Statement of

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of the

SECTION OF INTELLECTUAL PROPERTY LAW

on behalf of the

AMERICAN BAR ASSOCIATION

submitted to the

SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

of the

COMMITTEE ON THE JUDICIARY

U.S. HOUSE OF REPRESENTATIVES

on the subject of

“COMMITTEE PRINT TO AMEND THE FEDERAL TRADEMARK DILUTION ACT”

April 22, 2004
Mr. Chairman and members of the Subcommittee:

Thank you for the opportunity to testify on behalf of the American Bar Association and that Association’s Section of Intellectual Property Law. My name is Robert W. Sacoff. I am a partner in the law firm of Pattishall, McAuliffe, Newbury, Hilliard & Geraldson, and I currently serve as Chair of the ABA Section of Intellectual Property Law. The views that I express supporting amendment of the Federal Trademark Dilution Act of 1995 (the “FDTA”) to provide that questions of trademark dilution should be resolved under the “likelihood of dilution” standard have been adopted as ABA policy by our Board of Governors, and therefore represent views of the Association. Views expressed on other issues regarding the FDTA have not been approved by the House of Delegates or Board of Governors of the Association. Those views are those of the Section of Intellectual Property Law (IP Law Section) alone.

The Federal Trademark Dilution Act of 1995 was enacted on January 16, 1996. After eight years of experience under the Act, it is appropriate that Congress revisit the statute to identify areas of possible amendment and improvement, and we applaud the Subcommittee for initiating that exercise. The Subcommittee has asked the witnesses today to consider a number of options for amendment to the FTDA. We have done so, and offer three recommendations in this regard and general comments on a fourth issue concerning niche market fame.

**EXECUTIVE SUMMARY**

The Federal Trademark Dilution Act should be amended in three ways: (1) creating a "likelihood of dilution" standard; (2) providing a specific cause of action for dilution by tarnishment; and (3) allowing for non-inherently distinctive marks to be eligible for protection. These three amendments are consistent with the intent of the FTDA. In addition, they are necessary to allow for the statute to function properly.

The Supreme Court's recent decision in *Moseley* requiring actual dilution has led to uncertainty and unpredictability in the lower courts as they struggle with the quantum of proof and type of evidence necessary to establish actual dilution. The actual dilution standard has proven unworkable in practice. There should be no concern about the
impact this proposed amendment will have on free speech, since there is no conflict between the likelihood standard and the First Amendment.

The Moseley decision cast doubt on whether the FTDA creates a cause of action for tarnishment. The majority of courts prior to Moseley did recognize an anti-tarnishment provision in the FTDA, based on the legislative history. Moseley, however, called this into question. Therefore, the call for a legislative amendment on this issue is understandable, and the ABA IP Law Section supports clarification of this matter by an amendment to the FTDA to expressly provide a cause of action for dilution by tarnishment.

Finally, the Second Circuit has added an additional requirement to the FTDA, namely that a mark must be inherently distinctive to qualify for protection. In other words, under this minority view some of the most famous "supermarks" (e.g., FORD automobiles, DELL computers) might not be eligible for protection under the FTDA even though they have acquired massive distinctiveness and fame. This minority position therefore precludes the owners of some famous marks from exercising the rights Congress intended to grant them. There is concern that this minority position may be followed by more courts because the Moseley decision, in dicta, made comments that could be interpreted to support the Second Circuit's view.

Unlike the above issues, there is no consensus in the trademark law community as to whether the FTDA currently protects marks that have acquired niche fame or should protect such marks. Thus, a legislative amendment is not appropriate at this time.

1. LIKELIHOOD OF DILUTION STANDARD

The Federal Trademark Dilution Act should be amended to provide that cases of trademark dilution before the federal courts and Trademark Trial and Appeal Board of the USPTO should be uniformly decided under the “likelihood of dilution” standard. Our analysis of the FTDA leads us to the conclusion that the likelihood of dilution standard is not only preferable, but clearly is what Congress intended. Nonetheless, in light of the Supreme Court's decision in Moseley v. V. Secret Catalogue, Inc., an amendment to the FTDA is now needed to provide "likelihood of dilution" as the standard.

A. Moseley v. V. Secret Catalogue, Inc.
In *Moseley v. V. Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003), the Supreme Court held that the text of the FTDA “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.” *Id.*, 123 S. Ct. at 1124. The Court went on to state “that does not mean that the consequences of dilution, such as an actual lost of sales or profits, must also be proved. … [A]t 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.” *Id.*, 123 S. Ct. at 1124. Further, the Court said, “direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably can be proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.” *Id.*, 123 S. Ct. at 1125. Illustrative cases are reviewed below.

**B. Problems Of Proof Created By Moseley**

The Supreme Court’s “actual dilution” standard in *Moseley* has become an incredibly difficult criterion by which to measure adequate proof of dilution. Unless the parties’ marks were identical, post-*Moseley* “actual dilution” opinions almost uniformly have dismissed dilution claims due to the absence of sufficient evidence under the *Moseley* standard. Even in cases where the parties’ marks were identical, the *Moseley* decision has been interpreted by some courts as requiring “extra” burdens of proof. So that otherwise qualifying famous marks can be given the proper scope of protection intended by Congress, the FTDA should be revised to expressly include a “likelihood of dilution” standard.

*Ty, Inc. v. Softbelly’s, Inc.*, No. 03-1592, 2003 WL 22994564 (7th Cir. Dec. 22, 2003): Although the “actual dilution” discussion is quite brief, this decision contains language that casts some doubt on consumer surveys as proof of dilution. In an opinion written by Judge Posner, the Seventh Circuit reversed judgment as a matter of law for the manufacturer of “Beanie Babies” in a trademark infringement and dilution case against the manufacturer of “Screenie Beanies,” small, plush, stuffed animals sold in computer stores for use in wiping computer screens. *See Softbelly’s*, 2003 WL 22994564 at *1. On the dilution claim, the Court held that the district court’s ruling for Ty “had scant
grounding in the evidence.” Id. at *6. Indeed, the Court found that “no evidence of any sort was presented that would have enabled a trier of fact to infer any lessening in the capacity of ‘Beanies’ or ‘Beanie Babies’ to ‘identify and distinguish’ the plush beanbag animals sold by Ty” and remanded for a new trial on the issue. Id. at *6-7, citing Moseley, 123 S. Ct. 1115 (2003).

Judge Posner noted that Moseley “impl[ied] a need for trial-type evidence” to determine whether dilution had occurred. Id. at *6. Commenting indirectly on the Supreme Court’s reference to consumer surveys as direct evidence of actual dilution Moseley, 123 S. Ct. at 1125, Judge Posner expressed his skepticism that any “question could be put to consumers that would elicit a meaningful answer either in that case or this one.” Id., (citing Jonathan Moskin, “Victoria’s Big Secret: Whither Dilution Under the Federal Dilution Act?”, 93 Trademark Rep. 842, 853 (2003)). Regarding the suggestion that circumstantial evidence might be sufficient to prove actual dilution where the disputed marks were identical, Moseley, 123 S. Ct. at 1125, Judge Posner somewhat acerbically observed that the Supreme Court “did not explain and no one seems to know what that ‘circumstantial evidence’ might be.”1 Id. at *7.

Caterpillar Inc. v. Walt Disney Co., 287 F. Supp. 2d 913, 922, (C.D. Ill. 2003): The court began its treatment of dilution by noting that Moseley and its actual dilution requirement pertained only to blurring and, in the case at bar, Caterpillar did not argue blurring, but rather tarnishment. See Caterpillar, 287 F.Supp.2d at 921-922. The court noted Moseley left open the question of whether tarnishment fell within the scope of the FTDA. Id. at 922. Assuming that actual dilution must be shown for tarnishment cases, the court further observed, "it is unclear what type of showing Caterpillar must make," although it is clear that Caterpillar need not prove loss of sales or profits nor by direct evidence such as a consumer survey, but may rely on circumstantial evidence. Id. (citing

Because Disney’s movie had not yet been released, there was nothing in the record to suggest that Caterpillar had lost sales or profits, nor any consumer survey evidence showing actual dilution. See, \textit{Id.} Accordingly, there was nothing in the record to show that Caterpillar was likely to succeed on its dilution claim and therefore no basis to support its request for a TRO. See, \textit{Id.}

Although the court does not spell this out, presumably circumstantial evidence would be sufficient because the marks that Disney used in its movie were “identical,” indeed, were Caterpillar’s own mark. It may be inferred that, because the court did not hold that the “identity” of the marks was sufficient in itself to prove dilution, the court was siding with the “identity plus” line of post-\textit{Moseley} decisions, although the lack of any discussion or analysis on this point makes this inference speculative at best.

\textit{Kellogg Co. v. Toucan Golf, Inc.}, 337 F.3d 616 (6th Cir. 2003): This case began when Kellogg opposed registration of the word mark “Toucan Gold” for use in connection with golf clubs and golf putters. (Defendant Toucan Golf was a manufacturer of golf equipment for sale primarily to companies who used the clubs as promotional gifts at charity events.) \textit{See Toucan Golf}, 337 F.3d at 620-621. In appealing the decision of the Trademark Trial and Appeal Board (“TTAB”) permitting the registration to the federal district court, Kellogg claimed that the word mark and an unregistered cartoon toucan logo used by Toucan Golf infringed and diluted Kellogg’s famous Toucan Sam design and word marks. \textit{Id.} at 622. Rejecting both claims, the district court and the Sixth Circuit Court of Appeals affirmed the TTAB’s decision.

As the Sixth Circuit interpreted \textit{Moseley}, the Supreme Court held that Plaintiff V. Secret’s dilution claim failed because it “did not present any empirical evidence that consumers \textit{no longer clearly understood} to which products the ‘Victoria’s Secret’ mark was related, and thus failed to demonstrate the ‘lessening of the capacity of the Victoria’s Secret mark to identify and distinguish goods or services sold in Victoria’s Secret stores or advertised in its catalogs.” \textit{Id.} at 628 (citing \textit{Moseley}, 123 S.Ct. at 1125) (emphasis added). Similarly, the Sixth Circuit found, Kellogg presented no evidence that Toucan Golf’s use of its toucan marks “has caused consumers \textit{no longer to recognize} that Toucan Sam represents only Froot Loops” or that “any segment of the population recognizes Toucan Sam as the spokesbird only for Froot Loops in lesser numbers than it did before
TGI started using its toucan marks.” *Id.* (emphases added). Indeed, the court emphasized, Kellogg presented one survey conducted in 1991 that showed 94% of children recognized Toucan Sam and 81% related him to Froot Loops and another from 1997, after Toucan Golf started business, that showed 94% recognition of Toucan Sam among adults. *Id.*

The Sixth Circuit’s opinion is problematic on several levels, and demonstrates a potentially far-reaching implication of the Supreme Court’s *Moseley* decision. *Moseley* nowhere articulated the “no longer clearly understood” standard that the Sixth Circuit invoked, and the Court cited no authority in case law, statute, or legislative history in support of it. The Sixth Circuit thus gave no real parameters to the standard. For example, what percentage showing in a consumer survey would suffice to prove dilution? What would be the relevant universe and the relevant time frame for such a survey? How would causation be proven? And how would factors like market conditions and general consumer preferences be treated in the survey analysis? (Of course, the latter is a fundamental flaw in the actual dilution standard itself, which the Second Circuit emphasized in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d. 208 (2nd Cir. 1999), and which the *Moseley* Court failed to address.)

Practically speaking, *Toucan Golf* presents strategic dilemmas for dilution claimants and litigators. The surveys that the Sixth Circuit relied upon to reject Kellogg’s dilution claim were presented as evidence of Toucan Sam’s strength and fame. *Id.* at 624 (noting that Kellogg presented the 1991 survey in support of “the strength of its Toucan Sam marks”). The 1997 survey the Court relied upon also was submitted to demonstrate fame; was a survey of a different universe (adults, not children); and was conducted after Toucan Golf had begun business but before the Toucan Gold mark was used in commerce. *Id.* at 624 (noting that Toucan Golf’s application for “Toucan Gold” was an “intent to use” application) and 628. Nevertheless, the Sixth Circuit apparently based its conclusion that Kellogg had failed to prove any erosion in consumer recognition of its marks on that second survey.

While the Sixth Circuit’s standard is quite amorphous, dilution claimants seeking to rely on survey evidence in that jurisdiction may need to have conducted a fame survey before the junior mark was introduced and then another (using the same survey
instrument?) at some point thereafter, and the results will have to show erosion in consumer recognition of some uncertain amount. If, for example, a senior mark holder discovers a purportedly diluting use within the statute of limitations, but has not conducted a pre-use survey, Toucan Golf could be read to suggest the senior user may be unable to prove actual dilution for lack of a pre-junior-mark benchmark survey. However, such surveys, aside from their cost, present the danger of being used in litigation against claimants by alleged diluters, if they do not demonstrate erosion in consumer recognition.

C. Moseley’s Divisive Impact On The Issue Of Protecting Identical Marks

In Moseley, the Supreme Court stated a dictum touching on the situation where the disputed marks in a dilution claim are identical: “It may be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical.” Moseley, 123 S. Ct. at 1125. The statement has given rise to several decisions and a split of authority among the lower courts.

Savin Corp. v. The Savin Group, No. 02 Civ.9377 SAS, 2003 WL 22451731, (S.D.N.Y. Oct. 24, 2003): As Judge Scheindlin of the Southern District of New York observed, the Moseley's Court’s statement is subject to at least two different readings: (1) When the junior and senior marks are identical, the fact of the identity is in itself “sufficient circumstantial evidences to prove actual dilution.” Or, (2) when the marks are identical, circumstantial evidence as opposed to direct evidence may prove dilution. See Savin Group, 2003 WL 22451731 at *14, citing Nike Inc. v. Variety Wholesalers, Inc., 274 F.Supp.2d 1352, 1372 (S.D.Ga. 2003) and Pinehurst, Inc. v. Wick, 256 F.Supp.2d 424, 431-432 (M.D.N.C. 2003), respectively.

In Savin Group, a dispute over identical marks of plaintiff office services company and defendant professional engineering consultants, the court found the second interpretation more plausible. Id. at *1-*2, *14-*15. Judge Scheindlin emphasized the sentence that followed the dictum in Moseley: “Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.” Id. at *15, quoting 123 S. Ct. at 1125. In other words,
as Judge Scheindlin read the passage, even when the marks are identical, additional proof of actual dilution is required; the simple fact of identity does not suffice. Accordingly, because plaintiff in the case at bar offered no proof beyond the identity of the marks, it “failed to raise a material issue of fact with regard to an essential prong of the dilution test,” warranting summary judgment for defendant. Id.

_HBP, Inc. v. American Marine Holdings, Inc._, No. 6:02-CV-957-ORL22DAB, 2003 WL 22593589, (M.D.Fla. Oct. 10, 2003): The identical mark at issue in this case was “Daytona,” used by plaintiff HBP as a trade and service mark for stock car and motorcycle races and by the defendant boat manufacturer for a line of recreational powerboats. _Id._ at *2-3. Granting summary judgment for American Marine on the dilution claim, the court first found that HBP’s mark was not famous for dilution purposes. _See American Marine, 2003 WL 22593589 at *2-*3._ The court found further that, even if HBP’s mark was famous, HBP had failed to prove actual dilution under _Moseley_. The court pointed, in part, to the lack of evidence “demonstrating that [HBP’s] customers and potential customers have, as a result of American Marine’s use of the ‘Daytona’ mark on its boats, formed any different impression of HBP’s products and services.” _Id._ at *16. (Although this resembles “tarnishment” language, only dilution by blurring was at issue in the case and the court’s supporting citation to _Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc._, 875 F.2d 1026, 1029 (2d Cir. 1989), suggests that blurring was what it had in mind.)

There was an interesting procedural misstep in this case. HBP offered into evidence excerpts from a deposition transcript that it contended showed American Marine’s use of the “Daytona” mark had caused loss of licensing revenue and dilution of existing royalty value. _Id._ at *15. The opinion gives the deponent’s name (Glenn Padgett), but does not identify who he was or what relationship he had to either of the parties. The court did not consider this evidence, however, because HBP had failed to file the deposition transcript as part of the record before the Court. _Id._ This is unfortunate, because it leads to intriguing speculation of just how Mr. Padgett purportedly demonstrated loss of licensing revenue and what the court’s findings might have been had the evidence been admitted.
Scott Fetzer Co. v. Gehring, 288 F.Supp.2d 696 (E.D. Pa. 2003): This is one of the opinions in which the court held that the identity of the marks was, in and of itself, sufficient circumstantial evidence to prove dilution, although it did point to other circumstantial evidence supporting its finding. See Scott Fetzer, 288 F. Supp. 2d at 702. Plaintiff was the parent company of a vacuum cleaner business that had used the famous Kirby trademark since 1930. Id. at 700. Defendant ran a vacuum cleaner store and repair business that widely used the Kirby mark in its advertisements, including in the store’s name--“Kirby Vacuum Sales & Service,” despite not being authorized to use the mark or to sell or service Kirby vacuum cleaners. Id.

In holding that defendant’s use of the Kirby trademark “lowered the value and esteem of plaintiff’s mark,” the court reasoned that “where the competing entities are using marks that are identical, dilution may be reliably found using the circumstantial evidence of the identical marks.” Id. at 701-702; citing Moseley, 123 S. Ct. at 1125. In addition to the identity of the marks, the court noted that defendant sold second-hand Kirby vacuum cleaners without permission and falsely advertised that these machines came with a one-year-manufacturer’s guarantee. Id. at 703 These facts taken together, the court concluded, sufficed to prove plaintiff’s dilution claim. Id. at 703.

Nike Inc. v. Variety Wholesalers, Inc., 274 F.Supp.2d 1352, 1372 (S.D.Ga. 2003): As in Scott Fetzer, the court in this case concluded that identity of the marks was sufficient evidence to prove dilution, albeit without any analysis or rationale beyond citing the Moseley dictum. While otherwise a complicated case, for dilution purposes the facts were simple: Defendant was a low-cost, “secondary market” clothing retail chain, which plaintiff proved was selling counterfeit Nike products. See Variety Wholesalers, 274 F.Supp.2d at 1355, 1357. The court concluded that Variety Wholesalers had diluted Nike’s famous trademarks “due to the identical or virtually identical character of the marks on the Accused Goods to the Nike trademarks.” Id. at 1372 (citing Moseley, 123 S.Ct. at 1125) (emphasis added).

Four Seasons Hotels and Resorts B.V. v. Consorcio Barr, S.A., 267 F.Supp.2d 1268 (S.D. Fla. 2003): At issue was a complex dispute between a licensor and licensee involving breach of contract, claims of industrial espionage and trademark issues. Four Seasons, the famous luxury hotel chain, had contracted with Consorcio Barr to build and
operate the Four Seasons hotel in Caracas, Venezuela, and licensed defendant to use its brand name, trademarks, and logo for that purpose. *See Consorcio Barr, 267 F.Supp.2d* at 1271-1272. However, the relationship was plagued with problems from the beginning. Consorcio failed to open the hotel on time; important facilities including suites, the poolside restaurant, and the spa were not completed at the hotel’s opening; there was no sign in front of the hotel; hotel employees lacked the required uniforms; many vital operational functions were not in place, such as hotel bank accounts; and some rooms were furnished with rented furniture not up to Four Seasons’ quality standards. *See id.* at 1275. In addition, pertinent to the trademark claims, Consorcio’s marketing materials for the residential apartments used Four Seasons’ marks, an unauthorized use, the materials were not approved by Four Seasons, as required by the license, and the materials did not comply with Four Seasons’ quality standards. *See id.* at 1309-1310.

These facts, the court held, provided evidence of actual dilution. The court based this finding on the recognized duty and right of trademark licensors to police the use of the marks it licenses and the quality of the goods they are used on: “The licensor owes an affirmative duty to the public to assure that in the hands of his licensee the trademark continues to represent that which it purports to represent.” *Id.* at 1327 (quoting *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 51 (9th Cir. 1971)). Accordingly, as Professor McCarthy concludes, a trademark licensor has an affirmative duty under the Lanham Act “to control the quality of goods and services which reach buyers under the licensed mark.” *Id.*, citing 2 *McCarthy on Trademarks*, § 18:50 (4th ed. 2003). Moreover, “[d]istribution of a product that does not meet the trademark holder’s quality control standards may result in the devaluation of the mark by tarnishing its image.” *Id.* at 1328 (quoting *Warner-Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3, 6 (2d Cir. 1996)).

Consorcio did not maintain Four Seasons quality standards, leading to a likelihood of consumer confusion “as to Four Seasons’ approval of such use . . .” *Id.* at 1330. In addition to infringement, the court held that these facts supported a finding of dilution: “Consorcio’s failure to comply with the quality control standards of the License Agreement diminished the capacity of the mark to distinguish the high quality of Plaintiffs’ services.” *Id.* at 1332. In addition, consumer complaints that the Caracas hotel “wasn’t a Four Seasons’ due to its substandard nature, incomplete construction and
inferior furnishings and finishings” constituted “evidence of actual harm” sufficient to establish dilution. *Id.*

Again, as in several of the post-*Moseley* decisions, this case concerned identical marks, although, perhaps because the context was that of licensor-licensee, the court made no particular note of the identity factor. However, the Court did appear to side with the “additional-circumstantial-evidence” school. The “plus” factors here were the licensee’s failure to comply with the licensor’s express quality control standards and the use of the mark on substandard, inferior services. In a footnote, the court suggested that the focus of the inquiry was whether customers “form a ‘different impression’ of the goods or services of the senior user.” *Id.* at 1332, n. 8 (citing *Moseley*, 123 S.Ct. at 1124). This was how this court seemed to understand *Moseley*’s rejection of the sufficiency of “mental association” between the disputed marks to support a finding of dilution under the Federal Trademark Dilution Act (“FTDA”).

*Pinehurst, Inc. v. Wick*, 256 F.Supp.2d 424 (M.D.N.C. 2003): This was a classic cybersquatting case, with the court also finding actual dilution. In 1999, defendants registered 3,000 to 4,000 domain names that were confusingly similar to some of the most famous marks in America, including those of about 7% of Fortune 500 company names. *See Wick*, 256 F.Supp.2d at 426. Defendants then sold a number of their registered domain names to companies that contacted them requesting to purchase the company’s domain name. *Id.* Plaintiff, owner of the famous Pinehurst Golf Resort and Pinehurst No. 2 golf course, instead sued defendants over their registration of the domain names “PinehurstResort.com” and “PinehurstResorts.com” under the Anticybersquatting Consumer Protection Act (“ACPA”), 15 U.S.C. section 1125(d), and the FTDA, 15 U.S.C. section 1125(c). *See id.* at 426-427. Pinehurst prevailed on both claims and obtained a permanent injunction and statutory damages in the amount of $100,000, plus attorneys’ fees and costs. *See id.* at 433.

Although the *Variety Wholesalers* court relied on this decision in support of its conclusion that identity of the disputed marks established dilution, *see* 274 F.Supp.2d at 1372, *Wick* is better characterized as an “identity plus” decision, as Judge Scheindlin noted in *Savin Group*, 2003 WL 22451731 at *14. The plus factor in *Wick* arose from the unique role trademarks serve in Internet domain names: “A customer using the Internet
will be unable to discern any appreciable difference between Defendants’ domain names and Plaintiff’s marks,” id. at 432, which reduced the value of that mark in two ways: Wick’s registration of Pinehurst’s marks as domain names prevented Pinehurst from engaging in electronic commerce using its own marks. See Wick, 256 F.Supp.2d at 431. In addition, the economic value of Pinehurst’s marks was reduced because customers, unable to locate Pinehurst’s website and services using domain names identical to its registered marks, “may fail to continue to search for [P]laintiff’s own home page due to anger, frustration, or the belief that [P]laintiff’s home page does not exist.” Id. (quoting PETA v. Doughney, 263 F.3d 359, 365 (4th Cir. 2001)). The Wick court’s reasoning gives holders of famous marks battling cybersquatters persuasive arguments in support of finding trademark dilution under the FTDA in addition to stating claims under the ACPA. Nevertheless, the status of these arguments is questionable at best. The Wick court relied heavily on Panavision Int’l. L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998). Thus, the uncertainty caused by the Moseley decision has left some courts relying on questionable and outdated precedents.

Golden West Financial v. WMA Mortgage Services, No. C 02-05727 CRB, 2003 WL 1343019 (N.D.Cal. March 13, 2003): In contrast, Judge Breyer in this case found no dilution, in part because plaintiffs could not prove that defendants’ use of nearly identical marks had or would prevent any customers from succeeding in contacting them. See Golden West Financial, 2003 WL 1343019 at *8. In dispute were plaintiffs’ “World Savings and Loan,” “World Mortgage” and related marks for financial services allegedly infringed and diluted by defendants’ “World Lending Group” service mark for financial services. Id. at *1. Even were plaintiffs’ marks famous, which the court found they were not, there was no evidence in the case that defendants’ use of its “World” mark had diluted plaintiffs’ marks. See id. at *8. To the contrary, the court noted, plaintiffs in 2002 had nearly $65 million in assets and its profits were a record. Id. In addition, unlike in the Ninth Circuit’s seminal cybersquatting decision, Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1327 (9th Cir. 1998), “the use of the term ‘World’ in defendants’ company names has not decreased the value of plaintiffs’ trademark because plaintiffs’ customers can easily recognize and contact them.” Id.

D. Divergence Between TTAB And Case Law Precedent
The Trademark Trial and Appeal Board recently held that the likelihood of
dilution standard still applies to such applications rather than the actual-dilution standard.
See The Nasdaq Stock Market, Inc. v. Antartica, S.R.L., Opposition No. 91121204 to
Thus, the Moseley decision has created a split in the way the FTDA is applied. Federal
courts use the actual dilution standard while the TTAB arguably still uses the likelihood
of dilution standard. Uniformity in application is necessary for the healthy development
of the law and to allow for predictability and certainty.

E. A Likelihood Of Dilution Standard Is Consistent With The First
Amendment
Courts have been successfully accommodating First Amendment concerns within
23018285 (9th Cir. Dec. 29, 2003) (finding defendant's expressive commercial use
protected after balancing the Lanham Act and the First Amendment). See generally
Kournikova v. General Media Communications Inc., 278 F.Supp.2d 1111, 1128 (C.D.
Cal. 2003) (noting that "Courts have placed limits on Lanham Act lawsuits because of the
potential impact on First Amendment rights"). Thus, any concern about encroaching on
free speech rights is historically unsupported.

Moreover, the FTDA explicitly provides for several exceptions to liability that
alleviate potential tension with the First Amendment: 
"(A) Fair use of a famous mark by
another person in comparative commercial advertising or promotion to identify the
competing goods or services of the owner of the famous mark; (B) Noncommercial use of
a mark; (C) All forms of news reporting and news commentary." 15 U.S.C. § 1125(c)(4).
In applying these exceptions, courts have construed the "noncommercial use" provision
broadly to ensure no First Amendment problems. See, e.g., Mattel, Inc. v. MCA Records,
293 F.3d 894 (9th Cir. 2002) (holding that a music group's song that lampooned toy
manufacturer's doll fell under non commercial use exception in FTDA). In addition,
commercial speech is protected by the First Amendment and thus a court could not avoid
a First Amendment analysis. See, e.g., Virginia Board of Pharmacy v. Virginia Citizens

There is no reason to believe that including a likelihood standard significantly
changes the approach courts will take in balancing First Amendment concerns, the
likelihood standard has dominated state law dilution statutes for decades. The 1964 United States Trademark Association Model State Trademark Bill establishes liability for "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of the mark." This standard has not led to a progressive encroachment on free speech rights. See, e.g., L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26 (1st Cir. 1987) (holding that the state law likelihood of dilution statute could not be applied to prohibit a tarnishing parody because doing so would offend the First Amendment).

F. Conclusion

Amending the FTDA to incorporate a likelihood of dilution standard will solve a host of problems created by the Moseley decision. If the status quo remains, the FTDA will not be an effective means of protecting famous marks.

II. TARNISHMENT IN THE FTDA

The FTDA should be amended to include a specific cause of action for tarnishment because the Supreme Court in Moseley cast doubt on its existence in the FTDA even though the legislative history for the Act indicates Congress intended for there to be one and other case law recognized the cause of action.

A. FTDA Legislative History Refers To Tarnishment

The Supreme Court in Moseley provided the following concise summary of the legislative effort leading to the passage of the FTDA and the intent that the FTDA cover tarnishment:

On July 19, 1995, the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee held a 1-day hearing on H.R. 1295. No opposition to the bill was voiced at the hearing and, with one minor amendment that extended protection to unregistered as well as registered marks, the subcommittee endorsed the bill and it passed the House unanimously. The committee’s report stated that the “purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.” H.R. Rep. No. 104-374, p. 1029 (1995). As examples of dilution, it stated that “the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.” Id. at 1030. In the Senate an identical bill, S. 1513, 104th Cong., 1st Sess., was introduced on December 29, 1995, and passed on the same day by voice vote without any hearings. In his explanation of the bill, Senator Hatch also stated that it was intended “to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark.
and referred to the Dupont Shoes, Buick aspirin, and Kodak piano examples, as well as to the Schechter law review article. 141 Cong. Rec. 38559-38561 (1995).

Moseley, 123 S. Ct. at 1123 (emphasis added).

Despite these statements that the legislation was intended to cover tarnishment claims, the Court was not persuaded that the statutory language accomplished this purpose because the statute did not include specific language regarding tarnishment, such as “injury to business reputation.” Thus the Court wrote:

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.

Moseley, 123 S. Ct. at 1124. In his concurrence in this case, however, Justice Kennedy viewed the statute as encompassing both blurring and tarnishment. See id. at 1126; See also Pattishall, Hilliard and Welch, Trademarks and Unfair Competition Deskbook § 8.01[2][b] (2d ed. 2003).

The primary legislative history of the 1995 Act is House Report 104-374. The language the Supreme Court quoted from that report is probably the best language in support of the proposition that Congress intended the FTDA to cover dilution by tarnishment. Additional support is found in the “section by section analysis” of the proposed bill, which states that the definition of dilution “is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and by disparagement.) H. R. Rep. No. 104-374 at page 8 (emphasis added).

Another potential source of legislative history is the testimony taken by the Subcommittee on Courts and Intellectual Property on July 19, 1995. The House Report recites the fact the Committee received the testimony and the identity of the witnesses, but the substance of that testimony is not part of the actual Report. See id. at p. 5. Still, that testimony itself provides a nearly unanimous view that the proposed law would cover both blurring and tarnishment. See, e.g., Testimony of Mary Ann Alford, the Executive Vice President of INTA (“This definition [of dilution in the proposed statute] encompasses both dilution by blurring and dilution by tarnishment. It is also elastic enough to encompass future, currently unforeseen, factual situations that may give rise to

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liability.”)  But see Testimony of Jonathan E. Moskin (“H.R. 1295 does not purport to recognize injury from uses of a famous trademark that are likely to tarnish the reputation of the owner of famous mark.  This is one form of injury that has been susceptible of proof under state dilution laws independent of proof of likelihood of confusion.”)

In sum, the 1995 legislative history of the FTDA supports the conclusion that Congress intended that statute to cover dilution by tarnishment.  The Supreme Court has raised doubts about whether the statutory language accomplishes this purpose.

**B. Case Law After The Enactment Of The FTDA Recognized The Existence Of A Specific Cause Of Action For Tarnishment In The Act**

After the enactment of the FTDA and prior to the *Moseley* decision, courts "have construed the federal dilution statute to protect against dilution by tarnishment." Pattishall, Hilliard, and Welch, Trademarks and Unfair Competition Deskbook § 8.01[2][c] (2d ed. 2003);  See also Clinique Labs. v. Dep Corp., Inc., 945 F. Supp. 547, 560-62 (S.D.N.Y. 1996)(Recognizing a cause of action for tarnishment under the FTDA, while holding that defendant's BASIQUE skin care products did not tarnish plaintiff's CLINIQUE skin care products);  Dr. Seuss, Enter. v. Penguin Books USA, Inc., 924 F. Supp. 1559, 1573 (S.D. Cal. 1996), aff'd, 109 F.3d 1394 (9th Cir.), cert. dismissed, 521 U.S. 1146 (1997)("The legislative history supports the conclusion that Congress also intended the Act to cover dilution through tarnishment");  Anheuser-Busch v. Andy's Sportswear, 40 U.S.P.Q.2d 1542 (N.D. Cal. 1996)(BUTTWISER t-shirt dilutes BUDWEISER mark for beer; TRO granted in context which makes tarnishment the basis for decision);  Ringling Bros.-Barnum & Bailey Combined Shows v. B.E. Windows Corp., 937 F. Supp. 204, 211(S.D.N.Y. 1996)(Recognizing a cause of action for tarnishment under the FTDA, but finding that defendant's GREATEST BAR ON EARTH services mark for a night club did not tarnish the "wholesome, family oriented image of [plaintiff's ] GREATEST SHOW ON EARTH" mark under the Dilution Act, noting alcohol was served at venues where plaintiff's circus performed).

**C. Since The Moseley Decision, At Least One Court Has Raised Doubts About The Viability Of Tarnishment Under The FTDA**
Since the Supreme Court issued its *Moseley* decision on March 4, 2003, no case squarely has addressed the question of whether the FTDA covers dilution by tarnishment, but one opinion specifically notes the doubts raised by *Moseley* on this point.

In *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003), the trial court denied plaintiff’s request for a temporary restraining order in connection with defendant’s use of Caterpillar bulldozers in the movie “George of the Jungle 2” in a manner plaintiff found offensive. Plaintiff alleged several claims, including a dilution by tarnishment claim under the FTDA. In connection with its decision, the court noted the question raised by *Moseley* of “whether tarnishment is within the scope of § 43c.” The *Caterpillar* court, however, did not decide that issue, instead addressing the issue of what Caterpillar was required to prove to show “actual dilution.” Because of the *Moseley* decision, courts, such as the one in *Caterpillar*, will continue to raise questions about the viability of a cause of action for tarnishment under the FTDA. Cf. *The NASDAQ Stock Market, Inc. v. Antarctica*, s.r.l., 2003 TTAB LEXIS 391, *67 (citing *Moseley*, noting: "state dilution statutes provide that tarnishment and blurring are actionable, while FTDA arguably refers only to the latter").

C. Conclusion

We believe that Congress intended to include dilution by tarnishment as well as dilution by blurring in the FTDA, and the Act effectively did so. However, dicta in the *Moseley* decision has raised doubts and created uncertainty in this regard. The Section of Intellectual Property Law of the American Bar Association supports removal of this uncertainty by an amendment to the FTDA to expressly include a cause of action for dilution by tarnishment.
III. FTDA AND ACQUIRED DISTINCTIVENESS

The Federal Trademark Dilution Act should be amended to state that marks that have acquired distinctiveness from use in the marketplace are eligible for dilution protection under the Trademark Act to the same extent as marks that are inherently distinctive.

The FTDA provides that one of the factors for determining whether a mark is sufficiently “distinctive and famous” to be covered by the Act is “the degree of inherent or acquired distinctiveness of the mark.” 15 U.S.C. § 1125 (c)(i)(A). There is currently a split among the Circuits regarding whether a mark is required to be inherently distinctive to receive protection under the FTDA. Based on an analysis of the case law and the intent behind the FTDA, marks which have merely acquired distinctiveness should be eligible for dilution protection. Some of the most famous marks in the world are famous but arguably not inherently distinctive, such as FORD, DELL, and DUPONT. These should be protected under the FTDA. Therefore, the FTDA should be amended to make this clear and resolve the divergence in authority among the Circuit courts.

A. Cases Requiring Inherent Distinctiveness

Second Circuit

In TCP/IP Holding Company, Inc. v. Haar Communications, Inc., 244 F.3d 88 (2nd Cir. 2001), the Court of Appeals vacated the lower court’s ruling that preliminarily enjoined the defendant from using any Internet domain names with the mark THE CHILDREN’S PLACE to the extent the ruling was based on the FTDA, but affirmed it to the extent the ruling was based on any likelihood of confusion. The court stated that given the history of the FTDA, “we conclude that a descriptive mark does not come within the protection of the” FTDA. Id. at 93. The court, in interpreting FTDA in a harmonious way with its result, stated that it understood the FTDA “to invite two inquiries: (1) Has the plaintiff's mark achieved a sufficient degree of consumer recognition (“acquired distinctiveness”) to satisfy the Act's requirement of fame? (2) Does the mark possess a sufficient degree of ‘inherent distinctiveness’ to satisfy the Act's requirement of ‘distinctive quality.’ The latter requirement cannot be satisfied by the mere fact that the public has come to associate the mark with the source.” Id. at 98. The court reasoned that in order for a mark to be famous, it must acquire some form of
distinctiveness, therefore if the criterion of distinctiveness was satisfied by the acquired distinctiveness of the mark, it would render the criterion of fame meaningless. Therefore, only inherently distinctive marks qualify for protection under the FTDA.

In Deere & Company v. MTD Holdings Inc., No. 00 Civ. 5936(LMM), 2003 WL 22439778 (S.D.N.Y., October 28, 2003), Deere & Company sought to amend its complaint regarding a FTDA claim after the district court had granted MTD Holdings’ motion for dismissal under the Qualitex doctrine that color marks require secondary meaning. Deere attempted to claim that its specific use of the color green on the body of its products and yellow for trim was arbitrary. The court rejected this notion and found that the use of two colors still requires proof of secondary meaning for protection. The court dismissed the dilution claim because the colors yellow and green are not inherently distinctive and, citing the TCPIP case, do not qualify for protection under the FTDA.

Malaco Leaf, AB v. Promotion In Motion, Inc., 287 F. Supp. 2d 355 (S.D.N.Y. 2003): Malaco Leaf brought suit for alleged copying of its fish-shaped gummy candy known as the “Swedish Fish.” The court held that inherent distinctiveness was required under FTDA, and since product configuration can never be inherently distinctive under the Sumara Bros. case, defendant was entitled to summary judgment on plaintiff’s FTDA claim.

Christopher D. Smithers Foundation, Inc. v. St. Luke's-Roosevelt Hosp. Center, No. 00 Civ. 5502(WHP), 2003 WL 115234 (S.D.N.Y., Jan 13, 2003): The Foundation filed an action regarding its marks THE CHRISTOPHER D. SMITHERS FOUNDATION, INC., THE CHRISTOPHER D. SMITHERS FOUNDATION, THE SMITHERS FOUNDATION, C.D. SMITHERS FOUNDATION, and SMITHERSFOUNDATION.ORG. The Hospital operated the Smithers Alcoholism Treatment and Training Center. Among the Foundation’s claims was one under the FTDA. In dismissing the FTDA claim, the court noted that the term “foundation” and the surname “Smithers” are descriptive and, citing TCPIP, that such descriptive marks do qualify for protection under the FTDA as such terms are not inherently distinctive. “The FTDA differs from traditional trademark law in that it protects a ‘far narrower’ class of entities. The FTDA only affords protection to inherently distinct marks (i.e. suggestive, arbitrary, fanciful), and does not afford protection to descriptive marks that have acquired
distinctiveness. Thus, the evidence of secondary meaning submitted by the Foundation could not save its FTDA claim.” *Id.* at *7 (citations omitted.)

**Solow Building Company, LLC v. Nine West Group, Inc., No. 01-7878, 2002 WL 31303237 (2nd Cir. October 11, 2002):** In affirming the district court’s dismissal of plaintiff’s complaint, the court held “that Solow’s federal trademark dilution claims are also barred on the alternative ground that Solow’s mark lacks inherent distinctiveness. Solow has conceded that its mark is descriptive at best, and this court has held that such a mark lacks sufficient distinctiveness to warrant protection under the federal trademark dilution statute.” *Id.* at *1. Plaintiff’s mark was a red numeral “9” which was nicknamed 9 WEST and defendant’s mark was “NINE WEST.”

**New York Stock Exchange, Inc. v. New York, New York Hotel, LLC, 293 F.3d 550 (2nd Cir. 2002):** The Second Circuit affirmed the lower court’s dismissal of all but one of plaintiff’s claims for protection under the FTDA because the marks, except for one, were not inherently distinctive. Defendant had modified several of the many registered marks of plaintiff. Examples of the modified marks include: (i) a replica of NYSE's architectural facade that bore the words “NEW YORK NEW YORK SLOT EXCHANGE” located near the Defendant’s gambling floor; (ii) the Defendant’s “NEW YORK SLOT EXCHANGE” or “NEW YORK-NEW YORK SLOT EXCHANGE” club for frequent gamblers; (iii) sweatshirts, caps, and other souvenirs given out by the Defendant to the members of its players club displaying the “NEW YORK SLOT EXCHANGE” or “NEW YORK-NEW YORK SLOT EXCHANGE” slogan; and (iv) the Defendant’s reference to its players club by the “NY” or “NY-NY” abbreviation. The exception is a registered logo consisting of Plaintiff’s building’s facade bearing the words “NEW YORK STOCK EXCHANGE.” The court followed its decision in *TCPIP* and noted that a trier of fact might find the excepted mark inherently distinctive, which would then qualify it for FTDA protection.

**GTFM, Inc. v. Solid Clothing, Inc., 215 F. Supp. 2d 273 (S.D.N.Y. 2002):** GTFM, Inc. filed an action based on its marks “FUBU,” “FUBU 05” and “05” for clothing. Solid Clothing, Inc. had adopted the marks “05” and then “PLAYERS 05” on sports apparel it designed to imitate GTFM’s marks. In dismissing the FTDA claim, the district court cited *TCPIP* and held that GTFM’s marks were not inherently distinctive.
and did not qualify for protection under the FTDA. Id. at 299-300. The court also went on to say that the “05” mark was not famous either.

*Cline v. 1-888-Plumbing Group, Inc.* 146 F. Supp. 2d 351 (S.D.N.Y. 2001): Plaintiff claimed that its mark 1-800-PLUMBING was being diluted by defendant’s mark of 1-888-PLUMBING. The district court cited *TCPIP* and denied plaintiff’s motion for summary judgment regarding its FTDA claim because plaintiff’s mark was descriptive and therefore lacked the inherent distinctiveness required for protection under the FTDA. Id. at 361.

**B. Cases Not Requiring Inherent Distinctiveness**

*First Circuit*

*I.P. Lund Trading v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998). A faucet manufacturer brought an action against competitors for dilution and infringement of manufacturer's trade dress. In holding that Plaintiff’s faucet design was not so famous as to warrant protection under the FTDA, the court noted, “There is little to suggest that this product design, itself unregistered and not inherently distinctive, is so strong a mark and so well publicized and known that it has achieved the level of fame Congress intended under the” FTDA. Id. at 60. The court bifurcated the analysis of a mark under the FTDA, holding a mark must be distinctive and famous to qualify for protection under the FTDA. The court found that a mark may be inherently distinctive or acquire sufficient distinctiveness to satisfy the requirement of distinctiveness. Id. at 58-60. The mark must also be famous to qualify for protection under the FTDA, and inquiry regarding whether or not a mark is famous is a separate inquiry.

*Third Circuit*

*Times Mirror Magazines, Inc. v Las Vegas Sport News, LLC*, 212 F.3d 157 (3rd Cir. 2000): The Third Circuit affirmed the lower court’s grant of a preliminary injunction under the FTDA to Time Mirror Magazines, Inc. owner of the mark THE SPORTING NEWS preventing Las Vegas Sport News, LLC from using the mark LAS VEGAS SPORTING NEWS. The court held that the mark “THE SPORTING NEWS” was not inherently distinctive. Therefore, the court must “examine the degree to which the mark has acquired distinctiveness by gaining secondary meaning over time in the marketplace.” Id. at 166. This includes the following considerations: “(1) the length or
exclusivity of use of the mark; (2) the size or prominence of the plaintiff’s enterprise; (3) the existence of substantial advertising by the plaintiff; (4) established place in the market and (5) proof of intentional copying.” Id. The court found the mark had acquired sufficient distinctiveness to warrant protection under the FTDA.

**Sixth Circuit**

*Libbey Glass, Inc. v. Oneida Ltd.*, 61 F. Supp. 2d 700 (N.D. Ohio 1999): Plaintiff filed, among other claims, a claim for violation of FTDA based on defendants manufacture and sale of “knock-off” beverage glassware. In rejecting plaintiff’s motion for summary judgment, the court stated in addressing the requirement of distinctiveness that “Libbey's trade dress is not inherently distinctive and there is a genuine issue of material fact about whether Libbey's trade dress has secondary meaning.” Id. at 716. This clearly implies that acquired distinctiveness is sufficient.

**Seventh Circuit**

*AM General Corp. v. DaimlerChrysler Corp.* 311 F.3d 796 (7th Cir. 2002): Plaintiff asserted trademark infringement and FTDA claims based upon an asserted family of marks in its Jeep grille designs. The court recognized that under *Traffix*, product configurations must acquire distinctiveness and secondary meaning to be protectable. The court did not reject the FTDA claim on grounds that the alleged family of marks was not inherently distinctive, but rather denied a preliminary injunction on the FTDA claim because the plaintiff had failed to prove that it had rights in the family of marks it was asserting. As a result, the marks being asserted certainly could not be famous. Id. at 818. This suggests that the Seventh Circuit takes the position that acquired distinctiveness is sufficient for a FTDA claim. Otherwise the court would have stopped when it concluded that the marks were not inherently descriptive.

*Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002), *cert. denied*, 123 S. Ct. 1750 (2003): The mark at issue in this case was BEANIES. The court found that the mark clearly was not inherently distinctive. See id. at 513. The court did not reject the FTDA claim on this basis. Rather, the court held that an injunction was proper under the FTDA claim but only that its scope should be much more limited than originally ruled by the district court. Thus, in this case, the Seventh Circuit allowed an FTDA claim with a mark that it clearly held to not be inherently distinctive.
Ninth Circuit

*Adidas-Salomon AG v. Target Corp.*, No. CV-01-1582-ST, 2002 WL 31971831 (D. Or. July 31, 2002): Plaintiff filed an action regarding its three stripe mark and Original Superstar trade dress which is for a particular style of shoe. Defendant had adopted a four stripe mark and similar style of shoe. The magistrate’s findings noted there was a split in the Circuits regarding the whether or not a mark with acquired distinctiveness qualifies for protection under the FTDA and, relying on language from *Avery Dennison v. Sumpton* (see summary below), concluded that, in the Ninth Circuit, acquired distinctiveness does qualify. Under the Ninth Circuit standard, the court held that there was sufficient evidence that the three stripe mark and Original Superstar trade dress where distinct and famous to withstand defendant’s motion for summary judgment.

*Thane International, Inc. v. TREK Bicycle Corporation*, 305 F.3d 894 (9th Cir. 2001): The Ninth Circuit reversed the lower court’s grant of summary judgment to the defendant because it improperly used a likelihood of confusion standard. The court focused on the failure of Trek Bicycle to show its mark TREK was famous; the court mingled the requirement of fame with the requirement of distinctiveness. In a footnote, the court stated “a mark must have a relatively high degree of distinctiveness both to ‘be capable of being diluted’ and to meet § 1125(c)(1)’s ‘threshold element of fame.’ A party may satisfy this burden with a showing of acquired distinctiveness, rather than inherent distinctiveness, but in either case it must demonstrate ‘a degree of distinctiveness beyond that needed to serve as a trademark.’” *Id.* at 912 n.14 (citations omitted).

*Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013 (C.D. Cal. 1998), *aff’d*, 1999 U.S. App. LEXIS 34568 (9th Cir. 1999): The executors of the Estate of Diana, Princess of Wales, and trustees of her memorial fund sued sellers of Princess Diana memorabilia. In rejecting the defendant’s motion to dismiss the FTDA claim, the court noted that a surname is not inherently distinctive. “Thus, to state a claim under the Federal Trademark Dilution Act for service mark infringement, a plaintiff must allege that the personal name asserted as a mark has acquired secondary meaning such that the name is synonymous in the public mind with the service provided by the plaintiff.” *Id.* at 1034. Later, the court reached the same conclusion and then granted the defendant’s motion for
summary judgment on the FTDA claim on the basis that secondary meaning was not established. See, 107 F. Supp. 2d 1212, 1222 (C.D.Cal. 2000).

_Avery Dennison Corp. v. Sumpton_, 189 F.3d 868 (9th Cir. 1999): The owner of the marks “Avery” and “Dennison” for office products brought action against an Internet e-mail provider and its president, for registering “avery.net” and “dennison.net” as Internet domain names and licensing them as e-mail addresses. In reversing a grant of summary judgment for the owner of the marks, the court rejected the “argument that the distinctiveness required for famousness under the Federal Trademark Dilution Act is inherent, not merely acquired distinctiveness. However, because famousness requires a showing greater than mere distinctiveness, the presumptive secondary meaning associated with “Avery” and “Dennison” fails to persuade us that the famousness prong is met in this case.” _Id._ at 877. (citations omitted)

_Star Markets, Ltd. v. Texaco, Inc.,_ 950 F. Supp. 1030 (D.Hawaii 1996): In this case, the court granted the defendant summary judgment on the plaintiff’s FTDA claim because, while the mark had acquired distinctiveness, it was not famous, even though a survey had showed that 75% of the respondents associated the STAR trademark with the plaintiff’s grocery stores. The court stated: “Acquired distinctiveness is merely a minimum threshold for establishing protectability of a trademark that is not suggestive, arbitrary or fanciful. Once established, the [FTDA] compels the court to consider the degree of that distinctiveness as one of many factors for determining whether the mark is famous.” _Id._ at 1033.

Eleventh Circuit

_Carnival Corp. v. SeaEscape Casino Cruises, Inc._ 74 F. Supp. 2d 1261 (S.D.Fla. 1999): Plaintiff brought claims based upon its trademark FUN SHIP. The court clearly found that the mark was descriptive, but had acquired secondary meaning. The court did not reject the plaintiff’s FTDA claim on this basis. Rather, the court found that while the mark had acquired distinctiveness, it had not acquired sufficient fame to support an FTDA claim.
C. Other Cases with Comments Relevant to the Issue

Supreme Court

*Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003): Plaintiff is the owner of the mark VICTORIA’S SECRET. Plaintiff brought suit against petitioners who opened a store named VICTOR’S SECRET and then changed the name, after being contacted by Plaintiff, to VICTOR’S LITTLE SECRET. The narrow issue on certiorari was whether objective proof of actual injury to the economic value of a famous mark is required for relief under the FTDA. The Supreme Court did not reach the issue of distinctiveness, but, in a footnote, quoted *Nabisco, Inc. v. PF Brands, Inc.:* “[i]t is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element. The operative language defining the tort requires that ‘the [junior] person’s . . . use . . . cause dilution of the distinctive quality of the [senior] mark.’ 15 U.S.C. § 1125(c)(1). There can be no dilution of a mark’s distinctive quality unless the mark is distinctive.” *Moseley*, 123 S. Ct. at 1120 n.5. Some have argued that this is an endorsement of the notion that inherent distinctiveness is required. Professor J. Thomas McCarthy, however, strongly disagrees with this position. See, 4 *McCarthy on Trademarks and Unfair Competition* § 24:91 to 24:91.2.

Second Circuit

*Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489 (2nd Cir. 2000): In deciding whether or not the mark SPORTY’S was distinctive for the purpose of the FTDA, the Second Circuit stated, “Distinctiveness refers to inherent qualities of a mark and is a completely different concept from fame. A mark may be distinctive before it has been used--when its fame is nonexistent. By the same token, even a famous mark may be so ordinary, or descriptive as to be notable for its lack of distinctiveness.” *Id.* at 497 (emphasis added).

*Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2nd Cir. 1999): The Second Circuit affirmed the lower court’s order entering a preliminary injunction against Nabisco using a mark consisting of an orange, bit-sized, cheddar cheese flavored, fish-shaped cracker because it would dilute Pepperidge Farm’s mark for its goldfish-shaped cracker. The court noted that “[t]he first of [the distinctiveness and famous] factors invites the court to consider ‘the degree of inherent or acquired distinctiveness of the mark.’” *Id.* at
The court found the Pepperidge Farm’s goldfish cracker exhibits a moderate degree of distinctiveness and qualified it for protection under the FTDA.

*BigStar Entertainment, Inc. v. Next Big Star, Inc.* 105 F. Supp. 2d 185 (S.D.N.Y. 2000): Plaintiff sold motion picture videos and provided information regarding films and stars on the Internet using the marks BIGSTAR and BIGSTAR.COM. Plaintiff brought a trademark infringement and dilution action, with related state law claims, against a company conducting talent searches on the Internet using the marks NEXT BIG STAR and NEXTBIGSTAR.COM. In rejecting plaintiff’s FTDA claim, the court noted that plaintiff’s marks were composed of descriptive terms and relatively weak. While the court did not say that inherent distinctiveness was required under FTDA, it did conclude the marks did not qualify for protection under the FTDA because they did not have the requisite “distinctiveness.”

**Sixth Circuit**

*Ford Motor Co. v. Lloyd Design Corp.*, 184 F. Supp. 2d 665 (E.D. Mich. 2002): Ford brought suit against the manufacturer of floor mats for use with Ford’s vehicles that use Ford’s marks without its authorization. In upholding the magistrate’s preliminary injunction recommendation, based in part on a claim under the FTDA, the district court followed the *Nabisco* case and found:

that the marks F-150®, F-250® and F-350® are fanciful and, thus, of high distinction. The trademark Aston Martin® is also highly distinctive because, even though it is not purely fanciful, the name is unlikely to signify anything in commerce but the automobiles and accessories bearing the name. Since Ford®, Jaguar®, Lincoln®, Mercury®, Mustang®, Bronco®, Taurus®, Windstar®, Excursion®, Expedition®, Navigator®, Moutaineer®, and Thunderbird® are not purely fanciful, but are names that are unrelated in everyday life to automobiles, the court finds them to enjoy a moderate degree of distinctiveness. Therefore, Plaintiff's have established the second element of an FTDA claim. Hence, the only remaining factor is the fifth: whether Defendant's use may cause dilution of the distinctive quality of the senior mark.

_Id._ at 679. The court did not address whether inherent distinctiveness was required.

*AutoZone, Inc. v. Tandy Corp.* 174 F. Supp. 2d 718 (M.D. Tenn. 2001): AutoZone, Inc., brought an action based on its mark AUTOZONE for use in association with automotive parts store services against the Tandy Corporation for its use of the mark
POWERZONE in association with electronics. In ruling that AutoZone did not have a viable FTDA claim because the marks were not similar enough, the court noted:

distinctiveness plays a dual role in the dilution analysis. First, as noted above, it is a statutory element; under the statute, a mark does not receive protection unless it is distinctive. Second, . . . the degree of distinctiveness of the senior mark will have a considerable bearing on whether the junior use will have a diluting effect. The more distinctiveness the mark possesses, the greater is the interest to be protected from dilution. For the reasons stated in the distinctiveness analysis above, the Court concludes that, for the purposes of dilution analysis, the AUTOZONE mark exhibits a moderate degree of distinctiveness, entitling it to a commensurate level of protection.

*Id.* at 736. The court noted (1) that the plaintiff was entitled “to a presumption that its registered trademark is inherently distinctive,” (2) that “analysis using the traditional spectrum approach would lead to the same conclusions,” but also (3) that the mark had acquired secondary meaning.

*NBBJ East Limited Partnership v. NBBJ Training Academy, Inc.*, 201 F. Supp. 2d 800 (S.D. Ohio 2001): An architectural firm brought action against a computer training school, alleging infringement and dilution of its mark NBBJ. In granting plaintiff an injunction against defendant using the mark NBBJ, the court noted that distinctiveness is a required element of dilution and quoted the following passage from the Sixth Circuit opinion in the *Moseley* case (259 F.3d at 469):

Distinctiveness is a crucial trademark concept, which places marks on a ladder reflecting their inherent strength or weakness. The degree of distinctiveness of a mark governs in part the breadth of protection it can command. At the low end are generic words--words that name the species or object to which the mark applies. These are totally without distinctiveness and are ineligible for protection as marks because to give them protection would be to deprive competitors of the right to refer to their products by name.... Thus, no one can claim the exclusive right to use the mark “CAR” for a car. One rung up the ladder are “descriptive” marks--those that describe the product or its attributes or claims. These also have little distinctiveness and accordingly are ineligible for protection unless they have acquired “secondary meaning”—this is, unless the consuming public has come to associate the mark with the products or unless the consuming public has come to associate the mark with the products or services of its user.... The next higher rung belongs to “suggestive” marks; these fall in an in-between category.... They are given less protection than is reserved for more distinctive marks--those
that are “arbitrary” or “fanciful.”… A mark is arbitrary or fanciful if there is no logical relationship whatsoever between the mark and the product on which it is used.... The most distinctive are marks that are entirely the product of the imagination and evoke no association with the human experience that relate intrinsically to the product.... The strongest protection of the trademark laws is reserved for these most highly distinctive marks.

*NBBJ East Ltd. Partnership*, 201 F. Supp. 2d at 806. The court found that NBBJ was arbitrary or fanciful.

**Ninth Circuit**

*Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2000): The Ninth Circuit affirmed the lower court’s ruling that MCA Records’ use of Mattel, Inc.’s mark BARBIE was a parody and nominative fair use. In affirming the lower court’s ruling that there was no claim for dilution under the FTDA, the Ninth Circuit noted that the mark BARBIE clearly met the requirements of fame and distinctiveness. *Id.* at 903. The court also held that MCA Records' use of the mark was dilutive. *Id.* However, the court determined that MCA Records’ use of the mark BARBIE fell within the scope of the noncommercial use exemption to the FTDA. See *id.* at 904-07.

**Eleventh Circuit**

*Corbitt Manufacturing Co. v. GSO America, Inc.*, 197 F. Supp. 2d 1368 (S.D. Ga. 2002): Corbitt brought an action based on its mark “NO FLOAT” for use in association with mulch. Corbitt claimed that GSO’s mark “NON-FLOATING” on their packaging of mulch infringed Corbitt’s mark. The court denied the plaintiff’s request for preliminary injunction. In addressing Corbitt’s dilution claim, the court held that while “some factors favor Corbitt, it has not shown the requisite level of fame. As mentioned above, NO FLOAT is at best a descriptive mark with secondary meaning. In fact, it is entitled to this presumption only because of its incontestable status. Even after assuming this status applies in the dilution context, there is little evidence of the ‘acquired distinctiveness of the mark.’” *Id.* at 1378.

**Legal Treatises**

In his treatise, *4 McCarthy on Trademarks and Unfair Competition § 24:91* to 24:91.2, the esteemed trademark law scholar, Professor J. Thomas McCarthy, finds no inherent distinctiveness requirement in the FTDA. In fact, he does not see
“distinctiveness” as a separate element from fame. He believes that the distinctiveness requirement in the statute only means that the mark must properly qualify as a mark, namely that it has inherent or acquired distinctiveness. Otherwise, the term would not be a mark at all.

D. Conclusion

An analysis of the case law and statute indicates that marks that have acquired distinctiveness should be protected under the FTDA. Given the consensus by a majority of Circuits, which is supported by both the text and purpose of the statute, the FTDA should be amended to clarify this point.

IV. NICHE MARKET FAME

The Federal Trademark Dilution Act of 1995 should not be amended at this time to state either that marks which are famous within limited geographic areas or commercial market segments are eligible for dilution protection under the Trademark Act to the same extent as marks that are famous on a nation-wide basis, or to state that such marks are ineligible for dilution protection under the Act.

There is no clear consensus on the issue of niche fame.\(^2\) No steps should be taken at this time to address the issue. Rather, the issue should be reevaluated after it has been defined further through the case law. Given the controversial nature of the niche fame issue, as shown by the divergent case law results below, and given that the issue has not been explicitly addressed in the FTDA before, we believe the issue of niche fame will be difficult to address through legislative changes. It is this controversy that distinguishes the niche fame issue from the acquired distinctiveness position noted above.

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A. The Niche Fame Issue Is Unresolved In The Courts

There is a split among the Circuit Courts of Appeals on the issue of whether “niche market” fame satisfies the statutory requirement that marks be famous to qualify for protection under the Federal Trademark Dilution Act (“FTDA”). See 15 U.S.C. § 1125(c) (extending federal trademark dilution protection to “owner(s) of a famous mark...”). The Third, Fifth, Seventh and Ninth Circuits hold that fame of a mark in a particular market segment may be sufficient to satisfy the FTDA’s fame requirement when the junior user’s mark is used in the same market segment. The First and Second Circuits reject the “niche market” standard, while the other Circuits have not formally opined on the issue.

The following survey of the leading Circuit Court of Appeals opinions begins with the Seventh Circuit’s *Syndicate Sales* decision because its analysis was particularly thorough and because it is widely cited by the other Circuits in their opinions on the issue.

*Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633 (7th Cir. 1999): This case centered on a trade dress infringement and dilution dispute between manufacturers of competing plastic baskets used for floral bouquets at funerals. See *Syndicate Sales*, 192 F.3d at 635. Finding that plaintiff’s trade dress was famous, if at all, only among wholesalers and retail florists, the trial court held that fame in such a niche market cannot be sufficient to establish fame for purposes of the FTDA. *Id.* at 640. The Seventh Circuit disagreed and remanded for consideration of whether Syndicate Sales’ trade dress was sufficiently famous in the market of wholesale and retail florists to qualify for federal dilution protection. *Id.* at 641.

A mark may be eligible for protection under the FTDA, the Seventh Circuit concluded, even when its fame is “limited to those engaged on a regular basis in commercial activity involving [the mark’s] product.” *Id.* at 641 fn.7. Specifically, the

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3 In contrast to the 9th Circuit (see *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 877-878 (9th Cir. 1999)), the 7th Circuit holds that fame within a limited geographic area is not sufficient for the FTDA. The legislative history of the Act made clear, the 7th Circuit noted, that, “in order to be ‘famous,’ a mark must be used in a substantial segment of the United States.” *Syndicate Sales*, 192 F.3d at 641, fn. 7. While this meant that marks famous in one local area were not entitled to federal dilution protection, fame within a limited commercial segment was sufficient when the market within which the commercial activity was occurring was national in scope. *Id.*
FTDA’s fame requirement may be satisfied when a senior mark is famous in a particular commercial market segment and defendant is using its allegedly diluting mark in the same market. *Id.* at 641.

The court noted that prior decisions in which the courts held niche-fame insufficient had generally addressed situations in which the disputed marks were used in separate markets,* while cases recognizing niche-market fame concerned disputed marks used in the same or related markets. *Id.* at 640. The court reasoned that one of the FTDA’s “fame” factors, *i.e.* 15 U.S.C. § 1125(c)(1)(F) (hereafter “Factor F”), “may be constricted to a particular market.”* Id.* at 641. The “narrowness of the market in which a plaintiff’s mark has fame” must be considered, presumably against a finding of fame, but is “less important” when the defendant uses its mark in the same market. *Id.* The court also found support for the niche fame concept in the Restatement, which concluded that: “A mark that is highly distinctive only to a select class or group of purchasers may be protected from diluting uses directed at that particular class or group. *Id.* at 640, citing *Restatement (Third) of Unfair Competition*, § 25, cmt. e (1995).*6


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*4 See Syndicate Sales, 192 F.3d at 640, fn. 5, citing, *inter alia*, Michael Caruso & Co. v. Estefan Enters. Inc., 994 F.Supp 1454, 1463; Golden Bear Int’l v. Bear U.S.A., Inc., 969 F.Supp. 742, 749 (N.D.Ga. 1996); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 968 F.Supp. 568, 578 (D.Colo. 1999). Because the cases focus on situations in which the two components of the niche fame doctrine are not present – fame of the plaintiff’s mark in a specific market segment and use by defendant of its mark in the same segment -- these decisions should not be read to reject a niche fame standard *per se* or to favor a “national renown” standard.

*5 The FTDA lists 8 non-exclusive factors that a court may consider to determine whether the mark is distinctive and famous.” *See Syndicate Sales*, 192 F.3d at 639, citing 15 U.S.C. § 1125(c)(1). Factor F embraces “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.” 15 U.S.C. § 1125(c)(1)(F).

*6 The Court also relied on Professor McCarthy, citing 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (“*McCarthy*”) § 24:112 at 24-204 to 24-205 (1999). However, Professor McCarthy no longer supports the concept of niche fame: “In the author’s view, the federal anti-dilution act does not require courts to recognize the phenomenon of niche fame. . . . [Indeed,] recognition of niche fame is an improper application of the federal act, is an unnecessary and superfluous legal theory and improperly displaces the traditional balance of competitive rights reflected in the likelihood of confusion test [for trademark infringement].” 4 *McCarthy* § 24:112.1 at 24-273 (2003).
affirmed a preliminary injunction on trademark dilution grounds. *See Times Mirror*, 212 F.3d at 160, 170. Plaintiff’s publication, *The Sporting News*, provided information on sports such as baseball, basketball, football and hockey and had a weekly circulation of about 540,000 in the United States and Canada. *The Sporting News* was sold at newsstands throughout the country and was advertised on television, on radio, and in direct mail. *Id.* at 161-162. Defendant’s *Las Vegas Sporting News* focused on “sports wagering ‘for the sports gaming enthusiasts . . .’” *Id.* at 161 (internal record citation omitted). With a circulation of 42,000, the *Las Vegas Sporting News* was also sold at newsstands across the country, but most copies were given away free in gambling casinos. *Id.* Citing *Syndicate Sales* and the Restatement, the Third Circuit endorsed the niche-fame standard: “We are persuaded that a mark not famous to the general public is nevertheless entitled to protection from dilution where both the plaintiff and defendant are operating in the same or related markets, so long as the plaintiff’s mark possesses a high degree of fame in its niche market.” *Id.* at 164. The court held that the two marks at issued “shared a common market,” i.e. the “sports periodical market.” Because “the mark ‘The Sporting News’ was famous in its niche,” it was “entitled to protection under the FTDA against [Las Vegas Sporting News]’s used of a similar mark in the same market.” *Id.* at 165.

In a sharply worded dissent, Judge Barry disagreed, although from her opinion it is not clear whether she rejects the niche fame doctrine entirely or as applied in this case.7 The problem with the niche fame doctrine, Judge Barry argued, is that it threatens to devour infringement law by providing a powerful trademark remedy in situations where

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7 On the one hand, Judge Barry noted that “the legislative history does not mention much less embrace a so-called ‘niche market’ theory of fame.” *Times Mirror*, 212 F.3d at 173. Moreover, “although Factor (F) focuses the analysis on the channels of trade in which the parties operate, it does not dictate the conclusion that fame solely within those channels of trade is enough for protection.” *Id.* at 175. That analysis supports the conclusion that only widely-renowned marks deserve federal dilution protection. Or as Judge Barry states towards the end of her dissent, “I do not believe . . . [that] a mark not immediately recognizable by the general public can . . . meet the fame requirement of the FTDA.” *Id.* at 179. But Judge Barry also worried that “the niche market theory risks lowering the bar for trademark protection unless it is applied prudently to cases which clearly call for such an analysis, and this is not one.” *Id.* at 173; emphasis added. Moreover, Judge Barry urges a court inclined to rule that a mark “famous only in its niche market . . . is entitled to protection under the FTDA, the evidence of fame should be rigorously examined.” *Id.* at 174.

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infringement law ought to apply, but without plaintiffs having to prove likelihood of confusion. See id. at 174. In the case at bar, Judge Barry stated, plaintiff ought to have shown that its mark was “truly famous among members of the general public.” Id. at 176. Even as to Factor F, plaintiff failed to present evidence that its mark was “recognized by a substantial portion of [Las Vegas Sporting News]’s potential consumers.” Id. at 175.

_Adcantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co., 238 F.3d 378 (5th Circuit 2001):_ At issue in this case were similar slogans used by two rental car companies – Advantage’s “We’ll Even Pick You Up” and Enterprise’s “We’ll Pick You Up” and “Pick Enterprise. We’ll Pick You Up.” _See Advantage_, 238 F.3d at 379. In denying Enterprise relief on its federal dilution claim, the district found that its mark was sufficiently famous. _Id._ at 379-380. The Fifth Circuit affirmed this finding, but cautioned that “[t]o the extent that the district court’s opinion can be read to suggest that Enterprise needed to prove fame beyond its market, we disagree.” _Id._ at 380. Instead, the Court held, the correct standard was that adopted by the Seventh Circuit in _Syndicate Sales_ and therefore what Enterprise needed, but failed, to prove was that its mark was famous “within the car rental industry, not in a broader market.” _Id._

_Thane Int’l, Inc. v. Trek Bicycle Corp., 305 F.3d 894 (9th Cir. 2002):_ In this action seeking declaratory relief, Trek had long used its trademark “TREK” on bicycles and related products, while Thane manufactured a stationary exercise machine under the “OrbiTrek” mark. _See Thane_, 305 F.3d at 898. The Ninth Circuit reversed summary judgment entered in Thane’s favor on Trek’s infringement claim, but affirmed on Trek’s dilution claim. _Id._ at 913.

Despite clear misgivings about the doctrine, the _Thane_ court reaffirmed its prior endorsement of the niche fame standard that “marks famous in only a limited geographic area or a specialized market segment can be ‘famous’ for the purposes of the federal anti-dilution statute.” _Id._ at 908, citing _Avery Dennison Corp. v. Sumpton_, 189 F.3d 868, 877 (9th Cir. 1999). The court stressed that the FTDA “protects a mark only when a mark is famous within a niche market and the alleged diluter uses the mark within that niche.”

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8 _See Thane_, 305 F.3d at 908 (noting the _Avery Dennison_ Court’s “repeated admonition that only prominent and renowned marks deserve [federal dilution protection]. . .”
Id., emphasis original; see also Avery Dennison, 189 F.3d at 877 (“[F]ame in a localized trading area may meet the [statutory fame requirement, as may] “specialized market segments . . . [when] the diluting uses are directed narrowly at the same market segment”; internal citations omitted).

A finding of fame for dilution purposes was unwarranted in the case at bar, the court explained, because, while TREK was a famous mark in the “non-stationary bicycle” market segment, its fame did not extend to the market segment that Thane functioned in – “stationary exercise machines.” Id. at 910. The analysis may turn on the appropriate level of generality; to establish niche fame, the relevant market must be defined very precisely: “To maintain coherence, the niche fame concept must focus on highly specialized market segments with an identifiable customer base.” Id. at 909. Within such well-defined market segments, “participants are likely to make associations between marks that the general public will not make.” Id. Conversely, as the level of generality expands -- for example, conceiving the market in the case at bar as “sporting goods” -- it becomes less likely that consumers in the various submarkets will form associations between disputed marks: “There is no reason why participants in this broad market will have any particular knowledge about products in submarkets in which they do not participate.” See id.

Further, in assessing niche fame, the extent and duration of use within the particular market segment is crucial: “[A] mark that is not widely associated with a particular product within a particular niche market is almost surely not famous in that market.” Id. Federal dilution law seeks to prevent junior users from appropriating the goodwill that a famous mark has developed over time. “Where there has been no successful, long-term development of goodwill with respect to particular markets, asserting fame within that specialized market is simply inconsistent with the purpose of the antidilution protection.” Id. Accordingly, Trek’s brief sale of stationary exercise bicycles or plans to re-enter that market did not support its dilution claim. Id.

I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27 (1st Cir. 1998): In a trade dress dispute involving the design and appearance of water faucets, the 1st Circuit affirmed the denial of a preliminary injunction on I.P. Lund’s infringement claim and vacated the grant of the injunction on its federal trademark dilution claim. See, I.P. Lund, 163 F.3d at
In creating an “exceptional anti-dilution remedy for truly famous marks,” the court explained, the FTDA imposed a “heightened” and “rigorous standard for fame.” *Id.* at 33, 47. Accordingly, “national renown is an important factor in determining whether a mark qualifies as famous under the FTDA.” *Id.* at 47. By this standard, the fact that I.P. Lund’s faucet may have been “renowned . . . in the world of interior design and high-end bathroom fixtures” did not establish that its design was “sufficiently famous to qualify for the FTDA’s protection.” *Id.* at 60.

*TCPIP Holding Company, Inc. v. Haar Communications, Inc.*, 244 F.3d 88 (2d Cir. 2001): In this case, the operator of a chain of children’s clothing stores under the registered mark “The Children’s Place” obtained a preliminary injunction barring defendant from using a number of internet domain names it owned that incorporated variations on plaintiff’s mark. *TCPIP*, 244 F.3d at 90. While affirming the injunction as to some of defendant’s domain names on infringement grounds, the Second Circuit vacated the injunction to the extent it was based on the FTDA. See, *id.*

The court emphasized the greatly “expanded rights” conferred by federal dilution law over those enjoyed under traditional infringement law and its likelihood of confusion analysis. See *id.* at 94-95. The FTDA gave a trademark owner “a far greater scope of exclusivity” than classic trademark infringement law and, because of that expansion, restricted the “class of entities for whose benefit the law was created.” See *id.* at 95. In view of the broad sweep of anti-dilution protect and the narrow range of intended beneficiaries, the court reasoned that Congress likely did not intend “to confer on marks that have enjoyed only brief fame in a small part of the country, or among a small segment of the population, the power to enjoin all other users throughout all realms of commerce.” *Id.* at 99. Accordingly, the FTDA’s protections did not extend to marks “that are famous in only a small area or segment of the nation,” but rather only to marks that carry “a substantial degree of fame.” *Id.* Plaintiff’s evidence did not amount to such a showing and, accordingly, the preliminary injunction had to be vacated to the extent it was premised on the FTDA. See *id.* at 100.
B. Selected District Court Decisions from Other Circuits Show Divergence In The Approach To Niche Fame

Fourth Circuit

_Hartog & Co. AS v. SWIX.com_, 136 F.Supp.2d 531, 534 (E.D.Va. 2001)\(^9\) - In this case, a manufacturer of a line of ski waxes, marketed under the trademark “SWIX,” sued an Internet services company that operated under the trade name SWiX Internet Dienste. _See Hartog_, 136 F.Supp.2d at 534. Adopting the niche-fame doctrine, the court found no dilution on the ground that the two companies operated in different market segments. _Id._ at 538, citing _Syndicate Sales, Inc. v. Hampshire Paper Corp._, 192 F.3d 633, 640 (7th Cir. 1999). Because of the distinct market segments, “the popularity of plaintiff’s ‘SWIX’ mark among American skiers is not enough to render it "famous" under the Lanham Act.” _Id._

Eighth Circuit

_Ott v. Target Corp._, 153 F.Supp.2d 1055 (D.Minn. 2001) - In this action, a designer and manufacturer of collector dolls sued a store chain and other defendants over a line of dolls that she claimed infringed and diluted her products’ trademarks and trade dress. _See Ott_, 153 F.Supp.2d at 1058-1062. Rejecting the “niche fame” doctrine, the court ruled that plaintiff’s trademark dilution claim failed as a matter of law. _Id._ at 1075.

Sharing Judge Barry’s concern that trademark dilution based on niche fame risked subsuming classic infringement law, the court concluded that “the niche-market theory is inconsistent with the purposes of trademark dilution law.” _Id._ at 1075 (citing _Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C._, 212 F.3d 157, 174 (3d Cir. 2000)). The court emphasized that dilution law was designed to protect marks on non-competing goods and services. _Id._ at 1076 (citing _Viacom Inc. v. Ingram Enterprises, Inc._, 141 F.3d 886, 888 (8th Cir. 1998)). The court explained: “Because this case involves directly competing products, application of the niche-market theory would result in an over-extension of the protection afforded by the FDTA and would render trademark infringement laws duplicative.” _Id._

\(^9\) Disagreed with on other grounds, _Harrods Ltd. v. Sixty Internet Domain Names_, 302 F.3d 214, 228 -232 (4th Cir. 2002).
Eleventh Circuit

_Carnival Corp. v. SeaEscape Casino Cruises, Inc.,_ 74 F.Supp.2d 1261 (S.D.Fla. 1999) - In a case involving two cruise lines, the court held that plaintiff’s mark was insufficiently famous to warrant federal dilution protection. _See Carnival, 74 F.Supp. 2d_ at 1261. In applying the niche-fame doctrine, the court noted that, while the Eleventh Circuit had yet to explicitly address the issue, it had affirmed a previous lower court decision that had applied the doctrine. _Id._ at 1271 (citing _Michael Caruso & Co., Inc. v. Estefan Enterprises, Inc._, 994 F.Supp. 1454, 1463 (S.D.Fla. 1998), _aff’d_, 166 F.3d 353 (1998)). The court found that the two companies operated in related, but different markets namely Carnival offered several day “vacation” cruises, “while SeaEscape's product is a day or evening of entertainment at sea.” _Id._ at 1270-1271. Also finding Carnival’s survey evidence weak, the Court held that plaintiff’s mark was not "famous" for purposes of a federal dilution claim. See _id._ at 1721.

C. Conclusion

Although the courts are split on the issue of niche fame which usually suggests the need for a legislative change, the time is not ripe to consider a such a change. There is no consensus in the trademark community, in contrast to the case of protecting marks that have acquired distinctiveness, as to the resolution of this issue. There is too much disagreement over what the specific changes should be, if any, and thus no change is warranted at this time. As the courts continue to address the issue, a consensus may develop on the issue that does not now exist.