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What You Need to Know About Dilution

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In a recent article, I wrote about trademarks and trademark infringement under the U.S. Trademark (Lanham Act), 15 U.S.C. §§1051 et seq., and Florida's new Trademark Act, Chapter 495, Florida Statutes. Trademark infringement occurs when a person or firm adopts and uses a trademark which is the same or similar to the trademark of a prior user on competing or closely related goods or services so that consumers are likely to be confused, misled, or deceived as to the source of the respective parties' goods or services.

In addition to protecting against trademark infringement, both the federal and state trademark statutes protect a trademark owner against the "dilution" of a distinctive trademark, where the use might blur, tarnish or whittle away the mark's distinctiveness. Trademark dilution is different from trademark infringement, and can occur when a famous trademark is used by another on non-competing goods even when there is no likelihood of confusion between the uses of the marks.

The standard of trademark dilution is "likelihood of dilution" under both the Lanham Act and the new Florida trademark statute. Under an amendment to the federal statute enacted in October 2006, the Trademark Dilution Revision Act, dilution can occur when someone uses a mark that is likely to cause dilution by blurring or tarnishing a famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury to the owner of the famous mark.

The dilution revision act significantly changed the Federal Trademark Dilution Act, which was enacted in 1996 as an amendment to the Lanham Act, and is codified in Section 43(c), 15 U.S.C. §1125(c). The purpose of the dilution statute is to protect a famous trademark from subsequent uses that blur or tarnish the distinctiveness of the mark, even when there is no likelihood of confusion.

Examples of dilution, as noted by Congress when it first enacted the dilution statute, are such uses as DUPONT shoes, BUICK aspirin, and KODAK pianos. If KODAK were used for pianos, the distinctive character of that famous mark could be blurred, reduced and weakened. As another example, if TIFFANY were used for an X-rated adult movie theater (as it once was), Tiffany's mark could be tarnished and degraded.

The recent statutory revision, which adopted the "likelihood of dilution" standard, overturned the decision of the U.S. Supreme Court in the Victoria's Secret case, Moseley v. V Secret Catalogue, 537 U.S. 418 (2003), which interpreted the original dilution provision as requiring actual dilution of the famous mark.

In that case, the owner of the famous "Victoria's Secret" trademark sued to prevent the unauthorized use of a similar mark, "Victor's Little Secret," on noncompeting goods and services. In his opinion for a unanimous court, Justice Stevens wrote that although many state statutes relating to dilution permitted a claim based on a likelihood of harm, rather than a completed harm, the federal act provided that the owner of a famous mark was entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "causes dilution of the distinctive quality" of the famous mark. Thus, the text of the law "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."

Justice Stevens also noted that the distinction between trademark dilution, the "lessening of the capacity of a famous mark to identify and distinguish goods or services", and trademark infringement, which requires a "likelihood of confusion, mistake or deception," confirmed the conclusion that actual dilution had to be established rather than a mere likelihood of injury. Because there was an absence of evidence of any lessening of the capacity of the "Victoria's Secret" mark to identify and distinguish the goods or services sold in Victoria's Secret stores or advertised in its catalogs, the Court reversed a lower court decision that had ruled in favor of Victoria's Secret. (For an expanded discussion of the case, see my article, "It's Not Just Victoria's Secret: In A Case Of Comparative Negligees The Supreme Court Clarifies Trademark Dilution Law." http://easl.info/modules/Static_Docs/data/20030701%20EASL%20Newsletter.pdf.

The Trademark Dilution Revision Act

The federal Dilution Revision Act has now adopted the standard of likelihood of dilution. The revision also permits owners of marks which are distinctive, either "inherently or through acquired distinctiveness," to assert a dilution claim. This change reversed case law in some federal circuits that had applied the dilution act only to marks that were inherently distinctive.

In addition, the revision clarified that only marks that are famous to the "general consuming public" are protectable. This removed protection from marks that had attained fame or distinctiveness only in niche markets. The new law also delineates some of the relevant factors that determine whether there is sufficient recognition of a mark, including the plaintiff's "amount, volume and geographic extent of sales" of goods and services provided under the mark.

The revision also specifically identifies two types of dilution, by blurring and by tarnishment, and sets forth some of the relevant factors for courts to use to evaluate dilution. In deciding whether there has been blurring, courts may analyze the similarity between the marks, the degree of distinctiveness, the extent to which the owner of the mark is exclusively using it, the degree of recognition of the mark, whether there was intent to create an association between the marks, and any evidence of actual association. To determine dilution by tarnishment the courts look at the association arising from the similarity of the marks that "harms the reputation" of the famous mark.

In addition, the revision amended the definition of fair use to include "nominative or descriptive fair use," such as identifying and parodying, criticizing, or commenting upon a famous mark, in addition to comparative advertising, news reporting and commentary, and noncommercial use of a mark. Moreover, with regard to claims for dilution of trade dress, the revision places the burden of proof on the party asserting dilution to prove that the trade dress as a whole is not functional and is famous, and that if the trade dress includes any registered mark, the unregistered part is itself famous apart from the fame of the registered mark.

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