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Protecting Famous, Distinctive Marks: The Trademark Dilution Revision Act of 2006

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Protecting Famous, Distinctive Marks: The Trademark Dilution Revision Act of 2006

Summary

The Federal Trademark Dilution Act of 1995 (FTDA) amended section 43 of the Trademark Act of 1946 to provide a new federal cause of action for the dilution of famous, distinctive marks. "Trademark dilution" is statutorily defined in 15 U.S.C. § 1127 to mean "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of ... (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." Under the FTDA, the owner of a famous mark may seek an injunction against another person's commercial use of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.

Since the FTDA was enacted, however, some trademark owners have sought to use the law in ways that arguably go beyond the statute's scope and purpose (e.g., owners of insufficiently famous marks attempting to sustain a FTDA action, or others trying to apply the FTDA to prohibit parody and criticism of their marks). In adjudicating these expansive claims, several federal courts have narrowly interpreted the FTDA (notably the United States Supreme Court in the 2003 case *Moseley v. V Secret Catalogue, Inc.*), and protection against trademark dilution is said to be challenging if not impossible to obtain, according to many intellectual property scholars. There is a split among the regional federal circuit courts of appeal over the meaning and application of several central FTDA elements. For example, one federal circuit court has determined that the federal anti-dilution law does not apply to "descriptive" marks that have acquired distinctiveness over time, including famous ones such as MCDONALD'S or KRAFT, because they lack "inherent distinctiveness."

The Trademark Dilution Revision Act of 2006 (H.R. 683) is a legislative response to these issues, offering more precise definitions for key terms in the FTDA (such as "famous," "distinctive," "blurring," and "tarnishment") and expressly clarifying standards of proof and other eligibility requirements to obtain relief under the FTDA. Critics of H.R. 683, however, raise concerns that the bill too heavily favors major corporations over small and future businesses. In addition, they worry that the bill could negatively affect free speech rights, small business commercial speech, and consumer interests. Finally, they believe that the bill amends federal trademark law in a manner that essentially confers to major corporations a monopoly over the use of famous marks that may contain common words and phrases.

H.R. 683 was passed by the House on a vote of 411 to 8, on April 19, 2005. The Senate passed H.R. 683 with an amendment in the nature of a substitute, by unanimous consent, on March 8, 2006. Among other things, the amendment added a non-commercial use liability exclusion to protect free speech interests, and addressed concerns raised by Internet service providers over secondary liability for trademark dilution by their end users. On September 25, 2006, the House, by unanimous consent, agreed to the Senate amendment. The President signed the bill into law on October 6, 2006, P.L. 109-312.

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Introduction

The Trademark Dilution Revision Act of 2006 (H.R. 683) was passed by the House on a vote of 411 to 8, on April 19, 2005.[1] The Senate passed H.R. 683 with an amendment in the nature of a substitute, by unanimous consent, on March 8, 2006.[2] Among other things, the amendment added a non-commercial use liability exclusion to protect free speech interests, and addressed concerns raised by Internet service providers over secondary liability for trademark dilution by their end users. On September 25, 2006, the House, by unanimous consent, agreed to the Senate amendment. The President signed the bill into law on October 6, 2006.[3]

This report provides an overview of trademark law in general, describes the Federal Trademark Dilution Act (hereinafter "FTDA"), and summarizes several judicial opinions interpreting the FTDA. It also analyzes the provisions of the Trademark Dilution Revision Act, which clarify certain undefined elements of the FTDA and overrule judicial interpretations of the FTDA that Congress considered to be inconsistent with the original legislative intent in enacting the FTDA in 1996.[4]

Background

Intellectual property (IP) law has three major branches, applicable to different types of subject matter: copyright (original artistic and literary works of authorship), patent (inventions of processes, machines, manufactures, and compositions of matter that are useful, new, and nonobvious), and trademark (commercial symbols). Unlike the other two disciplines, the constitutional basis for federal trademark law is not the IP clause of the U.S. Constitution, but rather the Commerce Clause.[5] Another unique

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[1] 151 CONG. REC. H2126 (daily ed. April 19, 2005).

[2] 152 CONG. REC. S1923 (daily ed. Mar. 8, 2006).

[3] P.L. 109-312 (2006).

[4] The purpose and summary section of the House report accompanying H.R. 683 states: "The purpose of H.R. 683 ... is to amend the Federal Trademark Dilution Act in the wake of a recent Supreme Court decision regarding the standard of harm under the statute and conflicting circuit case law on other relevant issues." H.REPT. 109-23, at 3.

[5] The Copyright Act and the Patent Act, codified in Title 17 and Title 35 of the United States Code, respectively, have as their legal foundation the Copyright and Patent Clause,

(continued...)

feature of trademark law is that trademark rights may arise from federal as well as state law; the coexistence of this dual system of law is not characteristic of the other IP fields. Although this report focuses on federal trademark law, it is important to keep in mind that state common law is another source of legal protection for trademark owners.

A "trademark" is any word, name, symbol, or device or any combination thereof, adopted and used by a manufacturer or merchant, (1) to indicate the source of his or her goods or services and (2) to identify and distinguish the goods or services from those offered by others.[6] For example, when a consumer walks into a shoe store and sees an athletic shoe with a "swoosh" logo on the side of it, the mark informs the consumer that the product has been manufactured by NIKE[7] and carries with it a certain quality or reputation that the public associates with a particular shoe company. As the sponsor of H.R. 683 has explained:

> Trademarks give customers assurance that the goods or services they are buying are what customers think they are. If a customer has purchased items in the past from a particular company that bears a specific mark or logo, the customer has an impression, favorable or not, of that company and the goods or services it produces. So trademark law empowers consumers by giving them information that is often critical to their purchasing decisions.[8]

The Lanham Act

The principal federal statute governing trademarks is the Trademark Act of 1946 (conventionally known as the Lanham Act).[9] This statute has been amended more

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[5] (...continued)
U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."). In the *Trade-Mark Cases,* 100 U.S. 82, 93-94 (1879), the U.S. Supreme Court held the first federal trademark act to be unconstitutional since it was enacted pursuant to the IP clause ("Any attempt ... to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties."). Subsequent federal trademark laws avoided this problem because they were adopted pursuant to Congress's power to regulate interstate commerce, foreign commerce, and commerce with the Indian Tribes.

[6] 15 U.S.C. § 1127. Technically, the term "mark" includes both a trademark (referring to a *product*) and service mark (used to identify a *service* provided by a company). Throughout this report, the terms "mark" and "trademark" may be used interchangeably; however, when the term "trademark" is used, it may be assumed that the author is also referring to service marks. Judges, legislators, and scholars have widely accepted and adopted this terminology convention.

[7] Throughout this report, trademark names will appear in all upper case letters, thus following the practice used in legal documents concerning trademark issues.

[8] 151 CONG. REC. H2123 (daily ed. April 19, 2005) (statement of Rep. Lamar Smith).

[9] P.L. 79-489, 60 Stat. 427, as amended, codified in 15 U. S. C. § 1051 et seq. The act is (continued...)

than 30 times since its effective date on July 5, 1947, in response to lobbying efforts by trademark owners seeking greater protection for their marks, new technological developments such as the Internet, and U.S. treaty obligations mandating uniformity of U.S. intellectual property law with that of other countries.[10] Under the Lanham Act, a merchant or manufacturer that wants to use a mark on a product or service must register that mark with the U.S. Patent and Trademark Office (PTO) to obtain federal protection for the mark. Failure to register a mark with the PTO does not mean that the entity using the mark has not established rights in it; once the mark is first used in commerce (a good bearing the mark is sold to the public in a bona fide transaction), state common law confers trademark protection to the mark.[11] However, the Lanham Act provides substantial benefits and incentives to the trademark owner to seek federal registration, including the following:[12]

- nationwide, constructive notice to the public of the ownership of the mark;
- prima facie evidence of the validity of the mark, the registrant's ownership of the mark, and the registrant's exclusive right to use the mark in interstate commerce;
- the ability to bring a legal action concerning the mark in federal court;
- the use of the U.S. registration as a basis to obtain registration in foreign countries; and
- the ability to file the U.S. registration with the U.S. Customs Service to prevent importation of infringing foreign goods.

Distinctiveness and the Degree of Trademark Protection. A mark may be federally registered with the PTO only if it meets certain requirements. The mark must be "used in commerce,"[13] or the person must have a good faith, "bona fide intention" to use the mark in commerce.[14] However, not all marks that are used in such manner will qualify for trademark protection. Eligibility for registration and the degree of trademark protection accorded to the mark depend largely on the mark's

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[9] (...continued)
named after Congressman Fritz Lanham, who chaired the U.S. House of Representatives' Patent Committee. The Lanham Act also is the principal federal law governing unfair competition.

[10] ROGER E. SCHECHTER & JOHN R. THOMAS, INTELLECTUAL PROPERTY: THE LAW OF COPYRIGHTS, PATENTS AND TRADEMARKS, § 25.2.5 (2003).

[11] *Id.* at § 26.2.

[12] U.S. PATENT AND TRADEMARK OFFICE, *Should I Register My Mark?, available at* [http://www.uspto.gov/web/offices/tac/doc/basic/register.htm].

[13] 15 U.S.C. § 1051(a). A mark is deemed to be "used in commerce" when "it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto ... and the goods are sold or transported in commerce." 15 U.S.C. § 1127. The term "commerce" means all commerce which may be lawfully regulated by Congress. *Id.*

[14] 15 U.S.C. § 1051(b).

"distinctiveness."[15] The requirement of distinctiveness is an important safeguard against certain generic or descriptive terms from being monopolized by one merchant to the exclusion of others that might need to use the terms to sell competing products.[16] PTO trademark examiners and courts often refer to the following four categories of word-based marks, which correspond to the level of trademark protection that will be accorded (listed in descending order of distinctiveness):[17]

- **Fanciful and arbitrary terms**. These marks are considered "inherently distinctive" and thus deserving of the broadest level of protection under trademark law. An example of a fanciful term is KODAK or VERIZON (these are made-up words, not drawn from regular language). An arbitrary term is one that has no necessary connection to the product being sold to which it is associated (e.g., APPLE in reference to a computer).

- **Suggestive terms**. These marks may also be considered "inherently distinctive" and entitled to a high level of trademark protection, because they require some imagination and contemplation to determine the nature of the product that is labeled with the mark (e.g., COPPERTONE for suntan lotion or 7-ELEVEN for the convenience store that originally used to be open from 7 a.m. to 11 p.m., although most of the stores now operate 24 hours a day).

- **Descriptive words, geographic terms, and personal names**. These marks are not inherently distinctive and generally cannot be registered, at least not immediately upon first use.[18] Descriptive words directly inform the consumer of a characteristic, quality, ingredient, or function of a product (e.g., ICE COLD BEER or BEST SLEEP MATTRESSES). Similarly, geographic names (CALIFORNIA WINE) and personal names (JOE'S DINER) usually cannot be registered. However, an important exception to this general rule is that a descriptive word, geographic term, or name can be registered if it has acquired "secondary meaning."[19] Such a term

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[15] In addition to denying registration for marks that lack distinctiveness, the Lanham Act states that a mark shall not be registered if it is confusingly similar to another registered mark; is immoral, deceptive, or scandalous matter; or disparages or falsely suggests a connection with persons, living or dead, institutions, beliefs, or national symbols, or brings them into contempt or disrepute. 15 U.S.C. §§ 1052, 1053.

[16] SCHECHTER & THOMAS, *supra* note 10, at § 27.

[17] The most commonly cited judicial opinion that explains the four categories of distinctiveness is Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4 (2d Cir. 1976). As that opinion explained, these categories exist along a continuum or spectrum of distinctiveness, although"[t]he lines of demarcation ... are not always bright." *Id.* at 9.

[18] 15 U.S.C. § 1052(e).

[19] 15 U.S.C. § 1052(f). The statutory language does not use the term "secondary meaning," but rather states that a descriptive mark may be registered if it "has become distinctive."

(continued...)

can "become" distinctive over time, if a substantial part of the public has come to regard the word as signifying a single and unique source of the product, rather than the product itself.[20] Examples of terms that have acquired distinctiveness include MCDONALD'S, BEN AND JERRY'S, and PARK N FLY.

- **Generic terms**. These words represent the basic name of the category of the product or service being offered for sale, rather than an indication of its source. Generic terms cannot be protected as trademarks. The words MILK, CAR, BREAD are examples of this least-distinctive category; these terms are inherently *incapable* of being distinctive. In addition, some fanciful terms that were once distinctive can lose their distinctive quality and "become" generic, through a phenomenon sometimes referred to as "genericide." Genericide occurs when a once valid mark is so commonly used in everyday language that it no longer serves to identify a particular company but rather becomes synonymous with the entire class of products.[21] Examples of marks that have been casualties of genericide include THERMOS, ASPIRIN, KLEENEX, BAND-AID, and CELLOPHANE.

Trademark Infringement and "Likelihood of Confusion"

Assuming a mark satisfies the requirements discussed above for trademark protection, the merchant who first uses that mark generally has the exclusive right to use it in certain ways. The trademark owner may have several causes of action to prevent unauthorized uses of the mark (called "infringement"). If the mark is not federally registered, the owner can seek legal remedy for trademark infringement under state law, asserting that the other party's use of a copy, reproduction, imitation, or counterfeit of the mark is likely to cause confusion, mistake, or deception as to the source of origin of the goods or services.[22] A federal trademark registration, however, entitles the owner of the mark to pursue two independent causes of action for infringement, under the following sections of the Lanham Act:

- Section 32: "Any person who shall, without the consent of the registrant — use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause

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[19] (...continued)
Courts frequently refer to acquired distinctiveness as "secondary meaning." *See, e.g.,* Two Pesos v. Taco Cabana, 505 U.S. 763, 769 (1992).

[20] Inwood Labs. v. Ives Labs., 456 U.S. 844, 851 n.11 (1982).

[21] SCHECHTER & THOMAS, *supra* note 10, at § 27.3.

[22] *See, e.g.,* CAL. BUS. & PROF. CODE § 14320 (2006).

> confusion, or to cause mistake, or to deceive ... shall be liable in a civil action by the registrant....”[23]

- Section 43: “Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which — is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person ... shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.”[24]

Careful scrutiny of the statutory language of these two provisions reveals that while section 32 claims are reserved exclusively for owners of registered trademarks, section 43 claims could be brought by owners of both registered and unregistered marks. In addition, while both causes of action are aimed at preventing unauthorized uses of marks that are deceptive and misleading to consumers, section 43 prohibits a broader range of practices, including false designations of origin or sponsorship.[25] In an action under either section, the touchstone of trademark infringement is the standard of “likelihood of confusion,” which means that the plaintiff need not show that actual confusion has occurred, but rather that consumer confusion as to the source of the goods is *probable*.[26] The usual remedy for trademark infringement is injunctive relief,[27] although monetary relief is also available.[28]

Trademark Dilution

The U.S. Supreme Court has described the dual purposes of trademark law as follows:

> [T]rademark law, by preventing others from copying a source-identifying mark, reduce[s] the customer’s costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that this item — the item with

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[23] 15 U.S.C. § 1114(1).

[24] 15 U.S.C. § 1125(a)(1).

[25] Inwood Labs. v. Ives Labs., 456 U.S. 844, 858 (1982). In substance, however, there is little difference between the federal and state laws concerning trademark infringement, and a litigant in a trademark infringement case will often assert all of these claims. SCHECHTER & THOMAS, *supra* note 10, at § 29.

[26] *See, e.g.,* Rodeo Collection, Ltd. v. West Seventh, 812 F.2d 1215, 1217 (9th Cir. 1987) (explaining that “[l]ikelihood of confusion requires that confusion be probable, not simply a possibility”).

[27] 15 U.S.C. § 1116.

[28] 15 U.S.C. § 1117(a) (permitting recovery of the infringer’s profits, plaintiff’s damages and litigation costs, and attorney fees).

> this mark — is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby encourage[s] the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.[29]

In contrast with traditional trademark law, which aims to prevent deception and consumer confusion, is a relatively recent cause of action called "trademark dilution." "Dilution" is statutorily defined in 15 U.S.C. § 1127 to mean "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of ... (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." For example, a strong, distinctive famous trademark such as KODAK could be diluted if an unauthorized party marketed an unrelated and noncompeting product such as KODAK mayonnaise. Even though a consumer may not likely be confused by the mark, the concern of dilution law is that the distinctiveness, effectiveness, and advertising value of the famous mark may be eroded and "watered down" by such usage over time, potentially affecting consumer perceptions of the company and its reputation. Dilution law thus seeks to preserve the uniqueness and strength of a famous mark. The concept of trademark dilution traces its origin to a law review article written in 1927[30] and has been adopted as a cause of action by many state jurisdictions, although the state laws vary in nature and extent of protection.

Dilution can occur in two ways. Dilution by blurring is the most common dilution claim. "Blurring" occurs when the famous mark's ability to identify its product has been impaired due to an association in the minds of consumers arising from similarity between another mark and the famous mark. For example, a famous mark such as EXXON is uniformly and nearly automatically associated with the energy and petrochemical company. However, the name NATIONAL may evoke several different mental associations, such as NATIONAL SEMICONDUCTOR, NATIONAL CITY BANK, or NATIONAL GEOGRAPHIC.

Dilution by tarnishment is the second form of dilution. Tarnishment occurs when the reputation of a famous mark has been harmed by negative associations arising from the similarity between another mark and the famous mark. Situations in which tarnishment could result are when a famous trademark is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods."[31] Unlike a claim for

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[29] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164-64 (1995)(citations and internal quotations omitted).

[30] Frank Schechter, *The Rational Basis of Trademark Protection,* 40 HARV. L. REV. 813 (1927).

[31] Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 507 (2nd Cir. 1996) (citations and internal quotations omitted). At issue in this case was Jim Henson's wild boar puppet

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traditional trademark infringement, an action for dilution does *not* require a showing of likelihood of consumer confusion.[32]

Federal Trademark Dilution Act

To bring nationwide uniformity and consistency to the protection of famous marks from dilution, and to meet the United States' international obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),[33] Congress in December 1995 passed the Federal Trademark Dilution Act of 1995 (FTDA),[34] amending section 43 of the Lanham Act to create the first federal cause of action for trademark dilution.[35] The FTDA entitles the owner of a famous mark to seek injunctive relief from a court "against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."[36] Although an injunction is the usual remedy for a violation of the FTDA, monetary relief and destruction of the infringing articles are also available if the infringer "willfully

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[31] (...continued)
(one of his Muppets) called "Spa'am," which according to the court was so named "to poke a little fun at Hormel's famous luncheon meat by associating its processed, gelatinous block with a humorously wild beast." *Id.* at 501. The court ultimately decided that the case presented no likelihood of dilution by tarnishment, on the basis that Henson's use would not have caused negative associations, Henson was not a direct competitor, and "the parody is part of the product itself." *Id.* at 508.

[32] 15 U.S.C. § 1127.

[33] The TRIPS Agreement is an international agreement on intellectual property that is one component of the treaties that created the World Trade Organization (WTO) in 1995. TRIPS establishes minimum standards of protection for patents, copyrights, trademarks, and trade secrets that each WTO signatory nation must give to the intellectual property of fellow WTO members. Compliance with TRIPS is a prerequisite for WTO membership. *See* World Trade Organization, *Understanding the WTO — Intellectual Property: Protection and Enforcement, at* [http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm].

[34] P.L. 104-98, 109 Stat. 985 (1996).

[35] According to its legislative history, the FTDA does not preempt state anti-dilution laws. *See* H.REPT. 104-374, at 4 ("It is important to note that H.R. 1295 would not pre-empt existing state dilution statutes. State laws could continue to be applied in cases involving locally famous or distinctive marks. Unlike patent and copyright laws, federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute should similarly coexist with state dilution law"). (Citation omitted.)

[36] 15 U.S.C. § 1125(c)(1). However, an injunction for dilution may be considerably broader than one for trademark infringement: "A trademark injunction is usually limited to uses within one industry or several related industries. Dilution law is the antithesis of trademark law in this respect, because it seeks to protect the mark from association in the public's mind with wholly unrelated goods and services. The more remote the good or service associated with the junior use, the more likely it is to cause dilution rather than trademark infringement. A dilution injunction, by contrast to a trademark injunction, will generally sweep across broad vistas of the economy." Mattel, Inc. v. MCA Records, 296 F.3d 894, 904-05 (9th Cir. 2002).

intended to trade on the owner's reputation or to cause dilution of the famous mark."[37]

By its terms, the scope of protection under the FTDA is reserved only for owners of prominent, renowned marks of significant fame. The famous mark need not be federally registered to qualify for dilution protection.[38] In addition, the Court of Appeals for the Federal Circuit has observed that unlike traditional trademark law, which "serves the interests of consumers, as well as sellers, in having trademarks function as source-identifiers," dilution law "offers no benefit to the consumer public — only to the [trademark] owner."[39] In other words, traditional trademark infringement law prevents consumers from being misled and purchasing a product that is not what they expected; it also ensures that the owner of the trademark is not deprived of a sale. Dilution law is designed to preserve the capacity of a famous mark to identify and distinguish the goods or services to which it is attached.

To address First Amendment concerns raised by the media and consumer rights and civil liberties advocates, the FTDA provides three affirmative defenses to a claim of dilution. The three statutory exemptions[40] are listed in 15 U.S.C. § 1125(c)(4):

- 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.
- Noncommercial use of a mark.
- All forms of news reporting and news commentary.

Judicial Interpretation of the FTDA

Since the FTDA was enacted, some trademark owners have attempted to use the law in ways that arguably go beyond the statute's scope and purpose (e.g., some owners of insufficiently famous marks have tried to establish a federal dilution claim, and others have brought suit under the FTDA to prohibit parody and criticism of their marks). In adjudicating these cases, several federal courts have interpreted the FTDA narrowly, creating what some view as more stringent barriers to obtaining dilution protection than the statute's drafters would require. In addition, the United States

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[37] 15 U.S.C. § 1125(c)(2). These remedies are subject to the discretion of the court and the principles of equity.

[38] *See* H.REPT. 104-374, at 7 (noting that Section 43(c)(1) "provide[s] protection to famous marks, whether or not the mark is the subject of a federal trademark registration"). However, "it is hard to imagine a situation where the owner of a truly famous mark would not take the relatively simple step of securing federal trademark registration, and the failure to register should raise at least a yellow flag with a court attempting to determine if the mark is truly famous." SCHECHTER & THOMAS, *supra* note 10, at § 30.2.

[39] TCPIP Holding Co. v. Haar Communs., 244 F.3d 88, 95 (Fed. Cir. 2001).

[40] The legislative history of the FTDA explains that these forms of activities "would not be actionable," and that the defenses are "designed to preclude the courts from enjoining speech that courts have recognized to be constitutionally protected." H.REPT. 104-374, at 8.

Supreme Court in 2003 rendered a decision that narrowly construed the FTDA, to the distress of some experts.[41]

No Protection for Famous Marks that Have Acquired Distinctiveness. In a case concerning the trademark THE CHILDREN'S PLACE, used by a chain of stores that sells children's clothing and accessories, the U.S. Court of Appeals for the Second Circuit held that the FTDA does not protect descriptive marks, since they possess no *inherent* distinctive quality.[42] Although the appellate court agreed that THE CHILDREN'S PLACE has acquired secondary meaning,[43] the court stated that the "mark's deficiency in inherent distinctiveness is not compensated by the fact that [the] mark has achieved a significant degree of consumer recognition."[44] The impact of this ruling is significant; famous marks that have acquired distinctiveness, such as MCDONALD'S, AMERICAN AIRLINES, and DISNEY, might be deemed ineligible for the protections of the FTDA if a case arose concerning these trademarks within the Second Circuit. Other appellate circuits have not adopted this interpretation of the FTDA.

Defining the Noncommercial Use Defense. In 1997, a Danish band called Aqua released a song called "Barbie Girl," which became a commercial success. The song contains lyrics that poke fun at the iconic Barbie doll manufactured by Mattel, Inc.; among other things, the song refers to Barbie as a "bimbo." The company sued the record label that published the song, MCA Records, claiming in part that the song dilutes the Barbie trademark by both blurring and by tarnishment.[45] While the U.S. Court of Appeals for the Ninth Circuit found that Barbie qualified for relief under the FTDA as a famous and distinctive mark, and that the song's use of the mark is dilutive, the appellate court ruled that the FTDA's statutory exemption for "noncommercial use" of a mark shields MCA from liability because the song contains artistic expression.[46] Despite the song being offered for sale to the public, the use of the Barbie mark fell within the "noncommercial use" exemption because "the song also lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents."[47] The Ninth Circuit court explained, "If speech is not 'purely commercial' — that is, if it does more than

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[41] *Hearing on H.R. 683, the "Trademark Dilution Revision Act of 2005": Hearings Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary,* 109th Cong., 1st Sess. (2005) (statement of Professor Mark A. Lemley, Stanford Law School), at 2, *available on Apr. 24, 2006 at* [http://judiciary.house.gov/media/pdfs/lemley021705.pdf].

[42] TCPIP Holding Co. v. Haar Communs., 244 F.3d 88, 98 (2nd Cir. 2001).

[43] The court made this determination by noting that the chain store's owner "operates about 230 retail stores under its mark in twenty-seven states, sold $280 million worth of goods in 1998, and has expended tens of millions of dollars advertising its mark in the last decade." *Id.* at 96 (citation and internal quotations omitted).

[44] *Id.* at 98.

[45] Mattel, Inc. v. MCA Records, 296 F.3d 894, 902 (9th Cir. 2002).

[46] *Id.* at 903, 907.

[47] *Id.* at 907.

propose a commercial transaction — then it is entitled to full First Amendment protection."[48] Thus, Mattel's dilution claim against MCA failed.

Requirement of Both Fame and Distinctiveness. The FTDA lists several factors that are intended to guide a court in deciding "whether a mark is distinctive and famous."[49] In interpreting this statutory language, the U.S. Court of Appeals for the Third Circuit rejected the argument that the FTDA requires a mark to be subjected to a test for fame *and* a separate test for distinctiveness to qualify for federal dilution protection.[50] A cited scholar on trademark law, J. Thomas McCarthy, agreed with the appellate court:

> In the author's view there is in [15 U.S.C. § 1125(c)(l)] no separate statutory requirement of "distinctiveness," apart from a finding that the designation be a "mark" that is "famous." "Distinctiveness" is used here only as a synonym for "fame." Even if "distinctiveness" is regarded as a separate requirement, it would, in the author's view, be redundant. To be a "mark" eligible in the first place for protection under [§ 1125(c)(l)], basic trademark principles dictate that a designation has to be "distinctive" either inherently or through acquisition of secondary meaning.[51]

The U.S. Court of Appeals for the Second Circuit, however, reached a different conclusion about the FTDA: "We think the inclusion of the requirement of distinctiveness was intended, for good reason, to deny the protection of the statute to non-distinctive marks."[52] The court continued: "Many famous marks are of the common or quality-claiming or prominence-claiming type — such as American, National, Federal, Federated, First, United, Acme, Merit or Ace. It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants."[53] Thus, "distinctiveness" is a separate statutory element that must be satisfied by an owner of a famous trademark to obtain relief within the Second Circuit.

FTDA Requires a Showing of Actual Dilution. In a case concerning the Ringling Brothers and Barnum & Bailey Circus's trademark slogan, THE GREATEST SHOW ON EARTH, the U.S. Court of Appeals for the Fourth Circuit held that Ringling had *not* proved that its trademark had been diluted by the State of Utah's commercial use of its trademark slogan, THE GREATEST SNOW ON EARTH, as an advertisement of the state's winter sports attractions. The court held

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[48] *Id.* at 906.

[49] *See* 15 U.S.C. § 1125(c)(1)(A)-(H).

[50] Times Mirror Magazines, Inc. v. Las Vegas Sports News, 212 F.3d 157, 166-67 (3rd Cir. 2000).

[51] J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, (4th ed. 1999), at § 24:91 (footnotes omitted).

[52] Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 216 (2nd Cir. 1999).

[53] *Id.*

that proof of dilution under the FTDA requires proof of an "actual, consummated harm."[54]

However, in *Nabisco, Inc. v. PF Brands, Inc.*, the U.S. Court of Appeals for the Second Circuit disagreed with the Fourth Circuit's interpretation, stating that:

> In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute. Notwithstanding the use of the present tense in "causes dilution," it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.[55]

The Second Circuit appellate court issued its interpretation, which embraced a "likelihood of dilution" standard of proof: "[W]e read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred."[56]

To resolve this conflict between the circuit courts over the standard of harm that the FTDA requires to obtain injunctive relief, the United States Supreme Court considered a case involving the VICTORIA'S SECRET trademark.[57] The defendants in the case were two individuals who owned and operated a retail store named "Victor's Little Secret" in Elizabethtown, Kentucky. This store sold lingerie, adult toys and videos, and gag gifts. The corporation that owned the VICTORIA'S SECRET trademark, used on more than 750 Victoria's Secret stores and millions of catalogs selling women's lingerie, sued the defendants for federal dilution of its famous trademark, among other claims. The Court of Appeals for the Sixth Circuit affirmed the dilution injunction against the use of the famous trademark, stating: "This ... is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)."[58]

However, in 2003, the U.S. Supreme Court in *Moseley v. V Secret Catalogue* reversed the summary judgment on the dilution claim. The Court's opinion approved of the Fourth Circuit's reading of the FTDA in *Ringling Brothers,* reasoning that since the statute only grants relief against the commercial use of a mark that "*causes dilution* of the distinctive quality" of the famous mark, the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."[59] The VICTORIA'S SECRET trademark owner failed to satisfy this standard to obtain relief under the FTDA, as the Court noted that "[t]here is a complete absence of evidence [in the record] of any lessening of the capacity of the VICTORIA'S

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[54] Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev., 170 F.3d 449, 464 (4th Cir. 1999).

[55] Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2nd Cir. 1999).

[56] *Id.* at 224-25.

[57] Moseley v. V Secret Catalogue, 537 U.S. 418 (2003).

[58] V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 477 (6th Cir. 2001).

[59] Moseley v. V Secret Catalogue, 537 U.S. 418, 432-33 (2003) (emphasis in original).

SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs."[60]

The "actual dilution" standard of harm which the U.S. Supreme Court adopted has been criticized by some observers as creating "an undue burden" for owners of famous trademarks to obtain injunctive relief.[61] Critics argue that "[b]y the time measurable, provable damage has been done ... the remedy, which is injunctive relief, is far less effective."[62] In the aftermath of *V Secret*, many courts have rejected dilution claims.

Yet other legal commentators have praised the *V Secret* decision for narrowly construing the FTDA, asserting that this outcome offers greater freedom for small business commercial speech:

> [P]ersons like Victor Moseley need a little "breathing space" when they named their businesses or products. A mere likelihood of dilution under the FTDA, devoid of a requirement of proof of actual dilution and damage, gave inadequate breathing space because the decision about what was likely to dilute lay too much on the predilection of judges — judges who might not have any particular expertise in predicting likeliness of dilution. This arguably placed an unfair burden on judges, who generally do not like to make empirical decisions about the way the world works; their special expertise, of course, lies in applying laws to established facts, not in speculating on future occurrences.[63]

Other defenders of the "actual dilution" standard believe it advances the public interest in trademark law.[64] An "actual dilution" standard also helps address one concern of the *Ringling Brothers* appellate court, that requiring plaintiffs to meet a lower standard of proof might effectively create time-unlimited property rights in gross in famous trademarks.[65]

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[60] *Id.* at 434.

[61] H.REPT. 104-374, at 5.

[62] *Id.* (citation omitted).

[63] Sandra Davidson, *Victor's Victory*, 9 COMM. L. & POL'Y 183, 189 (2004); *see also* Jordan M. Blanke, *Victor's Little Secret: Supreme Court Decision Means More Protection for Trademark Parody*, 13 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1053, 1092-93 (2003)(observing that *Moseley* "makes it much harder to enjoin the parodic uses of trademarks as long as there is an obvious parody").

[64] Jonathan Mermin, *Interpreting the Federal Trademark Dilution Act of 1995: The Logic of the Actual Dilution Requirement,* 42 B.C. L. REV. 207, 232 (2000) (criticizing the FTDA's expansion of federal trademark law beyond its original purpose of preventing consumer confusion, and suggesting that federal dilution laws might harm consumers by creating higher barriers to entry for new businesses and new products. The author notes that there is a "public interest in market competition based on the objective qualities of products, as opposed to their non-rational psychological associations and brand personalities").

[65] Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev., 170 F.3d 449, 456 (4th Cir. 1999).

Trademark Dilution Revision Act of 2006

Motivated by the *V Secret* case and by the other judicial decisions discussed above, the 109th Congress considered legislation, H.R. 683, amending the FTDA to clarify federal dilution law and address what some Members of Congress considered to be problematic judicial interpretations of the FTDA. According to the bill's sponsor, the Trademark Dilution Revision Act of 2006 (hereinafter "TDRA") "represents a clarification of what Congress meant when it passed the dilution statute almost a decade ago."[66]

The TDRA makes the following changes to the FTDA:

- Requires that a mark be both famous and distinctive.
- Allows federal dilution protection for famous descriptive marks that have acquired distinctiveness.
- Provides a definition of "famous" to limit application of dilution law to only widely recognized marks.
- Expressly provides that dilution may be actionable if done by tarnishment or by blurring.
- Establishes that the standard of harm in a federal dilution case is "likelihood of dilution."
- Explicitly requires that the defendant had used a mark as a designation of source for a dilution claim to be actionable, thus adding a free speech safeguard for competitors, disgruntled consumers, and the media to criticize, parody, and comment on the goods or services of the famous mark owner.

Some observers and legislators wonder whether the act too heavily favors major corporations over small businesses and future businesses.[67] Others raise concerns

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[66] *Hearing on H.R. 683, the "Trademark Dilution Revision Act of 2005": Hearings Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary,* 109th Cong., 1st Sess. (2005) (statement of Rep. Lamar Smith), at 2.

[67] *See, e.g.,* 152 Cong. Rec. H6965 (daily ed. Sept. 25, 2006) (statement of Rep. David Wu) ("Since trademark laws have an effect not only on famous companies but also on the many small businesses with legitimate business interests, any antidilution legislation should be very carefully considered so as not to interfere with the rights of small businesses. The goal must be to protect trademarks from subsequent uses that blur, dilute or tarnish that trademark, but it must also be the protection of small business interests from its more powerful corporate counterparts."); *see also* Electronic Frontier Foundation, *Stop the Trademark Act From Diluting Free Speech!, available on Apr. 26, 2006 at* [https://secure.eff.org/site/Advocacy?JServSessionIdr011=isl6q36wk1.app13b&cmd=display&page=UserAction&id=113] (stating that H.R. 683 "is a big company's dream.... [T]he lawyers policing a trademark could sue businesses and individuals for using words, images, or even colors that look vaguely like a famous brand — without even having to prove that the company is being harmed.... This bill would chill speech and hand ownership of common words to big companies").

that it may negatively affect consumer rights and free speech.[68] Several critics speculate that the TDRA will limit existing small businesses and potential future businesses in the choice of names for themselves and their products.[69] Despite these sentiments, the House passed H.R. 683 by a vote of 411 to 8, on April 19, 2005.[70] The Senate passed H.R. 683 with an amendment in the nature of a substitute, by unanimous consent, on March 8, 2006.[71]

The most prominent difference between the House- and Senate-passed versions of H.R. 683 is that the House bill would remove "noncommercial use" of a mark as one of the affirmative defenses to a dilution claim brought under the FTDA; the Senate bill retains this exemption. If this defense is removed from existing law, it may affect the outcome of cases that resemble the factual circumstances of the *Barbie Girl* decision and possibly raise questions regarding the FTDA's preservation of free speech rights. However, it could be argued that these First Amendment concerns are adequately addressed by the "fair use" defense for parodying, criticizing, or commenting on the famous mark owner or the goods or services of the mark owner, which is provided in both versions of the bill.[72] The Senate's amendment to the bill keeps the "noncommercial use" exemption as a separate defense from the "fair use" defense, perhaps suggesting that there may be a substantive difference between them.[73] Critics of the House-passed bill have argued:

> In trademark litigation, consumers who have criticized businesses, or artists who make reference to trademarks in their works, can escape the litigation quickly, and cheaply, by raising the non-commercial use defense. Fair use, by contrast,

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[68] *See, e.g.,* Letter from Public Citizen et al., to the Senate Judiciary Committee, February 3, 2006, *available on Apr. 25, 2006 at* [http://www.citizen.org/documents/Judiciary%20Committee%20letter%20on%20H.R.%20683.pdf] (asserting that H.R. 683 may make the following activities actionable for trademark dilution: disgruntled consumers who criticize famous brands, artists who incorporate famous marks in their expressive creative works, and political candidates who use popular trademarks to comment on their opponents).

[69] *See, e.g.,* 152 Cong. Rec. H6965 (daily ed. Sept. 25, 2006) (statement of Rep. David Wu) ("Unfortunately, this bill will change trademark law to make it easier for large companies to sue individuals and businesses for trademark dilution, thus potentially creating rights in perpetuity for trademarks. ... we run the risk of trademark owners being able to lock up large portions of our shared language. This open-ended invitation to litigate is especially troubling at a time when even colors and common words can be granted trademark protection."); *see also* Public Knowledge, The Trademark Dilution Revision Act of 2005 (H.R. 683), *available on Apr. 25, 2006 at* [http://www.publicknowledge.org/issues/tmdilution].

[70] 151 CONG. REC. H2126 (daily ed. April 19, 2005).

[71] 152 CONG. REC. S1923 (daily ed. Mar. 8, 2006).

[72] *See* 151 CONG. REC. H2123 (daily ed. April 19, 2005) (statement of Rep. Howard Berman) ("While not universally supported, this bill has now garnered the support of the ACLU for accommodating its first amendment concerns").

[73] *See* 151 CONG. REC. S1923 (daily ed. March 8, 2006) (statement of Sen. Leahy) ("Senator Hatch and I were successful in including language that definitively shelters important constitutionally protected first amendment freedoms from being caught up in the liability net").

> ... tends to require application of a multi-factor test that is heavily dependent on context. Making the defense rest on a complicated fair use analysis may make dismissal harder to obtain short of full (and expensive) discovery and trial.[74]

In addition, the Senate's amendment also creates an explicit fair use exemption from dilution liability for "a nominative or descriptive fair use, or *facilitation* of such fair use."[75] This "facilitation" exemption was apparently added to address concerns raised by Internet search engines and Internet service providers over secondary liability for trademark dilution by their end users.

Finally, the Senate-passed version of H.R. 683 includes a new section that shifts the burden of proof in a civil action for dilution involving an unregistered trade dress.[76] Under this new provision, the person asserting trade dress protection[77] has the burden of demonstrating that (1) the claimed trade dress, taken as a whole, is non-functional and is famous; and (2) if the claimed trade dress includes any registered mark, the unregistered matter, taken as a whole, is famous separate and apart from any fame of the registered mark.

On September 25, 2006, the House, by unanimous consent, agreed to the Senate amendment, and the President signed the bill into law on October 6, 2006.[78]

Conclusion

The Trademark Dilution Revision Act is intended to reduce confusion and uncertainty among the courts concerning key provisions of the FTDA. The legislation more precisely defines statutory elements of the FTDA (such as "famous," "distinctive," "blurring," and "tarnishment") and expressly clarifies the standard of harm and other eligibility requirements for bringing a dilution claim. These changes should permit owners of famous, distinctive trademarks to more easily obtain injunctive relief against acts of dilution *before* they cause significant harm to the reputation of a famous trademark. However, as the dilution remedy is an "extraordinary" one, the appropriate standard for qualifying for FTDA protection has

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[74] Letter from Public Citizen et al., to the Senate Judiciary Committee, February 3, 2006, *at 7, available on Apr. 25, 2006 at* [http://www.citizen.org/documents/Judiciary%20Committee%20letter%20on%20H.R.%20683.pdf].

[75] H.R. 683 (Senate-passed version, § 2 (1)) (emphasis added).

[76] *Id.*

[77] Trade dress is a concept that describes the shape and design of a product's labeling or packaging that serves to identify goods or services. *See* Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 209 (2000) ("The breadth of the definition of marks registrable under [the Lanham Act] ... has been held to embrace not just word marks, such as 'Nike,' and symbol marks, such as Nike's 'swoosh' symbol, but also 'trade dress' – a category that originally included only the packaging, or 'dressing,' of a product, but in recent years has been expanded by many courts of appeals to encompass the design of a product.").

[78] P.L. 109-312 (2006).

been viewed as "a high hurdle."[79] The Trademark Dilution Revision Act limits FTDA eligibility to a small number of marks that are truly prominent and renowned, as opposed to those that are famous only within a geographic region or "niche" market.[80]

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[79] SCHECHTER & THOMAS, *supra* note 10, at § 30.2 (citing Professor McCarthy's treatise).

[80] 151 CONG. REC. H2123 (daily ed. April 19, 2005) (statement of Rep. Howard Berman) ("The bill narrows the reach of a dilution cause of action. It tightens the definition of fame by providing a specific list of factors, and eliminates the protection for marks that are famous only in niche markets").