Should Distinctiveness have anything to do with Dilution

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Evolution of Dilution as a Remedy: The theory of Dilution as a means of protecting a trademark was first propounded by Frank Schechter in his research article, "The Rational Basis for Trademark Protection"[1]. He advocates in this article that the real function of trademark law is to identify a product as satisfactory and thereby stimulate further purchases by the consuming public[2]. He further says that the real injury to a trademark is the gradual whittling away or dispersion of its identity (now known as dilution) and therefore preservation of this uniqueness of a trademark should be the only rational basis for protection[3]. As the purpose of a dilution cause of action is to preserve this uniqueness, distinctiveness or that quality in a trademark to distinguish itself from other marks, this cause of action should be available only for the select class of highly distinctive marks. This makes distinctiveness extremely important in the dilution analysis. The central theme of trademark law is to protect the consumers from getting confused as to the source of the goods[4]. For this reason, infringement was considered as the most appropriate and an adequate remedy. The experience with trademark infringement as the sole remedy against unauthorized use of trademarks was not very satisfactory,

[1] 40 Harv. L. Rev.813(1927)
[2] Id. at 818
[3] Id. at 831
[4] Spring Mills, Inc. v. Ultracashmere House Ltd., 532 F. Supp. 1203 (D.C.N.Y 1982) at 1212

particularly in cases where there was no likelihood of confusion. Anti-dilution statutes have thus developed to fill a void left by the failure of trademark infringement law in this area[5]. In US, before the Federal Trademark Dilution Act, dilution remedy was available only on a patch quilt system in independent states[6]. To remedy this, Congress passed the FTDA in 1995 both to provide uniform national protection against dilution and to bring this country's law into conformity with international agreements[7].

Dilution Statute: Lanham Act entitles the owner of a famous mark to an injunction against the "use in commerce" of another mark which dilutes the distinctive quality of his mark[8]. The Federal Trademark Dilution Act 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[9]."

Dilution is considered as a drastic remedy as there is no need to prove likelihood of confusion. Some authors believe that dilution protection is unnatural and it gives a quasi-monopoly to the trademark holder[10]. As dilution is a drastic remedy and is very close to granting rights in gross, it is of utmost importance that this remedy should be granted only to a select class of marks which are truly distinctive and famous and evoke powerful consumer associations.

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[5] L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F. 2d. 26, 30 (1st Cir. 1987)
[6] H.R. Rep. No. 104-374, at 3
[7] H.R.Rep. No. 104-374, at 3-4 (1995)
[8] 15 U.S.C. Sec 1125
[9] 15 U.S.C. Sec 1127
[10] Kenneth Port : Protection of Famous Marks in Japan and US 15 Wis Int'l l j at 538

Defining Distinctiveness: Distinctiveness is a crucial trademark concept, which places marks on a ladder reflecting their inherent strength or weakness[11]. The degree of distinctiveness of a mark governs in part the breadth of the protection it can command[12]. At the low end are generic words, words that name the species or object to which the mark applies[13]. These are totally without distinctiveness and are ineligible for protection as marks, because to give them protection would be to deprive competitors of the right to refer to their products by name[14]. The next category of marks are the descriptive marks which describe the product or its attributes or claims[15]. These marks are not afforded great protection as descriptive words are required by the competitors to describe their product and so no one person is allowed to userp it[16]. Next on the ladder are suggestive marks which give a slight hint to the consumers as to the nature of the goods and the consumers require certain amount of imagination to understand the product or its characteristics[17]. These marks are protectable without proof of secondary meaning[18]. The most distinctive are marks that are entirely the product of the imagination and evoke no associations with human experience that relate intrinsically to the product. The arbitrary or fanciful quality is what renders these marks highly distinctive; another seller of the same product or service would have no justification for using the same or a similar

[11] Nabisco, Inc. v. PF Brands, Inc. 191 F. 3d. 208 (2nd Cir. 1999) at 215
[12] Id. at 215.
[13] Id.
[14] Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F. 2d. 4 at 9 (2nd Cir. 1976)
[15] Abercrombie, 537 F. 2d. at 10
[16] Id. at 10.
[17] Id. at 11.
[18] Id.

mark[19]. The strongest protection of the trademark laws is reserved for these most highly distinctive marks[20].

Conflict within the Circuits and legislative intent: There is a divergence of opinion amongst the 2nd and the 3rd Circuits as to the importance of distinctiveness in the dilution analysis. The 3rd Circuit in *Times Mirror* held that distinctiveness was only one of the requirements of fame and a mark can be famous without proving distinctiveness[21]. *Times Mirror* expressly rejected the need for separate finding of distinctiveness[22]. The learned author on Trademark law, McCarthy says that for a term to be a "mark" and get trademark protection, in the first place, distinctiveness has to be shown. According to him distinctiveness is used as a synonym for fame in the FTDA[23]. McCarthy's treatise contends that the statute does not include an independent requirement of distinctiveness. It argues that the statute's three repetitions of the need for distinctiveness were included only as the result of accidental failure to delete vestigial remnants of an eliminated registration requirement and that "the word 'distinctive' was left floating in the statute, unmoored to either any statutory requirement or underlying policy goal[24]." McCarthy dismisses "distinctiveness" as a synonym for "fame," that would be "redundant" as a separate requirement[25]. The district court of Hawaii in *Star markets* went to the extent of

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[19] Id.
[20] Id.
[21] Times Mirror Magazines Inc. v. Las Vegas Sports News, 212 F. 3d. 157 (3rd Cir. 2000)
[22] Id. at 168.
[23] J. Thomas McCarthy, Dilution: The Conflict in Circuits 716 PLI/PAT 513

[24] 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition 24.91, at 24-147 (4th ed. 1998)
[25] Id.

saying that the anti-dilution Act protects truly famous marks, which are presumed distinctive but not distinctive marks if they are not also sufficiently famous[26].

This is a completely erroneous understanding of law which would be clear after consideration of the below mentioned arguments. The Federal Trademark Dilution Statute expressly provides for finding of distinctiveness as well as fame and not just fame.

The Act 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; …..
> (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[27]."

As is clear from the above, the word used is "and" and not "or" and therefore the statute requires the courts to find fame as well as distinctiveness and distinctiveness cant just be presumed on the finding of fame. Contrary to what is suggested by McCarthy, distinctiveness was not just left floating in the statute and is not used as a synonym for fame. It is a well established rule of interpretation that the statute has to be interpreted in a way so that each and every word is given a particular meaning and no part of the statute is left redundant. It is presumed that when law makers include a particular term in the statute it is included for a certain purpose. That is why it is highly unlikely that the word "distinctiveness" would have been left just floating in the statute and would have been used just as a synonym of "fame". The 2nd Circuit *Nabisco* court rejecting 3rd Circuit and McCarthy analysis, opined that the inclusion of the requirement of distinctiveness was

[26] Star Mkts., Ltd. v. Texaco, Inc., 950 F. Supp. 1030 (D. Hawaii. 1996).
[27] 15 U.S.C Sec 1125(c) (1) (2002)

intended, for good reason, to deny the protection of the statute to non-distinctive marks[28]. Part of the conflict between the circuits is also created because of the failure of both the 2nd and 3rd Circuit to consider acquired distinctiveness as one type of distinctiveness. In *Times Mirror*, though the court held that there is no need to prove distinctiveness, independent of fame, it held "The Sporting Week" mark to be famous on the basis that the mark had acquired distinctiveness[29].

The 2nd Circuit in *Nabisco* laid importance on finding of distinctiveness along with fame and held that both were equally important[30]. In affirming the district court, the 2nd Circuit noted that the FTDA established five necessary factors to a claim of dilution, including that it must be famous and distinctive[31]. Finding that Pepperidge Farm's goldfish-shaped snack cracker was both famous and distinctive, the court said that distinctiveness in a mark is a characteristic quite different from fame and that it is an important limitation[32]. Distinctiveness is extremely important in dilution analysis as dilution is the lessening of the distinctive quality of the mark and so if mark is not distinctive then it does not deserve this remedy. So even if a particular mark is famous but is not distinctive then it is lacking the very attribute which the anti-dilution seeks to protect. Many famous marks are of the common or quality-claiming or prominence-claiming type--such as American, National, Federal, Federated, First, United, Acme, Merit or Ace[33]. It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. That is why the

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[28] Nabisco 191 F. 3d. 208 at 217
[29] Times Mirror Magazines, 212 F. 3d. 157 at 169
[30] Nabisco 191 F. 3d. 208 at 216
[31] Id.
[32] Id.
[33] Id.

statute grants that privilege only to holders of distinctive as well as famous marks. *TCPIP* relying on analysis in *Nabisco*, held that as the act protects against dilution of the distinctive quality of the mark, trademark owners should prove that their marks have that distinctive quality[34].

High standard of proof in Dilution: The view taken by the 3rd circuit in *Times Mirror* that there is no need for proving distinctiveness separately apart from fame is incorrect because dilution is a drastic remedy and therefore the statute casts a high standard of proof on the plaintiff by requiring him to prove both distinctiveness and fame[35]. McCarthy criticizing Judge Leval's opinion in *Nabisco*, said that this decision unnecessarily elevates the statutory requirement that the mark should be distinctive, to an independent level[36]. McCarthy's criticism is not justified as it was envisioned by the framers of the statute that the courts will limit this remedy to that class of select marks who can successfully meet this high standard of proof. To understand the reason for this high standard of proof in Dilution cases, it is pertinent to note the transition in trademark law from a mere infringement remedy to a dilution remedy. In a trademark infringement action, only use of those marks will be enjoined who are likely to cause confusion with the plaintiff's mark. But in dilution, even if a mark is employed in an entirely different industry and is highly unlikely to cause confusion, it can still be enjoined if it dilutes the plaintiff's mark. As this is clearly a very broad protection, statute restricts this protection to only select class of deserving marks. This high standard of proof for dilution is further

[34] TCPIP Holding Co., Inc., v. Haar Communications, Inc., 244 F. 3d. 88 at 93 (2nd Cir. 2001) (citing) Nabiso. 191 F. 3d. 208, 216
[35] Times Mirror at 169
[36] J. Thomas McCarthy: The Nabisco Rule: "Distinctiveness" is an independent requirement. § 24:91.2

reflected by the fact that in dilution, unlike infringement, likelihood of dilution is insufficient and actual dilution needs to be proved[37]. McCarthy further argues that as a trademark applicant has to prove distinctiveness at the time of registration, there is no need to prove distinctiveness again. But this is a completely erroneous interpretation of law as there are several marks which are just "used in commerce" and never registered.

Legislative History points towards importance of distinctiveness: The legislative history of the Anti-dilution Act also supports the view that both distinctiveness and fame are essential ingredients of dilution analysis. It indicates that the purpose of the Act is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion[38]. Both the Senate and House Reports are explicit that the bill was intended to protect famous marks from "subsequent uses that blur the distinctiveness of the mark, or tarnish or disparage it"[39]. Sec 25(1)(a) of the Restatement (Third) of Unfair Competition also states that there is a requirement in the anti-dilution statute that the mark be "highly distinctive" as dilution is a protection against the junior mark "causing a reduction in that distinctiveness". As the legislative history of the Anti-Dilution Act lays down that the purpose of the Act is to prevent subsequent uses that blur the distinctiveness of the mark, it is necessary, in the first place to prove that the mark is distinctive.

[37] Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 (2003)
[38] H.R.Rep. No. 374, 104th Cong., 1st Sess. 3 (1995) U.S.Code Cong. & Admin.News 1995 pp. 1029, 1030.
[39] H.R. Rep. No. 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029.

Inherent and Acquired Distinctiveness equally important: Another controversy regarding proof of distinctiveness, is what kind of distinctiveness is required by the statute. There are two kinds of distinctiveness: 1. Inherent distinctiveness 2. Acquired distinctiveness. In analyzing whether a product's mark is inherently distinctive, courts have often divided marks into the five categories set forth in *Abercrombie* :(1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful[40]. The second method for demonstrating that a product's trademark or trade dress is distinctive and thus protectable is through a showing that the mark has acquired distinctiveness or secondary meaning. To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself[41].

The Second and the Third circuits come out with conflicting opinions on this issue of which type of distinctiveness is required by the statute. The 2nd circuit *Nabisco* court held that when the statute refers to distinctiveness, it means only inherent distinctiveness[42]. 3rd Circuit rejected this view in *Times Mirror* when it protected "The Sporting News" mark on the basis that it had been used in commerce since 1886 and had spent millions of dollars and so had acquired secondary meaning but was not inherently distinctive[43]. McCarthy shares the same opinion on this point as the 3rd circuit. He explains his argument by saying that the two marks mentioned in legislative history are Buick and Dupont and both these marks were surnames and needed secondary meaning

[40] Abercrombie 537 F. 2d. 4 at 9
[41] Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844
[42] Nabisco 191 F. 3d. 208 at 216
[43] Times Mirror at 169

for registration[44]. There is no doubt that any kind of distinctiveness, inherent or acquired can satisfy the test laid down in the statute. It is difficult to believe that the framers of the statute did not intend to give the dilution protection to marks which have acquired distinctiveness as most of the factors in determining acquired distinctiveness are same as for determining fame. A mark like Coca-Cola, which is merely descriptive and is therefore not inherently distinctive but still can satisfy the test laid down in the statute as it has acquired distinctiveness through high consumer recognition. The opinion of the second circuit *Nabisco* court that distinctiveness in anti-dilution statutes refers only to inherent distinctiveness seems to be a narrow interpretation of the term "distinctiveness"[45].

Both inherent as well as acquired distinctiveness can constitute distinctiveness and are important in dilution analysis. If a mark is suggestive, arbitrary or fanciful and is therefore inherently distinctive, then the mark is unique as it has a unique quality to distinguish one particular goods from others in the market place. This unique quality is lacking in a merely descriptive mark because descriptive marks are legitimately required by the competitors for describing their products. This is the reason why there is a greater justification to protect inherently distinctive marks, under dilution, than marks which are merely descriptive. But this deficiency of merely descriptive marks can be compensated if the descriptive mark has acquired distinctiveness. A mark acquires distinctiveness or achieves secondary meaning when the purchasing public associates the product feature with the source. So in reality, acquired distinctiveness means that the mark has achieved high consumer recognition for eg: Coca-cola has acquired distinctiveness and has

[44] J. Thomas McCarthy 24:91:2.
[45] Nabisco at 216

achieved high consumer recognition. The consumers know that Coca-Cola is into soft drink business but when Coca-Cola mark is used on bicycles or refrigerators, it dilutes the mark because the consumers start associating Coca-Cola with not only the cola soft drink but also other products like bicycles and refrigerators. In this way it lowers the consumer recognition of a particular product source. It is this high consumer recognition which makes the mark unique and it is this uniqueness which the anti-dilution statute seeks to preserve. This is why there is a good justification to protect marks with both inherent as well as acquired distinctiveness from being diluted.

Conclusion: Distinctiveness is very important in the dilution analysis as, if the mark that is getting diluted is not distinctive, then there is no justification to protect it under FTDA. Distinctiveness is the key factor in dilution analysis not only because it is one of the factors for determining fame but also independently of it. If the importance of distinctiveness was restricted to the fact that it is one of the factors of the fame analysis, then there would have been at least one court, in seven years of the existence of FTDA, which would have held a mark "famous" without proving either inherent or acquired distinctiveness. But this has never happened and therefore this is a proof that the courts give due importance to distinctiveness, independent of fame. Though distinctiveness plays an important role in dilution analysis, conflict amongst the various circuits still remains as to the exact scope and parameters of it. This fact makes the protection anticipated by the trademark owners under the FTDA, unpredictable at best. Dilution remedy *per se* is not bad as it is legitimate and justifiable to protect and preserve the uniqueness of the trademarks where uniqueness is the outcome of proper selection, substantial investment and years of hard work. But there is a danger of diluting this dilution remedy if proper guidelines are not given by the Supreme Court.

Supreme Court very recently in *Victor Mosely* has clarified the standard of proof in proving Dilution, which is not likelihood of dilution but proving actual dilution[46]. This judgment reflects the concern of the Supreme Court that dilution remedy, as it gives broad protection, is a potent weapon in the hands of giant multinational companies to prevent small businesses from their lawful right to livelihood and right to compete. Through *Victor Mosely case*, Supreme Court ensures that clear guidelines as to standard of proof are given to the courts and the courts act responsibly in granting dilution remedy on proof of actual dilution[47]. Similarly, it is high time that the Supreme Court sets the controversy to rest by holding that both distinctiveness and fame are equally important and should be proved independently in dilution analysis. This will not only help in limiting the dilution remedy to select class of highly distinctive and famous marks, which need this remedy the most, but will also ensure that the dilution law is enforced uniformly and with predictability.

[46] Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 (2003)
[47] Id.