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# THE DILUTION SOLUTION: POPULATING THE TRADEMARK A-LIST

Scott C. Wilcox\* †

In our celebrity-conscious culture, the media serve as arbiters of fame. The editors of *Us Weekly* and *People* wield significant influence over public recognition of celebrities. Since the Federal Trademark Dilution Act (“FTDA”) amended the Lanham Act in 1995, federal courts have adopted similar roles as arbiters of fame, determining which trademarks are sufficiently famous to receive federal protection against dilution. Recent changes to the Lanham Act, however, reserve the availability of dilution actions to “A-list” marks. These changes fulfill the objectives of trademark law while achieving Congress’s intent in enacting the FTDA.

## I.

Dilution protection stems from a desire to maintain the value of famous trademarks. As the Supreme Court discussed in *Moseley v. V Secret Catalogue, Inc.*, the common law prohibited trademark infringement in order to protect consumers against confusion generated by the use of infringing marks. Statutory bans on dilution, by contrast, are primarily concerned with maintaining the value of trademarks. Frank Schechter, in his influential 1927 law review article entitled *The Rational Basis of Trademark Protection*, argued that trademark law should preserve the uniqueness of a trademark. He explained how “coined, arbitrary or fanciful words or phrases . . . have . . . added to . . . the human vocabulary . . . and have created in the public consciousness an impression or symbol of the excellence of [a] particular product.” Schechter’s desired protection against what would eventually become known as dilution was slow to catch on. By enacting the nation’s first anti-dilution law in 1947, Massachusetts began a trend followed by at least twenty-four additional states. However, as of 1995, a substantial minority of states had not yet addressed dilution. A House Judiciary Committee report reveals that Congress, recognizing the variance among the states, enacted the FTDA in order to “bring uniformity and consistency to the protection of famous marks.”

Federal dilution actions have become popular among trademark owners, since they allow for injunctive relief even where no likelihood of confusion

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exists. This trend is unsurprising, as investments in trademarks have steadily increased, causing trademark owners to be especially sensitive to their marks' commercial value. According to Worldwatch, advertising revenues in the United States topped \$273 billion in 2005. Additionally, a TNS Media study shows that each of the top ten advertisers in 2005 spent over one billion dollars in promoting their respective brands. Against this backdrop, what Beverly Pattishall observed in his 1984 article, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, certainly remains true—the “number of product brands and images now competing for a few instants of awareness by the consumer increases annually.”

Since the FTDA became law, several statutory requirements have confounded courts. The legislative history of the Trademark Dilution Revision Act of 2006 (“TDRA”) supports a conclusion that the primary purpose of the TDRA was to abrogate the Supreme Court’s holding in *Moseley*—that actual evidence of dilution was required under the Lanham Act. In addition, there had been a continuing judicial struggle to develop a consensus on whether prominence within a region or “niche market” could support a finding of fame under the Lanham Act. The recently enacted TDRA eliminated this method of acquiring fame.

## II.

The House Judiciary Committee report accompanying the FTDA indicated that the “geographic fame of the mark must extend throughout a substantial portion of the U.S.” The FTDA itself contained no such language, but even if it had, “substantial” offers little meaningful guidance. As a result, it remained uncertain whether marks having prominence only in a “niche market” were famous for purposes of the Lanham Act. Thomas McCarthy, in his treatise *Trademarks and Unfair Competition*, identified the issue as being “whether a mark famous only to a small segment of buyers, such as professional buyers in a specialized market (e.g., professional florists) or a distinct subset of consumers (e.g., owners of pleasure sailing boats) is eligible for the special protections afforded by anti-dilution law.”

At least one circuit had rejected the proposition that a mark’s prominence within a niche market, without more, could fulfill the statutory fame requirement. The Second Circuit acknowledged the problem in *TCPIP Holding Co. v. Haar Communications, Inc.* The *TCPIP* court doubted that Congress had “intended 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 the nation in all realms of commerce.” Although the Second Circuit emphasized that examples in a legislative report do not set the boundaries of a statute, the court pointed out that Congress only mentioned marks that “for the major part of the century [had] been household words throughout the United States,” naming Dupont, Buick, and Kodak, which are “representative of the best known marks in commerce.”

Conversely, other courts had accepted that a mark renowned in a niche market could satisfy the Lanham Act fame requirement. The Third Circuit, in *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, held that fame could arise from “a high degree of distinctiveness within [a niche] market.” Similarly, the Seventh Circuit, in *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, directed the district court to consider whether the plaintiff’s trade dress was sufficiently famous within the niche market. The *Syndicate Sales* court reasoned that one of the statutory factors for evaluating fame suggested that prominence within a particular market could suffice: “the degree of recognition of the mark in the trading area and channels of trade used by the marks’ owner and the person against whom the injunction is sought.”

### III.

The TDRA has resolved the controversy by implicitly excluding niche markets from its definition of famous. An accompanying House Judiciary Committee report acknowledges this amendment, noting that the legislation alters the “threshold of ‘fame’ and thereby denies protection for marks that are famous only in ‘niche’ markets.” Accordingly, the Lanham Act now defines a famous mark as one “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” In determining whether a mark is sufficiently recognized by the public, the statute specifies that courts should consider “all relevant factors,” including the duration, extent, and geographic reach of the mark’s advertising and publicity; the amount, volume, and geographic extent of sales of goods or services offered under the mark; and the extent of the mark’s actual recognition.

But is limiting dilution protection wise? While considering amendments to the FTDA, Congress recognized that the lack of clarity surrounding the definition of fame had promoted forum shopping and led to unnecessarily costly lawsuits. Narrowing the definition was not the only way to increase its clarity, however, as adopting a broader conception of fame could have achieved the same result.

Nonetheless, a limited approach to dilution protection is most consistent with the legislative history of the FTDA. Congress intended dilution protection to be supplementary, applicable only where ordinary infringement law did not already provide a remedy. As the dissenting judge argued in *Times Mirror*, “[i]f marks can be ‘famous’ within some market, depending on how narrowly that market is defined, then the FTDA will surely devour infringement law.” Traditional infringement actions, the dissent noted, afford adequate protection within niche markets, eliminating the need for dilution protection. The dissent further pointed out that it is “hard to conceive of any consumer goods or services that are not in a narrow market of some type.”

Narrowly defining fame also protects good faith competition. Trademark law initially developed in order to protect consumers against deceit. More recently, courts have offered broader relief against unfair competition, but

have constrained those actions by requiring a likelihood of confusion. Broadening the definition of fame would burden competition by seriously restricting the pool of marks available to prospective competitors. It would be impossible to justify such anticompetitive protection for senior trademark users, especially in situations where no confusion is likely.

Limiting dilution protection is also compatible with Congress's intent of improving global intellectual property protection for American companies. The FTDA's legislative history repeatedly cites a desire to gain credibility for U.S. negotiators who were seeking better global protection of U.S. trademarks. On the Senate floor, Senator Leahy indicated that the FTDA would "strengthen the hand" of U.S. trade negotiators, stating that "[f]oreign countries should no longer argue that we do not protect our marks from dilution, nor seek to excuse their own inaction against practices that are destructive of the distinctiveness of U.S. marks within their borders." The House Judiciary Committee report similarly explained that "[f]oreign countries are reluctant to change their laws to protect famous U.S. marks if the U.S. itself does not afford special protection for such marks." Limiting dilution protection is not incompatible with these objectives because nationally-recognized trademarks are the most likely targets for those seeking to capitalize on a mark's goodwill. Although lesser known marks, such as those prominent only in a niche market, may also be co-opted abroad, that alone cannot justify expanding domestic protection. Moreover, the legitimacy provided to U.S. trade negotiators by federal dilution protection was derived primarily from the initial implementation of the FTDA, and altering the exact scope of the protection is unlikely to significantly impact future trade negotiations.

As courts begin to apply the new Lanham Act definition of fame, they will sometimes be confronted with difficult questions of proof surrounding whether a given mark is "famous." The terms "widely recognized" and "general consuming public of the United States" are not completely transparent. Nevertheless, Congress has wisely limited the scope of dilution protection to A-list brands. Courts will now be able to focus, just like the editors of *Us Weekly* and *People*, on the more nuanced factual question of whether a party appears on the A-list.