

# THE FTDA'S "CAUSES DILUTION" CAUSING PROBLEMS: ANALYZING THE *RINGLING BROS.* AND *NABISCO* STANDARDS AFTER THE TRADEMARK AMENDMENTS ACT OF 1999

## I. INTRODUCTION

Since 1996, the Federal Trademark Dilution Act of 1995 (FTDA)<sup>1</sup> has provided a federal cause of action for trademark dilution.<sup>2</sup> In the years following the enactment of the FTDA, the circuits split over the meaning of the phrase "causes dilution" in clause one of the FTDA.<sup>3</sup> In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*,<sup>4</sup> the Fourth Circuit held that a senior user<sup>5</sup> must prove that the junior user<sup>6</sup> caused "actual economic harm"<sup>7</sup> to the senior user's famous trademark in order to obtain relief for trademark dilution under the FTDA.<sup>8</sup> In *Nabisco, Inc. v. PF Brands, Inc.*,<sup>9</sup> however, the Second Circuit expressly disagreed with the *Ringling Bros.* standard,<sup>10</sup> holding that a senior user need

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1. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at 15 U.S.C. § 1125(c) (Supp. V 1999)). 15 U.S.C. § 1125(c) provides:

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, 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, and to obtain such other relief as is provided in this subsection . . . . (2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity.

15 U.S.C. § 1125(c).

2. See *infra* notes 19-34 and accompanying text for discussion of the history of trademark dilution.

3. 15 U.S.C. § 1125(c) (providing that relief may be obtained if a mark is famous and "causes dilution of the distinctive quality of the mark").

4. 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999).

5. A "senior user" is the first entity to use a mark. See *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1023 (11th Cir. 1989) ("The first to use a mark on a product or service in a particular geographic market, the senior user, acquires rights in the mark in that market.").

6. A "junior user" is any user of the same or similar mark that uses a mark after the senior user's first use. See *id.* ("Junior users [are those] who subsequently use the same or similar mark on similar products or services . . . .").

7. 170 F.3d at 461. The court defined "actual economic harm" as "lessening [the famous mark's] former selling power as an advertising agent for its goods or services." *Id.*

8. *Id.*

9. 191 F.3d 208 (2d Cir. 1999).

10. *Id.* at 223.

only prove a “likelihood of dilution” in order to obtain relief under the FTDA.<sup>11</sup>

Shortly after the *Ringling Bros.* decision, President Clinton signed the Trademark Amendments Act of 1999 (TAA),<sup>12</sup> which gave the United States Patent and Trademark Office (USPTO) the power to grant administrative relief for trademark dilution.<sup>13</sup> The TAA amended the FTDA, allowing a senior user to oppose<sup>14</sup> or cancel<sup>15</sup> registrations of marks that dilute the senior user’s mark.<sup>16</sup> This Note examines the TAA, its legislative history, and their effect on the analysis of “causes dilution” in the FTDA.

Part II.A of this Note examines the history of trademark dilution from its inception to the enactment of the FTDA in 1995. Part II.B discusses the split between the federal courts of appeal regarding the interpretation of “causes dilution.” Part II.C examines the TAA and its legislative history. Part III discusses various trademark litigation processes. Part IV analyzes the *Ringling Bros.* and *Nabisco* standards using principles of statutory construction and policy arguments. Part V proposes a solution to the issues raised in Part IV, ultimately finding that the Trademark Trial and Appeal Board (TTAB)<sup>17</sup> should apply a “likelihood of dilution” standard in an opposition or cancellation proceeding, and federal district courts should apply an “actual dilution” standard in section 43(c) proceedings.<sup>18</sup>

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11. *Id.* at 224.

12. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (codified in scattered sections of 15 U.S.C.). Congress enacted the TAA less than five months after the *Ringling Bros.* decision. Notably, the parties argued the *Nabisco* case prior to the TAA’s enactment, but the court decided the case less than a month after the enactment.

13. See *infra* notes 82-100 and accompanying text for a discussion of the TAA.

14. A senior user’s right to oppose a mark’s registration is codified at 15 U.S.C. § 1063(a) (Supp. V 1999). 15 U.S.C. § 1063(a) provides in pertinent part:

Any person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 1125(c) of this title, may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefore, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered.

*Id.*

15. 15 U.S.C. § 1064 codifies a senior user’s right to cancel a mark’s registration. 15 U.S.C. § 1064 provides in pertinent part:

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter . . . .

15 U.S.C. § 1064 (Supp. V 1999).

16. Trademark Amendments Act, *supra* note 12, § 2 (codified at 15 U.S.C. §§ 1052, 1063, 1064, 1092).

17. See *infra* note 101.

18. Section 43(c) of the Lanham Act is codified as 15 U.S.C. § 1125(c). See *infra* notes 101-22 and accompanying text for discussion of the trademark litigation process.

## II. HISTORY

### A. *Trademark Dilution: From Its Inception Through the Federal Trademark Dilution Act of 1995.*

Frank Schechter introduced the concept of trademark dilution to the United States.<sup>19</sup> Schechter believed that

the ‘real injury’ caused by concurrent use of [junior marks identical or sufficiently similar to a “unique” senior mark] was not consumer confusion, but ‘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.’<sup>20</sup>

Schechter proposed that trademark law should prevent “the ‘dilution’ of truly ‘unique’ marks identified as those employing ‘coined, arbitrary, or fanciful words or phrases that . . . from the very beginning, [have] been associated in the public mind with a particular product.’”<sup>21</sup>

Although early attempts to incorporate dilution into the federal trademark statutes failed,<sup>22</sup> many states enacted their own antidilution statutes.<sup>23</sup> In 1988, the Senate passed a trademark bill containing an antidilution

19. Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), reprinted in 60 TRADEMARK REP. 334 (1970). See also, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows, Inc.*, 170 F.3d 449, 453-54 (4th Cir.), cert. denied, 528 U.S. 923 (1999) (noting the significance of Schechter’s work); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:67 (4th ed.) [hereinafter MCCARTHY] (same).

20. *Ringling Bros.*, 170 F.3d at 454 (quoting Schechter, *supra* note 19, at 825).

21. 170 F.3d at 454 (quoting Schechter, *supra* note 19, at 829).

22. Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CAL. L. REV. 439, 449-50 (1956). See also 4 MCCARTHY, *supra* note 19, § 24:67.

23. 4 MCCARTHY, *supra* note 19, §§ 24:80, 24:81. As of the mid-1990s, approximately twenty-six states had statutes adopting the language of, or language substantially similar to, Section 12 of the 1964 United States Trademark Association Model State Trademark Bill. *Id.* § 24:80. Section 12 provides:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

*Id.* For further discussion of the Model Bill, see 3 MCCARTHY, *supra* note 19, §§ 22:8-22:10. In 1992, the United States (now International) Trademark Association revised the Model Bill, requiring that a mark be “famous” to fall under the dilution provisions’ protection. MCCARTHY, *supra* note 19, § 24:81. In total, at least twenty-nine states had antidilution statutes at the signing of the FTDA in January, 1996. See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 794 n.18 (1997); Brent G. Seitz, Note, *The Actual Harm Requirement and the Federal Trademark Dilution Act: Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 10 DEPAUL-LCA J. ART. & ENT. L. 113, 116 (1999).

provision.<sup>24</sup> However, the House of Representatives opposed the provision,<sup>25</sup> and no antidilution provision appeared in the final version of the bill signed into law.<sup>26</sup> It was not until December of 1995 when Congress passed the FTDA,<sup>27</sup> which President Clinton signed into law on January 16, 1996, that dilution became incorporated into Federal Trademark Law.<sup>28</sup>

The FTDA amended the Lanham Act, adding an antidilution provision to section 43(c).<sup>29</sup> This section provides that the senior owner of a famous mark is entitled to an injunction<sup>30</sup> against a junior user “if such use begins after the mark has become famous and *causes dilution* of the distinctive quality of the mark.”<sup>31</sup> Congress listed eight factors that courts could consider when deciding if a mark is “distinctive and famous” and therefore protected by the FTDA.<sup>32</sup> The statute defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the

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24. See SENATE JUDICIARY COMM. REP. ON S. 1883, S. REP. NO. 100-515, at 41-43 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5605.

25. 4 MCCARTHY, *supra* note 19, § 24:86.

26. See Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (codified in scattered sections of 15 U.S.C.).

27. FTDA, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at 15 U.S.C. § 1125(c) (Supp. V 1999)). See also 141 CONG. REC. H14,317 (1995); 141 CONG. REC. S38,561 (1995).

28. The FTDA passed through Congress without generating much legislative history. See SENATE JUDICIARY COMM. REP. ON S. 1883, S. REP. NO. 100-515 (1988), reprinted in 1988 U.S.C.C.A.N. 5577; 4 MCCARTHY, *supra* note 19, § 24:87. However, there are two sources that provide useful legislative history for the FTDA. *Id.* § 24:87 (citing U.S. Trademark Assoc. Trademark Rev. Comm'n. Rep. and Recommendations to USTA President and Board of Directors, 77 TRADEMARK REP. 375 (1987)).

29. 15 U.S.C. § 1125(c).

30. See 15 U.S.C. § 1125(c)(2) (providing for injunctive relief under 15 U.S.C. § 1116 (Supp. V 1999)). 15 U.S.C. § 1116 provides:

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title.

*Id.*

31. 15 U.S.C. § 1125(c)(1) (emphasis added).

32. *Id.* This section provides:

In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

*Id.*

presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”<sup>33</sup> The FTDA also provides for recovery of damages if the junior user “willfully intended to trade on the owner’s reputation or to cause dilution of the famous mark.”<sup>34</sup>

### B. Judicial Interpretations of the FTDA

One of the first issues the judiciary faced under the FTDA was whether a plaintiff in a section 43(c) proceeding must prove actual dilution or merely proffer evidence sufficient to prove a likelihood of dilution.<sup>35</sup> The Fourth Circuit first addressed this issue in *Ringling Bros.*<sup>36</sup>

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33. 15 U.S.C. § 1127 (Supp. V 1999). Generally, courts and commentators interpret the FTDA to include both dilution by “blurring” and dilution by “tarnishment.” 4 MCCARTHY, *supra* note 19, §§ 24:94, 24:95. Dilution by “blurring” occurs when “[c]ustomers or prospective customers will see the plaintiff’s mark used by other persons to identify different sources on a plethora of different goods and services. The unique and distinctive significance of the mark to identify and distinguish one source may be diluted and weakened.” *Id.* § 24:68. *See also id.* §§ 24:100-24:103. Dilution by “tarnishment” occurs when “the effect of the defendant’s unauthorized use is to tarnish, degrade, or dilute the distinctive quality of the mark.” *Id.* § 24:69. *See also id.* §§ 24:104-24:107.

34. 15 U.S.C. § 1125(c)(2). This section provides for damages under 15 U.S.C. § 1117(a) and 15 U.S.C. § 1118. Section 1117(a) provides:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a), (c), or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.

15 U.S.C. § 1117(a) (Supp. V 1999).

Section 1118 provides:

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) of this title, or a willful violation under section 1125(c) of this title, shall have been established, the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or, in the case of a violation of section 1125(a) of this title or a willful violation under section 1125(c) of this title, the word, term, name, symbol, device, combination thereof, designation, description, or representation that is the subject of the violation, or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed.

*Id.* § 1118.

35. W. Whitaker Rayner, *In Search of a Dilution Solution: Implementation of the Federal Trademark Dilution Act*, 20 MISS. C. L. REV. 93, 96 (1999).

36. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999).

### 1. *The Ringling Bros. Decision*

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. (Ringling Bros.) filed a claim under the FTDA,<sup>37</sup> claiming that the Utah Division of Travel Development (Utah) diluted Ringling Bros.'s trademark slogan for circus productions, THE GREATEST SHOW ON EARTH (GREATEST SHOW mark), by making commercial use of the trademark slogan THE GREATEST SNOW ON EARTH (GREATEST SNOW mark) for advertising the state's winter sports attractions.<sup>38</sup> The district court found that neither survey evidence<sup>39</sup> nor a six-factor balancing test<sup>40</sup> supported a finding that Utah's mark diluted Ringling Bros.'s mark. Ringling Bros. appealed to the Fourth Circuit, challenging the district court's finding that Utah's mark did not dilute Ringling Bros.'s mark in violation of the FTDA.<sup>41</sup> Specifically, Ringling Bros. challenged "the district court's interpretation of the statutory meaning of 'dilution'; the court's rejection of [Ringling Bros.'s] survey evidence as insufficient to prove 'dilution'; and the court's rejection of [Ringling Bros.'s] dilution claim under a [balancing test] analysis."<sup>42</sup> On appeal, the Fourth Circuit found that, at trial, "Ringling put on essentially undisputed evidence demonstrating that its mark achieved 'famous' status before [the] Utah Division of Travel Development began use of its mark."<sup>43</sup>

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37. *Id.* at 451. Ringling Bros. filed suit against Utah on June 6, 1996, asking for both injunctive and monetary relief. *Id.* at 452.

38. *Id.*

39. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 955 F. Supp. 605, 616-18 (E.D. Va. 1997). In its Findings of Fact, the district court described in some detail Ringling Bros.'s consumer survey. *Id.* at 612. The district court concluded that "Ringling's survey evidence [did] not demonstrate that Utah's mark lessens the capacity of THE GREATEST SHOW ON EARTH to identify and distinguish the Circus in Utah." *Id.* at 618.

40. *Id.* at 618-22. The district court applied a six-factor balancing test taken from a Second Circuit case that analyzed the New York state antidilution statute. *See id.* at 618 (citing *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring)). The six *Mead* factors include the following: "(i) the similarity of the marks, (ii) the similarity of the products or services covered by the marks, (iii) the sophistication of consumers, (iv) predatory intent, (v) renown of the senior mark, and (vi) renown of the junior mark." *Id.* The district court balanced these factors, concluding that "notwithstanding the fame of the marks in Utah, a balancing of the *Mead Data* factors does not demonstrate that Utah's mark will likely lessen the capacity of THE GREATEST SHOW ON EARTH to distinguish or identify Ringling's circus." 955 F. Supp. at 618-22.

41. 170 F.3d at 452. Additionally, Ringling Bros. challenged the district court's denial of their demand for a jury trial. *Id.*

42. *Id.* at 453. For discussion of the district court's findings regarding the survey evidence and the balancing test analysis, see *supra* notes 39-40, respectively. The Fourth Circuit affirmed "the district court's assessment that the consumer survey evidence does not support a finding of dilution under the federal Act." 170 F.3d at 463. Furthermore, the court concluded that the *Mead* balancing test "simply is not appropriate for assessing a claim under the federal Act." *Id.* at 464.

43. *Id.* at 451-52. Specifically, the district court found the following: Ringling Bros. had used the

Thus, the only remaining dispositive issue was whether the GREATEST SNOW mark diluted the GREATEST SHOW mark.<sup>44</sup>

The court ultimately concluded that

to establish dilution of a famous mark under the [FTDA] requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) *actual economic harm* to the famous mark’s economic value by lessening its former selling power as an advertising agent for its goods or services.<sup>45</sup>

After an in-depth analysis of both Frank Schechter’s dilution proposals<sup>46</sup> and the state antidilution statutes,<sup>47</sup> the court found that “‘dilution’ under the state statutes involved, as an essential element, some form of harm to the protected mark’s selling power—its economic value—resulting otherwise than by consumer confusion from the junior mark’s use.”<sup>48</sup> The Fourth Circuit then

GREATEST SHOW slogan since 1872, and they received a federal registration for the mark in 1961 for entertainment services in the nature of a circus. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 609 (E.D. Va. 1997). The Ringling Bros. circus travels throughout the United States and performs approximately 1,000 shows annually to nearly twelve million people in ninety-five cities. *Id.* Annually, the circus exposes over seventy million people to the GREATEST SHOW mark. *Id.* In the fiscal year ending in January, 1997, Ringling Bros. generated revenues of more than \$103 million from goods and services bearing or using the GREATEST SHOW mark, while they spent approximately \$19 million on advertising using the mark. *Id.* at 609-10.

As early as 1962, the Utah Division of Travel Development, an agency of the State of Utah, began using the GREATEST SNOW mark in connection with tourism services. *Id.* at 611. Utah registered the GREATEST SNOW mark with the State of Utah in 1975 and renewed the registration in 1985 and 1995. *Id.* In 1988, Utah applied for a federal registration with the USPTO. *Id.* Ringling Bros. opposed Utah’s application, but the USPTO granted Utah’s registration on January 21, 1997. *Id.*

44. 170 F.3d at 452.

45. *Id.* at 461 (emphasis added).

46. *See supra* notes 19-21 and accompanying text.

47. *See supra* note 23. The court found that although the state statutes varied significantly, they typically had the following four features in common:

(1) they defined the category of marks protected against dilution solely by reference to their “distinctive quality”; (2) they proscribed not just actual, consummated dilution, but the “likelihood of dilution”; (3) by containing no express reference to harm to the senior mark’s economic value, they defined dilution in terms susceptible to the interpretation that it consisted solely of a loss of the mark’s distinctiveness; and (4) they provided only injunctive relief.

170 F.3d at 454.

48. *Id.* at 458. However, because a plaintiff must prove only a “likelihood of dilution” under the state statutes, the state courts have not had to define this “economic harm.” *Id.*

Instead, looking only to the likelihood of such a speculative future condition, the [state] courts have either (1) assumed that [dilution’s] essential elements—mental association, causation, harm—could be found (or rejected) as fact by inference from a balancing of the “Mead factors,” or (2) assumed that all those elements could be conclusively presumed—direct or indirect proof

contrasted the FTDA with the state statutes, concluding that the FTDA “proscribes and provides remedy only for actual, consummated dilution and not for the mere ‘likelihood of dilution’ proscribed by the state statutes.”<sup>49</sup> The court conceded that proving actual dilution “by the ordinary processes of advocacy” would be difficult,<sup>50</sup> but stated that “[p]roof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts.”<sup>51</sup>

The Fifth Circuit and a number of district courts followed the *Ringling Bros.* case, holding that plaintiffs must show actual economic harm in order to obtain relief under section 43(c).<sup>52</sup> In *Westchester Media v. PRL USA Holdings, Inc.*,<sup>53</sup> the Fifth Circuit “endorse[d] the Fourth Circuit’s holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute.”<sup>54</sup>

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being impossible—simply from proof of the identity or near-identity of the two marks.

*Id.*

49. *Id.* The court noted that “[u]nlike the state antidilution statutes which provide only injunctive relief, reflecting their sole focus on prevention of future harm, the [FTDA] provides that where willful conduct is shown, both compensatory and restitutionary relief may be awarded—for necessarily consummated economic harm.” *Id.* at 461. The court added that “in the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the [FTDA] does not so provide.” *Id.* Additionally, the court found that the FTDA explicitly prescribes that a mark’s selling power is the end harm at which the FTDA is aimed, not the “distinctiveness” of the mark. *Id.* at 458. The court rejected Ringling Bros.’s arguments, observing that (1) protecting the mark’s “distinctiveness” would create a property-right-in-gross in famous trademarks, which the court found to be outside of Congress’s intent and (2) allowing judicial presumption of cause and harm to economic status is inconsistent with the language of the FTDA. *Id.* at 459. For a more detailed analysis of the Fourth Circuit’s interpretation of the FTDA, see Seitz, *supra* note 23, at 124-32.

50. 170 F.3d at 464.

51. *Id.* The court gave three examples as to how a senior user could prove “actual, consummated dilutive harm.” *Id.* at 464-65. These are as follows: (1) “proof of an actual loss of revenues, and proof of replicating use as cause by disproving other possible causes,” *Id.* at 465, (2) a “skillfully constructed consumer survey designed not just to demonstrate ‘mental association’ of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred,” *Id.*, and (3) “indirect evidence that might complement other proof,” such as “relevant contextual factors such as the extent of the junior mark’s exposure, the similarity of the marks, the firmness of the senior mark’s hold.” *Id.* For further discussion of methods of proving dilution under the FTDA, see Patrick M. Bible, Comment, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295 (1999).

52. See *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000); *HQM, Ltd. v. Hatfield*, 71 F. Supp. 2d 500 (D. Md. 1999); *People for Ethical Treatment of Animals, Inc. v. Doughney*, 113 F. Supp. 2d 915 (E.D. Va. 2000); *Playboy Enters. Inc. v. Netscape Comm. Corp.*, 55 F. Supp. 2d 1070, 1075 (C.D. Cal.), *aff’d*, 202 F.3d 278 (9th Cir. 1999) (unpublished table decision); *Am. Cyanamid Co. v. Nutraceutical Corp.*, 54 F. Supp. 2d 379, 392 (D.N.J. 1999); *World Gym Licensing, Ltd. v. Fitness World, Inc.*, 47 F. Supp. 2d 614 (D. Md. 1999).

53. 214 F.3d 658 (5th Cir. 2000).

54. *Id.* at 670. The court elaborated:

Whereas state antidilution statutes incorporate, often expressly, the ‘likelihood of dilution’



## 2. *The Nabisco Decision*

In *Nabisco, Inc. v. PF Brands, Inc.*,<sup>55</sup> the Second Circuit explicitly rejected the *Ringling Bros.* analysis, concluding that a party need not show “actual, consummated” dilution in order to obtain relief under the FTDA.<sup>56</sup> In this case, Nabisco, Inc. filed a complaint against PF Brands, Inc. (Pepperidge Farm) seeking a declaratory judgment that its product did not violate any of Pepperidge Farm’s trademark rights.<sup>57</sup> Pepperidge Farm filed a counterclaim against Nabisco for federal trademark infringement and dilution, as well as state-law dilution and unfair competition.<sup>58</sup> The district court found in favor of Pepperidge Farm, granting a preliminary injunction on the federal and state dilution claims, but denying relief under the trademark infringement and unfair competition claims.<sup>59</sup> Nabisco appealed, challenging the district court’s use of a “likelihood of dilution” standard.<sup>60</sup>

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standard, the federal statute does not. Instead, it prohibits any commercial use of a famous mark that ‘causes dilution.’ Both the present tense of the verb and the lack of any modification of ‘dilution’ support an actual harm standard. Several persuasive contextual indicators were also pointed out by the Fourth Circuit [in the *Ringling Bros.* case]. For instance, the conduct proscribed under the FTDA is ‘another person’s . . . use,’ not merely threatened use of the mark. In addition, ‘unlike the state antidilution statutes which provide only injunctive relief, reflecting their sole focus on the prevention of future harm, the federal Act provides that where willful conduct is shown, compensatory and restitutionary relief may be awarded—for necessarily consummated economic harm.

*Id.* at 670-71 (internal citations and footnotes omitted). Moreover, the court stated that “in the absence of any authority stating that Congress intended a ‘likelihood of dilution’ standard for the FTDA, [it] may not depart from the plain meaning of the statute.” *Id.* at 671.

55. 191 F.3d 208 (2d Cir. 1999).

56. *Id.* at 223-25.

57. *Id.* at 213. The Second Circuit found the following: Pepperidge Farm had produced small goldfish-shaped crackers since 1962. *Id.* at 212. Pepperidge Farm produced these crackers in a variety of flavors and packages, although the primary product was a cheddar cheese-flavored cracker sold in a bag or box under the trade name “Goldfish.” *Id.* Pepperidge Farm held numerous federal trademark registrations for the Goldfish line of products. *Id.* Between 1995 and 1998, the company spent more than \$120 million marketing the product worldwide, and in the same time period the company enjoyed net sales of \$200 million per year. *Id.* at 212-13. At the time of the suit, Goldfish was the second-largest selling cheese cracker by sales volume and the top-selling cheese cracker by sales dollars. *Id.* at 213. In 1998, Nabisco entered into an agreement that gave Nabisco the right to make cheese crackers in shapes based on CatDog, a cartoon produced by the Nickelodeon Television Network. *Id.* In any given package of these crackers, Nabisco produced one-quarter in the shape of a fish that “closely resemble[d] Pepperidge Farm’s goldfish cracker in color, shape, and size, and taste.” *Id.* at 213. After Pepperidge Farm executives first saw a sample of Nabisco’s product, they wrote a cease-and-desist letter to Nabisco, protesting the goldfish-shaped cracker that Nabisco intended to produce. *Id.*

58. *Id.*

59. *Id.*

60. *Id.* at 214. See *Nabisco, Inc. v. PF Brands, Inc.*, 50 F. Supp. 2d 188, 197 (S.D.N.Y. 1999) (finding that “[a] showing of a likelihood of dilution . . . will establish irreparable harm under Section 43(c)”). In addition to challenging the district court’s dilution standard, Nabisco argued the following:

(1) Pepperidge Farm failed to show likelihood of success in proving dilution, because, in the

The Second Circuit affirmed the district court's grant of a preliminary injunction.<sup>61</sup> After explicitly rejecting the *Ringling Bros.* standard,<sup>62</sup> the court further analyzed the Fourth Circuit's conclusions.<sup>63</sup> The court noted that it was unclear which of the following two positions the Fourth Circuit adopted: (1) a narrow position requiring a court to infer dilution only from "actual loss of revenues" or a "skillfully constructed consumer survey," and not from "contextual factors (degree of mark and product similarity, etc.);"<sup>64</sup> or (2) a broader position requiring "not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction."<sup>65</sup>

The *Nabisco* court disagreed with both positions. The Second Circuit argued that the first position was "an arbitrary and unwarranted limitation on the methods of proof"<sup>66</sup> and that "[e]ven if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark."<sup>67</sup> Furthermore, the court stated that consumer surveys were "expensive, time-consuming and not immune to manipulation."<sup>68</sup> The court conceded that the language of the FTDA minimally supported the second position, in that the statute uses the terms "causes dilution" as opposed to "likelihood of dilution."<sup>69</sup> However, the court countered that "such a reading depends on excessive literalism to defeat the intent of the statute,"<sup>70</sup> and that it "seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs."<sup>71</sup> The court reasoned that, under the

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market context (a) consumers would not associate the two products, and (b) Nabisco's mark was not substantially similar to Pepperidge Farm's; (2) the antidilution statutes were adopted to protect against dilution by the use of a similar mark on a non-competing product and do not apply to trademarks on competing products, which are governed instead by the infringement standard; (3) Nabisco's use of a fish is not a "trademark use" and is thus not actionable under the antidilution statutes; (4) dilution cannot be found without documentation of actual injury, consisting of an actual reduction in the senior mark's selling power.

191 F.3d at 214.

61. 191 F.3d at 229.

62. *Id.* at 223 ("We reject the argument [that proof of dilution under the FTDA requires proof of an 'actual, consummated harm'] because we disagree with the Fourth Circuit's interpretation of the statute."). However, the court did agree with the Fourth Circuit's holding that "the dilution statutes do not create a 'property right in gross.'" *Id.* at 224 n.6.

63. *Id.* at 223-24.

64. *Id.* at 223 (quoting *Ringling Bros.*, 170 F.3d at 457, 464-65).

65. 191 F.3d at 224.

66. *Id.* at 223.

67. *Id.* at 224.

68. *Id.*

69. *Id.* (citing *Ringling Bros.*, 170 F.3d at 464).

70. 191 F.3d at 224.

71. *Id.*

Fourth Circuit’s position, the senior user could not receive relief until injury had actually occurred, and absent willfulness (thereby triggering damages), the senior user could never be compensated for that injury.<sup>72</sup> In addition, the junior user would be “unable to seek declaratory relief before going to market,”<sup>73</sup> forcing that party to spend large sums of money with no “assurance that their mark will not be enjoined.”<sup>74</sup> The court concluded that regardless of which position the *Ringling Bros.* court took, the statute permitted “adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred.”<sup>75</sup>

The Sixth and Seventh Circuits followed the *Nabisco* decision, holding that Congress requires a plaintiff to show only a “likelihood of dilution” in a section 43(c) action.<sup>76</sup> In *V Secret Catalogue, Inc. v. Moseley*,<sup>77</sup> the Sixth Circuit “conclude[d] that the *Nabisco* test both tracks the language of the statute and follows more closely Congress’s intent in enacting the FTDA.”<sup>78</sup> In *Eli Lilly & Co. v. Natural Answers, Inc.*,<sup>79</sup> the Seventh Circuit “side[d] with the Second Circuit and [held] that proof of a mere ‘likelihood of dilution’ is sufficient to satisfy the ‘causes dilution’ element of a [plaintiff’s] case.”<sup>80</sup> In addition, the Third Circuit implicitly followed the *Nabisco*

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72. *Id.*

73. *Id.*

74. *Id.*

75. *Id.* at 224-25. However, the court noted that following the *Ringling Bros.* decision would not help *Nabisco* “because the district court found violation of both the federal and the New York State antidilution statutes, and the latter expressly applies to ‘[l]ikelihood of injury . . . or of dilution.’” *Id.* at 225 n.7 (citation omitted).

76. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), *petition for cert. filed*, 70 U.S.L.W. 3464 (U.S. Jan. 2, 2002)(No. 01-1015); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000).

77. 259 F.3d 464 (6th Cir. 2001).

78. *Id.* at 475. Although the court found the Fourth Circuit’s arguments “somewhat persuasive,” *id.*, the court found that Congress intended the FTDA to have a broad reach. *Id.* The court quoted from the FTDA’s legislative history and stated that “it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the ‘potency’ of a mark.” *Id.* (citing H.R. Rep. No. 104-374 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1032). Furthermore, the court found that by stating that “‘dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark’—[Congress] evince[d] an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.” *Id.* (quoting H.R. Rep. No. 104-374) (emphasis in original).

79. 233 F.3d 456 (7th Cir. 2000).

80. *Id.* at 468. The court’s reasoning essentially mirrored the Second Circuit’s reasoning in *Nabisco*. The *Eli Lilly* court stated that requiring proof of actual economic harm “would subject senior mark holders to uncompensable injury.” *Id.* at 467. “By the time plaintiffs were permitted to file suit, moreover, junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that have copied it.” *Id.* at 467-68. Furthermore, the court stated that the “actual dilution” standard would make it impossible for junior users to seek a declaratory judgment

decision.<sup>81</sup>

### C. *The Trademark Amendments Act of 1999*

Congress enacted the TAA in the summer of 1999.<sup>82</sup> The TAA amended various sections of the Lanham Act,<sup>83</sup> in part allowing senior users to use dilution as grounds for opposing<sup>84</sup> or canceling<sup>85</sup> a trademark registration before the TTAB.<sup>86</sup>

The House of Representatives first introduced the TAA as House Bill 1565.<sup>87</sup> At a hearing on the bill, Howard Coble, Chairperson of the House

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that their mark does not dilute another's mark before entering the market. *Id.* at 468. Finally, the court stated that the "actual dilution" standard "holds plaintiffs to an impossible level of proof." *Id.*

81. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 n.11 (3d Cir. 2000) (Barry, J., dissenting) (agreeing with majority's implicit holding that "the District Court did not err in finding that irreparable injury may be shown even in the absence of actual economic harm, presumably siding with the Second Circuit and rejecting the Fourth Circuit's position on the issue"), cert. denied, 121 S. Ct. 760 (2001). Note also that the Ninth Circuit apparently adopted a "likelihood of dilution" standard prior to the Nabisco decision. In *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999), the court stated that

injunctive relief is available under the Federal Trademark Dilution Act if a plaintiff can establish that (1) its mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant's use began after the plaintiff's mark became famous; and (4) the defendant's use presents a likelihood of dilution of the distinctive value of the mark.

*Id.* at 873-74. However, the *Avery Dennison* court did not discuss the standard in detail. *Id.* Additionally, the Ninth Circuit recently affirmed a district court ruling that favorably cited the Fourth Circuit's *Ringling Bros.* holding. See *Playboy Enters. Inc. v. Netscape Comm. Corp.*, 55 F. Supp. 2d 1070, 1075 (C.D. Cal.), *aff'd*, 202 F.3d 278 (9th Cir. 1999) (unpublished table decision).

82. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (codified in scattered sections of 15 U.S.C.). See also 145 CONG. REC. D953 (daily ed. Sept. 8, 1999); 145 CONG. REC. H6,363-64 (daily ed. July 26, 1999); 145 CONG. REC. S8,191 (daily ed. July 1, 1999). The House of Representatives first introduced the TAA as H.R. 1565 on April 27, 1999. 145 CONG. REC. H2,371 (daily ed. Apr. 27, 1999). The House Subcommittee on Courts and Intellectual Property held a hearing on this bill on May 5, 1999. 145 CONG. REC. D487 (daily ed. May 5, 1999). For discussion of this hearing, see *infra* notes 88-92 and accompanying text. The Senate introduced Senate Bill 1259, a bill virtually identical to House Bill 1565, on June 22, 1999. 145 CONG. REC. S7,452-04 (daily ed. June 22, 1999). The Senate bill became the TAA. 145 CONG. REC. D953 (daily ed. Sept. 8, 1999).

83. Section 2 of the TAA amended the opposition and cancellation sections. Section 3 dealt with the remedies in cases of dilution of famous marks, explicitly providing for injunctive relief under 15 U.S.C. § 1116 in dilution cases. In section 4 the United States waived its sovereign immunity in trademark infringement and dilution cases. Section 5 detailed the burden of proof for plaintiffs suing for trade dress infringement. Finally, section 6 consisted of several technical amendments. TAA, 113 Stat. at 218-20.

84. 15 U.S.C. § 1063(a) (Supp. V 1999). For text of this section, see *supra* note 14.

85. 15 U.S.C. § 1064 (Supp. V 1999). For text of this section, see *supra* note 15.

86. Prior to the enactment of PL 106-43, the Trademark Trial and Appeal Board held that the FTDA did not provide a statutory ground for opposition or cancellation. See *Babson Bros. Co. v. Surge Power Corp.*, 39 U.S.P.Q.2d 1953 (T.T.A.B. 1996). For a discussion of the trademark litigation process, see *infra* notes 101-22 and accompanying text.

87. H.R. 1565, 106th Cong. (1999). See also 145 CONG. REC. H2,371 (daily ed. April 27, 1999).

Subcommittee on Courts and Intellectual Property, stated that Congress had adopted an “actual dilution” standard in the FTDA.<sup>88</sup> He stated that the FTDA

provides for injunctive relief after an identical or similar mark has been in use and has caused actual dilution of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder’s famous mark.<sup>89</sup>

Furthermore, Representative Coble stated that as a result of the *Babson Bros. v. Surge Power Corp.*<sup>90</sup> decision, “the holder of a famous mark must wait for actual harm from dilution in order to seek a remedy through the federal courts.”<sup>91</sup> Other witnesses at the hearing echoed Representative Coble’s interpretation of the FTDA.<sup>92</sup>

88. *Hearing on H.R. 1565 Before the House Subcomm. on Courts and Intellectual Prop., Comm. on the Judiciary*, 106th Cong. 1 (1999) [hereinafter *Hearing*] (statement of the Honorable Howard Coble, Chairman). Statements of committee members are valuable in determining legislative intent. See NORMAN J. SINGER, 2A STATUTES AND STATUTORY CONSTRUCTION § 48:10, at 453 (6th ed. 2000) [hereinafter SUTHERLAND] (“Because records of committee hearings are distributed to members of Congress, it is assumed they had knowledge of these statements and of the evils described. Passage of the proposed bill is evidence of their intent to remedy these evils.”).

89. *Hearings*, *supra* note 88, at 1 (statement of the Honorable Howard Coble).

90. 39 U.S.P.Q.2d 1953 (T.T.A.B. 1996).

91. *Hearing*, *supra* note 88, at 1 (statement of the Honorable Howard Coble). Mr. Coble added that

H.R. 1565 would provide holders of famous marks with a right to oppose or seek cancellation of a mark that would cause dilution. This amendment will meet the important policy objectives of a more timely and inexpensive resolution of the dilution issue, and result in greater certainty in the application of this body of trademark law.

*Id.*

92. One witness stated that House Bill 1565

would allow the issue of dilution to be addressed much earlier in the process, especially in the case of an intent-to-use application, than is possible under the *Babson* decision. It is illogical to withhold relief from a trademark owner against the registration of a diluting mark until after the mark is registered.

*Hearing*, *supra* note 88, at 8-9 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association). Discussing the impact of the *Ringling Bros.* case, Mr. Kirk added that although the “actual dilution” standard might encourage trademark holders to bring more state and common law actions, “they will not be able to do so if the alleged dilutor has obtained a federal registration” because of section 43(c)(3) of the Lanham Act. *Id.* (citing 15 U.S.C. § 1125(c)(3) (Supp. V 1999)). This section provides that a person may not bring a state dilution action against the owner of a federally registered mark. 15 U.S.C. § 1125(c)(3). Another witness stated that

[a]llowing the parties [in a dilution dispute] to resolve the issue early in the process—in the case of intent to use applications, perhaps before use even commences[—]benefits both parties. A finding of dilution by the TTAB might well cause the applicant to select a different mark prior to investment of substantial funds, and certainly would give fair notice of the risks involved in going forward.

*Hearing*, *supra* note 88, at 17 (statement of Kimbley L. Muller, Vice President for Trademark Affairs)

The House Report on House Bill 1565<sup>93</sup> also evidences Congress's intent regarding the "causes dilution" requirement of the FTDA.<sup>94</sup> The report stated unequivocally that the FTDA "provides for injunctive relief after the identical or similar mark has been in use and has caused actual dilution of a famous mark."<sup>95</sup> The report stated that House Bill 1565 would allow trademark owners to oppose or cancel a registration, thereby alleviating these problems.<sup>96</sup>

The Senate was equally explicit in its approval of the "actual dilution" standard. In his introductory remarks on Senate Bill 1259,<sup>97</sup> Senator Orrin Hatch, the co-sponsor of the bill, stated that "under current law a trademark

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and Policies, International Trademark Association). *See also Hearing, supra* note 88, at 23 (statement of Garo A. Partoyan, Chairman, Trademark Committee of the Intellectual Property Owners Association). Although courts do not give as much weight to statements made by interested parties at committee hearings as those made by committee members, they may use these statements to determine legislative intent. 2A SUTHERLAND, *supra* note 88, § 48:10, at 454-55. *See also Lawrence County v. Lead-Deadwood Sch. Dist. No. 40-1*, 469 U.S. 256, 264-65 (1985). Specifically, courts may accord statements of interested parties some weight "where statements of interested parties urge changes in the proposed bill because of certain assumed interpretation." 2A SUTHERLAND, *supra* note 88, § 48:10, at 455. *See also, e.g., Suckowski v. Norton*, 16 F. Supp. 677, 678 (E.D. Penn. 1935). *But see, e.g., Kelly v. Robinson*, 479 U.S. 36 (1986). In the hearing on House Bill 1565, the parties who testified did so assuming that the *Ringling Bros.* "actual dilution" standard was the interpretation that the federal courts would apply.

93. H.R. REP. NO. 106-250, at 6 (1999).

94. "Although comments about an earlier act in a legislative committee report on a subsequent bill are not part of the legislative history of the earlier act and therefore have less probative force than legislative history, they are entitled to consideration as an expert opinion concerning its proper interpretation." 2B SUTHERLAND, *supra* note 88, § 49:11, at 126-27. *See also Sioux Tribe of Indians v. United States*, 316 U.S. 317, 329-30 (1942); *United States v. Solvents Recovery Serv. of New England*, 496 F. Supp. 1127, 1140 n.18 (D. Conn. 1980) ("[A subsequent report] is entitled to considerable weight as a kind of 'expert opinion' concerning the meaning and proper interpretation of the statute, especially in view of Congress' contemporaneous silence on the question at issue here.").

95. H.R. REP. NO. 106-250, at 5 (1999). The report added that the FTDA "provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark." *Id.*

96. *Id.* at 5-6. Furthermore, the report stated the following:

Resolution of the dilution issue before the [TTAB], as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the [TTAB] would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark. Also, the [TTAB] would give guidance to litigants and the Trademark Bar, through precedent, with respect to such issues as what qualifies as a "famous" mark, and what constitutes dilution, whether by blurring or tarnishment. Enactment of [this bill] meets the important policy objectives of a more timely and inexpensive resolution of the dilution issue, and will result in greater certainty in the application of this body of trademark law.

*Id.*

97. S. 1259, 106th Cong. (1999). *See also* 145 CONG. REC. S7,452-56 (daily ed. June 22, 1999). Senate Bill 1259 was virtually identical to House Bill 1565. *See* 145 CONG. REC. H6,363-64 (daily ed. July 26, 1999) (statement of the Honorable Howard Coble).

owner may seek relief under the federal dilution statute only after dilution of the mark has occurred,”<sup>98</sup> adding that the new law would allow trademark owners “to prevent trademark dilution before it occurs”<sup>99</sup> by allowing for opposition or cancellation before the TTAB.<sup>100</sup>

### III. OVERVIEW OF TRADEMARK LITIGATION PROCESS

A trademark holder may initiate the adjudication of trademark disputes in two primary forums: before the TTAB<sup>101</sup> and in federal district court.<sup>102</sup> This section outlines the litigation process for a trademark holder seeking to protect its mark from dilution or for a junior user seeking a declaratory judgment that its mark does not dilute the senior user’s mark.

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98. 145 CONG. REC. S7,452-54 (daily ed. June 22, 1999). Senator Hatch added that at least one circuit has held that likelihood of dilution is not enough, the trademark owner must prove actual dilution. The result is that the owner of a famous mark must stand idly by throughout the registration process and await recourse through costly litigation in federal court only after he has suffered harm to his mark. By specifically allowing the trademark owner to oppose registration or to petition for cancellation of a diluting mark, the bill . . . will prevent needless harm to the goodwill and distinctiveness of many trademarks and will make enforcing the federal dilution statute less costly and time consuming for all involved.

*Id.* Senator Leahy, the co-sponsor of Senate Bill 1259, concurred, stating that the bill “would permit the trademark owner to oppose registration or to petition for cancellation of a diluting mark, and thereby prevent needless harm to the goodwill and distinctiveness of many trademarks and make enforcing the Federal dilution statute less costly and time consuming for all involved.” *Id.* at S7,456. In his remarks on Senate Bill 1259 in the House, Representative Cummings also agreed, stating that “[t]he legislation enacted in the 105th Congress authorizes injunctive relief after the harm has occurred.” 145 CONG. REC. H6,363-64 (daily ed. July 26, 1999). Courts may infer congressional intent from statements made by a bill’s sponsor “where the statement is consistent with the statutory language and other legislative history.” 2A SUTHERLAND, *supra* note 88, § 48:15, at 476-77. *See also* N. Haven Bd. of Educ. v. Bell, 456 U.S. 512, 526-27 (1982) (“Although the statements of one legislator made during debate may not be controlling, [the remarks of the bill’s sponsor are] an authoritative guide to the statute’s construction.”) (internal citations omitted).

99. *Id.*

100. *Id.* In his remarks on Senate Bill 1259 in the House, Representative Cummings stated that “[t]he legislation enacted in the 105th Congress authorizes injunctive relief after the harm has occurred.” 145 CONG. REC. H6,363-64 (daily ed. July 26, 1999).

101. The TTAB is an administrative tribunal that both adjudicates challenges to federal trademark registration and hears appeals of refusals to register trademarks. *See* 3 MCCARTHY, *supra* note 19, §§ 20:99, 21:1. Although proceedings before the TTAB are not technically “litigation,” hereinafter “litigation” will include TTAB proceedings.

102. An applicant for federal registration may also initiate litigation if an examining attorney with the USPTO refuses to register the mark. *See* 15 U.S.C. §§ 1052(d), 1071(a)(1), 1071(b)(1) (Supp. V 1999). However, the USPTO may not refuse registration based on dilution. *See* U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, EXAMINATION GUIDE NO. 1-99, § VIII, *available at* <http://www.uspto.gov/web/offices/tac/notices/guide199.htm> (September 29, 1999) (“The [TAA] has no effect on the examination process. Examining attorneys should not issue a refusal of registration under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d), on the ground that the mark sought to be registered dilutes a registered mark.”).

### A. Opposition and Cancellation

If a senior user believes that a junior user's mark is diluting its mark, the senior user may initiate an "inter partes"<sup>103</sup> proceeding against the junior user if the junior user either (1) owns a federally registered mark or (2) is applying for federal registration of a mark.<sup>104</sup> The FTDA, as amended by the TAA, allows a senior user to either (1) file an opposition with the USPTO,<sup>105</sup> or (2) petition the USPTO to cancel the junior user's registration.<sup>106</sup> The TTAB has the exclusive power to adjudicate opposition and cancellation proceedings.<sup>107</sup> After a senior user files an opposition, the TTAB may refuse to register the junior user's trademark if that mark would damage "any person . . . as a result of dilution under section 1125(c)."<sup>108</sup> Additionally, the FTDA authorizes the TTAB to cancel<sup>109</sup> a registered mark, "which when used would cause dilution under section 1125(c) of this title."<sup>110</sup>

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103. According to Professor McCarthy, "[i]n inter partes cases, the conflict is between applicants, between an applicant and an opposer, or between a registrant and a petitioner for cancellation. Such inter partes cases are heard in the first instance by the [TTAB] sitting as a fact-finding decision-maker." 3 MCCARTHY, *supra* note 19, § 21:1. Inter partes proceedings include opposition proceedings, cancellation proceedings, concurrent use proceedings, and interference proceedings. *Id.* § 20:99. *See id.* §§ 20:1-20:6 (Opposition); §§ 20:40-20:45 (Cancellation); § 20:81 (Concurrent Use); §§ 20:89-20:93 (Interference). "In ex parte cases, the [TTAB] acts as an administrative appellate body reviewing final decisions of a Trademark Examiner as to registration. Ex parte cases are those in which the conflict arises between an applicant for registration and the [USPTO], which acts as a representative of the public." *Id.* at § 21:1. Ex parte cases will not arise in the dilution context because the USPTO will not refuse registration based on dilution. *See supra* note 102.

104. *See* 15 U.S.C. §§ 1063(a), 1064 (Supp. V 1999).

105. 15 U.S.C. § 1063(a) (Supp. V 1999). *See supra* note 14 for the text of this section. *See also* 37 C.F.R. §§ 2.101-2.107 (2000) (detailing procedures for filing opposition).

106. 15 U.S.C. § 1064 (Supp. V 1999) (describing cancellation for marks on the primary register); 15 U.S.C. § 1092 (Supp. V 1999) (describing cancellation for marks on the secondary register). *See also* 37 C.F.R. §§ 2.111-2.115 (2000) (detailing procedures for filing petition for cancellation).

107. 15 U.S.C. § 1067 (Supp. V 1999). This section provides:

(a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Director shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration. (b) The Trademark Trial and Appeal Board shall include the Director, the Commissioner for Patents, the Commissioner for Trademarks, and administrative trademark judges who are appointed by the Director.

*Id.*

108. 15 U.S.C. § 1063(a). This section provides that "[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 1125(c) of this title, may . . . file an opposition in the Patent and Trademark Office." *Id.* If the TTAB finds for the senior user, the USPTO may refuse to register the mark. 15 U.S.C. § 1052 (Supp. V 1999) ("A mark which when used would cause dilution under section 1125(c) of this title may be refused registration only pursuant to a proceeding brought under section 1063 of this title.").

109. 15 U.S.C. § 1064. *See supra* note 15 for the text of this section.

110. 15 U.S.C. § 1052 (Supp. V 1999) ("A registration for a mark which when used would cause dilution under section 1125(c) of this title may be canceled pursuant to a proceeding brought under



A party to an inter partes proceeding who is dissatisfied with the TTAB's decision has the following two options: (1) appeal to the Court of Appeals for the Federal Circuit (CAFC);<sup>111</sup> or (2) file a civil action in a federal district court.<sup>112</sup> However, both parties must consent to the filing of an appeal to the CAFC.<sup>113</sup> There are advantages and disadvantages to either approach.<sup>114</sup> If both parties elect to appeal to the CAFC, no new evidence is permitted<sup>115</sup> and the appellant cannot raise new issues on appeal that were not previously before the TTAB.<sup>116</sup> Parties to a civil action in federal district court may include additional claims,<sup>117</sup> but so may the opposing parties.<sup>118</sup> In a civil action, the district court “serves in a dual capacity,”<sup>119</sup> sitting as “both appellate reviewer of the facts found by the [TTAB], as well as a fact-finder based on new evidence introduced in the district court.”<sup>120</sup>

either section 1064 of this title or section 1092 of this title.”)

111. 15 U.S.C. § 1071(a)(1) (Supp. V 1999). This section provides in pertinent part:

[A] party to an opposition proceeding . . . [or] a party to a cancellation proceeding . . . who is dissatisfied with the decision of the . . . Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit thereby waiving his right to proceed under subsection (b) of this section: *Provided*, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Director, shall, within twenty days after the appellant has filed notice of appeal . . . files notice with the Director that he elects to have all further proceedings conducted as provided in subsection (b) of this section . . . .

*Id.*

112. 15 U.S.C. § 1071(b)(1). This section provides in pertinent part:

Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear . . . .

*Id.*

113. 15 U.S.C. § 1071(a)(1). *See also* 3 MCCARTHY, *supra* note 19, §§ 21:10; 21:20.

114. *See* Gillette Co. v. “42” Products, Ltd., 435 F.2d 1114, 1117 (9th Cir. 1970) (“Congress gave alternative remedies because each possessed its own unique advantages.”).

115. 15 U.S.C. § 1071(a)(4). *See also* 3 MCCARTHY, *supra* note 19, § 21:16.

116. *See* Hoover Co. v. Royal Appliance Mfg. Co., 238 F.3d 1357, 1361 (Fed. Cir. 2001). *See also* 3 MCCARTHY, *supra* note 19, § 21:16.

117. *See* 3 MCCARTHY, *supra* note 19, § 21:20 (“An additional advantage of appeal to a federal district court is that the case can be expanded to include a prayer for injunctive relief for trademark infringement.”).

118. *See, e.g.*, Fuller Prods. Co. v. Fuller Brush Co., 299 F.2d 772 (7th Cir. 1962). *See also* 3 MCCARTHY, *supra* note 19, § 21:20.

119. 3 MCCARTHY, *supra* note 19, § 21:20.

120. *Id.* *See also* Dickinson v. Zurko, 527 U.S. 150, 164 (1999).

### B. Civil Action in District Court Under Section 43(c)

A senior user may also bring a civil action in federal district court against a junior user under section 43(c) of the Lanham Act.<sup>121</sup> A senior user may bring an action under this section regardless of whether or not its mark is registered.<sup>122</sup>

## IV. ANALYSIS

### A. The “Likelihood of Dilution” Standard

The TTAB should apply a “likelihood of dilution” standard when adjudicating inter partes proceedings. First, the language of the FTDA, as amended by the TAA, supports a “likelihood of dilution” standard in inter partes proceedings. Second, the legislative history of the TAA clearly supports applying a “likelihood of dilution” standard in TTAB opposition and cancellation proceedings. Finally, several policy reasons support the application of a “likelihood of dilution” standard in inter partes proceedings.

#### 1. Language of the Statute

First, the statutory language supports the application of a “likelihood of dilution” standard in inter partes proceedings. The TTAB may either refuse to register<sup>123</sup> or cancel the registration<sup>124</sup> of a “mark which *when used would cause* dilution under section 1125(c).”<sup>125</sup> The statute refers to dilution in the future tense. By using the words “when used,” Congress authorized the TTAB to take action against junior users who have not yet used the mark in commerce. The words “would cause” bolster this interpretation. The language does not require a mark to “cause” dilution presently; instead, it only requires that the mark “would cause” dilution if used in the future.<sup>126</sup> This language supports a “likelihood of dilution” standard. A mark simply cannot cause actual economic harm before it is even used in the

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121. 15 U.S.C. § 1125(c) (Supp. V 1999). See *supra* note 1 for the text of this section. The FTDA provides for injunctive relief and damages, although damages are only recoverable for willful dilution. 15 U.S.C. § 1125(c).

122. 4 MCCARTHY, *supra* note 19, § 27:14.

123. 15 U.S.C. § 1052 (Supp. V 1999).

124. *Id.*

125. *Id.* (emphasis added).

126. Contrast this interpretation with the Fourth Circuit’s statutory analysis in *Ringling Bros.*, where the court concluded that the FTDA requires proof of “actual economic harm” because “[t]he conduct proscribed is ‘another person’s . . . use,’ not merely threatened use; that ‘causes,’ not that ‘will’ or ‘may’ cause.” *Ringling Bros.-Barnum & Bailey Combined Shows, Inc.*, 170 F.3d 449, 461 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999).

marketplace.<sup>127</sup> Therefore, the TTAB should consider the “likelihood” that a junior mark will dilute a senior mark when either refusing to register or canceling the registration of the junior mark.

## 2. Legislative History

Second, the legislative history of the TAA clearly supports the application of a “likelihood of dilution” standard in inter partes proceedings before the TTAB. First, the House Report on House Bill 1565<sup>128</sup> stated that resolving the dilution issue before the TTAB “would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark.”<sup>129</sup>

Second, in the hearings on House Bill 1565, all relevant witnesses stated that the TAA would allow trademark owners to resolve a dilution issue early in the process.<sup>130</sup> Representative Coble contrasted the TAA with the FTDA, stating that whereas the FTDA “provides for injunctive relief after an identical or similar mark *has been in use and has caused actual dilution* of a famous mark,”<sup>131</sup> the TAA “would provide holders of famous marks with the right to oppose or seek cancellation of a mark that *would cause* dilution.”<sup>132</sup> This language supports a “likelihood of dilution” standard. The legislators used the future tense to describe actionable behavior under the TAA, demonstrating that senior users could obtain relief prior to the use in commerce of a diluting junior mark.

Additionally, the legislators who enacted the TAA clearly meant to

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127. This was a primary concern of the Second Circuit in the *Nabisco* decision. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999). There, the Second Circuit stated that an “actual dilution” standard “could not be invoked until injury had occurred,” *id.*, and “because the statute provides only for an injunction[,] . . . such injury would never be compensated.” *Id.*

128. H.R. REP. NO. 106-250 (1999).

129. *Id.* at 5-6. *See also supra* note 96.

130. *See supra* note 92 and accompanying text. Those witnesses which did not state this opinion could not be characterized as disagreeing with it. *See, e.g., Hearing, supra* note 88, at 3-5 (statement of Q. Todd Dickinson, Acting Assistant Secretary of Commerce and Acting Commissioner of Patents & Trademarks, U.S. Patent & Trademark Office).

131. *Hearing, supra* note 88, at 1 (statement of the Honorable Howard Coble, Chairman) (emphasis added).

132. *Id.* (emphasis added). In his remarks, Senator Hatch added that without the ability to oppose or petition to cancel a diluting junior mark, “the owner of a famous mark must stand idly by throughout the registration process and await recourse through costly litigation in federal court only after he has suffered harm to his mark.” 145 CONG. REC. S7,452-04 (daily ed. June 22, 1999). *Accord* H.R. REP. NO. 106-250, at 5-6 (1999) (contrasting the FTDA’s requirements of “use” and “actual dilution” with the ability to oppose or petition to cancel under the TAA).

alleviate the difficulties raised by the “actual dilution” requirement,<sup>133</sup> thereby affirming the TTAB’s use of a “likelihood of dilution” standard when adjudicating opposition or cancellation proceedings.

### 3. *Policy Rationale*

Finally, several policy reasons support the TTAB’s use of a “likelihood of dilution” standard in inter partes proceedings. First, it would be illogical for Congress to impose an “actual dilution” standard on the TTAB in opposition or cancellation proceedings. Congress enacted the TAA to give senior users “a more timely and inexpensive resolution of the dilution issue”<sup>134</sup> than resolution before a federal district court.<sup>135</sup> An “actual dilution” standard would frustrate this policy goal, requiring senior users to demonstrate actual economic harm in the marketplace before the TTAB would grant relief.<sup>136</sup>

Second, a senior user should be able to oppose or petition to cancel a junior mark prior to actual injury. “Coupled with the ‘second backstop’ of a cancellation proceeding, the opposition procedure allows anyone who may be damaged by a registration to challenge the application even before it is finally and officially given federal sanction and the benefits of Lanham Act registration.”<sup>137</sup> Requiring a senior user to prove “actual economic harm” before the TTAB will grant relief would contravene the policies underlying opposition and cancellation, which seek to address the damage caused by registration of a junior mark before such damage actually occurs.

### B. *The “Actual Dilution” Standard*

A federal district court should apply an “actual dilution” standard when adjudicating a section 43(c) dilution claim. First, the statutory language supports an “actual dilution” standard for section 43(c) claims. Second, the legislative history of the TAA supports the application of an “actual dilution”

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133. *See, e.g.*, 145 CONG. REC. S7,452-54 (daily ed. June 22, 1999) (Senator Hatch stating that “at least one circuit has held that likelihood of dilution is not enough, the trademark owner must prove actual dilution”).

134. H.R. REP. NO. 106-250, at 5-6 (1999).

135. *Id.* *See supra* note 96.

136. *See, e.g.*, *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) (stating that consumer surveys are “expensive, time-consuming and not immune to manipulation”). *See also* *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 1164, 1174 (T.T.A.B. 2001) (“To require actual use by the applicant before a dilution claim could be recognized by the Board would . . . defeat the purpose of the TAA.”).

137. 3 MCCARTHY, *supra* note 19, § 20:2.

standard. Finally, there are several policy reasons that support the adoption of this standard.

### 1. *Language of the Statute*

First, the statutory language of section 43(c) supports an “actual dilution” standard. Unlike both the state antidilution statutes<sup>138</sup> and the inter partes provisions added by the TAA,<sup>139</sup> section 43(c) requires *present* dilution for actionability. Section 43(c) only provides relief if the junior user’s mark “causes dilution”<sup>140</sup> of the senior user’s mark. Congress used the language “causes dilution” in the present tense,<sup>141</sup> unlike the “when used” and “would cause” language discussed above.<sup>142</sup> If Congress intended to provide relief for future dilution, it would have used future-tense language.<sup>143</sup>

### 2. *Legislative History*

Second, the legislative history of the TAA supports the application of an “actual dilution” standard. Congress stated unequivocally that the FTDA only provides for relief after the junior mark “has been in use and has caused actual dilution of a famous mark.”<sup>144</sup> Moreover, the legislative history shows that Congress was fully aware of the *Ringling Bros.* case.<sup>145</sup> If Congress truly disagreed with the Fourth Circuit’s interpretation of the “causes dilution” language, then it could have easily amended section 43(c) to state “causes a *likelihood* of dilution.”<sup>146</sup>

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138. See *supra* notes 23, 47 for discussion of the state anti-dilution statutes.

139. See *supra* notes 123-33 and accompany text for discussion of the “likelihood of dilution” standard as applied to inter partes proceedings.

140. 15 U.S.C. § 1125(c) (Supp. V 1999).

141. The Fourth Circuit’s statutory analysis in *Ringling Bros.* is correct on this point. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc.*, 170 F.3d 449, 460-61 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999). The Second Circuit in *Nabisco* even conceded that the language of the FTDA “gives some support” to an “actual dilution” standard, “in that it uses the formulation, ‘causes dilution,’ rather than referring to ‘likelihood of dilution.’” *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) (quoting *Ringling Bros.*, 170 F.3d at 464). See also *supra* notes 69-71 and accompanying text.

142. See *supra* notes 123-33.

143. See *Ringling Bros.*, 170 F.3d at 461 (“[I]n the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the [FTDA] does not so provide.”).

144. H.R. REP. NO. 106-250, at 5 (1999). See *supra* notes 88-100 and accompanying text.

145. See 145 CONG. REC. S7,452-54 (daily ed. June 22, 1999) (statement of Sen. Hatch) (stating that “at least one circuit has held that likelihood of dilution is not enough, the trademark owner must prove actual dilution”); *Hearing, supra* note 88, at 8-9 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association) (discussing the impact of the *Ringling Bros.* case).

146. Legislative inaction following judicial interpretation of a statute is not necessarily evidence

### 3. *Policy Rationale*

Finally, numerous policy reasons support an “actual dilution” standard. First, senior users that are able to initiate administrative proceedings before the TTAB but fail to do so should be subject to a more stringent standard. Congress enacted the TAA, in part, to make dilution actions more efficient by increasing the number of cases resolved at the administrative level.<sup>147</sup> Parties that do not take advantage of these efficiencies should not benefit from a more flexible standard.

Second, even though some senior users cannot initiate *inter partes* proceedings in certain situations, these senior users may still have state-law causes of action. Federal preemption of state antidilution statutes only applies to federally registered marks.<sup>148</sup> A senior user may still file a state dilution action in situations where the junior user has neither filed for nor received a federal trademark registration. In addition, a senior user may still bring a state dilution action even if the junior user has yet to use the mark in commerce because most state statutes only require a showing of a “likelihood of dilution.”<sup>149</sup>

Finally, even though an “actual dilution” standard removes a substantial number of claims from the FTDA’s scope, this result is consistent with congressional intent.<sup>150</sup>

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that the legislature intends to adopt that interpretation. 2B SUTHERLAND, *supra* note 88, § 49:10, at 112-17. However,

[w]here action upon a statute or practical and contemporaneous interpretation has been called to the legislature’s attention, there is more reason to regard the failure of the legislature to change the interpretation as presumptive evidence of its correctness. Likewise, legislative action by amendment . . . with respect to other parts of a law which have received a contemporaneous and practical construction may indicate approval of interpretations pertaining to the unchanged and unaffected parts of the law.

*Id.* at 117-19 (internal footnotes omitted). *See, e.g.*, *N. Haven Bd. of Educ. v. Bell*, 456 U.S. 512, 535 (1982) (“Where ‘an agency’s statutory construction has been ‘fully brought to the attention of the public and the Congress,’ and the latter has not sought to alter that interpretation although it has amended the statute in other respects, then presumably the legislative intent has been correctly discerned.”) (citations omitted).

147. *See supra* note 96.

148. 15 U.S.C. § 1125(c)(3) (Supp. V 1999).

149. *See supra* notes 23, 47 for discussion of the state anti-dilution statutes.

150. *See Hearing, supra* note 88, at 8-9 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association) (noting that an “actual dilution” standard “might encourage [owners of ‘famous’ marks] to bring more actions under State dilution statutes and the common law”).

## V. PROPOSAL

The "actual dilution" or "likelihood of dilution" standards will be adopted in two different contexts: (1) by the TTAB in an opposition or cancellation proceeding and (2) by a federal district court adjudicating a section 43(c) proceeding. For the reasons stated above, the TTAB should apply a "likelihood of dilution" standard when adjudicating inter partes proceedings, and a federal district court should apply an "actual dilution" standard when adjudicating a section 43(c) claim.<sup>151</sup>

## VI. CONCLUSION

The split between the federal circuit courts over the definition of "causes dilution" in the FTDA creates an uncertainty in trademark law that the courts must resolve. By enacting the TAA, Congress signaled its intent as to the correct interpretation of the statutory language. For the reasons stated above, the TTAB should adopt a "likelihood of dilution" standard when adjudicating opposition and cancellation proceedings, but a federal district court should adopt an "actual dilution" standard when adjudicating a section 43(c) claim.

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151. Although a federal district court can hear appeals from TTAB decisions, *see supra* notes 117-20 and accompanying text, this situation does not change this Note's proposal in any material way. A federal district court should apply an "actual dilution" standard when adjudicating a Section 43(c) claim added to an appeal of a TTAB decision, just as a district court would apply that standard when a trademark holder initiates the litigation in federal district court. However, the "actual dilution" standard would not apply to the review of the TTAB decision because the district court is serving in an appellate capacity. As such, the district court is only reviewing the TTAB's decision for error, not applying new legal standards to the facts of the case.

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