

October 3, 2006

TRADEMARK DILUTION REVISION ACT TO BECOME LAW

President Bush is expected to sign the Trademark Dilution Revision Act of 2006 (the Act) this week. The Act overturns the effects of the U.S. Supreme Court's decision in *Mosely v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that a plaintiff must prove actual dilution, not merely a likelihood of dilution, to prevail on a claim under the Federal Trademark Dilution Act (FTDA). Owners of famous marks that are distinctive will now be entitled to injunctive relief against third-party use of a mark "that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."

In addition to this lower burden of proof, the Act also includes other important provisions, described below, that clarify the scope of the rights protected under the FTDA and the elements that must be proven in order to prevail on a federal claim of trademark dilution.

- The Act makes it clear that the federal dilution cause of action is an extraordinary remedy reserved for truly famous marks. The Act defines a "famous" mark as one that "is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." The Act thereby rejects a line of decisions holding that dilution claims could be brought by holders of marks enjoying renown only in "niche" product and/or geographic markets.
- In determining whether a mark qualifies as "famous," courts may consider "all relevant factors," including four set forth in the Act, namely: (i) the extent of advertising and publicity of the mark; (ii) the extent of sales under the mark; (iii) the extent of actual recognition of the mark; and (iv) whether the mark was registered.
- Although only famous marks that are also "distinctive" are covered, the Act makes it clear that this requirement is met not only by marks that are "inherently distinctive" (such as KODAK) but also by marks that have "acquired distinctiveness" through the development of secondary meaning (such as THE GREATEST SHOW ON EARTH). The Act thereby rejects a Second Circuit decision and its progeny that limited protection under the FTDA to famous marks that are inherently distinctive.
- The Act defines "dilution by blurring" as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." It permits courts to consider all relevant factors (including six enumerated in the Act) in conducting this inquiry.
- The Act defines "dilution by tarnishment" as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." By expressly covering "dilution by tarnishment," as so defined, the Act removes uncertainty caused by dicta in the Supreme Court's *Mosely* decision as to whether the FTDA protects against

dilution that tarnishes a famous mark's reputation by associating it with disreputable activities such as pornography or drug abuse.

- The Act expressly authorizes a cause of action for "trade dress dilution" but provides that a plaintiff asserting such a claim based on "trade dress not registered on the principal register" bears the burden of proving that (A) the trade dress, as a whole, is not functional and is famous, and (B) if the trade dress includes any mark registered on the principal register, the unregistered matter, as a whole, is famous apart from any fame of the registered mark or marks.
- While successful dilution plaintiffs ordinarily will be entitled only to an injunction, enhanced remedies (e.g., defendant's profits, damages, costs of litigation, and destruction of all items bearing the diluting mark) remain available in cases of willful dilution.
- The Act expressly exempts from liability: (A) any fair use of a famous mark, including use in comparative advertising and in parodying, criticizing or commenting upon the famous mark, its owner, or the goods/services of the owner; (B) all forms of news reporting and commentary; and (C) any noncommercial use of the mark.

The overall impact of the Act will be to strengthen the dilution remedy while at the same time limiting its applicability to truly famous marks. Owners of lesser known marks, or marks whose fame is limited to a narrow consumer base, may need to explore whether one or more state dilution statutes provide the protection they need.

* * *

This information is not intended as legal advice, which may often turn on specific facts. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

If you have any questions concerning the material discussed in this client alert, please call any of the following members of our trademark practice group:

Simon Frankel	415.591.7052	sfrankel@cov.com
Bingham Leverich	202.662.5188	bleverich@cov.com
Shannon Nestor	202.662.5571	snestor@cov.com
Neil Roman	202.662.5695	nroman@cov.com
Laurie Self	202.662-5458	lself@cov.com

This alert is intended to bring breaking developments to our clients and other interested colleagues in areas of interest to them. If you do not want to receive alerts like this in the future, please contact us by sending an e-mail to unsubscribe@cov.com.