there to be one and other case law recognized the cause of action.

A. FTDA Legislative History Refers To Tarnishment

The Supreme Court in *Moseley* provided the following concise summary of the legislative effort leading to the passage of the FTDA and the intent that the FTDA cover tarnishment:

> On July 19, 1995, the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee held a 1-day hearing on H.R. 1295. No opposition to the bill was voiced at the hearing and, with one minor amendment that extended protection to unregistered as well as registered marks, the subcommittee endorsed the bill and it passed the House unanimously. 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." H.R. Rep. No. 104–374, p. 1029 (1995). 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, as well as to the Schechter law review article. 141 Cong. Rec. 38559–38561 (1995).

Moseley, 123 S. Ct. at 1123 (emphasis added).

Despite these statements that the legislation was intended to cover tarnishment claims, the Court was not persuaded that the statutory language accomplished this purpose because the statute did not include specific language regarding tarnishment, such as "injury to business reputation." Thus the Court wrote:

> Indeed, the 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.

Moseley, 123 S. Ct. at 1124. In his concurrence in this case, however, Justice Kennedy viewed the statute as encompassing both blurring and tarnishment. *See id.* at 1126; *See also* Pattishall, Hilliard and Welch, *Trademarks and Unfair Competition Deskbook* § 8.01[2][b] (2d ed. 2003).

The primary legislative history of the 1995 Act is House Report 104–374. The language the Supreme Court quoted from that report is probably the best language in support of the proposition that Congress intended the FTDA to cover dilution by tarnishment. Additional support is found in the "section by section analysis" of the proposed bill, which states that the definition of dilution "is designed to encompass *all forms* of dilution recognized by the courts, *including* dilution by blurring, by *tarnishment* and by disparagement.) H. R. Rep. No. 104–374 at page 8 (emphasis added).

Another potential source of legislative history is the testimony taken by the Subcommittee on Courts and Intellectual Property on July 19, 1995. The House Report

recites the fact the Committee received the testimony and the identity of the witnesses, but the substance of that testimony is not part of the actual Report. See *Id.* at p. 5. Still, that testimony itself provides a nearly unanimous view that the proposed law would cover both blurring and tarnishment. *See, e.g.,* Testimony of Mary Ann Alford, the Executive Vice President of INTA ("This definition [of dilution in the proposed statute] encompasses both dilution by blurring and dilution by tarnishment. It is also elastic enough to encompass future, currently unforeseen, factual situations that may give rise to liability.") *But see* Testimony of Jonathan E. Moskin ("H.R. 1295 does not purport to recognize injury from uses of a famous trademark that are likely to tarnish the reputation of the owner of famous mark. This is one form of injury that has been susceptible of proof under state dilution laws independent of proof of likelihood of confusion.")

In sum, the 1995 legislative history of the FTDA supports the conclusion that Congress intended that statute to cover dilution by tarnishment. The Supreme Court has raised doubts about whether the statutory language accomplishes this purpose.

B. Case Law After The Enactment Of The FTDA Recognized The Existence Of A Specific Cause Of Action For Tarnishment In The Act

After the enactment of the FTDA and prior to the *Moseley* decision, courts "have construed the federal dilution statute to protect against dilution by tarnishment." Pattishall, Hilliard, and Welch, *Trademarks and Unfair Competition Deskbook* § 8.01[2][c] (2d ed. 2003); See also *Clinique Labs.* v. *Dep Corp., Inc.*, 945 F. Supp. 547, 560–62 (S.D.N.Y. 1996)(Recognizing a cause of action for tarnishment under the FTDA, while holding that defendant's BASIQUE skin care products did not tarnish plaintiff's CLINIQUE skin care products); *Dr. Seuss, Enter.* v. *Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1573 (S.D. Cal. 1996), *aff'd*, 109 F.3d 1394 (9th Cir.), *cert. Dismissed*, 521 U.S. 1146 (1997) ("The legislative history supports the conclusion that Congress also intended the Act to cover dilution through tarnishment"); *Anheuser-Busch* v. *Andy's Sportswear*, 40 U.S.P.Q.2d 1542 (N.D. Cal. 1996)(BUTTWISER t-shirt dilutes BUDWEISER mark for beer; TRO granted in context which makes tarnishment the basis for decision); *Ringling Bros.-Barnum & Bailey Combined Shows* v. *B.E. Windows Corp.*, 937 F. Supp. 204, 211(S.D.N.Y. 1996)(Recognizing a cause of action for tarnishment under the FTDA, but finding that defendant's GREATEST BAR ON EARTH services mark for a night club did not tarnish the "wholesome, family oriented image of [plaintiff's] GREATEST SHOW ON EARTH" mark under the Dilution Act, noting alcohol was served at venues where plaintiff's circus performed).

C. Since The *Moseley* Decision, At Least One Court Has Raised Doubts About The Viability Of Tarnishment Under The FTDA

Since the Supreme Court issued its *Moseley* decision on March 4, 2003, no case squarely has addressed the question of whether the FTDA covers dilution by tarnishment, but one opinion specifically notes the doubts raised by *Moseley* on this point.

In *Caterpillar Inc.* v. *Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003), the trial court denied plaintiff's request for a temporary restraining order in connection with defendant's use of Caterpillar bulldozers in the movie "George of the Jungle 2" in a manner plaintiff found offensive. Plaintiff alleged several claims, including a dilution by tarnishment claim under the FTDA. In connection with its decision, the court noted the question raised by *Moseley* of "whether tarnishment is within the scope of § 43c." The *Caterpillar* court, however, did not decide that issue, instead addressing the issue of what Caterpillar was required to prove to show "actual dilution." Because of the *Moseley* decision, courts, such as the one in *Caterpillar*, will continue to raise questions about the viability of a cause of action for tarnishment under the FTDA. *Cf., The NASDAQ Stock Market, Inc.* v. *Antarctica,* s.r.l., 2003 TTAB LEXIS 391, *67 (citing *Moseley*, noting: "state dilution statutes provide that tarnishment and blurring are actionable, while FTDA arguably refers only to the latter").

C. Conclusion

We believe that Congress intended to include dilution by tarnishment as well as dilution by blurring in the FTDA, and the Act effectively did so. However, dicta in the *Moseley* decision has raised doubts and created uncertainty in this regard. The Section of Intellectual Property Law of the American Bar Association supports removal of this uncertainly by an amendment to the FTDA to expressly include a cause of action for dilution by tarnishment.

III. FTDA AND ACQUIRED DISTINCTIVENESS

The Federal Trademark Dilution Act should be amended to state that marks that have acquired distinctiveness from use in the marketplace are eligible for dilution protection under the Trademark Act to the same extent as marks that are inherently distinctive.

The FTDA provides that one of the factors for determining whether a mark is sufficiently "distinctive and famous" to be covered by the Act is "the degree of inherent or acquired distinctiveness of the mark." 15 U.S.C. § 1125 (c)(i)(A). There is currently a split among the Circuits regarding whether a mark is required to be inherently distinctive to receive protection under the FTDA. Based on an analysis of the case law and the intent behind the FTDA, marks which have merely acquired distinctiveness should be eligible for dilution protection. Some of the most famous marks in the world are famous but arguably not inherently distinctive, such as FORD, DELL, and DUPONT. These should be protected under the FTDA. Therefore, the FTDA should be amended to make this clear and resolve the divergence in authority among the Circuit courts.

A. Cases Requiring Inherent Distinctiveness

Second Circuit

In *TCPIP Holding Company, Inc.* v. *Haar Communications, Inc.*, 244 F.3d 88 (2nd Cir. 2001), the Court of Appeals vacated the lower court's ruling that preliminarily enjoined the defendant from using any Internet domain names with the mark THE CHILDREN'S PLACE to the extent the ruling was based on the FTDA, but affirmed it to the extent the ruling was based on any likelihood of confusion. The court stated that given the history of the FTDA, "we conclude that a descriptive mark does not come within the protection of the" FTDA. *Id.* at 93. The court, in interpreting FTDA in a harmonious way with its result, stated that it understood the FTDA "to invite two inquiries: (1) Has the plaintiff's mark achieved a sufficient degree of consumer recognition ("acquired distinctiveness") to satisfy the Act's requirement of fame? (2) Does the mark possess a sufficient degree of'inherent distinctiveness' to satisfy the Act's requirement of'distinctive quality.' The latter requirement cannot be satisfied by the mere fact that the public has come to associate the mark with the source." *Id.* at 98. The court reasoned that in order for a mark to be famous, it must acquire some form of distinctiveness, therefore if the criterion of distinctiveness was satisfied by the acquired distinctiveness of the mark, it would render the criterion of fame meaningless. Therefore, only inherently distinctive marks qualify for protection under the FTDA.

In *Deere & Company* v. *MTD Holdings Inc.*, No. 00 Civ. 5936(LMM), 2003 WL 22439778 (S.D.N.Y., October 28, 2003), Deere & Company sought to amend its complaint regarding a FTDA claim after the district court had granted MTD Holdings' motion for dismissal under the *Qualitex* doctrine that color marks require secondary meaning. Deere attempted to claim that its specific use of the color green on the body of its products and yellow for trim was arbitrary. The court rejected this notion and found that the use of two colors still requires proof of secondary meaning for protection. The court dismissed the dilution claim because the colors yellow and green are not inherently distinctive and, citing the *TCPIP* case, do not qualify for protection under the FTDA.

Malaco Leaf, AB v. *Promotion In Motion, Inc.,* 287 F. Supp. 2d 355 (S.D.N.Y. 2003): Malaco Leaf brought suit for alleged copying of its fish-shaped gummy candy known as the "Swedish Fish." The court held that inherent distinctiveness was required under FTDA, and since product configuration can never be inherently distinctive under the *Sumara Bros.* case, defendant was entitled to summary judgment on plaintiff's FTDA claim.

Christopher D. Smithers Foundation, Inc. v. *St. Luke's-Roosevelt Hosp. Center,* No. 00 Civ. 5502(WHP), 2003 WL 115234 (S.D.N.Y., Jan 13, 2003): The Foundation filed an action regarding its marks THE CHRISTOPHER D. SMITHERS FOUNDATION, INC., THE CHRISTOPHER D. SMITHERS FOUNDATION, THE SMITHERS FOUNDATION, C.D. SMITHERS FOUNDATION, and SMITHERSFOUNDATION.ORG. The Hospital operated the Smithers Alcoholism Treatment and Training Center. Among the Foundation's claims was one under the FTDA. In dismissing the FTDA claim, the court noted that the term "foundation" and the surname "Smithers" are descriptive and, citing *TCPIP*, that such descriptive marks do qualify for protection under the FTDA as such terms are not inherently distinctive. "The FTDA differs from traditional trademark law in that it protects a'far narrower' class of entities. The FTDA only affords protection to inherently distinct marks (i.e. suggestive, arbitrary, fanciful), and does not afford protection to descriptive marks that have acquired distinctiveness. Thus, the evidence of secondary

meaning submitted by the Foundation could not save its FTDA claim." *Id.* at *7 (citations omitted.)

Solow Building Company, LLC v. *Nine West Group, Inc.,* No. 01–7878, 2002 WL 31303237 (2nd Cir. October 11, 2002): In affirming the district court's dismissal of plaintiff's complaint, the court held "that Solow's federal trademark dilution claims are also barred on the alternative ground that Solow's mark lacks inherent distinctiveness. Solow has conceded that its mark is descriptive at best, and this court has held that such a mark lacks sufficient distinctiveness to warrant protection under the federal trademark dilution statute." *Id.* at *1. Plaintiff's mark was a red numeral "9" which was nicknamed 9 WEST and defendant's mark was "NINE WEST."

New York Stock Exchange, Inc. v. *New York, New York Hotel, LLC,* 293 F.3d 550 (2nd Cir. 2002): The Second Circuit affirmed the lower court's dismissal of all but one of plaintiff's claims for protection under the FTDA because the marks, except for one, were not inherently distinctive. Defendant had modified several of the many registered marks of plaintiff. Examples of the modified marks include: (i) a replica of NYSE's architectural facade that bore the words "NEW YORK NEW YORK SLOT EXCHANGE" located near the Defendant's gambling floor; (ii) the Defendant's "NEW YORK SLOT EXCHANGE" or "NEW YORK-NEW YORK SLOT EXCHANGE" club for frequent gamblers; (iii) sweatshirts, caps, and other souvenirs given out by the Defendant to the members of its players club displaying the "NEW YORK SLOT EXCHANGE" or "NEW YORK-NEW YORK SLOT EXCHANGE" slogan; and (iv) the Defendant's reference to its players club by the "NY" or "NY-NY" abbreviation. The exception is a registered logo consisting of Plaintiff's building's facade bearing the words "NEW YORK STOCK EXCHANGE." The court followed its decision in *TCPIP* and noted that a trier of fact might find the excepted mark inherently distinctive, which would then qualify it for FTDA protection.

GTFM, Inc. v. *Solid Clothing, Inc.,* 215 F. Supp. 2d 273 (S.D.N.Y. 2002): GTFM, Inc. filed an action based on its marks "FUBU," "FUBU 05" and "05" for clothing. Solid Clothing, Inc. had adopted the marks "05" and then "PLAYERS 05" on sports apparel it designed to imitate GTFM's marks. In dismissing the FTDA claim, the district court cited *TCPIP* and held that GTFM's marks were not inherently distinctive and did not qualify for protection under the FTDA. *Id.* at 299–300. The court also went on to say that the "05" mark was not famous either.

Cline v. *1–888–Plumbing Group, Inc.* 146 F. Supp. 2d 351 (S.D.N.Y. 2001): Plaintiff claimed that its mark 1–800–PLUMBING was being diluted by defendant's mark of 1–888–PLUMBING. The district court cited *TCPIP* and denied plaintiff's motion for summary judgment regarding its FTDA claim because plaintiff's mark was descriptive and therefore lacked the inherent distinctiveness required for protection under the FTDA. *Id.* at 361.

B. Cases Not Requiring Inherent Distinctiveness

First Circuit

I.P. Lund Trading v. *Kohler Co.,* 163 F.3d 27 (1st Cir. 1998). A faucet manufacturer brought an action against competitors for dilution and infringement of manufacturer's trade dress. In holding that Plaintiff's faucet design was not so famous as to warrant protection under the FTDA, the court noted, "There is little to suggest that this product design, itself unregistered and not inherently distinctive, is so strong a mark and so well publicized and known that it has achieved the level of fame Congress intended under the" FTDA. *Id.* at 60. The court bifurcated the analysis of a mark under the FTDA, holding a mark must be distinctive and famous to qualify for protection under the FTDA. The court found that a mark may be inherently distinctive or acquire sufficient distinctiveness to satisfy the requirement of distinctiveness. *Id.* at 58–60. The mark must also be famous to qualify for protection under the FTDA, and inquiry regarding whether or not a mark is famous is a separate inquiry.

Third Circuit

Times Mirror Magazines, Inc. v *Las Vegas Sport News, LLC,* 212 F.3d 157 (3rd Cir. 2000): The Third Circuit affirmed the lower court's grant of a preliminary injunction under the FTDA to Time Mirror Magazines, Inc. owner of the mark THE SPORTING NEWS preventing Las Vegas Sport News, LLC from using the mark LAS VEGAS SPORTING NEWS. The court held that the mark "THE SPORTING NEWS" was not inherently distinctive. Therefore, the court must "examine the degree to which the mark has acquired distinctiveness by gaining secondary meaning over time in the marketplace." *Id.* at 166. This includes the following considerations: "(1) the length or exclusivity of use of the mark; (2) the size or prominence of the plaintiff's enterprise; (3) the existence of substantial advertising by the plaintiff; (4) established place in the market and (5) proof of intentional copying." *Id.* The court

found the mark had acquired sufficient distinctiveness to warrant protection under the FTDA.

Sixth Circuit

Libbey Glass, Inc. v. *Oneida Ltd.,* 61 F. Supp. 2d 700 (N.D. Ohio 1999): Plaintiff filed, among other claims, a claim for violation of FTDA based on defendants manufacture and sale of "knock-off" beverage glassware. In rejecting plaintiff's motion for summary judgment, the court stated in addressing the requirement of distinctiveness that "Libbey's trade dress is not inherently distinctive and there is a genuine issue of material fact about whether Libbey's trade dress has secondary meaning." *Id.* at 716. This clearly implies that acquired distinctiveness is sufficient.

Seventh Circuit

AM General Corp. v. *DaimlerChrysler Corp.* 311 F.3d 796 (7th Cir. 2002): Plaintiff asserted trademark infringement and FTDA claims based upon an asserted family of marks in its Jeep grille designs. The court recognized that under *Traffix*, product configurations must acquire distinctiveness and secondary meaning to be protectable. The court did not reject the FTDA claim on grounds that the alleged family of marks was not inherently distinctive, but rather denied a preliminary injunction on the FTDA claim because the plaintiff had failed to prove that it had rights in the family of marks it was asserting. As a result, the marks being asserted certainly could not be famous. *Id.* at 818. This suggests that the Seventh Circuit takes the position that acquired distinctiveness is sufficient for a FTDA claim. Otherwise the court would have stopped when it concluded that the marks were not inherently descriptive.

Ty Inc. v. *Perryman,* 306 F.3d 509 (7th Cir. 2002), *cert. Denied*, 123 S. Ct. 1750 (2003): The mark at issue in this case was BEANIES. The court found that the mark clearly was not inherently distinctive. See *Id.* at 513. The court did not reject the FTDA claim on this basis. Rather, the court held that an injunction was proper under the FTDA claim but only that its scope should be much more limited than originally ruled by the district court. Thus, in this case, the Seventh Circuit allowed an FTDA claim with a mark that it clearly held to not be inherently distinctive.

Ninth Circuit

Adidas-Salomon AG v. *Target Corp.,* No. CV–01–1582–ST, 2002 WL 31971831 (D. Or. July 31, 2002): Plaintiff filed an action regarding its three stripe mark and Original Superstar trade dress which is for a particular style of shoe. Defendant had adopted a four stripe mark and similar style of shoe. The magistrate's findings noted there was a split in the Circuits regarding the whether or not a mark with acquired distinctiveness qualifies for protection under the FTDA and, relying on language from *Avery Dennison* v. *Sumpton* (see summary below), concluded that, in the Ninth Circuit, acquired distinctiveness does qualify. Under the Ninth Circuit standard, the court held that there was sufficient evidence that the three stripe mark and Original Superstar trade dress where distinct and famous to withstand defendant's motion for summary judgment.

Thane International, Inc. v. *TREK Bicycle Corporation,* 305 F.3d 894 (9th Cir. 2001): The Ninth Circuit reversed the lower court's grant of summary judgment to the defendant because it improperly used a likelihood of confusion standard. The court focused on the failure of Trek Bicycle to show its mark TREK was famous; the court mingled the requirement of fame with the requirement of distinctiveness. In a footnote, the court stated "a mark must have a relatively high degree of distinctiveness both to'be capable of being diluted' and to meet § 1125(c)(1)'s'threshold element of fame.' A party may satisfy this burden with a showing of acquired distinctiveness, rather than inherent distinctiveness, but in either case it must demonstrate'a degree of distinctiveness beyond that needed to serve as a trademark.'" *Id.* at 912 n.14 (citations omitted).

Cairns v. *Franklin Mint Co.,* 24 F. Supp. 2d 1013 (C.D. Cal. 1998), aff'd, 1999 U.S. App. LEXIS 34568 (9th Cir. 1999): The executors of the Estate of Diana, Princess of Wales, and trustees of her memorial fund sued sellers of Princess Diana memorabilia. In rejecting the defendant's motion to dismiss the FTDA claim, the court noted that a surname is not inherently distinctive. "Thus, to state a claim under the Federal Trademark Dilution Act for service mark infringement, a plaintiff must allege that the personal name asserted as a mark has acquired secondary meaning such that the name is synonymous in the public mind with the service provided by the plaintiff." *Id.* at 1034. Later, the court reached the same conclusion and then granted the defendant's motion for summary judgment on the FTDA claim on the basis that secondary meaning was not established. See, 107 F. Supp. 2d 1212, 1222 (C.D.Cal. 2000).

Avery Dennison Corp. v. *Sumpton,* 189 F.3d 868 (9th Cir. 1999): The owner of the marks "Avery" and "Dennison" for office products brought action against an Internet e-mail provider and its president, for registering "avery.net" and "dennison.net" as Internet domain names and licensing them as e-mail addresses. In reversing a grant of summary judgment for the owner of the marks, the court rejected the "argument that the distinctiveness required for famousness under the Federal Trademark Dilution Act is inherent, not merely acquired distinctiveness. However, because famousness requires a showing greater than mere distinctiveness, the presumptive secondary meaning associated with "Avery" and "Dennison" fails to persuade us that the famousness prong is met in this case." *Id.* at 877. (citations omitted)

Star Markets, Ltd. v. *Texaco, Inc.*, 950 F. Supp. 1030 (D.Hawaii 1996): In this case, the court granted the defendant summary judgment on the plaintiff's FTDA claim because, while the mark had acquired distinctiveness, it was not famous, even though a survey had showed that 75% of the respondents associated the STAR trademark with the plaintiff's grocery stores. The court stated: "Acquired distinctiveness is merely a minimum threshold for establishing protectability of a trademark that is not suggestive, arbitrary or fanciful. Once established, the [FTDA] compels the court to consider the *degree* of that distinctiveness as one of many factors for determining whether the mark is famous." *Id.* at 1033.

Eleventh Circuit

Carnival Corp. v. *SeaEscape Casino Cruises, Inc.* 74 F. Supp. 2d 1261 (S.D.Fla. 1999): Plaintiff brought claims based upon its trademark FUN SHIP. The court clearly found that the mark was descriptive, but had acquired secondary meaning. The court did not reject the plaintiff's FTDA claim on this basis. Rather, the court found that while the mark had acquired distinctiveness, it had not acquired sufficient fame to support an FTDA claim.

C. Other Cases with Comments Relevant to the Issue

Supreme Court

Moseley v. *V Secret Catalogue, Inc.,* 123 S. Ct. 1115 (2003): Plaintiff is the owner of the mark VICTORIA'S SECRET. Plaintiff brought suit against petitioners who opened a store named VICTOR'S SECRET and then changed the name, after being contacted by Plaintiff, to VICTOR'S LITTLE SECRET. The narrow issue on certiorari was whether objective proof of actual injury to the economic value of a famous mark is required for relief under the FTDA. The Supreme Court did not reach the issue of distinctiveness, but, in a footnote, quoted *Nabisco, Inc.* v. *PF Brands, Inc.:* "[i]t 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. § 1125(c)(1). There can be no dilution of a mark's distinctive quality unless the mark is distinctive." *Moseley*, 123 S. Ct. at 1120 n.5. Some have argued that this is an endorsement of the notion that inherent distinctiveness is required. Professor J. Thomas McCarthy, however, strongly disagrees with this position. See, 4 *McCarthy on Trademarks and Unfair Competition* § 24:91 to 24:91.2.

Second Circuit

Sporty's Farm L.L.C. v. *Sportsman's Market, Inc.,* 202 F.3d 489 (2nd Cir. 2000): In deciding whether or not the mark SPORTY'S was distinctive for the purpose of the FTDA, the Second Circuit stated, "Distinctiveness refers to *inherent* qualities of a mark and is a completely different concept from fame. A mark may be distinctive before it has been used—when its fame is nonexistent. By the same token, even a famous mark may be so ordinary, or descriptive as to be notable for its lack of distinctiveness." *Id.* at 497 (emphasis added).

Nabisco, Inc. v. *PF Brands, Inc.,* 191 F.3d 208 (2nd Cir. 1999): The Second Circuit affirmed the lower court's order entering a preliminary injunction against Nabisco using a mark consisting of an orange, bit-sized, cheddar cheese flavored, fish-shaped cracker because it would dilute Pepperidge Farm's mark for its goldfish-shaped cracker. The court noted that "[t]he first of [the distinctiveness and famous] factors invites the court to consider'the degree of inherent or acquired distinctiveness of the mark.'" *Id.* at 215. The court found the Pepperidge Farm's goldfish cracker exhibits a moderate degree of distinctiveness and qualified it for protection under the FTDA.

BigStar Entertainment, Inc. v. *Next Big Star, Inc.* 105 F. Supp. 2d 185 (S.D.N.Y. 2000): Plaintiff sold motion picture videos and provided information regarding films and stars on the Internet using the marks BIGSTAR and BIGSTAR.COM. Plaintiff brought a trademark infringement and dilution action, with related state law claims, against a company conducting talent searches on the Internet using the marks NEXT BIG STAR and NEXTBIGSTAR.COM. In rejecting plaintiff's FTDA

claim, the court noted that plaintiff's marks were composed of descriptive terms and relatively weak. While the court did not say that inherent distinctiveness was required under FTDA, it did conclude the marks did not qualify for protection under the FTDA because they did not have the requisite "distinctiveness."

Sixth Circuit

Ford Motor Co. v. *Lloyd Design Corp.,* 184 F. Supp. 2d 665 (E.D. Mich. 2002): Ford brought suit against the manufacturer of floor mats for use with Ford's vehicles that use Ford's marks without its authorization. In upholding the magistrate's preliminary injunction recommendation, based in part on a claim under the FTDA, the district court followed the *Nabisco* case and found:

> that the marks F–150®, F–250® and F–350® are fanciful and, thus, of high distinction. The trademark Aston Martin® is also highly distinctive because, even though it is not purely fanciful, the name is unlikely to signify anything in commerce but the automobiles and accessories bearing the name. Since Ford®, Jaguar®, Lincoln®, Mercury®, Mustang®, Bronco®, Taurus®, Windstar®, Excursion®, Expedition®, Navigator®, Moutaineer®, and Thunderbird® are not purely fanciful, but are names that are unrelated in everyday life to automobiles, the court finds them to enjoy a moderate degree of distinctiveness. Therefore, Plaintiffs have established the second element of an FTDA claim. Hence, the only remaining factor is the fifth: whether Defendant's use may cause dilution of the distinctive quality of the senior mark.

Id. at 679. The court did not address whether inherent distinctiveness was required.

AutoZone, Inc. v. *Tandy Corp.* 174 F. Supp. 2d 718 (M.D. Tenn. 2001): AutoZone, Inc., brought an action based on its mark AUTOZONE for use in association with automotive parts store services against the Tandy Corporation for its use of the mark POWERZONE in association with electronics. In ruling that AutoZone did not have a viable FTDA claim because the marks were not similar enough, the court noted:

> distinctiveness plays a dual role in the dilution analysis. First, as noted above, it is a statutory element; under the statute, a mark does not receive protection unless it is distinctive. Second, . . . the degree of distinctiveness of the senior mark will have a considerable bearing on whether the junior use will have a diluting effect. The more distinctiveness the mark possesses, the greater is the interest to be protected from dilution. For the reasons stated in the distinctiveness analysis above, the Court concludes that, for the purposes of dilution analysis, the AUTOZONE mark exhibits a moderate degree of distinctiveness, entitling it to a commensurate level of protection.

Id. at 736. The court noted (1) that the plaintiff was entitled "to a presumption that its registered trademark is inherently distinctive," (2) that "analysis using the traditional spectrum approach would lead to the same conclusions," but also (3) that the mark had acquired secondary meaning.

NBBJ East Limited Partnership v. *NBBJ Training Academy, Inc.,* 201 F. Supp. 2d 800 (S.D. Ohio 2001): An architectural firm brought action against a computer training school, alleging infringement and dilution of its mark NBBJ. In granting plaintiff an injunction against defendant using the mark NBBJ, the court noted that distinctiveness is a required element of dilution and quoted the following passage from the Sixth Circuit opinion in the *Moseley* case (259 F.3d at 469):

> Distinctiveness is a crucial trademark concept, which places marks on a ladder reflecting their inherent strength or weakness. The degree of distinctiveness of a mark governs in part the breadth of protection it can command. At the low end are generic words—words that name the species or object to which the mark applies. These are totally without distinctiveness and are ineligible for protection as marks because to give them protection would be to deprive competitors of the right to refer to their products by name. . . . Thus, no one can claim the exclusive right to use the mark "CAR" for a car. One rung up the ladder are "descriptive" marks—those that describe the product or its attributes or claims. These also have little distinctiveness and accordingly are ineligible for protection unless they have acquired "secondary meaning"—this is, unless the consuming public has come to associate the mark with the products or unless the consuming public has come to associate the mark with the products or services of its user. . . . The next higher rung belongs to "suggestive" marks; these fall in an in-between category. . . . They are given less protection than is reserved for more distinctive marks—those that are "arbitrary" or "fanciful.". . . A mark is arbitrary or fanciful if there is no logical relationship whatsoever between the mark and the product on which it is used. . . . The most distinctive

> are marks that are entirely the product of the imagination and evoke no association with the human experience that relate intrinsically to the product. . . . The strongest protection of the trademark laws is reserved for these most highly distinctive marks.

NBBJ East Ltd. Partnership, 201 F. Supp. 2d at 806. The court found that NBBJ was arbitrary or fanciful.

Ninth Circuit

Mattel, Inc. v. *MCA Records, Inc.,* 296 F.3d 894 (9th Cir. 2000): The Ninth Circuit affirmed the lower court's ruling that MCA Records' use of Mattel, Inc.'s mark BARBIE was a parody and nominative fair use. In affirming the lower court's ruling that there was no claim for dilution under the FTDA, the Ninth Circuit noted that the mark BARBIE clearly met the requirements of fame and distinctiveness. *Id.* at 903. The court also held that MCA Records' use of the mark was dilutive. *Id.* However, the court determined that MCA Records' use of the mark BARBIE fell within the scope of the noncommercial use exemption to the FTDA. See *id.* at 904–07.

Eleventh Circuit

Corbitt Manufacturing Co. v. *GSO America, Inc.,* 197 F. Supp. 2d 1368 (S.D. Ga. 2002): Corbitt brought an action based on its mark "NO FLOAT" for use in association with mulch. Corbitt claimed that GSO's mark "NON-FLOATING" on their packaging of mulch infringed Corbitt's mark. The court denied the plaintiff's request for preliminary injunction. In addressing Corbitt's dilution claim, the court held that while "some factors favor Corbitt, it has not shown the requisite level of fame. As mentioned above, NO FLOAT is at best a descriptive mark with secondary meaning. In fact, it is entitled to this presumption only because of its incontestable status. Even after assuming this status applies in the dilution context, there is little evidence of the'acquired distinctiveness of the mark.'" *Id.* at 1378.

Legal Treatises

In his treatise, 4 *McCarthy on Trademarks and Unfair Competition* § 24:91 to 24:91.2, the esteemed trademark law scholar, Professor J. Thomas McCarthy, finds no inherent distinctiveness requirement in the FTDA. In fact, he does not see "distinctiveness" as a separate element from fame. He believes that the distinctiveness requirement in the statute only means that the mark must properly qualify as a mark, namely that it has inherent or acquired distinctiveness. Otherwise, the term would not be a mark at all.

D. Conclusion

An analysis of the case law and statute indicates that marks that have acquired distinctiveness should be protected under the FTDA. Given the consensus by a majority of Circuits, which is supported by both the text and purpose of the statute, the FTDA should be amended to clarify this point.

IV. NICHE MARKET FAME

The Federal Trademark Dilution Act of 1995 should not be amended at this time to state either that marks which are famous within limited geographic areas or commercial market segments are eligible for dilution protection under the Trademark Act to the same extent as marks that are famous on a nation-wide basis, or to state that such marks are ineligible for dilution protection under the Act.

There is no clear consensus on the issue of niche fame.[2] No steps should be taken at this time to address the issue. Rather, the issue should be reevaluated after it has been defined further through the case law. Given the controversial nature of the niche fame issue, as shown by the divergent case law results below, and given that the issue has not been explicitly addressed in the FTDA before, we believe the issue of niche fame will be difficult to address through legislative changes. It is this controversy that distinguishes the niche fame issue from the acquired distinctiveness position noted above.

A. The Niche Fame Issue Is Unresolved In The Courts

There is a split among the Circuit Courts of Appeals on the issue of whether "niche market" fame satisfies the statutory requirement that marks be famous to qualify for protection under the Federal Trademark Dilution Act ("FTDA"). *See* 15 U.S.C. § 1125(c) (extending federal trademark dilution protection to "owner(s) of a

[2] See, e.g., Kenemuth, Lori, "The Niche Market Manual: A Guide To Understanding The Niche Market Theory", *AIPLA Quarterly Journal*, Vol. 32 No. 1, pp. 123–140 (author advocates preserving and applying the niche market theory under the FTDA).

famous mark . . .”). The Third, Fifth, Seventh and Ninth Circuits hold that fame of a mark in a particular market segment may be sufficient to satisfy the FTDA’s fame requirement when the junior user’s mark is used in the same market segment. The First and Second Circuits reject the “niche market” standard, while the other Circuits have not formally opined on the issue.

The following survey of the leading Circuit Court of Appeals opinions begins with the Seventh Circuit’s *Syndicate Sales* decision because its analysis was particularly thorough and because it is widely cited by the other Circuits in their opinions on the issue.

Syndicate Sales, Inc. v. *Hampshire Paper Corp.,* 192 F.3d 633 (7th Cir. 1999): This case centered on a trade dress infringement and dilution dispute between manufacturers of competing plastic baskets used for floral bouquets at funerals. *See Syndicate Sales,* 192 F.3d at 635. Finding that plaintiff’s trade dress was famous, if at all, only among wholesalers and retail florists, the trial court held that fame in such a niche market cannot be sufficient to establish fame for purposes of the FTDA. *Id.* at 640. The Seventh Circuit disagreed and remanded for consideration of whether Syndicate Sales’ trade dress was sufficiently famous in the market of wholesale and retail florists to qualify for federal dilution protection. *Id.* at 641.

A mark may be eligible for protection under the FTDA, the Seventh Circuit concluded, even when its fame is “limited to those engaged on a regular basis in commercial activity involving [the mark’s] product.” *Id.* at 641 fn.7.[3] Specifically, the FTDA’s fame requirement may be satisfied when a senior mark is famous in a particular commercial market segment and defendant is using its allegedly diluting mark in the same market. *Id.* at 641.

The court noted that prior decisions in which the courts held niche-fame insufficient had generally addressed situations in which the disputed marks were used in separate markets,[4] while cases recognizing niche-market fame concerned disputed marks used in the same or related markets. *Id.* at 640. The court reasoned that one of the FTDA’s “fame” factors, *i.e.* 15 U.S.C. § 1125(c)(1)(F) (hereafter “Factor F”), “may be constricted to a particular market.”[5] *Id.* at 641. The “narrowness of the market in which a plaintiff’s mark has fame” must be considered, presumably against a finding of fame, but is “less important” when the defendant uses its mark in the same market. *Id.* The court also found support for the niche fame concept in the Restatement, which concluded that: “A mark that is highly distinctive only to a select class or group of purchasers may be protected from diluting uses directed at that particular class or group. *Id.* at 640, citing *Restatement (Third) of Unfair Competition*, § 25, cmt. e (1995).[6]

Times Mirror Magazines, Inc. v. *Las Vegas Sports News, L.L.C.,* 212 F.3d 157 (3rd Cir. 2000), cert. denied, 531 U.S. 1071 (2001): In this case, the Third Circuit affirmed a preliminary injunction on trademark dilution grounds. *See Times Mirror,* 212 F.3d at 160, 170. Plaintiff’s publication, *The Sporting News*, provided information on sports such as baseball, basketball, football and hockey and had a weekly

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[3] In contrast to the 9th Circuit (*see Avery Dennison Corp.* v. *Sumpton*, 189 F.3d 868, 877–878 (9th Cir. 1999)), the 7th Circuit holds that fame within a limited geographic area is not sufficient for the FTDA. The legislative history of the Act made clear, the 7th Circuit noted, that, “in order to be‘famous,’ a mark must be used in a substantial segment of the United States.” *Syndicate Sales,* 192 F.3d at 641, fn. 7. While this meant that marks famous in one local area were not entitled to federal dilution protection, fame within a limited commercial segment was sufficient when the market within which the commercial activity was occurring was national in scope. *Id.*

[4] *See Syndicate Sales,* 192 F.3d at 640, fn. 5, citing, *inter alia, Michael Caruso & Co.* v. *Estefan Enters. Inc.*, 994 F.Supp 1454, 1463; *Golden Bear Int’l* v. *Bear U.S.A., Inc.*, 969 F.Supp. 742, 749 (N.D.Ga. 1996); *King of the Mountain Sports, Inc.* v. *Chrysler Corp.*, 968 F.Supp. 568, 578 (D.Colo. 1999). Because the cases focus on situations in which the two components of the niche fame doctrine are not present—fame of the plaintiff’s mark in a specific market segment and use by defendant of its mark in the same segment—these decisions should not be read to reject a niche fame standard per se or to favor a “national renown” standard.

[5] The FTDA lists 8 non-exclusive factors that a court may consider to determine whether the mark is distinctive and famous.” *See Syndicate Sales,* 192 F.3d at 639, citing 15 U.S.C. § 1125(c)(1). Factor F embraces “the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought.” 15 U.S.C. § 1125(c)(1)(F).

[6] The Court also relied on Professor McCarthy, citing 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (“McCarthy”) § 24:112 at 24–204 to 24–205 (1999). However, Professor McCarthy no longer supports the concept of niche fame: “In the author’s view, the federal anti-dilution act does not require courts to recognize the phenomenon of niche fame. . . . [Indeed,] recognition of niche fame is an improper application of the federal act, is an unnecessary and superfluous legal theory and improperly displaces the traditional balance of competitive rights reflected in the likelihood of confusion test [for trademark infringement].” 4 *McCarthy* § 24:112.1 at 24–273 (2003).

circulation of about 540,000 in the United States and Canada. *The Sporting News* was sold at newsstands throughout the country and was advertised on television, on radio, and in direct mail. *Id.* at 161–162. Defendant's *Las Vegas Sporting News* focused on "sports wagering'for the sports gaming enthusiasts . . .'" *Id.* at 161 (internal record citation omitted). With a circulation of 42,000, the *Las Vegas Sporting News* was also sold at newsstands across the country, but most copies were given away free in gambling casinos. *Id.* Citing *Syndicate Sales* and the Restatement, the Third Circuit endorsed the niche-fame standard: "We are persuaded that a mark not famous to the general public is nevertheless entitled to protection from dilution where both the plaintiff and defendant are operating in the same or related markets, so long as the plaintiff's mark possesses a high degree of fame in its niche market." *Id.* at 164. The court held that the two marks at issued "shared a common market," *i.e.* the "sports periodical market." Because "the mark'The Sporting News' was famous in its niche," it was "entitled to protection under the FTDA against *[Las Vegas Sporting News]*'s used of a similar mark in the same market." *Id.* at 165.

In a sharply worded dissent, Judge Barry disagreed, although from her opinion it is not clear whether she rejects the niche fame doctrine entirely or as applied in this case.[7] The problem with the niche fame doctrine, Judge Barry argued, is that it threatens to devour infringement law by providing a powerful trademark remedy in situations where infringement law ought to apply, but without plaintiffs having to prove likelihood of confusion. See *id.* at 174. In the case at bar, Judge Barry stated, plaintiff ought to have shown that its mark was "truly famous among members of the general public." *Id.* at 176. Even as to Factor F, plaintiff failed to present evidence that its mark was "recognized by a substantial portion of *[Las Vegas Sporting News]*'s potential consumers." *Id.* at 175.

Advantage Rent-A-Car, Inc. v. *Enterprise Rent-A-Car, Co.,* 238 F.3d 378 (5th Circuit 2001): At issue in this case were similar slogans used by two rental car companies—Advantage's "We'll Even Pick You Up" and Enterprise's "We'll Pick You Up" and "Pick Enterprise. We'll Pick You Up." *See Advantage,* 238 F.3d at 379. In denying Enterprise relief on its federal dilution claim, the district found that its mark was sufficiently famous. *Id.* at 379–380. The Fifth Circuit affirmed this finding, but cautioned that "[t]o the extent that the district court's opinion can be read to suggest that Enterprise needed to prove fame beyond its market, we disagree." *Id.* at 380. Instead, the Court held, the correct standard was that adopted by the Seventh Circuit in *Syndicate Sales* and therefore what Enterprise needed, but failed, to prove was that its mark was famous "within the car rental industry, not in a broader market." *Id.*

Thane Int'l, Inc. v. *Trek Bicycle Corp.,* 305 F.3d 894 (9th Cir. 2002): In this action seeking declaratory relief, Trek had long used its trademark "TREK" on bicycles and related products, while Thane manufactured a stationary exercise machine under the "OrbiTrek" mark. *See Thane,* 305 F.3d at 898. The Ninth Circuit reversed summary judgment entered in Thane's favor on Trek's infringement claim, but affirmed on Trek's dilution claim. *Id.* at 913.

Despite clear misgivings about the doctrine,[8] the *Thane* court reaffirmed its prior endorsement of the niche fame standard that "marks famous in only a limited geographic area or a specialized market segment can be'famous' for the purposes of the federal anti-dilution statute." *Id.* at 908, citing *Avery Dennison Corp.* v. *Sumpton*, 189 F.3d 868, 877 (9th Cir. 1999). The court stressed that the FTDA "protects a mark only when a mark is famous within a niche market *and* the alleged diluter uses the mark within that niche." *Id.*, emphasis original; *see also Avery Dennison*, 189 F.3d at 877 ("[F]ame in a localized trading area may meet the [statutory fame

[7] On the one hand, Judge Barry noted that "the legislative history does not mention much less embrace a so-called'niche market' theory of fame." *Times Mirror,* 212 F.3d at 173. Moreover, "although Factor (F) focuses the analysis on the channels of trade in which the parties operate, it does not dictate the conclusion that fame solely within those channels of trade is enough for protection." *Id.* at 175. That analysis supports the conclusion that only widely-renowned marks deserve federal dilution protection. Or as Judge Barry states towards the end of her dissent, "I do not believe . . . [that] a mark not immediately recognizable by the general public can . . . meet the fame requirement of the FTDA. *Id.* at 179. But Judge Barry also worried that "the niche market theory risks lowering the bar for trademark protection *unless it is applied prudently to cases which clearly call for such an analysis*, and this is not one." *Id.* at 173; emphasis added. Moreover, Judge Barry urges a court inclined to rule that a mark "famous only in its niche market . . . is entitled to protection under the FTDA, the evidence of fame should be rigorously examined." *Id.* at 174.

[8] *See Thane,* 305 F.3d at 908 (noting the *Avery Dennison* Court's "repeated admonition that only prominent and renowned marks deserve [federal dilution protection]. . ."

requirement, as may] "specialized market segments . . . [when] the diluting uses are directed narrowly at the same market segment"; internal citations omitted).

A finding of fame for dilution purposes was unwarranted in the case at bar, the court explained, because, while TREK was a famous mark in the "non-stationary bicycle" market segment, its fame did not extend to the market segment that Thane functioned in—"stationary exercise machines." *Id.* at 910. The analysis may turn on the appropriate level of generality; to establish niche fame, the relevant market must be defined very precisely: "To maintain coherence, the niche fame concept must focus on highly specialized market segments with an identifiable customer base." *Id.* at 909. Within such well-defined market segments, "participants are likely to make associations between marks that the general public will not make." *Id.* Conversely, as the level of generality expands—for example, conceiving the market in the case at bar as "sporting goods"—it becomes less likely that consumers in the various submarkets will form associations between disputed marks: "There is no reason why participants in this broad market will have any particular knowledge about products in submarkets in which they do not participate." See *id.*

Further, in assessing niche fame, the extent and duration of use within the particular market segment is crucial: "[A] mark that is not widely associated with a particular product within a particular niche market is almost surely not famous in that market." *Id.* Federal dilution law seeks to prevent junior users from appropriating the goodwill that a famous mark has developed over time. "Where there has been no successful, long-term development of goodwill with respect to particular markets, asserting fame within that specialized market is simply inconsistent with the purpose of the antidilution protection." *Id.* Accordingly, Trek's brief sale of stationary exercise bicycles or plans to re-enter that market did not support its dilution claim. *Id.*

I.P. Lund Trading ApS v. *Kohler Co.,* 163 F.3d 27 (1st Cir. 1998): In a trade dress dispute involving the design and appearance of water faucets, the 1st Circuit affirmed the denial of a preliminary injunction on I.P. Lund's infringement claim and vacated the grant of the injunction on its federal trademark dilution claim. See, *I.P. Lund*, 163 F.3d at 32. In creating an "exceptional anti-dilution remedy for truly famous marks," the court explained, the FTDA imposed a "heightened" and "rigorous standard for fame." *Id.* at 33, 47. Accordingly, "national renown is an important factor in determining whether a mark qualifies as famous under the FTDA." *Id.* at 47. By this standard, the fact that I.P. Lund's faucet may have been "renowned . . . in the world of interior design and high-end bathroom fixtures" did not establish that its design was "sufficiently famous to qualify for the FTDA's protection." *Id.* at 60.

TCPIP Holding Company, Inc. v. *Haar Communications, Inc.,* 244 F.3d 88 (2d Cir. 2001): In this case, the operator of a chain of children's clothing stores under the registered mark "The Children's Place" obtained a preliminary injunction barring defendant from using a number of internet domain names it owned that incorporated variations on plaintiff's mark. *TCPIP,* 244 F.3d at 90. While affirming the injunction as to some of defendant's domain names on infringement grounds, the Second Circuit vacated the injunction to the extent it was based on the FTDA. See *id.*

The court emphasized the greatly "expanded rights" conferred by federal dilution law over those enjoyed under traditional infringement law and its likelihood of confusion analysis. See *id.* at 94–95. The FTDA gave a trademark owner "a far greater scope of exclusivity" than classic trademark infringement law and, because of that expansion, restricted the "class of entities for whose benefit the law was created." See *id.* at 95. In view of the broad sweep of anti-dilution protect and the narrow range of intended beneficiaries, the court reasoned that Congress likely did not intend "to confer on marks that have enjoyed only brief fame in a small part of the country, or among a small segment of the population, the power to enjoin all other users throughout all realms of commerce." *Id.* at 99. Accordingly, the FTDA's protections did not extend to marks "that are famous in only a small area or segment of the nation," but rather only to marks that carry "a substantial degree of fame." *Id.* Plaintiff's evidence did not amount to such a showing and, accordingly, the preliminary injunction had to be vacated to the extent it was premised on the FTDA. See *id.* at 100.

B. Selected District Court Decisions from Other Circuits Show Divergence In The Approach To Niche Fame

Fourth Circuit

Hartog & Co. AS v. *SWIX.com,* 136 F.Supp.2d 531, 534(E.D.Va. 2001)[9]—In this case, a manufacturer of a line of ski waxes, marketed under the trademark "SWIX," sued an Internet services company that operated under the trade name SWiX Internet Dienste. *See Hartog,* 136 F.Supp.2d at 534. Adopting the niche-fame doctrine, the court found no dilution on the ground that the two companies operated in different market segments. *Id.* at 538, citing *Syndicate Sales, Inc.* v. *Hampshire Paper Corp.,* 192 F.3d 633, 640 (7th Cir. 1999). Because of the distinct market segments, "the popularity of plaintiff's'SWIX' mark among American skiers is not enough to render it "famous" under the Lanham Act." *Id.*

Eighth Circuit

Ott v. *Target Corp.,* 153 F.Supp.2d 1055 (D.Minn. 2001)—In this action, a designer and manufacturer of collector dolls sued a store chain and other defendants over a line of dolls that she claimed infringed and diluted her products' trademarks and trade dress. *See Ott,* 153 F.Supp.2d at 1058–1062. Rejecting the "niche fame" doctrine, the court ruled that plaintiff's trademark dilution claim failed as a matter of law. *Id.* at 1075.

Sharing Judge Barry's concern that trademark dilution based on niche fame risked subsuming classic infringement law, the court concluded that "the niche-market theory is inconsistent with the purposes of trademark dilution law." *Id.* at 1075 (citing *Times Mirror Magazines, Inc.* v. *Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 174 (3d Cir. 2000)). The court emphasized that dilution law was designed to protect marks on non-competing goods and services. *Id.* at 1076 (citing *Viacom Inc.* v. *Ingram Enterprises, Inc.*, 141 F.3d 886, 888 (8th Cir. 1998)). The court explained: "Because this case involves directly competing products, application of the niche-market theory would result in an over-extension of the protection afforded by the FDTA and would render trademark infringement laws duplicative." *Id.*

Eleventh Circuit

Carnival Corp. v. *SeaEscape Casino Cruises, Inc.,* 74 F.Supp.2d 1261 (S.D.Fla. 1999)—In a case involving two cruise lines, the court held that plaintiff's mark was insufficiently famous to warrant federal dilution protection. *See Carnival,* 74 F.Supp. 2d at 1261. In applying the niche-fame doctrine, the court noted that, while the Eleventh Circuit had yet to explicitly address the issue, it had affirmed a previous lower court decision that had applied the doctrine. *Id.* at 1271 (citing *Michael Caruso & Co., Inc.* v. *Estefan Enterprises, Inc.*, 994 F.Supp. 1454, 1463 (S.D.Fla. 1998), *aff'd*, 166 F.3d 353 (1998)). The court found that the two companies operated in related, but different markets namely Carnival offered several day "vacation" cruises, "while SeaEscape's product is a day or evening of entertainment at sea." *Id.* at 1270–1271. Also finding Carnival's survey evidence weak, the Court held that plaintiff's mark was not "famous" for purposes of a federal dilution claim. See *id.* at 1721.

C. Conclusion

Although the courts are split on the issue of niche fame which usually suggests the need for a legislative change, the time is not ripe to consider a such a change. There is no consensus in the trademark community, in contrast to the case of protecting marks that have acquired distinctiveness, as to the resolution of this issue. There is too much disagreement over what the specific changes should be, if any, and thus no change is warranted at this time. As the courts continue to address the issue, a consensus may develop on the issue that does not now exist.

Mr. SMITH. Mr. Johnson.

STATEMENT OF MARVIN J. JOHNSON, LEGISLATIVE COUNSEL, AMERICAN CIVIL LIBERTIES UNION

Mr. JOHNSON. Thank you, Mr. Chairman. Chairman Smith and Ranking Member Berman, I am pleased to appear before you today on behalf of the American Civil Liberties Union and its more than

[9] Disagreed with on other grounds, *Harrods Ltd.* v. *Sixty Internet Domain Names*, 302 F.3d 214, 228–232 (4th Cir. 2002).

400,000 members across the country to discuss the committee print to amend the Federal Trademark Dilution Act, or FTDA.

At the outset, let me say that trademarks provide an important tool for preventing confusion or deceptive marketing. To the extent that legislation furthers this goal, it is helpful and it is generally not destructive of the First Amendment values. After all, the First Amendment does not normally protect deceptive or misleading speech, particularly in a commercial context.

However, there is a dynamic tension between the First Amendment and trademark law. On the one hand, you have trademark holders who want to be able to control what people say using their particular trademark. On the other hand, you have people who want to exercise their rights of free speech which is guaranteed by the First Amendment to the Constitution of the United States, and sometimes that free speech is going to be abrasive and it may not be terribly complimentary to the particular trademark holder.

Now, the First Amendment protects not only the right to speak but the manner of speaking, as well, and so in using the trademark, they are using the trademark, if they are using it in a free speech context, they are using it in a perfectly permissible manner. But increasing the rights of trademark holders necessarily dilutes the rights of the people who want to speak because, essentially, you are giving a monopoly to the trademark holders of the use of that mark.

For example, if Kodak is trademarked, then Kodak has the right to exclusive use of that mark. Minolta cannot market cameras under the Kodak name. Now, to the extent that trademark law prevents this confusion over who made the product, it is helpful. However, this concept of whether it is likely to be confused has also been an important check on the power of trademark law to infringe upon the rights of free speech. While a camera marketed by Minolta under the Kodak name might be confusing to consumers, a parody or criticism of Kodak is unlikely to be confusing about the origin of the product. Thus, consumers are protected and free speech is preserved.

The Federal Trademark Dilution Act, however, makes the concept of confusion irrelevant, tilting the balance of power in favor of the trademark owners. Now, currently, there was some balance in the sense that the Supreme Court had held that there was supposed to be actual dilution. That, of course, raised the standard. It did make it a little more difficult in order to prove, and therefore, there was more protection for free speech.

However, when you go to likelihood of dilution, that creates some problems. This particular provision in broadening to likelihood of dilution, basically, it allows speech critical of a company to be enjoined even if it is true, because it is likely to result in dilution. Now, this provision is particularly insidious because, unlike defamation law, under the FTDA, a preliminary injunction may be granted silencing the speaker until after a trial. Therefore, on speculation that a trademark may be diluted, a speaker may be muzzled.

Now, as noted in my testimony, the likelihood of dilution standard has been used, particularly in the Second Circuit, to try to stop free speech that is critical to the trademark holder. When you cou-

ple that with dilution by tarnishment, it becomes particularly problematic. This proposed bill would, for the first time, give statutory recognition to the dilution by tarnishment. When you couple that with likelihood of dilution, you now end up with causes of action for the likelihood of tarnishment.

Now, since tarnishment normally refers to comments that portray the trademark in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product, we now have a direct conflict between trademark and free speech. To the extent that any parody or criticism evokes unflattering thoughts about the owner's product, it has resulted in tarnishment and can, therefore, be enjoined.

Now, on my written testimony, I have presented some examples, and I have some color examples here of the Joe Chemo ad that appeared in Ad Busters, and it is clearly a parody of the Joe Camel ad, or the trademark of Joe Camel for Camel cigarettes And so basically what you have here is a parody of the Joe Camel trademark, which is essentially talking about the dangers of smoking, and you have Joe Chemo here who is undergoing chemotherapy and has lost all of his hair and sitting here in a hospital bed, but it is clearly a parody that is being used to poke fun at this particular trademark.

Now, do they intend an association with that trademark? Well, obviously. That is what you intend with a parody. So they have intended that association. Is it going to cause some sort of unflattering association with the trademark? That is certainly what they hope when they are trying to discourage smokers. So the idea here is that if you allow this tarnishment to be coupled with likelihood of dilution, it is very likely that the Joe Chemo ads and other ads like them could be hurt and would be stopped simply because it may likely result in tarnishment of the trademark.

Now, we are not saying that Congress was unmindful of this tension between trademark and free speech. Obviously, there are some exemptions. Those exemptions have not been as protective of free speech as Congress had hoped. So because of that, we have grave concerns about the proposed bill as written, but we would be happy to work with the Committee to see if we can come to a resolution that would be more protective of free speech and still accomplish the goals.

Mr. SMITH. Thank you, Mr. Johnson.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF MARVIN J. JOHNSON

Chairman Smith, Ranking Member Berman and Members of the Subcommittee:

I am pleased to appear before you today on behalf of the American Civil Liberties Union and its more than 400,000 members, dedicated to preserving the principles of the Constitution and the Bill of Rights, to explain the ACLU's views on the Committee Print to Amend the Federal Trademark Dilution Act. This bill proposes to greatly expand the existing Act, making dilution actions easier for trademark holders while simultaneously diluting protections for free speech. We urge you to continue to require actual dilution in any cause of action, and to make some other amendments that will be more protective of free speech.

Trademark law provides an important tool for preventing confusion or deceptive marketing, but trademark laws should not be used as a pretext to stifle criticism, parody or legitimate competition when there is no reasonable likelihood of confusion and no actual dilution caused by use of the trademark.

This proposed bill is a significant expansion of the current dilution statute, and allows injunctions of speech in more instances. Dilution causes of action are problematic under the First Amendment because they allow commercial entities to secure injunctions prohibiting speech that is truthful and neither misleading or confusing. The basis of the injunction is that someone else other than the trademark holder used a word that is identical or similar to a trademark, and that the use might lessen the consuming public's association of the term with the trademark. Congress initially drafted the Federal Trademark Dilution Act ("FTDA") somewhat narrowly, requiring proof of actual dilution. This lessened the statute's impact on First Amendment activity. The proposed revision, however, adopts a "likelihood of dilution" standard, significantly easing the burden of proving "dilution," and increasing the danger to First Amendment activity.

We will first provide some background on the tension between trademarks and free speech, and then discuss specific problems with the proposed bill.

BACKGROUND

Trademark law developed primarily to protect the interests of consumers to receive reliable information about goods and services. To accomplish this objective, the suppliers of these goods and services were granted limited rights to regulate the misleading use of their brands and associated symbols. The grant of these rights, however, has the potential to impinge upon the ability of the public to communicate and receive information. Purposeful limitations were therefore placed on the rights of the trademark holder to avoid this problem. One of those limitations was the doctrine of "confusion": trademark rights were only enforceable where another's use is likely to cause confusion.[1] This standard alleviates the tension between the interests of consumers and the broader free speech interest of the public in general.

Courts and commentators have long recognized that trademark liability implicates the First Amendment. "Because the trademark law regulates the use of words, pictures, and other symbols, it can conflict with values protected by the First Amendment. The grant to one person of the exclusive right to use a set of words or symbols in trade can collide with the free speech of others."[2] The *Restatement (Third) of Unfair Competition* noted in a comment that the "use of another's trademark, not as a means of identifying the user's own goods or services, but as in incident of speech directed at the trademark owner, . . . raises serious free speech concerns."[3]

Noting the conflict between trademark law and free speech, the Fourth Circuit Court of Appeals stated in *CPC International, Inc.* v. *Skippy Incorporated:*[4]

> It is important that trademarks not be "transformed from rights against unfair competition to rights to control language." . . . Such a transformation would diminish our ability to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance. . . . "Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark."[5]

Despite free speech concerns, Congress passed the FTDA in 1995 to provide protection from trademark dilution. "Dilution" is defined as the "lessening of the capacity of a famous mark to identify and distinguish goods orservices, regardless of the

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[1] See 2 J. Thomas McCarthy, McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:32 (explaining that the limited, quasi-property right of trademark holders has extended from tort, rather than property law).

[2] 1 Pat. L. Fundamentals § 4.04 (2d ed.). Some commentators have opined that anti-dilution statutes are inherently antithetical to the First Amendment. See, e.g., Marla J. Kaplan, "Antidilution Statutes and the First Amendment," 21 Southwestern University Law Review 1139 (1992) (arguing that antidilution statutes violate the First Amendment because they prohibit commercial speech that does not mislead or deceive and because there is no substantial government interest to support them; also arguing that antidilution laws are not designed to protect the public, as was trademark law's historical purpose.)

[3] *Restatement (Third) of Unfair Competition* § 25 cmt. i (1995). *See, also, ACLU* v. *Miller,* 977 F.Supp. 1228 (N.D. Ga. 1997) in which the court granted a preliminary injunction against a statute forbidding "any person . . . knowingly to transmit any data through a computer network . . . if such data uses any . . . trade name, registered trademark, logo, legal or official seal, or copyrighted symbol . . . which would falsely state or imply that such person . . . has permission or is legally authorized to use [it] for such purpose when such permission or authorization has not been obtained." The court found this provision overbroad, in that it prohibited speech protected by the First Amendment.

[4] *CPC International, Inc.* v. *Skippy Incorporated,* 214 F.3d 456 (4th Cir. 2000).

[5] *Id.* at 462.

presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception."[6]

The FTDA provides, in part, that the owner of a famous mark is entitled to relief against another's commercial use in commerce of a mark, "if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." [Emphasis added.] Because of the "causes dilution" language, the Fourth and Fifth Circuits required there be actual proof of dilution.[7] The First, Second, Sixth, and Seventh Circuits, however, adopted a "likelihood of dilution" standard, as they believed actual dilution would be impossible to prove.[8] The Supreme Court settled the controversy in *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), when it held that the statute required actual proof of dilution.[9] The proposed bill seeks to overturn *Moseley* by amending the statute to only require "likelihood of dilution." While this makes it much easier for trademark holders to bring dilution actions, it also significantly decreases protection for activities protected under the First Amendment.

The government interest in protection of trademarks arises when the use of a trademark diminishes its distinctiveness. Trademarks are valuable as identifiers of the source of goods. To the degree this effect is hindered, the public is harmed. The use of a mark to identify the source of a product is central to dilution actions. Consider the example used in the original article in 1927 to justify dilution statutes, and the example used during debates on the FTDA in 1995: the use of the name Kodak on pianos. Where the use of a trademark leads to confusion as to the source of the product, the government may have a "substantial interest" in preventing dilution. After all, slapping the brand name "Kodak" on a piano has little expressive purpose and could lead to consumer confusion.

Where, however, a trademark is used for parody, commentary, or criticism of a product or service, confusion is far less likely, and the government's interest in protecting a trademark over free speech is minimal. As noted above, empowering trademark owners to quash criticism merely because it involves the use of a trademark transforms the trademark owner into a monitor of the spoken and written English language.

BECAUSE THE BILL WOULD REQUIRE ONLY A "LIKELIHOOD OF DILUTION," INSTEAD OF ACTUAL DILUTION, TRADEMARK HOLDERS WILL BE ABLE TO STIFLE SPEECH THAT IS CRITICAL OF THEIR TRADEMARK.

To allow actions for "likelihood of dilution" would broaden dilution to permit injunctive relief against speech that is not confusing or deceptive and has not yet caused harm. Since dilution can occur either by blurring or tarnishment,[10] this broadening would include the "likelihood of tarnishment." Thus, under the "likelihood of dilution" standard, speech critical of a company could be enjoined, even if true, because it is likely to result in tarnishment.

The idea that trademark owners would use the FTDA to stifle criticism is far from a fanciful notion. It occurred in the Second Circuit, which had interpreted the FTDA to require only a "likelihood of dilution."

In *WWF* v. *Bozell*,[11] the World Wrestling Federation (WWF) sued individuals for defamation and dilution of the WWF mark. The defendants had embarked on a public relations campaign claiming that the WWF was in part responsible for the deaths of several children killed by teenage wrestling fans who claimed to be mimicking WWF wrestling moves. This speech clearly should have been protected speech under the First Amendment. The court, however, held that the public relations campaign qualified as "commercial use in commerce" as required by section 43(c) of the Lanham Act because defendants attempted to raise money for their cause ("commercial use") and posted their statements on the Internet ("in commerce"). Thus, Bozell's actions did not fit within the exemption for noncommercial use of a mark,

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[6] 15 U.S.C. 1127.

[7] *Ringling Brother-Barnum & Bailey Combines Shows, Inc.* v. *Utah Division of Travel Development,* 170 F.3d 449 (4th Cir. 1999); *Westchester Media* v. *PRL USA Holdings, Inc.,* 214 F.3d 658 (5th Cir. 2000).

[8] *I.P. Lund Trading ApS, Inc.* v. *Kohler Co.,* 163 F.3d 27 (1st Cir. 1998); *Nabisco, Inc.* v. *PF Brands, Inc.,* 191 F.3d 208 (2d Cir. 1999); *V Secret Catalogue Inc.* v. *Moseley,* 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co.* v. *Natural Answers Inc.,* 233 F.3d 456 (7th Cir. 2000).

[9] The Supreme Court did not reach any issue of constitutionality in the case. It was decided purely on the basis of statutory construction.

[10] "Blurring" involves the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon noncompeting goods. "Tarnishment" results when one party uses another's mark in a manner that tarnishes or appropriates the goodwill and reputation assosciated with the mark.

[11] *WWF* v. *Bozell,* 142 F.Supp.2d 514 (SDNY 2001).

and therefore received no protection under the First Amendment. The court rejected defendants' motion to dismiss. The court also rejected defendants' claims that the First Amendment required dismissal.

It is important to note that, unlike defamation claims, a dilution claim permits the court to order preliminary injunctive relief. The anti-violence/anti-WWF campaign could be enjoined pending trial in order to protect WWF from the "likelihood" that the campaign would tarnish its mark.

In another case from the Second Circuit, *Scholastic Inc.* v. *Stouffer*,[12] the author and publisher of the hugely popular Harry Potter books sought a declaratory judgment that it had not infringed on Stouffer's copyrights or trademarks. Stouffer counterclaimed, alleging, among other things, dilution and defamation. The defamation claim was based on plaintiffs' alleged portrayal of Stouffer as a "golddigger" whose claims were "absurd," "ridiculous" and "meritless."[13] The court dismissed the claim "to the extent it asserts a claim for defamation, but declines to dismiss this claim to the extent it asserted a claim for dilution under federal or state law."[14] Therefore, a dilution action was allowed to proceed even though the comments should have been protected as free speech.

By requiring only a "likelihood of dilution," trademark holders will now have a more potent weapon to stifle speech that is critical or a parody of their trademark. Furthermore, unlike defamation law, under the FTDA a preliminary injunction may be granted, silencing the speaker until after a trial. Thus, on the speculation that a trademark *may* be diluted a speaker may be muzzled. In essence, trademark holders now have a monopoly on certain words, expressions and images.

We urge you to reject the "likelihood of dilution" standard and maintain the "actual dilution" language currently in the FTDA.

BECAUSE THE BILL WOULD MAKE DILUTION BY TARNISHMENT ACTIONABLE, THE BILL WOULD STIFLE FREE SPEECH.

Specifically recognizing "tarnishment" as a cause of action opens the door to silencing critics of a trademark,

There are two commonly recognized forms of dilution: blurring and tarnishment.[15] "Blurring involves the gradual whittling away or dispersion of the identity and hold upon public mind of the mark or name by its use upon noncompeting goods."[16] "Tarnishment results when one party uses another's mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the mark."[17] The current FTDA applies to dilution by blurring, but does not make dilution by tarnishment actionable (although some courts have read it to include tarnishment). The proposed bill would explicitly make tarnishment actionable as well.

"Tarnishment generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product."[18] Unfortunately, it also provides trademark holders with another cause of action to silence critics. Additionally, a broad application of tarnishment acts to chill commercial speech.[19] For example, in *Deere* v. *MTD*, the court found dilution by tarnishment where a competitor showed Deere's trademark, a running deer, fleeing from the competitor's tractor.

What the proposed bill fails to recognize is that trademarks have a huge impact on our shared culture. Trademarks have become essential to the communication about particular goods or services, often representing the most effective means by which to state one's position.[20]

By coupling the "likelihood of dilution" standard along with tarnishment, trademark holders can now argue their trademark is "likely to be tarnished" and possibly prevail, even though no tarnishment has actually occurred. Furthermore, the trademark holder can obtain an injunction against the speech long before a trial is even held.

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[12] *Scholastic Inc.* v. *Stouffer,* 124 F.Supp.2d 836 (S.D.N.Y. 2000).
[13] *Id.* at 849.
[14] *Id.* at 852.
[15] *Westchester Media* v. *PRL USA Holdings, Inc.,* 214 F.3d 658, fn. 12 (5th Cir. 2000).
[16] *Id.*
[17] *Id.*
[18] *Deere & Company* v. *MTD Products, Inc.,* 41 F.3d 39, 43 (2d Cir. 1994).
[19] The Supreme Court has recognized that commercial speech is entitled to First Amendment protection. *See Va. State Bd. Of Pharmacy* v. *Va. Citizen's Consumer Council, Inc.,* 425 U.S. 748, 761 (1976).
[20] *See Meyer* v. *Grant,* 486 U.S. 414 (1988) (stating that the First Amendment not only protects the right to advocate a cause, but also the right to select the most effective means to do so).

If tarnishment remains as a cause of action, the exemptions must make clear that fair use and free speech are fully protected, even if used in commercial speech. Furthermore, the definition of "tarnishment" in Section 2(c)(2)(C) should be changed. Currently, it defines tarnishment as "association between a designation of source and a famous mark, arising from their similarity, that harms the reputation of the famous mark." The definition is too vague and would sweep into it parody and criticism. After all, if the criticism is successful, won't it "harm" the mark? If the parody (in the case of the Joe Chemo "subvertisement" contained in the Appendix) is successful in reducing smoking, isn't it harming the mark? Tarnishment has traditionally been used where the mark is associated with illegal activity or sexual activity.[21] "Harm" should be more specifically defined to make it clear what kind of harm is contemplated.

THE BILL INAPPROPRIATELY CONTINUES TO RELY ON A DISTINCTION BETWEEN "COMMERCIAL" AND "NONCOMMERCIAL" TO DETERMINE THAT ONLY "NONCOMMERCIAL" SPEECH IS PROTECTED. THIS STRIPS PROTECTION FROM COMMERCIAL SPEECH, AS WELL AS SPEECH THAT HAS ONLY INCIDENTAL COMMERCIAL COMPONENTS.

The fact that the communication carries a commercial component should not automatically deprive the communication of First Amendment protection. In many cases, the commercial component is what makes the communication viable. "A social satire is no less effective or communicative if sold than if given away, and the costs of printing and distributing the message . . . can generally be recouped through sales of the item in question."[22] Furthermore, as even commercial speech is protected under the First Amendment, it makes little sense to deprive it of protection under the FTDA simply *because* it is commercial.

It is not always easy to determine what is and is not "commercial" speech. The United States Supreme Court has held that commercial speech is "speech proposing a commercial transaction."[23] Within those narrow confines, the definition may be sufficient. The question of what constitutes commercial speech however is far more nuanced, and bright lines are hard to find. For example, in *Rubin* v. *Coors Brewing Co.*, 514 U.S. 476 (1995), the Court found that a statement of alcohol content on the label of a beer bottle constituted commercial speech. Likewise, the Court found commercial speech in statements on an attorney's letterhead and business cards identifying him as a Certified Public Accountant and Certified Financial Planner.[24]

In *Bolger*, the United States Supreme Court was faced with a question of whether a federal law prohibiting the mailing of unsolicited advertisement for contraceptives violated the federal Constitution's free speech provision as applied to certain mailings by a corporation that manufactured, sold, and distributed contraceptives. One category of the mailings in question consisted of informational pamphlets discussing the desirability and availability of prophylactics in general or the corporation's products in particular. The Court noted that these pamphlets did not merely propose commercial transactions.[25] While the parties conceded the pamphlets were advertisements, the Court did not find that fact alone sufficient to make them commercial speech, because paid advertisements are sometimes used to convey political or other messages unconnected to a product or service or commercial transaction.[26] The Court concluded that a combination of three factors, all present in this case, provided strong support for characterizing the pamphlets as commercial speech. The three factors examined by the court were: (1) advertising format; (2) product references; and (3) commercial motivation.

Part of the difficulty in applying *Bolger* is that the Court rejected the notion that any one of the factors was *sufficient* by itself, but also declined to hold all of these factors in combination, or any one of them individually, was *necessary* to support characterizing certain speech as commercial.[27] It is no wonder the Supreme Court

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[21] Unless the material is found to be "obscene," sexual material is protected under the First Amendment. We therefore do not recommend defining sexual activity that is not obscene as tarnishment.

[22] Michael A. Albert and Robert L. Bocchino, Jr., "Trade Libel: Theory and Practice Under the Common Law, The Lanham Act, and the First Amendment," 89 Trademark Rep. 826, 883 (1999).

[23] *Central Hudson Gas & Elec.* v. *Public Serv. Comm'n,* 447 U.S. 557, 562 (1980), *Bolger* v. *Youngs Drug Products Corp.* 463 U.S. 60, 66 (1983).

[24] *Ibanez* v. *Florida Dept. of Business & Professional Regulation, Bd. Of Accountancy,* 512 U.S. 136 (1994).

[25] Bolger, supra. at 62.

[26] *Id.*

[27] *Id.* at 67, fn. 14, and 66, fn. 13.

in later decisions acknowledged that "ambiguities may exist at the margins of the category of commercial speech."[28]

When given an opportunity to more clearly define commercial speech in *Nike* v. *Kasky*, the U.S. Supreme Court dismissed the case as having improvidently granted *certiorari*. Several members of the Court specifically noted the difficulty of the questions presented. As a result, lower courts are left to flounder, and often take an overly broad view of what constitutes commercial speech.

Against this backdrop, and despite the fact that the Supreme Court has recognized that commercial speech enjoys First Amendment protection, the FTDA continues to rely upon a supposed bright-line distinction between fully protected and commercial speech, condemning any speech that is not "pure" (meaning it is not tainted with any commercial element).[29]

Reliance on this supposed "bright-line" distinction ignores the fact that effective speech is rarely "pure" in that it lacks some commercial component. Activist groups routinely seek donations on a web site to support their work, sell T-shirts, stickers and books, and possibly even allow advertising on the web site. Yet, under the FTDA, critical websites and parodies that generate incidental revenue could still be found to be "commercial" and therefore subject to an injunction. The result is a chilling of the expressive use of trademarks in speech that mixes traditionally understood free speech with commercial elements.

An example is Adbusters Media Foundation and its magazine, Adbusters. This publication features advertisement parodies, called "subvertisements," which use trademarks and corporate logos to generate awareness about social and political issues. One issue featured "Joe Chemo," a parody of the "Joe Camel" character used by Camel cigarettes, to raise awareness of the health issues surrounding smoking.[30] These ads represent a type of important civic speech that is traditionally protected under the First Amendment. It makes critical commentary on the trademark holder, furthering the traditional goals of trademark law by informing the consumer about the goods and services they purchase. While the speech is predominantly civic in nature, the commercial element of selling the magazine could well mean that the trademark holder under the FTDA could silence its critical speech.

Although Congress in adopting the FTDA, characterized the noncommercial use exception as adequate to accommodate First Amendment concerns, that assessment has proved to be unduly optimistic. Even courts that reach the right result often have to strain to protect free speech.

When faced with a trademark dilution claim for the parody song "Barbie Girl," the Ninth Circuit Court of Appeals recognized that the song was entitled to protection under the First Amendment.[31] It did not, however, fit neatly into the three exceptions noted in the FTDA: It was not comparative advertising, it was being sold for a commercial purpose, and it was not news reporting. In order to reach the correct result and deny the injunction, the court interpreted "noncommercial use" to refer to a use "that consists entirely of noncommercial, or fully constitutionally protected, speech."[32] "If speech is not 'purely commercial'—that is, if it does more than propose a commercial transaction—then it is entitled to full First Amendment protection."[33] While such a result is correct, and comports with the legislative history of the FTDA indicating an intent to protect parodies, this is a somewhat strained definition, and certainly not followed by all courts. As noted above, in *Bozell*, a commercial purpose was found simply because Bozell sought donations over the Internet for his activities. Thus, the noncommercial use exception provides no consistent relief for those who engage in free speech activities.

We recommend amending the exemptions to drop the distinction between "commercial" and "noncommercial" speech and provide an exemption for *any* speech protected by the First Amendment.

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[28] *Edenfield* v. *Fane,* 507 U.S. 761, 765 (1993). *See also, Cincinnati* v. *Discovery Network, Inc.,* 507 U.S. 410, 419 (1993) [recognizing "the difficulty of drawing bright lines that will clearly cabin commercial speech in a distinct category"] and *Zauderer* v. *Office of Disciplinary Counsel,* 471 U.S. 626, 637 (1985) [stating that "the precise bounds of the category of . . . commercial speech" are "subject to doubt perhaps."].

[29] Previous cases have demonstrated that protected speech tainted with magazine sales, *Anheuser-Busch, Inc.* v. *Balducci Pub.,* 28 F.3d 769, 775 (8th Cir. 1994), or T-shirt sales, *Mutual of Omaha Insurance Co.* v. *Novak,* 836 F.2d 397, 402 n.8 (8th Cir. 1987), are not deemed "noncommercial" speech by the courts.

[30] See Appendix for examples.

[31] *Mattel, Inc.* v. *MCA Records, Inc.,* 296 F.3d 894 (9th Cir. 2002).

[32] *Id.* at 905.

[33] *Id.* at 906.

INTENT OR BAD FAITH SHOULD BE AN ELEMENT OF THE BLURRING CAUSE OF ACTION.

SECTION 2(C)(2)(B)(V)

One of the factors in determining dilution by "blurring" is "whether the user of the designation of source intended to create an association with the famous mark." In a parody, or criticism, the user of the mark obviously intends to create an association with the famous mark. The mere mental association is insufficient to support a blurring cause of action.[34] The lack of an element of intent or bad faith would allow blurring to silence parody or criticism based merely on the intended association. We recommend that this factor encompass some form of bad faith or intent to harm (being specific about the type of harm contemplated).

HARM SHOULD ALSO BE INCORPORATED AS AN ELEMENT IN THE BLURRING CAUSE OF ACTION.

Section 2(c)(2)(B)(vi) provides another factor in determining "blurring," and likewise relies upon association without a concomitant harm. ["Any actual association between the designation of source and the famous mark."] Once again, a parody or criticism, if successful, would meet this criterion.

We recommend that whatever harm this is intended to prevent be spelled out in more detail to avoid reliance on mere association as a factor in determining harm.

SECTION 2(C)(4)(B) WOULD SWEEP IN PARODIES AND CRITICISM.

Section 2(c)(4) provides for additional remedies (beyond an injunction) where the acts of the junior mark holder are intentional. Subsection B allows additional remedies in a tarnishment action where "the person against whom the injunction is sought willfully intended to trade on the reputation of the famous mark." Once again, this is exactly what a parody or criticism does—it trades on the reputation of the famous mark. Thus, speech that should be protected under the First Amendment could be used to justify even more damages than just an injunction.

THE FAIR USE EXEMPTION SHOULD BE EXPANDED TO ENCOMPASS ALL FAIR USES.

Both the current and the proposed FTDA allow an exception for "fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark." There is no rational basis for limiting fair use in this manner. Fair use is a much broader concept, and it should apply to trademark dilution actions in all situations, not just comparative advertising.

CONCLUSION

By using trademark dilution as a claim, companies would have an additional potent weapon to silence their critics. Unlike defamation claims, the company need not demonstrate falsity or malice—only the "likelihood of tarnishment." To the extent any critic is successful, companies may be able to establish that their trademark is "likely to be tarnished." Preliminary injunctive relief would silence the critics pending trial, even though the company has proven no actual harm to its trademark, and the court has made no final ruling that the critic's speech is unprotected.

As the FTDA expands, it alters the dynamic tension between trademark holders and free speech in favor of trademark holders. While enriching trademark holders, it dilutes free speech without any concomitant benefit to society. Furthermore, it places the trademark holder in the position of holding an indefinite monopoly in expressive subject matter, and obstructs the public's ability to freely engage in a democratic dialogue.[35]

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[34] Moseley, supra. at 433.

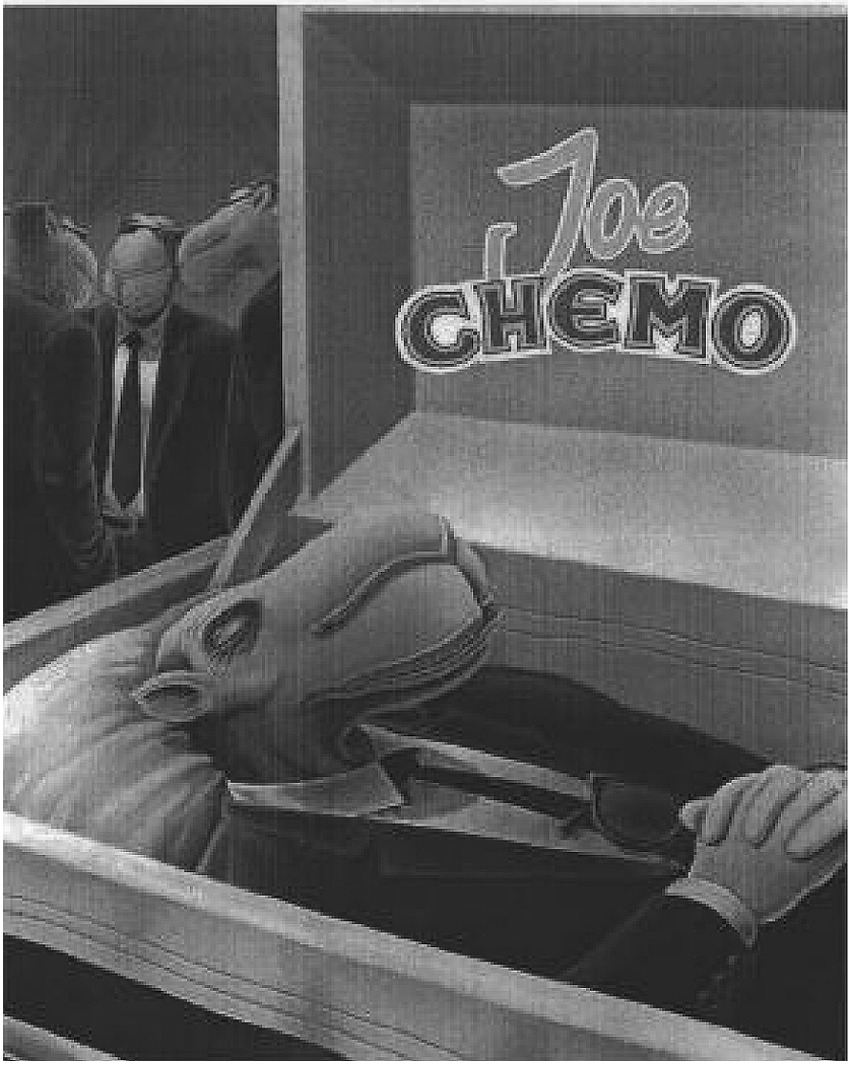
[35] *See Cohen* v. *California,* 403 U.S. 15, 26 (1971) (recognizing that the elimination of particular words poses a substantial risk of suppressing ideas in the process).

ATTACHMENT

App. 1

APPENDIX

App. 2



Mr. SMITH. Mr. Stimson.

STATEMENT OF DAVID C. STIMSON, CHIEF TRADEMARK COUNSEL, EASTMAN KODAK COMPANY

Mr. STIMSON. Good morning, Mr. Chairman, Mr. Berman. Thank you for inviting me to testify.

Kodak supports amending the Federal Trademark Dilution Act to address two issues raised by the Supreme Court's *Mosely* decision. First, the Court said that the owner of a famous mark must wait until there is some sort of demonstrable harm before a judge can issue an injunction in a dilution case. Second, the Court raised the possibility that tarnishment of a famous mark may not be actionable under the current statute.

The FTDA was designed to protect famous trademarks, like Kodak. In the nearly 125 years since it was first coined, the Kodak trademark has gained the loyalty and trust of hundreds of millions of American consumers over six generations and has been used on billions of products and has generated hundreds of billions of dollars of revenue. As a result, the Kodak trademark today is one of the strongest and most famous trademarks in the United States and around the world. Surveys of brand value have consistently confirmed this.

Just as Kodak has worked hard to establish the Kodak trademark, my colleagues and I work hard to strengthen and protect it. We understand its value and we are serious about protecting our ownership rights.

The FTDA has been an important part of our strategy. Since 1996, it has been there to help protect the Kodak brand from blurring and tarnishing uses before it is irreparably damaged. However, in the *Moseley* decision, the Supreme Court said that the text of the FTDA leads to the conclusion that a famous trademark owner must prove actual harm before a court issues an injunction in a dilution case. Mr. Chairman, an actual harm standard undercuts the effectiveness of the statute.

A requirement that Kodak show actual harm would require us to spend months litigating at the potential costs of hundreds of thousands of dollars in legal and survey fees. But even more importantly, in the meantime, the dilution would continue and the value of our trademark would be constantly diminishing at a huge cost that could not be calculated. Once the injunction was finally issued, the damage to our trademark would already have been done.

As an example, if Kodak were to be used as the name of a magazine containing photographs of child pornography, the damage to Kodak's image, reputation, and trademark would be obvious. If we were required to prove actual dilution, the sales of these magazines would continue and proliferate around the country. Even after we had shown actual dilution, we would never be able to retrieve all these magazines. Our Kodak trademark would be forever associated with child pornography in the minds of people who saw the magazines.

Granting relief based on a showing of likelihood of dilution is essential for owners of famous trademarks to enable them to quickly stop this sort of serious damage to their reputation and good will. Therefore, Kodak believes that the best way to assure the effective-

ness of a Federal dilution statute is to specifically incorporate a likelihood of dilution standard into the law.

In light of the uncertainty raised by the *Moseley* decision, Kodak also supports adding to the FTDA an express cause of action for likelihood of dilution by tarnishment. To illustrate the need for protection against tarnishment, in the Internet world, there are unfortunately, Mr. Chairman, as you mentioned in your opening statement, many unscrupulous people who use our Kodak trademark as the domain names of websites that tarnish our Kodak trademark and identity. Some recent examples are kodak.net as the domain name for a website linked to a gambling casino; Kodaq with a "q".net for a professional male escort; and kodakcompany.com for nude and lingerie models. The FTDA should be amended to make it clear that uses like these, which use our trademark in connection with unsavory activities and tarnish its value, constitute dilution.

We would also add that if the Congress were to provide a specific cause of action for likelihood of dilution by tarnishment, there should also be a cause of action for likelihood of dilution by blurring, which is the other recognized form of dilution.

Thank you, Mr. Chairman, Mr. Berman, for this opportunity to testify. Revising the FTDA is a matter of great importance to Eastman Kodak Company. We therefore ask for your support in passing the appropriate legislation and your assistance to Kodak and other U.S. companies in protecting their valuable trademark assets. Thank you.

Mr. SMITH. Thank you, Mr. Stimson.

[The prepared statement of Mr. Stimson follows:]

PREPARED STATEMENT OF DAVID C. STIMSON

I. INTRODUCTION

Good morning, Mr. Chairman. Thank you for inviting me to testify. My name is David Stimson. I am Chief Trademark Counsel for Eastman Kodak Company in Rochester, New York where I have been employed for the past 18 years.

My volunteer activities in the trademark community include service on the U.S. Patent and Trademark Office Trademark Public Advisory Committee from 2000 to 2003 and with the International Trademark Association. I served as INTA president between May 1997 and May 1998. My comments here today concerning revision of the FTDA, however, are only on behalf of Kodak.

Kodak supports amending the Federal Trademark Dilution Act (FTDA)[1] to address issues raised by the Supreme Court's decision in *Moseley* v. *V Secret Catalogue, Inc.*[2] This decision will hamper the ability of owners of famous trademarks like KODAK to protect their intellectual property from third party uses that either blur or tarnish. Blurring and tarnishment are the two forms that dilution can take. In *Moseley*, the court said that the owner of a famous mark must wait until there is some sort of demonstrable harm before a judge can issue an injunction in a dilution case. The court also raised the possibility that tarnishment of a famous mark may not be actionable under the current statute.

II. THE KODAK TRADEMARK

The FTDA was designed to protect famous trademarks like KODAK. In the nearly 125 years since it was first coined, the KODAK trademark has been used on billions of products and has generated hundreds of billions of dollars of revenue. During that time Kodak has employed millions of American workers. Kodak has used the KODAK trademark on all its products and in all its advertising, gaining the loyalty and trust of hundreds of millions of American consumers over six generations.

[1] Pub. L. No. 104–98, 109 Stat. 505 (1995).
[2] 123 S. Ct. 1115 (2003).

As a result, the KODAK trademark today is one of the strongest and most famous trademarks in the United States and around the world. It was even cited by Congress as a famous mark when the FTDA was adopted in the mid-1990s[3] as well as by the United States Supreme Court in its *Moseley* decision.[4] Surveys of brand value consistently place the KODAK trademark at the top of the list of the world's most valuable trademarks. The Forrester 2003 Technology Brand Scorecard placed KODAK number two among 58 major technology brands and number one in terms of usage and recognition. KODAK was the number one U.S. brand in the 2002 WPP Brandz study that measured consumers' bonding with over 17,000 brands.[5] Independent news reporters have called KODAK "one of the world's best known brands"[6] and have said that "[f]ew American companies have the kind of brand loyalty and history that Kodak has. . . ."[7] So important is the KODAK trademark to our company that our CEO Dan Carp has listed "brand strength" as the first among our five "core competencies."

Because the KODAK trademark is so important to our company, Mr. Chairman, I am grateful to have the opportunity to appear here today and share with the subcommittee the importance of the FTDA to Kodak and to recommend ways in which the statute should be revised.

III. USING THE FTDA TO PROTECT THE KODAK MARK

Just as Kodak has worked hard to establish the KODAK trademark, my colleagues and I work hard to strengthen and protect it. Kodak is proud of the high quality of the products and services it offers under the KODAK brand and we spend billions of dollars on manufacturing quality and improvements to deliver products and services worthy of the KODAK trademark. We also have spent millions of dollars registering KODAK as a trademark, understand its value, and are serious about protecting our ownership rights.

The FTDA has been an important and effective part of our strategy in protecting the KODAK brand from blurring and tarnishing uses before it is irreparably damaged. To insure that we are able to take action under the FTDA before the damage has become irreparable it is important that Kodak and other owners of famous trademarks be able to stop uses that create a likelihood of dilution. For example, if we were faced with KODAK Condoms, KODAK Vodka or KODAK Escort Service, we would want to act quickly under the FTDA to obtain a preliminary injunction and stop these diluting uses at the earliest possible moment.

IV. THE SUPREME COURT DECISION IN *MOSELEY* AND ITS IMPACT ON USE OF THE FTDA

In the *Moseley* decision, the Supreme Court said that the statutory text of the FTDA leads to the conclusion that a famous mark owner must prove actual harm before a court issues an injunction in a dilution case. Mr. Chairman, an actual harm standard seriously undercuts the effectiveness of the statute.

A trademark embodies the goodwill and reputation of the company that owns it and serves as the company's face to its customers and to the world. Reputations take years to build up but can be destroyed instantly, as we have seen all too often in the recent corporate and accounting scandals. If a corporation such as Kodak, which has built up its reputation over a period of a hundred years through billions of individual transactions and interactions with its customers, has to wait until it is able to prove actual harm before it can obtain an injunction to stop the dilution of its trademark, it would be too late. The damage would be irreparable.

A requirement that Kodak show actual harm would mean spending months litigating at the potential cost of hundreds of thousands of dollars in legal and survey fees. But even more importantly, in the meantime the dilution would continue and the value of our trademark would be constantly diminishing at a huge cost that could not be calculated. Once the injunction was finally issued, the damage to our trademark would already have been done.

In the real world, once the singularity of a famous mark has been blurred and the sterling reputation of the mark has been tarnished, the genie is out of the bottle and any court-ordered injunction or damages comes much too late. Our reputation

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[3] Federal Trademark Dilution Act of 1995, 104 H. Rpt. 374 (referring to dilution by the introduction of KODAK pianos).

[4] *Moseley* at 123 S. Ct. 1115, 1123 (2003).

[5] "The 2003 Tech Brand Scorecard", Forrester Research, Inc.; Wholeview Technologies Research Brief, October 28, 2003.

[6] Robert Siegel, "All Things Considered", National Public Radio, September 25, 2003.

[7] Jim Zarroli, "All Things Considered", National Public Radio, September 25, 2003.

would have been taken over by someone else and, by the time we were able to show actual harm, our reputation would never again be ours alone.

V. KODAK SUPPORTS A LIKELIHOOD OF DILUTION STANDARD

Kodak believes that the best way to assure the effectiveness of a federal dilution statute is to specifically incorporate a likelihood of dilution standard into the law.

Such a standard allows the trademark owner to stop the damage to the distinctiveness of its famous trademark before it becomes irreparable. It insures that the singular meaning of the trademark—its unique identification with the trademark owner alone and nobody else—will continue.

I would like to illustrate this point with a hypothetical example that is based on real problems that Kodak has faced over the years. Because of the strong and positive reputation of the famous KODAK trademark and because it is so closely identified with photography, our KODAK brand often is used to identify photographs for which Kodak has had no involvement or responsibility.

If Kodak were to be used as the name of a magazine containing photographs of child pornography the damage to Kodak's image as a family-oriented company that can be trusted with the pictures and memories of life's special moments is obvious. Obvious too is the damage to the KODAK trademark that would result from this misuse. However, if we were required to prove actual dilution, the sales of these magazines would continue and proliferate around the country. Even after we had shown actual dilution we never would be able to retrieve all those magazines. Our KODAK trademark would forever have been associated by everyone who saw those magazines with child pornography, not with our company and the products which we so proudly sell.

Granting relief based on a showing of likelihood of dilution is essential for the owners of famous trademarks to enable them to quickly stop this kind of serious damage to their reputation and goodwill.

VI. TARNISHMENT, BLURRING, AND THE FIRST AMENDMENT

The *Moseley* decision also created ambiguity as to the protection that the FTDA offers against tarnishment. "Tarnishment occurs when a famous trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context."[8] The court in *Moseley* said: "Whether it [tarnishment] is embraced by the statutory text . . . is another question."[9]

To remedy this ambiguity, Kodak supports adding to the FTDA an express cause of action for likelihood of dilution by tarnishment.

As long as the KODAK trademark has value there will be dishonest people out there who try to take advantage of it to make a quick buck, often in ways that disparage our valuable property. We see all too much of this in the Internet world, where unscrupulous scam artists use our KODAK trademark in the domain names of websites that tarnish our KODAK trademark and identity.

Some recent examples are "kodak.net" as the domain name of a website linked to a gambling casino, "kodaq.net" for a professional male escort and "kodakcompany.com" for nude and lingerie models. Under some court decisions it is far from certain that such misuses would be held to be dilution by blurring, on the dubious ground that once websurfers go to the actual website it is clear what entity they are dealing with.

The FTDA should be amended to make it clear that uses like these, which use our trademark in connection with unsavory activities and tarnish its value, constitute dilution.

If there is a separate cause of action for likelihood of dilution by tarnishment, then it is reasonable that Congress also create a cause of action for likelihood of dilution by blurring. Whereas tarnishment focuses on a famous mark's reputation, a likelihood of dilution by blurring should address the loss of a famous mark's distinctiveness, specifically the capacity of the famous mark to stand as an identifier for a single source.

This would address situations in which there is not a direct negative or derogatory connotation from the diluting use, but the second use serves to place into the public's mind an entity other than the original trademark owner. This blurs the distinctiveness of the famous trademark so that it no longer is associated with a single source.

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[8] 2 Jerome Gilson, *Trademark Protection and Practice* § 5A.01[6], at 5A–55 (Rel. 50-December 2003).

[9] *Moseley*, 123 S. Ct. at 1124.

We faced this situation several years ago with a company that was using our trademark slogan "A KODAK MOMENT" as the punch line for greeting cards that it was selling. There was nothing obscene or derogatory about the cards, so they would not have been actionable under a tarnishment standard, but they did blur the distinctiveness of our KODAK trademark by associating it with the card manufacturer and its joke, rather than with Kodak as the owner of the mark and the source of all KODAK-branded products.

For these reasons, both tarnishment and blurring should be explicitly listed as grounds for dilution in the FTDA.

VII. CONCLUSION

Thank you, Mr. Chairman, for this opportunity to testify. Revising the FTDA is a matter of great importance to Eastman Kodak Company. We therefore ask for your support in passing the appropriate legislation and your assistance to Kodak and other U.S. companies in protecting their valuable trademark assets.

Mr. SMITH. Let me address my first question to all the panelists, but I am hoping for a very brief answer. The question is this. It is my understanding that the original Congressional intent when FTDA was written and passed was, in fact, to try to prevent actual damage or actual dilution, not just the likelihood of that. Of course, the Supreme Court last year said actual damages had to be proved rather than just the likelihood, whereas I think the Congressional intent was likelihood would be sufficient to trigger the statute.

Do any of the panelists have a different view of the Congressional intent based upon their experience or based upon their reading ? Ms. Leimer?

Ms. LEIMER. No. I think that we certainly believe that from the very roots of dilution law, well before even the Federal Dilution Act, the concept of dilution was a whittling away of distinctiveness, and this is by its nature an incipient kind of harm.

Mr. SMITH. To me, the committee print is a codification of original Congressional intent, not a divergence from it.

Ms. LEIMER. And we agree completely with that.

Mr. SMITH. Mr. Sacoff?

Mr. SACOFF. Mr. Chairman, if I understood the way you put it correctly, I believe you said that the intent behind the original act was a likelihood of dilution standard——

Mr. SMITH. That is correct.

Mr. SACOFF.—and we agree with that assessment. I think that the actual reduction to a statutory text raised some questions, and I don't know how many amicus briefs were written in the *Victoria's Secret* case, but we believe this is a codification.

Mr. SMITH. The idea was to be able to act prior to the actual damage or dilution, not have to wait for that to occur.

Mr. Johnson, that is a tough question for you, but leaving aside the constitutional question, do you at least agree that the original Congressional intent was a likelihood standard, not an actual damage standard?

Mr. JOHNSON. I am not really sure what the Congressional intent was with regard to those two standards. I would note, however, that the States at that point had some that required actual and some that required likelihood, so——

Mr. SMITH. We were trying to clarify that.

Mr. JOHNSON.—and so it was basically clear that there were at least two possibly competing standards. Congress put in the language actual damages, so the only thing I can conclude at that

point is that apparently, given the language, that it was actual damages. But I wouldn't presume to say what was in Congress's mind at the time they enacted the statute.

Mr. SMITH. All right. And Mr. Stimson?

Mr. STIMSON. Mr. Chairman, I was involved in some of the drafting of the original statute and the passage of it and I can confirm that the intention of that statute was to cover likelihood of dilution.

Mr. SMITH. Thank you. My next question, Mr. Stimson, is for you and Ms. Leimer. In regard to Kodak and in regard to Kraft Foods, if we did not have FTDA, what would have happened to your trademarks? And the second part of that is that if we don't make the changes that we propose, what might happen in the future to the trademarks of your two companies? Mr. Stimson?

Mr. STIMSON. Well, I think, as I said in my testimony, the FTDA is a powerful tool for us, and that means often not that we necessarily have brought a lawsuit, but it does help us in cease and desist letters to stop the dilution at a very early stage, and so it has been a very useful means for us to stop dilution, and I can give several examples where we have been able to stop dilution before it gets to an advanced stage. So I think if we did not have that and if we were required to prove actual dilution, then I think we would be harmed, and to the extent that the dilution would continue for a much longer time, we would be damaged and there would be much more court costs for both parties.

Mr. SMITH. Thank you. Ms. Leimer?

Ms. LEIMER. We have the very same experience at Kraft that Kodak has had. We have some very famous marks and there have been a number of instances where third parties have tried to take advantage of them. The one most recently where we did have to bring a lawsuit was in a case where an individual commercial artist was using the name "King Velveeda" as the trademark for his business and his commercial art was sexually explicit. It was available on the website. We have children that visit our website because they like Velveeta. Their moms make their grilled cheese sandwiches out of it. And we felt it was very important that we preserve the very good name, and so we used the FTDA to control that man's using that name as a trademark for his business.

Now, if he had said that he didn't like Velveeta, if he had had some issue with the product, the FTDA would not have covered that kind of comment. He was using the name as a trademark for his business.

Mr. SMITH. Okay. Thank you, Ms. Leimer.

Mr. Sacoff, how would you respond to Mr. Johnson's visual example a while ago of Joe Camel, where he would suggest that the parody would be outlawed or punishable or contrary to law? Do you feel that that parody would, in fact, be prohibited or not?

Mr. SACOFF. Well, I think if I were a judge, I would probably certainly deny a preliminary injunction if it is used in a speech content sort of way. I don't think the likelihood standard will impinge upon free speech in the parody area. First of all, parodies fall within the First Amendment and any Congressional statute obviously can't trump the First Amendment. Courts must apply the FTDA as they must apply other statutes in a manner to avoid constitutional issues if they can.

We think that the exceptions and the permitted uses stated under the FTDA are satisfactory to protect free speech interests, and as I said before over the years, I don't think that the problems that the ACLU contemplates have materialized.

Mr. SMITH. And do you feel under the committee print that aspect of free speech would also be protected?

Mr. SACOFF. I believe so.

Mr. SMITH. Okay. Thank you, Mr. Sacoff.

Ms. LEIMER. Mr. Chairman, I would like to address that, because I think the committee print actually expressly excludes the kind of example Mr. Johnson used, because under the committee print, the dilution cause of action necessarily involves a famous mark being compared against the trademark of the other party used to sell their goods or services. In this case, it is not being used for that. It is clearly being used for parody and for satire and for critical comment.

Mr. SMITH. And that is the intent. Thank you.

Mr. Berman is recognized for his questions.

Mr. BERMAN. Let us just follow up on that for a second. Mr. Johnson, what is your response to their notions, and I believe Ms. Leimer proposed—you proposed a suggested change, I think.

Ms. LEIMER. In the committee print, the requirement for the action to even be considered is that there be a comparison between the famous mark and the challenged mark, but it has to be a mark on the challenger's side being used as a trademark. So if the challenger, if the defendant is using the trademark to make comment, it doesn't even fall within the elements of a cause of action.

Mr. BERMAN. Could you address whether or not your concern is answered by the comments of the other witnesses who reacted to it?

Mr. JOHNSON. Yes, Mr. Berman. The problem is that currently, what you have is a non-commercial use exception, essentially——

Mr. BERMAN. Yes.

Mr. JOHNSON.—and that has been interpreted, unfortunately, very, very broadly, so that if any money incidentally happens to come into the hands of the person who is using this, it becomes a commercial use, according to the courts, or some of the courts, and then it loses the protection under the First Amendment that was designed under the FTDA. There is really not——

Mr. BERMAN. And tell me, what did Joe Chemo—what was the commercial—remind me what the commercial——

Mr. JOHNSON. They sell their magazine. They have a magazine where they publish what they call "subvertisements," which is the Joe Chemo, and so they sell their magazine——

Mr. BERMAN. Oh, in other words, people who want to see parody——

Mr. JOHNSON. Right.

Mr. BERMAN.—advertisements buy the magazine, and in the course of their using—I get it.

Mr. JOHNSON. Right. So essentially, they are profiting from the parody, and as a result, as I said, some courts have said that because of their profiting from it, it no longer has that non-commercial aspect. If it is brought—now, what Ms. Leimer said, I think, does——

Mr. BERMAN. By the way, why isn't that fair use?

Mr. JOHNSON. Well, the problem is the fair use exception is only for comparative advertising, according to the FTDA. If you broadened to fair use——

Mr. BERMAN. Oh, I see. In other words, if you were knocking Joe Camel cigarettes in your commercial, in your advertisement, that would be fair use. If you were saying——

Mr. JOHNSON. Right. Under the FTDA, it has to be comparative advertising. So if you are comparing your cigarettes with Joe Camel, for instance, then clearly that would be comparative advertising and it may be considered fair use. But unfortunately, the fair use restriction that is placed in the FTDA is far too restrictive, so it doesn't encompass all of what most people would consider fair use.

Mr. BERMAN. Response?

Ms. LEIMER. Mr. Johnson is correct that the courts have struggled with the defenses in the current FTDA and there have been a couple cases where a distinction was made between commercial and non-commercial that perhaps may not be a correct decision. The committee print, though, cures that problem. The committee print does now require that the dilution action would only apply when the other use, the second use, is used as a trademark for that party's goods and services. So anything that falls outside of that is not subject.

Mr. BERMAN. Well, this magazine wasn't using Joe Chemo as its trademark, was it?

Mr. JOHNSON. No, sir. It was essentially just part of the campaign that they were doing. It wasn't using it as their trademark.

Ms. LEIMER. So on—oh, I am sorry, Mr. Johnson.

Mr. JOHNSON. I was just going to say, the language in the committee print is designation of source. Now, I wasn't clear exactly what designation of source meant when I was reading the committee print——

Mr. BERMAN. I am not, either. What does that mean?

Ms. LEIMER. Well, it is a somewhat technical term in trademark jargon to mean using that word as a trademark, as a designation of source. But it is really just using it as a trademark to distinguish your goods and services.

You were correct when you said, in this case, the magazine was not using Joe Camel as the trademark for the magazine and so it falls completely outside the realm of the dilution statute as provided in the committee print. It would be, frankly, a matter for summary judgment if a plaintiff—if Joe Camel, the owner of that trademark, brought this case, because of this change. This is an improvement that we think really balances the interests that we have been discussing.

Mr. BERMAN. And do you feel it is an improvement?

Mr. JOHNSON. I think it is an improvement, but I think what you need to do is spell out what you mean by designation of source. Since I wasn't clear what it was, I actually talked to some intellectual property law professors and said, what does this mean to you, and they were, like, we have no idea. So clearly, it is not something that is easily understood——

Mr. BERMAN. They were patent lawyers.

Mr. JOHNSON.—as to what we mean by designated source, so I would make that much clearer than what it is, or at least define it within the context of the statute.

Mr. BERMAN. All right. Two other subjects that I would like to just ask about. I don't know if we are going to have a second round or not.

Mr. SMITH. Go ahead and take your time.

Mr. BERMAN. I didn't read the *Moseley* case. I read a little summary of it. So what if some guy named Victor in Elizabeth Town, Kentucky, opens up a store—I don't know what they were selling and whether or not it was lingerie or sex objects or adult magazines or what—and calls itself "Victor's Little Secret." I mean, only a moron is going to think that is Victoria's Secret. They may sort of catch what the guy is trying to do with his name as an attention-grabbing device, but so what? So what if some guy named Kodak starts an adult magazine that doesn't violate laws and has pictures in that magazine and the magazine is called "Kodak"?

In other words, how far do we go? There is some common sense here. What is the big confusion going to mean? How do you know that they went on that website because they liked Velveeta cheese? I mean, Justice Posner's skepticism about surveys brings to mind my skepticism about polling different aspects, not so much which kind they do favor, but the notion of things that go on in your mind and your associations, and when people are asked certain questions in these surveys, the notion that what they are saying to the survey taker is actually what happened originally. I am somewhat skeptical about myself.

Just whoever wants to get into that, into the Jimmy Carter principle that life is not always fair. Are you guys being hypersensitive?

Mr. STIMSON. Mr. Berman, may I respond to that, since you used Kodak as an example?

Mr. BERMAN. Yes.

Mr. STIMSON. I think the problem is that there is this blurring and there is this mental association that people will have, that they will associate, in your example, the Kodak trademark with somebody other than Kodak so that it ceases to become a single-source designator. When I say I am here this morning to testify on behalf of Kodak, you know exactly who I am here for. You are not saying, well, are you here for the imaging company? Are you here for the porno magazine? That is the kind of problem——

Mr. BERMAN. You are here on behalf of the city fathers of—isn't there a Kodak in Alaska or something? [Laughter.]

Mr. BERMAN. Kodiak—confusion.

Mr. STIMSON. The problem here is not a question of confusion but it is the question of blurring and diluting the value of the mark which does belong to the trademark owner. It no longer signifies a single origin or source.

You also asked about, so what if there is some small store in Kentucky? Well, dilution is designed to try to prevent this whittling away, which does start off often in a very small circumstance and protect marks in their incipiency before it is too late, before things do go to the point where it is impossible to get your reputation back.

Mr. BERMAN. Yes, but Victor's Little Secret is not Victoria's Secret.

Mr. STIMSON. Well, I think one of the factors to look at is the similarity of the mark. So that is a question of fact, of whether—to what extent Victor's Little Secret is similar to Victoria's Secret, so that would be an issue, just as if somebody were using "Bokak" as opposed to Kodak. That would have to be something that would have to be determined.

Mr. BERMAN. And can one actually tarnish the image of Victoria's Secret?

Mr. STIMSON. I won't get into that.

Mr. BERMAN. Okay. [Laughter.]

Mr. BERMAN. All right.

Mr. SACOFF. From a policy standpoint, your question is a very good one, and I think the policy answer or the philosophical answer is there are two main areas of trademark law, trademark infringement law, which is based upon fraud and confusion rationales, and dilution law, which is not based upon confusion. It is based upon quasi-property sort of right and protecting the mark against whittling away by the death of a thousand cuts.

In trademark infringement law, the answer to your question of how far do we go, the limiting factor is confusion. In trademark dilution law, the limiting factor, I think in response to your question, is fame. That is how we limit it. That is how we prevent it from being a runaway right. You narrow the universe of marks that this applies to. It makes a difference, I think, if you open up a phone book and look for Kodak and you find one or if you find two dozen or three dozen or four dozen. I think that difference has a consequence for the value of the trademark.

Mr. BERMAN. Can I ask one last question?

Mr. SMITH. Yes.

Mr. BERMAN. Three of you, at least, were sure you knew what Congressional intent was in the passage of that law. Justice Scalia doesn't even think what we think is Congressional intent counts for anything. If that was Congressional intent, why didn't we write "likelihood of dilution"?

Mr. SMITH. Unclear language.

Mr. BERMAN. What was unclear about the language? It didn't say likelihood. It said dilution. And all of you say, notwithstanding what we said, this was our intent. I am wondering how you are so sure about that. I mean, other than what—I understand you raised problems and we responded to it and chose—and since your problems involved likelihood of dilution, the fact that we responded by saying dilution, our response must have been wanted to solve your problem.

Mr. SMITH. I was going to direct your question to Mr. Stimson, because it sounded like he was an eyewitness based upon his testimony a few minutes ago.

Mr. STIMSON. Well, I can't answer directly why Congress did or did not do something in 1995. I can agree that the language of the statute as it is now is unclear, and that is what has led to this——

Mr. BERMAN. Why is it unclear? It says dilution. I mean, yes, it says dilution, right? Causes dilution, not is likely to cause dilution.

Mr. STIMSON. Which is not consistent with my recollection and understanding of the intent. So you have a statute that——

Mr. BERMAN. That doesn't mean that was our intent. It means we screwed up, but——

Mr. STIMSON. Well, I was trying to avoid saying that, but——

[Laughter.]

Mr. STIMSON.—but I think there is a problem with this uncertainty, and that is why we are here today, to ask for language that will be clear, to give guidance to the courts and give guidance to parties on both sides so that they know the standard is specifically likelihood of dilution because the statute is not clear on that.

Mr. BERMAN. I guess it sounds to me, even more so after hearing you, that what you are saying is substitute our clear language for the clear language you used before, which is okay, but I don't think we should shoehorn it in to fulfill our original goal by making this little technical correction.

Mr. STIMSON. I guess I would just say I would focus on clarity and certainty of results and guidance for people rather than language.

Ms. LEIMER. Maybe I could just add something. I think INTA has certainly been interested in this for many, many years. In fact, way back in 1988, there was a proposal from INTA to consider a Federal cause of action for dilution. Speaking with individuals involved in that and others outside the association, I think it was very clear that the doctrine was an incipient doctrine of dilution. I think there was agreement on that.

I think what perhaps happened was some unfortunate choice of language. The language that probably appeared to be clear to represent that concept at the time, turned out, clearly by the Court's difficulty, not to be so clear.

Mr. SACOFF. Congressman, in the ABA, we had a resolution on the eve of the *Victoria's Secret* case that said that, on one hand, the existing Federal statute should be interpreted by the Supreme Court in accordance with a likelihood of dilution standard, and in the alternative, if it turned out that it were not interpreted that way, that Congress should amend the statute to provide expressly a likelihood of dilution statute.

Mr. BERMAN. When you pass a resolution about the Supreme Court should do it, do they follow?

Mr. SACOFF. Well, they didn't follow it this time. The resolution is simply a policy basis for us to file the amicus curiae brief, which we filed, in which we urged a construction which we got one Justice to go along with but not the others, Justice Kennedy.

Mr. SMITH. Thank you, Mr. Berman. We will hope the Supreme Court will see the light of the new language, and that remains to be determined.

This was very informative testimony today. Thank you all. We appreciate your time and your attention to a subject that I consider to be very important and we will move forward with this committee mark, I suspect, in the near future. So thank you all again.

We stand adjourned.

[Whereupon, at 11 a.m., the Subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

AIPLA
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
2001 JEFFERSON DAVIS HIGHWAY • SUITE 203 • ARLINGTON, Virginia 22202

April 20, 2004

The Honorable Lamar S. Smith
Chairman
Subcommittee on the Courts, the Internet and Intellectual Property
Committee on the Judiciary
House of Representatives
Washington, DC 20515

Dear Mr. Chairman,

I am writing to you on behalf of the American Intellectual Property Law Association (AIPLA) to communicate our views on proposals to amend the Federal Trademark Dilution Act ("FTDA"). In principle, we support the thrust of these legislative efforts.

AIPLA is a national bar association whose more than 15,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

AIPLA has long believed that an effective federal trademark dilution remedy is essential for trademark owners to protect their famous marks used in commerce, which also benefits the consuming public. Therefore, we support the underlying thrust of the Committee Print which will clarify and strengthen the FTDA.

INHERENT OR ACQUIRED DISTICTIVENESS

Section 2 of the Committee Print would amend 15 U.S.C. 1125(c)(1) of the Trademark Act of 1946 to provide protection against a likelihood of dilution for marks that have inherent or acquired distinctiveness. AIPLA supports this amendment. The FTDA currently indicates that the inherent distinctiveness and acquired distinctiveness of a famous mark are factors that *may be considered* in determining whether a mark is distinctive and famous. *See* 15 U.S.C. 1125(c)(1)(A). The Second Circuit has interpreted this portion of the statute to exclude protection for famous marks lacking inherent distinctiveness. *New York Stock Exchange v. New York, New York Hotel*, 293 F.3d 550, 556-57 (2d Cir. 2002) (following *TCPIP Holding Company v. Haar Communications*, 244 F.3d 88, 98 (2d Cir. 2001)). We believe that famous marks should be protected by the FTDA regardless of the nature of their distinctiveness. It is well settled in trademark law that the distinctiveness of a mark may be demonstrated by

either a showing of inherent or acquired distinctiveness. Accordingly, we believe that the FTDA should apply to distinctive marks whether based on inherency or through acquisition.

DILUTION PROTECTION FOR ALL TYPES OF MARKS

Proposed § 1125(c) would protect all types of marks, regardless of form. AIPLA also favors providing dilution protection for any mark, whether or not it is registered, that satisfies the agreed upon statutory standards, including trade dress and product configuration marks. In areas outside of the dilution context, protection is provided for non-traditional marks that satisfy the statutory requirements. We believe that FTDA protection should be extended to all marks meeting statutory standards, including trade dress and product configuration, and any other appropriately protectable non-traditional marks. We would, however, suggest the Subcommittee consider the deletion in § 1125(c)(1) of the phrase "as a designation of source of the person's goods or services" as it would tend to limit the application of that statute.

LIKELIHOOD OF DILUTION

Section 2 of the Committee Print would also amend the FTDA to permit dilution actions based on a "likely to cause dilution" standard. As we have previously testified before the Subcommittee, we support amending the Lanham Act to provide for a "likelihood of dilution" standard. (See AIPLA Testimony, *Oversight Hearing on the Federal Trademark Dilution Act,* February 14, 2002) The Committee previously considered such legislation, which was tabled after the Supreme Court agreed to review the Sixth Circuit ruling in *V Secret Catalogue Inc. v. Moseley.* AIPLA proposed that § 1125(c) of the Trademark Act be amended to provide for an express "likelihood of dilution" standard. In view of the Supreme Court's ruling in *Moseley* that the owner of a famous mark must prove actual dilution, we believe it is appropriate for the Subcommittee to revisit the matter.

AIPLA believes that the "likely to cause dilution" test is appropriate because it most closely comports with the goals of the FTDA and is consistent with the Act's legislative history. The relevant legislative history indicates that a requirement of proof of likelihood of dilution advances the fundamental purpose of the federal dilution statute in protecting famous marks. As the Report of the Committee on the Judiciary notes, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032.

Under the actual dilution standard imposed by the Supreme Court in *Moseley*, a famous mark owner must wait until *after* harm is incurred before seeking judicial remedy. This requirement of actual harm unduly prejudices the mark owner. Once a famous mark has actually been diluted, the harm is irreparable; the "whittling away" of the mark's distinctiveness has taken place and cannot be restored. Moreover, as the Seventh Circuit observed in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000), under the actual dilution standard, by the time the senior mark holder is permitted to file

suit, junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that have copied it. In addition, the actual harm standard also prejudices junior users to the extent they are unable to seek declaratory relief prior to investing in new products and services. To quote the Seventh Circuit in *Eli Lilly*, "Congress could not have intended these unjust and inefficient results."

Finally, the burden of proving actual harm is unreasonable. Suggestions that actual harm may be shown through consumer surveys or through loss of profits have been sharply criticized as untenable and difficult to prove. With respect to lost profits, if the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior.

DEFINITION OF 'FAMOUS MARKS'

Proposed § 1125(c)(2)(A) would provide that a mark is "famous" if it is widely recognized by the general consuming public as a designation of source of the goods or services of the mark's owner. It also would provide that a court may consider all relevant factors in determining whether the mark possesses the requisite degree of recognition, including, without limitation, three specific factors. While we would like to further study the factors proposed by the Committee in this section, we believe this amendment moves in the appropriate direction to define "famous" marks which are eligible for protection against dilution. We note that this definition is not without controversy, however, because of the impact it would have on the issue of "niche" fame which has been much debated since the passage of the FTDA. There are some courts, such as the Ninth Circuit, that have embraced the concept of niche fame, i.e., marks that are not widely recognized by the general consuming public as a designation of source of the goods or services of the mark's owner. The proposed definition would overrule those decisions. Marks that have only "niche" fame should be not protected by the FTDA and Congress did not intend to protect them under § 1125(c). AIPLA believes that the proposed change is both necessary and important.

DILUTION BY BLURRING AND TARNISHMENT

AIPLA supports amending the Trademark Act to provide a specific definition and cause of action for dilution by blurring. Currently, the Federal Trademark Dilution Act ("FTDA") does not include any specific provision defining the cause of action for dilution by blurring. In light of the "actual dilution" standard imposed by the Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003), we believe that such a definition and cause of action are needed, however, we are not able to endorse the specific definition or factors contained in the Committee Print in § 1125(c)(2)(B). We are reviewing the definition and list of factors and will communicate our recommendations to the Subcommittee.

AIPLA also supports amending the Trademark Act to provide a specific definition and cause of action for dilution by tarnishment. Currently, the FTDA does not include any specific provision defining the cause of action for dilution by tarnishment. In light of the ambiguity in tarnishment claims caused by certain dicta in the Court's opinion in

Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 (2003), we support an amendment containing such a definition and cause of action, although again we are continuing our review of proposed § 1125 (c)(2)(C).

DEFENSES AND REMEDIES TO INCLUDE BLURRING AND TARNISHMENT

AIPLA supports proposed § 1125(c)(3) which would extend the existing defenses for dilution to blurring and tarnishment causes of action. Currently, the FTDA provides that the following actions "shall not be actionable" under this statute: (i) fair use; (ii) non-commercial use; and (iii) all forms of news reporting and commentary. These defenses should be extended to the specifically defined causes of action for blurring and tarnishment.

We also support extending the remedies for dilution to the blurring and tarnishment causes of action as proposed in § 1125(c)(4). Currently, the FTDA provides for injunctive relief as the normal remedy for the dilution of famous marks, "subject to the principles of equity and upon such terms as the Court deems reasonable." *See* 15 U.S.C. 1125(c)(1). To the extent willfulness can be shown, the owner of a famous mark is also entitled to relief under §§ 1117(a) and 1118 of 15 U.S.C., "subject to the discretion of the court and the principles of equity." AIPLA supports extending these remedies to the specifically defined causes of action for blurring and tarnishment.

We appreciate the opportunity to offer these comments and request that they be made a part of the record of the hearing scheduled for April 22, 2004. We hope that our views will aid the Subcommittee in its consideration of the federal trademark dilution statute and stand ready to give assistance to the Committee in any manner which may be beneficial.

Sincerely,

Michael K. Kirk
Executive Director
AIPLA

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