

PANEL I: Trademark Dilution: *Moseley* and Beyond

Moderator: Barton Beebe*
Panelists: Cecelia Dempsey†
Marie Driscoll‡
Hugh C. Hansen§
Susan Proffitt||

PROFESSOR BEEBE: I was honored to be invited to moderate this panel. When I found out who was going to be on it, I was not only honored, but also very excited to show up today and hear the comments about trademark dilution. This is a burning issue in trademark law, and there is no better place to discuss it than in New York, with New York lawyers who are practitioners of trademark and who are really the top of their profession. So, this is a real treat.

What I'll do right now is introduce who is on this panel, and then I'll say maybe sixty seconds on what this case is about. The subject of our case study, *Moseley v. V Secret Catalogue, Inc.*, was handed down by the Supreme Court in March 2003.¹ Then we'll move on to a little history of dilution and a pro-and-con discussion of dilution. Professor Hansen will conclude with the future of dilution.

So, who is on this panel? Cecelia Dempsey is a graduate of Fordham University School of Law and is currently Senior

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¹ 537 U.S. 418 (2003).

Trademark Counsel at Altria Corporate Services, Inc. Marie Driscoll is a partner at Fross Zelnick Lehrman & Zissu, P.C., a premier intellectual property firm in New York, and thus, in the nation, and argued in front of the Supreme Court in *Inwood Labs, Inc. v. Ives Labs, Inc.*,² which is a really important trademark case. Sue Progoff is a partner at Fish & Neave, another premier intellectual property firm in New York. Professor Hugh Hansen needs no introduction, I think, in these circles. He is a professor here at Fordham and is a prominent name, especially in issues relating to international intellectual property law.

Let me say a few words about what this case is about and its history, and then we can get right into a discussion of the doctrine of trademark dilution. This case began in 1998,³ and it has these bizarre facts in which an Army colonel was offended by an advertisement he received.⁴ It was an advertisement for a store in Kentucky that was called Victor's Secret.⁵ This was a store that sold, among other things, lingerie and adult toys and various other devices, which the Supreme Court describes at length in a footnote in this opinion.⁶ Yet, he was not necessarily offended by the content of these devices or their obscenity or indecency.⁷ He was offended, however, as he wrote in a letter to Victoria's Secret, by the unfair trade practices of the Victor's Secret store.⁸ He thought it was unfair that they were appropriating some of the goodwill or commercial energy of the Victoria's Secret catalogue.⁹

Well, Victoria's Secret got this letter, and their lawyers responded. They filed a claim for, among other things, trademark confusion.¹⁰ Here, trademark confusion is confusion of consumers as to source. For example, if I were to walk up to Victor's Secret store and think it is somehow affiliated with Victoria's Secret.

² 456 U.S. 844 (1982).

³ *V Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d (BNA) 1092 (W.D. Ky. Feb. 9, 2000), *aff'd*, 259 F.3d 464 (6th Cir. 2001), *rev'd and remanded*, 537 U.S. 418 (2003).

⁴ *See Moseley*, 537 U.S. at 423.

⁵ *See id.*

⁶ *See id.* at 424 n.4.

⁷ *See id.* at 423.

⁸ *See id.*

⁹ *See id.*

¹⁰ *See id.*

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This is also dilution of the uniqueness and distinctiveness of the Victoria's Secret trademark.¹¹ As I understand it, at the district court level Victoria's Secret won on all claims—however, I could be wrong.¹² At the Sixth Circuit, the district court opinion was affirmed.¹³ Here, the main issue, which eventually came before the Supreme Court, was whether the plaintiff in an anti-dilution action has to show merely a likelihood of dilution or, rather, actual dilution.¹⁴

In the consumer confusion context, all that is required is a showing of a likelihood of confusion.¹⁵ The problem is that the Lanham Act¹⁶ appears to say that you must show actual dilution in order to receive an injunction based on dilution.¹⁷ The Fourth Circuit, as an example of a circuit that had gone the other way, said that a plaintiff must show actual dilution.¹⁸ The Sixth Circuit said that a plaintiff need only show a likelihood of dilution.¹⁹

The case went before the Supreme Court, and the conclusion of the Court was that the plaintiff must show actual dilution, which—and I think most people would agree—is an extremely hard standard to meet.²⁰ Since this case, the trademark bar has considered various ways to legislatively overrule this case.²¹

¹¹ See *id.* at 423–24.

¹² See *Moseley*, 54 U.S.P.Q.2d (BNA) at 1095–96 (ruling in favor of Victoria's Secret on its dilution claim only, and in defendants' favor on issues of both trademark confusion and infringement).

¹³ *Moseley*, 259 F.3d 464.

¹⁴ *Id.*

¹⁵ See 15 U.S.C. § 1114(1) (2003) (providing that any person who uses 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 on or in connection with which such use is likely to cause confusion . . . shall be liable in a civil action”).

¹⁶ Trademark Act of 1946 [Lanham Act], Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051–1129 (2003)).

¹⁷ See *Moseley*, 537 U.S. at 432–33 (noting that the Lanham Act, as amended by the Federal Trademark Dilution Act (“FTDA”), “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution” in order to obtain injunctive relief).

¹⁸ See, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 460–65 (4th Cir. 1999).

¹⁹ *Moseley*, 259 F.3d at 475–76.

²⁰ See *Moseley*, 537 U.S. at 433.

²¹ For a discussion of recent criticism since *Moseley* was decided, see Brian A. Jacobs, Note, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161 (2004)

So, that is a very short introduction. We'll talk more about the details of the case.

PROFESSOR HANSEN: Let me just say one thing. The district court actually granted summary judgment against Victoria's Secret on the trademark infringement and unfair competition claims.²²

PROFESSOR BEEBE: Right.

PROFESSOR HANSEN: That was not appealed. All that went up on appeal to the Sixth Circuit was dilution.²³

PROFESSOR BEEBE: Right, just blurring dilution, which we'll get into. I will just leave it there and we can get into that during our discussion. So, with that brief introduction, let's move on to the history of the concept of trademark dilution. I'll turn it over to Marie Driscoll.

MS. DRISCOLL: My task here is to talk about the history of trademark protection so that we can hopefully determine two things. First, how dilution came to be a concept of interest to trademark owners and, second, why courts have had such a very difficult time in applying the law.

I'll go back, first, to the Act of 1905, which is the federal trademark statute that the United States operated under from 1905 to 1946.²⁴ At that time, the standard for civil actions was that a defendant would be liable if it made a colorable imitation of a trademark affixed to goods of substantially the same descriptive properties as those of the trademark owner.²⁵ As you can see, this is very narrow. If you used a trademark for an automobile, you

(stating that the Supreme Court's decision is inadequate to remedy the problems of the FTDA). Jacobs proposes that

[c]ourts should begin by asking whether consumers will mentally associate the defendant's mark with the plaintiff's mark, but the analysis should not end there. Courts should go on to ask, first, whether the junior mark adequately distinguishes itself from the senior mark and, second, whether the junior mark's reference to the senior mark provides useful information.

Id. at 165.

²² See *Moseley*, 54 U.S.P.Q.2d (BNA) at 1095-96.

²³ See *Moseley*, 259 F.3d at 466.

²⁴ Trademark Act of 1905, Pub. L. No. 58-84, ch. 104, 33 Stat. 724 (1905).

²⁵ See *id.*

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could stop someone else from using essentially the same mark on an automobile, but the law didn't go much beyond that.²⁶

Trademark owners started to chafe against these limits to protection. During the 1920s, two things happened. One is that a lawyer named Frank Schechter, who happened to be trademark counsel for the BVD Company, and presumably was motivated because he was not getting the kind of protection he wanted for his famous BVD mark, wrote an article called "The Rational Basis of Trademark Protection."²⁷ As a result, he is generally considered to be the father of dilution.²⁸

Schechter argued that trademark law previously had been perceived as needing to prevent the deception of consumers, which, of course, is always one aspect of trademark law.²⁹ In other words, if you go in to buy a Buick car, you expect it to be from the same company that you purchased a Buick car from five years ago. Here, protection exists for the consumer. It was also generally considered that trademarks did not exist in gross.³⁰ In other words, a trademark was not a piece of property, like a book or a record.³¹ It signified something. You couldn't steal a trademark. You had to fit it into the concepts of likelihood of confusion.³²

Schechter saw trademarks in a somewhat different light. In his article, he spoke of the value of a modern trademark being in its selling power.³³ He explained that the selling power depends on the psychological hold of that trademark upon the public. This grasp signifies not only the merit of the goods on which the

²⁶ See *id.*

²⁷ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1926) (urging that trademarks be protected against even trivial non-competing uses of the mark, which over time would cause a "gradual whittling away or dispersion of the identity . . . of the mark").

²⁸ See, e.g., Mathias Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine Into Context*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 375, 377 (2000) (observing that the "idea of protecting trademarks in the absence of a likelihood of confusion on the part of consumers began with an article that Frank Schechter wrote for the *Harvard Law Review* in 1927").

²⁹ See Schechter, *supra* note 27, at 816, 819.

³⁰ See *id.* at 818.

³¹ See *id.*

³² See *id.* at 818, 821.

³³ See *id.* at 831.

trademark is used, but also the uniqueness and singularity of the trademark.³⁴ In other words, if you thought of Buick, all you thought of was an automobile; you didn't think of anything else.³⁵

Schechter also took the next step, which is the basis of what we now consider dilution, namely that "the uniqueness of the mark is impaired if others use it on either related goods or non-related goods."³⁶

And finally, not all marks are entitled to this kind of protection. The degree of protection, Schechter noted, "depends on the extent to which, through the efforts of its owner, the mark is actually unique and different from other marks."³⁷ I might add that in analyzing the issue, Schechter presented examples of famous marks that would be entitled to dilution protection, including some that we still know eighty years later, such as Rolls Royce, Aunt Jemima, and Kodak.³⁸ Of course, he also came up with something called Blue Goose and Nujol, but they have fallen by the wayside.³⁹

But the point is that there are some marks that, in his view and in the view of many courts, are such household words, so unique and famous, that you don't have to prove that consumers are going to think that you, the trademark owner, are responsible for the defendant's product, have licensed it, are associated with it, and somehow have authorized it.⁴⁰ The theory is that if you have a trademark of that stature, you should be entitled to protect it against all use.⁴¹

³⁴ *See id.*

³⁵ *See id.* at 818–19.

³⁶ *Id.* at 831.

³⁷ *Id.*

³⁸ *See id.* at 829.

³⁹ *See id.*

⁴⁰ *See id.* at 831 (arguing that the "preservation of the uniqueness of a trademark should constitute the only rational basis for its protection").

⁴¹ *See id.* at 828–31 (concluding that broader protection should be given to coined, arbitrary or fanciful words or phrases, which are "associated in the public mind with a particular product" and arguing that a mark's "uniqueness or singularity is vitiated or impaired by its use upon either related on non-related goods").

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Now, about the same time in 1928, Learned Hand wrote a decision in a case called *Yale Electric Corp. v. Robertson*.⁴² The plaintiff in that case used Yale on locks, and the defendant started to use Yale on flashlights.⁴³ These are not goods of the same descriptive quality.⁴⁴ In his opinion, however, Judge Hand upheld the protection of Yale Lock's name, even though he had to cope with a statute that said that the goods had to be of "substantially the same descriptive properties."⁴⁵ In doing so, he said a lot about trademarks that plaintiffs love to quote even today, again eighty years later. Judge Hand said that

it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.⁴⁶

So, he hasn't gone the whole way, as Schechter did, to protect against unrelated goods, but Judge Hand did give a germ of an idea to other courts that allowed for considerable broadening of the breadth of protection that one would get under the Act of 1905.⁴⁷

⁴² 26 F.2d 972, 973-74 (2d Cir. 1928) (holding that flashlight manufacturer's attempt to register a mark containing the word "Yale" was properly refused).

⁴³ See *id.* at 973.

⁴⁴ See *id.* at 974.

⁴⁵ See *id.*; see also Trademark Act of 1905, Pub. L. No. 58-84, ch. 104, 33 Stat. 724 (1905).

⁴⁶ *Yale Elec.*, 26 F.2d at 974 (citing *Wall v. Rolls-Royce*, 4 F.2d 333 (3d Cir. 1925); *Akron-Overland v. Willys-Overland*, 273 F. 674 (3d Cir. 1921); *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509 (6th Cir. 1924); *Aunt Jemima Mills Co. v. Rigney*, 247 F. 407 (2d Cir. 1917)).

⁴⁷ Trademark Act of 1905, Pub. L. No. 58-84, ch. 104, 33 Stat. 724 (1905).

Now, several things happened in accordance with this attempt to broaden the protection to which trademark owners were entitled.

First, the Lanham Act was amended in 1946.⁴⁸ Under this revision, the requirement that goods be of substantially the same descriptive properties was eliminated. A trademark owner was entitled to protection when his or her mark or a similar mark was placed on goods or services, and the use was “likely to cause confusion, mistake, or deception.”⁴⁹ That is one of the principles that is still part of our federal trademark act.

There was no impetus, however, toward any kind of federal dilution act. Instead, in 1946 Congress added section 43(a) of the Lanham Act,⁵⁰ which some people consider a federal law of unfair competition, but which has proved to be the vehicle by which courts have steadily broadened the scope of protection for trademark owners.

Originally, section 43(a) prohibited use of “false designations of origin” and “false descriptions” or representations about goods or services.⁵¹ This initially went into the Lanham Act to prevent use of, for example, the word “Idaho” on potatoes that weren’t from Idaho.⁵² One of the famous marks banned under section 43(a) was “Glass Wax” for a glass cleaner that did not contain wax.⁵³ This statute was broadened considerably by courts, and the courts began to hold that false designation of origin and false descriptions as to source included the use of trademarks that falsely would suggest or indicate to people that the goods were from the same origin as the first user. In other words, it’s a slightly broader reading of the straight infringement part of the statute.

⁴⁸ Lanham Act, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051–1129 (2003)).

⁴⁹ 15 U.S.C. § 1114.

⁵⁰ See Lanham Act §43(a).

⁵¹ *Id.*

⁵² See *id.*

⁵³ See *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 939–40 (D.D.C. 1955) (holding that the words “glass wax” for a glass cleaner and polish that contained no wax were deceptively misdescriptive under the Lanham Act).

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The Trademark Law Revision Act subsequently changed the law to recognize the progress made by courts.⁵⁴ The reason I am going to mention this is because the revised statute, in my mind, gives a very considerable amount of protection to famous marks. Under the new section 43(a), a term that is likely to cause confusion or mistake, or to deceive as to the affiliation, connection, or association of such person with another is actionable.⁵⁵ These are very, very broad concepts.

I see that I don't have much time left. But to go back to strict dilution, while the federal government was not interested, several states passed dilution statutes. Right now, we have fifteen states that only require a showing of likelihood of dilution.⁵⁶ One of them, Texas, does not even require that the mark be famous.⁵⁷ Thirteen states have absolutely no dilution protection by statute.⁵⁸ Twenty-two states have passed a model state law that has the same dilution language as the federal law that just has been interpreted in *Moseley*, and therefore, suffer from the same problems as the federal statute.⁵⁹

There was a groundswell in the 1980s by the trademark bar to get a federal dilution statute.⁶⁰ Sometimes when you get your wish you are sorry afterward. And I think that probably has happened in this instance because of the particular way in which the statute has been interpreted. Originally, when the trademark law was revised

⁵⁴ See Trademark Law Revision Act of 1988 Pub. L. No. 100-667, 102 Stat. 3935 (1988) (codified as amended at 15 U.S.C. §§ 1051-1129 (2003)).

⁵⁵ 15 U.S.C. § 1125(a)(1).

⁵⁶ See *Federal Trademark Dilution Act: Hearing Before the Subcomm. on Cts., the Internet, and Intell. Prop.*, 107th Cong. (2002) (statement of the Honorable Howard L. Berman), available at <http://www.house.gov/judiciary/berman021402.htm> (last visited Mar. 30, 2004).

⁵⁷ See Texas Anti-Dilution Act, TEX. BUS. & COM. CODE ANN. § 16.29 (Vernon 2004).

⁵⁸ See Int'l Trademark Ass'n, *US State Chart of Anti-Dilution Statutes*, available at http://www.inta.org/policy/mstb_antidilution.html (last visited Mar. 30, 2004).

⁵⁹ See, e.g., Simone A. Rose, *Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti-Competitive "Monopoly" or Earned "Property" Right?*, 47 FLA. L. REV. 653, 656 n.12 (1995).

⁶⁰ See Gale R. Peterson, *Overview of Intellectual Property*, in UNDERSTANDING THE INTELLECTUAL PROPERTY LICENSE 2003, at 11, 179 (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course, Handbook Series No. G0-01BF, 2003) (noting that First Amendment violation concerns prevented a federal anti-dilution statute in 1988).

to add an “intent to use” section, there was also a proposal before Congress that dilution be added.⁶¹ There was a lot of resistance from the media because it was afraid that the statute could be interpreted to limit First Amendment rights, and thus, Congress wouldn’t even look at it.⁶² Years later, in the 1990s, Congress revisited the issue and the present statute was passed.⁶³

Since then, the courts have had a lot of difficulty in dealing with the dilution statute.⁶⁴ This is possibly because the entire history of marks protection had caused confusion or required proof of association or affiliation.⁶⁵ There have been cases in which courts have had to face the issue of whether or not fame in a niche market is sufficient.⁶⁶ There have been cases in which the courts have had to consider whether they can protect a famous mark that is not inherently distinctive as opposed to one that required a finding of secondary meaning.⁶⁷ The cases have been all over the place, even within circuits.

I’ll end by saying that I was involved in the first dilution case that was decided by the Second Circuit.⁶⁸ It involved crackers in the shape of fish.⁶⁹ The Pepperidge Farm people claimed that use of a fish by Nabisco was an infringement and a dilution of their rights in the fish.⁷⁰

⁶¹ *See id.*

⁶² *See id.* (citing H.R. REP. NO. 100-1028 (1988)).

⁶³ *See* 15 U.S.C. §§ 1125(c), 1127 (2000).

⁶⁴ *See, e.g.,* Julie C. Frymark, *Trademark Dilution: A Proposal to Stop the Infection From Spreading*, 38 VAL. U. L. REV. 165, 187–202 (2003) (reviewing cases that involve dilution statutes).

⁶⁵ *Id.*

⁶⁶ *See, e.g.,* Zazu Designs v. L’Oreal, S.A., 979 F.2d 499, 505 (7th Cir. 1992) (holding that as a matter of law, Zazu’s hair products sales were “insufficient to establish national trademark rights” when L’Oreal placed its similar hair care products on the market).

⁶⁷ *See, e.g.,* Zatarain’s, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 789 (5th Cir. 1983) (affirming the district court’s decision that although the “Fish-Fri” mark had acquired secondary meaning, the “defendants were entitled to use the term ‘fishfry’ under the fair use doctrine as a descriptive characteristic of the product”).

⁶⁸ *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (holding that there was a likelihood of success for defendants’ counterclaim concerning trademark infringement).

⁶⁹ *See id.* at 212.

⁷⁰ *See id.* at 213–14.

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In this case, Pepperidge Farm was not able to get a registration of its fish without showing secondary meaning. Indeed, with configurations of a product, such as the shape of a fish, you have to show secondary meaning.⁷¹ The court nonetheless gave protection to the fish under the dilution statute.⁷² A few years later, the same court held, in another case involving “The Children’s Place,” that it would not give protection under the federal dilution statute to a trademark that had to show secondary meaning and was not inherently distinctive.⁷³

So, as you can see—and this is only a very small picture—there has been chaos in the way that courts have tried to wrestle with a statute that, frankly, has concepts in it that they are not used to; that suggests protection of a trademark in gross, something that has been drilled into their heads for years, as not appropriate; that treats trademark as a property right and goes beyond protection of consumers from confusion. The courts are having a tremendous time wrestling with this concept.

Thank you.

PROFESSOR BEEBE: Cecelia?

MS. DEMPSEY: I’m not sorry that there is a federal dilution cause of action. I believe that dilution is very real. One of my jobs as a corporate lawyer is to protect some famous marks. I think dilution is very real, and it is very damaging; it’s just hard to prove. And if there is a damage out there, I think that there should be a cause of action to protect it.

Just like Marie, I’m sitting here with Frank Schechter’s article.⁷⁴ I’m thinking that I must have a hard argument to make if I’m relying on a 1927 law review article as my main argument.

But, as Frank Schechter said, “[I]f ‘Kodak’ may be used for bathtubs and cakes, ‘Mazda’ for cameras and shoes, or ‘Ritz

⁷¹ See *id.* at 215–16.

⁷² See *id.* at 228–29.

⁷³ TCPIP Holding Co., Inc. v. Haar Communications Inc., 244 F.3d 88, 96–97 (2d Cir. 2000) (holding that the FTDA protects a narrower range of marks than does the Lanham Act and that acquired distinctiveness does not fulfill the distinctiveness requirement of the FTDA).

⁷⁴ See Schechter, *supra* note 27.

Carlton' for coffee, these marks must inevitably be lost in the commonplace words of the language, despite the originality and the ingenuity of their contrivance."⁷⁵

I think, as Frank Schechter stated, "[I]t's the mark that actually sells the goods, and, self-evidently, the more distinctive the mark, the more effective is its selling power."⁷⁶ I think that is what the Federal Trademark Dilution Act represented, that selling power.⁷⁷ To the extent your trademark protects goods that may be more of a commodity. I think that the selling power of that mark is that much more important.

There are really two types of harm, types of dilution. One is blurring, which is the whittling-away or the dispersion of the identity and hold upon the public mind of the mark or name on non-competing or competing goods.⁷⁸ There is also tarnishment, which is the degradation or dilution of the distinctive quality of the mark.⁷⁹

It is important that dilution relief be limited to famous and distinctive marks. For example, United Airlines, which is not necessarily a very distinctive mark, may not be entitled to the same dilution protection as some other, more distinctive famous marks.

I think also, as Marie was touching upon, we should not be giving dilution relief in particular niches. I think that the courts got into trouble when they were finding a cause of action for dilution in a particular niche market. In these cases, you really had to be familiar with, for example, computers, motorcycles, maybe golf clubs, or something like that to truly know if the mark in question was famous.

⁷⁵ *Id.* at 830.

⁷⁶ *Id.*

⁷⁷ See 15 U.S.C. §§ 1125(e), 1127 (2000).

⁷⁸ See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (defining blurring as "the whittling away of an established trademark's selling power and value through its unauthorized use by others upon dissimilar marks") (citing *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d, 621, 625 (2d Cir. 1983)).

⁷⁹ See *id.* at 1031; see also *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (stating that "'tarnishment' generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product").

Since *Moseley* has been decided it is much more difficult for trademark owners to prove dilution. Obviously, the Court left open in *Moseley* the notion that if the marks were the same whether you could show dilution through circumstantial evidence.⁸⁰ My evidence is that since *Moseley* there have been several cases.⁸¹ About half found sufficient evidence of actual dilution,⁸² and the other half found that the burden of proof had not been met.⁸³

Of those that were successful in proving actual dilution, all were based upon circumstantial evidence, so that the marks were considered either identical or virtually identical.⁸⁴ I think that the courts should have some leeway in terms of what is identical. It shouldn't be a situation, like in Europe, with the Office of Harmonization for Internal Markets, where it has to be the exact mark.⁸⁵ I think that if it is a close similarity—there should be a determination that the marks are the same or similar—it is enough to show actual dilution through circumstantial evidence.

I think that the Supreme Court in *Moseley* left open the notion that you could show actual dilution, leaving it to the practitioners to show it.⁸⁶ Certainly, to the extent that the marks were not the same, the Court suggested that one could show actual dilution. The Court sent us to the Fourth Circuit's decision in *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division*

⁸⁰ *Moseley v. V Secret Catalogue*, 537 U.S. 418, 434 (2003).

⁸¹ *Cf. Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003); *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616 (6th Cir. 2003); *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333, 1338 (Fed. Cir. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696, 702 (E.D. Pa. 2003); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 431 (M.D.N.C. 2003); *Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d (BNA) 1893 (S.D.N.Y. 2003).

⁸² *Cf. Scott Fetzer Co.*, 288 F. Supp. 2d at 702; *Pinehurst*, 256 F. Supp. 2d at 431.

⁸³ *Cf. Nitro Leisure Prods.*, 341 F.3d 1356; *Kellogg Co.*, 337 F.3d 616; *Enterprise Rent-A-Car Co.*, 330 F.3d 1333, 1338; *Savin Corp.*, 68 U.S.P.Q.2d (BNA) 1893.

⁸⁴ *Cf. Scott Fetzer Co.*, 288 F. Supp. 2d at 702 (noting that the defendant's marks are identical to those of the plaintiff); *Pinehurst*, 256 F. Supp. 2d at 428 (stating that defendant's marks are indisputably identical to plaintiff's federal service marks).

⁸⁵ The Office for Harmonization in the Internal Market was established by an European Community Council Regulation on December 20, 1993 to carry out registration procedures for European Community trademarks. *See* Office for Harmonization in the Internal Mkt., at <http://oami.eu.int/en> (last updated Mar. 29, 2004).

⁸⁶ *Moseley*, 537 U.S. at 433.

of *Travel Development*.⁸⁷ First, dilution can be shown through actual loss of revenues if you prove that there was some sort of nexus there.⁸⁸ This would be very, very difficult to do. Second, the other way was through a carefully constructed consumer survey, which would demonstrate not only a mental association, but also that there was some sort of harm, some whittling-away of the mark.⁸⁹ Finally, you could use contextual factors, which I consider the *Polaroid* factors,⁹⁰ as long as there was some sort of other proof.⁹¹ So, there had to be a complement to some other proof.

But I think that this opens the door to other ways of proving actual dilution. From what I understand, they really have not used consumer surveys to show this because it is going to be very difficult to show a whittling-away in the context of consumer surveys.

People may want to use the testimony—and I think that it has been done in at least in one case—of a marketing expert to show there has been or will be a whittling-away of the uniqueness of the mark if the junior user's mark is allowed to continue even on non-competing goods.⁹²

PROFESSOR BEEBE: Okay. I think we'll go directly to Sue for, as I understand it, the "con" view on dilution.

MS. PROGOTT: Okay. I disagree with some of the things Ceil said.

⁸⁷ See *id.* (citing *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 460–65 (4th Cir. 1999)).

⁸⁸ See *id.*

⁸⁹ See *id.* at 427 n.6, 434 (citing *Ringling Bros.*, 170 F.3d at 464).

⁹⁰ See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (listing factors tending to show a likelihood: "the strength of [the plaintiff's mark], the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.").

⁹¹ See *Moseley*, 537 U.S. at 427 n.6 (citing *Ringling Bros.*, 170 F.3d at 457, 464–65).

⁹² See *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1026 (9th Cir. 2004); *Mark Bric Display Corp. v. Joseph Struhl Co.*, 2003 WL 21696318, at *7 (D.R.I. July 9, 2003); see also *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1548 (S.D. Tex. 1996), *aff'd*, 155 F.3d 526 (5th Cir. 1996).

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The federal dilution law, as it is currently written, really doesn't accomplish what it was intended to accomplish. Courts have difficulty applying it. I think practitioners don't really know what they need to prove in order to prevail. What ended up happening in many of the cases, where courts have granted an injunction under the dilution statute,⁹³ they also granted an injunction under either section 43(a)⁹⁴ or the trademark infringement section of the Lanham Act.⁹⁵ In other words, people were still proving that there was a likelihood of confusion. Because there has kind of been a blurring, if you'll pardon the term, between the infringement and unfair competition portions of the statute and the dilution sections of the statute, it really has left the law as kind of mishmash, where people don't really know where they stand.

Generally, if you are truly dealing with a famous trademark, you can show that there is a likelihood of confusion in the way that that term has been interpreted over the years—in other words, confusion as to source, confusion as to sponsorship, confusion as to approval or endorsement. Additionally, the products do not need to be closely related for that to happen. I think that the way marketing has evolved since Frank Schechter wrote his article makes it much easier for trademark owners to show there is a likelihood of confusion.⁹⁶

Let me just talk a little bit about how trademark usage has changed. In the last twenty years or so, corporate licensing has become a major factor in the trademark arena.⁹⁷ Twenty years ago, you only saw licensing of entertainment-type trademarks, sports trademarks, and designer names; there really wasn't much beyond that. This has totally changed. Corporate licensing is now a

⁹³ See Federal Trademark Dilution Act of 1995 [FTDA], Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified as amended at 15 U.S.C. §1125(c)(1) (2003)).

⁹⁴ Lanham Act § 43(a).

⁹⁵ Lanham Act § 32.

⁹⁶ See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1029, 1031 (2d Cir. 1989) (discussing some of the products Schechter utilized in his article).

⁹⁷ See Allan Feldman, *What Every Trademark Attorney Should Know About Business Motivations*, 86 TRADEMARK REP. 47, 47-48 (1996) ("Corporate trademark licensing . . . has been moving from what was historically a marginal, ancillary activity to what is now a mainstream corporate business tool.").

multibillion-dollar industry.⁹⁸ I think that consumers have come to understand that trademarks are not necessarily used only on the core products but they also can be used on other products that are extensions.

Let me give you some examples. In the old days, designer trademarks were used primarily on clothing.⁹⁹ Sometimes, you would see them on shoes or handbags, but not much beyond that. Today, you see designer names from the clothing field going over into fragrances, cosmetics, towels, sheets, furniture, and other kinds of household products.¹⁰⁰ So, there is a broad array of things that consumers have come to associate with the source of a clothing product.

Think about a brand like Eddie Bauer. Eddie Bauer is primarily a brand of clothing. It is also used as a service mark for clothing stores and for a catalogue that sells primarily clothing.¹⁰¹ But it is also licensed as a trademark to be used on cars, on SUVs.¹⁰² So, it has gone beyond the scope of what its core brand is into something that is really totally unrelated.

⁹⁸ See, e.g., Anjali Kapur, *Government-Unique Marks: From Star Wars to Joint Strike Fighters*, 32 PUB. CONT. L. J. 141, 145–46 (2002). In 1997, lessors of intangible assets, except copyrighted works, had an industry-wide annual sales volume of 11,263,865,000 according to the U.S. census. U.S. CENSUS BUREAU, 1997 ECONOMIC CENSUS, available at <http://www.census.gov/epcd/ec97/industry/E533110.HTM> (last visited Mar. 31, 2004).

⁹⁹ See generally Susan Heller Anderson, *The Big Couture Rip-Off*, N.Y. TIMES, Mar. 1, 1981, § 6, at 62 (discussing the struggles of designer clothing companies such as Christian Dior, Louis Vuitton, and Coco Chanel to protect their trademarks).

¹⁰⁰ See generally Warren Berger, *Licensing for Fun and Profit—and Free Exposure*, N.Y. TIMES, Apr. 24, 1988, at F13 (describing the vast potential and profitability of licensing of consumer products). For example, Giorgio Armani, traditionally a clothing designer, offers a variety of products from fragrances to home décor. See Giorgio Armani, at <http://www.giorgioarmani.com> (last visited Mar. 31, 2004).

¹⁰¹ According to the Eddie Bauer Web site, “Eddie Bauer has become an international, multi-channel company with catalogs, over 425 stores and an award-winning web site.” Eddie Bauer, *Company Background*, at http://www.eddiebauer.com/about/company-info/company_background.asp (last visited Mar. 31, 2004).

¹⁰² Ford currently sells a model of its Explorer SUV under the Eddie Bauer name. See Ford Explorer, *Explorer Eddie Bauer*, at http://www.fordvehicles.com/suvs/-explorer/glance/index.asp#Explorer_Eddie_Bauer (last visited Mar. 31, 2004); see also Greg Wilson, *Test Drive: 2003 Ford Expedition Eddie Bauer*, CanadianDriver, at <http://www.canadiandriver.com/testdrives/03expedition2.htm> (Sept. 20, 2002).

Think about Coca-Cola. Coca-Cola was one of the first brands that was licensed from a corporate perspective to a whole line of products.¹⁰³ It started out as a soft drink.¹⁰⁴ They opened up a store where they had clothing, toys, bottle openers, and mouse pads; you name it, they have a product with the Coke logo and the Coca Cola trademark on it.¹⁰⁵

Another example is Harley-Davidson, well known for motorcycles. But the trademark is also used on restaurants and clothing.¹⁰⁶ Or even think about Buick, the classic example of why we need dilution.¹⁰⁷ I don't know what Buick has done with their trademark, but most car manufacturers now have huge licensing programs.¹⁰⁸ They send out catalogues. In the dealerships, they have a store where they sell all kinds of things like clothing, jewelry, and luggage, which are totally unrelated to cars, but have the trademark on them.¹⁰⁹

In view of that kind of environment, it's not difficult if you have a really famous trademark—which is what the dilution statute is intended to protect—to show that if it's used on an unrelated

¹⁰³ Constance L. Hays, *No More Brand X; Licensing of Names Adds to Image and Profit*, N.Y. TIMES, June 12, 1998, at D1 (describing Coca-Cola as a “success story that has touched off a thousand other licensing ventures”).

¹⁰⁴ The Coca-Cola Company is “the world’s leading manufacturer, marketer, and distributor of nonalcoholic beverage concentrates and syrups, used to produce nearly 400 beverage brands . . . in over 200 countries around the world.” Coca-Cola Company, at <http://www.coca-cola.com> (last visited Mar. 31, 2004).

¹⁰⁵ Coca-Cola sells several of these products through its online store. See [coca-colastore.com](http://www.coca-colastore.com), at <http://www.coca-colastore.com/b2c/process/Index.pasp> (last visited Mar. 31, 2004).

¹⁰⁶ For an example of the various products Harley-Davidson offers, see Harley-Davidson USA at <http://www.harley-davidson.com/pr/en/products.asp> (last visited Mar. 31, 2004).

¹⁰⁷ See Schechter, *supra* note 27, at 825 (setting forth the foundation of dilution law by recognizing that trademarks could extend beyond indicators of the source of goods and focusing on the value of the uniqueness of the trademark as free standing embodiments of quality and value, worthy themselves of independent protection).

¹⁰⁸ See Buick, *Apparel & Accessories Collection*, at <http://www.buickattire.com/catalog/default.asp> (last visited Apr. 7, 2004) (offering Buick-marked goods unrelated to its automobiles such as shirts, hats, and gym bags); see also Mercedes-Benz, *The Collection*, at <http://www.thecollection.mbusa.com/collection/templates/index.jsp> (last visited Apr. 7, 2004) (offering goods with the Mercedes-Benz trademark such as silver ballpoint pens, women’s diamond watches, and leather briefcases).

¹⁰⁹ See *supra* note 108.

product, an appreciable number of consumers are likely to think that there is some approval, affiliation, licensing relationship, or some kind of connection. The product may not necessarily be manufactured by the manufacturer of the core product, but it is at least approved or licensed in some way.

That kind of proof will get you an injunction under either section 43(a)¹¹⁰ or the trademark infringement provision¹¹¹ of the Lanham Act. In view of that, if the goal is to protect famous trademarks, what the dilution statute was really enacted for, then it is unnecessary.

When you fashion the argument in terms of likelihood of confusion as to source or sponsorship or approval, it's something that courts are familiar with and know how to deal with. So, it makes it a lot easier to frame an argument and present proof in a way that a judge or jury will find understandable, and it's more likely to get you some relief.

I believe another problem with the federal dilution statute is the wording of it because it's not clear what is being protected. It talks about "famous marks" and "distinctive marks," but there is also a list of factors that courts are supposed to consider to decide whether a mark is distinctive.¹¹² Many of them are also factors

¹¹⁰ Lanham Act § 43(a).

¹¹¹ Lanham Act § 32.

¹¹² FTDA, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified as amended at 15 U.S.C. §1125(c)(1) (2003)). The FTDA states:

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.

15 U.S.C. §1125(c)(1).

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courts routinely consider in deciding whether there is a likelihood of confusion, such as the trade channels that products are sold through or the nature and extent of use by third parties.¹¹³ So, I think that the statute is badly drafted.

Lastly, there is a tremendous amount of uncertainty as to what needs to be proved. It's very nice to say that you need to prove actual dilution, but in the cases that have come down since *Moseley*, which have been decided on the merits and in general and where relief is granted under the dilution statute, there is also a claim under some other provision in the Lanham Act.¹¹⁴ The Lanham Act has provided a basis for relief through either section 43(a), a counterfeiting provision, the anti-cyber-squatting section of the statute, or some other section. So, it's not really a case where the only issue has been blurring. I think courts have been granting dilution injunctions since *Moseley* where there is blurring plus something else close to a likelihood of confusion.¹¹⁵ To me, that suggests that the dilution statute is really superfluous.

PROFESSOR BEEBE: We'll open it up now for questions about dilution or its history, or comments in favor or against dilution. I thought I'd take advantage of my position as moderator to ask the first question because I'm desperately curious about this. What went wrong in the 1990s that led to the creation of the FTDA, the Federal Trademark Dilution Act, which was passed into law in 1995?¹¹⁶ Most practitioners, even those who are in favor of anti-dilution protection, feel as though the FTDA was a disaster in one way or another.¹¹⁷ How did it go so poorly for the trademark

¹¹³ See 15 U.S.C. §1125(c)(1).

¹¹⁴ See, e.g., *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 620 (6th Cir. 2003) (claims of likelihood of confusion and dilution).

¹¹⁵ Cf. *Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, 299 F. Supp. 2d 892, 902 (E.D. Wis. 2004) (concluding that "[i]n view of the developing status of the law on the nature of evidence required, the court believes that the best course is to permit the plaintiff the opportunity to present its dilution claim to the jury"); *Playtex Prods. v. Georgia-Pacific Inc.*, 67 U.S.P.Q.2d (BNA) 1923 (S.D.N.Y. Aug. 12, 2003) (refusing to grant injunction in the absence of any likelihood of confusion).

¹¹⁶ FTDA, Pub. L. No. 104-98, 109 Stat. 985 (1996).

¹¹⁷ See Bassam N. Ibrahim & Bryce J. Maynard, *Recent Supreme Court Opinion Rules That the Federal Trademark Dilution Act "FTDA" Requires Proof of Actual Dilution*, INTELL. PROP. TODAY, Apr. 2003 (describing the surprise of many trademark veterans, academics, and commentators to the Supreme Court's decision).

bar in the mid-1990s? What went wrong in Congress? Is there any explanation for the language of the FTDA?

MS. DRISCOLL: I was involved in writing an amicus brief for the International Trademark Association. We did a lot of research into the legislative history, what happened and how it happened. I have to tell you it is a total mystery.

Frankly, if there were a dilution statute, I would prefer one like New York's, which is two sentences long and allows judges to interpret it under the principles of equity.¹¹⁸ That is how we got to where we are from the 1905 Act, the general sort of adapting to what is going on in the marketplace. We were unable to find out just how this particular style of the statute evolved.

MS. DEMPSEY: I think that a lot of the trouble was also in how the courts interpreted the statute.¹¹⁹ They were finding dilution where there were not famous and distinctive trademarks. And I think that when they started to get into niche markets, they were again finding relief for marks that were not distinctive or famous from the general public's point of view.¹²⁰ So, it was being used in more of a haphazard way, depending on the court you were in.

Whereas I think that if you really stick to the notion that the FTDA is really intended to protect famous, distinctive trademarks and protect the selling power that Frank Schechter talked about in his article,¹²¹ it is important to have a manageable cause of action. Sometimes the courts were thinking too much into this.

PROFESSOR HANSEN: I have a slightly different view. I think the motivation for the federal dilution law came at least in part from international considerations. The United States was seeking to get countries to protect famous marks under the TRIPS

¹¹⁸ See N.Y. GEN. BUS. LAW § 360-1 (McKinney 2003).

¹¹⁹ See Ibrahim & Maynard, *supra* note 117 (summarizing the "long-standing split between the United States Circuit Courts as to the level of proof necessary to succeed on a claim under the FTDA").

¹²⁰ See, e.g., *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377, 380 (Or. 1983) (holding that real estate developer's "Wedgwood" trademark could be protected against dilution, finding it to be "locally famous" while conceding that it lacked national fame).

¹²¹ See Schechter, *supra* note 27, at 831.

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Agreement.¹²² If you listen to intellectual property people from abroad, and Asian countries in particular, you hear the complaint that the United States is trying to force them through bilateral agreements (often today called Free Trade Agreements) to enact high IP protection provisions that the United States, itself, does not have. Many countries, especially those from the civil law tradition, expect to see explicit protection in national laws. For protection of famous marks, the answer to these countries that in the United States you have to look at scattered state laws and case law requiring that marks be strong to be protected is certainly not as persuasive as “Look, we have a federal statute that does exactly what we are asking you to do.” Therefore, the federal dilution bill, whose origins were domestic, was perfect to meet this international need. It had already been through legislative consideration in an earlier form. It said “famous” in it. It was literally a bill that fit the bill.¹²³

Thus, while domestic considerations—a perceived need for federal dilution protection—was the reason the original bill was drafted and introduced, I think that at least one factor that caused action and passage of the bill at that time was international in character.

PROFESSOR BEEBE: Yes?

QUESTIONER: I have a question about confusion, about the difference between likelihood of dilution and actual dilution. If you have to prove actual dilution under the FTDA and likelihood is not sufficient, and if the mere fact that a consumer mentally associates the junior user’s mark with a famous mark is not sufficient to establish actual dilution, and if blurring is not a necessary consequence of mental association or tarnishing, what act would prove actual dilution? Would you have to show by survey or by a preponderance of persons in a survey that, in this case, they associated the tawdry goods shop with the Victoria’s Secret shop, when here they’re saying that blurring is not of

¹²² See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81 (1994).

¹²³ See 15 U.S.C. §1125(c)(1); see *supra* note 112.

consequence nor is tarnishing necessary to prove actual dilution? So, what would constitute it?

MS. DRISCOLL: Well, the Supreme Court actually gave a couple of suggestions. There was an expert that Victoria's Secret retained, who testified generally about Victoria's Secret's business, the catalogues, the impact, and so forth.¹²⁴ The Court, however, explained that the expert had nothing to say about the impact of the petitioner's name on the strength of the respondent's mark.¹²⁵ I take that as a suggestion that in the future you are going to have marketing experts who are, under one theory or another, going to be testifying as to what the impact on the strength of the mark was through the adverse use. I haven't seen that yet in the cases, but there is a clear indication here that the Court is going to give us something.

Second, consumer surveys can show actual dilution. That was tried in a case involving Toucan Sam, who I gather is a Kellogg character.¹²⁶ It is not famous enough to have reached me, but I gather it is children's cereal or something.

MS. PROGOF: Froot Loops.

MS. DRISCOLL: Okay. I didn't know Froot Loops.

Anyway, that is one of the cases where there were surveys that tried to show a mark that had *X* fame or recognition before the defendant started using a toucan—in this case it was on a golf club—and that the recognition afterwards was not as high.¹²⁷

The only reason, I gather, that Kellogg had a survey was because it is in the kind of company that does marketing surveys all the time.¹²⁸ Obviously companies cannot go around measuring

¹²⁴ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 424 (2003).

¹²⁵ *Id.* at 419.

¹²⁶ *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616 (6th Cir. 2003).

¹²⁷ *Id.* at 628 (rejecting plaintiffs' claim that defendants' use of their toucan trademarks had caused the lessening of the capacity of consumers to distinguish the goods offered by Kellogg).

¹²⁸ *See id.* at 624 (noting that Kellogg has expended a "massive amount of time, money, and effort" in marketing Froot Loops); *see also* Michael Hess & Robert Mayer, *Integrate Behavioral and Survey Research*, *MARKETING NEWS* (Jan. 3, 2000) (explaining that Kellogg's researchers are "trained to have both survey research skills and syndicated-

the strength of their mark in case somebody infringes it tomorrow and then measure it again. I mean, that gets to be crazy.

In that case, the court held that you can't prove that there was an effect merely because in the beginning Kellogg showed that *X* number of children recognized Toucan Sam as the spokesperson for Froot Loops.¹²⁹ After the defendant started, they did the same kind of recognition survey—this time it happened to be among adults since they would be using the golf clubs—and the recognition factor was not that much different.¹³⁰ So, Kellogg's attempt didn't work.¹³¹ But that would be another way to do it—showing that the mark no longer means just Froot Loops or just a cereal.

In the *Moseley* case, the Department of Justice filed an amicus brief suggesting ways to prove actual dilution through surveys.¹³² It had the idea that a trademark signifies not just source but a group of indicia that consumers have come to associate with the product on which it is used.¹³³ For example, Gerber on baby food means it's good and wholesome.¹³⁴ If somebody started using Gerber on some other totally different product with different characteristics, the government felt that you could show dilution by finding that people had different ideas about the characteristics of the product after the defendant started its use.¹³⁵ They didn't say "wholesome, good tasting" anymore. They added something else that wouldn't necessarily be a good thing for baby food. It no longer meant the

research skills"), available at <http://www.promotiondecisions.com/articles/mktgnews/-intrsrch.html> (last visited Mar. 31, 2004).

¹²⁹ *Kellogg Co.*, 337 F.3d at 624 (citing survey information "indicating that 94% of Americans recognize Toucan Sam, and 81% of children who recognize him correspond him with Froot Loops").

¹³⁰ *Id.* at 628 (relying on customer surveys that showed no difference in consumer recognition of plaintiffs' marks, both before and after the defendants' use of the toucan mark on unrelated goods).

¹³¹ *Id.* at 627 ("Kellogg has presented no evidence of actual customer confusion.").

¹³² See Brief for the United States as Amicus Curiae Supporting Petitioners in Part at 7–8, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015).

¹³³ See *id.* at 10.

¹³⁴ See *id.*

¹³⁵ See *id.* (explaining that a trademark "seeks to assure a potential customer that a product with a particular mark is made by the same producer as other similarly marked items").

indicia that surrounded the baby food; it meant something else as well. But these are awfully difficult things to prove.

QUESTIONER: Would part of that require that people who were surveyed before and after to prove the dilution of the mark be the same? Because I could see a situation, for example, in which Gerber as being good for baby food, if the group surveyed were young mothers, would see it one way; meanwhile, if Gerber was suddenly adopted as a mark for a new brand of insecticide, and you were to go to industrial professional pesticide applicers, they would recognize Gerber as the world's leading bug killer. If I were to ask prior, "What does Gerber mean?" and I ask only young mothers and they say "baby food," and then six months later, after Gerber comes out on the insecticide, I go only to pesticide applicers and say, "What do you associate with Gerber?" and they say "the world's best pesticide," that could be two disparate decisions and could lead to even more confusion if a court were to accept that type of evidence.

MS. DRISCOLL: I agree. The universe is a problem, as it is in all of these cases. In the cases that have been decided since *Moseley*, these kinds of things that have been accepted as evidence of actual dilution.

In one case, someone used the trademark in its domain name, and the plaintiff basically said, "Because of that, my mark can't be exploited because I can't use it in a domain name and therefore attract new customers, so you've lessened the value of the trademark because I can't use a certain kind of marketing technique I otherwise could have."¹³⁶

In another case, it was a counterfeit case, and that seems to me to be easy—I mean, it obviously has affected everything about the plaintiff's business.¹³⁷

In a third case, the Four Seasons Hotel had cut off a licensee, and the licensee continued to use the mark.¹³⁸ As Susan said, obviously you've got likelihood of confusion there. But the court

¹³⁶ Cf. *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D.N.C. 2003).

¹³⁷ Cf. *Nike, Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003).

¹³⁸ *Four Seasons Hotels & Resorts B.V. v. Consorcio Barr, S.A.*, 267 F. Supp. 2d 1268 (S.D. Fla. 2003).

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also held there was dilution, and it found actual harm to the trademark because a customer had written to Four Seasons to complain about the quality of the services at the defendant's hotel.¹³⁹

I mean, these are things that are not strict dilution kinds of concepts. So, the courts are trying to get away from the difficulty *Moseley* is presenting by looking at concepts that really aren't dilution concepts and finding actual dilution.

PROFESSOR HANSEN: We should keep in mind that the Supreme Court in *Moseley* made it fairly clear that if the junior user uses the identical name, not just a similar name, that actual dilution could be demonstrated simply by the junior user's use of the name.¹⁴⁰ In the Gerber example, for instance, that would mean there would be actual dilution. The problematical cases are those where the two marks are not identical. Then the question is how far away from identical are the marks? The further away the more problematical, and in *Moseley* they were quite different. I think trademark owners should make more of that identical-mark dicta in Justice Stevens' opinion. One can hear whole discussions of *Moseley* by trademark attorneys with no mention of it.

What is quite amazing is that Victoria's Secret counsel, Walter Dellinger, volunteered during oral argument that the junior's use of the name is not enough for dilution (after conceding that the likelihood of confusion standard was not appropriate under the FTDA).¹⁴¹ So, both parties before the Court and the Department of Justice as an amicus all agreed that just use would not be enough to

¹³⁹ *Id.* at 1320–21.

¹⁴⁰ See *Moseley*, 537 U.S. at 432–33 (“At least where the marks are not identical . . . the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution.”) (emphasis added); see also *id.* at 434 (“It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where the junior and senior marks are identical.”) (emphasis added).

¹⁴¹ See Transcript of Oral Argument at 31, *Moseley*, 537 U.S. 418 (No. 01-1015) (argued Nov. 12, 2002) [hereinafter *Moseley* Oral Argument] (“QUESTION: Is likelihood of dilution enough? MR. DELLINGER: No, not under the act and—and nor is just using the name enough . . .”), available at http://www.supremecourtus.gov/oral_arguments/argument_transcripts.html (last updated Mar. 22, 2004).

prove actual dilution. The fact that the Court under those circumstances *sua sponte* then put in the qualification on their own really showed how supportive the Court was of traditional dilution protection.

I agree with Marie that an expert saying “there is dilution here” is going to be probably more than enough for most courts to find dilution. I don’t think these cases are really decided on courts finding some sort of dilution, or even likelihood of confusion. They mostly figure it out “good guy, bad guy.” Is someone free riding? Is someone taking advantage? If they do, they’ll say whatever they have to say.

Take the *Stork Club* case in 1948.¹⁴² Here, there was obviously no confusion, yet the Court found confusion.¹⁴³ Why? Because the defendant was taking advantage of someone else’s goodwill, and if allowed to happen it would result in the dilution of the Stork Club mark and logo.¹⁴⁴ The real key to winning a trademark case is to establish that you are the good guy, that the defendant is trying to do something with your goodwill without your permission, and that it is harmful to your mark. If you get that point across, you are going to win in ninety-nine percent of the cases.

Today, the real problem for trademark owners in dilution actions is the innocent infringer. The person who has never heard of you—not likely with a famous mark—but this entity by definition is not a bad guy. In this situation, courts tend to look to the doctrine and carefully apply the tests. The dicta in *Moseley* about identical names and actual dilution become very important. In any case, innocent infringers are rare, usually are very small,

¹⁴² *Stork Rest. Inc. v. Sahati*, 166 F.2d 348 (9th Cir. 1948).

¹⁴³ *See id.* at 358–59.

¹⁴⁴ *See id.* at 356. The case was brought under California Unfair Competition Law because “The Stork Club” was then considered only a trade name. Today, it would be a common law trademark. In any case, the Ninth Circuit noted that as a trade name it would receive the same protection as a trademark and, as noted above, found likelihood of confusion. *See id.* at 352. The court also noted that unfair competition law was broader in reach than trademark law, but its conclusions as to confusion as to source supported traditional trademark infringement as well. Today, there is no real difference between the reach of trademark law and unfair competition law.

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and are not going to have the financial wherewithal to be able to litigate very far into the case.

There are legitimate complaints about some of the dilution cases. One reason is that the law has been applied as a catch-all for courts to get the bad guy, and this results in stretching dilution doctrine. An example is in the broad application of tarnishment concept as demonstrated in *Moseley*. A mark's representation of quality only can be tarnished if the junior user's mark is identical or very similar. The same is true for the type of "whittling away" dilution that Frank Schechter envisioned in his 1927 article.¹⁴⁵ This point was that with the same mark on products or services from different sources the public will now be aware that there are different sources for goods with the mark. The senior user's mark then becomes less "distinctive" because its signal to the public that the senior user is the sole source of any product with that mark is destroyed. ("Distinctive" is just a term of art meaning "whether the design, [name, etc. is] likely to be understood as an indicator of the product's source.")¹⁴⁶

There are costs to the consumer as well. When two different producers use the same mark, even when there is no confusion, it increases search costs because now consumers are going to have to find out which of two or more producers is selling the product. So, there are problems for the consumer, and there are problems for the brand owner.

This scenario never happened nor was even threatened in the *Moseley* case. No one looked at Victor's Little Secret and said,

¹⁴⁵ See *supra* note 27.

¹⁴⁶ See, e.g., *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 378 (2d Cir.1997) (citing *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1008 (2d Cir.1995)). Thus, a "famous" mark, of necessity, would be distinctive. After the Symposium, Professor Hansen noted that Judge Leval of the Second Circuit, normally very astute in intellectual property law, stated that a mark could be famous and not distinctive. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2d Cir. 1999). Professor Hansen further remarked that Judge Leval did not seem to realize that distinctiveness does not have the lay definition, but is a term of art for indication of source or origin and that this may explain his other "ridiculous conclusion that only inherently distinctive marks are subject to dilution protection." See *TCPIP Holding Co. v. Haar Communications, Inc.*, 244 F. 3d 88, 97 (2d Cir. 2001). Judge Leval's rule would mean one of the most famous marks in the world, Coca Cola, a descriptive mark with secondary meaning, would receive no protection against dilution.

“Oh my, there are now two different sources of goods using the same name.” Victor’s Little Secret would never dilute Victoria’s Secret in the sense of making it less distinctive. It was a play on words that would cause people to associate the two names, but not in the sense that they would now not know which was the source of goods in the future.

For the district court in *Moseley*, Victor Moseley was a bad guy. First, he lied about how he chose the name, and then he lied about not knowing of the Victoria’s Secret brand.¹⁴⁷ He was “going down” no matter what. The district court found dilution as a matter of law denying Moseley a trial on that issue.¹⁴⁸ Summary judgment for the plaintiff in a trademark action of any kind is extraordinarily rare, and even more peculiar here where Victoria’s Secret did not have a strong dilution case to begin with.

Now what did the Supreme Court do? Did it find that dilution could be not be proven as a matter of law and dismiss the complaint? No, it simply remanded the case back to the district court.¹⁴⁹ In case anyone reading the case did not understand what that meant, Justice Kennedy in his concurrence stated that the “Court’s opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.”¹⁵⁰ In short, Victoria’s Secret would start over with the right to prove dilution or tarnishment or both. Moseley, after litigating through three levels of federal courts, would have to start over from the beginning before a hostile district court judge. Moreover, Justice Kennedy made clear to the district court and others that equity seeks to prevent harm and that a mark owner to obtain preliminary relief should not have to prove that harm already occurred.¹⁵¹ This, of course, provides a backdoor way to

¹⁴⁷ See *V Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d (BNA) 1092 (W.D. Ky. Feb. 9, 2000) (“The Moseleys assert that their selection of ‘Victor’s Secret’ for the name of their store was a complete coincidence. They claim that they had never seen a Victoria’s Secret catalogue or a Victoria’s Secret advertisement prior to opening their store.”), *aff’d*, 259 F.3d 464 (6th Cir. 2001), *rev’d and remanded*, 537 U.S. 418 (2003).

¹⁴⁸ *Moseley*, 54 U.S.P.Q.2d (BNA) at 1095–96.

¹⁴⁹ See *Moseley*, 537 U.S. at 434.

¹⁵⁰ See *id.* at 436 (Kennedy, J., concurring).

¹⁵¹ See *id.* at 435–36 (Kennedy, J., concurring).

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retain the “likelihood of dilution” standard for preliminary injunctions.

I do not think that in these “bad guy” cases, much evidence will be needed. Justice Stevens, in the opinion of the Court, was very helpful to district courts wanting to find dilution when he stated that in *Moseley* there had been a complete lack of evidence of dilution.¹⁵² Plaintiff’s production of some evidence, therefore, could be enough for a court so inclined to distinguish *Moseley*. Certainly an expert who says that there has or will be dilution would be enough. The courts who want to distinguish *Moseley* case are going to find ways to do so fairly easily. The key for trademark owners is to demonstrate as a policy matter why they should distinguish *Moseley*.

MS. DEMPSEY: I think the Toucan Sam case, though, was one where there was probably a little bit of overreaching on the part of Kellogg.¹⁵³ I think there was some sort of overreaching on the part of Kellogg because the bird in that case was very different from the Toucan Sam that we know from Froot Loops.¹⁵⁴ In fact, the court found that there was, first of all, no likelihood of confusion even though Kellogg had used a Toucan Sam on golf balls in a 1982 commercial.¹⁵⁵ Where Toucan Sam was shown playing golf, there really wasn’t an association with golf; the Court found that people didn’t think of Toucan Sam as a golfer.¹⁵⁶

And then they went to the dilution theory and found that they hadn’t proved actual dilution.¹⁵⁷ I think a lot of it had to do with the fact that the marks in that case were very, very different marks, that it wasn’t a personalized kind of toucan that was being used on the golf equipment that defendants had sold.¹⁵⁸

¹⁵² See *id.* at 434 (“There is a complete absence of evidence of any lessening of the capacity of the Victoria’s Secret mark.”).

¹⁵³ Kellogg Co. v. Toucan Golf, Inc., 337 F.3d 616 (6th Cir. 2003).

¹⁵⁴ *Id.* at 622.

¹⁵⁵ *Id.* at 624–25.

¹⁵⁶ See *id.* at 625.

¹⁵⁷ *Id.* at 628.

¹⁵⁸ See *id.* at 616.

And it was really just a husband-and-wife outfit in that case.¹⁵⁹ So, maybe that lends support to what you are saying.

PROFESSOR HANSEN: Yes.

MS. DEMPSEY: But I think also in that case it shows that you may have a case where you need a cause of action for dilution. It was probably more a dilution cause of action than a likelihood of confusion cause of action. But I believe the court was right in not finding either likelihood of confusion or dilution in that case.¹⁶⁰

PROFESSOR HANSEN: I think one problem is that some trademark owners tend to overreach.

MS. DEMPSEY: I don't know if I would agree with that.

PROFESSOR HANSEN: Present company excluded, of course. But we do have some overbroad efforts by some trademark owners to stop the use of their marks.

Overall it is important to keep in mind that courts in the United States provide the strongest protection in the world for trademarks. Regardless of doctrine, U.S. courts generally treat the goodwill in a trademark as a type of property interest. If someone borrows or uses the goodwill in another's mark for commercial advantage and without payment or authorization, courts generally will find a way to stop it.

MS. PROGOFF: I think, consistent with what Hugh was just saying, some of the very early dilution cases after the federal statute was enacted were brought by people who really knew that they couldn't prove a likelihood of confusion, so they brought a claim under the dilution statute instead.¹⁶¹ In most of those cases the plaintiffs lost. I think courts were very unhappy with the statute. That was kind of their first introduction to it—a lot of cases that really had no merit, but people were using it as a way to

¹⁵⁹ *Id.* at 621.

¹⁶⁰ *See id.* at 627–29.

¹⁶¹ *See, e.g.,* *Genovese Drug Stores, Inc. v. TGC Stores, Inc.* 939 F. Supp. 340, 350 (D.N.J. 1996) (that plaintiff's mark was “not famous and unworthy of protection under the new federal law”); *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996) (holding that “the First Amendment would apply to this use of the trademarks at issue, and that as an expressive use, this use [was] exempt from the reach of the Federal Trademark Dilution Act”).

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get into court when they knew they didn't have enough evidence to show likelihood of confusion.¹⁶²

QUESTIONER: Susan, I'm curious about something that you said. I'm trying to figure out whether you think this is a good or bad idea. When you talked about people having licensing programs and the fact that there's a lot of money in that, it sounded like you were saying, "And oh, by the way, that could help you if somebody plunked your name on some unrelated goods because in fact you are licensing people to do that as well."

By the same token, it could be a very bad idea because it puts a burden on the license holders to monitor the quality of the things that carry their name. At the same time actual dilution may be more difficult to prove, because, by allowing people to put your name on cars or whatever, you are diluting your own mark.

MS. PROGOFF: There has been a lot of discussion about whether licensing is self-dilution.¹⁶³ If you go back to what a trademark really is, it is supposed to be a symbol of a certain level of quality, whether the trademark is good, bad, medium, or whatever it is.¹⁶⁴ The theory behind licensing is that whatever type of product you see attached to a trademark on should be a consistent level of quality with the core products.¹⁶⁵ They can be mid-market, high-market, low-market, whatever is appropriate.

I'm not advocating a licensing program. I think there are good reasons why trademark owners engage in licensing programs. It is certainly something that can build a brand, but I wouldn't do it simply to create a claim for dilution.

¹⁶² See *Dr. Seuss Enters.*, 924 F. Supp. at 1573 (stating that a claim for dilution does not require a showing of a likelihood of confusion).

¹⁶³ See, e.g., Michael Anthony Arciero, *The Growing Risk of Self-Dilution*, 12 J. CONTEMP. LEGAL ISSUES 213 (2001); Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 37 HOUS. L. REV. 729 (2000); Elizabeth C. Bannon, *The Growing Risk of Self-Dilution*, 82 TRADEMARK REP. 570 (1992).

¹⁶⁴ See J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:10 (4th ed. 2003) [hereinafter MCCARTHY] (stating that the concept of trademarks as an indicator of a level of consistent quality emerged in the 1930s).

¹⁶⁵ Pamela S. Chestek, *Control of Trademarks by the Intellectual Property Holding Company*, 41 IDEA 1, 26-27 (2001); see also Hayne E. Leland, *Quacks, Lemons, and Licensing: A Theory of Minimum Quality Standards*, J. POL. ECON. 1328 (1979).

What I was saying is that because there has been so much licensing over the last ten or fifteen years, consumers have come to expect that when a well-known trademark appears on something that is unrelated to the core product, that it is probably authorized or licensed. That was really my point.

PROFESSOR HANSEN: I've heard the argument a number of times that use of a mark on a number of products causes dilution. But this is not dilution. Dilution has two qualities. One, as Sue was saying, is a quality thing; but the other is as a source, meaning it comes from one source—it can be five products coming from one source, but it's still one source. Dilution results not from a number of different products with the mark of one manufacturer, but rather from a number of different sources of products with the same mark.

From a marketing point of view, there was the concept that it was ill- advised to sell different products with the same mark. It “diluted” the brand's strength, in a lay sense, to put it on different products. So, Coke, for a long time the marketing people at Coke would not allow anything but the cola drink to use the mark. It used Tab for a diet cola, for instance.¹⁶⁶ The view was that Diet Coke would dilute Coke in terms of the commercial impression of what Coke means to the consumer. But that's a marketing concept, not a source-of-origin legal concept—and thus, not a dilution concept as we use it.

Everyone knows Diet Coke comes from the same source as Coke. It has not diluted the distinctiveness of Coke to have Diet Coke or Diet Vanilla Coke—which is my favorite, by the way—or even Diet Lemon Coke, which is pretty good also. And no one says, “Oh my heavens, you know what? A lot of different people are using Coke now!” No. It's Coke using the Coke mark on a number of different products.¹⁶⁷

¹⁶⁶ Coca-Cola did not expand its product line for seventy-five years until it introduced Sprite in 1961, Tab in 1963, and Fresca in 1966. *See* Coca-Cola, *1990–Now*, available at <http://heritage.coca-cola.com> (last visited Apr. 1, 2004).

¹⁶⁷ According to the Coca-Cola Web site, Coca-Cola produces nearly 400 beverage brands. *See* Coca-Cola, at <http://www2.coca-cola.com> (last visited Apr. 1, 2004).

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PROFESSOR BEEBE: Hugh, I was wondering about something you said earlier, which is basically that dilution is misappropriation action, or a misappropriation of goodwill, and there are a lot of equity judgments on the part of the court, which consist of good guy and bad guy. I'm unclear if this is a good thing or a bad thing in your view?

PROFESSOR HANSEN: I think it would take too long to answer that here in the dilution panel, but my short answer is that courts are right in protecting the goodwill a mark owner has built up from use by others without authorization for commercial purposes. It goes back to how you view basic misappropriation principles—is it wrong to “reap where you have not sown.” I generally agree that such reaping or free riding should be discouraged.

And that's what the courts have done. For instance, in Europe in what they call the “badge of allegiance” cases, U.S. courts are highly protective. They stop unauthorized sellers of tee-shirts, uniform jerseys, etc. with sports team names or individual players' names on them.¹⁶⁸ No consumer views the name on the shirt as necessarily indicating the source of the shirt. For that one looks at the label in the back or the hang tag. The reason courts stop unauthorized sellers is because they are using someone else's goodwill. The unauthorized sellers buy a tee-shirt for \$2.00 and are selling it for \$20.00. They are selling \$18.00 of goodwill that they didn't create or pay for.

In fact, courts will stop uses of another's goodwill that are less blatant and more subtle as evidenced in the initial confusion or foot-in-the-door cases such as *Mobil Oil Corp. v. Pegasus Petroleum Corp.*¹⁶⁹ There, a company in the oil business called itself Pegasus, which in Greek mythology was the flying horse. For many years, Mobil Oil used a representation of that flying horse as a mark. The defendant did not use a picture of the flying horse, but only the name for it, which Mobil did not use.¹⁷⁰ In its

¹⁶⁸ See Lucas G. Paglia & Mark A. Rush, *End Game: The Ex Parte Seizure Process and the Battle Against Bootleggers*, 4 VAND. J. ENT. L. & PRAC. 4, 8 (2002) (discussing likelihood of confusion in the context of bootlegging).

¹⁶⁹ 818 F.2d 254 (2d Cir. 1987).

¹⁷⁰ See *id.* at 256.

telephone solicitations the use of “Pegasus” was enough to get the other party to listen and not hang up thinking defendant might be affiliated in some way with Mobil Oil.¹⁷¹ Ultimately, the lack of affiliation was revealed, and there was no confusion from that point on.¹⁷² Nevertheless, the fact that Pegasus was able to get its foot in the door more readily because of the possible affiliation with Mobil was enough use of Mobil’s goodwill to constitute a trademark law violation.¹⁷³

A similar case was the proposed use of “McSleep” by Quality Inn, which upset McDonald’s.¹⁷⁴ By the time someone actually drove up the driveway, they would know it’s not owned or affiliated with McDonald’s.¹⁷⁵ What was Quality Inn doing? It was using something, the Mc— naming scheme that defined McDonald’s family of marks, without payment or authorization. Moreover, the chief executive of Quality Inn claimed that he had not seen the McDonald’s connection despite much evidence to the contrary.¹⁷⁶ While a disclaimer would have protected McDonald’s completely from confusion, it would not have prevented the borrowing of its goodwill by Quality Inn. Thus, it was enjoined.

Moseley, in fact, was more in this category than a dilution case. The real crime was using the goodwill in some way for Moseley’s commercial advantage without payment or authorization. There was no confusion and really no dilution, but Moseley borrowed or alluded to Victoria’s Secret in its name and that was enough, at least when coupled with the sleaze factor in the case. The district court and the court of appeals found dilution as a matter of law granting summary judgment in a problematical dilution case. And then, in the Supreme Court, Justice Stevens, who is the most anti-intellectual property justice on the Court, wrote a very measured, muted opinion in which he does not adopt any of the Fourth Circuit’s anti-dilution law rhetoric.¹⁷⁷ He noted (1) that “Victoria’s

¹⁷¹ *See id.* at 259.

¹⁷² *See id.*

¹⁷³ *Id.*

¹⁷⁴ *Quality Inns Int’l v. McDonald’s Corp.*, 695 F. Supp. 198 (D. Md. 1988).

¹⁷⁵ *Id.* at 220.

¹⁷⁶ *Id.*

¹⁷⁷ *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

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Secret mark is unquestionably valuable;”¹⁷⁸ (2) that Moseley did not challenge the fact that Victoria’s Secret is a famous mark;¹⁷⁹ and (3) that there was no contention “that the statutory protection is confined to identical uses of famous marks, or that the statute should be construed more narrowly in a case such as this [Victoria’s Secret/Victor’s Little Secret].¹⁸⁰ These are all positive statements that support dilution protection.

Moreover, the Court only remanded the case for further proceedings.¹⁸¹ That was not a win for Moseley nor a statement that dilution could not be proved after factual hearing either with regard to a preliminary injunction or a trial. The way commentators speak of the case is that the Court rejected completely the dilution claims. They only found that the record on the summary judgment motion did not support a finding of dilution.

So, *Moseley* is much less of a problem for trademark owners than many trademark lawyers have claimed. I think if most trademark owners pick the right cases and put in an expert, they are going to be okay in dilution cases.

PROFESSOR BEEBE: Actually, why don’t we move on now to Hugh on the future of protection against dilution. Then we can follow up with some more questions.

PROFESSOR HANSEN: I think I might have already made all of my points. I will summarize, though.

First, it is important to keep in mind that there are still state laws which only require a strong mark and the likelihood of dilution.

Second, Justice Stevens’ opinion, as discussed, is actually more narrow than is commonly perceived.

Third, also as discussed, Justice Kennedy’s concurrence is very helpful to trademark owners, and that, of course, is what he wanted

¹⁷⁸ *Id.* at 432.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ *Id.* at 434.

to accomplish.¹⁸² His opinion is something trademark owners can cite to district courts to make them more comfortable with finding dilution and tarnishment, particularly in the preliminary injunction context.

Fourth, I think Supreme Court opinions in intellectual property cases historically have had little impact upon what happens in the day-to-day litigation in the district courts and courts of appeals. This is true for a number of reasons but that is a whole article by itself.

Finally, *Moseley* has presented trademark owners with a good reason to urge Congress to revise the FTDA, particularly to change the dilution standard to “likelihood of dilution.” Congress has been supportive in the past and could easily see the need to do something in light of *Moseley*.

MS. DEMPSEY: I think there will be a period where trademark owners will look at the post-*Moseley* cases to determine whether they are getting the protection they want or need under circumstantial evidence for the famous and distinctive marks. Here, to the extent that marks are the same, maybe the testimony of marketing experts can be used to show actual dilution.

If the courts protect the marks and trademark owners feel that they are getting the protection they need, there probably won't be any kind of amendment to the Federal Trademark Dilution Act. To the extent that there isn't, I think maybe there will be an impetus on the part of trademark owners to introduce new legislation. I know that the International Trade Association already has come up with two different amendments to the dilution act.¹⁸³ Then there would be a real impetus to have Congress act and make amendments to the dilution act.

MS. DRISCOLL: Can I ask you, Hugh, what you think of the remarks by the Supreme Court on tarnishment? It says, whether tarnishment is actually embraced by the statutory text is another

¹⁸² *Id.* at 435 (Kennedy, J., concurring).

¹⁸³ *See, e.g.*, FTDA, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified as amended at 15 U.S.C. § 1125(c) (2003)).

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matter.¹⁸⁴ The Court continues, “Indeed, the contrast between the state statutes, which expressly refer to both ‘injury to business reputation’ and to ‘dilution of the distinctive quality of a trade name or trademark,’ and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA.”¹⁸⁵

This suggests that there is no tarnishment claim under FTDA as it is presently written. Of course, tarnishment was one of the key things that dilution used to protect under state law.¹⁸⁶

PROFESSOR HANSEN: Yes. I think Stevens says “arguably.” Moreover, Scalia made the point at oral argument.¹⁸⁷ But note that the remand does not attempt to rule out any dilution argument including tarnishment below, and Kennedy in his concurrence explicitly states that on remand that plaintiffs are entitled to injunctive relief if they prove tarnishment.¹⁸⁸ Moreover, counsel for Moseley agreed in oral argument that the FTDA action allows a tarnishment claim.¹⁸⁹

Stevens states that “[m]ental association does not establish tarnishment.”¹⁹⁰ Of course, that’s just a truism, and not problematical. He mentions that the military officer made a mental association, “but did not therefore form any different impression of the store that his wife and daughter had patronized.”¹⁹¹ He doesn’t say whether that comment is meant to apply to the tarnishment

¹⁸⁴ See *Moseley*, 537 U.S. at 432 (“Petitioners have not disputed the relevance of tarnishment, presumably because that concept was prominent in litigation brought under state antidilution statutes and because it was mentioned in the legislative history. Whether it is actually embraced by the statutory text, however, is another matter.”) (citation omitted).

¹⁸⁵ *Id.*

¹⁸⁶ See generally 4 MCCARTHY, *supra* note 164, § 24:104.

¹⁸⁷ See *Moseley* Oral Argument, *supra* note 141, at 5 (“[The] words of the statute refer to distinctiveness of a mark. They don’t refer to tarnishment.”); see also *id.* at 46 (“[The statutory definition of dilution] does not at all cover disparaging the other product.”).

¹⁸⁸ *Moseley*, 537 U.S. at 436 (Kennedy, J., concurring) (“The Court’s opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.”).

¹⁸⁹ See *Moseley* Oral Argument, *supra* note 141, at 17 (“QUESTION: . . . [Y]ou do not contest that tarnishment is a—basis for the respondent to prevail in this case? MR. HIGGINS: We do not.”).

¹⁹⁰ *Moseley*, 537 U.S. at 434.

¹⁹¹ *Id.* at 435.

argument, although I think that is what he is talking about. Of course, there was no preliminary injunction hearing or trial below and the facts were not fully explored.

But that being said I do not think there was tarnishment in the dilution sense in this case. No one was going to think that the quality of what Victoria's Secret mark stands for as a result of Victor's Little Secret means anything less because the association between the two names was not of the type that exists in a dilution case. So, I certainly cannot find fault with what the Court did by saying that tarnishment was not proved as a matter of law.

Nor do I have any trouble as a theoretical matter with Scalia's recurring point of view that if Congress wants something in the law it should clearly put it into the statute; that language in committee reports does not substitute for language in the statute.¹⁹² When Congress does not put something clearly in the statute, his view is that courts should not place it there. Here, it was probably the intent of Congress to include those claims that were available under state dilution law, but they did not make that explicit. The problem with Scalia's view is that as a practical matter it often would produce results at odds with congressional intent, and Congress would not be able to move the legislative machinery in a way to correct statutory language in the many instances that would result from Scalia's approach.

But you certainly have tarnishment in state law, don't you?

MS. DRISCOLL: Some states.

MS. PROGOFF: I think a lot of the cases that have involved tarnishment have been decided under state dilution statutes. A lot of them come down as parody cases. If the judge thinks it's funny, then usually there is no injunction. If the judge is offended in some way, then there is. But I think most of those cases have been

¹⁹² *Moseley* Oral Argument, *supra* note 141, at 46 ("QUESTION: Nothing could be clearer than that Congress adopted a definition . . . that does not at all cover disparaging the other product. MR. DELLINGER: Well, it—Congress thought otherwise. The House report say that the definition— QUESTION: The House committee thought otherwise. MR. DELLINGER: Yes. QUESTION: What Congress thought was the definition [in the statute] that Congress adopted.").

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decided under the state statutes, and it remains to be seen what will happen with them now.

MS. DRISCOLL: We have one case that a friend of mine sent me that was decided in the district court in Illinois last week, in which the court held that *Moseley* “discussed only blurring, although it did leave open the question of whether tarnishment is within the scope of § 43(c).”¹⁹³ The court then raised the issue of whether actual dilution would have to be shown for tarnishment cases if in fact tarnishment cases were still covered under the statute.¹⁹⁴ So, it’s obvious that courts are having a little bit of difficulty figuring out what law they are supposed to apply under the federal statute.

In that case, by the way, the plaintiff didn’t get anyplace on its motion for a temporary restraining order.¹⁹⁵ It involved Caterpillar Tractor.¹⁹⁶ Caterpillar Tractor sued Walt Disney because the villains were driving Caterpillar tractors in a TV program for children.¹⁹⁷ The allegation was on the tarnishment issue because those children are never going to think of Caterpillar tractors as good things anymore as a result of the tractors being driven by the villains.¹⁹⁸

PROFESSOR BEEBE: That raises an issue that I’m desperate to introduce, even at this late time, into the conversation. That is, what about the First Amendment side of dilution protection and the limitations on expression?¹⁹⁹ I mean, if it is true that judges are just ruling on sort of off-the-cuff misappropriation basis—“who’s the good guy, who’s the bad guy?”—that is sort of circular in a sense. I mean, you are calling them a bad guy because they are breaking the law, but you are saying they are breaking the law because they are a bad guy. Where is the law on this issue?

¹⁹³ *Caterpillar, Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003) (citing *Moseley*, 537 U.S. 418 (2003)).

¹⁹⁴ *Id.*

¹⁹⁵ *Id.* at 916.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 918.

¹⁹⁸ *Id.*

¹⁹⁹ U.S. CONST. amend. I.

Okay, maybe in the commercial context we can figure it out on efficiency concerns. But in the First Amendment or expression context, it is terrifying that these companies can claim tarnishment and limit parodies of their products, in addition to limiting the uses of their products in political speech.

Dilution seems to be expanding in scope enormously both in its subject matter and in the scope of protection it provides. What is the implication then for free speech, or how can it be defended on those grounds? What comments, if any, do you have on that issue?

MS. DRISCOLL: You know, I think the parody takes care of that. It has been my perception—I don't know what other people think—that recently courts have been more likely to find parody and no injury to the trademark owner than they used to be. They are saying, "Come on, do you have a sense of humor?" or "Please, this isn't really affecting you, it's obvious parodying." I think the cases are going more and more to the First Amendment side of the balance.

PROFESSOR HANSEN: Well, I don't know. The *Deere* case in the Second Circuit seemed to present facts that implicated the First Amendment.²⁰⁰ Judge Jon Newman nevertheless found tarnishment in a comparative ad that could be construed as a parody without even discussing the First Amendment.²⁰¹ Ironically, Newman would be exactly the type of judge you would expect to consider the First Amendment, and he did not. The fact that it was a comparative ad meant to gain a competitive commercial advantage against John Deere probably made the difference, although I do not think it should have.²⁰²

On the First Amendment question there is one case that is incredibly overbroad and problematical. In *World Wrestling Federation Entertainment, Inc. v. Bozel*,²⁰³ defendants blamed plaintiff, World Wrestling Federation, for the deaths of four children, calling the plaintiffs "criminal" and "evil."²⁰⁴ The court

²⁰⁰ *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39 (2d Cir. 1994).

²⁰¹ *See id.* at 45.

²⁰² *See id.* at 41.

²⁰³ 142 F. Supp. 2d 514 (S.D.N.Y. 2001).

²⁰⁴ *See id.* at 528.

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held that these actions fell within a claim for dilution for tarnishment.²⁰⁵ The defendants were not in business and did not produce any product. This was a perfect vehicle to discuss the role of the First Amendment in dilution and tarnishment claims, and there was none.

So, I agree that the First Amendment should play a bigger role. Unfortunately, when judges and juries look at these cases they do not appear to have any thought of the First Amendment. They seem to just look at the two parties, figure out if somebody is hurting someone else, and determine what should be done about it. Justice Breyer raised First Amendment issues at oral argument, but the counsel for Moseley surprisingly deflected the helpful question with the statement that “there really isn’t a public interest that is being expressed or applied here.”²⁰⁶ Likewise, there was little interest in this issue from the other justices.

And this type of approach is not limited to trademark law where it could be argued that the First Amendment issues are tangential. In defamation cases, where the First Amendment provides tremendous protection for defendants, the defendants nevertheless often lose at the trial level. The judge or jury see a plaintiff harmed through very hurtful remarks that are normally untrue. On the other hand, they see defendants, perhaps elitist, lazy, negligent, arrogant, or all four, relying upon the doctrinal defense of a lack of a demonstration of malice. Yet, where no malice has been demonstrated, do the defendants then win? No, they often lose at the trial level because they were the bad guys. If you are representing media defendants, you really must create your record for the appellate courts because you often will need them to apply the defamation law in the way it was intended. I think it is the same in dilution cases such as *Moseley* where the defendant is viewed as a bad guy by the lower courts.

As to parody, what I think it comes down to is if the court likes the parody, then it’s protected; if it doesn’t like the parody, then it is not protected; and if it is pornographic, at least up until now, it won’t like it. This may change in more “enlightened” days. I

²⁰⁵ See *id.* at 529.

²⁰⁶ See *Moseley* Oral Argument, *supra* note 141, at 18.

don't know if we will have more enlightened days, and I don't know if it would change even then.

But in analyzing *Moseley*, it is good to consider what if there had not been pornographic movies, sex toys, and related "adult" items in the back of Victor's Little Secret—would Victor Moseley have lost below? If the head of JAG at Fort Knox had not been "personally offended by" Victor's Little Secret and had not written to Victoria's Secret, would Victoria's Secret have even brought the case? What if the store had been selling men's traditional underwear? While dilution doctrine would say there is no difference, if Victor's Secret had been selling men's underwear, I think it would have been more clear to everyone that the significant difference in the names meant that this really was not a dilution case at all for the reasons I discussed before.

PROFESSOR BEEBE: I wonder, just quickly, about your opinion of Judge Leval's trademark jurisprudence.²⁰⁷ This is a Second Circuit audience, Second Circuit location. Leval has established the requirement that a trademark must be "inherently distinctive" in order to receive anti-dilution protection.²⁰⁸ As New York lawyers what are your views of that?

PROFESSOR HANSEN: I already have said that I think it's ridiculous.²⁰⁹ Coke, which acquired distinctiveness for Coca Cola, which was a cola drink originally made from a cocoa leaf—maybe still is, I don't know, it gives me a lift. To say that because it was not inherently distinctive it is not protected from dilution makes absolutely no sense and certainly thwarts the objectives of the FTDA. Judge Leval misread the statute and misunderstood what "distinctive" in the trademark sense means.

MS. DRISCOLL: Well, the statute talks about distinctiveness, whether it is acquired or not acquired.

PROFESSOR HANSEN: Yes.

MS. DRISCOLL: So, I don't know how he can get around the fact that one of the factors in determining whether there is

²⁰⁷ See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

²⁰⁸ See *id.* at 215 (establishing that the mark be distinctive among the elements to state a claim for dilution).

²⁰⁹ See *supra* note 146.

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protection is the extent of either inherent or acquired distinctiveness. He ignored that completely.

PROFESSOR BEEBE: But the Supreme Court does cite *Nabisco* in footnote number 5 of the *Moseley* opinion.²¹⁰ A student came into my office a week or two ago and based on that footnote, the student was under the opinion that of course the Supreme Court endorsed Laval's "inherent distinctiveness" requirement.

MS. DRISCOLL: No, no, but he didn't have that requirement in *Nabisco*.²¹¹

PROFESSOR BEEBE: Okay.

MS. DRISCOLL: In that one, he gave protection for dilution even though it was acquired distinctiveness. A few years later, he wrote the opinion in *The Children's Place* case where he included the requirement that it had to be inherently distinctive.²¹²

PROFESSOR BEEBE: Okay.

MS. DRISCOLL: He wrote both of them.

PROFESSOR BEEBE: Okay, great. I think that concludes this panel. Thanks very much to the panelists for this excellent discussion.

²¹⁰ See *Moseley*, 537 U.S. at 427 n.5.

²¹¹ See *Nabisco*, 191 F.3d at 216 (holding that plaintiff's claim to stop defendant's injunction was denied after defendant proved that dilution of its product was likely).

²¹² See *TCPIP Holding Co., Inc. v. Haar Communications Inc.*, 244 F.3d 88 (2d Cir. 2000).