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Dilution Standard Number: A Quantitative Approach in Proving Actual Dilution Under the Federal Trademark Dilution Act

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DILUTION STANDARD NUMBER: A QUANTITATIVE APPROACH IN PROVING ACTUAL DILUTION UNDER THE FEDERAL TRADEMARK DILUTION ACT†

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I. INTRODUCTION

This Comment focuses on the Supreme Court's interpretation of the Federal Trademark Dilution Act (FTDA) of 1995 in *Moseley v. V Secret Catalogue, Inc.*[1] and develops a quantitative approach using the Court's language to prove dilution under the FTDA. This quantitative approach converts the Court's language in *Moseley* into a mathematical equation incorporating various factors used in previous dilution cases. Applying a set of facts to this equation, one can determine whether dilution can be proven under the FTDA.

The FTDA provided owners of famous and distinctive marks a nationwide remedy for their dilution claims.[2] Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services . . . ."[3] Trademark dilution can occur by tarnishment or blurring.[4] Tarnishment occurs when an unauthorized person uses the famous mark in an unwholesome or unsavory context.[5] This creates negative feelings, which in turn injures the reputation and dilutes the selling power of the famous mark.[6] Examples would be the KODAK topless bar or a BUICK brand bong.[7] The focus of this Comment, however, will be on dilution by blurring, which constitutes the majority of dilution claims.[8] A distinctive and famous mark is most "likely to produce both a prompt and a uniform 'free association' response when mentioned to most consumers."[9] Thus, when consumers hear or see the famous mark ROLEX, most of them will respond with

1. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433 (2003) (holding that the "text [of the FTDA] unambiguously requires a showing of actual dilution, rather than a likelihood of dilution").

2. *See* 15 U.S.C. § 1125(c) (2000) (providing that "owner[s] of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark").

3. *Id.* § 1127.

4. ROGER E. SCHECHTER & JOHN R. THOMAS, INTELLECTUAL PROPERTY: THE LAW OF COPYRIGHTS, PATENTS, AND TRADEMARKS 697 (2003).

5. *Id.* at 716.

6. *Id.*

7. *Id.* Dilution by tarnishment cases involved the use of the famous mark with sexually explicit subject matter (such as a KODAK topless bar) or in connection with references to illegal drugs (such as a BUICK brand bong used to smoke marijuana). *See id.*

8. *Id.* at 710.

9. *Id.* at 711.

"watches."[10] In contrast, a weak mark will produce a variety of responses from consumers.[11] When consumers hear or see the mark UNITED, some might respond with "airlines," some with "van lines," and still others with "states."[12] Blurring of a famous mark occurs when the unauthorized use of the mark causes the famous mark to fall from the first category to the second—from a strong distinctive mark to a weaker less distinctive mark.[13]

The U.S. Supreme Court recently settled an important issue under the FTDA when it decided *Moseley v. V Secret Catalogue, Inc.*[14] The federal appellate courts were split on the issue of whether the FTDA requires an actual dilution or likelihood of dilution standard.[15] The Supreme Court held that the text of the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."[16] However, the Supreme Court stated that this does not mean that plaintiffs have to prove actual loss of sales or profits.[17] In addition, direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can be reliably proven through circumstantial evidence.[18] This Comment introduces a quantitative approach incorporating various factors used in previous dilution cases to determine whether actual dilution can be shown by circumstantial evidence.[19] The Dilution Standard Number is the required threshold level that must be met in order to show actual dilution. This number is derived from the language of the Supreme Court's holding in *Moseley*.[20]

Part II of this Comment gives a brief history of trademark dilution, starting with Schechter's *Harvard Law Review* article in 1927 and concluding with the enactment of the FTDA of 1995.[21] Part III describes the two standards, actual dilution and likelihood of dilution, which

10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.*
14. *See* 537 U.S. at 433 (2003) (concluding that the FTDA requires a showing of actual dilution rather than a likelihood of dilution).
15. *Compare* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 458 (4th Cir. 1999) (holding that the FTDA requires a showing of actual dilution), *with* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 223–25 (2d Cir. 1999) (interpreting the FTDA to require a likelihood of dilution).
16. *Moseley*, 537 U.S. at 433.
17. *Id.*
18. *Id.* at 434.
19. This quantitative approach is based on the Author's experience in solving word problems in mathematics.
20. *See Moseley*, 537 U.S. at 434 (holding that "direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence" as in the case where the marks are identical).
21. *See* Federal Trademark Dilution Act of 1995, 15 U.S.C. § 1051–1129 (2000); Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), *reprinted in* 60 TRADEMARK REP. 334 (1970).

have come from the circuit courts' interpretation of the FTDA. This section also discusses interpretations from various organizations such as the American Bar Association, American Intellectual Property Law Association, and International Trademark Association. Part IV discusses the Supreme Court's interpretation of the FTDA in *Moseley* and identifies the guidelines the Court set out in its holding to show actual dilution. Finally, Part V introduces the Dilution Standard Number, develops the quantitative approach in determining this number, and applies this approach to a hypothetical. This approach discusses the various factors used by the circuit courts in dilution cases and the extent to which these factors contribute to actual dilution.[22]

II. Trademark Dilution: A Brief History

Unlike traditional trademark infringement law, trademark dilution is not driven to protect consumers from confusion but to preserve the uniqueness or distinctiveness of a trademark.[23] Many legal scholars acknowledge that trademark dilution was born in 1927 when the *Harvard Law Review* published an article by Frank Schechter entitled *The Rational Basis of Trademark Protection*.[24] Schechter believed that the more unique or distinctive the mark, the greater the hold the mark had on the public consciousness and the more effective its selling power.[25] Therefore, these truly unique trademarks should be protected when another person's use of a mark causes "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark."[26] This concept broadened the definition of a trademark in that it was not only used as a symbol to identify the source of a good, but also as an active agent in the creation of good will—"reputation and expectation of repeat patronage."[27]

As early as 1932, Congress considered enacting legislation that would have included dilution in federal trademark law.[28] However, the legislation was not adopted, and as a result, proponents shifted their focus to state legislation.[29] In 1947, Massachusetts enacted the first state statute protecting trademarks from dilution.[30] The trademark owner had to show a "likelihood of injury to business reputation

22. This quantitative approach is another method of determining whether there is sufficient circumstantial evidence to show actual dilution. This approach is not based on any exact science.

23. *See* Schechter & Thomas, *supra* note 4, at 695.

24. *See, e.g.*, *Moseley*, 537 U.S. at 429; Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 453 (4th Cir. 1999); *id.*; Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 Iowa L. Rev. 731, 733–34 (2003).

25. Schechter, *supra* note 21, at 819.

26. *Id.* at 825.

27. Margreth Barret, Intellectual Property 676 (2d ed. 2001).

28. Schechter & Thomas, *supra* note 4, at 696.

29. *Id.*

30. *Id.*

https://scholarship.law.tamu.edu/txwes-lr/vol11/iss1/8
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or of dilution of the distinctive quality of a trade name or trade-mark" for injunctive relief.[31] Therefore, the statute covered both dilution by "tarnishment" and "blurring."[32] Most states followed with similar anti-dilution statutes before Congress enacted the Federal Trademark Dilution Act (FTDA) in 1995.[33]

The FTDA provided that "[t]he owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes *dilution* of the distinctive quality of the mark."[34] In addition, the statute specified that dilution could occur whether or not there is a "likelihood of confusion" or competition between the parties.[35] However, the statute included two exceptions allowing for non-commercial use and "fair use" of a registered trademark.[36] As Senator Hatch indicated in his explanation of the bill, the purpose was "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it," and he referred to examples such as "Dupont shoes," "Buick aspirin," and "Kodak piano," as well as to those in Schechter's article.[37]

III. Interpretation of the Federal Trademark Dilution Act

Some of the circuit courts have identified general elements in a trademark dilution case brought under the FTDA.[38] These include: (1) senior mark must be famous; (2) senior mark must be distinctive; (3) the junior use must be commercial use; (4) the use must begin after the senior mark becomes famous; and (5) the use must cause dilution of the distinctive quality of the senior mark.[39] Other courts did not include the second element of distinctiveness.[40] The major

31. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 430 (2003) (citing the 1947 Mass. Acts 300).

32. *Id.*

33. *See, e.g.*, Cal. Bus. & Prof. Code § 14330 (West 2002 & Supp. 2004); Fla. Stat. Ann. ch. 495.151 (West 2002); N.Y. Gen. Bus. Law § 360-1 (Consol. 1999); Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002).

34. 15 U.S.C. § 1125(c)(1) (2000) (emphasis added).

35. *Id.* § 1127.

36. 15 U.S.C. § 1125(c)(4).

37. 141 Cong. Rec. 38559 (1995).

38. *See, e.g.*, V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 468–69 (6th Cir. 2001); TCPIP Holding Co. v. Haar Communications Inc., 244 F.3d 88, 98 (2d Cir. 2001); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000); I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 36 (1st Cir. 1998).

39. *See V Secret Catalogue*, 259 F.3d at 468–69 (explaining the term senior mark identifies the trademark that was used first in time compared to the junior mark); *TCPIP Holding Co.*, 244 F.3d at 98; *Westchester Media*, 214 F.3d at 670; *I.P. Lund Trading ApS*, 163 F.3d at 36 (1st Cir. 1998).

40. *See* Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157, 166–68 (3d Cir. 2000); Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 466 (7th Cir. 2000); Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div.

split among the circuits was with the fifth element: some courts required senior users to prove actual economic harm caused by dilution, while the others required only a showing of a likelihood of dilution in order to prevail.[41]

A. *Arguments in Support of a Likelihood of Dilution Standard*

Proponents of the likelihood of dilution standard rely on a number of arguments to support their position. One of the main arguments is that the likelihood of dilution standard is more consistent with Congress's intent in enacting the FTDA.[42] The Congressional Record stated the difference between trademark confusion (infringement) and dilution as, "[E]ven in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."[43] First, the record shows that Congress intended to "provide a remedy for the lesser trademark violation of dilution and recognize[d] that the essence of [a] dilution claim is a property right in the 'potency' [or value] of a mark."[44] Second, "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark"—indicates that Congress intended to provide relief before dilution has actually caused economic harm to the famous mark.[45]

Another argument in support of this standard is that the primary remedy of the FTDA is injunctive relief against future use of the junior mark; damages are allowed only when the defendant acts willfully.[46] Principles of equity do not require actual harm for granting injunctive relief.[47] Therefore, if actual economic harm was required, the owners of famous and distinct marks would be restrained from bringing suit prior to suffering an injury and the FTDA would not compensate them unless the defendant acted willfully.[48] Furthermore,

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of Travel Dev., 170 F.3d 449, 452 (4th Cir. 1999); Luigino's, Inc. v. Stouffer Corp., 170 F.3d 827, 832 (8th Cir. 1999); Panavision, Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998).

41. *Compare Westchester Media*, 214 F.3d at 670, *and Ringling Bros.*, 170 F.3d at 458, 461, 464 (holding that the FTDA requires a showing of actual dilution of the famous mark), *with V Secret Catalogue*, 259 F.3d at 475–76, *Eli Lilly*, 233 F.3d at 468, *Times Mirror Magazines*, 212 F.3d at 168–69, *and* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224–25 (2d Cir. 1999) (holding that the FTDA requires a showing of a likelihood of dilution).

42. *See* Amicus Curiae Brief of Intellectual Property Law Professors at 2, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (No. 01-1015).

43. H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030.

44. *V Secret Catalogue*, 259 F.3d at 475.

45. *Id.* at 476.

46. 15 U.S.C. § 1125(c)(2) (2000).

47. *See* Swift & Co. v. United States, 276 U.S. 311, 326 (1928).

48. *See* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999).

by the time actual economic harm has occurred, defendants could assert that the famous mark has lost its distinctiveness due to the numerous other marks that have used it, and owners of the famous mark would be open to the argument that they have failed to actively protect their rights.[49] As one court noted, "Congress could not have intended these unjust and inefficient results."[50]

Lastly, a major concern involves the difficulties in proving actual dilution.[51] Losses in sales or profits can never conclusively prove actual dilution.[52] "The distinctiveness of a mark may be diluted even though sales are increasing due to other favorable market conditions."[53] Even if decreased sales could be shown, it would be very difficult to prove that the loss occurred because of the dilution of the famous mark.[54] One way plaintiffs have attempted to prove actual dilution is through the use of consumer surveys.[55] However, the use of consumer surveys can be expensive, time consuming, and susceptible to manipulation.[56] "First, it is not clear how to design a survey that measures dilution at all."[57] As the Restatement explains, "mental associations evoked by the mark [are] not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior."[58] Second, surveys require time comparisons with regard to the value of the famous mark before and after the use of the junior mark.[59] Famous mark owners would be compelled to continually and formally survey consumers' perceptions of their marks in anticipation of future litigation, and this creates a heavy and impractical burden on famous mark owners.[60] One of the courts noted, "It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible."[61]

B. *Arguments in Support of an Actual Dilution Standard*

Proponents of an actual dilution standard base their interpretation on a number of arguments. Their main argument is that the plain

49. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 467–68 (7th Cir. 2000).
50. *Id.* at 468.
51. *See* Amicus Curiae Brief of the American Intellectual Property Law Association at 2, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (No. 01-1015).
52. *Id.* at 7 (citing *Nabisco*, 191 F.3d at 223).
53. *Id.* (citing *Eli Lilly*, 233 F.3d at 468).
54. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999).
55. *See, e.g.*, Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 462 (4th Cir. 1999).
56. *Nabisco*, 191 F.3d at 224.
57. Amicus Curiae Brief of Intellectual Property Law Professors at 9, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (No. 01-1015).
58. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25, cmt. f. (1995).
59. Amicus Curiae Brief of the American Intellectual Property Law Association at 8, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (No. 01-1015).
60. *Id.* at 9.
61. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 468 (7th Cir. 2000).

meaning of the text requires actual dilution of the mark rather than a likelihood of dilution.[62] According to the statute, the conduct prohibited is "another person's . . . use" of the mark, not merely threatened use.[63] In addition, the statute requires the use actually "cause[ ] dilution," not "will" or "may" cause dilution.[64] "Both the present tense of the verb and the lack of any modification of 'dilution' support an actual harm standard."[65] Moreover, Congress's selection of a "causes dilution" standard instead of a "likelihood of dilution" standard is significant in light of the many state anti-dilution statutes that predated the FTDA and expressly incorporated a "likelihood of dilution" standard.[66] This implies that Congress intentionally rejected the state model and required a showing that dilution had already begun.[67]

Another argument proponents rely on in support of actual dilution is that Congress adopted a "likelihood of confusion" standard for trademark infringement, which is located in the same section of the United States Code as trademark dilution.[68] Thus, if Congress intended to adopt a likelihood of dilution standard, Congress would have included this phrase in the FTDA. In addition, Congress used the "likelihood of confusion" phrase in the definition of dilution, indicating that dilution could occur regardless of whether there was a "likelihood of confusion."[69] This strongly implies that Congress intentionally rejected a likelihood of dilution standard and accepted an actual dilution standard by using the phrase "causes dilution."[70]

A final argument in favor of an actual dilution standard is that state anti-dilution statutes provide only for injunctive relief, reflecting that their sole purpose is to prevent future harm.[71] In contrast, the FTDA provides for compensatory and restitutionary damages for consummated economic harm where willful conduct is shown.[72] As noted above, proponents of the actual dilution standard emphasize that the plain meaning of the FTDA requires actual dilution rather than a likelihood of dilution.[73] The Supreme Court granted certiorari from the

62. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 460 (4th Cir. 1999).

63. *Id.* at 461 (quoting 15 U.S.C. § 1125(c)(1) (2000)).

64. *Id.*

65. Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 671 (5th Cir. 2000).

66. Brief for the United States as Amicus Curiae at 14, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (No. 01-1015).

67. *Id.*

68. 15 U.S.C. § 1125(a)(1)(A) (2000).

69. *Id.* § 1127.

70. Brief for the United States as Amicus Curiae at 14, *Moseley* (No. 01-1015).

71. Westchester Media v. PRL USA Holding, 214 F.3d 658, 671 (5th Cir. 2000).

72. *See* 15 U.S.C. §§ 1125(c)(2), 1117(a), 1118.

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

Sixth Circuit in the case of *V Secret Catalogue, Inc. v. Moseley* to resolve the issue.[74]

IV. The Supreme Court's Interpretation

The Supreme Court settled the circuit split in *Moseley v. V Secret Catalogue, Inc.*[75] The defendants, Victor and Cathy Moseley, opened "Victor's Secret," a store selling adult novelty items.[76] The plaintiff, the record owner of the "Victoria's Secret" mark, sent a cease and desist letter to the defendants.[77] Subsequently, the defendants changed the name of their store to "Victor's Little Secret."[78] Not satisfied with the addition of "Little," the plaintiff brought suit claiming, among other causes of action, violation of the FTDA.[79] The Sixth Circuit Court of Appeals adopted the Second Circuit's likelihood of dilution standard[80] and affirmed the district court's summary judgment for the plaintiff on the dilution claim.[81] The Sixth Circuit concluded that consumers who hear the name "Victor's Little Secret" are likely to link it with the famous mark of "Victoria's Secret" and thus, dilution by blurring (linking the chain with an unauthorized store) and tarnishing (associating the famous mark with adult sex toys) was shown.[82] The Sixth Circuit concluded that the likelihood of dilution standard, as opposed to actual dilution, follows more closely with Congress's intent in enacting the FTDA.[83]

However, the Supreme Court disagreed and held that the plain meaning of the text unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.[84] The Court emphasized that the relevant text of the FTDA and the definition of the term "dilution" itself supports this conclusion.[85] The FTDA provides relief to an owner of a famous mark when the use of a junior mark "*causes dilution* of the distinctive quality" of the famous mark.[86] Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception."[87] The Court was persuaded by the contrast between the initial reference

74. 259 F.3d 464 (6th Cir. 2001).
75. 537 U.S. 418 (2003).
76. *V Secret Catalogue*, 259 F.3d at 466.
77. *Id.* at 466–67.
78. *Id.* at 467.
79. *Id.*
80. *Id.* at 476.
81. *Id.* at 477.
82. *Id.*
83. *Id.* at 475.
84. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433 (2003).
85. *Id.*
86. 15 U.S.C. § 1125(c)(1) (2000) (emphasis added).
87. *Id.* § 1127.

to an actual "lessening of the capacity" of the famous mark and the subsequent reference to a "likelihood of confusion, mistake, or deception."[88] If Congress intended to convey a likelihood of dilution standard under the FTDA, Congress would have defined dilution as the likelihood of lessening the capacity of a famous mark to identify and distinguish goods or services.[89]

How does one go about proving actual dilution under the FTDA? The Court did not agree with the Fourth Circuit that actual dilution meant the consequences of dilution, such as actual loss of sales or profits.[90] However, the Court did agree with the conclusion that "at least where the marks at issue 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."[91] The Court stated that consumer surveys are not required "if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where" there are identical marks.[92] Applying this standard to the facts of the case, the Court concluded that consumers would mentally associate the defendant's mark with the plaintiff's famous mark, but there was no evidence that the use would lessen the capacity of the famous mark to identify and distinguish goods or services sold in Victoria's Secret stores.[93] The plaintiff's expert did not testify about the impact of the defendant's mark on the strength of the famous mark.[94] Therefore, the Court reversed the judgment and remanded the case for further proceedings.[95]

Justice Kennedy's concurring opinion provides additional insight on how to satisfy the actual dilution standard.[96] He emphasized the word "capacity" in the statutory definition of dilution.[97] "In this respect, the word capacity imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods . . . ."[98] In his view, if a mark will lessen the power of a famous mark to identify and distinguish its goods, dilution may be established.[99] This diminishment can be shown "by the probable consequences flowing from use or adoption of the competing mark."[100]

In summary, the Court did not provide exact guidance on how to prove actual dilution. The Court suggested that actual dilution can be

88. *Moseley*, 537 U.S. at 433.
89. *See id.*
90. *Id.*
91. *Id.*
92. *Id.* at 434.
93. *Id.*
94. *Id.*
95. *Id.*
96. *See id.* at 435.
97. *Id.*
98. *Id.*
99. *Id.*
100. *Id.* at 435–36.

proven by circumstantial evidence but did not discuss any of the factors that have been used by the circuit courts in dilution by blurring cases.[101] However, the Court indicated that the similarity of the marks is an important factor.[102] The plaintiff must show more than the mere fact that consumers mentally associate the junior mark with the famous mark because of their similarity.[103] But when the marks are identical, this may be sufficient to prove actual dilution.[104] Incorporating Justice Kennedy's language, the determinative question is: When the marks are sufficiently similar but not identical, how much and what type of circumstantial evidence is required to show that the diminishment of the famous mark's capacity is the probable consequence flowing from the use of the junior's mark?[105]

V. Quantitative Approach: The Dilution Standard Number

The following quantitative approach is designed to answer the question presented above: When the marks are sufficiently similar but not identical, how much and what type of circumstantial evidence is required to show that the diminishment of the famous mark's capacity is the probable consequence flowing from the use of the junior's mark? Subsection A discusses the various factors courts have used in dilution cases and selects the ones that will be incorporated in the working equation of Subsection D. Subsection B divides each factor into degrees of evidentiary support. Subsection C introduces the court coefficient for each factor. Subsection D formulates the working equation to determine the extent of dilution. Subsection E determines the Dilution Standard Number based on the guidelines set out in the *Moseley* decision. This number corresponds to the required threshold that must be met to satisfy the actual dilution standard. Lastly, Subsection F applies this quantitative approach to a hypothetical to determine whether actual dilution can be proven.

A. *Factors in Determining Dilution by Blurring*

The circuit courts have used as many as ten factors and as few as two factors in dilution claims under the FTDA.[106] The Second Circuit applied the most comprehensive list of factors to determine whether blurring is likely to occur. These include: (1) similarity between the marks; (2) distinctiveness of the famous mark; (3) proximity of the products; (4) interrelationship among the first three factors; (5) shared

101. *See id.* at 434.
102. *See id.*
103. *Id.* at 433.
104. *Id.* at 434.
105. *See id.* at 435–36 (Kennedy, J., concurring).
106. *See, e.g.*, Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 (7th Cir. 2000); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 217–22 (2d Cir. 1999).

consumers and geographic limitations; (6) sophistication of consumers; (7) actual confusion; (8) adjectival or referential trait of the junior use; (9) harm to the junior user and delay by the senior user of the famous mark; and (10) effect of the senior's laxity in protecting the famous mark.[107] Another factor that has been included is renown of the senior mark.[108] Each factor is discussed below and evaluated with respect to its relevance to dilution—"the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception."[109]

1. Similarity Between the Marks

Courts universally recognize that the marks at issue must be similar enough to create a mental association between the famous mark and the junior mark.[110] Furthermore, trademark dilution is a psychological phenomenon that "allude[s] to cognitive processes of consumers as they react to particular branding strategies."[111] Moreover, the Supreme Court indicated that when the marks are identical this is enough to prove actual dilution.[112] Thus, the similarity of the marks is an important factor in deciding dilution claims and will be included in the working equation.

2. Distinctiveness of the Famous Mark

As noted in Part III of this Comment, some courts have required distinctiveness as a separate element under the FTDA, while others do not.[113] In some circuits, distinctiveness plays a "dual role," as both a statutory element and as a factor in determining dilution.[114]

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107. *Nabisco*, 191 F.3d at 217–22.

108. *See Eli Lilly*, 233 F.3d at 469 (holding that the "extraordinary fame [of PROZAC] in American culture" supported a claim of dilution by blurring) (quoting Eli Lilly & Co. v. Natural Answers, Inc., 86 F. Supp. 2d. 834, 836 (S.D. Ind. 2000)).

109. 15 U.S.C. § 1127 (2000).

110. *See* V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 475–76 (6th Cir. 2001); *Eli Lilly*, 233 F.3d at 466; Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157, 168–69 (3d Cir. 2000); *Nabisco*, 191 F.3d at 224–25.

111. Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework To Judge "Likelihood" of Dilution*, 83 TRADEMARK REP. 149, 149 (1993).

112. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 434 (2003).

113. *Compare* TCPIP Holding Co. v. Haar Communications Inc., 244 F.3d 88, 98 (2d Cir. 2001), *V Secret Catalogue*, 259 F.3d at 468–69, Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000), *and* I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 36 (1st Cir. 1998) (requiring distinctiveness), *with Times Mirror Magazines*, 212 F.3d at 166–68, *Eli Lilly*, 233 F.3d at 466, Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 452 (4th Cir. 1999), Luigino's, Inc. v. Stouffer Corp., 170 F.3d 827, 832 (8th Cir. 1999), *and* Panavision, Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998) (excluding distinctiveness from its elements).

114. *V Secret Catalogue*, 259 F.3d at 470, n.2; *Nabisco*, 191 F.3d at 217.

Schechter believed that the more unique or distinctive the mark, the greater the hold the mark had on the public consciousness and the more effective its selling power.[115] This leads to the logical conclusion that the more distinctive or unique the famous mark, the more likely that a similar junior mark will be mentally associated with the famous mark because there are no other marks that come to mind.[116] Therefore, this factor has a direct connection with the famous mark's capacity to distinguish or identify its goods or services and will be included in the working equation.

3. Proximity of the Products

The Congressional Record indicated that the legislature was concerned with junior uses of famous marks on unrelated products as shown in the hypothetical cases of Buick aspirin, Schlitz varnish, and Kodak pianos.[117] The courts have been split as to whether this factor is relevant in dilution claims.[118] Some courts have rejected this factor because it is more relevant to a trademark infringement claim.[119] The purpose of trademark infringement law is to prevent consumer confusion, thus, the more similar the products, the more likely consumers will be confused as to the products' source.[120] Under the FTDA, the definition of dilution expressly states that dilution can occur "regardless of the presence or absence of . . . competition" between the marks;[121] therefore, the factor of the proximity of the products is not included in the working equation in Subsection D.

4. Interrelationship Among the First Three Factors: Similarity Between the Marks, Distinctiveness of the Famous Mark, and Proximity of the Products

The Second Circuit stated that "there is a close interdependent relationship among these factors" in that "[t]he weaker any of the three factors may be, the stronger the others must be to make a case of dilution."[122] However, since this quantitative approach already incorporates the first two factors—similarity between the marks and dis-

115. Schechter, *supra* note 21, at 819.

116. Christopher T. Micheletti & Dan Zoloth Dorfman, *Proving Dilution by Blurring: An Analysis of Dilution by Blurring Factors Under the Federal Trademark Dilution Act*, 92 TRADEMARK REP. 1345, 1357 (2002).

117. *See* H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030.

118. *Compare Nabisco*, 191 F.3d at 218–19 (stating that the "closer the junior user comes to the senior's area of commerce, the more likely it is that dilution will result from the use of a similar mark"), *with Ringling Bros.*, 170 F.3d at 464 (stating that "only mark similarity and, possibly, degree of 'renown' of the senior mark would appear to have trustworthy relevance under the federal Act").

119. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 468 (7th Cir. 2000).

120. *See* SCHECHTER & THOMAS, *supra* note 4, at 637.

121. 15 U.S.C. § 1127 (2000).

122. *Nabisco*, 191 F.3d at 219.

tinctiveness of the famous mark—and rejects the third factor, this factor is not included in the working equation in Subsection D.

5. Shared Consumers and Geographic Limitations

This factor examines the extent of overlap among consumers of the famous mark's product and the junior mark's product.[123] It is relevant because consumers who buy products of the famous mark and never see the junior mark's products or publicity will continue to perceive the famous mark as distinctive or unique.[124] However, the Seventh Circuit indicated that this factor "is either relevant only to likelihood of confusion, or already is incorporated into [the court's] injunction analysis."[125] Because this factor supports both trademark infringement—likelihood of confusion—and dilution, it is included in the working equation. The court coefficient of the factor of shared consumers and geographic limitations will be adjusted to reflect this in Subsection C.

6. Sophistication of Consumers

This factor deals with the knowledge consumers have with regard to the types of products that are at issue. There is extensive debate as to whether this knowledge should be included in a dilution analysis.[126] Some courts have held that the more sophisticated the consumers, the less likely it is that dilution occurs.[127] Other courts have held the opposite—the more sophisticated the consumers, the more likely it is that dilution will occur.[128] Professor McCarthy[129] has opined that "sophistication of customers has little place in a blurring analysis" be-

123. *Id.* at 220.

124. *Id.*

125. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 n.7 (7th Cir. 2000).

126. *Compare* Autozone, Inc. v. Tandy Corp., 174 F. Supp. 2d 718, 738 (M.D. Tenn. 2001) (stating that the relevant consumers in this case are unsophisticated, thus, this factor favors the likelihood of dilution), *with* Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500, 521 (M.D. Pa. 1998) (stating that "[a]n unsophisticated consumer would confuse the products, and would not realize that the same mark was being blurred by use on what they knew were two different sources").

127. *See Autozone*, 174 F. Supp. 2d at 738; Paco Sport, Ltd. v. Paco Rabanne Parfums, 86 F. Supp. 2d 305, 327 (S.D.N.Y. 2000), *aff'd*, *sub nom.* Paco Sport, Ltd. v. Paco Rabanne Perfumes, No. 00-7344, 2000 WL 1721126 (2d Cir. Nov. 16, 2000); Am. Express Co. v. CFK, Inc., 947 F. Supp. 310, 318 (E.D. Mich. 1996).

128. *Hershey Foods Corp.*, 998 F. Supp. at 521.

129. Professor J. Thomas McCarthy is the Founding Director of the McCarthy Institute for Intellectual Property and Technology Law at the University of San Francisco. Professor McCarthy is the author of a six-volume treatise on *Trademarks and Unfair Competition* (4th Edition 1996). He is the recipient of the Centennial Award in Trademark Law of the American Intellectual Property Law Association in 1997 and recipient of the Pattishall Medal for excellence in teaching trademark law from the Brand Names Education Foundation in 2000. J. Thomas McCarthy, Professor of Law, University of San Francisco, *at* http://www.law.usfca.edu/html/fac3_mccarthy_content.html (last visited Jan. 6, 2005) (on file with the Texas Wesleyan Law Review).

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cause sophisticated consumers will recognize that there are two independent sources using similar marks.[130] However, when the consumer sees a new product with a similar mark, blurring of the unique association with the famous mark may occur.[131] Because of these conflicting views on the effect of this factor (weighing for or against dilution), this factor is not included in the working equation in Subsection D.

7. Actual Confusion

Some courts have indicated that actual confusion between the famous and junior mark increases the likelihood of dilution.[132] This is because confusion lessens distinction.[133] However, actual confusion can only arise where the marks have coexisted in the marketplace.[134] Other courts have opined that this is relevant only in trademark infringement cases.[135] Professor McCarthy agreed in that "[t]he mark which confuses does not necessarily dilute . . . because dilution is a separate legal theory positing a different kind of damage to a mark caused by a different form of consumer perception."[136] In addition, the FTDA expressly states that dilution can occur in the presence or absence of "likelihood of confusion, mistake, or deception."[137] Because of this conflict in authorities, this factor is not included in the working equation of Subsection D.

8. Adjectival or Referential Trait of the Junior Use

As the Second Circuit explained, "[t]he stronger the adjectival association between the junior use and the junior area of commerce, the less likelihood there is that the junior's use will dilute the strength of the senior mark."[138] The logical perception between a fish image and a fish business would lead consumers to think that the fish image is descriptive of the junior's business, regardless of whether it is also being used as a famous mark.[139] In addition, it is generally accepted that a senior claim to a mark does not bar a junior from using the same words (or symbols) comprising the mark in their descriptive sense.[140] However, there are courts that view this factor as "either relevant

130. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 24:94.4, at 24-213 (4th ed. 1996).
131. 4 *id.*
132. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 221 (2d Cir. 1999).
133. *Id.*
134. *Id.*
135. *See* Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 n.7 (7th Cir. 2000).
136. 4 MCCARTHY, *supra* note 130, § 24:94.4, at 24-212.
137. 15 U.S.C. § 1127 (2000).
138. *Nabisco*, 191 F.3d at 221.
139. *Id.*
140. *See* 15 U.S.C. § 1125(c)(4) (2000).

only to likelihood of confusion, or already . . . incorporated into [the court's] injunction analysis."[141] This factor is included in the working equation but the court coefficient will be adjusted to reflect the opposing views of this factor.

9. Harm to the Junior User and Delay by the Senior User

This factor has been described as "whether the senior user's effort to enjoin the junior use was made with reasonable promptness and whether the junior user will suffer harm resulting from such delay."[142] However, there is little connection with how this will lessen the capacity of the famous mark to distinguish or identify its goods or services. It seems more logical to consider the harm to the junior user and delay by the senior user to determine whether or not to obtain a preliminary injunction.[143] Therefore, this factor is not included in the working equation in Subsection D.

10. Effect of Senior's Prior Laxity in Protecting the Famous Mark

This factor looks at "[w]hether the senior user has been lax in the past in taking steps to protect its mark against dilution by others"[144] and "looks to the senior user's failure to protect the mark from dilution by third parties."[145] If an owner of a famous mark failed to protect the value of the mark in the past, it logically follows that he or she has allowed other uses of the famous mark and has thus lessened the distinctiveness of the mark. As a result, this factor will be incorporated in Subsection C with respect to the distinctiveness factor.

11. Renown of the Senior Mark

The Seventh Circuit rejected most of the *Nabisco* factors (noted in Subsection A as factors one through ten) because they were more relevant to trademark infringement and the likelihood of confusion standard.[146] The court accepted only two factors—similarity between the marks and the renown of the senior mark.[147] As noted in Part III of this Comment, fame is a statutory element under the FTDA, but it is also considered as a factor in determining dilution by blurring.[148] In general, the greater the fame of the senior mark, the more dilution is likely.[149] The better approach would be to leave this as a statutory element and have it as a barrier to provide protection for only truly

141. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 n.7 (7th Cir. 2000).
142. *Nabisco*, 191 F.3d at 222.
143. *See* 4 McCarthy, *supra* note 130, § 24:94.4, at 24-214.
144. Fed. Express Corp. v. Fed. Espresso, Inc., 201 F.3d 168, 177 (2d Cir. 2000).
145. 4 McCarthy, *supra* note 130, § 24:94.4, at 24-214.
146. *See Eli Lilly*, 233 F.3d at 468–69.
147. *Id.* at 469.
148. *See* 15 U.S.C. 1125(c)(1) (2000).
149. *See Eli Lilly*, 233 F.3d at 469.

famous and unique trademark owners. As Schechter stated, "the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."[150] Because this is a statutory element, this factor is not included in the working equation.

In summary, the factors that have been included in the working equation are: (1) similarity between the marks; (2) distinctiveness of the famous mark; (3) shared consumers and geographic limitations; and (4) adjectival or referential trait of the junior mark. These factors answer part of the question presented in Part IV: what type of circumstantial evidence is relevant?

B. *Dividing the Selected Factors into Degrees*

Each factor will be divided into degrees of evidentiary support. This quantifies the probative value of the facts of a given case.

1. Similarity Between the Marks

Courts have applied various standards assessing the similarity of the marks because the courts differ as to the degree of similarity required to establish dilution.[151] These standards include: "nearly identical" or "essentially the same," "substantially similar," and "sufficiently similar."[152] This factor will be named F1 and will have a value ranging from 0.0 to 10.0. This number represents the extent of the mark's similarity with 0.0 as the least similar and 10.0 as the most similar. The various standards are quantified as follows: (a) "nearly identical" or "essentially the same" equals 9.0; (b) "substantially similar" equals 8.0; and (c) "sufficiently similar" equals 7.0.[153] The greater this degree or number, the more this factor supports dilution.

2. Distinctiveness of the Famous Mark

In trademark law, "the distinctiveness of word-based trademarks is said to fall along a continuum or spectrum."[154] Trademarks that are highly distinctive "are those that have little or no capacity to describe the goods or services to which they are attached . . . ."[155] Trademarks that are less distinctive "are those that do little more than describe

150. Schechter, *supra* note 21, at 831.

151. *See* Micheletti & Dorfman, *supra* note 116, at 1351.

152. *See, e.g.*, Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 905 (9th Cir. 2002); Mead Data Cent., Inc. v. Toyota Sales, Inc., 875 F.2d 1026, 1029 (2d Cir. 1989); Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500, 520 (M.D. Pa. 1998).

153. The value assigned to each standard was based on the Author's subjective point of view. The "nearly identical" or "essentially the same" standard was based on the junior mark being 90% similar to the famous mark. The "substantially similar" standard was based on the junior mark being 80% similar to the famous mark. The "sufficiently similar" standard was based on the junior mark being 70% similar to the famous mark.

154. SCHECHTER & THOMAS, *supra* note 4, at 572.

155. *Id.*

attributes of the goods or services" to which they are attached.[156] This distinctive continuum, from most to least, consists of "fanciful," "arbitrary," "suggestive," and "descriptive" words.[157] This factor will be named F2 and will have a value ranging from 0.0 to 10.0. This number represents the degree of distinctiveness with 0.0 as the least similar and 10.0 as the most similar. The various standards are quantified as follows: (a) fanciful words equal 10.0 to 7.5; (b) arbitrary words equal 7.5 to 5.0; (c) suggestive words equal 5.0 to 2.5; and (d) descriptive words equal 2.5 to 0.0.[158] In addition, this number may be decreased in situations where the owner of the famous mark has allowed previous unauthorized uses of the famous mark. The greater this degree or number, the more this factor supports dilution.

3. Shared Consumers with Geographic Limitations

This factor is quantified to measure the extent of overlap in consumers between the marks by taking into account the marketing coverage of the marks.[159] This factor will be named F3 and will have a value ranging from 0.0 to 10.0. This number represents the degree of shared consumers with geographic limitations. The various standards are quantified as follows: (a) same stores with nation-wide advertising equals 10.0 to 7.5; (b) similar stores with nation-wide advertising equals 7.5 to 5.0; (c) similar stores with limited advertising equals 5.0 to 2.5; and (d) different stores with limited advertising equals 2.5 to 0.0.[160] The greater this degree or number, the more this factor supports dilution.

4. Adjectival or Referential Trait of Junior Mark

This factor is quantified to measure the descriptive qualities of the junior mark with the junior mark's business. This factor will be named F4 and will have a value ranging from 0.0 to 10.0. This number represents the degree of descriptiveness of the junior mark with its

156. *Id.*

157. *See id.* at 572–75. "Fanciful" marks are words that are wholly made up, such as KODAK or INTERMATIC. "Arbitrary" marks are ordinary words that have no connection with the goods or services, such as APPLE computers. *Id.* at 573. "Suggestive" marks are words that hint at some attributes of the goods or services but do not provide an outright description of them, such as COPPERTONE suntan oil. *Id.* at 574. "Descriptive" marks are words that describe the goods or services, such as HOUR AFTER HOUR spray deodorant. *Id.* at 575.

158. The range of values assigned to each standard of distinctiveness is calculated by dividing the maximum value (10.0) with the number of standards (4).

159. *See supra* Part V.A.5.

160. The various standards were based on the court's discussion of this factor in *Nabisco*. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 220 (2d Cir. 1999). The court stated that this factor strongly favored the likelihood of dilution because "[t]he two products will be in direct competition with one another . . . [and] are to be marketed nationally to grocery stores." *Id.* The range of values assigned to each standard was calculated by dividing the maximum value (10.0) with the number of standards (4).

business with 0.0 as the least similar and 10.0 as the most similar. The various standards are quantified as follows: (a) generic words equal 10.0 to 6.6; (b) descriptive words equal 6.6 to 3.3; and (c) suggestive words equal 3.3 to 0.0.[161] The greater this degree or number, the less this referential trait factor supports dilution.

C. *Determining the Court Coefficient*

The court coefficient of each factor is calculated by the percentage of circuit courts that have considered that particular factor as probative or relevant in a dilution claim.[162] In addition, consideration is given to the Supreme Court's decision in *Moseley*. The court coefficient is necessary so that the probative value of each factor can be combined with the others. For example, if the courts believed that F1 was three times as important as F3, it would be inaccurate to simply add F1 and F3 to determine the probate value without first multiplying F1 by three. Therefore, three would be the court coefficient for F1 in this example.

The court coefficient for F1 (factor one—similarity between the marks) will be named C1 and have a value of 1.0 (or 100%). This is because both the circuit courts and the Supreme Court agree that the similarity between the marks is very important when deciding dilution by blurring.[163] The court coefficient for F2 (factor two—distinctiveness of the famous mark) will be named C2 and have a value of 0.5 (50%). This is because approximately half of the circuit courts use this as a statutory element under the FTDA.[164] The court coefficient for F3 (factor three—shared consumers with geographic limitations) will be named C3 and have a value of 0.2 (20%). This is because only the Second and Sixth Circuit Courts have used this factor in a trademark dilution claim.[165] The court coefficient for F4 (factor four—adjectival or referential trait of the junior mark) will be named C4 and

161. *See* SCHECHTER & THOMAS, *supra* note 4, at 573, 575, 592 ("Generic" words are basic names by which categories of products are known, such as "milk" or "gun." "Descriptive" marks are words that describe the goods or services, such as HOUR AFTER HOUR for spray deodorant. "Suggestive" marks are words that hint at some attributes of the goods or services, "but do not provide an outright description of them," such as COPPERTONE suntan oil.). The range of values assigned to each standard was calculated by dividing the maximum value (10.0) with the number of standards (3).

162. For example, if there were five different circuit courts that have decided trademark dilution cases but only two of the courts use factor A, the court coefficient for factor A would be 0.4 (2 divided by 5).

163. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 434 (2003); Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 905–07 (9th Cir. 2002) (summarizing similarity standards of various circuits).

164. *See* V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 469 (6th Cir. 2001); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000); *Nabisco*, 191 F.3d at 216; I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 36 (1st Cir. 1998).

165. *See V Secret Catalogue*, 259 F.3d at 469; *Nabisco*, 191 F.3d at 216.

will have a value of 0.2 (20%). This is because only the Second and Sixth Circuit Courts have used this factor in trademark dilution claims.[166]

D. *Formulating the Working Equation*

The working equation for dilution is [(C1*F1) + (C2*F2) + (C3*F3) – (C4*F4)].[167] Factors one, two, and three all weigh in favor of dilution when the degrees of evidentiary support increase. In contrast, factor four weighs against dilution when the degree of evidentiary support increases. Therefore, the working equation adds the probative values of the first three factors and then subtracts the probative value of the fourth factor. Inserting the court coefficient determined in Subsection C (C1 = 1.0, C2 = 0.5, C3 = 0.2, C4 = 0.2) into the working equation, dilution equals [(1.0*F1) + (0.5*F2) + (0.2*F3) – (0.2*F4)].

E. *Determining the Dilution Standard Number*

In answering the question presented in Part IV, one has to examine the Supreme Court's decision in *Moseley*. The Supreme Court indicated two guidelines in determining actual dilution under the FTDA: (1) when the marks are identical this may be sufficient to show actual dilution; and (2) the mere fact that consumers mentally associate the two marks is not sufficient to find actual dilution.[168] Because the working equation quantifies dilution, the Dilution Standard Number represents the required threshold that the circumstantial evidence of a given case must meet. This number will be determined by answering the question presented: When the marks are sufficiently similar but not identical, how much and what type of circumstantial evidence is required to show that the diminishment of the famous mark's capacity is the probable consequence flowing from the use of the junior's mark?

Using F1, similarity between the marks, as a guideline, and applying the standards set out in Subsection B.1., bright lines can be drawn by answering the following questions: When the marks are "nearly identical," (F1 = 9.0) how many and what type of other factors (F2, F3, and F4) must be present to be equivalent to the circumstance when the marks are identical? When the marks are "substantially similar," (F1 = 8.0) how many and what type of factors (F2, F3, and F4) must be present to be equivalent to the circumstance when the marks are identical? When the marks are "sufficiently similar," (F1 = 7.0) how many and what type of other factors (F2, F3, and F4) must be present to be equivalent to the circumstance when the marks are identical?

166. *See V Secret Catalogue*, 259 F.3d 464, 469; *Nabisco*, 191 F.3d at 221.
167. The symbol (*) is used as a multiplication sign.
168. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433–34 (2003).

The first situation occurs when the marks are "nearly identical" (F1 = 9.0). One has to determine what value of F2, F3, and F4 is necessary so that the probable consequences where the marks are "nearly identical" are equivalent to the situation where the marks are identical.[169] F2 would have to be at least 5.0 (the famous mark has to be at least suggestive of the good or service). F3 would have to be at least 5.0 (the products would have to be in similar stores with nation-wide advertising) and F4 would have to be at most 3.3 (the junior mark is at most suggestive of its business). Inserting these values, dilution equals 11.8 [(1.0*9.0) + (0.5*5.0) + (0.2*5.0) – (0.2*3.3)].[170] This final number represents the required threshold that must be met in order to show actual dilution.

The second situation occurs when the marks are "substantially similar" (F1 = 8.0). One has to determine what value of F2, F3, and F4 is necessary so that the probable consequences where the marks are "substantially similar" are equivalent to the situation where the marks are identical.[171] F2 would have to be at least 7.5 (the famous mark has to be at least arbitrary from the good or service). F3 would have to be at least 7.5 (the products would have to be in same stores with nation-wide advertising) and F4 would have to be at most 6.6 (the junior mark is at most descriptive of its business). Inserting these values, dilution equals 11.9 [(8.0) + (0.5*7.5) + (0.2*7.5) – (0.2*6.6)].[172] This number represents the required threshold that must be met in order to show actual dilution.

The third situation occurs when the marks are "sufficiently similar" (F1 = 7.0). One has to determine what value of F2, F3, and F4 is necessary so that the probable consequences when the marks are "sufficiently similar" will be equivalent to the situation where the marks are identical.[173] F2 would have to be at least 10.0 (the famous mark has to be at least fanciful). F3 would have to be at least 9.0 (the products would have to be in almost all the same stores with nation-wide advertising) and F4 would have to be at most 6.6 (the junior mark is at most descriptive of its business). Inserting these values, dilution equals 12.5 [(1.0*7.0) + (0.5*10.0) + (0.2*9.0) – (0.2*6.6)].[174] This number represents the required threshold that must be met in order to show actual dilution.

From the three situations above, the working equation provides three possible threshold quantities (11.8, 11.9, and 12.5) for the Dilu-

169. The values assigned for F2, F3, and F4 were based on the Author's subjective point of view.

170. The actual value is 11.84, but was rounded down to get 11.8.

171. The values assigned for F2, F3, and F4 were based on the Author's subjective point of view.

172. The actual value is 11.93, but was rounded down to get 11.9.

173. The values assigned for F2, F3, and F4 were based on the Author's subjective point of view.

174. The actual value is 12.48, but was rounded up to 12.5.

tion Standard Number. This number represents the required threshold that the circumstantial evidence of a given case must meet to show actual dilution. By selecting the maximum value determined by applying the working equation to the three situations, the Dilution Standard Number is 12.5 and represents the worst-case scenario with respect to the three situations.[175]

F. *Applying the Working Equation*

Table Summary

	F1	F2	F3	F4
Factor	Similarity Between the Marks	Distinctiveness of the Famous Mark	Shared Consumers with Geographic Limitations	Adjectival or Referential Trait of Junior Mark
Range 1	"nearly identical" or "essentially the same" = 9.0	"fanciful" = 10.0 to 7.5	same stores/ nation-wide ads = 10.0 to 7.5	generic words = 10.0 to 6.6
Range 2	"substantially similar" = 8.0	"arbitrary" = 7.5 to 5.0	similar stores/ nation-wide ads = 7.5 to 5.0	descriptive words = 6.6 to 3.3
Range 3	"sufficiently similar" = 7.0	"suggestive" = 5.0 to 2.5	similar stores/ limited ads = 5.0 to 2.5	suggestive words = 3.3 to 0.0
Range 4	N/A	"descriptive" = 2.5 to 0.0	different stores/ limited ads = 2.5 to 0.0	N/A
Court Coefficient	C1 = 1.0	C2 = 0.5	C3 = 0.2	C4 = 0.2
Probative Value	(C1*F1)	(C2*F2)	(C3*F3)	(C4*F4)

Working Equation for Dilution = [(1.0*F1) + (0.5*F2) + (0.2*F3) – (0.2*F4)]

Hypothetical:[176] The drug manufacturer and owner of the famous trademark, PROZAC, is suing a manufacturer of an herbal dietary supplement named HERBROZAC, alleging trademark dilution. PROZAC is a prescription drug used to treat clinical depression and has received considerable media coverage since its rollout in 1988.

175. The working equation determines the probative value of circumstantial evidence of a given case. If this value turns out to be equal to or greater than the Dilution Standard Number, the circumstantial evidence in question would be sufficient to show actual dilution. This would be the worst-case scenario because the Dilution Standard Number was set at the maximum threshold level of the three situations.

176. The hypothetical is based on facts in Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456 (7th Cir. 2000).

https://scholarship.law.tamu.edu/txwes-lr/vol11/iss1/8
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HERBROZAC is an herbal dietary supplement that is sold through an internet website but its manufacturer is planning to expand its market to include health food and convenience stores. There is no direct evidence of lost sales or profits and no consumer survey has been done. Can actual dilution be shown with only circumstantial evidence in this case?

Application:[177] With regard to the first factor (F1)—similarity between the marks—PROZAC and HERBROZAC are "sufficiently similar" and may be "substantially similar." Thus, F1 would have a value of 7.5. With regard to the second factor (F2)—distinctiveness of the famous mark—PROZAC is a fanciful word in that it is wholly made up. In addition, there is no evidence that the owner has allowed previous unauthorized use of this trademark. Thus, F2 would have a value of 10. With regard to the third factor (F3)—shared consumers with geographic limitations—PROZAC is marketed nationally but can only be obtained through a doctor and HERBROZAC is marketed through an internet website but may be expanding to convenience stores. Thus, F3 would have a value of 2.5 because the products are sold through different stores. With regard to the fourth factor (F4)—adjectival or referential trait of junior mark—HERBROZAC is suggestive because it hints at the product, an herbal dietary supplement. Thus, F4 would have a value of 3.3. Applying these values (F1 = 7.5, F2 = 9, F3 = 2.5, F4 = 3.3) to the working equation, dilution equals 12.3 [(1.0*7.5) + (0.5*10.0) + (0.2*2.5) – (0.2*3.3)].[178] Since this value is less than the Dilution Standard Number (12.5), this set of circumstantial evidence would not be sufficient to show actual dilution under the FTDA.

VI. Conclusion

In conclusion, this Comment provides a quantitative approach to proving actual dilution under the FTDA. The Supreme Court held that direct evidence of actual loss of sales or profits or consumer surveys is not required if there is sufficient reliable circumstantial evidence to show actual dilution—as in the case where the marks are identical.[179] This Comment examines the various factors that have been used by courts in previous dilution cases and determines which of these factors should be included in the final working equation. Using the Supreme Court's holding as a guideline, the Dilution Standard Number is determined by answering the following question: When the marks are sufficiently similar but not identical, how much and what type of circumstantial evidence is required to show that the diminishment of the famous mark's capacity is the probable consequence flow-

177. The values assigned for F1, F2, F3, and F4 were based on the Author's subjective point of view.

178. The actual value is 12.34, but was rounded down to 12.3.

179. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433–34 (2003).

ing from the use of the junior's mark? The Dilution Standard Number is determined by applying the working equation to three situations and selecting the maximum outcome to represent the worst-case scenario. This Dilution Standard Number represents the required threshold that the circumstantial evidence of a given case must meet to show actual dilution under the FTDA.

The Dilution Standard Number was derived from the Author's point of view in selecting the factors to include in the working equation and the criteria for determining the court coefficient. However, this quantitative approach is flexible in that the factors discussed in Part V.A may be added or deleted from the working equation and the court coefficients discussed in Part V.C may be determined by a different criteria. In addition, the Dilution Standard Number may be set at a different threshold depending on the values assigned in the three situations discussed in Part V.E. Therefore, this approach and the working equation can be easily manipulated to incorporate another person's point of view regarding trademark dilution by blurring.

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