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ATTORNEYS AT LAW
SPECIAL
REPORT

THE TRADEMARK DILUTION REVISION ACT OF 2006

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On October 6, President Bush signed into law the Trademark Dilution Revision Act (TDRA) of 2006, revising the Federal Trademark Dilution Act (FTDA) of 1996. This Special Report summarizes the resulting changes in U.S. Trademark law and addresses the potential impact of the law on future trademark practice.

I. Background

U.S. trademark policy focuses on informing and protecting consumers with respect to the sources of goods and services in the marketplace. The legal protection provided to trademarks enables consumers to make informed purchasing decisions, and to be assured of the quality and characteristics of goods and services based on the associated trademark.

If a party provides its goods or services under another party's trademark, such behavior is likely to cause consumer confusion as to the source of origin of those goods or services. Accordingly, such behavior gives the trademark owner a cause of action to prevent such confusion, and thereby to protect consumers' ability to make informed purchasing decisions.

Because the underlying purpose of U.S. trademark law and policy is to protect and inform consumers, U.S. trademark law has traditionally only protected a mark with respect to the goods and/or services offered under that mark. As such, different companies might use the same mark, provided the industries of those companies do not overlap and result in a likelihood of consumer confusion. This explains, for example, the multiple uses of the mark ACME by unrelated companies on or in connection with a wide range of goods and services.

Dilution is different from traditional trademark infringement in that even when there is no commonality between the goods, services and/or industries of companies, use of the same or similar mark in some cases might lessen a mark's perceived connection to a single source of goods and/or services. Upon passage of the FTDA in 1996, dilution became a cause of action under federal statutory law, as well as under state common law. Under the FTDA, the owner of a *famous* trademark has a cause of action when another party uses the same or a similar mark in such a way that "dilutes" the famous mark's distinctiveness in the marketplace.

II. Changes in the Law of Dilution

A. What is Famous?

Under the FTDA, a mark must be "famous" in order to give a trademark owner a cause of action for dilution of the mark. Since the passage of the FTDA, courts have wrestled with the meaning of this subjective term. Some courts concluded that marks were famous without any explanation or use of the guidelines provided in the FTDA.[1] Other courts have used at least some of the factors presented in the FTDA in determining the fame of a mark.[2] In general, courts had to determine whether fame need only be fame in the relevant industry or trade, or whether fame across all

[1] *See, e.g., Sara Lee Corp. v. American Leather Prod., Inc.*, 1998 U.S. Dist. LEXIS 11914, at 32–33 (N.D. Ill. 1998) ("with [the statutory] factors in mind, this court concludes that Sara Lee's registered trademark COACH leather hang tag . . . is a famous mark*")*; *Mattel, Inc. v. JCOM, Inc.*, 1998 U.S. Dist. LEXIS 16195, at 9 (S.D.N.Y. 1998) (the doll BARBIE is famous "by any measure"); *Playboy Enter. v. Asiafocus Int'l, Inc.*, 1998 U.S. Dist. LEXIS 10359, at 20 (E.D. Va. 1998) ("The fame of [the] PLAYMATE and PLAYBOY marks cannot reasonably be disputed").

[2] *See, e.g., NBA Prop. v. Untertainment Records LLC*, 1999 U.S. Dist. LEXIS 7780, at 20 (S.D.N.Y. 1999) (NBA); *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 1999 U.S. Dist. LEXIS 2832, at 13–14 (E.D. Pa. 1999) (THE SPORTING NEWS); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 306 (D.N.J. 1998) (JEWS FOR JESUS).

industries and trades was required for a mark to be considered famous.

The new law, the TDRA, emphasizes that famous marks are rare and elite. The TDRA clarifies the fame standard with the inclusion of the language, "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."[3] Thus the TDRA requires that fame be nationwide in the United States. It further requires recognition by the general consuming public of the United States, rather than merely recognition in the relevant industry or trade.

B. Blurring and Tarnishment

Under the FTDA, owners of famous marks were entitled to an injunction against another person's commercial use of the famous mark if such use caused dilution. Under the common law, there are generally two ways in which a famous mark could be diluted: blurring and tarnishment.[4] However, because the FTDA is silent on the ways in which such marks *could* be diluted, courts were split as to whether tarnishment and blurring both gave rise to a federal cause of action for dilution.

With the passage of the TDRA, blurring and tarnishment have now both been codified into the law as actionable forms of dilution.

Dilution by blurring has been characterized as "a blurring of the mental associations evoked by the mark, a phenomenon not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior."[5] Due to the elusive nature of blurring, the TDRA offers guidance in the form of relevant factors that may be considered by a court to determine whether blurring of a famous mark has occurred. These factors include the following:

(i) The degree of similarity between the mark or trade name and the famous mark;
(ii) The degree of inherent or acquired distinctness of the famous mark;
(iii) The extent to which the owner of the famous mark is engaging in a substantially exclusive use of the mark;
(iv) The degree of recognition of the famous mark;
(v) Whether the user of the mark or trade name intended to create an association with the famous mark; and
(vi) Any actual association between the mark or trade name and the famous mark.[6]

By contrast, dilution by tarnishment is an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."[7] In cases of tarnishment, a junior user typically uses a famous mark in connection with lewd, illegal, or similarly negatively perceived goods or services.

C. Actual Dilution v. Likelihood of Dilution

The FTDA contained no standard by which to prove dilution. As a result, courts used divergent methods of establishing whether dilution had been proved.[8]

In *Moseley v. Victoria Secret Catalog, Inc.*,[9] the U.S. Supreme Court held that trademark holders had to show *actual* dilution, rather than a mere likelihood of dilution, to be successful in a dilution action. The Court did not clarify the method by which actual dilution would be determined.

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[3] 15 U.S.C. §1125(c)(2).
[4] *See, e.g., Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217-22 (2d Cir. 1999) (blurring); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 733 (D. Minn. 1998) (tarnishment); *Jews for Jesus*, 993 F. Supp. at 307; *Panavision*, 141 F.3d at 1326.
[5] Restatement (Third) On Unfair Competition § 25 cmt. f.; *see also* Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 Trademark Rep. 122, 138 (1993) ("[T]he dilution concept supposes only a gradual dissipation or deterioration of good will, not its sudden disappearance or destruction. … Yet how is a witness to detect this gradual mental process … or for that matter, how is such a witness to be located?").
[6] 15 U.S.C. §1125(c)(2)(B)(i)-(vi).
[7] 15 U.S.C. §1125(c)(2)(C).
[8] *See, e.g., Consol. Cigar Corp. v. Monte Cristi de Tabacos*, 58 F. Supp. 2d 188, 200 (S.D.N.Y. 1999); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp.*, 937 F. Supp. 204, 211–14 (S.D.N.Y. 1996); *Liquid Glass Enter., Inc. v. Dr. Ing.*, 8 F. Supp. 2d 398, 405 (D.N.J. 1998); Luigino's, Inc. v. Stouffer Corp., 170 F.3d 827, 833 (8th Cir. 1999).
[9] *Moseley v. Victoria Secret Catalog, Inc., 537 U.S. 418 (2003).*

In the case of identical marks, the Court merely suggested that direct and circumstantial evidence may be sufficient to show actual dilution.

In response to *Moseley*, the TDRA clearly alters the standard from "actual dilution" to "likelihood of dilution." This change makes it significantly easier for trademark owners to police dilution.

Under the "actual dilution" standard, the owner of a famous mark had to wait until some discernable harm was incurred in order for a cause of action to arise. Many in the trademark and business communities criticized the actual dilution standard as failing to actively protect famous marks and merely providing recourse after irreparable harm had been done.

The "likelihood of dilution" standard, by comparison, allows owners of famous marks to stop diluting behavior before actual damages have been incurred. This standard makes injunctions much more available. As a result, owners of famous marks will have an opportunity to broaden and strengthen their marks and associated rights by aggressively pursuing users of their marks, although such enforcement will still be limited by protected use under the the First Amendment of the U.S. Constitution.

D. Fair Use Exceptions

Although there has been a broadening of protection for trademark owners, the TDRA has also made some important changes to the law with respect to those activities that are not actionable under the law of dilution. While the FTDA included protections related to non-commercial use, news reporting and commentary, and comparative advertising, the TDRA expands the class of protected activities to include "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner."[10]

Another important protection ensured in the TDRA is a fair use exemption regarding the *facilitation* of protected activities. This protection primarily benefits entities such as commercial Internet service providers (e.g., search engine providers), which could otherwise be caught up in litigation as enabling parties.[11]

E. Trade Dress

The FTDA also includes a new provision establishing a standard for the burden of proof in a dilution action involving unregistered trade dress. Prior to the passage of the TDRA, a minority of courts had questioned whether the FTDA extended protection to trade dress in addition to trademarks.

The TDRA explicitly protects trade dress against dilution, but imposes a two-step burden of proof in trade dress dilution actions. Under this burden, an entity asserting trade dress protection must: (1) prove that the claimed trade dress, when taken as a whole, is non-functional and famous; and (2) prove that if the claimed trade dress includes a mark registered on the Principal Register, the unregistered trade dress is famous apart from the fame of the registered mark.

III. Recommendations

This new law represents a victory and an enhancement of the rights enjoyed under U.S. trademark law by owners of famous marks. The "likelihood of dilution" standard will be useful in enhancing enforcement efforts. As such, we recommend that the owners of famous marks continue to monitor third party usage of their famous marks or similar marks with an eye toward possible dilution actions, and take action earlier to stop potential dilution.

The TDRA also introduces new challenges in choosing new marks, as well as in the use of materials that might be argued to have a blurring or tarnishing effect on a famous mark. In order to minimize these risks, we recommend that all marks that are used on or in connection with goods and services in U.S. commerce be registered in the United States. A federal registration is a complete bar to a dilution action against a particular mark for which the would-be defendant owns a federal registration.

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[10] 15 U.S.C. §1125(c)(3)(A)(ii).

[11] 15 U.S.C. §1125(c)(3)(A)(i).

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Oliff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.

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