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Easing an Impracticable Standard of Proof: Amending the FTDA to Overcome Moseley v. V Secret Catalogue, Inc.'s Actual Dilution Requirement and to Provide a Uniform Test for Dilution

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EASING AN IMPRACTICABLE STANDARD OF PROOF: AMENDING THE FTDA TO OVERCOME MOSELEY V. V SECRET CATALOGUE, INC.'S ACTUAL DILUTION REQUIREMENT AND TO PROVIDE A UNIFORM TEST FOR DILUTION

Lisa S. Yao*

I. INTRODUCTION

In a single year, Victoria's Secret can spend over fifty-five million dollars in brand advertisements to promote its high-quality women's lingerie products.1 Congress sought to protect such economic investments in goodwill and reputation development embodied by a trademark2 when it enacted the Federal Trademark Dilution Act (FTDA)3 to provide mark owners with a cause of action against dilution.4 Yet the United States Supreme Court's recent ruling in Moseley v. V Secret Catalogue, Inc.5 has created a severe problem of proof

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2. H.R. REP. No. 104-374, at 3 (1995), as reprinted in 1996 U.S.C.C.A.N. 1029, 1030 (“The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who wouldappropriate the mark for their own gain.”).


4. Federal Trademark Dilution Act of 1995, §§ 3-4, 109 Stat. at 985-86 (“The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish [the owner's] goods or services . . . .”).

for trademark\(^6\) dilution claims.\(^7\) Moseley frustrates this congressional purpose by imposing a virtually insurmountable burden of proof on plaintiffs.\(^8\)

If a defendant uses a mark similar to the plaintiff’s mark, then the plaintiff must show that the defendant’s mark caused actual dilution of her mark in order to obtain an injunction.\(^9\) Since the definition of dilution is premised upon a largely unquantifiable psychological phenomenon, it is exceedingly difficult to meet this standard of proof.\(^10\) For example, it is impossible to measure the extent to which the existence of Kodak automobiles sold by a defendant company has weakened the tendency of a consumer to think of cameras, film, and other goods sold by the Kodak trademark owner when she encounters KODAK in the marketplace. Market surveys can establish a likelihood of dilution by showing that consumers have, at a minimum, formed a mental association between the two marks, thereby permitting the inference that use of the junior mark\(^11\) lessened the original mark’s uniqueness.\(^12\) However, Moseley held that mere mental association is not sufficient to establish dilution.\(^13\) Following Moseley, courts have almost uniformly dismissed dilution claims due to insufficient evidence.\(^14\) Such a result suggests that Moseley’s actual

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\(^6\) Trademark is defined as: “A word, phrase, logo, or other graphic symbol used by a manufacturer or seller to distinguish its product or products from those of others.” BLACK’S LAW DICTIONARY 1530 (8th ed. 2004).

\(^7\) Amy E. Pulliam, Raising the Bar Too High: Moseley v. V Secret Catalogue, Inc. and Relief Under the Federal Trademark Dilution Act, 53 CATH. U. L. REV. 887, 905 (2004) (“The Court recognized that in interpreting the statute literally, it raised the bar and increased the burden of proof necessary for owners of famous marks to recover under the Act.”).

\(^8\) See discussion infra Part IV.B.

\(^9\) Moseley, 537 U.S. at 433-34.


\(^11\) Between a plaintiff and a defendant, the first to use the mark in question is referred to as the “senior user,” and the one who uses the mark after the senior user is known as the “junior user.”


\(^13\) Moseley, 537 U.S. at 433 (“[M]ental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA.”).

\(^14\) See Natalie M. Polzer, Note, Moseley v. V Secret Catalogue, Inc.: The
dilution standard is unreasonably high and effectuates a disregard for Congress's intent to protect trademark owners.\textsuperscript{15}

This comment first addresses the history of the Federal Trademark Dilution Act and the basic elements of a dilution claim.\textsuperscript{16} It will next discuss the existing split among circuit courts of appeals concerning the standard for dilution and the Supreme Court's decision in \textit{Moseley}.\textsuperscript{17} Specifically, this comment examines the Court's adoption of an actual dilution standard, the failure of the Court to articulate a test for determining when actual dilution occurs, and the overall impact \textit{Moseley} has had on trademark dilution law.\textsuperscript{18} Finally, this comment proposes an amendment to the Federal Trademark Dilution Act that lowers the requisite standard of proof from a showing of actual dilution to a likelihood of dilution.\textsuperscript{19} This comment also evaluates the Trademark Dilution Revision Act of 2006 (TDRA)\textsuperscript{20} that purports to resolve the problems created by \textit{Moseley} and suggests modifications to the proposed legal test for deciding when trademark dilution is likely to occur.\textsuperscript{21}

\section*{II. BACKGROUND}

\subsection*{A. Traditional Trademark Law Under the Lanham Act}

The Lanham Act codifies federal trademark law.\textsuperscript{22} It recognizes that the value of a trademark lies in its ability to indicate the origin of goods with which it is associated.\textsuperscript{23} Under the Lanham Act, a valid trademark receives protection against trademark infringement.\textsuperscript{24}

Trademark infringement occurs when a defendant uses a mark that is similar to that of the mark owner's, such that it

\begin{itemize}
  \item 15. \textit{See} discussion \textit{infra} Part II.C.
  \item 16. \textit{See} discussion \textit{infra} Part II.A.C.
  \item 17. \textit{See} discussion \textit{infra} Part II.D.
  \item 18. \textit{See} discussion \textit{infra} Parts III-IV.
  \item 19. \textit{See} discussion \textit{infra} Part V.
  \item 21. \textit{See} discussion \textit{infra} Parts II.F, IV.C-D.
  \item 23. \textit{See generally id.}
  \item 24. \textit{See id.} \textsection 1114.
\end{itemize}
causes consumer confusion over the source of the goods.25 The principal concern of traditional trademark law, the prevention of consumer confusion, serves both private and public interests.26 By preventing competitors from marketing goods under a confusingly similar mark, the action for infringement provides assurance that competitors will not be able to take a free ride on a trademark owner's investment in the development and promotion of a desirable product.27 In addition to protecting private interests, the action for infringement also benefits the public.28 The absence of confusingly similar marks makes it more likely that a purchaser will get what she thinks she is getting when she buys a product based on preference for a particular brand.29 For instance, a consumer may develop a loyalty to the Coca-Cola brand because, after years of consumption, she believes it is a high-quality soft drink. Trademark law assures that she will not have the opportunity to pick up a can of Koko-Kola mistakenly, which may have very different qualities due to the fact that it was manufactured by a different company.

B. The Policies Underlying Trademark Dilution

Unlike traditional trademark law, trademark dilution law is concerned only with the trademark owner's interests and not with any public interests.30 The concept of dilution

25. Id. For example, in AMF, Inc. v. Sleekcraft Boats, a senior user employed the name SLICKCRAFT to describe his line of racing boats and a junior user adopted the name SLEEKCRAFT to describe a line of recreational boats. AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 346 (9th Cir. 1979). The court held that the junior user infringed the senior user's mark because consumers were likely to believe mistakenly that SLICKCRAFT was affiliated with or was produced by the manufacturers of SLEEKCRAFT. Id. at 348.

26. TCPIP Holding Co. v. Haar Commc'ns, Inc., 244 F.3d 88, 95 (2d Cir. 2001) ("The action for infringement under the Lanham Act serves the interests of consumers, as well as sellers, in having trademarks functions as source-identifiers.").

27. See id.

28. Id.

29. Id.

30. Id. ("In contrast [to the action for infringement], the Dilution Act is designed solely for the benefit of sellers."). There are two types of trademark dilution. Polzer, supra note 14, at 713. Dilution by blurring refers to the diminishing of a mark's ability to identify the product with which it is associated. See id. at 713. On the other hand, dilution by tarnishment damages positive associations with a particular trademark. See id. at 713. This comment is concerned only with dilution by blurring.
emerged at the beginning of the twentieth century when companies started to use existing famous trademarks to market their non-competing products.\textsuperscript{31} For example, producers used the mark ROLLS ROYCE to market radio parts, VOGUE to market hats, KODAK to market bicycles, and BEECH-NUT to market cigarettes.\textsuperscript{32} Because consumers recognized that these products bore no relation to the senior users' products, the confusion-based trademark protection under the Lanham Act provided no relief.\textsuperscript{33}

Frank I. Schechter addressed this problem in his 1927 law review article, \textit{The Rational Basis of Trademark Protection}.\textsuperscript{34} Courts and commentators consider Schechter's article to be the seminal discussion of dilution theory.\textsuperscript{35} The article proposed that the preservation of the uniqueness and individuality of a trademark, rather than the designation of source, is the primary purpose of the modern trademark.\textsuperscript{36} Consequently, it should not matter whether the products bearing the senior and junior marks are in direct competition.\textsuperscript{37} Although Kodak cameras do not compete directly with Kodak bicycles, the junior use of KODAK to refer to bicycles lessens the uniqueness of the senior KODAK mark. As a remedy, Schechter advocated expanding classical trademark protection to include protection against the "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."\textsuperscript{38}

\section*{C. The Federal Trademark Dilution Act}

As of 1995, only twenty-five states had laws that prohibited trademark dilution.\textsuperscript{39} Thus, protection of famous
marks often depended on whether the forum in which the suit was filed had a dilution statute. In response, Congress sought to create a federal dilution statute to deter forum shopping. The resulting Federal Trademark Dilution Act of 1995 amended the Lanham Act to protect against dilution. The amendment defines dilution 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."

In a House Report on the FTDA, Congress expressly highlighted the difference between the type of harm the FTDA addresses and the problem traditional trademark law addresses. The House Report characterized dilution as "an injury that differs materially from that arising out of the orthodox confusion." It emphasized that "[e]ven in the absence of confusion, the potency of a mark may be debilitated by another's use. . . . Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."

The amendment also added section 43(c) of the Lanham Act, which states:

40. Id. at 4.
41. Id. Congress also desired to create a federal dilution statute to facilitate the executive branch's negotiations with other nations "to secure greater protection for the famous marks owned by U.S. companies." Id. "[T]he recently concluded Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods (TRIPS) which was part of the Uruguay Round of the GATT agreement include[d] a provision designed to provide dilution protection to famous marks." Id. Thus, Congress's enactment of the FTDA would "be consistent with the terms of the [GATT] agreement, as well as the Paris Convention, of which the U.S. [is] also a member." Id. Foreign nations would be reluctant to modify their laws "to protect famous U.S. marks if the United States itself does not afford special protection for such marks." Id.
42. See TCP/IP Holding Co. v. Haar Commc'ns, Inc., 244 F.3d 88, 95 (2d Cir. 2001) ("[T]he Dilution Act is designed solely for the benefit of sellers. Its purpose is to protect the owners of famous marks from the kind of dilution that is permitted by the trademark laws when a junior user uses the same mark in a non-confusing way in an unrelated area of commerce.")
44. H.R. REP. NO. 104-374, at 3.
45. Id.
46. Id.
The 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 . . . .

Thus, section 43(c) sets forth the five basic elements of a dilution claim: (1) the senior mark must be famous; (2) the senior mark must be distinctive; (3) the junior use must be a commercial use in commerce; (4) the junior use must begin after the senior mark has become famous; and (5) the junior use must cause dilution of the distinctive quality of the senior mark. While establishing of the first four elements is relatively easy, there is a split among the circuit courts of appeals regarding the interpretation of the fifth element.

D. Pre-Moseley: Circuit Split on Actual Dilution vs. Likelihood of Dilution

After the passage of the Federal Trademark Dilution Act, the circuit courts of appeals came to different conclusions regarding the correct interpretation of the fifth dilution element. The Fourth and Fifth Circuits interpreted the phrase “causes dilution of the distinctive quality of the [senior] mark” to mean that a showing of actual dilution is required for relief under the FTDA. In contrast, the Second, Sixth, and Seventh Circuits interpreted this phrase to mean that a showing of actual dilution is not necessary.

48. This section also provides a list of eight factors to aid in determining whether a mark if famous. Id. at 985-86. These factors include the duration and extent of use of the mark in connection with the goods or services with which the mark is used; the geographical extent of the trading area in which the mark is used; and the channels of trade for the goods or services with which the mark is used. Id. at 985.
49. The eight factors for determining famousness also aid in determining distinctiveness. Id.
50. Id.
51. See discussion infra Part IID.
52. See Pulliam, supra note 7, at 890.
54. See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 228 (2d Cir. 1999), overruled in part by Moseley, 537 U.S. 418; V Secret Catalogue, Inc. v. Moseley,
The Fourth Circuit asserted its position in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*. The plaintiff, Ringling Brothers-Barnum & Bailey's circus, owned the trademarked slogan, THE GREATEST SHOW ON EARTH. When it discovered that the State of Utah was using THE GREATEST SNOW ON EARTH as its slogan to encourage tourism, it sued Utah for injunctive relief and claimed that defendant's use of the slogan violated the Federal Trademark Dilution Act. The plaintiff argued that proof that viewers formed a mental association between the two slogans was sufficient to prove dilution. However, the court rejected this argument and held that, in order to prove dilution, the mental association must have caused actual economic harm by reducing the famous mark's selling power. Since the plaintiff was unable to provide proof of economic harm, the court found no dilution. Shortly thereafter, the Fifth Circuit also adopted an "actual harm" standard in *Westchester Media v. PRL USA Holdings, Inc.*


55. *See Ringling Bros.*, 170 F.3d at 464.
56. *Id.* at 451. The plaintiff had been using this slogan since 1872. *Id.*
57. *Id.* at 452. ("Ringling took the position that as a matter of statutory interpretation, 'dilution' by 'blurring' occurs whenever a junior mark is either identical to or sufficiently similar to the famous mark that persons viewing the two instinctively will make a 'mental association' between the two.").
58. *Id.* at 452. ("Ringling took the position that as a matter of statutory interpretation, 'dilution' by 'blurring' occurs whenever a junior mark is either identical to or sufficiently similar to the famous mark that persons viewing the two instinctively will make a 'mental association' between the two.").
59. *Id.* at 458. The court focused on the contrast between the express language of the state and federal anti-dilution statutes. *Id.* While the state statutes specifically sought to protect famous marks from the likelihood of dilution, the federal statute did not employ such language. *Id.* The court used this difference to conclude that the federal statute required proof of actual dilution. *See id.* Since dilution is defined as the reduction in capacity of a famous mark's selling power, the court ultimately held that for mere mental association to qualify as proof of dilution, it must have caused some economic harm. *Id.*
60. *Id.* at 459.
61. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000). Ralph Lauren's PRL is a fashion and design company. *Id.* at 661. Westchester, a magazine publisher, purchased POLO magazine, a special interest publication focusing on polo and equestrian concerns. *Id.* After purchasing POLO magazine, Westchester reinvented POLO as a magazine that covered not only the sport of polo, but also the lifestyle associated with the sport. *Id.* at 662. As part of this re-launch, Westchester promoted POLO to customers of Neiman Marcus, one of PRL's largest retailers. *Id.* Additionally,
Conversely, the Second Circuit rejected the Fourth Circuit's "actual harm" standard in *Nabisco, Inc. v. PF Brands, Inc.* It noted that the actual dilution requirement would create severe problems of proof for the plaintiff. For example, during profitable times, the plaintiff may be unable to show diminished revenues, even if the junior use clearly lessens the distinctiveness of the senior mark. Moreover, even if economic loss could be shown, it could be difficult to attribute such loss to dilution of the mark. Thus, the Second Circuit rejected the "actual harm" standard in favor of a "likelihood of harm" standard.

The Seventh Circuit also adopted this standard in *Eli Lilly & Co. v. Natural Answers, Inc.* It echoed the Second Circuit's sentiment that the Fourth and Fifth Circuit's "actual harm" requirement held plaintiffs to an impossible standard

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Westchester chose Claudia Schiffer, a model often featured in PRL campaigns, to appear on one of POLO's cover pages. *Id.* Westchester brought an action against PRL seeking declaratory relief, stating that its use of the word "POLO" did not infringe upon PRL's POLO trademark; PRL counterclaimed asserting federal trademark dilution. *Id.* at 663. In deciding the case, the Fifth Circuit adopted the Fourth Circuit's interpretation of federal dilution. *Id.* at 670. It held that the FTDA requires proof of actual harm to show dilution of a trademark, and that PRL had no actionable dilution claim because it could not show actual harm. *See id.* at 671.

62. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), *overruled in part by* *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). The case arose when Pepperidge Farm claimed that Nabisco's creation of a fish-shaped cracker diluted the product configuration mark of Pepperidge Farm's famous Goldfish snack. *Id.* at 212-14. Pepperidge Farm has produced its Goldfish crackers since 1962, and has obtained several trademark registrations for the Goldfish name and design. *Id.* at 212. Like Pepperidge Farm's Goldfish cracker, Nabisco's cracker was bite-sized, orange, cheddar cheese-flavored, and goldfish-shaped. *Id.* at 213.

63. *Id.* at 223-24.

64. *Id.*

65. *Id.* at 224.

66. *Id.* at 223. Applying this standard, the court found that because there was a high likelihood that Nabisco's junior mark would dilute the distinctiveness of Pepperidge Farm's senior mark, it could properly grant Pepperidge Farm's preliminary injunction motion. *Id.* at 222.

67. *See Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000), *overruled in part by* *Moseley*, 537 U.S. 418. The plaintiff pharmaceutical company had owned the trademark for the prescription drug PROZAC since 1985. *Id.* at 461. Natural Answers, an Internet-based herbal medicine company, began marketing HERBROZAC as a natural, non-prescription alternative to PROZAC. *Id.* at 460. Eli Lilly claimed dilution under the FTDA and sued to enjoin Natural Answers from using the name HERBROZAC. *Id.* at 460-61.
of proof. The court reasoned that Congress would not be so inefficient as to create a cause of action that could not be proven. Additionally, the court noted that the FTDA's main remedy was to provide injunctions against the future exploitation of senior marks. It stated that an interpretation of the "causes dilution" element that requires proof of actual economic harm would essentially defeat the purpose of the FTDA's primary remedy. In other words, by the time plaintiffs could show actual harm had occurred, they would already have sustained damages that the FTDA's injunction was designed to prevent. Thus, an actual harm standard is contrary to Congress's intent in enacting the FTDA.

E. Moseley v. V Secret Catalogue, Inc.

The Supreme Court granted certiorari in Moseley v. V Secret Catalogue, Inc. to decide whether proof of actual economic injury to a famous mark is required to gain relief under the FTDA. In Moseley, defendants Victor and Cathy Moseley owned a retail store which specialized in adult videos and adult novelties. The plaintiffs were affiliated corporations that owned the VICTORIA'S SECRET trademark. Initially, defendants' store was named "Victor's Secret." Upon learning of the store's existence, Victoria's Secret's counsel wrote to defendants asking them to discontinue use of "Victor's Secret" because it was likely to cause dilution under the FTDA. In response, the Moseleys changed the store name to "Victor's Little Secret."

68. Id. at 468. The court noted that particularly for profitable products such as Eli Lilly's PROZAC, "it is possible that the distinctiveness of its mark could be diluted even as its sales are increasing, albeit not increasing as much as they would in the absence of the offending mark." Id.
69. Id.
70. Id. at 467.
71. Id. (citing Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999)).
72. See id. at 467-68.
73. See Eli Lilly, 233 F.3d at 468.
75. Id. at 422, 424.
76. Id. at 422.
77. Id. at 423.
78. Id.
79. Id.
Unsatisfied with this change, plaintiffs filed suit.80

The district court found the two marks similar enough to
dilute the Victoria's Secret mark under the FTDA, and
consequently granted an injunction prohibiting the Moseleys
from using their store name.81 On appeal, the Sixth Circuit
affirmed the district court's ruling.82 In doing so, the court
sided with the Second and Seventh Circuits and rejected the
Fourth Circuit's holding that relief under the FTDA requires
actual economic harm.83

When defendants appealed to the Supreme Court, the
Court interpreted the FTDA to require actual dilution.84 The
Court first focused on a comparison of state and federal
dilution statutes.85 It pointed out that many state dilution
laws expressly require a showing of only a likelihood of
dilution to obtain injunctive relief.86 Similarly, the Court
noted that several other provisions in the federal Lanham Act
contain references to a "likelihood" of harm.87 In contrast, the
relevant text of the FTDA provides that owners of famous
marks are entitled to injunctive relief against another
person's use of a mark if that use "causes dilution of the
distinctive quality" of the famous mark.88 By comparing the
wording of the FTDA with language of the state dilution
statutes and the rest of the Lanham Act, the Supreme Court
concluded that the text of the FTDA required a showing of
actual dilution.89

80. Moseley, 537 U.S. at 423.
81. Id. at 425.
82. Id.
83. Pulliam, supra note 7, at 901.
84. Moseley, 537 U.S. at 433 ("The contrast between the initial reference to
an actual 'lessening of the capacity' of the mark, and the later reference to a
'likelihood of confusion, mistake, or deception' in the second caveat confirms
the conclusion that actual dilution must be established.").
85. Id. at 430-34.
86. The Court raised as an example the Massachusetts dilution statute,
which provided: "Likelihood . . . of dilution of the distinctive quality of a trade
name or trade-mark shall be a ground for injunctive relief in cases of trade-
537 U.S. at 430.
87. Moseley, 537 U.S. at 432.
537 U.S. at 432-33.
89. Moseley, 537 U.S. at 433 (suggesting that Congress's use of "likelihood"
when referring to confusion, but not when referring to dilution, implies its
The Court found that the definition of dilution provided in section 45 of the FTDA reinforced this interpretation. As previously mentioned, the FTDA defines dilution 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." The Court viewed the contrast between the initial reference to a "lessening of the capacity" of a mark and the subsequent use of the word "likelihood" in the second caveat as further proof that the FTDA requires actual dilution. Based on these two comparisons, the Supreme Court concluded that the plain language of the FTDA called for a showing of actual dilution in order to gain injunctive relief.

Although the Court resolved the circuit split by firmly establishing that the FTDA requires a showing of "actual dilution" instead of a "likelihood of dilution," the test for dilution remains unsettled. The Court in Moseley did not delineate a clear test for dilution, but rather, it briefly discussed the sufficiency of various types of evidence. The Court first expressly rejected the idea that a demonstration of economic loss is necessary to prove dilution. While holding that the FTDA requires a showing of actual dilution to gain relief, the Court admitted "that does not mean that the consequences of dilution, such as an actual loss of sales or

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90. Id.
92. Moseley, 537 U.S. at 433.
93. Id.
94. Id.
95. See discussion infra Part III. The courts that adhered to a likelihood of dilution standard before the Supreme Court decided Moseley used different factors to test for dilution. See discussion infra Part IV.A. The Second Circuit employed a total of ten factors. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 217-22 (2d Cir. 1999), overruled in part by Moseley, 537 U.S. 418; see infra note 186 (listing the ten factors). In contrast, the Seventh Circuit considered only two factors: the strength of the senior mark and the similarity between the senior and junior marks. Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 (7th Cir. 2000), overruled in part by Moseley, 537 U.S. 418.
96. Moseley, 537 U.S. at 433-34.
97. Id. at 433.
profits, must also be proved." In addition, the Court agreed with the Fourth Circuit's opinion in Ringling Bros. that unless the marks at issue are identical, the mere fact that consumers mentally associate the junior mark with the senior mark is not enough to prove dilution.

The Court acknowledged that it might be difficult to obtain direct evidence that a famous mark is less useful in distinguishing a brand, but maintained that it is still possible to meet the actual dilution standard. So long as plaintiffs can prove actual dilution through circumstantial evidence, the Court stated, direct evidence of dilution is unnecessary. In cases where the marks at issue are identical, the indistinguishable nature of the marks by itself constitutes circumstantial evidence of actual dilution. For example, if an automobile manufacturer began using Kodak's red and orange symbol to market its cars, it is logical to assume this use lessens the capacity of Kodak's mark to identify and distinguish its cameras. If the marks are not identical, however, it is unclear what is acceptable as circumstantial evidence.

Thus, on one hand, mental association by itself is insufficient to prove dilution. On the other hand, it is not necessary for a plaintiff to prove she has sustained actual economic losses as a result of the offensive junior use. Beyond these basic boundaries, the Court suggested that in some cases plaintiffs may use circumstantial evidence to prove dilution. However, the Court referred only to cases where the marks at issue are identical. Where the marks are similar but not identical, the Court offered no guidance on how to proceed.

98. *Id.*
99. *See id.* at 434.
100. *Id.*
101. *Id.*
103. *Id.* at 433.
104. *Id.*
105. *Id.* at 434.
106. *Id.* (declaring that actual dilution can reliably be proven through circumstantial evidence and that the obvious example would be a case where the junior and senior marks are identical).
F. The Trademark Dilution Revision Act of 2006

The difficulties of proof that Moseley created for plaintiffs attempting to state a dilution claim generated support for an amendment to the FTDA. The latest proposal is the Trademark Dilution Revision Act of 2006, which has passed both the House and the Senate. While dissatisfaction with Moseley's actual dilution standard served as the impetus for the TDRA, the drafters addressed other issues upon which circuit courts disagreed. Among numerous proposed changes, there are two that are critically relevant to this comment's focus. Most importantly, the TDRA strikes the actual dilution language in favor of a likelihood of dilution standard. The proposed bill would also employ a six-factor balancing test for determining when dilution will likely occur. It states:

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

The "may consider" phrasing means that these factors are permissive, instead of mandatory. It also means that

109. WELKOWITZ, supra note 107, at 52.
110. H.R. 683.
111. Id.
112. Id. (emphasis added).
113. WELKOWITZ, supra note 107, at 53.
this list of factors is not exhaustive. Currently, the TDRA is awaiting finalization by the conference committee before it is presented to the President.

III. IDENTIFICATION OF THE LEGAL PROBLEM

Moseley created two problems for the legal community. First, its actual dilution standard frustrates the purposes of the FTDA by imposing on the plaintiff an impracticable standard of proof. Congress enacted the FTDA to protect the economic investments of mark owners by providing both a cause of action against dilution and injunctive relief to prevent the future exploitation of a plaintiff's marks. The Supreme Court's holding that the FTDA requires a showing of actual dilution raised the burden of proof, making it unusually difficult for plaintiffs to prevail on their trademark dilution claims. Even if plaintiffs managed to show actual dilution, by then they already would have sustained the damages the injunctions were meant to prevent. To remedy this problem, Congress must pass the pending amendment to the FTDA that requires a likelihood of dilution rather than actual dilution.

The second problem is that Moseley neglected to articulate a test for determining when dilution has occurred. Even if Congress amends the dilution standard, the problem of how to determine a likelihood of dilution remains. To gain relief, plaintiffs must produce either direct or circumstantial evidence of dilution, neither of which is

114. Id.
116. See discussion infra Part IV.B.
118. Pulliam, supra note 7, at 908-10. This difficulty is further illustrated by the cases decided after Moseley. See discussion infra Part IV.A-B.
119. Pulliam, supra note 7, at 908-10.
120. See discussion supra Part II.F.
121. Polzer, supra note 14, at 743 ("The Moseley Court's interpretation of the FTDA to require actual dilution without stating what proof of actual dilution would look like, essentially made relief for famous marks infinitely more difficult.").
an easy task.

Direct evidence of dilution is difficult to obtain because the concept of dilution is premised on a psychological phenomenon that is largely unquantifiable. The acquisition of circumstantial evidence is also problematic because the Supreme Court has given scant guidance on what qualifies as such evidence. In cases where junior and senior marks are identical, the mere fact that the two marks are identical qualifies as circumstantial evidence of actual dilution. However, it remains unclear what constitutes circumstantial evidence in cases where the marks are only highly similar. The Court’s failure to provide express guidelines effectively leaves the determination of when dilution occurs to lower courts’ discretion.

To correct this problem, Congress should create a uniform test for dilution to which lower courts must adhere. The TDRA’s six-factor balancing test does not adequately accomplish this goal because it is permissive rather than mandatory. Since the list of factors is not exhaustive, courts will feel compelled to address these six factors, but may look to additional considerations. Moreover, one of the factors of the TDRA balancing test is problematic. The fourth factor, which asks courts to consider a mark’s fame, does not serve the broader policies of intellectual property law. Accordingly, Congress should mandate several of the more important factors and eliminate the fame factor.

IV. ANALYSIS

A. Case Law After Moseley Indicates a Need for a Uniform Test for Dilution

The Supreme Court’s failure to articulate a test for

123. Moskin, Victoria’s Big Secret, supra note 10, at 855-56.
125. Moseley, 537 U.S. at 434.
127. See Pulliam, supra note 7, at 905 (“Absent express guidelines, the burden shifts to the lower courts to establish a test for a sufficient showing of actual dilution.”).
128. See supra notes 112-13 and accompanying text.
129. Fame may be an indicator that defendants will get a free ride on plaintiff’s trademark, but intellectual property law does not prohibit free-riding in all instances.
dilution in *Moseley* makes it difficult for plaintiffs to prevail on their federal trademark dilution claims. Since *Moseley*, a significant number of dilution claims have been dismissed due to the absence of sufficient evidence, whether direct or circumstantial, under *Moseley's* actual dilution standard.\(^{130}\) The outcome of such cases indicates the need for a lower standard and a clear test for dilution.

In *Ty, Inc. v. Softbelly's, Inc.*, Ty, the manufacturer of “Beanie Babies,” brought suit against Softbelly's for trademark dilution under the FTDA.\(^{131}\) Softbelly's manufactured “Screenie Beanies,” which are plush animal-shaped toys stuffed with bean-like material to give the toys a floppy quality.\(^{132}\) “Screenie Beanies” are used to wipe computer screens and differ from “Beanie Babies” only by the material used on the bellies.\(^{133}\) Ty claimed that Softbelly's use of “Screenie Beanies” diluted Ty's registered trademark for “Beanie Babies.”\(^{134}\) Although the district court ruled as a matter of law that Softbelly's use of the term “Beanies” diluted Ty's mark,\(^{135}\) the Court of Appeals for the Seventh Circuit reversed.\(^{136}\)

The Seventh Circuit referred to the Supreme Court's holding in *Moseley* and stated that if Ty could not provide direct evidence of dilution, such as consumer surveys, it could still prove dilution through circumstantial evidence.\(^{137}\) Under this analysis, the Seventh Circuit found that Ty did not meet *Moseley's* actual dilution standard.\(^{138}\) Because the court found “Beanie Babies” was not identical to “Screenie Beanies,” Ty could not rely on identical marks to show circumstantial evidence of dilution.\(^{139}\)

Although the court adhered to *Moseley's* actual dilution standard and ruled in favor of Softbelly's, parts of the opinion

\(^{130}\) Polzer, *supra* note 14, at 757 (“Though few cases have applied *Moseley*, lower courts stated it is more difficult for plaintiffs to prevail on an FTDA claim in light of the *Moseley* decision.”).
\(^{131}\) *Ty, Inc. v. Softbelly's, Inc.*, 353 F.3d 528, 530 (7th Cir. 2003).
\(^{132}\) *Id*.
\(^{133}\) *Id*.
\(^{134}\) *Id*.
\(^{135}\) *Id.* at 535.
\(^{136}\) *Id.* at 537.
\(^{137}\) *Ty, Inc.*, 353 F.3d at 536.
\(^{138}\) *See id.* at 535-36.
\(^{139}\) *Id.* at 536.
suggest the court was dissatisfied with the actual dilution standard and frustrated with the lack of a clear test for dilution. The court emphasized that although the Supreme Court allowed the presence of identical junior and senior marks to qualify as circumstantial evidence of actual dilution, it did not say what else might be considered circumstantial evidence. The court also seemed to disagree with the Supreme Court’s view of consumer surveys as direct evidence of actual dilution. The court was skeptical that consumer surveys could accurately gauge a mark’s ability to lessen the capacity of a senior mark to identify or distinguish itself: “[w]e are not sure what question could be put to consumers that would elicit a meaningful answer either in [Moseley] or this [case].”

Kellogg Co. v. Toucan Golf, Inc. is another post-Moseley case in which the plaintiff did not prevail because it failed to present evidence of actual dilution. Kellogg is a cereal producer that, since 1963 has used advertising containing Toucan Sam, a cartoon rendition of a toucan with a multi-colored body and cheery demeanor. In 1994, TGI, a manufacturer of golf equipment, began using a toucan drawing and the word mark TOUCAN GOLD to represent its products. TGI’s toucan is also an artist’s rendition of a toucan that possesses a multi-colored body. However, unlike Toucan Sam, the TGI toucan wears no human expressions. Kellogg filed suit against TGI and claimed that TGI’s word mark and toucan logo diluted Kellogg’s five federally-registered “Toucan Sam” word marks and logos.

The Sixth Circuit decided in favor of TGI by using two of Kellogg’s own surveys to find there was no direct evidence of actual dilution. For instance, a 1991 Kellogg study indicated that ninety-four percent of children recognized Toucan Sam, and eighty-one percent of children mentally

140. Id. at 535-36.
141. Id. at 535.
142. Id.
144. Id. at 620.
145. Id. at 621.
146. Id. at 622.
147. Id.
148. Id. at 620-21.
149. See Kellogg Co., 337 F.3d at 624.
associated Toucan Sam with Froot Loops. A Kellogg study conducted in 1997, after TGI came into existence, showed that ninety-four percent of adults recognized Toucan Sam. The court concluded from these studies that Kellogg failed to present direct evidence of any reduction in the number of people, in any population segment, who recognized Toucan Sam as the spokesbird for Froot Loops. Therefore, Kellogg failed to show that TGI's toucan logo and word mark resulted in actual dilution.

Although the court did not specifically discuss circumstantial evidence, it discussed the similarity between Kellogg's Toucan Sam and TGI's toucan logo and word mark. Far from finding the two marks identical, the court emphasized the contrast between the anthropomorphic nature of Toucan Sam and the life-like characteristics of the Toucan Gold toucan: "[The Toucan Gold bird] has the look and proportions of a toucan that one would encounter in the wild. . . . [Toucan Sam] smiles and has several other human features. We therefore find no similarity between Toucan Sam and [the Toucan Gold bird]." Given this difference, Kellogg could not rely on similarity of marks as circumstantial evidence of dilution.

B. The Actual Dilution Standard is Impracticable

Although the Supreme Court in Moseley correctly applied a rigid interpretation of the FTDA, the resulting actual dilution standard has proven unworkable and defeats the congressional intent behind the statute. As the post–Moseley cases illustrate, the actual dilution standard is impracticable because dilution is difficult to quantify. Trademark dilution is based on the idea that companies build goodwill with their consumers. The problem is that goodwill, defined as the "vague favorable disposition [a consumer has] towards a

150. Id. at 628.
151. Id.
152. Id.
153. Id. at 628-29.
154. Id. at 626.
155. Kellogg Co., 337 F.3d at 626.
156. See id. at 628-29.
product or service,” is difficult to measure. As one trademark specialist described it:

Because goodwill, like personal reputation, cannot meaningfully be said to “exist” in any physical sense in one’s conscious or unconscious mind, it is misleading (if superficially tempting) to picture a physical thing being eroded or worn away. Imagine, for instance, trying to measure over time how much you like a flavor of ice cream or wine vintage; even if you are convinced your feelings have changed, how do you establish a baseline or prove the extent of a change? 

The reality that the psychological phenomenon of dilution is largely unquantifiable may explain lower courts’ rulings in post-Moseley trademark dilution cases. The few courts that have applied Moseley have found it is harder for plaintiffs to prevail on an FTDA claim under an actual dilution standard. 

Even though Moseley allows plaintiffs to present consumer surveys or economic harm as direct evidence of dilution, these types of direct evidence are exceedingly difficult to obtain because dilution is so difficult to quantify. As the Seventh Circuit in Ty implied, a consumer survey cannot reliably assess the extent to which a mark’s selling power has been diluted if consumers themselves cannot truly measure in their own minds the decrease in appeal of a product associated with the mark.

It is also hard to show economic harm as direct evidence of dilution. During profitable times, a plaintiff might not be able to show diminished revenues even if the junior use lessened the capacity of the senior mark to identify and

158. Id.
159. Id.
160. Id. at 855-56.
161. Polzer, supra note 14, at 757.
162. Although Moseley established that showing economic harm is not necessary, it is discussed here because it is a type of direct evidence that is theoretically useful in proving actual dilution, but is very difficult to obtain in practice due to the fact that dilution is an unquantifiable psychological phenomenon. Moskin, Victoria’s Big Secret, supra note 10, at 855-56. The difficulty of showing economic harm supports the argument that direct evidence of dilution is generally hard to obtain.
164. Ty, Inc. v. Softbelly’s, Inc., 353 F.3d 528, 535 (7th Cir. 2003).
distinguish goods.\textsuperscript{165} Even if the plaintiff could show economic loss, it is difficult to attribute those losses to dilution.\textsuperscript{166}

Although circumstantial evidence is less problematic, the only type of circumstantial evidence the Supreme Court mentioned in \textit{Moseley} was the identical nature of junior and senior marks.\textsuperscript{167} Beyond this example, the Court gave no indication of what else might qualify as circumstantial evidence.\textsuperscript{168}

The post-\textit{Moseley} cases strongly suggest that lower courts tend to reject dilution claims where the marks at issue are not identical.\textsuperscript{169} \textit{Ty, Inc. v. Softbelly's, Inc.} is an apt illustration of this trend.\textsuperscript{170} Despite "Screenie Beanies" overall similarity to "Beanie Babies" in that both are plush, floppy, bean-stuffed animal toys with similar sounding names, the Seventh Circuit focused on the difference in the material used to create the belly in each of the toys and decided that the toys were not identical.\textsuperscript{171} Thus, \textit{Ty} could not argue the identical nature of the toys as circumstantial evidence of actual dilution.\textsuperscript{172}

Similarly in \textit{Kellogg}, the two marks at issue bore a resemblance to one another, yet fell short of being identical.\textsuperscript{173} Although both marks were artistic depictions of toucans with colorful bodies, one was artistic and one was fanciful.\textsuperscript{174} The Sixth Circuit found there was no circumstantial evidence of actual dilution due to the contrast between the Toucan Gold toucan's life-like features and Toucan Sam's anthropomorphic features.\textsuperscript{175} Along with \textit{Ty, Inc. v. Softbelly's, Inc.}, this post-

\textsuperscript{166.} \textit{Id.} at 224.
\textsuperscript{167.} \textit{Moseley}, 537 U.S. at 434.
\textsuperscript{168.} \textit{See id.}
\textsuperscript{169.} Polzer, \textit{supra} note 14, at 757 ("Though \textit{Moseley} did not require marks to be identical to receive protection from dilution but stated that circumstantial evidence may show dilution, lower courts applying \textit{Moseley} have rejected dilution claims where the marks differ from famous marks in sound, appearance and meaning.").
\textsuperscript{170.} \textit{Ty, Inc. v. Softbelly's, Inc.}, 353 F.3d 528, 536 (7th Cir. 2003).
\textsuperscript{171.} \textit{Id.} at 530-36.
\textsuperscript{172.} \textit{Id.} at 536.
\textsuperscript{173.} \textit{Kellogg Co. v. Toucan Golf, Inc.}, 337 F.3d 616, 626 (6th Cir. 2003).
\textsuperscript{174.} \textit{Id.} at 620-22.
\textsuperscript{175.} \textit{Id.} at 626.
Moseley case illustrates the impracticability of the actual dilution standard.

C. Evaluation of the Factors to Consider in Testing for Dilution

The six-factor balancing test proposed by the TDRA\textsuperscript{176} includes some factors that are based on the forms of circumstantial evidence used by circuit courts prior to Moseley.\textsuperscript{177} Of these six factors, the first three are essential to a proper determination of whether dilution has occurred.\textsuperscript{178} The fourth factor is problematic because it undermines intellectual property policies.\textsuperscript{179} The fifth and sixth factors may make the balancing test more robust, but are not necessary.\textsuperscript{180}

1. Essential Factors—Similarity and Distinctiveness

The first factor of the six-factor balancing test refers to similarity.\textsuperscript{181} Similarity of a junior mark to a senior mark is an important form of circumstantial evidence.\textsuperscript{182} The degree to which consumers mentally associate a junior mark with a senior mark is logically a function of the degree of resemblance between the two marks. Without a modicum of similarity, there can be no causal connection between the use of a junior mark and dilution of a senior mark. As the Second Circuit declared, the marks at issue "must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior. In that manner the junior mark will lessen the distinctiveness of the senior mark."\textsuperscript{183}

\textsuperscript{176} Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. (2006); see supra note 112 and accompanying text (listing the six factors).
\textsuperscript{177} For example, similarity and distinctiveness are factors the Second Circuit used prior to Moseley. Fame is a factor that the Seventh Circuit used prior to Moseley. See discussion infra Part IV.C.1-2.
\textsuperscript{178} See discussion infra Part IV.C.1.
\textsuperscript{179} See discussion infra Part IV.C.2.
\textsuperscript{180} See discussion infra Part IV.C.3.
\textsuperscript{181} See H.R. 683; supra note 112 and accompanying text (listing the six factors).
\textsuperscript{183} Nabisco, Inc., 191 F.3d at 218. The mental association required by some circuits was overruled by Moseley. Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433 (2003). However, prior to Moseley, the Second Circuit applied the
The second and third factors, the "degree of inherent or acquired distinctiveness of the famous mark" and the "extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark," essentially refer to distinctiveness. Distinctiveness is an important form of circumstantial evidence. As the Second Circuit noted, in addition to being a statutory element of the FTDA, distinctiveness has a significant bearing on whether a junior use is likely to dilute. After all, how can the use of a junior mark dilute a senior mark if the senior mark is not distinctive to begin with?

The court explained that distinctiveness is measurable on a scale arranged according to the inherent strength or weakness of the mark. At the weak end of the scale, there are generic words, or words that simply name the genus of the product to which the mark applies. These words are devoid of distinctiveness and are ineligible for protection as mental association standard to find that although Nabisco's fish cracker was not identical to Pepperidge Farm's fish cracker, it was essentially the same in shape, size, color, and flavor. Nabisco, Inc., 191 F.3d at 218. Therefore, Nabisco's junior use was similar enough to lessen, in the minds of consumers, the uniqueness of Pepperidge Farm's Goldfish. Id.

184. See generally H.R. 683.
185. See Nabisco, Inc., 191 F.3d at 215.
186. Nabisco, Inc., 191 F.3d at 217. The Second Circuit borrowed some of the factors used in trademark infringement cases to aid in determining whether Nabisco's junior use diluted Pepperidge Farm's mark. Id. at 217 (noting that the court was adopting an approach similar to the Polaroid factors as found in Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961)). In total, Nabisco considered ten factors: (1) distinctiveness; (2) similarity of the marks; (3) proximity of the products and likelihood of bridging the gap; (4) interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products; (5) shared consumers and geographic limitations; (6) sophistication of consumers; (7) actual confusion; (8) adjectival or referential quality of the junior use; (9) harm to the junior user and delay by the senior user; (10) and effect of the senior's prior laxity in protecting the mark. Id. at 217-22.

187. Since dilution is "the lessening of the capacity of a mark to identify and distinguish goods," 15 U.S.C. § 1127 (2000), if the senior mark is not distinctive to begin with, it cannot have had much of an ability identify and distinguish goods. See Nabisco, Inc., 191 F.3d at 216-17.
189. Id. For example, a manufacturer or seller could not have the exclusive right to use a generic word such as "cracker" to describe a cracker product. Allowing the exclusive right to use such generic words would inhibit competition because companies could no longer refer to their products by name. Id.
marks. Next on the scale are "descriptive" marks, or those that do little more than describe a product's attributes. These also have low distinctiveness and are ineligible for protection unless they have acquired a secondary meaning.

Next on the scale are "suggestive" marks, which suggest the product's qualities. These have a moderate level of distinctiveness and are thus accorded some protection.

Highest on the scale are marks that are "arbitrary" or "fanciful." Because these marks have no logical relationship to the product for which they are used, they possess a high level of distinctiveness and therefore are accorded a high degree of protection.

Distinctiveness should not be confused with fame, however. As the Second Circuit noted, a mark can be famous without being distinctive. AMERICAN AIRLINES, ACE HARDWARE, and UNITED AIRLINES are all examples of marks that are famous, but that are not inherently distinctive or have not acquired distinctiveness. As such, these marks lack the precise attribute the FTDA meant to protect. In other words, if a mark is non-distinctive to begin with, it cannot be diluted. Thus, distinctiveness is valuable because it screens out marks that are not deserving of protection under the FTDA.

The use of similarity as a factor provides additional aid in screening out meritless claims under the FTDA. Taken together, the distinctiveness factors and the similarity factor

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190. *Id.* at 215.
191. *Id.*
192. *Id.* (citing Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10 (2d Cir. 1976)) When a substantial segment of potential consumers have come to recognize the mark as an indicator of source, Jacoby, *supra* note 12, at 1031, the descriptive mark is said to have acquired a secondary meaning and, as such, it deserves some protection. *Nabisco, Inc.*, 191 F.3d at 215.
194. *Id.* at 215-16.
195. *Id.* at 216 (citing *Abercrombie*, 537 F.2d at 11).
196. The *Nabisco* court, for example, implied that because a cracker and a goldfish shape have no logical connection to one another, the Goldfish mark falls into the "arbitrary" category. *Id.* at 217. Thus, the Goldfish mark is distinctive enough to satisfy the distinctiveness element of the FTDA as well as one of the factors of the Second Circuit's test for dilution. *Id.* at 218.
197. *Id.* at 216.
198. See *id.* ("A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect.").
can help identify situations where dilution is likely. These three factors should be a mandatory part of any effective test for dilution.

2. A Problematic Factor—Fame

In contrast to the first three factors, the fourth factor of the TDRA may hinder the effectiveness of the proposed balancing test. Fame is a factor considered by some courts, such as the Seventh Circuit. At first blush, it makes sense to look at the degree of recognition of a mark when determining whether a junior use of that mark results in dilution. However, it does not necessarily follow that the more famous a mark, the more harm a junior use of that mark will cause a plaintiff.

It is possible that courts look to the degree of recognition of a mark because they intend to punish free-riding, reasoning that the more famous a mark, the more likely it is that a defendant gets a free ride. However, the practice of regulating externalities makes less sense in the intellectual property context than in the real property context. If “free-riding” means merely gaining a benefit from another’s

199. Nabisco, Inc., 191 F.3d at 217. For example, the Nabisco court found that Pepperidge Farm’s Goldfish cracker was arbitrary and therefore was inherently distinctive. Id. at 218. It also found that there was sufficient similarity between the Goldfish cracker and Nabisco’s cracker. Id. Thus, the court could reasonably infer that the use of Nabisco’s mark was likely to dilute Pepperidge Farm’s mark if it were allowed to continue. Id. at 222.

200. See, e.g., Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 (7th Cir. 2000), overruled in part by Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003). In assessing the fame of the senior mark, the court noted that in addition to receiving a high level of media coverage, Eli Lilly’s PROZAC had been the subject of bestselling books such as Elizabeth Wurtzel’s Prozac Nation: Young and Depressed in America (1994). Id. Based on this evidence, the court agreed that PROZAC had achieved a high degree of fame in American culture. Id.


202.Externalities are secondary or unintended consequences. An example of a negative externality of manufacturing is pollution.

investment, intellectual property law should not prohibit free-riding when ideas and information cannot be depleted.\textsuperscript{204}

If a famous store is situated next to an obscure store and the famous store drives traffic to the obscure store, that does not mean the famous store’s owner has the right to capture the value of that extra patronage to the lesser-known store.\textsuperscript{206} In addition, this does not necessarily mean that the obscure store steals any business that would have gone to the famous store. This concept applies to a lesser-known mark that benefits from association with a famous mark. By getting a free ride, the lesser-known mark does not necessarily harm the famous mark.\textsuperscript{206} Thus, when determining whether dilution has occurred, or is likely to occur, a famous mark’s degree of recognition is of questionable value.

3. Non-essential Factors—Predatory Intent and Direct Evidence

The fifth factor of the TDRA provides that courts may consider “\textit{whether the user of the mark or trade name intended to create an association with the famous mark.”}\textsuperscript{207} This factor essentially asks courts to consider the predatory intent of the junior user. “Predatory intent” is a defendant’s desire to trade on the reputation or goodwill of a plaintiff’s mark.\textsuperscript{208} It should not matter whether a defendant does this willfully; the purpose of the FTDA is to protect against the “lessening of the capacity of a famous mark to identify or distinguish goods and services . . . “\textsuperscript{209} Certainly, a defendant can harm the ability of the plaintiff’s mark to identify or distinguish its goods or services without intending to do so.

\textsuperscript{204} See id. at 12-38.
\textsuperscript{205} Id. at 22. Lemley also uses the activity of planting trees to illustrate this point. Id. He points out that governments rarely restrict the planting of trees, as it is an act that usually generates only positive externalities. Id. at 23. It is typically only when, in a particular context, it causes negative externalities, that they do regulate it. Id. For example, the tree may be blocking someone’s view or interfering with power lines. Id.
\textsuperscript{206} Cf. id. at 25-26 (stating that use of an idea “is not something from which others can easily be excluded” and “the use of those ideas or words does no harm to their creator”).
\textsuperscript{208} Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., 875 F.2d 1026, 1037 (2d Cir. 1989) (Sweet, J., concurring).
The sixth factor states that courts may look to "[a]ny actual association between the mark or trade name and the famous mark." This factor allows courts to consider direct evidence when evaluating whether there is a likelihood of dilution. Since it is possible to find a likelihood of dilution by examining only circumstantial evidence, this factor is not critical to the test. However, it is useful because it gives courts the option of considering forms of direct evidence (e.g., consumer surveys) if such evidence is available. Like the fifth factor, this factor is not critical, though it may add to the robustness of the overall balancing test.

D. Mandatory v. Permissive Language of the TDRA

The multi-factor balancing test proposed by the Trademark Dilution Revision Act of 2006 cannot ensure that lower courts will consistently determine a likelihood of dilution. Though courts will not ignore any of the factors, they could also conceivably add other factors since the list is not exhaustive. Congress's use of permissive language in the TDRA thus leaves room for variation among courts.

V. PROPOSAL: HOW CONGRESS SHOULD RESPOND TO Moseley

A. Lower Moseley's Standard to "Likelihood of Dilution"

The Supreme Court in Moseley stated that although the actual dilution standard increases the burden of proof and decreases the plaintiff's odds of gaining relief under the FTDA, the Court was still required to fulfill its responsibility to interpret statutes as written by the legislature. Because the Court's decision rested on the express language of the FTDA, Congress should amend the language of the FTDA to require only a "likelihood of dilution" to circumvent this literal interpretation and bring the language of the statute back in line with its intent.

At present, Congress is considering the proposed TDRA,

211. See Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 434 (2003) (noting that "[i]t may well be, however, that direct evidence of dilution such as consumer surveys will not be necessarily if actual dilution can reliably be proved through circumstantial evidence").
212. See id.; see also Pulliam, supra note 7, at 908.
which would do exactly that. The TDRA amends the FTDA to require only a likelihood of dilution in order to grant an injunction.\textsuperscript{213} Such a standard comports with the goal of protecting trademark owners from the incremental harm of dilution.\textsuperscript{214} Rather than requiring plaintiffs to produce evidence of the harm already inflicted upon their marks, the likelihood of dilution standard allows courts to identify and respond to a potential problem of dilution before it has a chance to begin.\textsuperscript{215}

**B. Modify the TDRA’s Uniform Test for Dilution**

In addition to the implementation of a lower standard for dilution, Congress should modify its test for dilution so as to harmonize the standards used among the lower courts. Accordingly, the proposed six-factor test should be modified to treat the non-essential factors as permissive, rather than compulsory. Specifically, the essential considerations of similarity and distinctiveness should be mandatory.\textsuperscript{216} Finding a similarity between the junior and senior marks ensures a causal relationship between the use of a junior mark and dilution of a senior mark. Distinctiveness should also be required. Without it, a senior mark has nothing that a junior mark could dilute. Requiring these factors guarantees that lower courts will consider the most critical factors when evaluating whether there is a likelihood of dilution, and will thereby limit variation among courts’ findings.

Predatory intent and direct evidence are non-essential factors.\textsuperscript{217} Predatory intent is an unnecessary factor because defendants can harm the ability of a plaintiff’s mark to identify and distinguish its goods and services regardless of whether the defendant’s intentions. Since it is possible to find a likelihood of dilution by presenting only circumstantial evidence, direct evidence is not necessary. Therefore, predatory intent and direct evidence should remain

\textsuperscript{213} H.R. 683.
\textsuperscript{214} See supra Part II.B (discussing the policies underlying trademark dilution).
\textsuperscript{215} See Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 467-68 (7th Cir. 2000), overruled in part by Moseley, 537 U.S. 418.
\textsuperscript{216} See supra Part IV.C.1.
\textsuperscript{217} See supra Part IV.C.3.
permissive factors because they are marginally useful, but there is no harm if courts do not consider these factors.

Finally, Congress should eliminate the fourth factor of the TDRA regarding fame. This factor essentially punishes free riding. However, in the intellectual property context, free riding is not necessarily undesirable or harmful to the plaintiff.\textsuperscript{218} It is a positive externality, and thus there is no need to regulate it.

VI. CONCLUSION

The Supreme Court's adoption of an actual dilution standard in \textit{Moseley} is problematic. Under this standard, plaintiffs are held to a virtually impossible level of proof. Moreover, by making it more difficult to gain relief under the FTDA, the actual dilution standard thwarts Congress's intent to protect trademark owners' economic investments.

Because the Supreme Court relied heavily on a literal interpretation of the FTDA which required an actual dilution standard,\textsuperscript{219} Congress should amend the language of the FTDA. Specifically, Congress should amend the FTDA to require a "likelihood of dilution" as opposed to actual dilution. Easing this burden of proof would realign the FTDA with its underlying policies.

Additionally, Congress should prescribe a uniform multi-factor test for determining when dilution is likely. The proposed TDRA's six factors provide loose guidance rather than a uniform multi-factor test so that courts may better determine when dilution is likely. Thus, the task of determining whether dilution is likely remains effectively in the lower courts' discretion. To ensure a more uniform result, Congress should change the "essential" permissive factors to compulsory factors. Finally, Congress should eliminate the fame of the mark as a consideration.

If used in concert, the amended dilution standard and a modified version of the TDRA's test for dilution should preserve the tension between protection of famous trademarks and the advancement of enterprise and competition.

\textsuperscript{218} \textit{See supra} Part IV.C.2.