

THE CONNECTICUT
LAW TRIBUNE

DECEMBER 2006 • WWW.CTLAWTRIBUNE.COM

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INTELLECTUAL PROPERTY

A special supplement to The Connecticut Law Tribune

CONSUMER CONFUSION

Trademark Dilution: The Fame Game

Congress overrules 2003 Supreme Court trademark decision and expands protection of marks

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Trademark infringement claims arise when a defendant uses an identical mark or one “confusingly similar” to the plaintiff’s mark, so that the relevant buying public is likely to believe erroneously that the plaintiff is the source of defendant’s goods or services. In fact, the defendant is simply trading off of the plaintiff’s mark.

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An offending mark may either ‘blur’ the famous mark’s ability to identify its goods or services; or ‘tarnish’ the famous mark, because the offending mark is associated with lower quality goods or services.

Courts evaluate many factors in reaching this conclusion, including the strength and distinctiveness of the marks in question; their similarity; the similarity of the goods and services they identify; the similarity of facilities used by the parties in their businesses; the similarity of their advertising; defendant’s intent (although this goes to the issue of damages and attorney fees); and actual public confusion. Federally-registered trademarks and servicemarks are protected from infringement under the “Lanham Act,” particularly 15 U.S.C. §1114-1118, and there are also protections for unregistered marks under the Lanham Act’s federal unfair competition and false advertising provision, 15 U.S.C. §1125(a).

Sometimes, however, even where the

parties’ marks are the same or virtually the same, there is no “likelihood of confusion” (e.g., few people would think that Exxon Oil Corp. was the source of “Exxon massage parlors”). In those cases, normally the aggrieved senior (prior) trademark owner has no claim. There is a significant exception, however.

If a mark is “famous” (a term defined at length in part (c) of 15 U.S.C. §1125), there is additional protection for the trademark holder, which may sue for “dilution” of its mark.

Part (c) of 15 U.S.C §1125 is the Federal Trademark Dilution Act (FTDA). This legislation provides owners of “famous” marks the right to gain relief without proving “likelihood of confusion.”

Evocative Association

To establish dilution, the plaintiff must prove that defendant made use of a junior mark sufficiently similar to the famous mark to evoke, in the relevant group of consumers, a mental association between the two that has caused actual economic harm to the famous mark's value by lessening its selling power.

This can be shown by demonstrating that the use of the offending mark "blurs" the famous mark's ability to identify its goods or services, or that it "tarnishes" the famous mark, because the offending mark is associated with lower quality goods or services.

Blurring occurs when a trademark is used by someone other than the trademark owner in connection with goods or services that are unrelated to those with which the mark is normally used.

While a consumer may not be confused as to the origin of the goods or services, there is, nevertheless, an undesired association of the mark with other products, causing a lessening in the mark's capacity to identify and distinguish goods and services.

Tarnishment occurs where a mark is used in connection with distasteful or otherwise objectionable products or services, leading not only to a lessening in the uniqueness of the mark but to harm to its reputation as well.

The FTDA has presented problems, however. A principal one was whether "actual" dilution or merely a "likelihood of dilution" was required to sustain a dilution claim. In *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418 (2003), the Court resolved this issue in favor of the defendants.

In that case, the defendants operated a small-town adult novelty shop called "Victor's Little Secret." The plaintiff, Victoria's Secret, the well-known source of lingerie products, sued for infringement and dilution of its mark VICTORIA'S SECRET. The trial court concluded that,

while no likelihood of confusion existed, the plaintiff was entitled to injunctive relief based on dilution by tarnishment. It rejected the defendants' argument that the FTDA required proof of actual economic harm. The U.S. Court of Appeals for the 6th Circuit affirmed.

The Supreme Court reversed, holding that relief under the FTDA did require objective proof of actual injury to the economic value of a famous mark, premising its conclusion, in part, on the wording of 15 U.S.C §1125(c), specifically the requirement that the defendant's act "causes dilution."

Circumstantial Evidence

The Court held generally that circumstantial evidence of dilution, consumer surveys, and evidence of lost sales or profits were among the ways to prove actual dilution. Finally, it held that where the marks *are not* identical, "the mere fact that consumers may mentally associate the junior mark with the famous mark is not sufficient to establish actionable dilution." It did not decide whether, where the marks *are* identical, mental association is sufficient to prove dilution.

Famous mark owners, primarily including large corporations, sought successfully to convince their elected representatives to legislatively overrule *Moseley*. They did so, resulting in the Trademark Dilution Revision Act of 2006 (TDRA). Most important, the TDRA establishes a standard of "likely to cause dilution ... regardless of the presence of actual economic injury...." as the touchstone of federal dilution protection, a lesser hurdle than *Moseley's* "objective proof of actual injury to the economic value of the famous mark."

The TDRA provides for a federal action for blurring and/or tarnishment. It makes clear that fame, and not distinctiveness, is the key inquiry in a dilution claim. The TDRA provides a statutory definition of a "famous" mark as one "which 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." However, only famous marks that are inherently distinctive or have acquired distinctiveness (a subject beyond the scope of this article) are entitled to federal dilution protection.

The TDRA further defines and provides a list of factors that (among others) a court may consider in determining whether a mark "possesses the requisite degree of recognition" to qualify as a famous mark. It also lists factors that a court may consider in determining whether a trademark is "likely to cause dilution by blurring."

Blurry Distinction

On the other hand, while "dilution by tarnishment" is defined as an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark," no definition of "harm" is included. And, the TDRA has no list of relevant factors a court may consider in determining whether a trademark is "likely to cause dilution by tarnishment."

Finally, to address First Amendment free speech concerns, the TDRA specifies "fair use" exceptions for "advertising or promotion"; "identifying and parodying, criticizing, or commenting upon the famous mark owner or [its] goods or services"; "news reporting and news commentary"; and any "non-commercial use of a mark."

Thus, Victoria's Secret, having been denuded of its rights in 2003, inspired corrective legislation. While it came too late for the *Moseley* case, Victoria's Secret won a "moral victory." ■