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Dilution's (Still) Uncertain Future

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DILUTION'S (STILL) UNCERTAIN FUTURE

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Dilution looked to be a potent weapon when Congress introduced it as § 43(c) of the Lanham Act in 1995. Indeed, some observers feared that it would be too potent (and in some contexts, such as cybersquatting, it successfully augmented traditional causes of action). But a series of court decisions, culminating in the Supreme Court's 2003 *Moseley v. V Secret Catalogue* opinion, weakened dilution protection so profoundly that what remained wasn't of much consequence.

Congress has recently sought to breathe new life into dilution law, enacting the Trademark Dilution Revision Act of 2006 ("TDRA"). Some might see this as a legislative resuscitation of § 43(c), but it's not quite accurate to characterize the TDRA in such categorical terms. On the one hand, the TDRA adopts a likelihood of dilution standard, abrogating the holding of *V Secret*. In addition, the TDRA expressly endorses tarnishment and blurring as forms of dilution, clarifies that dilution protection is available for marks that have acquired distinctiveness, eliminates "commercial" use as an element of the prima facie claim, and acknowledges, albeit in a back-handed manner, that dilution protection is available for trade dress. On the other hand, the TDRA also tightens the fame prerequisite, shuts the door to new forms of dilution, and arguably makes the use requirement stricter in other respects, all moves that may make dilution actions harder to sustain.

So how will the TDRA fare in the courts? In the short term, some judges may detect a congressional signal that dilution is to be taken seriously again. But there are good reasons to believe that the TDRA has not put to rest the concerns that generated judicial resistance under pre-TDRA law. Judges are unlikely to have lost their distaste for rights that appear unconnected to the protection of consumers, or their solicitude for speech interests, both of which underlay skepticism of dilution protection pre-TDRA. Until proponents of dilution law develop a clear and autonomous theoretical basis for protection, those impulses are not likely to remain dormant for long. Courts will feel particularly free to act on these fundamental concerns if the new law contains ambiguities. And it does. To illustrate this continuing problem

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for dilution, we consider two aspects of the new law that we expect will be among the focal points of the judicial response to the TDRA: the forms of dilution and the use as mark requirement.

I. Forms of Dilution

The patchwork of state laws that the 1995 law sought to federalize routinely recognized two forms of dilution: dilution by tarnishment and dilution by blurring. Tarnishment typically arose in cases in which a trademark was associated with shoddy or unseemly products. Blurring was never well-defined, but was implicated in cases where a trademark's use by a variety of unconnected parties on a disparate range of products or services would undermine the signaling function of the brand.

The 1995 changes to the Lanham Act did not define the forms of dilution that were actionable. The concepts of tarnishment and blurring were mentioned in legislative debates, but the statute grounded liability on the general standard that defendant's use caused a "lessening of the capacity . . . to identify and distinguish goods." For the most part, courts simply assumed that Congress meant to recognize blurring and tarnishment, and perhaps was amenable to rendering actionable other forms of dilution as well, such as dilution by cybersquatting. Courts, however, never developed a coherent test for blurring, and dicta in *V Secret* appeared to question whether § 43(c) embraced tarnishment in the absence of express statutory language.

The TDRA responds by recognizing, and defining, both dilution by blurring and dilution by tarnishment. Tarnishment is defined as a third party use that creates an association that "harms the reputation of the famous mark." Although this clarifies that dilution by tarnishment is indeed actionable, the definition is hardly self-limiting, a feature that has always made tarnishment potentially overbroad. And the lack of any articulated theoretical basis for tarnishment means that courts cannot infer limits by providing a purposive gloss to the definition. Instead, courts seeking to cabin the tarnishment cause of action will likely rely on the revised affirmative defenses or develop a trademark use requirement (discussed below). A theoretical basis for those defenses *does* exist (*e.g.*, free speech values), even if their application is often contested.

Similarly, the effectiveness of the TDRA's attempt to clarify the concept of blurring is likely to be hampered by the lack of clear distinctions between classic infringement and dilution actions and the failure to connect theory to doctrine. In particular, there have been efforts by courts and scholars to rationalize protection against blurring as an extension of the traditional trademark concern for reducing search costs. And courts have tried to make operational the gist of blurring concerns. For example, in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, decided under the New York statute several years before the enactment of federal protection, Judge Sweet suggested that whether blurring had occurred should be determined by examining six factors: (i) similarity of the marks; (ii) similarity of the products

covered by the marks; (iii) sophistication of consumers; (iv) predatory intent; (v) renown of the senior mark; and (vi) renown of the junior mark.

When courts began adjudicating cases under the federal statute, some judges simply adopted Judge Sweet's factors as a means of assessing blurring. Others, notably Judge Leval in *Nabisco, Inc. v. PF Brands, Inc.*, were more critical of certain factors, and indeed of the whole notion of a closed list of relevant factors. The TDRA adopts a multi-factor approach that is strongly reminiscent of Judge Sweet's factors. The statute does respond in part to the *Nabisco* critique. It discards "renown" in favor of separate assessments of the "degree of recognition of the famous mark" and the "degree of inherent or acquired distinctiveness of the famous mark." It also makes clear that the factors are not exclusive or even mandatory.

We think, however, that the TDRA multi-factor approach will merely trigger judicial resistance to blurring causes of action. Blurring arguably lacks any distinct theoretical basis. The most persuasive scholarly defenses rest on the same search costs rationale as classic confusion-based infringement. As a result, blurring often looks too much like a second shot at proving likelihood of confusion under a slightly different verbal formulation (and applying doctrine, such as the fame requirement, which seems unconnected to the theoretical justification of reducing search costs). Courts finding for a defendant on the question of likely confusion are unlikely to react favorably to the TDRA multi-factor analysis. It looks like little more than confusion analysis with a different paint job. Of course, the TDRA does not *require* courts to employ the blurring factors. A court might ignore the multi-factor test altogether in favor of any number of different approaches. This flexibility may provide sufficient room for courts to act on the same underlying hostility that led to *V Secret*.

II. Use as a Mark

The TDRA also wades into debates that are taking place within the broader remit of trademark law. In particular, in rather ambiguous language, the act seeks to impose a requirement that an alleged infringer be using the plaintiff's famous mark as a mark. The so-called trademark use requirement has been the subject of recent litigation in infringement proceedings, primarily with respect to the unauthorized use of marks in the sale of pop-up advertising or sponsored links on search engines. In that context, in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, the Second Circuit last year announced that a defendant could not be held liable absent use of the plaintiff's mark as a mark. Lower courts remain split on this question, but some scholars have argued that the TDRA extends the Second Circuit's position to dilution actions.

That the TDRA did in fact impose a trademark use requirement was clearer in earlier versions of the legislation. Thus, in a prior version, the legislation included a requirement that the defendant use the plaintiff's mark "as a designation of source." Some bar associations objected, arguing that the term "designation of source" was unknown to trademark law and would

as a result create substantial uncertainty. To meet that objection, the language in question was changed to require that the defendant make "use of a mark or trade name," a formulation not substantially different from that found in the 1995 legislation. If Congress was trying to enact a trademark use requirement, it did so inartfully. First, the requirement is strictly not a trademark use requirement, but a "use as a mark or a trade name" requirement. Second, the language still requires use *of* a mark or trade name (although the slight changes to the word order of the prima facie claim make it marginally easier to argue that the TDRA is directed at use *as* a mark or trade name). Third, as we've argued in *Confusion Over Use: Contextualism in Trademark Law* (forthcoming 2007), we're not persuaded that anyone knows what trademark use really means.

If the courts do find a trademark use requirement in the TDRA, the uncertainties of what constitutes trademark use (only now being litigated explicitly in the infringement context) will once again allow courts to act upon an underlying hostility to dilution law. We expect defendants to seize on the contested nature of that concept. The result will likely be a very narrow interpretation of what constitutes "use as a mark," arguably with consequences for trademark law generally.

Of course, this incidental and unhelpful intrusion upon general trademark law could have consequences which are even more unpredictable. Given the language in the TDRA supposedly requiring a trademark use in order to find liability, what is one to make of the different language in § 32 or § 43(a)? Although Congress was not purporting to speak on the elements of an infringement cause of action, it would not be a surprise if a litigant were to try to exploit the difference between the language in the infringement and dilution provisions; on the whole, courts are less hostile to confusion-based claims.

Introducing a trademark use requirement would also raise questions regarding the interaction of the prima facie elements of the dilution claim and the affirmative defenses. In this regard, Congress has undermined the logical coherence of the new law in much the same way as it did the old. In the 1995 Act, "commercial use" in commerce was an element of the prima facie claim. Yet it was not obvious how that requirement interacted with the affirmative defense of "noncommercial use." The Ninth Circuit reconciled these provisions in *Mattel, Inc. v. MCA Records, Inc.* by concluding that the noncommercial use defense immunized speech protected by the First Amendment, which includes some use that is commercial. There was a consensus developing in the lower courts regarding the meaning of the term "commercial use." Just as that common understanding was emerging, Congress has, in the TDRA, belatedly resolved the textual incoherence by deleting the requirement of "commercial use."

But Congress has replaced one form of incoherence with another in the way that it has legislated the use as a mark requirement. Thus, § 43(c)(3)(A) excuses a defendant's fair use "other than as a designation of source." However, what conduct within the scope of the prima facie claim (which must, it is claimed, be "use as a mark") is excused by § 43(c)(3)(A)? Indeed, the

defense seems to protect a narrower range of third-party use than might be excluded from liability by the element of the prima facie claim because the defense has a fair use hurdle built into it as well. Thus, if trademark use is an element of the prima facie claim, the defense may be little needed. The ambiguities in the trademark use concept may well provide a sufficient opening for hostile courts to find that no prima facie dilution claim has been made.

To the extent that courts do rely on the fair use defense, the language of that defense might also prompt examination of broader trademark concepts. The new § 43(c)(3)(A) excludes liability for any fair use "including a nominative or descriptive fair use . . . other than as a designation of source for the [defendant's] own goods or services." But it is not clear how courts understand "nominative use" despite the efforts of the Ninth Circuit to draw a clean line between nominative and descriptive use. Will litigation of § 43(c)(3)(A) be the vehicle for further exploration of that concept? Indeed, a literal reading of the defense (and, in particular, the term "including") might suggest that Congress intended to acknowledge fair uses other than nominative or descriptive use. This is probably not what Congress intended, but is there room for development of other examples of fair use?

Conclusion

Although the TDRA frames dilution with new language, old problems remain. The central concepts in dilution law remain enigmatic, and the concept of trademark use exacerbates the uncertainties. Until independent policy rationales for dilution are articulated more precisely and connected to the contours of the implementing doctrine, it is likely that courts will receive the new version of dilution with the same overriding skepticism that led them to eviscerate the old law (and some state dilution laws before that).