New York Law Journal
SERVING THE BENCH AND BAR SINCE 1888
Web address: http://www.nylj.com

An incisivemedia publication
VOLUME 240—NO. 47 FRIDAY, SEPTEMBER 5, 2008

OUTSIDE COUNSEL

BY PAUL C. LLEWELLYN

Trademark Dilution Revisions: Proof of Fame, Dilution

Signed into law on Oct. 6, 2006, the Trademark Dilution Revision Act (TDRA), figured to be a major overhaul of the federal law of trademark dilution, under which "famous" marks are protected from the encroachment of similar marks even when there is no likelihood of confusion.

Abrogating the Supreme Court's principal holding in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), the TDRA lowered the dilution plaintiff's threshold from "actual dilution" to "likelihood of dilution." In addition, the TDRA attempted to clarify certain key issues left lingering in the circuits by the previous Federal Dilution Trademark Act (FTDA) by, among other things, disallowing "niche fame," instituting a new four-factor test for fame, specifying separate causes of action for dilution by tarnishment and dilution by blurring, providing a six-factor test for dilution by blurring, and expanding enumerated fair use exceptions under the statute.[1]

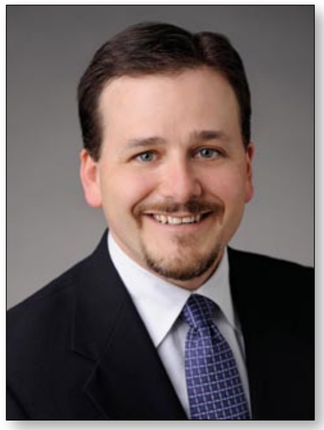
Although a number of decisions applying the new act have been issued, we are only beginning to see how the TDRA will ultimately impact trademark law. So far, the results are mixed, and it largely remains to be seen how the TDRA's changes will be implemented by the courts or will assist trademark enforcement efforts. Nonetheless, several decisions are instructive as to how a dilution plaintiff can best establish the key elements of a claim.

Fame

The amended "likelihood of dilution" factor may one day prove to be the TDRA's most significant amendment. As of now, however, it appears that the TDRA's heightened fame requirement has actually changed the most outcomes.

Previously, there had been a split among the circuits about whether the holder of trademark that possessed "niche fame" was entitled to federal dilution

Paul C. Llewellyn *is a partner at of Kaye Scholer, where he practices in the firm's Trademark, Copyright and False Advertising Group.* **Michael Denvir,** *an associate at the firm, assisted in the preparation of this article.*



relief. The TDRA, however, defines "famous mark" as one that 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," and most courts have recognized this language as an explicit rejection of "niche fame." See *Milbank Tweed Hadley & McCloy LLP v. Milbank Holding Corp.*, 82 U.S.P.Q.2d 1583 (C.D. Cal. 2007); *Dan-Foam A/S v. Brand Named Beds LLC*, 500 F. Supp. 2d 296 (S.D.N.Y. 2007).

The TDRA's amended fame requirement lists four factors that a court may use in determining fame: (i) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (ii) the amount, volume, and geographic extent of sales of goods or services offered under the mark; (iii) the extent of actual recognition of the mark; and (iv) whether the mark was registered under the act of March 3, 1881, or the act of Feb. 20, 1905, or on the principal register.

'General Consuming Public'

Decisions under the TDRA generally confirm that the requirement of fame among the "general consuming public" means that smaller brands cannot benefit from federal trademark dilution protection. See, e.g., *Componentone, L.L.C. v. Componentart, Inc.* WL 4302108 (W.D. Pa., 2007) (ComponentOne mark well-known only in its niche market of certain software developers); *Verilux, Inc. v. Hahn* 2007 WL 2318819 (D. Conn.) (renown within "the industry" is not sufficient under TDRA).[2] The elimination of niche fame should discourage many would-be dilution plaintiffs, and some in fact voluntarily dismissed their own claims after the enactment of the TDRA, reasoning that the amended fame requirement could not be met. See, e.g., *Milwaukee Elec. Tool Corp. v. Robert Bosch Tool Corp.* 2007 WL 875232 (N.D. Ill. 2007).

In most cases, it is obvious whether a mark is nationally famous under the TDRA, and many courts have held marks to be famous based primarily on the first two factors: basically, the extent and amount of use of the mark and sales under the mark. Thus, in a number of cases, marks such as NIKE, PEPSI, STARBUCKS, TIFFANY, HOT WHEELS and the Adidas three-stripe design were held famous (or at least survived summary judgment on the issue) based primarily or exclusively on evidence of large advertising expenditures and extensive sales.[3] Nike, notably, bolstered such evidence of fame with a litigation survey (discussed below) showing actual association, which the court also relied on in part to find the mark famous, as well as with nonlitigation brand surveys of "top brands." See *Nike, Inc. v Nikepal International, Inc.*, 2007 WL 2782030 at *3-4 (E.D. Cal. 2007).

But evidence of extensive advertising and sales may not always be enough to show fame. In *Board of Regents, The University of Texas System v. KST,* 2008 WL 577215 (W.D. Tex. 2008), although plaintiff's University of Texas Longhorn Silhouette Logo was routinely shown in national broadcasts of its football and basketball teams, and nearly $400 million of goods bearing the mark had been sold by major retailers in recent years, the court found insufficient evidence to create an issue of material fact under the TDRA: "The Court is well aware that NCAA college football is a popular sport…but this hardly equals a presence with the general consuming public (nearly the entire population of the United States). Simply because UT athletics have achieved a level of national prominence does not necessarily mean that the longhorn logo is so ubiquitous and well-known to stand toe-to-toe with Buick or Kodak." Id. at *16.

However, in another case involving collegiate sport marks, the court held that similar evidence of use and sales created a genuine issue of material fact as to whether the University of Kansas's KANSAS and KU marks were famous under the TDRA. *University of Kansas v. Sinks*, 2008 WL 755069 (D. Kan. 2008).

In sum, decisions under the TDRA suggest that proof of sales and advertising use might suffice to show that obviously well-known marks are famous, while owners of more questionably well-known marks are best advised to add survey evidence on the issue of fame.

Dilution by Blurring

The TDRA defines dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," and lists six nonexclusive factors a court may consider in determining whether a mark is likely to cause dilution by blurring: (i) the degree of similarity between the diluting mark and the famous mark; (ii) the degree of distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaged in "substantially exclusive use of the mark"; (iv) the degree of recognition of the famous mark; (v) whether the user of the diluting mark intended to create an association between it and the famous mark; and (vi) any actual association between the diluting mark and the famous mark.

Although the TDRA lowered the standard from actual dilution to likelihood of dilution, very few plaintiffs of yet have prevailed on a claim of dilution by blurring. The above-mentioned *Nikepal* is one successful case, and highlights the proof a dilution plaintiff should offer. Proceeding through each of the six factors, the court found that the marks were nearly identical (on the basis of appearance and survey results), that the NIKE mark was at the least inherently distinctive, that Nike's use of the mark was substantially exclusive (discounting Nikepal's arguments that a trademark NIKE registered to a hydraulics company in the 1950s militated against a finding of substantial exclusivity), that the mark is readily recognized (relying again on survey evidence and extensive sales), that Nikepal intended to create an association with the NIKE mark (characterizing the defendant's testimony as "not credible"), and that there was actual association between the two marks (citing survey evidence indicating that 87 percent of respondents associated NIKEPAL with the NIKE mark).

The survey offered by Nike is of particular interest. Strictly speaking, it only measured association, by presenting the NIKEPAL mark to respondents and asking them what came to mind when they heard that mark. However, as noted above, the court relied on the survey results not only to find actual association, but also in part to conclude that the marks at issue were similar, and that the NIKE mark is readily recognized.

In *adidas-America, Inc. v. Payless Shoesource, Inc.*, 546 F.Supp.2d 1029 (D. Ore. 2008), the court went through a similar analysis, citing advertising budget, sales and consumer survey evidence to conclude that there was sufficient evidence for a jury to find likelihood of dilution under the TDRA. Notably, the *adidas* court considered confusion survey results, i.e. a survey measuring confusion for adidas's infringement claim, in support of the blurring factors of similarity and association.

Decisions under the Trademark Dilution Revision show that proof of sales [usage] might…[indicate] that…well-known marks are indeed famous, [but] owners of questionably well-known marks are advised to add survey evidence on the issue of fame.

However, even with most of the six TDRA factors satisfied, a dilution claim can fail where the marks at issue are not sufficiently similar. In *Starbucks Corp. v Wolfe's Borough Coffee, Inc.* 2008 WL 2329269 (S.D.N.Y. 2008), the court held that while most of the blurring factors favored Starbucks, the parties' marks (STARBUCKS and CHARBUCKS, both for coffee) were not similar as "used in commerce" and that plaintiff had not shown that any association between the marks was "likely to impair the distinctiveness of Starbucks' mark." The Starbucks court went so far as to say that the difference between the marks alone was sufficient to warrant summary judgment for defendant.

In *Jada Toys, Inc. v Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008), on the other hand, the court did not apply so strict a requirement for similarity of marks. There, it reversed summary judgment for cross-defendant Jada Toys, holding that a jury could reasonably conclude that the marks HOT WHEELS and HOT RIGZ were nearly identical and that dilution of the HOT WHEELS mark was possible.

Dilution by Tarnishment

The TDRA expressly provides protection against tarnishment (a doctrine previously only found in the case law), defining it 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."

A few decisions illustrate the situations in which courts have found tarnishment under the TDRA—in particular, where the court considers the use to be lurid or illicit. Thus, successful tarnishment plaintiffs under the TDRA include the owner of the VICTORIA'S SECRET mark, which last year finally prevailed against the VICTOR'S LITTLE SECRET on a tarnishment theory on the ground that defendant used its mark in connection with a sex-toy shop. *V Secret Catalogue, Inc. v. Moseley*, 2008 WL 2152189 (W.D. Ky. 2008). Similarly, Pepsico prevailed on a tarnishment claim against a company that converted actual Pepsi and Mountain Dew containers into "bottle safes" that were marketed to conceal illicit narcotics. *Pepsico, Inc. v. #1 Wholesale, LLC* 2007 WL 2142294 (N.D. Ga. 2007). In each case, the court held that the association of the plaintiff's mark with less wholesome goods could lead to tarnishment.

Conclusion

The TDRA is still young, less than two years old, and many questions about its application, as well as its real value to trademark owners, will remain unanswered for some time.

Few TDRA decisions, for example, have discussed in any detail the various issues relating to the conduct of surveys to establish either fame or a likelihood of dilution, or under what circumstances such surveys are required. Only a handful have applied the TDRA's expanded fair use defense, or grappled with any of the complicated issues relating to dilution protection for nontraditional marks.

And, thus far, it remains the unusual case where a trademark owner prevails on a dilution claim but not an infringement claim. Nonetheless, the body of case law that is developing is instructive for owners of famous or potentially famous marks to consider in their search for the broadest possible trademark protection.

1. For a more detailed discussion of the TDRA's changes, see Paul C. Llewellyn, "President Signs Major Overhaul of Federal Trademark Dilution Law," New York Law Journal, Vol. 236-No. 84, Oct. 31, 2006.

2. At least one case seemingly failed to acknowledge the elimination of niche fame, granting a preliminary injunction on the ground that PET SILK was likely to be proved famous where it had been federally registered for 10 years and in use at least 15 years, had distributors worldwide, and "has name recognition in the pet supply and dog grooming market," citing a pre-TDRA Fifth Circuit case for the proposition that "market fame" is sufficient. *Pet Silk, Inc. v. Jackson*, 481 F.Supp.2d 824 (S.D. Tex. 2007).

3. See *Nike, Inc. v Nikepal International, Inc.*, 2007 WL 2782030 (E.D. Cal. 2007), *Pepsico, Inc. v #1 Wholesale, LLC* 2007 WL 2142294 (N.D. Ga. 2007), *Starbucks Corp. v Wolfe's Borough Coffee, Inc.*, 2008 WL 2329269 (S.D.N.Y. 2008), *Tiffany (NJ) Inc. v. eBay, Inc.*, 2008 WL 2755787 (S.D.N.Y. 2008), *Jada Toys, Inc. v Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008), and *adidas-America, Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029 (D. Or. 2008).