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# IN SEARCH OF A DILUTION SOLUTION: IMPLEMENTATION OF THE FEDERAL TRADEMARK DILUTION ACT

*W. Whitaker Rayner\**

## I. INTRODUCTION

Common law and federal and state statutory law long have recognized trademark infringement as a remedy available to trademark owners. Under such provisions, courts provide injunctive and/or monetary relief if a likelihood of consumer confusion exists between the senior user's mark and the junior user's mark.<sup>1</sup> As trademark law developed in the first half of the twentieth century, it became clear that an additional remedy was necessary to prevent the weakening of trademarks from use of similar marks by others, even if the public was not likely to be confused between the marks at issue. Accordingly, the concept of dilution evolved as an attempt to protect the tarnishment or blurring of the distinctive qualities of trademarks.<sup>2</sup>

The concept of dilution as a statutory remedy had its beginnings with state law. Beginning with enactment of a state statutory dilution provision in Massachusetts in 1947,<sup>3</sup> states began to address through legislation the problem of dilution through tarnishment or blurring. In 1996, after approximately one-half of the states had enacted dilution statutes, Congress passed and President Clinton signed the Federal Trademark Dilution Act of 1995 ("FTDA").<sup>4</sup>

In the ensuing years, federal courts have struggled with the development of a body of case law interpreting the FTDA. As more fully described below, the var-

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1. The Lanham Trademark Act protects registered marks from infringement and provides that:

[a]ny person who shall, without the consent of the registrant (a) 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 or in connection with which such use is *likely to cause confusion, or to cause mistake, or to deceive . . .* shall be liable in a civil action by the registrant for the remedies hereinafter provided.

U.S.C. § 1114(1)(a) (1994 & Supp. 1999) (emphasis added).

Similarly, the Act protects unregistered marks from infringement and provides that

[a]ny 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 (A) 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.

*Id.* at 1125(a)(1).

2. The origins of dilution law in the United States are generally traced to Frank I. Schechter and his article, *The Rational Basis for Trademark Protection*, 40 HARV. L. REV. 813 (1927).

3. 1947 Mass. Acts 300.

4. Pub. L. No. 104-98, § 3(a), 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c) (1994 & Supp. 1999)).

ious circuits have, on occasion, reached diametrically opposed conclusions as to the interpretation of certain provisions of the FTDA.

At times, courts have decided claims for dilution under the FTDA by resorting to longstanding concepts and tests more commonly associated with a likelihood of confusion analysis under trademark infringement law. To correctly interpret the intent behind the FTDA, courts must shy away from these traditional infringement analyses and resort instead to new analyses that recognize the sharply different concept of distinctiveness undergirding the body of dilution law.

## II. HISTORICAL BACKGROUND OF DILUTION LAW

Since the time of the caveman, society has used various markings to define ownership of goods.<sup>5</sup> With the advance of society and the division of labor, markings have been used not only to provide a claim of ownership, but also to provide identification of the source of manufacture or creation of goods sold in the marketplace.<sup>6</sup>

Trademark law through the first half of the twentieth century was concerned almost exclusively with efforts to prevent consumer confusion caused by the use of similar marks on similar or related products.<sup>7</sup> Where products were dissimilar or unrelated, courts and juries were reluctant to find that consumers were likely to be confused as to the origin of the products at issue.<sup>8</sup> Nonetheless, trademark owners, through the manufacture of quality products and extensive marketing, developed a substantial amount of goodwill in the marks they used. Certain of these marks became "famous marks," each having earned widespread recognition.

On more than one occasion, owners of these marks brought infringement actions against owners of the same or similar marks with respect to non-competitive goods, only to be defeated at trial when a court or jury ruled that there was no likelihood that the public would confuse a trademark and product with the mark and product of a junior user in an unrelated market for goods or services.<sup>9</sup>

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5. Indeed, the term "brand," frequently associated with trademark law, had its origins in the branding of animals used to identify ownership. J. THOMAS McCARTHY, *McCarthy on Trademarks and Unfair Competition*, § 5:01 (3d ed. 1992).

6. Artisans in the middle ages used certain symbols or "marks" to identify the source of creation of the item sold or traded. Thus, from the beginning, trademarks have served as an important economic tool, allowing customers to easily recognize levels of quality and workmanship without having to fully investigate each purchase and trace the product back to its point of origin. *See id.*

7. *See McCarthy, supra* note 5, § 24:2 (discussing the development of trademark law as to non-competitive products).

8. Demonstrating courts' reluctance to find infringement in the case of dissimilar goods, in *Arrow Distilleries v. Globe Brewing Co.*, 117 F.2d 347 (4th Cir. 1941), the United States Court of Appeals for the Fourth Circuit held that use of the mark "ARROW" for distilled spirits did not infringe upon a prior use of the mark for beer. Because of widespread use of the mark on different products, the court reasoned that infringement relating to these products was not likely because the products were different (brewed vs. distilled) and were prohibited by federal law from being manufactured at the same facility. *Id.* at 351.

9. *See id.*; *see also Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499 (7th Cir. 1992) (holding that Zazu for hair care product does not infringe upon Zazu for a hair salon); *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912) (holding no infringement between non-competing uses of "Borden" on ice cream and condensed milk).

Reacting to concern over the inequities of having hard-earned goodwill whittled away by use of similar marks, courts and state legislatures developed a body of law concerned not with consumer confusion, but with the distinctive characteristics of the actual marks and the goodwill associated with those marks.

After courts and legislatures established dilution on the state level, many trademark owners began to seek a more uniform and nationwide remedy through federal legislation. Congress defeated an earlier attempt in 1988 to enact a dilution law at the federal level.<sup>10</sup> However, in 1996, Congress passed and the President signed into law the Federal Trademark Dilution Act of 1995, the first federal pronouncement on the still-developing concept of dilution.<sup>11</sup>

### III. THE FEDERAL TRADEMARK DILUTION ACT

The FTDA provides in part that:

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction 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, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>12</sup>

Furthermore, the FTDA defines "dilution" as "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 the other parties, or (2) likelihood of confusion, mistake or deception."<sup>13</sup>

Unlike many state statutes, the FTDA provides a dilution remedy only to the owners of "famous marks."<sup>14</sup> Through enactment of the FTDA, Congress has

10. Early drafts of the 1988 Trademark Law Revision Act contained a federal dilution provision. The dilution provisions passed the Senate, but were removed by the House prior to passage. See Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 109 (1993).

11. Pub. L. No. 104-98, § 3(a), 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c) (1994 & Supp. 1999)).

12. 15 U.S.C. § 1125(c)(1).

13. 15 U.S.C. § 1127.

14. 15 U.S.C. § 1125(c)(1).

created a new federal remedy based not directly upon concern over the consuming public's ability to avoid confusion in the marketplace, but upon the somewhat unrelated concept of the ownership of certain rights by the trademark owner to the goodwill associated with the mark.<sup>15</sup> While it may be true that the more famous a mark becomes and the more goodwill which attaches to a mark, the more likely the public may be confused by seemingly unrelated products bearing the same or similar name, the concept of dilution has as its basis the different standards of distinctiveness and fame. This difference in focus has caused problems for the courts in applying the FTDA to certain factual situations.

#### IV. EARLY CIRCUIT DECISIONS

The Lanham Act was the embodiment of federal trademark infringement law before the FTDA. In the 1946 legislative history of that Act, the Senate Committee on Patents stated in part that "ideas concerning trademark protection have changed in the last 40 years and the statutes have not kept pace with the commercial development."<sup>16</sup> Fifty years later, Congress once again found itself revising trademark law in an effort to keep pace with changing commercial realities. Courts have not been easily persuaded that the FTDA provides a new framework for additional trademark remedies, wholly separate from those of trademark infringement. Consequently, a number of circuits have reached widely differing results in interpreting issues arising under the FTDA.

Courts have considered the following issues examined in this Article:

1. Whether a showing of a likelihood of dilution is sufficient to invoke the court's injunctive powers, or whether a plaintiff must prove actual dilution;
2. Whether the concepts of fame and distinctiveness are identical for the purposes of the FTDA;
3. Whether the FTDA is applicable to claims arising out of competing goods;
4. Whether a "likelihood of confusion" is relevant to a dilution analysis.

##### *A. Must a Claimant Show Actual Dilution Under the FTDA?*

One of the first major issues over which the divided circuits struggled was whether plaintiffs in dilution proceedings must provide proof of actual dilution, or whether evidence tending to establish a likelihood of dilution is sufficient. The "likelihood of confusion" standard has long been the test for infringement proceedings.<sup>17</sup> Under the "likelihood of confusion" test, actual confusion need

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15. In his article, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, Robert N. Klinger describes the difference between infringement and dilution as a differentiation between consumer confusion and the "persuasive advertising" functions of trademarks. 58 U. PITTS. L. REV. 789, 860-61 (1997).

16. S. Res. 0133, 79th Cong. (1946), reprinted in 1946 U.S.C.C.A.N. 1275-76.

17. See 15 U.S.C. § 1114(1) (regulating infringement of registered marks); 15 U.S.C. § 1125(a)(1) (regulating infringement of unregistered marks).

not be proved and is but one of several factors the trier of fact must consider in determining whether one person's mark infringes on that of another.<sup>18</sup>

Borrowing from this language, numerous state statutes and the 1964 version of the Model State Trademark Bill in particular have expressly adopted likelihood of dilution as the standard for the granting of injunctive relief arising out of dilution claims.<sup>19</sup> According to the text of the 1964 version of the Model State Trademark Bill, "the likelihood of injury to business reputation or of dilution of the distinctive quality of a mark shall be a ground for injunctive relief."<sup>20</sup>

The Federal Trademark Dilution Act does not expressly include this "likelihood of dilution" language, but instead provides that

[t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to injunction 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.<sup>21</sup>

The first circuit court to expressly consider the issue of whether a showing of likelihood of dilution is sufficient to state a cause of action under the FTDA found that a plaintiff must show actual dilution prior to the awarding of relief.<sup>22</sup> In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, the famous circus sought to prohibit the Utah Division of Travel Development from using the mark "The Greatest Snow on Earth," arguing that such mark diluted Ringling's "The Greatest Show on Earth" mark which had been in use since 1872.<sup>23</sup>

The trial court found for the State of Utah.<sup>24</sup> Ringling appealed the decision and argued that if the FTDA required proof of any form of economic harm, it was only threatened harm, not actual consummated harm.<sup>25</sup> The United States Court of Appeals for the Fourth Circuit disagreed, holding that a plain reading of

18. In the Fifth Circuit, the factors to consider in evaluating a likelihood of confusion situation are:

- 1) the strength of the trademark at issue;
- 2) the degree of similarity between the two marks;
- 3) the similarity of products;
- 4) the identity of retail outlets and purchasers;
- 5) the identity of advertising media utilized;
- 6) the defendant's intent;
- 7) actual confusion.

Moore Bus. Forms, Inc. v. Ryu, 960 F.2d 486, 489-90 (5th Cir. 1992); Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 596 (5th Cir. 1985).

19. The Model State Trademark Bill ("MTSB") originated in 1949 with the United States Trademark Association (now International Trademark Association). This Model Bill serves as a guideline for states in enacting state trademark legislation. The 1992 version of the MTSB amended the "likelihood of dilution" provision to track the FTDA's "causes dilution" language, which originated with the failed 1988 federal dilution provisions. *See supra* note 11 and accompanying text.

20. McCARTHY, *supra* note 5, § 22:04.

21. 15 U.S.C. § 1125(c)(1) (1996 & Supp. 1999) (emphasis added).

22. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

23. *Id.*

24. *Id.* at 452.

25. *Id.* at 460.

the statute required a finding of actual dilution rather than the finding of a likelihood of dilution.<sup>26</sup> Recognizing that the plain language of the FTDA appeared to ignore the longstanding “likelihood of dilution” provisions of state law, the court held, “[I]n the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state anti-dilution statutes for the 50 years of their existence, the federal Act does not so provide.”<sup>27</sup>

Five months later, in *Nabisco, Inc. v. PF Brands, Inc.*, the United States Court of Appeals for the Second Circuit reached the opposite conclusion and held that, despite the plain language of the FTDA, Congress implicitly recognized a “likelihood of dilution” standard.<sup>28</sup> In that case, Nabisco sought a declaratory judgment that its inclusion of a fish-shaped cheese cracker as a part of its “CatDog” product did not infringe or dilute any trademark rights of Pepperidge Farm to its Goldfish cheese-flavored cracker.<sup>29</sup> Relying on the recent *Ringling* decision, Nabisco argued that dilution under the FTDA required proof of an “actual, consummated harm.”<sup>30</sup> Finding that a requirement of actual dilution as opposed to a likelihood of dilution would require “excessive literalism to defeat the intention of the statute,” the Second Circuit held that “it seems plausibly within Congress’ meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.”<sup>31</sup> Because a requirement of proof of dilution would require the harm—dilution—to occur prior to the case’s becoming ripe, and because absent a showing of willful intent, the only remedy available under the FTDA is injunctive relief, the statutory framework as interpreted by *Ringling* would create incompensable injury.<sup>32</sup> Finding a sufficient likelihood of success as to Pepperidge Farm’s dilution counterclaims, the Second Circuit upheld the lower court’s order requiring Nabisco to recall its fish cracker.<sup>33</sup>

While not specifically addressing the issue of proof of dilution, two other circuits implicitly came to differing conclusions as to the requirement of proving actual dilution under the FTDA. In *Luigino’s, Inc. v. Stouffer Corp.*, the United States Court of Appeals for the Eighth Circuit rejected Stouffer Corporation’s argument that the use of “Michelina’s Lean ‘N Tasty” mark diluted Stouffer’s “Lean Cuisine” mark.<sup>34</sup> Rejecting Stouffer’s argument that consumers associated “Lean Cuisine” and “Lean ‘N Tasty” with low-fat frozen entrees, the Eighth Circuit held that Stouffer was required to introduce evidence that the “Lean ‘N Tasty” mark caused consumers to associate the “Lean Cuisine” mark with some-

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26. *Id.* at 460-61.

27. *Id.* at 461.

28. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

29. The “CatDog” product was based upon Nickelodeon Television’s cartoon program featuring a two-headed creature that is half cat and half dog. Fish is the favorite food and symbol for the cat half, and the bone is the preferred meal and emblem for the dog half. Nabisco’s crackers contained one-half “CatDog” characters, one-quarter bones, and one-quarter fish. *Id.* at 213.

30. *Id.* at 223.

31. *Id.* at 224.

32. *Id.*

33. *Id.* at 229.

34. *Luigino’s, Inc. v. Stouffer Corp.*, 170 F.3d 827, 833 (8th Cir. 1999).

thing other than Stouffer's frozen entrees.<sup>35</sup> Because Stouffer failed to meet this burden, the Court found for Luigino's.<sup>36</sup> Thus, while not expressly requiring a finding of actual dilution, the Eighth Circuit implicitly held that evidence of actual association between the two marks was required.

Finally, in the case of *Panavision International, L.P. v. Toeppen*, the United States Court of Appeals for the Ninth Circuit found for Panavision on its claims that the defendant's use of the domain name "Panavision.com" diluted the plaintiff's "Panavision" mark.<sup>37</sup> In providing a theoretical analysis similar to those usually utilized in a "likelihood of confusion" analysis under infringement law, the Ninth Circuit found that potential customers of Panavision would be discouraged if they could not find Panavision's web page by merely typing "Panavision.com" and that such action would dilute the value of Panavision's trademark.<sup>38</sup> Without expressly addressing the issue of whether a "likelihood of dilution" was sufficient, the Ninth Circuit, nonetheless, held that this theoretical harm was sufficient to establish a claim of dilution under the FTDA.<sup>39</sup>

While there may be a split of authority among the circuits as to whether the FTDA expressly or implicitly provides a remedy upon a showing of a "likelihood of dilution," an analysis of the statute makes it clear that the likelihood of dilution standard was intended by Congress in the enactment of the FTDA. As recognized by the Second Circuit in *Nabisco*, monetary damages are not available under the FTDA, except in cases involving willful intent.<sup>40</sup> Accordingly, if a plaintiff were required to wait until such time as its mark actually had been diluted, then the virtually exclusive remedy of injunctive relief would be meaningless, as the harm would already have occurred.

Taking the *Nabisco* court's argument one step further, if Congress had intended to require the occurrence of actual dilution prior to a cause of action arising, a claim of dilution might never be possible. Once a famous mark has been diluted, goodwill associated with the mark is weakened and, by definition, the mark loses some of its distinctive quality. Therefore, it would become difficult, if not impossible, for the owner to overcome the hurdle of demonstrating that its mark was still famous as required under the Act. Thus, requiring a finding of actual dilution would render the statutory framework of the FTDA an eviscerated, tautological jumble.

Further, the plain language of the FTDA supports a finding that Congress only intended a showing of likelihood of dilution. The Lanham Act provides that the term "dilution" means "the lessening of the capacity of a famous mark to identify and distinguish goods or service."<sup>41</sup> As the term "capacity" is synonymous with "potential" or "ability," the statute is concerned not so much with an actual

35. *Id.*

36. *Id.*

37. 141 F.3d 1316 (9th Cir. 1998).

38. *Id.* at 1327.

39. *Id.*

40. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999).

41. 15 U.S.C. § 1127 (1996 & Supp. 1999) (emphasis added).

lessening of the mark itself, but with the theoretical lessening of the mark's potential to identify and distinguish goods or services. Finally, it is clear from the express language of the FTDA that dilution is an equitable provision:

[T]he owner of a famous mark shall be entitled, *subject to the principles of the equity and upon such terms as the court deems reasonable*, to an injunction 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.<sup>42</sup>

An equitable doctrine does not require adherence to strict formalities. Indeed, the concept of dilution is much more qualitative than the doctrine of infringement, which lends itself to more quantitative analysis. Dilution refers to the quality of the mark and the notion of distinctiveness, as opposed to the more measurable and quantitative concept of confusion in the eyes of the consuming public.

In the FTDA legislative history, Congress makes it clear that the threat of dilution is much more ephemeral than the threat of infringement:

Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.<sup>43</sup>

Pursuant to the above discussion, the standard to be used by the courts in determining dilution under the FTDA necessarily involves a determination of the likelihood or potential of dilution rather than the seemingly tautological standard of requiring a showing of actual dilution prior to the granting of any relief.

### B. Are Fame and Distinctiveness Separate Elements?

As discussed above, the FTDA limits relief to those marks which are termed "famous marks" and against those marks that cause dilution to the distinctive quality of such marks.<sup>44</sup> The FTDA provides an eight-part test to determine whether a mark is "distinctive and famous."<sup>45</sup> Some circuits have struggled over the interrelation between the concepts of distinctiveness and fame. In *Nabisco*, the United States Court of Appeals for the Second Circuit not only treated distinctiveness and fame as separate elements, but also found that the concept of distinctiveness is reserved for only certain famous marks.<sup>46</sup> According to the court, "[t]he requirement of distinctiveness is furthermore an important limitation. A mark that, notwithstanding its fame, has no distinctiveness, is lacking the

42. 15 U.S.C. § 1125(c)(1) (emphasis added).

43. H.R. 104-374, 104th Cong., 1st Sess. (1995) (citing *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

44. 15 U.S.C. § 1125(c)(1).

45. *Id.*

46. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

very attribute that the anti-dilution statute seeks to protect.”<sup>47</sup> Thus, the *Nabisco* court would deny protection for “non-distinctive marks,” even if such marks were famous.<sup>48</sup>

In *Avery Dennison Corp. v. Sumpton*, the United States Court of Appeals for the Ninth Circuit found the opposite—that famous marks were a smaller subset of distinctive marks.<sup>49</sup> According to the court in *Avery*, distinctiveness arises in one of two ways.<sup>50</sup> First, marks may be inherently distinctive.<sup>51</sup> Second, marks may have acquired distinctiveness, which is attained “when the purchasing public associates the [mark] with a single producer or source, rather than just the product itself.”<sup>52</sup> The *Avery* court held that distinctiveness is a quality all marks must possess in order to be registered in the United States Patent & Trademark Office Principal Register.<sup>53</sup> Recognizing the difference between fame and distinctiveness, the court further stated that “famousness requires a showing greater than mere distinctiveness.”<sup>54</sup>

The more correct interpretation of the FTDA with respect to the issue of fame versus distinctiveness is that famous marks are a subset of inherently distinctive marks and marks with acquired distinctiveness, and thus no separate analysis need be made. All famous marks are distinctive, whether they became distinctive over time or whether such marks are inherently distinctive. Conversely, not all distinctive marks are famous. The language of the FTDA itself makes it clear that Congress intended that famous marks protected by the FTDA are only a subset of all distinctive marks. Indeed, the first element of the eight-part test set forth in 15 U.S.C. § 1125(c)(1) to determine whether a mark is distinctive and famous provides that a trier of fact may consider “the degree of inherent or acquired distinctiveness of the mark.”<sup>55</sup> Thus, the distinctiveness of the mark is but one of eight factors the trier of fact should consider in determining the fame of a mark.

In its legislative history discussing the first element of the test for fame, Congress found that

[t]he first factor makes it clear that a mark may be deemed “famous” even if not inherently distinctive, that is, even if the mark is not arbitrary, fanciful or coined . . . . Finally, although a mark need not be federally registered in order to be eligible for dilution protection, the fact that the mark is registered with the U. S. Patent & Trademark Office may be considered by a court in determining whether a mark is distinctive. This factor recognizes that a mark may not be federally registered unless it is found by the PTO to be distinctive.<sup>56</sup>

47. *Id.* at 216.

48. See *id.* n.2 (“We think the inclusion of the requirement of distinctiveness was intended, for good reason, to deny protection of the statute to non-distinctive marks.”).

49. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999).

50. *Id.* at 879.

51. *Id.* at 877.

52. *Id.* at 876.

53. *Id.*

54. *Id.* at 877.

55. 15 U.S.C. § 1125(c)(1) (1996 & Supp. 1999).

56. H.R. 104-374, 104th Cong., 1st Sess. 7. (1995).

Congress, in contradistinction to the court in *Nabisco*, found that distinctiveness is a prerequisite to a finding of fame. Thus, while all federally registered marks must be distinctive, Congress makes it clear that not all distinctive marks are eligible for protection under the FTDA.

### *C. Is Dilution Applicable to Competing Goods Under the FTDA?*

Parties have argued, and at least one court has found, that dilution is a remedy reserved for non-competing products rather than products competing in the same market. When the United States Court of Appeals for the Eighth Circuit found in *Luigino's*, that "Michelina's Lean 'N Tasty" mark did not dilute Stouffer's "Lean Cuisine" mark, the court stated, "[n]ormally, the doctrine [of dilution] applies in cases where 'similar marks are used on dissimilar goods.'"<sup>57</sup> The Eighth Circuit went on to hold that Stouffer was required to offer evidence that the defendant's mark caused consumers to associate the "Lean Cuisine" mark with something other than frozen entrees.<sup>58</sup>

While it is true that origins of dilution law were based upon proving infringement in non-competing goods,<sup>59</sup> the FTDA makes it clear that the statutory remedy of federal dilution is available whether or not the marks are used on competing goods. Specifically, the FTDA in defining dilution states that the term "dilution" means "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the owner of the famous mark and other parties."<sup>60</sup> This same language was cited by the United States Court of Appeals for the Second Circuit in *Nabisco* when that court held that federal dilution claims may arise from competing as well as non-competing goods.<sup>61</sup>

### *D. Is "Likelihood of Confusion" Relevant to a Dilution Analysis?*

In arguing to the court that dilution law should not apply in the case of competing goods, Nabisco appears to have argued that dilution and infringement were mutually exclusive concepts. In rejecting this argument, the Second Circuit in *Nabisco* went a step further and held that in making a determination as to whether dilution is present, a dilution analysis should specifically include the presence or absence of actual confusion or a likelihood of confusion.<sup>62</sup>

In contrast to this finding, the United States Court of Appeals for the Ninth Circuit in *Avery* found that a traditional likelihood of confusion analysis should not be considered in an FTDA claim.<sup>63</sup> Nonetheless, the Ninth Circuit did recog-

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57. *Luigino's, Inc. v. Stouffer Corp.*, 170 F.3d 827, 833 (8th Cir. 1999) (citation omitted).

58. *Id.*

59. See *supra* notes 9-11 and accompanying text.

60. 15 U.S.C. § 1127.

61. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 219 (2d Cir. 1999).

62. *Id.* at 217. The Eighth Circuit held, however, that because the defendants' product was not yet introduced into the marketplace, the absence of actual confusion was of no significance.

63. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 879 (9th Cir. 1999).

nize that some factors relevant in a likelihood of confusion analysis are necessarily likewise relevant in a dilution analysis. According to the Ninth Circuit, “[T]he close parallels between the two analyses are therefore not surprising; nor do they cause us concern.”<sup>64</sup> The Ninth Circuit’s resolution of this issue is correct and underscores a major difficulty of courts in struggling with the development of a workable paradigm for dilution law. Dilution and infringement seek to protect different aspects of trademarks. Thus, evidence of one does not lead to the existence of the other.

#### V. TOWARD A USEFUL ANALYSIS OF DILUTION CLAIMS UNDER THE FTDA

For almost a century, trademark infringement was the only federal remedy available to trademark owners. Trademark infringement analysis differs in certain minor respects among the circuits but,<sup>65</sup> by and large, courts have become comfortable with the analysis of factors relevant in a likelihood of confusion analysis.

This is not the case when courts are faced with dilution claims under the FTDA. Because courts are familiar with a likelihood of confusion analysis, when faced with the FTDA statutory framework, they quite naturally retreat to those concepts familiar to courts and practitioners alike—namely the likelihood of infringement analysis under infringement law. While it is true that many factors such as strength of the senior mark, exclusivity of use, and public familiarity with the mark are important to both analyses, courts and practitioners should not preoccupy themselves with the likelihood of confusion factors in determining the existence of dilution.

Although infringement in large part is subject to quantitative measurement and survey, dilution analyses are more qualitative in nature and require conceptual comparison of the marks at issue. While infringement law uses consumer confusion as the springboard for analysis, dilution law relies more upon tarnishment, blurring, or other debilitation of the marks themselves.<sup>66</sup> The concept of dilution is difficult to articulate and, in that respect, is very much like Justice Stewart’s famous pornography analysis which, paraphrased, states, “I can’t define pornography, but I know it when I see it.”<sup>67</sup>

Because of the difficulty in defining dilution, Congress chose to concentrate the analysis set forth in the FTDA around the determination of whether a mark is famous. In determining fame, courts must look to the distinctiveness of the mark, the duration and extent of use of the mark, the duration and extent of

64. *Id.* at 880-81.

65. Compare, e.g., *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 486 (5th Cir. 1992) (discussing Fifth Circuit test for infringement) with *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961) (discussing the often-cited Second Circuit test for infringement). See also MCCARTHY, *supra* note 5, § 23:19 (discussing differing foundational factors).

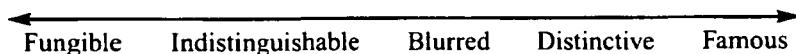
66. H.R. 104-374, 104th Cong., 1st Sess. 3 (1995).

67. *Jacobellis v. Ohio*, 378 U.S. 184, 196 (1964) (Stewart, J., concurring) (“I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description [of hard-core pornography] and perhaps I could never succeed in intelligibly doing so. But I know it when I see it.”).

advertising and publicity, the geographical trading area, the channels of trade, the degree of recognition of the mark, the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought, and the nature and extent of use of the same or similar marks by third parties.<sup>68</sup> While these factors relate to fame of the senior mark, they also relate in varying degree to the question of dilution itself. Specifically, consideration of the defendant's channels of trade and recognition of the plaintiff's mark in those channels brings one such dilution factor within the fame and distinctiveness analysis. Similarly, use of the same or similar marks by third parties involves a determination not only of fame, but also whether the plaintiff's mark is diluted by the defendant's conduct or the conduct of other third parties.

Just as it took many years for courts to develop analyses to determine the likelihood of confusion, it will also take years to develop widely recognized and supported analyses for determining dilution. In the interim, courts should not unduly concern themselves with rigid requirements of survey evidence, proof of actual dilution, or presence of actual competition. Instead, courts should center their analyses around the fact that Congress enacted a statute to protect the distinctiveness of famous marks by prohibiting use of such marks by others.

Courts aware of the likelihood of confusion analysis are familiar with the relative spectrum of the "strength" of marks. This spectrum shifts from generic marks to descriptive marks to suggestive marks to arbitrary and fanciful marks.<sup>69</sup> Indeed, courts should consider a different spectrum for dilution analysis:



On the left side of the spectrum are "fungible" marks, which because of widespread use by differing parties on different goods, retain no distinctiveness or notoriety. Next on the spectrum are marks that are not indistinguishable, but which because of blurring or tarnishment by others' use, can no longer clearly distinguish goods or services.

Next on the spectrum are distinctive marks, which are marks that may or may not be famous, but which are subject to widespread association by the public as to the product or service the mark identifies. Such marks can be inherently distinctive—such as in the case of an arbitrary or fanciful mark—or can acquire distinctiveness through widespread and uninterrupted use by the trademark owner. Finally, to the extreme right side of the spectrum is the classification of famous marks. These are the relatively few marks which are so well known and unique in the country that the notoriety of the mark transcends both channels of trade and geographic regions.

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68. 15 U.S.C. § 1125(c)(1) (1996 & Supp. 1999).

69. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (recognizing the long-standing classification of relative strength of trademarks).

It is these famous marks that the FTDA seeks to protect. If use of the same or similar mark by a third person would cause a famous mark to shift to the left on the above spectrum, then dilution has occurred. Thus, courts should be concerned first with making sure that a dilution-plaintiff's mark is properly classified as "famous"; and, second, that the defendant's use of its mark is likely to cause the plaintiff's mark to slide toward the distinctive, blurred, or fungible end of the spectrum.

There is no bright line test for such an analysis. Indeed, depending on the facts of the case, various factors may or may not be relevant. Nonetheless, courts should not become preoccupied with traditional infringement analyses, nor should they be concerned with overly-stringent requirements which would defeat the purpose of protection of famous marks. Over time, the uncertainties evidenced by the current state of the law will mature into a workable balance which protects the rights of owners of famous marks *and* the rights of other parties who acquire trademarks.<sup>70</sup>

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70. See McCARTHY, *supra* note 5, § 24:114 ("The balance between fair competition and free competition must always be maintained and kept fine-tuned for the economy to work at a reasonable rate of efficiency and competitiveness.").

