The Federal Trademark Dilution Act of 1995 Has Not Brought Uniformity and Consistency to the Protection of Famous marks

By Sid Leach
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The Federal Trademark Dilution Act was enacted in 1995 with the hope and expectation that it would provide a uniform federal law of trademark dilution to protect famous marks. Unfortunately, the statute has not accomplished that objective.

Background and History


The Federal Trademark Dilution Act was enacted in 1995 to provide a uniform trademark dilution law for the protection of famous marks used in interstate commerce. The House Report accompanying the legislation stated:

“Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks...” H.R. Rep. No. 104-374, at 2-3 (1995).

The statute is now codified at 15 U.S.C. §1125(c). Unfortunately, the federal statute “presents formidable problems of interpretation” to the federal courts that are called upon to apply the statute in specific cases. Thane International, Inc. v. Trek Bicycle Corp., 2002 U.S. App. LEXIS 18344, at *20 (9th Cir. Sept. 19, 2002). In considering this new federal statutory right, courts have had to “feel their way from case to case.” Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 227 (2nd Cir. 1999). The courts have not been uniform or consistent in the application of the Federal Trademark Dilution Act. V Secret Catalog, Inc. v. Mosley, 259 F.3d 464, 468 (6th Cir. 2001) (“Courts have not made a uniform application of the FTDA, however, individual circuits having applied a different set of standards to arising claims ...”), cert. granted, 122 S.Ct.

1536 (2002). Significant conflicts have arisen between the various circuits. *Id.* at 471 (“a split has developed among the circuits with respect to one crucial element...”).

To date, we have only succeeded in replacing the state law patch-quilt system of protection that existed in 1995 with a federal patch-quilt system that varies from circuit to circuit with non-uniform and inconsistent requirements that often provides unpredictable and inadequate results for the trademark owner.

**The Federal Trademark Dilution Act**

Based on a casual reading of the statute, the provisions of 15 U.S.C. §1125(c) would appear to be fairly straightforward. The statute provides that (emphasis added):

1. The owner of a *famous* mark shall be entitled
2. To an injunction (or damages, profits and attorneys fees if the defendant “willfully intended to trade on the owner’s reputation or to cause dilution”)
3. Against another person’s *commercial use* in commerce of a mark or trade name
4. If such use begins after the mark has become famous, and
5. Such use *causes dilution* of the *distinctive quality* of the famous mark.

The statute provides a definition of “dilution” as meaning 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. The statute does not provide a definition for the term "famous." Instead, the statute provides a list of eight factors that may be considered in determining whether a mark is “distinctive and famous:”

1. The degree of inherent or acquired distinctiveness of the mark
2. The duration and extent of use of the mark
3. The duration and extent of advertising and publicity of the mark
4. The geographical extent of the trading area in which the mark is used
5. The channels of trade for the goods or services
6. The degree of recognition of the mark
7. The nature and extent of use of the same or similar marks by third parties
8. Whether the mark was registered

Key terms in the statute have been the subject of interpretation in recent decisions. The cases discussed below will demonstrate that the courts that have been called upon to interpret these terms have not reached uniform results. *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464,

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2 Trademark law seems to have an affinity for eight-factor tests; the issue of likelihood of confusion in trademark infringement actions is determined based upon a consideration of eight-factors. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).
What Is a “Famous” Mark?

The legislative history indicates that the statute was enacted with the intent of stopping hypothetical cases such as “DUPONT shoes, BUICK aspirin, and KODAK pianos.” H.R. Rep. No. 104-374, at 3 (1995); S. Rep. No. 100-515, at 7 (1988). Some courts have indicated that a "famous" mark must be one that is “truly prominent and renowned.” Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 875 (9th Cir. 1999); IP Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46-49 (1st Cir. 1988). In the words of another court, the mark must be a “household name.” A.B.C. Carpet Co. v. Naeini, 2002 U.S. Dist. LEXIS 1129, at *5 (E.D.N.Y. 2002). The Ninth Circuit recently formulated the test as requiring a showing that a large portion of the general consuming public recognizes the mark. Thane International, Inc. v. Trek Bicycle Corp., 2002 U.S. App. LEXIS 18344, at *40 (9th Cir. Sept. 19, 2002).

The Patent and Trademark Office has imposed a high standard that must be met in the context of a trademark opposition proceeding. In order to oppose the registration of a mark by the Patent and Trademark Office on grounds of dilution, the opposer must show that its trademark is a “member of the select class of marks – those with such powerful consumer associations that even non-competing uses can impinge on their value.” Toro Co. v. ToroHead, Inc., 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001). If the goods are unrelated, the opposer must provide evidence that, when the public encounters opposer’s mark in almost any context, it associates the term at least initially with the mark’s owner. Id.

However, the various circuits have sometimes reached different results in the case of a trademark owner who claims fame in a niche market. The Third Circuit and the Seventh Circuit have held that dilution protection under the federal statute is available if the mark is famous in a niche market. 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); Syndicated Sales, Inc. v. Hampshire Paper Corp., 192 F.3d 633, 640-41 (7th Cir. 1999). The Ninth Circuit has reached a slightly different result. In the Ninth Circuit, the niche market fame theory can be used only if the alleged diluter uses his mark within that niche. Thane International, Inc. v. Trek Bicycle Corp., 2002 U.S. App. LEXIS 18344, at *32 (9th Cir. Sept. 19, 2002). The Ninth Circuit approach would appear to be limited to situations where the defendant is using his mark on the same or competing goods, and a claim for trademark infringement should be available under those circumstances. A dilution claim would appear to be somewhat superfluous.

The Second Circuit has apparently rejected the niche market concept. TCPIP Holding Co. v. Haar Communications Inc., 244 F.3d 88, 98-99 (2nd Cir. 2001) (unlikely that Congress intended to grant dilution protection to marks that are famous only among a small segment of the population, or in a small area or segment of the nation).

Is There a Separate Distinctiveness Requirement?
A question has arisen under the federal statute as to whether it requires a separate showing of distinctiveness, in addition to a showing of fame. A leading commentator has argued that the statute does not include an independent requirement of distinctiveness. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24.91, at 24-147 (4th ed. 1998). McCarthy’s treatise contends that the statute’s three repetitions of the word “distinctive” or “distinctiveness” resulted from the accidental failure to delete vestigial remnants of an eliminated registration requirement.3 According to McCarthy, “the word ‘distinctive’ was left floating in the statute, unmoored to either any statutory requirement or underlying policy goal.” Id. McCarthy concludes that “distinctiveness” is used in the statute as a synonym for “fame.” Id. at 24-148. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2nd Cir. 1999) (discussing McCarthy’s treatise).

In the Seventh Circuit and the Third Circuit, the cases articulating the requirements for relief under the statute have not included a separate showing of distinctiveness. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466 (7th Cir. 2000); *Sullivan v. CBS Corp.*, 2002 U.S. Dist. LEXIS 6625, at *34-35 (N.D. Ill. April 8, 2002); *Binney & Smith v. Rose Art Industries*, 60 U.S.P.Q.2d 2000 (E.D. Pa. 2001). However, none of these cases have expressly rejected the argument that distinctiveness is a separate requirement. One could argue that if Congress had intended to impose a separate distinctiveness requirement, the statute could have easily been written to clearly say so.

In the Sixth Circuit, a plaintiff is required to prove that its mark is not only famous, but also distinctive. *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464, 476 (6th Cir. 2001), cert. granted, 122 S.Ct. 1536 (2002); *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 577 (6th Cir. 2000), cert. denied, 531 U.S. 944 (2001). Other circuits have also required a separate showing of distinctiveness, and have apparently raised the bar on how much distinctiveness must be shown. In the Ninth Circuit, a mark must have a high degree of distinctiveness to be capable of being diluted. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 876-77 (9th Cir. 1999); *Thane International, Inc. v. Trek Bicycle Corp.*, 2002 U.S. App. LEXIS 18344, at *43 (9th Cir. Sept. 19, 2002). The Second Circuit also imposes a separate distinctiveness requirement. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2nd Cir. 1999) (“A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect.”). According to the Second Circuit, a mark must have a “significant degree of distinctiveness.” *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 93-98 (2nd Cir. 2001).

**May a Plaintiff Show Acquired Distinctiveness?**

In those circuits that have imposed a separate distinctiveness requirement, different results have been reached on whether a trademark owner can show acquired distinctiveness, i.e., secondary meaning,4 in the case of a mark that is not inherently distinctive. In the Ninth Circuit,

3 As originally introduced, the proposed legislation only applied to famous registered marks. H.R. Rep. No. 104-374, at 4 (1995). However, the Patent and Trademark Office made a compelling case that limiting the federal remedy to those famous marks that are registered would not be within the spirit of the U.S. position as a leader setting standards for strong worldwide protection of intellectual property. *Id.*

4 Secondary meaning, or acquired distinctiveness, occurs when, in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000).

However, in the Second Circuit, a mark must have inherent distinctiveness. In the Second Circuit, the protection afforded under the Dilution Act does not extend to descriptive marks, regardless of how famous the mark may have become, and a trademark owner is not allowed to satisfy the distinctiveness requirement by showing acquired distinctiveness. *TCP/IP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 95-98 (2nd Cir. 2001) (“weak, non-distinctive, descriptive marks do not qualify for the Act’s protection, even if famous.”).

Congress intended that “a mark may be deemed ‘famous’ even if not inherently distinctive, that is, even if the mark is not arbitrary, fanciful, or coined.” H.R. Rep. No. 104-374, at 7 (1995). Of course, this statement in the legislative history begs the question, if there is a separate distinctiveness requirement. However, it is difficult to understand why such an unqualified statement would appear in the legislative history if Congress did not intend the statute to protect famous marks that were not inherently distinctive.

The Second Circuit has explained its view of the relationship between acquired distinctiveness and inherent distinctiveness under the federal dilution statute. First, the plaintiff must show that his mark has achieved a sufficient degree of consumer recognition, i.e., acquired distinctiveness, to satisfy the statutory requirement of fame. Second, the plaintiff must establish that the mark possesses a sufficient degree of inherent distinctiveness to satisfy the statute’s requirement of “distinctive quality.” *TCP/IP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 98 (2nd Cir. 2001).

**Must Plaintiff Show Actual Harm or a Likelihood of Dilution?**

The Fourth Circuit and the Fifth Circuit have reached a conclusion that a plaintiff must show actual, present injury to the famous mark. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449, 458 (4th Cir.), cert. denied, 528 U.S. 923 (1999); *Westchester Media Co. v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000). This result has some textual support in the statute, which uses the term "causes dilution" instead of stating that the defendant's use must be shown to be "likely to cause dilution." 15 U.S.C. §1125(c).

Other circuits have considered the practical effect of requiring a showing of actual harm, and concluded that Congress did not intend such a result. For example, the Second Circuit, the Sixth Circuit, and the Seventh Circuit have held that establishing an inference of likely harm to the famous mark is sufficient. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224-25 (2nd Cir. 1999); *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464, 476 (6th Cir. 2001), cert. granted, 122 S.Ct. 1536 (2002); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000). In the Third Circuit, a court recently granted a preliminary injunction on a dilution claim without

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5 The language of the federal statute may be contrasted with the language used in typical state statutes in effect in 1995 when Congress passed the Federal Trademark Dilution Act. The typical state statute expressly required only a likelihood of dilution. The use of different terms in the federal statute would suggest that Congress intended a different standard.

This is one conflict among the circuits that the Supreme Court is expected to resolve in the Court’s upcoming decision in *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464, 476 (6th Cir. 2001), *cert. granted*, 122 S.Ct. 1536 (2002).

**The Required Degree of Similarity Between the Marks**

Some courts appear to reach different results on the degree of similarity that must exist between the plaintiff’s famous mark and the defendant's mark. Some courts have concluded that dilution protection is only available when the defendant uses a mark that is virtually identical to the famous mark. For example, in the Ninth Circuit, the marks must be “identical, or nearly identical” and must be “essentially the same mark, not just a similar one.” *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 805 (9th Cir. 2002); *Thane International, Inc. v. Trek Bicycle Corp.*, 2002 U.S. App. LEXIS 18344, at *21-25 (9th Cir. Sept. 19, 2002). The Eighth Circuit appears to have reached a similar result, requiring a showing that a “significant segment of the target group of consumers sees the two marks as essentially the same.” *Luigino’s Inc. v. Stouffer Corp.*, 170 F.3d 827, 832 (8th Cir. 1999).

The Second Circuit allows the marks to be similar, as long as the two marks are “very” or “substantially” similar. The test applied in the Second Circuit is that the marks must be sufficiently similar so that, in the mind of the consumer, the junior mark will conjure an association with the senior mark. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218 (2nd Cir. 1999). One would expect that this test could be met by marks that are not identical or nearly identical. The Sixth Circuit adopted the same test as the Second Circuit: “The marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior.” *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464, 471 n.3 (6th Cir. 2001), *cert. granted*, 122 S.Ct. 1536 (2002). The Fourth Circuit has reached a similar result, requiring that there must be “a sufficient similarity between the junior and senior marks to evoke an instinctive mental association of the two by a relevant universe of consumers.” *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449, 458 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999). The Seventh Circuit has apparently used the same similarity test for a dilution claim as used for a trademark infringement claim. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000).

**What Is "Commercial Use"?**

Fortunately, the courts have reached consistent results in some areas of statutory interpretation. The cases seem to uniformly hold that "commercial use" does not include parody. 6

In *Lucasfilm Ltd. v. Media Market Group, Ltd*, 182 F. Supp.2d 897 (N.D. Cal. 2002), the plaintiff owned the "Star Wars" mark, which the court found to be famous. The defendant

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6 Senator Hatch, in introducing the bill that became the federal dilution statute, stated “The bill will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not part of a commercial transaction.” 141 Cong. Rec. S19306, S19310 (daily ed. Dec. 29, 1995).
produced a pornographic movie entitled “Starballz.” The court found that “Starballz” tarnishes the “Star Wars” mark by associating it with a pornographic film. However, the court found that the plaintiff’s dilution claim floundered on the requirement of "commercial use" by the defendant. Dilution does not apply to non-commercial use of a mark. The court found "Starballz" to be a parody, and held that “Parody is a form of non-commercial, protected speech which is not affected by the Federal Trademark Dilution Act.” 182 F. Supp.2d at 900.

In *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp.2d 1120 (C.D. Cal. 1998), the plaintiff owned the “Barbie” mark, which was found to be a famous mark. The defendant's “Barbie Girl” song tarnished the “Barbie” mark through its sexual or degrading lyrics. However, the court determined that the song is a parody. The court held that “Barbie Girl” falls within the “non-commercial use of a mark” exception to the federal dilution statute. 28 F. Supp.2d at 1155.

"Commercial use" does not include nominative use. In *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002), the defendant Terri Welles was the 1981 Playmate of the Year. She designated herself that way on her web site. In addition, “Playboy” and “Playmate” were used in the web site’s metatags. However, her website disclaimed any association with Playboy. The court found that this was a nominative use to describe her, and there was no descriptive substitute that she could have used. The court held that such nominative use was excluded from the dilution statute. However, the nominative use defense did not excuse all of the instances of dilution asserted by the plaintiff. The court found that the defendant's use of the Playboy logo was actionable.

Certain uses of a mark by an aftermarket retailer do not constitute “dilution” within the meaning of the federal statute. The case of *Ty Inc. v. Perryman*, 2002 U.S. App. LEXIS 20870 (7th Cir. Oct. 4, 2002), involved the famous “Beanie Babies” mark. The defendant sold Beanie Babies using a website having the URL www.bargainbeanies.com. The defendant also used the mark on the defendant's website. To the extent that the defendant was selling the very product to which the trademark is attached, no claim for dilution was available. The case addressed the question of whether the federal statute can be used to enjoin uses of a mark in a generic sense. The court held that the plaintiff could not use the anti-dilution law to enjoin uses of a mark that threaten to render the mark generic.

In the case of *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88 (2nd Cir. 2001), the district court believed that fair use had no application to an action under the Federal Trademark Dilution Act. *Id.*, at 104 n.12. The Second Circuit addressed this issue, but in doing so, limited itself to a discussion of section 1115(b)(4). 15 U.S.C. § 1115(b)(4). This provision of the statute lists certain available defenses, including fair use, but refers only to infringement claims. The Second Circuit noted that section 1115(b)(4) was passed prior to the Federal Trademark Dilution Act. The court’s discussion suggests that the absence of any reference to dilution in section 1115(b)(4) is simply a result of the fact that the dilution statute did not exist when section 1115(b)(4) was enacted. Quoting from the earlier decision in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d at 221 n.4, the court concluded, “we see no reason why it should have any less application to actions for dilution.” *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 104 n.12 (2nd Cir. 2001). Although the court’s reasoning was flawed, the court reached the correct result and held that the fair use defense applies to a dilution claim.
The Second Circuit’s approach in reaching its holding that a fair use defense is available to a dilution claim is confusing, because its discussion of section 1115(b)(4) is somewhat irrelevant to the issue. That section of the statute has no application to dilution claims. The court ignored the provisions of the statute that do apply to a dilution claim. The relevant provisions of the statute expressly recognize fair use as a defense to a dilution claim.7 15 U.S.C. § 1125(c)(4)(A). And the legislative history makes it clear that fair use is a defense to a dilution claim. H.R. Rep. No. 104-374, at 4-5 (1995) (“The bill includes specific language exempting from liability the ‘fair use’ of a mark...“).

Section 1115(b)(4) is only relevant to incontestable registered marks. Under the Lanham Act, when the right to use a registered mark becomes incontestable, the registration is conclusive evidence of, among other things, the registrant’s exclusive right to use the registered mark in connection with only the goods or services stated in the registration, and as to those, only those goods and services which were specified in the required section 15 affidavit. 15 U.S.C. § 1065(3) & 1115(b). Such conclusive evidence of the right to use the incontestable registered mark is subject to certain enumerated defenses in an infringement action, one of which is the defense of fair use. 15 U.S.C. § 1115(b)(4). Thus, the fair use defense provided in section 1115(b)(4) is only pertinent in the limited context of the presumption in an infringement action of a registrant’s exclusive right to use an incontestable registered mark on certain specified goods or services. In a dilution claim, the defendant is typically using his mark on goods other than the goods and services to which section 1115(b) applies.

In the TCPIP Holding Co case, the Second Circuit had a much better reason for holding that fair use was a defense to a dilution claim than the stated reason of “we see no reason why it should have any less application to actions for dilution.” 244 F.3d at 104 n.12. The court should have rested its decision on the fact that the statute expressly states that fair use is a defense to a dilution claim. 15 U.S.C. § 1125(c)(4)(A).

What Is “Dilution”?

At least two types of dilution have been recognized in the cases decided under the federal statute. Dilution may be established by showing either "blurring" or "tarnishment." “Blurring” occurs when a defendant uses a plaintiff’s trademark to identify the defendant’s goods and services. Panavision International L.P. v. Toeppen, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998). “Tarnishment” occurs when a famous mark is improperly associated with an inferior mark or offensive product or service. Id. Tarnishment and disparagement are used synonymously in this context. See H.R. Rep. No. 104-374, at 7-8 (1995).

In dicta, the Seventh Circuit suggested a third type of dilution as taking a “free ride” on the investment of the trademark owner in the trademark. Ty Inc. v. Perryman, 2002 U.S. App. LEXIS 20870 (7th Cir. Oct. 4, 2002).

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7 “The following shall not be actionable under this section:
The legislative history indicates that the statute was intended to also encompass a third type of dilution referred to as “diminishment.” H.R. Rep. No. 104-374, at 7-8 (1995) (“The definition is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and disparagement, and by diminishment.”).

Post-Sale Dilution

Most dilution cases involve the likelihood of dilution at the point-of-sale of the associated goods or services. At least one case has recognized that a dilution claim may be established where the likely dilution would occur in a post-sale context. In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218 (2nd Cir. 1999), Pepperidge Farm claimed that its small goldfish-shaped cheddar cheese cracker was a famous mark entitled to protection under the federal dilution statute. Nabisco, under a license from Nickelodeon, planned to make small orange crackers based upon Nickelodeon’s Cat-Dog character. The Nabisco crackers would be in three shapes - one half of the crackers would be in the shape of Nickelodeon’s Cat-Dog character, one quarter in the shape of a bone (the favorite food of the dog half of Cat-Dog), and one quarter in the shape of a fish (the favorite food of the cat half of Cat-Dog).

Nabisco defended the dilution claim on grounds that Nabisco sold its crackers in a box quite unlike the package used by Pepperidge Farm to sell its goldfish crackers. At the point-of-sale, Nabisco’s packaging would arguably so clearly identify its crackers with Nickelodeon’s Cat-Dog character, that no dilution could occur. The court rejected this argument, and found that dilution would likely occur when the crackers were served. The court concluded that many consumers would not see the box. The court said that consumers would find goldfish-shaped cheddar cheese crackers served in a dish at a bar or restaurant or friend’s house “[l]ooking very much like the familiar Pepperidge Farm Goldfish product.” The court held that dilution could occur as well in a post-sale as in a point-of-sale context.8

Dilution and Confusion

Neither actual confusion nor a likelihood of confusion need be shown for a dilution claim. The statutory definition of “dilution” expressly provides that dilution may occur regardless of the presence or absence of likelihood of confusion. 15 U.S.C. § 1127. However, when consumers confuse the junior mark with the senior mark, blurring has occurred. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 221 (2nd Cir. 1999). Therefore, confusion, if present, may be used to support a finding that dilution has occurred.

Dilution Involving Competing Products

An argument has been made that the dilution statute should not apply to use on competing products. The theory is that dilution is intended to stop hypothetical uses like “DUPONT shoes, BUICK aspirin, and KODAK pianos.” H.R. Rep. No. 104-374, at 3 (1995); S. 8 Courts have consistently held that post-sale confusion will support a trademark infringement claim under the Lanham Act. See, e.g., *Lois Sportswear, U.S.A., Inc. v. Levi-Strauss & Co.*, 799 F.2d 867, 872-73 (2nd Cir. 1986); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 44-45 (1st Cir. 1998); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218 (2nd Cir. 1999).
Rep. No. 100-515, at 7 (1988). Under this argument, marks used on competing goods should be governed exclusively by the infringement laws.

The courts have uniformly rejected this argument. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218-19 & 222-23 (2nd Cir. 1999); *Rhee Bros., Inc. v. Han Ah Reum Corp.*, 178 F. Supp.2d 525 (D. Md. 2001). The potential existence of claims for both dilution and infringement in the same case has not been seen as a problem. “We see no reason not to apply the antidilution statute to use on competing or closely related products, where likelihood of confusion, and thus infringement, might also be found.” *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218-19 & 222-23 (2nd Cir. 1999). This result seems to be compelled by the language of the statute. The statute defines “dilution” regardless of the presence or absence of competition. 15 U.S.C. § 1127.

**What Qualifies as a “Mark”?**

Thus far, the courts have taken an expansive view of what may be a protectable mark under the federal dilution statute. In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2nd Cir. 1999), the Pepperidge Farm small goldfish-shaped cheddar cheese crackers qualified as a protectable mark under the federal dilution statute.

In *Binney & Smith v. Rose Art Industries*, 60 U.S.P.Q.2d 2000 (E.D. Pa. 2001), a dilution claim was sustained based upon the green and yellow packaging used for “Crayola” crayons. This case is interesting in that a preliminary injunction based upon the dilution claim was granted, but a preliminary injunction based upon trade dress claims was denied because of the failure to show a likelihood of confusion.

In the Second Circuit, dilution claims based upon an unregistered trade dress may be foreclosed by that court's distinctiveness requirement. A valid dilution claim in the Second Circuit requires a mark that has inherent distinctiveness. A dilution claim cannot be based upon a mark that has acquired distinctiveness. *TCP/IP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 95-98 (2nd Cir. 2001). A product's design or trade dress typically functions as a trademark only as a result of acquired distinctiveness. For example, the Supreme Court recently held that, in an action for infringement of an unregistered trade dress under Section 43(a) of the Lanham Act, a product’s design is a protectable trademark only upon a showing of acquired distinctiveness. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 216 (2000). If a showing of acquired distinctiveness is also required for an unregistered product design or trade dress in a claim under the federal dilution statute, the Second Circuit rule excluding marks with acquired distinctiveness from the scope of dilution protection will presumably foreclose a dilution claim in such cases.

**Proving Dilution With Consumer Surveys**

The Fourth Circuit has recognized that its requirement of a showing of actual, present injury to the famous mark presents significant proof problems. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449, 458 (4th Cir.), cert. denied, 528 U.S. 923 (1999). Even in circuits that only require a likelihood of dilution, courts have expressed reservations about the use of consumer surveys to establish a dilution claim. *V Secret*
Catalog, Inc. v. Mosley, 259 F.3d 464 (6th Cir. 2001) (survey to prove actual harm would be unwieldy), cert. granted, 122 S.Ct. 1536 (2002); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224-25 (2nd Cir. 1999) (dilution surveys are not required and would be expensive, time consuming and not immune to manipulation); Hersching Foods Corp. v. Mars, Inc., 998 F. Supp. 300, 578 (M.D. Pa. 1998) ("There is no standard criteria for surveying for dilution."). In the words of one court, "We doubt that dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully constructed survey." Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 468 (7th Cir. 2000).

In some cases, a consumer survey has been relied upon to prove a trademark infringement claim, while the same consumer survey has been found to be inadequate to support a dilution claim. In Grupo Gigante S.A. de C.V. v. Dallo & Co., 119 F. Supp.2d 1083, 1099 (C.D. Cal. 2000), a consumer survey showed that 22% of the Mexican-American population in San Diego associated the mark at issue with plaintiff, who had used the mark for years in Mexico before the defendant opened a store under that name in San Diego. This was relied upon to prove trademark infringement, but 22% recognition of the mark was held to be insufficient to support a dilution claim. 119 F. Supp.2d at 1099 ("Although the plaintiff’s GIGANTE mark was strong enough in 1991 to qualify for protection from infringement, the claim that it was also strong enough to qualify for protection from dilution is much less compelling."). In Pharmacia Corp. v. Alcon Laboratories, Inc., 201 F. Supp.2d 335 (D.N.J. 2002), a dilution level of 14% was found to be insufficient.

However, consumer surveys were successfully used in at least one case to support a dilution claim. Surveys performed by an outside firm in the ordinary course of business and not for purposes of the litigation were relied upon as evidence that the mark was famous in the case of Binney & Smith v. Rose Art Industries, 60 U.S.P.Q.2d 2000 (E.D. Pa. 2001). In that case, a survey showed that 92% of mothers of children ages 2-12 think of the “Crayola” mark without prompting when asked to name a brand of crayons. In addition, a market survey that asked mothers to draw a Crayola package from memory resulted in all 450 mothers drawing a green and yellow box.

**Dilution Protection Under State Statutes**

The federal dilution statute was not intended to preempt state dilution laws. State statutes continue to offer dilution protection under circumstances where federal protection may be unavailable. For example, some state statutes, such as those currently in Texas and Louisiana, do not require a showing of fame. A plaintiff only needs to show distinctiveness. Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car Co., 238 F.3d 378 (5th Cir. 2001). In addition, state laws may be applied in cases involving locally famous marks. See H.R. Rep. No. 104-374, at 4-5 (1995). For example, under the Arizona dilution statute, a trademark owner need only show that the mark is famous in the state of Arizona. Ariz. Rev. Stat. § 44-1448.01 (1999).

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9 “It is important to note that the proposed federal dilution statute would not preempt state dilution laws. Unlike patent and copyright laws, federal trademark law coexists with state trademark law, and it is to be expected that the federal dilution statute should similarly coexist with state dilution statutes.” H.R. Rep. No. 104-374, at 7-8 (1995).
The Second Circuit refuses to grant dilution protection under the federal statute to marks that are not inherently distinctive. *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 95-98 (2nd Cir. 2001). However, that court recognizes that, unlike the federal statute, the New York state statute “accords protection against dilution to marks that are distinctive as a result of acquired secondary meaning as well as to those that are inherently distinctive.” *New York Stock Exchange, Inc. v. New York, New York Hotel, L.L.C.*, 293 F.3d 550, 557 (2nd Cir. 2002).

**Conclusion**

The dream of a uniform system of trademark dilution protection has not yet been realized. Under the current system, dilution protection available to a trademark owner still varies from state to state, and the scope and extent of federal protection depends upon which circuit court of appeals has jurisdiction over the claim. The conflicts among the circuits in the interpretation of the federal dilution statute has effectively resulted in a continuation of the patch-quilt system that was in existence in 1995, and which the federal statute was intended to eliminate.

However, the prospect of a uniform federal law is not without hope. The Supreme Court has already begun the task of resolving some of the conflicts among the circuits. *V Secret Catalog, Inc. v. Mosley*, 259 F.3d 464 (6th Cir. 2001), *cert. granted*, 122 S.Ct. 1536 (2002). Resolution of such conflicts may eventually provide the intended uniformity in federal trademark dilution protection that was envisioned by the members of Congress who wrote the federal statute.