

# THE TRADEMARK DILUTION REVISION ACT OF 2006: A WELCOME—AND NEEDED—CHANGE

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Some have argued that the changes to the Federal Trademark Dilution Act (the “FTDA”) embodied in the recently enacted Trademark Dilution Revision Act of 2006 (the “TDRA”) threaten to infringe upon the right to free speech. This is simply not the case. The FTDA has always protected First Amendment rights, and the TDRA clarifies and strengthens those protections.

While the concept of dilution was introduced in 1927, there was no federal dilution law in the United States until 1995, when Congress passed the FTDA. Since then, various federal courts have reached different conclusions regarding issues such as: (1) what constituted fame, including whether marks that were only famous in a niche market could be protected; (2) whether the FTDA applied to marks that had acquired distinctiveness; and (3) how to prove dilution.

The most prominent question was whether the FTDA required trademark owners to show a “likelihood” of dilution or “actual economic injury” to prevail. The issue was finally settled when the Supreme Court decided *Moseley v. V Secret Catalogue, Inc.* In *Moseley*, the Court was faced with deciding “whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective ‘likelihood of dilution’ standard) is a requisite for relief under the FTDA.” The Court held that the FTDA “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution,” but also decided that “actual loss of sales or profits” is not necessary to show that actual dilution occurred. Unfortunately, the Court gave very little guidance as to how a plaintiff proves that actual dilution occurred, other than to note that “direct evidence of dilution such as consumer surveys will not be necessary if actual

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dilution can reliably be proven through circumstantial evidence,” such as where the marks at issue are identical. The Court also raised a question many may have thought was not open: whether tarnishment was included in the scope of the FTDA.

After *Moseley* was decided, it became clear that certain parts of the FTDA ought to be amended and clarified. Among other aspects, trademark owners were concerned about the Court’s holding that only “actual dilution” is actionable without clarifying how to establish “actual dilution.” The TDRA resolves this issue, as well as other issues involving fame, blurring, and tarnishment that had arisen in cases decided under the FTDA.

#### FAME

- Marks that are only recognized in limited geographic areas or niche markets do not qualify for dilution protection under the TDRA, which provides that “a mark is famous if it is widely recognized by the general consuming public of the United States . . . .”
- Marks with acquired distinctiveness, as well as inherently distinctive marks, are protected by the TDRA. To ensure that only truly distinctive marks are protected, the TDRA provides that both forms of distinctiveness be considered both when determining if a mark is famous and when deciding if there is a likelihood of dilution.
- Other factors to be used to determine whether a mark has achieved the requisite degree of fame relate to advertising and publicity of the mark, sales of goods or services offered under the mark, the “extent of actual recognition of the mark,” and whether the mark is registered.

#### TARNISHMENT & BLURRING

- The TDRA expressly provides for protection against tarnishment, which is defined as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”
- Blurring is defined in the TDRA as an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”

#### PROOF OF DILUTION

- The TDRA makes clear that only a likelihood of dilution need be shown to obtain relief. This is intended to provide a means for trademark owners to stop dilution in its inception, instead of making them wait until actual harm to the distinctive nature of the mark occurs.

- In a claim for dilution by blurring, the TDRA provides that courts should consider several factors to determine whether dilution is likely to occur, including the similarity between the allegedly dilutive mark and the famous mark; the degree of inherent or acquired distinctiveness of the famous mark; whether use of the famous mark is “substantially exclusive;” the extent of recognition of the famous mark; the intent of the user of the allegedly dilutive mark; and any “actual association” between the allegedly dilutive mark and the famous mark.

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Originally, the proposed amendments to the FTDA did not change the law’s existing defenses because those defenses provided courts with effective means to balance free speech rights against trademark owners’ right to protect their marks from dilution. Case law shows that when plaintiffs brought suit in situations even arguably relating to political commentary, social commentary or parody, they lost. For example, in *Mastercard International Inc. v. Nader 2000 Primary Committee, Inc.*, the district court in the Southern District of New York determined that Nader’s use of Mastercard’s trademarks in advertisements was “political in nature and . . . therefore . . . exempted from coverage by the [FTDA].” And in *Mattel, Inc. v. Walking Mountain Productions*, the Ninth Circuit found that defendant’s pictures of Barbie dolls “in danger of being attacked by vintage household appliances” were parodies, and thus noncommercial speech not subject to the FTDA. In another case involving Barbie, *Mattel, Inc. v. MCA Records, Inc.*, a court found that MCA’s use of “Barbie” in the “Barbie Girl” song was “dilutive” and caused “a classic blurring injury,” but because the use did “more than propose a commercial transaction,” it was noncommercial speech beyond the reach of the FTDA. Similarly, in *American Family Life Insurance v. Hagan*, AFLAC brought suit against Hagan, claiming that his political advertisements featuring the “TaftQuack” duck violated the FTDA. While the court found that Hagan’s advertisements constituted use in commerce, it also found that the advertisements embodied political speech, and were thus a noncommercial use outside the reach of the FTDA. The court reached this conclusion even though it was “incontestable that Hagan [was] ‘coattail riding’” on AFLAC’s duck.

Trademark owners who brought claims like those described above were often criticized by the trademark bar. For those reasons, there did not seem to be any reason to amend the defenses of the FTDA. During congressional hearings regarding the proposed amendments, however, concerns were raised about the FTDA’s protection of free speech. In response to those concerns, language was added to make it clear that the TDRA cannot be used to enjoin parodies or other commentary. Therefore, the TDRA provides:

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including the use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

This language was intended to mirror cases such as those involving “Barbie Girl” and the TaftQuack duck in which courts declined to enjoin even dilutive uses of a trademark based on First Amendment concerns. Those cases and others decided under the FTDA show that the law’s built-in protections of free speech rights were effective. Those protections will only be bolstered by the TDRA.

Nonetheless, critics have raised two principal issues about the TDRA and its supposed impact on free speech. The first is whether the TDRA only applies to noncommercial use in commerce. That question arises from the fact that § (c)(1) of the FTDA stated that an injunction may issue against a “commercial use of a mark or trade name in commerce,” while the word “commercial” is omitted from the same section of the TDRA. The defenses section of the TDRA, however, like the FTDA, expressly permits “noncommercial use.” Therefore, the removal of the word “commercial” from § (c)(1) is of no effect.

The second issue critics of the TDRA have raised is whether the use of the language “this subsection” in place of “section” will prohibit defendants from raising fair use as a defense to infringement claims brought under § 43(a) of the Lanham Act, which protects unregistered trademarks. The use of the word “section” in the FTDA, however, was essentially a typo that never had any legal effect. Nothing in the legislative history or any court opinion suggests that the FTDA was intended to modify any of the other parts of the Lanham Act; in fact, even though the FTDA is part of § 43 of the Lanham Act, it has always been viewed as a separate statute. Correcting this error will have *no effect* on defendants’ ability to assert a fair use defense in § 43(a) claims. In fact, the Ninth Circuit in *Bosley Medical Institute, Inc. v. Kremer* expressly rejected the argument that “by using the word ‘section,’ rather than the more precise term ‘subsection,’ Congress meant for the proviso to apply to all of [Section 43], as opposed to [S]ubsection (c).”

It is clear thus that despite what critics of the TDRA say, fair use defenses are also available in an infringement claim based on the use of an unregistered mark. When the Second Circuit decided *Rogers v. Grimaldi* in

1989, the defenses enumerated in § 43(c) of the Lanham Act did not exist. Even so, the court held—and rightly so—that § 43(a) “should be construed to apply to artistic works only where the public interest in avoiding confusion outweighs the public interest in free expression.” Therefore, the court found that “Ginger and Fred,” when used as a film title, did not infringe Ginger Rogers’s trademark rights. *Rogers* was applied in *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*, where a court held that the “degree of risk of confusion [between the Cliffs Notes study guides and defendant’s parody of those guides] does not outweigh the well-established public interest in parody.” Similarly, in *New Kids on the Block v. News America Publishing, Inc.*, a court held that the First Amendment “provide[d] immunity to defendants on plaintiffs’ federal and state trademark infringement claims,” including their § 43(a) claim, which was based on defendants’ use of “New Kids on the Block” in connection with their poll regarding the music group of the same name.

Cases decided after the FTDA was passed reached similar conclusions without relying upon FTDA defenses. In *ETW Corp. v. Jireh Publishing, Inc.*, for example, a court rejected Tiger Woods’s § 43(a) false endorsement claim against an artist that used Woods’s likeness in a painting because “[t]he risk of misunderstanding [as to the source of the painting] is so outweighed by the interest in artistic expression as to preclude application of the [Lanham] Act.” These cases make it clear that, despite claims to the contrary, the TDRA will not change the fact that fair use is a defense to a claim of infringement of an unregistered trademark.

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Cases decided over the past ten years show that the FTDA always provided ample protection to free speech rights. The TDRA, which makes clear that parody, criticism, and commentary are not actionable under federal dilution law, will serve only to strengthen those protections. Moreover, defendants in § 43(a) cases may still argue that their use is a permissible fair use. In short, concerns that the TDRA will threaten First Amendment rights are unfounded.