

# ARTICLE

## THE ACTUAL DILUTION REQUIREMENT IN THE UNITED STATES, UNITED KINGDOM AND EUROPEAN UNION: A COMPARATIVE ANALYSIS

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I. INTRODUCTION

The question of whether Section 43(c) of the Lanham Act<sup>1</sup> should require proof of actual dilution<sup>2</sup> or merely the likelihood of dilution assumed a central position in the United States following *Victoria's Secret*,<sup>3</sup> the only Supreme Court case to consider the Federal Trademark Dilution Act (FTDA).<sup>4</sup> The

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<sup>1</sup> Trademark (Lanham) Act of 1946 (codified at 15 U.S.C. §1051-1072).

<sup>2</sup> There are two main types of dilution: blurring and tarnishment. Blurring involves some type of harm to the distinctiveness of the earlier trade mark (precisely what type of harm will be discussed in this article) and is known in the EU as “detriment to distinctive character”. Tarnishment is harm to the image of the earlier mark though an association with poor quality or unsavoury goods or services. In the EU tarnishment is known as “detriment to repute”. Additionally, the EU has classified “free riding” on earlier marks by taking unfair advantage of their distinctive character or repute as infringement in the same article. However, unfair advantage focuses on benefit to the later user, rather than harm to the earlier user, and so does not fit into the traditional dilution framework.

<sup>3</sup> *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. In *Victoria's Secret*, the Supreme Court ruled that a successful dilution claimant must demonstrate actual dilution of the senior mark. *Id.* at 433. At the same time, however, the Court sanctioned the use, in some situations, of circumstantial evidence to prove actual dilution. *Id.* at 434. Although the Court did not specify what factors should guide the selection and presentation of such circumstantial evidence, history suggests that such evidence can be used to prove both actual and likely dilution. *See infra* Part II. If that is so, the unequivocal ruling that actual dilution must be proved loses much of its intended effect of settling the debate. Because the Supreme Court left open the possibility of using circumstantial evidence, the issue cannot be viewed as entirely settled even in the U.S., where it has garnered the greatest attention. *See infra* Part III.B. Moreover, doubts have been raised over whether the Supreme Court's comments regarding actual dilution applied with equal force in opposition to registration, rather than infringement, cases. *See infra* Part III.H.

<sup>4</sup> 104 P.L. 98, 109 Stat. 985-987 (1995) (codified as amended at 15 U.S.C. §§ 1125(c), 1127). The former version of the FTDA read, in relevant part,

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.

*Id.* § 3(a), 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c)(1)) (emphasis added).

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answer to this question and to the more general question of whether, in principle, actual harm should be required in dilution actions, has a potentially serious effect on the tests employed to detect blurring, tarnishment, and (in those jurisdictions that have such protection) unfair advantage. This is particularly so if actual dilution demands nothing short of empirical evidence of consumers' responses to the later mark and proof of lost revenues. In 2006, the U.S. Congress has passed the Trademark Dilution Revision Act,<sup>5</sup> replacing the actual dilution standard with a likelihood of dilution standard. Hence, some of the discussion of the US position on the actual dilution standard may appear largely historical. However, it is the author's submission that a consideration of the US actual dilution experience remains valuable because the European Union appears to be moving towards an actual dilution standard. Although this issue has been less closely addressed in the United Kingdom and the European Union, a number of tribunals there have taken a strict approach.<sup>6</sup> In this light, this article will discuss:

- What is actual dilution?
- Is actual dilution required (a) in the U.S.; (b) by the European tribunals; (c) in the U.K.; and (d) in the EU Member States?

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The act further defined "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.

*Id.* § 3(b), 109 Stat. 986 (codified as amended at 15 U.S.C. § 1127).

<sup>5</sup> 109 P.L. 312, 120 Stat. 1730 (2006) (amending 15 U.S.C. §§ 1125(c), 1052(f) and 1127). The revised text states, in relevant part,

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences *use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark*, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

*Id.* § 2, 120 Stat. 1730 (emphasis added). The revised text elaborates on the definition of dilution as follows:

... 'dilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. . . .

... 'dilution by tarnishment' is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

*Id.* § 2, 120 Stat. 1731. See *infra* Part III.J.

<sup>6</sup> See, e.g., *Electrocoin Automatics Ltd. v. Coinworld Ltd.*, [2005] E.T.M.R. 31, [2004] E.W.H.C. 1498 (Ch.), available at <http://www.hmcourts-service.gov.uk/judgmentsfiles/j2670/electrocoin-v-coinworld.htm>.

- How can the actual dilution standard be met evidentially? Is circumstantial evidence sufficient or must empirical evidence be presented? Is survey evidence of value and must economic loss be shown? What role do multifactor tests play in this determination?

The European Union would be well advised to pay attention to the problems experienced in the U.S. before blindly adopting the more stringent actual dilution standard. An examination of the European experience demonstrates that even an ostensible likely dilution standard can result in very narrow protection for the owners of famous and well-known trademarks when the degree of likelihood required is set at a high level.

## II. MULTIFACTOR TESTS AND ACTUAL DILUTION

The main focus of this article considers the extent to which there is an actual dilution standard in the U.S., the EU and the U.K. However, to understand the way in which the debate has evolved, it is necessary to be familiar with some of its background, both before and after federal protection against dilution was granted in 1995. In particular, it is helpful to review the “traditional” approach to proving dilution – the use of multifactor tests – and to ask whether their use provides a compliment to, or, alternatively, is incompatible with, an actual dilution standard.

### A. *The Early Stage: Multifactor Tests Under the Likelihood of Dilution Legislation*

Present-day multifactor tests for blurring originate in *Mead*.<sup>7</sup> In the dilution context, such tests employ a number of contextual factors in order to determine the presence or absence of blurring or detriment to distinctive character. The *Mead* case was decided under the New York State dilution legislation<sup>8</sup> that predated the FTDA. However, since it was the leading case on blurring under state law,<sup>9</sup> much of the discussion on the blurring factors in the early FTDA cases focused on the *Mead* test and the applicability of the *Mead* factors under

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<sup>7</sup> *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2nd Cir. 1989) (Sweet, J., concurring).

<sup>8</sup> N.Y. Gen. Bus. Law § 360-1 (McKinney Supp. 1999).

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

<sup>9</sup> *E.g.*, *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 966 (2d Cir. 1996); *cf.* *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 43 (2nd Cir. 1994) (finding the *Mead* test “not fully applicable” in determining dilution by a competitor).

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the federal law.<sup>10</sup> It is therefore necessary to understand *Mead* before one can appreciate the development of dilution under the FTDA. The test is also relevant to this article in so far as it potentially either offers an alternative to actual dilution or is compatible with it.

The *Mead* test was formulated by Judge Sweet in a separate concurring opinion. The relevant factors were said to be:

- (1) similarity of the marks;
- (2) similarity of the products covered by the marks;
- (3) sophistication of consumers;
- (4) predatory intent;
- (5) renown of the senior mark;
- (6) renown of the junior mark.<sup>11</sup>

*B. The Transition Stage: Multifactor Tests Under the Early FTDA Case Law*

The *Mead* test had been adopted as a partial basis for the leading multifactor test under the FTDA in *Nabisco*,<sup>12</sup> though the court in question included additional factors for consideration:

- (1) actual confusion and likelihood of confusion;
- (2) shared consumers and geographic isolation;
- (3) the adjectival quality of the junior use, and
- (4) the interrelated factors of duration of the junior use, harm to the junior user, and delay by the senior in bringing the action.<sup>13</sup>

The *Mead* test has also been used as a starting point for discussions in cases that have rejected the multifactor approach in favor of an actual dilution standard.<sup>14</sup> The dichotomy between the multifactor approach and actual

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<sup>10</sup> See *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 214, 227-28 (2nd Cir. 1999), *overruled in part by* *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. Note that while the *Victoria's Secret* opinion acknowledged the *Nabisco* multifactor analysis, it passed no judgment on the use of such analysis as a matter of law.

<sup>11</sup> *Mead*, 875 F.2d at 1035.

<sup>12</sup> *Nabisco*, 191 F.3d at 208.

<sup>13</sup> *Id.* The Second Circuit further noted that

. . . it would be a serious mistake at the outset of our consideration of the new federal antidilution statute to limit ourselves to these six factors or to any other putatively definitive list. . . . The promulgation of such a list has a tendency to quash open-minded, constructive thinking about a new statutory right.

*Id.* at 227.

<sup>14</sup> *E.g.*, *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 463 (4th Cir. 1999) (acknowledging the lower court's use of *Mead* factor analysis, but concluding that the "analysis simply is not appropriate for assessing a claim under the federal Act."); *see id.* at 458 (commenting that "the necessary

dilution drawn by these cases begs the question, can multifactor tests and the actual dilution standard co-exist? If not, how can actual dilution be proved?

C. *What is Actual Dilution?*

Determining what to look for when seeking actual dilution is a complex process, because there are a number of concerns which are closely allied, but not identical, to actual dilution.<sup>15</sup> Proof of actual dilution requires that the mark owner show such dilution as has already occurred, in contrast to dilution that may occur in the future.<sup>16</sup> The important question here, the *timing* of the dilution and the harm caused by it, is easily confused with the issue of likelihood – *how* likely is it that the later mark will have a dilutive effect on the earlier mark?<sup>17</sup> The latter question is generally only relevant to future harm<sup>18</sup> and embraces questions such as whether dilution is probable or possible and whether it will happen or merely might happen. On the other hand, as a matter of an evidentiary showing, the question of timing is conceptually separate: assuming that dilution is certain to occur in the future,<sup>19</sup> can the absence of

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speculativeness of any inquiry into future states and conditions has led some courts to allow the essential elements of “likely” dilution to be inferred as fact from the “Mead factors”); *but cf. id.* at 465 (stating that “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, are of obvious relevance as indirect evidence that might complement other proof” of actual dilution).

<sup>15</sup> This breakdown is equally applicable to other actual and potential forms of harm under trademark law, such as confusion and association.

<sup>16</sup> See *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461, n.6 (4th Cir. 1999) (arguing that the plain meaning of the FTDA refers to actual harm); *cf. Nabisco*, 191 F.3d at 224 (disparaging the *Ringling Bros.* conclusion); see *Victoria’s Secret*, 537 U.S. at 432-33 (not disagreeing with the *Ringling Bros.* conclusion); 15 U.S.C. §1125(c)(1).

<sup>17</sup> It will be argued below that the answer to this question could, in theory, be used by a determined judiciary to derail the pro-dilution effect of the Revision Act. See *infra* text accompanying notes 137-139. The Fourth Circuit picked up on this idea in *Ringling Bros.*:

. . . Ringling argues that though the Act does not literally proscribe mere “likelihood of dilution” in the manner of state antidilution statutes, that is its intended meaning. And, from that the argument implicitly runs that merely future harm could be much more easily proved (or judicially presumed?) than can the actual, consummated economic harm. . .

*Ringling Bros.*, 170 F.3d at 460.

<sup>18</sup> One could theoretically measure the chance at a given point in the past that dilution should have occurred, even though it did not in fact occur. However, it is doubtful that protection would be offered on these grounds. In general, if past harm caused by dilution is present, the question of likelihood becomes moot.

<sup>19</sup> We may doubt, of course, whether we can ever be certain of a future event (in this case

harm to date<sup>20</sup> prevent the threatened mark from obtaining protection in the form of a judicially-imposed injunction?<sup>21</sup>

Finally, whether we are looking for past or future dilution, and however likely the dilution is, the scale of the harm may need to be considered.<sup>22</sup> Harm can be measured by two criteria: the intensity of the effect that the later mark has on the perception of the earlier mark in the mind of a single consumer or the pervasiveness of the altered perception of a mark among a population of consumers.

*D. A role for multifactor tests under the actual dilution standard*

Before any lawyer can consider which evidential factors to deploy in order to successfully make out a case of blurring or tarnishment, it is necessary to consider whether such factors are relevant under an actual dilution standard. Their relevance was rendered open to doubt following the Supreme Court's holding in *Victoria's Secret* that "objective proof" of actual dilution is required to succeed in a blurring claim under the FTDA.<sup>23</sup> The most extreme version of the actual dilution standard<sup>24</sup> calls for empirical evidence of economic loss already caused by the defendant's behavior.<sup>25</sup> This requirement appears at

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dilution), particularly where the existence of this event depends on the perception of consumers.

<sup>20</sup> Actual harm will necessarily be absent in case of a potentially diluting product which has not yet been placed on the market. *See Nabisco*, 191 F.3d at 224.

<sup>21</sup> *Cf. Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418, 433 (2003) (concluding that the unequivocal requirement of actual dilution in the text of the FTDA "does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved"), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730.

<sup>22</sup> For instance, courts may need to consider whether the harm to the senior mark must be great or small; and, if small, whether *de minimis* harm would suffice.

<sup>23</sup> *Victoria's Secret*, 537 U.S. at 432-33; *see id.* at 421-22. The preparatory materials of the various statutes do not seem to have discussed whether actual dilution is required in the US (under the FTDA), the UK or the EU.

<sup>24</sup> *See Ringling Bros.*, 170 F.3d at 460 ("That economic harm inevitably will result from any replicating junior use is by no means that certain."); *id.* at 465 (suggesting that proof of actual lost revenues constitutes the most obvious means of establishing dilution); *see also Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 214, 227-28 (2nd Cir. 1999) (rejecting the *Ringling Bros.*' purported requirement that "actual, consummated" dilution be proved by evidence of lost revenues and surveys); *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418, 433 (2003) (rejecting the *Ringling Bros.*' purported requirement that consequences of dilution, such as loss of sales or profits, be proved), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730.

<sup>25</sup> Such loss need not be caused by confusion as to the origin of the goods. For example, if blurring causes a mark to be less distinctive, and hence to function less well as a trade

odds with the sort of factors utilised in the multi-factor tests for dilution since those factors are often at best indirectly probative of the fact that dilution has taken place or may take place in the future. However, as we will see,<sup>26</sup> there still appears to be a role for the multi-factor tests after *Victoria's Secret*. This suggests that multi-factor tests will remain relevant in jurisdictions which adopt an actual dilution standard in the future.

### III. ACTUAL DILUTION IN THE U.S.

#### A. *The Debate Between the Circuits*

The question of whether actual or likely dilution must be shown under the FTDA split the circuits in the U.S.<sup>27</sup> The Fourth Circuit in *Ringling Bros.* found that, to satisfy the test for dilution under the former Section 43(c) of the Lanham Act,<sup>28</sup> the claimant had to show that the defendant's junior mark caused actual dilution of the claimant's senior mark.<sup>29</sup> The Fourth Circuit defined "actual dilution" as "an actual lessening of the senior mark's selling power, expressed as its capacity to identify and distinguish goods or services."<sup>30</sup> This conclusion was based largely on the wording of Section 43(c).<sup>31</sup> Although earlier state laws refer to the "likelihood of dilution," the original version of the FTDA did not, despite fifty years of state law experience.<sup>32</sup> Instead, as the *Ringling Bros.* court points out, it speaks in terms of harm that has already taken place, rather than harm that may occur in the future.<sup>33</sup> The actual harm requirement was also adopted by the Fifth Circuit.<sup>34</sup>

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mark, in theory this could lead to fewer consumers picking out goods bearing that mark and therefore fewer purchases of those goods.

<sup>26</sup> *Infra* Part III.J.

<sup>27</sup> See DAVID WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE AND INTERNATIONAL LAW 237-243 (BNA Books, Washington, D.C., 2002); see also Tanuja Garde, *The "Whittling Away" of the Federal Trademark Dilution Act*, 34 INT'L REV. INDUS. PROP. & COPYRIGHT L. 614, 614-626 (2003).

<sup>28</sup> *Supra* note 4.

<sup>29</sup> *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999).

<sup>30</sup> *Id.*

<sup>31</sup> 104 P.L. 98, § 3(a), 109 Stat. 985 (1995) (codified at 15 U.S.C. § 1125(c)(1) (2000), amended by 109 P.L. 312, § 2, 120 Stat. 1730 (2006)).

<sup>32</sup> See *Ringling Bros.* at 453-58 for a comprehensive historical and analytical overview of this experience.

<sup>33</sup> *Id.* at 458, 460-461.

<sup>34</sup> See *Westchester Media v. PRL USA Holdings*, 214 F.3d 658 (5th Cir. 2000).



The Second Circuit took the opposite approach in *Nabisco*,<sup>35</sup> finding that the *Ringling Bros.* decision was unclear in its scope.<sup>36</sup> The *Ringling Bros.* judgment was liable to be read either narrowly or widely; and the Second Circuit found the implications of both readings unsatisfactory. According to the narrow reading, the Fourth Circuit appeared to require proof of actual revenue loss and concrete survey evidence, as opposed to proof of actual loss by contextual factors such as the similarity between the marks and the products.<sup>37</sup> An actual loss of revenues and survey requirements were an “arbitrary restriction on methods of proof,” because (i) if the claimant’s mark was being exploited successfully, it would seldom be possible to show diminished revenues; (ii) even if diminished revenues could be shown, it would be difficult to show that the slump was caused by dilution; (iii) survey evidence is expensive to collect and often unreliable; and (iv) circumstantial evidence has often been used to prove dilution.<sup>38</sup>

The broader reading of *Ringling Bros.* seemed to permit the use of circumstantial evidence, but would nonetheless require the defendant to be already established in the marketplace before an action for dilution could be commenced.<sup>39</sup> Although the Second Circuit recognized that the statute could be literally read in this way,<sup>40</sup> it maintained that such a reading would defeat the intention of the statute to prevent harm before it occurred and would therefore be disadvantageous for both parties. The claimant would not be able to invoke the statute until the injury had already occurred,<sup>41</sup> and any injury that did occur would be uncompensable, because damages are not available under the FTDA in the absence of wilfulness on the part of the defendant.<sup>42</sup> The

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<sup>35</sup> *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208 (2nd Cir. 1999), *overruled in part by Moseley v. V Secret Catalogue, Inc. (Victoria’s Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. For a critique of *Nabisco* approach and the argument that established trademarks can act as barriers to entry and therefore any protection afforded to them should be read restrictively, see Jonathan Mermin, *Interpreting the Federal Trademark Dilution Act of 1995: the Logic of the Actual Dilution Requirement*, 42 B.C. L. REV. 207 (2000).

<sup>36</sup> *Nabisco*, 191 F.3d at 223-24.

<sup>37</sup> *Id.* at 223.

<sup>38</sup> *See id.* at 223-224.

<sup>39</sup> *Id.* at 224. *See also supra* text accompanying notes 16-21.

<sup>40</sup> *Id.* (citing *Ringling Bros-Barnum & Bailey Combined Shows Inc v. Utah Div. of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999)).

<sup>41</sup> *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 224 (2nd Cir. 1999), *overruled in part by Moseley v. V Secret Catalogue, Inc. (Victoria’s Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730.

<sup>42</sup> 15 U.S.C. § 1125(c)(2) (2000) (original version at 104 P.L. 98, § 3(a), 109 Stat. 986 (1995)), *amended by* 109 P.L. 312, § 2, 120 Stat. 1731-1732 (current version at 15 U.S.C. §

defendant would be unable to ascertain by means of declaratory relief whether a newly contemplated mark was liable to be considered diluting *before* rather than after he launched it on the market.<sup>43</sup>

The *Ringling Bros.* actual dilution requirement was also rejected by the Seventh<sup>44</sup> and Sixth Circuits.<sup>45</sup> The latter case gave rise to the appeal to the Supreme Court that went a considerable distance towards finally settling the matter.

### B. *The Supreme Court Settles the Issue*

The Supreme Court in *Victoria's Secret*<sup>46</sup> came down firmly in favor of an actual dilution requirement, based on a textual analysis of the FTDA. The Court noted that the text of Section 43(c) refers to behavior which "*causes dilution* of the distinctive quality" of the famous mark.<sup>47</sup> Further, the court distinguished between the Lanham Act's definition of trademark dilution as "lessening of the capacity" of a mark to identify goods and the reference in the same section to trademark infringement as "likelihood of confusion, mistake, or deception."<sup>48</sup> However, the court did emphasise that the *consequences* of dilution, in the form of actual loss of sales or profits, did not need to be

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1125(c)(5)). See JEREMY PHILLIPS, TRADE MARK LAW: A PRACTICAL ANATOMY §12.54 (Oxford University Press, Oxford, 2003) (pointing out that the actual dilution standard makes it difficult for a claimant to obtain interim relief); Howard Shire & Michelle Mancino Marsh, *Federal Dilution Claims After Moseley v. V Secret Catalogue*, 94 TRADEMARK REP. 1066, 1978 (2004) (same).

<sup>43</sup> *Nabisco*, 191 F.3d at 224.

<sup>44</sup> *Eli Lilly & Co. v. Natural Answers, Inc.*, 223 F.3d 456, 468 (7th Cir. 2000).

<sup>45</sup> *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001), *vacated*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730.

<sup>46</sup> For a detailed discussion of the issues involved in the case by the legal representatives of the two parties, see James Higgins, Jr. & Scot Duvall, *The FTDA After Moseley v. V Secret*, 93 TRADEMARK REP. 813 (2003) (Moseley's representatives) and Dale Cendali, Carol Matorin & Jeremy Maltby, *Moseley v. V Secret Catalogue Inc.: One Answer, Many Questions*, 93 TRADEMARK REP. 833 (2003) (Victoria's Secret's Representatives).

<sup>47</sup> *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418, 432 (2003) (emphasis in the original), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. The Supreme Court approvingly cited Robert Kleiger's analysis of the language of the FTDA in *Trademark Dilution: the Whittling Away of the Rational Basis for Trademark Dilution*, 55 U. PITT. L. REV. 789, 853-856 (1997).

<sup>48</sup> *Victoria's Secret*, 537 U.S. at 433 (citing 104 P.L. 98, § 4, 109 Stat. 986 (1995) (codified at 15 U.S.C. § 1127 (2000), *amended by* 109 P.L. 312, §§ 2(c)(2)(B)-(C), 3(e), 120 Stat. 1731-1732 (2006))).

proven.<sup>49</sup> Hence, an area of uncertainty remained. The court did not make it clear how actual dilution could be proven, though it did suggest that consumer surveys might be of assistance<sup>50</sup> (without stating what these surveys should ask consumers) and that circumstantial evidence might be sufficient in some cases.<sup>51</sup> The uncertain meaning of “circumstantial evidence” in this context provided an opening through which multifactor tests of the sort used in *Mead* and *Nabisco* could again become relevant.

C. *The Role of the Multifactor Tests – Possible Ways Forward*

In view of the Supreme Court’s requirement of proof of actual dilution, how, if at all, could multifactor tests be relevant to establishing dilution? The leading multifactor test of dilution under the FTDA came from *Nabisco*, which had as its central premise that only a likelihood of dilution needs to be proven under Section 43(c).<sup>52</sup>

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<sup>49</sup> *Id.* (emphasis added).

<sup>50</sup> *Id.* at 434. See also J. Thomas McCarthy, *Proving a Trademark has been Diluted: Theories or Facts*, 41 HOUS. L. REV. 713, 742 (2004) (suggesting that where marks were not identical, actual dilution may have been provable by expert testimony or survey evidence); Patrick Bible, *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) (suggesting ways to construct a dilution survey).

<sup>51</sup> The Supreme Court majority concluded with the following remarks:

Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents and their amici argue that evidence of an actual “lessening of the capacity of a famous mark to identify and distinguish goods or services,” § 1127, may be difficult to obtain. It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.

*Victoria’s Secret*, 537 U.S. at 434 (emphasis added).

<sup>52</sup> See *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 217 (2nd Cir. 1999), overruled in part by *Moseley v. V Secret Catalogue, Inc. (Victoria’s Secret)*, 537 U.S. 418, 432 (2003), superseded by statute, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. But cf. Lee Goldman, *Proving Dilution*, 58 U. MIAMI L. REV. 569, 594-607 (2004) (proposing a multifactor test composed of factors, such as those used in *Mead* and *Nabisco*, to be used to test for actual dilution following *Victoria’s Secret*).

Garde, *supra* note 27, at 618, 631, suggests that there may be a common thread between the *Mead* test adopted by *Nabisco* and the approach of the Supreme Court in *Victoria’s Secret*: Judge Sweet in *Mead* arguably formulated his test seeking to avoid the development of trademark property rights in gross; likewise, the Supreme Court feared the anticompetitive expansion of trademarks. Both courts downplayed the role of consumers mentally associating marks: while the Supreme Court stated that mental association alone

One possibility for reviving the utility of multifactor tests under an actual dilution standard would be to use circumstantial evidence in conjunction with proof of economic loss (or other empirical indications actual harm to the claimant's mark or business) to show that such loss was suffered by the owner of the earlier mark as a result of dilution and not as the consequence of some other business problems. In fact, this option could address the problem identified in *Nabisco* regarding the difficulty of verifying that economic loss is the result of dilution rather than that some other factor had led to loss of sales.<sup>53</sup> A rebuttable presumption can be established that (i) if such economic loss can be shown and (ii) the multifactor test was satisfied, then the loss is the result of dilution. In general, the Supreme Court's reference to circumstantial evidence carries the potential for using multifactor tests to structure the presentation of such evidence.<sup>54</sup> Satisfying the requirements of such tests could in itself be direct evidence of actual dilution. Thus, a second option for reviving multifactor tests under the actual dilution standard is to use them for establishing direct evidence of actual dilution.<sup>55</sup>

D. *The Role of Circumstantial Evidence after Victoria's Secret*

The lower U.S. courts had difficulty explaining the Supreme Court's comments on circumstantial evidence in *Victoria's Secret*,<sup>56</sup> tending to divide into two camps.<sup>57</sup> The conflicting positions are expressed clearly in *Savin*.<sup>58</sup>

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was not enough, Judge Sweet did not even include mental association as a factor in his test. *Victoria's Secret*, 537 U.S. at 433; *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring).

<sup>53</sup> *Nabisco*, 191 F.3d at 224.

<sup>54</sup> See J. Jarrod Thrash, *Victoria's Secret is Not Safe with the Supreme Court: the Court Makes its Foray into the Make-Believe World of the FTDA*, 6 TUL. J. TECH. & INTELL. PROP. 199, 219-220 (2004) (suggesting that the type of circumstantial evidence that the Supreme Court referred to in *Victoria's Secret* may be expert evidence concerning the *Mead* and/or *Nabisco* factors).

<sup>55</sup> See *infra* Part III.E.

<sup>56</sup> *Supra* note 51 and accompanying text..

<sup>57</sup> For an argument in favor of the continued relevance of circumstantial evidence and a prediction of "business as usual," see Graeme W. Austin, *Trademark and the Burdened Imagination*, 69 BROOK. L. REV. 827, 890-896 (2004).

<sup>58</sup> *Savin Corp. v. Savin Group*, 391 F.3d 439 (2d Cir. 2004), where the court says:

In [*Victoria's Secret*], the Supreme Court stated that "direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where the junior and senior marks are identical." 537 U.S. at 434. The Court cautioned, however, that "[w]hatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation." *Id.*

Plaintiff interprets [*Victoria's Secret*] to stand for the proposition that where both

One possible interpretation of the Supreme Court's decision is that where marks are identical, there is sufficient circumstantial evidence of actual dilution to satisfy the former version of the FTDA.<sup>59</sup> Alternatively, this decision could be understood to say that circumstantial evidence (as opposed to direct evidence) *only* becomes relevant where the two parties' marks are identical.<sup>60</sup> The latter reading, which was favored by the district court in *Savin*,<sup>61</sup> would consider factors within the test only where the parties' marks are identical. However, it would give these factors a definite role by making their consideration explicit in the case of identical marks.

The first position, which was taken by the Second Circuit Court of Appeals in *Savin*, limits circumstantial evidence to the narrow issue of whether marks are identical, thus envisaging a role for, at best, only one factor in the multifactor test.<sup>62</sup> At the same time, the Second Circuit in *Savin* made it clear that actual dilution could only be assumed on the basis of the identity of the marks alone where the marks were strictly identical.<sup>63</sup> Even marks that contain

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marks are identical, that fact, in itself, is sufficient circumstantial evidence to satisfy the element of actual dilution. Not all courts read the above-quoted portion of the Moseley decision as does Plaintiff, however. Indeed, the District Court did not. And, at least two other courts have questioned whether the Supreme Court intended for plaintiffs to be able to establish a violation of the FTDA merely by showing the commercial use of an identical junior mark.

...

Moreover, the District Court's opinion in the case at bar seems to have been the sole basis for the district courts in those other cases to question the plain import of the at-issue language of the Supreme Court in [*Victoria's Secret*]. . . .

*Id.* at 451. See also *Shire & Marsh*, *supra* note 42, at 1069.

<sup>59</sup> See *Nike Inc. v. Variety Wholesalers*, 274 F. Supp. 2d 1352, 1372 (S.D.G.A. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D.P.A. 2003), *appeal dismissed on procedural grounds*, No. 03-3280 (3d Cir. 2004); *GM Corp. v. Autovation Techs, Inc.*, 317 F. Supp. 2d 756, 763-764 (E.D. Mich. 2004).

<sup>60</sup> See *Pinehurst Inc. v Wick*, 256 F. Supp. 2d 424, 431-432 (M.D.N.C. 2003); *Ty, Inc. v. Softbelly's, Inc.*, 353 F.3d 528, 536 (7th Cir. 2003).

<sup>61</sup> *Savin Corp. v. Savin Group*, 68 U.S.P.Q. 2d 1893, 1904 (S.D.N.Y. 2003) ("Actual dilution may be shown through circumstantial evidence, particularly when the marks in question are identical.").

<sup>62</sup> *Savin*, 391 F.3d at 452 ("We interpret Moseley to mean that where a plaintiff who owns a famous senior mark can show the commercial use of an identical junior mark, such a showing constitutes circumstantial evidence of the actual-dilution element of an FTDA claim.").

<sup>63</sup> *Id.* at 453. The court added that "the issue of whether the marks are identical will be context- and/or media-specific and factually intensive in nature." *Id.* This development was predicted by Graeme Dinwoodie in *The Trademark Jurisprudence of the Rehnquist Court*, 8 MARQ. INTELL. PROP. L. REV. 187, 205 (2004), who pointed out that even if identity automatically leads to actual dilution, this apparently "bright line" test would lead to

identical word components, but in different lettering, or with figurative matter added, would probably not be considered identical for this purpose.<sup>64</sup>

E. *The Role of Nabisco after Victoria's Secret*

The Sixth Circuit is the only Court of Appeals to explicitly consider whether the *Nabisco* test<sup>65</sup> survived *Victoria's Secret*. Although it devoted substantial effort to this question in *AutoZone*,<sup>66</sup> the court did not come to a definite conclusion on whether the *Nabisco* test remained applicable.<sup>67</sup> The court noted that, while the Supreme Court did not address the efficacy of the *Nabisco* test, it also did not criticize its existence or adoption.<sup>68</sup> Moreover, the Supreme Court did not say how actual dilution can be proved. The *AutoZone* court reasoned,

The Supreme Court in essence made it more difficult for dilution claims to succeed because plaintiffs face a much higher hurdle of demonstrating actual dilution, but the Court was silent as to the manner in which courts must evaluate plaintiffs' success in overcoming that hurdle. This silence could imply that a test designed to measure likelihood of dilution may not be appropriate to evaluate actual dilution, but we are left without firm guidance on the issue.<sup>69</sup>

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complex discussions concerning which marks can be considered to be identical. This was also identified as an issue by *Shire & Marsh*, *supra* note 42, at 1069. This trend can also be seen in the EU, at least with respect to trademark infringement. Where goods are identical, the issue of identity of marks determines whether infringement is automatic, or whether the complex process of proving likelihood of confusion must be undertaken. Thus, the seeming obvious question of what identity of marks means has been the subject of litigation before the ECJ in *Case C-291/00, LTJ Diffusion S.A. v. Sadas Vertbaudet S.A.*, [2003] E.C.R. I-2799, [2003] E.T.M.R. 83.

<sup>64</sup> See *Savin Corp. v. Savin Group*, 391 F.3d 439, 453-54 (2d Cir. 2004).

<sup>65</sup> *Supra* Parts II.A.-B.

<sup>66</sup> *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 802-807 (6th Cir. 2004). In the post-*Victoria's Secret* case of *Best Cellars Inc. v. Wine Made Simple Inc.*, 320 F. Supp. 2d 60 (S.D.N.Y. 2003), the court claimed to be applying the *Nabisco* test, but in fact it was applying a more general test also used in *Nabisco* that includes factors such as fame and distinctiveness of the mark and the defendant's commercial use of the mark in commerce. *Id.* at 81-82.

<sup>67</sup> *AutoZone*, 373 F.3d at 804.

<sup>68</sup> *Id.* at 804-805.

<sup>69</sup> *Id.* at 804. This passage was cited in *Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 436 n.100 (S.D.N.Y. 2004). *But see* *Tommy Hilfiger Licensing Inc. v. Goody's Family Clothing Inc.*, No. 1:00-CV-1934-BBM, 2003 WL 22331254 (N.D.G.A. May 9, 2003) (condemning the use of *Nabisco* factors with an argument that *Victoria's Secret* had "foreclosed the use of such 'likelihood' factors in assessing actual dilution").

This suggests that the *Nabisco* test may have survived the *Victoria's Secret* decision.

Although the *AutoZone* court went on to criticize certain of the *Nabisco* factors,<sup>70</sup> it did not criticize the principle of using tests that employ a variety of circumstantial factors in determining whether there is actual dilution.<sup>71</sup> The court dismissed the dilution claim without applying the *Nabisco* test to the facts in question because there was insufficient evidence of actual dilution,<sup>72</sup> a course of action that suggests that the court would have rejected the second option discussed above.<sup>73</sup> The *AutoZone* approach was echoed in *Toucan Golf*,<sup>74</sup> where the court focused on empirical evidence of actual dilution.<sup>75</sup> The requirement for such empirical evidence<sup>76</sup> suggests that a multifactor test alone would be insufficient.

The *Nabisco* test was also used to test for blurring after *Victoria's Secret* by

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<sup>70</sup> *AutoZone*, 373 F.3d at 804-805 (“Given that the FTDA authorizes dilution claims no matter whether there exists competition between the owners of the respective marks or whether there is a strong likelihood of confusion between the marks, the factors measuring proximity of the products, shared consumers and geographic limitations, and actual confusion seem irrelevant to the dilution analysis.”) (internal quotation marks and citations to *Nabisco* omitted). The *Nabisco* court was not unaware that these factors were more strictly relevant to infringement:

... While the antidilution statutes aim at a different harm than the infringement statute and dilution undoubtedly can occur among non-competing products, we see no reason why dilution cannot occur as well where the products are competing. . . . Consumer confusion would undoubtedly dilute the distinctive selling power of a trademark.

*Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 219 (2nd Cir. 1999). Further,

... While we recognize that neither actual confusion nor likelihood of confusion is necessary to sustain an action for dilution, it does not follow that actual confusion cannot be highly probative of dilution. Confusion lessens distinction.

*Id.* at 221.

<sup>71</sup> See *Shire & Marsh*, *supra* note 42, at 1084 (raising the possibility that a bespoke multifactor test will be generated by the courts for detected actual, as opposed to likely, dilution, but noting that multifactor tests were not used in the two circuit courts which required actual dilution (the Fourth and Fifth Circuits) before *Victoria's Secret*).

<sup>72</sup> *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 805 (6th Cir. 2004) (noting that “the dissimilarity between the two marks by itself demonstrates why *AutoZone*’s claim cannot succeed”).

<sup>73</sup> See text accompanying notes 54-55.

<sup>74</sup> *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 628 (6th Cir. 2003).

<sup>75</sup> See *id.* at 628-29.

<sup>76</sup> *Id.* at 628 (“*Kellogg* has failed to present evidence that any segment of the population recognizes *Toucan Sam* as the spokesperson only for *Froot Loops* in lesser numbers than it did before *TGI* started using its toucan marks. Accordingly, we affirm the decision of the district court and deny *Kellogg*’s FTDA claims.”).



a New York district court the *Playtex* case.<sup>77</sup> Applying this test, the court stated that evidence of actual dilution was merely one of the *Nabisco* factors.<sup>78</sup> The Second Circuit overruled the district court on this point,<sup>79</sup> but refrained from questioning the suitability of the *Nabisco* test in general.<sup>80</sup> The Second Circuit Court of Appeals went on to say that, although actual dilution had to be shown, the consequences of actual dilution did not have to be demonstrated.<sup>81</sup> This is an awkward proposition, since how can actual dilution be shown without referencing its consequences? Following the Supreme Court's lead in *Victoria's Secret*,<sup>82</sup> the Second Circuit suggested the use of survey evidence or "other circumstantial evidence,"<sup>83</sup> without acknowledging that survey evidence would undoubtedly speak to consequences of dilution or specifying what other types of evidence the court had in mind. Nonetheless, the Second Circuit went on to analyze plaintiff's survey evidence and expert testimony in depth<sup>84</sup> and concluded that the evidence did not establish actual dilution.<sup>85</sup> Similar to the Sixth Circuit's firm requirement for direct evidence of dilution in the *AutoZone* and *Toucan Golf* cases,<sup>86</sup> the Second Circuit's focus on direct evidence in the *Playtex* case<sup>87</sup> suggests that conforming to a multifactor test alone would be insufficient under the actual dilution standard.

F. *The Ringling view of Nabisco-Style Tests*

The Fourth Circuit's opinion in *Ringling Bros.* may likewise provide some insight into the status of multifactor tests under an actual dilution standard.

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<sup>77</sup> *Playtex Prods., Inc. v. Georgia-Pacific, Inc.*, 67 U.S.P.Q. 2d 1923, 1931 (S.D.N.Y. 2003).

<sup>78</sup> *Id.*

<sup>79</sup> *Playtex Prods. Inc. v. Georgia-Pacific Inc.*, 390 F.3d 158, 167 (2d Cir. 2004) ("Contrary to what the district court stated, actual dilution is an indispensable component of a dilution claim under 15 U.S.C. § 1125(c).").

<sup>80</sup> *See id.* (holding that plaintiff's federal dilution claim failed because of both the lack of substantial similarity between the marks and the lack of evidence of actual dilution).

<sup>81</sup> *Id.* (citing *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418, 433 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730).

<sup>82</sup> *Victoria's Secret*, 537 U.S. at 433 (the requirement that actual dilution must be established "does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved").

<sup>83</sup> *Playtex Prods.*, 390 F.3d at 167-68.

<sup>84</sup> *Id.* at 167-68.

<sup>85</sup> *Id.* at 167 ("Plaintiff's federal dilution claim fails . . . because no evidence of actual dilution exists.")

<sup>86</sup> *Supra* notes 66-76 and accompanying text.

<sup>87</sup> *Playtex Prods.*, 390 F.3d at 167-68.



This case most strongly advocated the adoption of that standard.<sup>88</sup> If *Ringling Bros.* had accepted a role for multifactor tests in showing actual dilution, this would suggest that there may also be a role for them post-*Victoria's Secret*. However, the court was clear in its dismissal of the *Mead* factors:<sup>89</sup>

[B]y and large the *Mead*-factor analysis simply is not appropriate for assessing a claim under the federal Act. As we have earlier noted, the process has obvious utility in making the long leaps of inference that can be used to find a mere “likelihood of dilution,” but inferring actual harm and effective causation from such factors as “consumer sophistication,” and “predatory intent” is a chancy process at best.<sup>90</sup>

Since *Ringling Bros.* preceded *Nabisco*, the *Ringling* court could not comment on the *Nabisco* factors. However, its criticisms would likely apply to *Nabisco* because the *Nabisco* court based its opinion on the *Mead* factor analysis.<sup>91</sup> Nonetheless, while the *Ringling Bros.* court clearly criticizes the specific factors used in *Mead*,<sup>92</sup> it does not dismiss the concept of using multifactor tests to show actual dilution. The court says, “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, are of obvious relevance as indirect evidence that might complement other proof.”<sup>93</sup>

#### G. U.S. Infringement and Actual Dilution: A Summary

In the three-year period in which the *Victoria's Secret* actual dilution holding had been authoritative, there was a marked absence of guidance as to how actual dilution could be proven, and the use of multifactor tests in infringement cases has remained uncertain. Although (as will be discussed below), the FTDA Revision Act clearly indicates that the U.S. no longer has an actual dilution standard in infringement cases<sup>94</sup> and that the multifactor tests *do* have a role in proving dilution by blurring,<sup>95</sup> the theoretical problems, (i)

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<sup>88</sup> *Ringling Bros. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458-61 (4th Cir. 1999).

<sup>89</sup> *Supra* Part II.A.

<sup>90</sup> *Ringling Bros.*, 170 F.3d at 464 (internal citation omitted).

<sup>91</sup> See *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 218-222 (2nd Cir. 1999), *overruled in part by Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730. Compare *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2nd Cir. 1989) (Sweet, J., concurring).

<sup>92</sup> *Ringling Bros.*, 170 F.3d at 458-61.

<sup>93</sup> *Ringling Bros.*, 170 F.3d at 465.

<sup>94</sup> Trademark Dilution Revision Act of 2006, 109 P.L. 312, § 2, 120 Stat. 1730 (amending 15 U.S.C. § 1125(c)(1)).

<sup>95</sup> *Id.*, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(2)(B)).

whether multifactor tests can play a role in proving actual dilution and (ii) how else actual dilution can be demonstrated, remain live. As will be discussed, these issues remain pertinent in parts of Europe, where there is a move towards stricter standards for proving dilution, seemingly without consideration of the inherent difficulties of satisfying or even satisfactorily defining such stricter standards.

#### H. Registrability

The Trademark Amendment Act of 1999 (TAA) extended dilution protection by making it a ground on which the owner of an earlier famous mark could oppose or cancel the registration of a potentially dilutive mark.<sup>96</sup> The actual dilution rule causes particular problems in disputes that take place during the registration process. Often an applicant for a trademark will not have begun to use the mark, the registration of which is being opposed by the earlier famous mark. In the absence of use, it will be impossible to show that the applied-for mark has actually diluted the earlier mark. Therefore, if the *Victoria's Secret* rule were to apply in registration cases, the situations in which an earlier mark holder could prevent the registration of a mark on dilution grounds would be limited to cases where: (i) the applicant had already used his mark, or possibly (ii) where the two marks were identical.<sup>97</sup>

This concern influenced the finding of the Trademark Trials and Appeals Board in *Toro*,<sup>98</sup> where a junior user applied to register an unused mark under the intent to use provisions.<sup>99</sup> Although the decision preceded *Victoria's Secret*, the Board was aware of the split between the circuits on the actual dilution issue,<sup>100</sup> but felt that the impact of the split was limited to "infringement" dilution cases brought before the district court.<sup>101</sup> It was clear from the legislative history that the TAA was intended to provide for dilution proceedings *before* dilution damage had been suffered in the marketplace.<sup>102</sup> An actual dilution requirement would have been incompatible with this aim and would have rendered the TAA "virtually meaningless."<sup>103</sup>

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<sup>96</sup> Trademark Amendments Act of 1999, 106 P.L. 43, 113 Stat. 218-220 (1999) (amending 15 U.S.C. § 1063(a) (opposition) and 15 U.S.C. § 1064 (cancellation)).

<sup>97</sup> See *supra* notes 59-61 and accompanying text.

<sup>98</sup> *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d 1164 (T.T.A.B. 2001).

<sup>99</sup> 15 U.S.C. § 1051(b) (2000).

<sup>100</sup> *Toro*, 61 U.S.P.Q. 2d at 1174 n.7.

<sup>101</sup> See *id.* ("We are aware of the split in the Circuit Courts on the issue of whether actual dilution must be shown by the plaintiff to prevail in a district court case involving a dilution claim. This question is irrelevant to our determination here.") (internal citations omitted).

<sup>102</sup> *Id.* (citing H.R. REP. NO. 106-250, at 5-6 (1999)).

<sup>103</sup> *Id.* The TTAB reasoned that "[i]f we interpreted the TAA in a wooden manner, most

The Board stood by its *Toro* decision in the aftermath of *Victoria's Secret*. Indeed, in *NASDAQ*,<sup>104</sup> it extended the *Toro* holding to include oppositions involving dilution by as-yet unused marks that were the subject of a Section 44 application.<sup>105</sup> Like the *Victoria's Secret* court, the *NASDAQ* court reached this result by a close textual analysis of the Lanham Act. The Board noted that, when Congress amended the Lanham Act in 1999, it left the “causes dilution” standard under §43(c) untouched,<sup>106</sup> but phrased the newly introduced opposition clauses in a future-looking mode, providing protection when the junior mark “when used would cause dilution.”<sup>107</sup> The new language allowed oppositions to be brought by any person “who believes that he would be damaged . . . including as a result of dilution”<sup>108</sup> and cancellation actions by any person “who believes he is or will be damaged, including as a result of dilution.”<sup>109</sup> This difference in wording led the Board to “the inescapable conclusion that Congress intended to limit judicial relief under the FTDA to cases where dilution has already occurred but to allow cases involving prospective dilution to be heard by the Board.”<sup>110</sup> The Board “s[aw] no holding or statement in *Moseley* that runs counter to this conclusion.”<sup>111</sup>

In the absence of an actual dilution standard for registrability cases, some variant of the multifactor tests typically used to prove likely dilution<sup>112</sup> would

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owners of famous marks would not be able bring dilution claims at the Board against an application based on an intent to use or even limited actual use.” *Id.*

<sup>104</sup> *NASDAQ Stock Market, Inc. v. Antartica, S.r.l.*, 69 U.S.P.Q. 2d 1718 (T.T.A.B. 2003). The Board drew an explicit distinction between civil actions and Board proceedings and held that “in a Board proceeding, a plaintiff that establishes its ownership of a distinctive and famous mark may prevail upon a showing of likelihood of dilution.” *Id.* at 1734 (citing *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d 1164, 1174 (T.T.A.B. 2001)).

<sup>105</sup> Section 44 of the Lanham Act allows the owner of a mark registered in a reciprocating foreign state to register the mark in the U.S., obtaining the date of priority of the earlier foreign registration. 15 U.S.C. § 1126 (2000).

<sup>106</sup> *NASDAQ*, 69 U.S.P.Q. 2d at 1734 (citing 104 P.L. 98, 109 Stat. 985 (1995) (codified at 15 U.S.C. § 1125(c)(1) (2000)), amended by 109 P.L. 312, 120 Stat. 1730 (2006) (emphasis added)).

<sup>107</sup> *Id.* (citing 106 P.L. 43, § 2(a), 113 Stat. 218 (1999) (codified at 15 U.S.C. § 1052(f) (2000)), amended by 109 P.L. 312, § 3(a)(2), 120 Stat. 1732 (2006)) (emphasis added).

<sup>108</sup> *Id.* at 1735 (citing 15 U.S.C. § 1063(a) (2000), original version at 106 P.L. 43, § 2(b), 113 Stat. 218 (1999), amended by 109 P.L. 312, § 3(b), 120 Stat. 1732 (2006)) (emphasis added).

<sup>109</sup> *Id.* (citing 106 P.L. 43, § 2(c), 113 Stat. 218 (1999) (codified at 15 U.S.C. § 1064 (2000)), amended by 109 P.L. 312, § 3(c), 120 Stat. 1732 (2006)) (emphasis added).

<sup>110</sup> *NASDAQ Stock Market, Inc. v. Antartica, S.r.l.*, 69 U.S.P.Q. 2d 1718, 1735 (T.T.A.B. 2003).

<sup>111</sup> *Id.*

<sup>112</sup> See *supra* Part II.A.

presumably have been put into service of evaluating registration challenges.

In the *CIRQUE DE FLAMBE* decision,<sup>113</sup> the Board raised a possibility that the likely dilution standard might only be proper in oppositions to intent-to-use applications; that where the opposed mark was already in use, the opposer should be required to show that his mark had suffered actual dilution.<sup>114</sup> However, since the opposer had not produced evidence that would satisfy even the likely dilution standard, the Board did not find it necessary to determine the correct standard in use-based oppositions.<sup>115</sup> John Welch has also speculated that actual dilution might be the correct standard where the later mark is already in use.<sup>116</sup>

Even though the impossibility rationale for having a likely dilution standard in registrability cases falls away where the later mark has already been used in commerce, there remains another strong argument for retaining the likely dilution standard in use-based oppositions. The reasoning that allowed the Board in *NASDAQ* to find that a likely dilution standard was appropriate was derived from the difference in wording between the infringement provisions and the registrability provisions.<sup>117</sup> Since the same registrability provision containing the future-looking “when used would cause dilution”<sup>118</sup> clause applies to both intent-to-use application and use-based applications, it seems that likely dilution is the correct standard in both types of registrability cases.

#### I. Tarnishment and Actual Dilution

In *George of the Jungle*,<sup>119</sup> an Illinois district court correctly noted that the Supreme Court in *Victoria’s Secret* only discussed actual harm with respect to blurring, leaving open the possibility that mere likelihood of dilution was sufficient for tarnishment.<sup>120</sup> Moreover, the court pointed out that the Supreme

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<sup>113</sup> *Dream Merchant Co., KFT v. Fremonster Theatrical*, Opposition No. 91152686 (T.T.A.B. June 17, 2004) (not citable as precedent), available at <http://www.uspto.gov/web/offices/com/sol/foia/ttab/2dissues/2004/91152686.pdf>.

<sup>114</sup> *Id.* at \*18 (“...we have not had occasion in a case involving a use-based application to rule whether the plaintiff may make the likelihood of dilution showing or must make the arguably more difficult showing of actual dilution.”).

<sup>115</sup> *Id.*

<sup>116</sup> See John L. Welch, *Dilution at the TTAB: What to Prove and How to Prove It*, 17 ALLEN’S TRADEMARK DIGEST 9, 16 (2004).

<sup>117</sup> *Supra* notes 106-109 and accompanying text.

<sup>118</sup> *NASDAQ Stock Market, Inc. v. Antartica, S.r.l.*, 69 U.S.P.Q. 2d 1718, 1734 (T.T.A.B. 2003) (citing 106 P.L. 43, § 2(a), 113 Stat. 218 (1999) (codified at 15 U.S.C. § 1052(f) (2000)), amended by 109 P.L. 312, § 3(a)(2), 120 Stat. 1732 (2006)) (emphasis added).

<sup>119</sup> *Caterpillar, Inc. v. The Walt Disney Co.*, 287 F. Supp. 2d 913 (C.D. Ill. 2003).

<sup>120</sup> *Id.* at 922. The court went on to assume that *actual* dilution was the correct standard

Court cast doubt on whether tarnishment is covered at all by §43(c).<sup>121</sup> If it is not, the question of whether actual or likely tarnishment is the correct standard would become meaningless. The Trademark Dilution Revision Act of 2006 has subsequently made it clear that trademark owners will be protected against both tarnishment and blurring under federal law.<sup>122</sup>

*J. The Introduction of a Likelihood of Dilution Standard through the Revision Act*

In response to the uncertainty caused by the *Victoria's Secret* actual dilution standard, and to clarify other issues under the FTDA, Congress enacted the Trademark Dilution Revision Act on October 6, 2006, completely rewriting Section 43(c) of the Lanham Act.<sup>123</sup> The Revision Act introduces a stronger fame standard that earlier marks will need to meet before they qualify for dilution protection<sup>124</sup> and new definitions of blurring and tarnishment.<sup>125</sup> It also modifies the defenses to dilution<sup>126</sup> and introduces a revised burden of proof in trade dress dilution cases.<sup>127</sup> Most importantly for present purposes, it introduces a likelihood of dilution standard.<sup>128</sup>

The new Section 43(c)(1) states that injunctive relief is available against another person who, after the earlier mark has become famous “commences use of a mark or trade name in commerce that is *likely to cause dilution by blurring or dilution by tarnishment* of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”<sup>129</sup> Clearly, this new provision undoes the effect of *Victoria's Secret* by introducing *likely* rather than *actual* dilution as the threshold for dilution liability in infringement cases. Moreover, the new law eliminates the prospect that dilution plaintiffs would need to prove actual

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and found that there was no possibility of actual dilution. *Id.*

<sup>121</sup> *Id.* (citing *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418, 432 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730).

<sup>122</sup> Trademark Dilution Revision Act of 2006, 109 P.L. 312, § 2, 120 Stat. 1730 (amending 15 U.S.C. § 1125(c)(1)) (expressly mentioning blurring as a protected type of harm); *supra* note 4.

<sup>123</sup> *Id.*, 120 Stat. 1730-1732.

<sup>124</sup> *Id.*, 120 Stat. 1730 (amending 15 U.S.C. § 1125(c)(2)(A)).

<sup>125</sup> *Id.*, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(2)(B)-(C)); *supra* note 4.

<sup>126</sup> *Id.*, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(3)).

<sup>127</sup> *Id.*, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(4)).

<sup>128</sup> *See* Trademark Dilution Revision Act of 2006, 109 P.L. 312, § 2, 120 Stat. 1730 (amending 15 U.S.C. § 1125(c)(1)); *supra* note 4. *But see infra* text accompanying notes 134-135 (discussing the wording of the tarnishment definition).

<sup>129</sup> *Id.*

economic harm, a position advocated by the *Ringling* court. Conforming amendments introduce a likelihood of dilution standard in all opposition<sup>130</sup> and cancellation<sup>131</sup> proceedings, overturning the *CIRQUE DE FLAMBE* theory that likelihood may be inappropriate where the applicant for the trade mark has used the mark before applying to register it, but the opponent still cannot show that the applicant's use has diluted his mark.<sup>132</sup>

The likely dilution standard is reiterated in the definition of dilution by blurring found in the new subsection 43(c)(2)(B). The inclusion of a multi-factor test in the definition makes clear that such tests are helpful in proving likely dilution by blurring. The subsection states:

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

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.<sup>133</sup>

Surprisingly, however, the definition of tarnishment in the new subsection 43(c)(2)(C) does not make it clear that likely rather than actual tarnishment is the correct standard. The provision defines dilution by tarnishment as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."<sup>134</sup> Unlike the blurring definition, there is no clear statement here that likely dilution by tarnishment is sufficient for a cause of action under Section 43(c). Instead, the

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<sup>130</sup> *Id.*, § 3, 120 Stat. 1732 (amending 15 U.S.C. § 1063(a)).

<sup>131</sup> *Id.*, 120 Stat. 1732 (amending 15 U.S.C. § 1064).

<sup>132</sup> See *supra* note 113-114 and accompanying text.

<sup>133</sup> Trademark Dilution Revision Act of 2006, 109 P.L. 312, § 2, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(2)) (emphasis added).

<sup>134</sup> *Id.*

definition talks of an association which *harms* the earlier mark's reputation. This phraseology tracks the actual dilution requirement of the former Section 43(c), specifically that the later mark *causes* dilution of the earlier mark. This inconsistency between the tarnishment definition and the new subsection 43(c)(1) and the fact that no such inconsistency is present with respect to the blurring definition could be used by a determined court to scupper a likelihood of tarnishment standard.<sup>135</sup>

A further problem is that, while it is now clear that likely dilution is the correct standard for blurring cases, there is no discussion of precisely how likely it must be for dilution to take place in order to trigger federal protection. Moreover, the legislative history of the Revision Act shows that the issue attracted little attention while the Act was debated.<sup>136</sup> As has been discussed above,<sup>137</sup> and will be seen from the discussion of the E.U. and U.K. registrability cases below,<sup>138</sup> a likely dilution standard only tells us that the dilution need not have taken place yet. It does not tell us *how* likely it must be for the dilution to take place in the future. Will a mere theoretical possibility of dilution be sufficient or must it be more likely than not that the dilution will take place? Must the dilution be probable (and if so, to what degree of probability), or need it only be possible? A judiciary determined to derail the strong protection to trademark owners granted by the Revision Act could read a requirement of a high likelihood of dilution into the likelihood test, making it very difficult for trademark owners to prove a high enough degree of probability that their marks would be diluted in the future. Taken to its extreme, a requirement of very high likelihood could make it effectively

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<sup>135</sup> This would not be the first time that inconsistencies between two subsections of Section 43(c) would be used to limit dilution protection. The Second Circuit in *Nabisco* limited dilution protection to earlier marks which had a special measure of distinctiveness after noting that although dilution protection was granted to famous marks, the definition of fame stated that it was testing for whether marks were "famous and distinctive." *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208, 216 (2nd Cir. 1999), *overruled in part by* *Moseley v. V Secret Catalogue, Inc. (Victoria's Secret)*, 537 U.S. 418 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, 109 P.L. 312, 120 Stat. 1730.

<sup>136</sup> The only hint that the issue might have been considered comes in the form of a suggestion by Congressman Howard Berman, a member of the House Committee on the Judiciary, that there might be a standard between likely and actual dilution. *Trademark Dilution Revision Act 2005: Hearing before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 108th Cong., 1st sess., 17 Feb. 2005.

<sup>137</sup> *Supra* text accompanying notes 16-21.

<sup>138</sup> *E.g.*, Case R 220/2002-1, *Johnson & Johnson GmbH v. Ampafrance S.A. (monBéBé)*, ¶ 49 (OHIM 1st Bd. App., unreported), *available at* [http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220\\_2002-1.pdf](http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220_2002-1.pdf); *infra* text accompanying notes 160-161; and *Intel Corp. v. Sihra*, [2004] E.T.M.R. 44 (Ch.); *infra* text accompanying notes 199-204.



impossible to show likely dilution, leaving trademark owners to rely on dilution protection only when they could show that dilution had already happened. This, however, would go against the clear legislative intent to undo the actual dilution standard imposed by *Victoria's Secret*.<sup>139</sup>

#### IV. THE EUROPEAN UNION

The debate over the actual dilution requirement has not attracted the same level of attention in the EU as in the U.S. Consequently, there has also been little consideration of the role of multifactor tests under such a requirement. Nonetheless, there is a small body of law on actual dilution that displays the same distinction between its role in infringement and registration cases that we see in the U.S.<sup>140</sup>

##### A. *Infringement in the EU*

EU legislation that provides marks with protection from dilution by junior users is included in the general Directive 89/104 on the approximation of trademark laws across EU member states.<sup>141</sup> Article 5(2) of the Directive, as transposed into the national legislation of the EU Member States, enables an owner of a trademark with “a reputation” to prevent anyone from using identical or similar marks in a manner that “takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”<sup>142</sup>

The European Court of Justice (“ECJ”) has not expressly ruled on whether anti-dilution plaintiffs must show actual, as opposed to likely, detriment or unfair advantage in either infringement cases or registration challenges. However, Advocate General Jacobs considered the issue in *General Motors*, noting that:

. . . Article 5(2), in contrast to Article 5(1)(b), does not refer to a mere risk or likelihood of its conditions being fulfilled. The wording is more positive: ‘takes unfair advantage of, or is detrimental to (emphasis added). . . [T]he national court must be satisfied of evidence of actual detriment, or of unfair advantage.’<sup>143</sup>

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<sup>139</sup> See *supra* text accompanying note 129.

<sup>140</sup> *Supra* Part III.H.

<sup>141</sup> Council Directive 89/104/EEC of Dec. 21, 1988, To Approximate the Laws of the Member States Relating to Trade Marks [hereinafter Directive 89/104], 1989 O.J. (L 40) p. 1-7, available at <http://europa.eu/scadplus/leg/en/lvb/l26023.htm>.

<sup>142</sup> *Id.*, art. 5(2).

<sup>143</sup> Case C-375/97, *General Motors Corp. v. Yplon, S.A.*, [1999] E.C.R. I-5421, [1999] E.T.M.R. 122, ¶ 43. See also *infra* note 148 and accompanying text. Article 5(1)(b) enables the owner of a registered trade mark to prevent anyone from using:

any sign where, because of its identity with, or similarity to, the trade mark and the



Like the Supreme Court in *Victoria's Secret*,<sup>144</sup> the Advocate General based his conclusion on the difference in wording between the infringement and dilution provisions of the relevant legislation.

The ECJ did not explicitly accept the Advocate General's analysis, but nor did it reject it. Indeed, by speaking of detriment and unfair advantage without condition, and without mentioning likelihood,<sup>145</sup> the ECJ appears to have tacitly accepted that actual unfair advantage or detriment is required for infringement under Art. 5(2) of the Directive.<sup>146</sup> In its most recent case on Art. 5(2), the ECJ similarly refrained from using the language of likely harm, requiring instead that the later sign should "have the effect that the relevant section of the public establishes a link between the sign and the mark."<sup>147</sup>

Likewise, the ECJ has not commented on whether multifactor tests could play a role in establishing unfair advantage or detriment. The only guidance as to how "actual detriment" can be shown comes from the Advocate General in *General Motors*:

. . . [T]he taking of unfair advantage or the suffering of detriment must be properly substantiated, that is to say, properly established to the satisfaction of the national court: the national court must be satisfied by evidence of actual detriment, or of unfair advantage. The precise method of adducing such proof should in my view be a matter for national rules of evidence and procedure, as in the case of establishing likelihood of confusion: see the tenth recital of the preamble.<sup>148</sup>

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identity or similarity of the goods or services covered by the trade mark and the sign, there exists a *likelihood of confusion* on the part of the public, which includes the *likelihood of association* between the sign and the trade mark.

Directive 89/104, *supra* note 141, art. 5(1)(b) (emphasis added).

<sup>144</sup> *Supra* notes 47-48 and accompanying text.

<sup>145</sup> See Case C-375/97, *General Motors Corp. v. Yplon, S.A.*, [1999] E.C.R. I-5421, [1999] E.T.M.R. 950, ¶ 31 ("If . . . the national court decides that the condition as to the existence of a reputation is fulfilled, . . . it must then go on to examine the second condition laid down in Article 5(2) of the Directive, which is that the earlier trade mark *must be* detrimentally affected without due cause. . . ." (emphasis added)), *available at* <http://oami.europa.eu/en/mark/aspects/pdf/JJ970375.pdf>.

<sup>146</sup> See also *Mastercard Int'l, Inc. v. Hitachi Credit (U.K.)*, [2004] E.W.H.C. 1623, ¶ 48 (Ch.) (taking a similar approach).

<sup>147</sup> Case C-408/01, *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] E.C.R. I-12537, [2004] E.T.M.R. 10, ¶ 31 (emphasis added), *available at* <http://oami.europa.eu/en/mark/aspects/pdf/JJ010408.pdf>.

<sup>148</sup> Case C-375/97, *General Motors Corp. v. Yplon, S.A.*, [1999] E.C.R. I-5421, [1999] E.T.M.R. 122, ¶ 43 (citing Directive 89/104, *supra* note 141, rec. 10 (" . . . this Directive does not exclude the application to trade marks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil

Unlike the U.S. Supreme Court, the Advocate General had not explicitly pointed to a role for circumstantial evidence in establishing actual unfair advantage or detriment. By leaving the evidential requirements in the hands of the national courts, the Advocate General left the door open for the use of multifactor tests. However, these tests would have to be carefully constructed to meet his clear opinion that the harm that they test for is actual and not merely probable.

*B. Registrability in the EU*

Whereas Directive 89/104 harmonized the EU member state laws governing each state's trademark registration system, the 1993 Council Regulation 40/94<sup>149</sup> implemented an entirely separate Community trademark ("CTM") registration system. The Regulation established the Office for Harmonization of the Internal Market ("OHIM")<sup>150</sup> to administer the registrations and adjudicate oppositions.<sup>151</sup> Grounds for refusal of registration under the Regulation include dilution of marks with "a reputation" by later marks, the use of which "would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark."<sup>152</sup>

The Office for Harmonization of the Internal Market has taken an approach similar to the U.S. Trademark Trials and Appeals Board, distinguishing registration from infringement litigation. Like the *Toro* court in the US,<sup>153</sup> the OHIM Board of Appeal in *Hollywood* recognized that requiring actual dilution would diverge from the objective of examining marks for their potential to cause dilutive effects *before* they are registered:

The detriment in question may be only potential, in as much as the contested sign has not yet been registered, much less used.<sup>154</sup>

Moreover, like the *NASDAQ* court,<sup>155</sup> the Board in *Hollywood* identified differences in the phraseology of the European infringement and registrability

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liability or consumer protection.")).

<sup>149</sup> Council Regulation 40/94 of Dec. 20, 1993, On the Community Trade Mark [hereinafter Regulation 40/94], 1994 O.J. (L 11) p. 1-36, *available at* <http://europa.eu/scadplus/leg/en/lvb/l26023.htm>.

<sup>150</sup> *Id.*, title I, art. 2. *See also* Office for Harmonization of the Internal Market: Community Trade Mark Home Page, <http://oami.europa.eu/en/mark/default.htm>.

<sup>151</sup> *See id.*, title IV.

<sup>152</sup> *Id.*, title I, art. 8(5).

<sup>153</sup> *Supra* text accompanying notes 98-103.

<sup>154</sup> Case R 283/1999-3, *Hollywood S.A.S. v. Souza Cruz S.A.*, [2002] E.T.M.R. 64, ¶ 88 (OHIM 3rd Bd. App.), *available at* [http://oami.europa.eu/legaldocs/boa/1999/en/R0283\\_1999-3.pdf](http://oami.europa.eu/legaldocs/boa/1999/en/R0283_1999-3.pdf).

<sup>155</sup> *Supra* text accompanying notes 104-111.

provisions:

... This is confirmed by a comparison of the different terms used in Article 5(2) Trade Mark Directive and in Article 8(5) CTMR. While the Directive, which uses the terms “takes unfair advantage of or is detrimental to”, does not appear to be satisfied with a potential risk of fulfilment of the conditions envisaged; in contrast the Community trade mark Regulation, in using the conditional form (“would take unfair advantage of, or be detrimental to”), accepts a simple probability.<sup>156</sup>

The approach taken in *Hollywood* certainly seems to recognise that in opposition proceedings mere likely detriment or unfair advantage would be sufficient. The Court of First Instance (“CFI”) in *Spa Monopole* also stated that likely dilution is the correct standard in CTM opposition cases, making it “clear that the proprietor of the earlier mark is not required to demonstrate actual and present harm to his mark.”<sup>157</sup> The CFI did not explain why it adopted the likely dilution standard and it is not entirely clear from the context of the court’s statement whether its comments are limited to oppositions, as was the case at issue, or whether the CFI meant for this standard to apply more widely to infringement cases, as well.

Allowing likely dilution as the standard leads to a further question – how likely must be the type of harm envisaged? *Hollywood* spoke of “a simple probability.”<sup>158</sup> Yet probability suggests a relatively high likelihood, perhaps even something that is more likely to happen than not, rather than the mere possibility of unfair advantage or detriment.<sup>159</sup> This potential stringency was reflected in *monBéBé*, where the Board required a showing of a “serious

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<sup>156</sup> Case R 283/1999-3, *Hollywood S.A.S. v. Souza Cruz S.A.*, [2002] E.T.M.R. 64, ¶ 88 (OHIM 3rd Bd. App.), available at [http://oami.europa.eu/legaldocs/boa/1999/en/R0283\\_1999-3.pdf](http://oami.europa.eu/legaldocs/boa/1999/en/R0283_1999-3.pdf). Although the Board limits its comments to the registrability provision of Regulation 40/94, the same wording is used in the equivalent provision of the Trade Mark Directive, which provides that any member state may deny registration to a later similar mark if its use “would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.” Directive 89/104, *supra* note 141, art. 4(4)(a) (emphasis added).

<sup>157</sup> Case T-67/04, *Spa Monopole v. OHIM*, [2005] E.T.M.R. 9, ¶ 40, available at <http://oami.europa.eu/en/mark/aspects/pdf/JT040067.pdf>.

<sup>158</sup> *Supra* note 156.

<sup>159</sup> See OXFORD CONCISE ENGLISH DICTIONARY 1067, 1090 (Oxford U. Press, 1995) (explaining the difference thus: when something is probable, it might be *expected* to happen, whereas if something is possible then it is only *capable* of happening). See also J. Thomas McCarthy, *Proving a Trademark has been Diluted: Theories or Facts?*, 41 HOUS. L. REV. 713, 717 (2004) (identifying the distinction between “probability” and “possibility” in the U.S. context).

likelihood of unfair advantage.”<sup>160</sup> The Board offered no guidance on how a “serious” likelihood differs from a “normal” likelihood, though a “serious likelihood” tends to exclude harm that may happen theoretically but in practice is quite unlikely to happen.<sup>161</sup> This idea of harm as being very likely and more than merely theoretical is also inherent in the CFI’s statement in *Spa Monopole* that there must be “*prima facie* evidence of future risk, which is not hypothetical, of unfair advantage or detriment.”<sup>162</sup>

Nevertheless, it is still the case that OHIM opposition proceedings require only likely and not actual harm, so much so that the Board has held in *MANGO*<sup>163</sup> that showing that a contested mark has been in use before it is applied for as a CTM but has *not* caused actual dilution will not necessarily save the mark from an opposition under Article 8(5) of Regulation 40/94. The Board stated:

[B]earing in mind that Article 8(5) CTMR applies where the mark applied for *would* take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier mark, co-existence in Spain where the mark applied for has been used in the past for sports cycle helmets does not exclude the probability of unfair advantage or detriment occurring in the future.<sup>164</sup>

Thus, the Board placed circumstantial factors that suggest unfair advantage and/or detriment ahead of actual evidence pertaining to those injuries. Further evidence of circumstantial evidence attaining a more prominent role than evidence of actual dilution can be seen in *Hollywood* where the Board stated that, although logical analysis and rules of probability may be sufficient to

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<sup>160</sup> Case R 220/2002-1, Johnson & Johnson GmbH v. Ampafrance S.A. (*monBéBé*), ¶ 49 (OHIM 1st Bd. App., unreported), *available at* [http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220\\_2002-1.pdf](http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220_2002-1.pdf). This decision was the subject of an appeal to the CFI, Case T-164/03, Ampafrance SA v. Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM); Johnson & Johnson intervening, [2005] E.C.R. II-1401, [2005] E.T.M.R. 107, with regard to likelihood of confusion under Regulation Article 8(1)(b), but not with regard to the Article 8(5) issues.

<sup>161</sup> The Board clarified only that “the likelihood of association alone . . . is not sufficient to demonstrate the existence of unfair advantage.” Case R 220/2002-1, Johnson & Johnson GmbH v. Ampafrance S.A. (*monBéBé*), ¶ 49 (OHIM 1st Bd. App.), *available at* [http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220\\_2002-1.pdf](http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220_2002-1.pdf). However, this statement hardly helps us to understand what the Board meant by “serious likelihood of unfair advantage.” See REGULATION 40/94, *supra* note 149, title I, art. 8(5).

<sup>162</sup> Case T-67/04, *Spa Monopole v. OHIM*, [2005] E.T.M.R. 9, ¶ 40, *available at* <http://oami.europa.eu/en/mark/aspects/pdf/JT040067.pdf>.

<sup>163</sup> Case R 308/2003-1, *Mango Sport System S.R.L. v. Diknah S.L. (MANGO)*, [2005] E.T.M.R. 5 (OHIM 1st Bd. App.).

<sup>164</sup> *Id.*, ¶ 24 (emphasis added).

satisfy the requirements of Article 8(5), evidence of actual consumer attitudes in the form of survey evidence will not be sufficient on its own.<sup>165</sup>

As discussed above, the U.S. approach in situations where the later applied-for mark has been used but there is no evidence of actual dilution remains unknown.<sup>166</sup> However, at least in the EU it appears that actual dilution evidence may have a very limited role in registrability cases. Instead, challengers will have to rely on multifactor tests.<sup>167</sup> The fact that the absence of past injury was said to be no indicator of whether such harm would occur in the future highlights an important distinction between registrability and infringement, shaping the approach taken by the relevant authorities. For the most part, the focus at the registration stage is on the effect that the mark will have *in the future*, after registration, while in infringement actions, the main concern is assessing the effect of acts by the defendant which have already taken place.

## V. THE UNITED KINGDOM

### A. Infringement

The attitude of courts in the United Kingdom (UK) has been significantly influenced by Advocate General Jacobs' comments in *General Motors*.<sup>168</sup> Mr. Justice Pumfrey considered the issue of actual confusion in the context of infringement in *MERC*.<sup>169</sup> When assessing infringement under Section 10(3) of the UK Trade Marks Act,<sup>170</sup> which transposed into UK law<sup>171</sup> Article 5(2) of

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<sup>165</sup> Case R 283/1999-3, *Hollywood S.A.S. v. Souza Cruz S.A.*, [2002] E.T.M.R. 64, ¶ 89 (OHIM 3rd Bd. App.), available at [http://oami.europa.eu/legaldocs/boa/1999/en/R0283\\_1999-3.pdf](http://oami.europa.eu/legaldocs/boa/1999/en/R0283_1999-3.pdf).

<sup>166</sup> See *supra* notes 113-115 and accompanying text.

<sup>167</sup> See, e.g., Case R 900/2005-1, *Air Miles Int'l Trading BV v. Graf Beissel von Gymnich Vermögensverwaltung GmbH (TRADEMILES; AIR MILES)* ¶¶ 40-43 (OHIM 1st Bd. App., unreported), available at [http://oami.europa.eu/LegalDocs/BoA/2005/en/R0900\\_2005-1.pdf](http://oami.europa.eu/LegalDocs/BoA/2005/en/R0900_2005-1.pdf).

<sup>168</sup> *Supra* notes 143, 148, and accompanying text.

<sup>169</sup> *DaimlerChrysler AG v. Alavi (MERC)*, [2001] R.P.C. 42, [2001] E.T.M.R. 98 (Ch.), available at [http://www.hmccourts-service.gov.uk/judgmentsfiles/j420/chancery\\_daimlerchrysler.htm](http://www.hmccourts-service.gov.uk/judgmentsfiles/j420/chancery_daimlerchrysler.htm).

<sup>170</sup> Trade Marks Act 1994, available at <http://www.patent.gov.uk/tmact94.pdf>, transposed Directive 89/104, into UK law. The act provides, in relevant part:

A person infringes a registered trade mark if he uses in the course of trade in relation to goods or services a sign which - (a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. . . .

Directive 89/104,<sup>172</sup> he stated:

In my view, the best approach is just to follow the section, remembering Jacobs AG's warning that it is concerned with *actual effects, not risks or likelihoods*.<sup>173</sup>

The judge was clearly requiring actual unfair advantage or detriment. He went on to say that

. . . it is not sufficient to see the word MERC, note that this is the word which one uses to refer to Mercedes cars, see the disagreeable web-site and register it as disagreeable, if nothing *actually rubs off* on the sign MERC itself or on MERCEDES, or on DaimlerChrysler.<sup>174</sup>

While his use of the word “actually” confirms that he was looking for actual harm, his comment has wider ramifications, since it considers whether consumers’ association of two marks is sufficient for infringement under Section 10(3) or whether the later mark must instead have a lasting effect on the earlier mark. However, he gives little practical guidance on how such actual harm can be proved and whether multifactor tests play a role in this process.

#### *B. Actual Dilution and Economic Harm*

In *Ringling Bros.*, the Fourth Circuit adopted the position that actual economic harm by the owner of the earlier mark had to be shown in order to establish actual dilution.<sup>175</sup> This standard was rejected by the Supreme Court as too strict.<sup>176</sup> Accordingly, Geoffrey Hobbs QC, sitting as a Deputy Judge in the infringement case of *Electrocoin*,<sup>177</sup> can be said to have called for an actual

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Trade Marks Act 1994, s. 10(3), *amended by* The Trade Marks (Proof of Use, etc.) Regulations 2004 (SI 2004/946), § 7 (5th May 2004). U.K. judges have referred interchangeably to Section 10(3) of the Trade Marks Act and Article 5(2) of Directive 89/104. *See, e.g., MERC*, [2001] E.T.M.R. 98, [2001] R.P.C. 42, ¶ 98 (“I consider that in order to succeed under Art 5(2) and s 10(3) it must be shown that there is established in the mind of the relevant public a connection between the mark with which they are familiar and the disparaging use.”)

<sup>171</sup> *See MERC*, [2001] R.P.C. 42, [2001] E.T.M.R. 98, ¶ 89.

<sup>172</sup> *Supra* note 141, art. 5(2).

<sup>173</sup> *MERC*, [2001] R.P.C. 42, [2001] E.T.M.R. 98, ¶ 92 (emphasis added).

<sup>174</sup> *Id.*, ¶ 98. (emphasis added).

<sup>175</sup> *See Ringling Bros-Barnum & Bailey Combined Shows Inc v. Utah Div. of Travel Dev.*, 170 F.3d 449, 465 (4th Cir. 1999). *See also supra* note 33 and accompanying text.

<sup>176</sup> *Supra* note 49 and accompanying text.

<sup>177</sup> *Electrocoin Automatics Ltd. v. Coinworld Ltd.*, [2004] E.W.H.C. 1498, [2005] E.T.M.R. 31 (Ch.), *available at* <http://www.bailii.org/ew/cases/EWHC/Ch/2004/1498.pdf>. *See* Ilanah Simon, *Bears Behind Bars*, 27 EUR. INTEL. PROP. REV. 190 (2005) (discussing the

dilution standard when he said that

... in order to be productive of advantage or detriment of the kind proscribed, 'the link' established in the minds of people in the market place needs to have an effect on their economic behaviour.<sup>178</sup>

To support the requirement of economic effects Deputy Judge Hobbs relies on a case concerning the EU rules on describing sparkling wines<sup>179</sup> and Article 2(2) of Directive 84/540<sup>180,181</sup>. However, these two legal measures have contradictory implications.

In *Sparkling Wine*,<sup>182</sup> the ECJ implied into Article 13(2)(b) of Regulation 2333/92<sup>183</sup> a requirement that there must be a real risk that the economic behavior of consumers will be affected, even though that article only calls for a likelihood of confusion between the brand names of the products covered by that Regulation and wines with names regulated by EU law. By analogy, the need for an economic effect could be *read into* Article 5(2) of Directive 89/104,<sup>184</sup> even though it is not mentioned in the Article. However, no such analogy can be drawn from Article 2(2) of Directive 84/540, because it explicitly requires that advertising must be "likely to affect [...] economic behaviour."<sup>185</sup> Presumably the Deputy Judge's intention in mentioning that article was to show that the requirement of an effect on economic behaviour exists as a trademark-related concept in EU law. In doing so, however, the Deputy Judge undermined his argument: the fact that the legislature felt the

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Deputy Judge's comments on economic harm and detriment to distinctive character in *Electrocoin*).

<sup>178</sup> *Electrocoin*, [2004] E.W.H.C. 1498, [2005] E.T.M.R. 31, ¶ 102.

<sup>179</sup> Case C-303/97, *Verbraucherschutzverein eV v. Sektkellerei G.C. Kessler GmbH und Co. (Sparkling Wine)*, [1999] E.C.R. I-513.

<sup>180</sup> Council Directive 84/540/EEC, Concerning Misleading and Comparative Advertising, 1984 O.J. (L 250) p. 17-20 (amended by Eur. Parl. and Council Directive 97/55/EC of 6 October 1997, O.J. (L 290) p. 18-23), available at <http://europa.eu/scadplus/leg/en/lvb/l32010.htm>.

<sup>181</sup> *Electrocoin*, [2004] E.W.H.C. 1498, [2005] E.T.M.R. 31, ¶ 102, n. 60.

<sup>182</sup> Case C-303/97, *Sparkling Wine*, [1999] E.C.R. I-513, ¶ 33.

<sup>183</sup> Council Regulation 2333/92, General Rules for the Description and Presentation of Sparkling Wines and Aerated Sparkling Wines, 1992 O.J. (L 231) p. 9, available at [http://europa.eu.int/servlet/portail/RenderServlet?search=DocNumber&lg=en&nb\\_docs=25&domain=Legislation&coll=&in\\_force=NO&an\\_doc=1992&nu\\_doc=2333&type\\_doc=Regulation](http://europa.eu.int/servlet/portail/RenderServlet?search=DocNumber&lg=en&nb_docs=25&domain=Legislation&coll=&in_force=NO&an_doc=1992&nu_doc=2333&type_doc=Regulation).

<sup>184</sup> *Supra* note 141.

<sup>185</sup> Council Directive 84/540/EEC, Concerning Misleading and Comparative Advertising, 1984 O.J. (L 250) p. 17-20 (amended by Eur. Parliament and Council Directive 97/55/EC of 6 October 1997, O.J. (L 290) p. 18-23), art. 2(2), available at <http://europa.eu/scadplus/leg/en/lvb/l32010.htm>.



need to explicitly require economic effects in Directive 84/540 suggests that an economic effects element cannot simply be read into other legislation, such as Article 5(2) of Directive 89/104.

Additionally, both Article 2(2) of Directive 84/540 and *Sparkling Wine* recognise the concept of a *likely effect* on economic behaviour.<sup>186</sup> Thus, contrary to what the Fourth Circuit approach may have suggested, it cannot be assumed that Geoffrey Hobbs, in requiring economic effects, required actual effects and actual past “dilution”. The Hearing Officer in *Quorn Hunt*<sup>187</sup> has likewise read the Deputy Judge’s call for an economic effect as requiring that the damage caused by the later mark should be “more than simply of trivial extent” rather than requiring actual damage.<sup>188</sup>

### C. Confusion and Actual Dilution

It was formerly argued in the UK that, in order to succeed in a claim under Article 5(2) of Directive 89/104,<sup>189</sup> the claimant had to demonstrate a likelihood of confusion between his mark and the defendant’s mark. In *Baywatch*,<sup>190</sup> the judge expressly referred to “likelihood of confusion”, not actual confusion. There would be a strange and potentially unworkable lack of symmetry between: (i) requiring actual unfair advantage or detriment and (ii) requiring that confusion, which under the *Baywatch* approach was one of the components of Article 10(3)<sup>191</sup>, only had to be likely. However, the ECJ has subsequently made it clear that the UK court was wrong to require confusion.<sup>192</sup>

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<sup>186</sup> *Id.* (“*likely to affect . . . economic behaviour*”) (emphasis added); Case C-303/97, *Verbraucherschutzverein eV v. Sektkellerei GC Kessler GmbH und Co.*, [1999] E.C.R. I-513 (“*real risk of . . . economic behaviour being affected*”) (emphasis added).

<sup>187</sup> Case O-319-04, Application by Quorn Hunt, [2005] E.T.M.R. 11 (Trade Marks Reg.) (M. Reynolds, Hearing Officer), available at <http://www.ukpats.org.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o31904.pdf>. This case was subsequently settled by means of a co-existence agreement (see Case O-127-05, *In re Opposition of Marlow Foods Ltd.*, (Trade Marks Reg., 29 April 2005, unreported) (Geoffrey Hobbs QC), available at <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o12705.pdf>), but, in principle, there should be no objection to the approach to the law in this area taken by the Hearing Officer.

<sup>188</sup> *Quorn Hunt*, [2005] E.T.M.R. 11, ¶ 63-64.

<sup>189</sup> *Supra* note 141, art. 5(2).

<sup>190</sup> *Baywatch Production Co. v. The Home Video Channel*, [1997] F.S.R. 22, ¶ 31 (Ch.).

<sup>191</sup> Trade Marks Act 1994, *supra* note 170, s. 10(3).

<sup>192</sup> Case C-408/01, *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] E.C.R. I-12537, [2004] E.T.M.R. 10, ¶ 29, available at <http://oami.europa.eu/en/mark/aspects/pdf/JJ010408.pdf>.



D. Registrability

In the UK, as in the EU<sup>193</sup> and the US<sup>194</sup> prior to the Trademark Dilution Revision Act,<sup>195</sup> the question of actual dilution has been treated differently in cases involving registration and infringement. Since the wording of the relevant sections of the UK Trade Marks Act is almost identical to those of Directive 89/104 and Regulation 40/94,<sup>196</sup> there would be scope for the UK courts to base, upon the linguistic differences between the two sections, a finding that actual dilution is required for infringement but not for opposition. The courts and Trade Marks Registry have not expressly drawn attention to the differences in wording of the two sections in the way that OHIM,<sup>197</sup> and indeed the US courts,<sup>198</sup> have. Nonetheless, most of the UK courts seem to have (perhaps) unconsciously recognised the distinction.

Mr. Justice Patten in *Intel*,<sup>199</sup> an opposition case decided under Section 5(3) of the UK Act,<sup>200</sup> does not identify the issue of actual dilution as worthy of separate discussion. However, it is implicit from his words that he does not believe that there is a need, in registrability cases at least, for the types of harm identified to have already taken place:

. . . I therefore prefer to follow the approach of Pumfrey J. in [*MERC*] and to apply the words of the statute to the facts as I see them. In doing so, I bear in mind his caution that one is looking for proof of real future unfair advantage or detriment and not merely a risk of such.<sup>201</sup>

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<sup>193</sup> *Supra* Part IV.B.

<sup>194</sup> *Supra* Part III.H.

<sup>195</sup> *Supra* note 4.

<sup>196</sup> Compare Trade Marks Act 1994, *supra* note 170, s. 10(3) (“takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark”), with Directive 89/104, *supra* note 141, art. 5(2) (same); Trade Marks Act 1994, *supra* note 170, s. 5(3) (“would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark”), with Directive 89/104, *supra* note 141, art. 4(4)(a) (same), and Regulation 40/94, *supra* note 149, title I, art. 8(5) (same).

<sup>197</sup> See *supra* text accompanying note 156.

<sup>198</sup> See *supra* text accompanying notes 104-111.

<sup>199</sup> *Intel Corp. v. Sihra*, [2004] E.T.M.R. 44 (Ch.). For a comparison of the U.K. *Intel* and the U.S. *NASDAQ* decisions, see Ilanah Simon, *Dilutive Trade Mark Applications: Trading on Reputations or Just Playing Games*, 26 EUR. INTEL. PROP. REV. 67 (2004).

<sup>200</sup> Trade Marks Act 1994, *supra* note 170, s. 5(3) (the later trade mark “shall not be registered if . . . the earlier trade mark has a reputation . . . and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”) (emphasis added).

<sup>201</sup> *Intel*, [2004] E.T.M.R. 44, ¶ 23 (citing *DaimlerChrysler AG v. Alavi (MERC)*, [2001] R.P.C. 42, [2001] E.T.M.R. 98 (Ch.), available at

Comparing this statement to the quote from *MERC* above,<sup>202</sup> Mr. Justice Patten appears to have replaced the concept of “actual effects” with “real future unfair advantage”. His approach is confirmed by his finding that there was “a real prospect of actual damage to the character of the INTEL mark if this registration proceed[ed].”<sup>203</sup> Note that he was looking for a prospect of damage, rather than damage that has already occurred. In the same context, he stated that he was looking for harm which is “almost inevitable”.<sup>204</sup> This suggests that the harm need not have yet happened. It also suggests that there must be a very high likelihood of unfair advantage or detriment eventually occurring, mirroring the requirement of a “serious” likelihood of such injury set out by OHIM in *monBéBé*.<sup>205</sup>

The Trade Marks Registry has also implicitly accepted that future harm is sufficient in opposition cases by using the term “would” with respect to the unfair advantage and/or detriment that must be proved under section 5(3) of the UK Trade Marks Act<sup>206</sup> (as, indeed, the Act instructs it to do) and in considering potential harm, which had not taken place by the time of the hearing.<sup>207</sup> This willingness to consider future harm suggests that the Registry

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service.gov.uk/judgmentsfiles/j420/chancery\_daimlerchrysler.htm.)

<sup>202</sup> *Supra* note 173 and accompanying text.

<sup>203</sup> *Intel*, [2004] E.T.M.R. 44, ¶ 24.

<sup>204</sup> *Id.*

<sup>205</sup> *Supra* note 160 and accompanying text.

<sup>206</sup> Trade Marks Act 1994, *supra* note 170, s. 5(3) (the later trade mark “shall not be registered if . . . the earlier trade mark has a reputation . . . and the use of the later mark without due cause *would* take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”) (emphasis added).

<sup>207</sup> *See, e.g.*, Case O-306-03, *In re* Opposition of BSA S.A. (Trade Marks Reg., 13 Oct. 2003, unreported), *available at* <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o30603.pdf>. Dismissing the appeal of Hearing Officer Mr. D. W. Landau’s dismissal of opposition to the registration of the mark LE XV DU PRÉSIDENT, the Lord Chancellor’s Appointed Person Geoffrey Hobbs QC held:

In common with the Hearing Officer, I can see no real basis for a finding that use of the mark LE XV DU PRÉSIDENT . . . *would* produce positive or negative effects of the kind proscribed by section 5(3) in relation to the distinctive character or repute of the mark PRESIDENT.

*Id.*, ¶ 22 (emphasis added).

*See also* Case O-097-04, Application of R. Delamore Ltd. to Register CHARLIE’S ANGELS, ¶¶ 36, 38 (Trade Marks Reg., 8 Apr. 2004, unreported), *available at* <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o09704.pdf>; Case O-158-98, Application by CA Sheimer (m) Sdn. Bhd, [2000] R.P.C. 484, [1999] E.T.M.R. 519 (Trade Marks Reg.), *available at* <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o15898.pdf>, Case O-140-98, Application by Audio-Medical Devices Ltd., [1999] E.T.M.R. 1010, 1017 (Trade Marks

would need to accept evidence of likely dilution, such as that offered to satisfy dilution multifactor tests discussed above.<sup>208</sup> In fact, Allan James, in his capacity as a Hearing Officer, both formulated and used such a test for detriment to distinctive character in *Oasis Stores*<sup>209</sup> and subsequently in *Audi-Med*<sup>210</sup>.

The question of the degree of likelihood of future dilution in opposition cases was considered by the Hearing Officer in *Mastercard*,<sup>211</sup> who said:

The onus is on the opponent to make out its case under Section 5(3). I note that the provision refers to use which “will” be detrimental rather than simply a likelihood or risk of such damage. I therefore regard the opponent’s claim of damaging dilution of the distinctive character of its mark (or more accurately the MASTER element of it) to be somewhat optimistic in the absence of evidence that its mark is unique (or at least one of a small number of marks) in utilising the word MASTER, even within the market for financial services.<sup>212</sup>

The Hearing Officer construed the word “will” in section 5(3)<sup>213</sup> to indicate that, although the harm targeted may be prospective, it must be almost certain to happen, similar to Judge Patten’s requirement of “almost inevitability”.<sup>214</sup> Nonetheless, he does not require *actual* unfair advantage or detriment that has already happened. *Mastercard* was appealed to Mr. Justice Peter Smith, who fudged the distinction between the issues of (i) whether future dilution is sufficient and (ii) the degree of likelihood of future dilution occurring.<sup>215</sup> Although he concluded that future harm is sufficient in section 10(3) infringement cases, saying that “there must be real possibilities as opposed to

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Reg.), available at <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o14098.pdf> (the Hearing Officer stating that he will consider “whether the use of the applicants’ mark AUDI-MED is *likely* to be detrimental to the distinctive character or repute of the opponents’ trade mark AUDI) (emphasis added).

<sup>208</sup> See, e.g., *supra* Part II.A.-B.

<sup>209</sup> Case O-081-98, Application by Oasis Stores Ltd., [1999] E.T.M.R. 531, 542 (Trade Marks Reg.), available at <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o08198.pdf>.

<sup>210</sup> *Audio-Medical Devices*, [1999] E.T.M.R. at 1017.

<sup>211</sup> Case O-059-04, Application by Hitachi Credit (UK) plc. (Trade Marks Reg., 10 March 2004, unreported), available at <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf>.

<sup>212</sup> *Id.*, ¶ 60.

<sup>213</sup> Trade Marks Act 1994, *supra* note 170, s. 5(3).

<sup>214</sup> See *supra* note 204 and accompanying text.

<sup>215</sup> See *Mastercard Int’l, Inc. v. Hitachi Credit (UK) plc*, [2004] E.W.H.C. 1623, [2005] E.T.M.R. 10 (Ch.).

theoretical possibilities”<sup>216</sup> of such harm occurring, his route to that conclusion was flawed. To support his conclusion he relied on *Intel v. Sihra*,<sup>217</sup> a registrability case, in which it was perfectly logical to require only future dilution. At the same time, Mr. Justice Peter Smith also cited *General Motors*<sup>218</sup> and *MERC*<sup>219</sup> in his support.<sup>220</sup> In doing so, he failed to distinguish between the role of unfair advantage and detriment in infringement and registrability cases. Instead, he quoted portions of the two judgments that support a requirement of *actual* dilution.<sup>221</sup> In this way he has conflated the need for the future dilution to be highly likely in successful oppositions to registrations, recognised by Judge Patten in *Intel*<sup>222</sup> and by the Hearing Officer in *Mastercard*<sup>223</sup>, with the requirement of actual dilution identified in the two infringement cases.

The Hearing Officer in *Quorn Hunt*<sup>224</sup> noticed the inconsistencies between the citations of cases in *Mastercard* and concluded that Judge Smith “cannot necessarily mean that there must be actual evidence of damage having occurred.”<sup>225</sup> Instead, according to the Hearing Officer, the judge required that

... the tribunal must be possessed of sufficient evidence about an opponent’s use of its own mark, the qualities and values associated with it and the characteristics of the trade etc that it is a *reasonably foreseeable* consequence that use of the applied for mark will have the claimed adverse consequence(s).<sup>226</sup>

It had to be the case that only future harm was required because in many cases before the Registry either there is no use of the applied-for mark or any

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<sup>216</sup> *Id.*, ¶ 56.

<sup>217</sup> *Id.*, ¶ 51.

<sup>218</sup> See *supra* text accompanying notes 143-148.

<sup>219</sup> See *supra* Part V.A.

<sup>220</sup> *Mastercard*, [2004] E.W.H.C. 1623, [2005] E.T.M.R. 10, ¶¶ 46-59.

<sup>221</sup> *Id.* See also Case C-375/97, *General Motors Corp. v. Yplon S.A.*, [1999] E.C.R. I-5421, [1999] E.T.M.R. 122, ¶ 43; *DaimlerChrysler AG v. Alavi (MERC)*, [2001] E.T.M.R. 98, [2001] R.P.C. 42, ¶ 88 (Ch.), available at [http://www.hmcourts-service.gov.uk/judgmentsfiles/j420/chancery\\_daimlerchrysler.htm](http://www.hmcourts-service.gov.uk/judgmentsfiles/j420/chancery_daimlerchrysler.htm).

<sup>222</sup> See *supra* text accompanying notes 199-204.

<sup>223</sup> Case O-059-04, Application by Hitachi Credit (UK) plc. (Trade Marks Reg., 10 March 2004, unreported), available at <http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf>.

<sup>224</sup> Case O-319-04, Application by Quorn Hunt, [2005] E.T.M.R. 11 (Trade Marks Reg.), available at <http://www.ukpats.org.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o31904.pdf>.

<sup>225</sup> *Id.*, ¶ 62.

<sup>226</sup> *Id.* (emphasis added).

use is recent and small-scale. It would be impossible to show actual harm in either of those situations.<sup>227</sup>

*E. Actual dilution of unused marks*

The Hearing Officer in *Quorn Hunt* recognised that it may not be possible to show actual dilution where the later mark has not been used.<sup>228</sup> However, it is equally possible that there will be no actual dilution because the *earlier* mark will not have been used since both in the EU and in the US an earlier unused mark may be validly on the register.<sup>229</sup> In general, earlier unused marks are unlikely to benefit from dilution protection, because dilution protection only covers marks which have a reputation. Unused marks cannot have a reputation for the goods or services for which they are registered if they have not been used for them.<sup>230</sup> Nonetheless, protection against dilution may be possible if the relevant tribunal is prepared to recognise the type of reputation that accrues to the mark through promotional activity prior to the launch of the product for which the mark is registered,<sup>231</sup> where the mark has a reputation for goods other than those on which the dilution claim is based or where the mark has a reputation in the relevant jurisdiction that is the result of use in another jurisdiction. This is the case with “spill-over advertising” and marks that tourists encounter in their foreign travels.<sup>232</sup>

Much depends on the purpose of dilution protection. If the purpose is to preserve the continued viability of the pre-existing use of the mark by the

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<sup>227</sup> *Id.*

<sup>228</sup> *Id.*

<sup>229</sup> In the US marks may be filed on the basis of a *bona fide* intent to use the mark within a period of up to three years following filing under Lanham Act § 1(b). 15 U.S.C. § 1051(b). EU law allows a five year grace period to put a registered mark to “genuine use.” Directive 89/104, *supra* note 141, art. 10(1).

<sup>230</sup> See Case O-240-04, Application by Wang Lei, ¶ 51 (UK Trade Marks Reg., 9 August 2004, unreported), available at <http://www.ukpats.org.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o24004.pdf> (the earlier mark did not benefit from the Trade Mark Act s. 5(3) protection: even though there had been some use of the mark abroad, there had been no use of the mark in the UK and the mark had no reputation. It was not apparently argued that the earlier mark had any sort of “spill-over” reputation from the foreign use.).

<sup>231</sup> An analogy may be drawn with the passing off case of *Elida Gibbs Ltd. v. Colgate Palmolive Ltd.*, [1983] F.S.R. 95, where goodwill was found to have accrued to the claimant in a “tree theme” for its brand of toothpaste even before it launched its advertising campaign.

<sup>232</sup> The most famous example of this in the UK is found in *Anheuser-Busch, Inc. v. Budejovicky Budvar*, [1984] F.S.R. 413, where the mark was considered *not* to have goodwill for passing off purposes even though UK tourists came across the mark during their holidays to the United States.

owner, it is logical that there should have been use for the type of goods or services in question. However, if the purpose is to protect *future* use of the mark in new fields of activity, as in a case where loss of licensing opportunity is given as the justification for protection, it may make sense to grant protection based on reputation in fields other than those in which the opposition or infringement claim is based.

#### VI. ACTUAL DILUTION AND OTHER EU MEMBER STATES

There are insufficient cases and commentaries available in English to safely draw conclusions as to whether any particular EU Member State requires actual dilution or is prepared to accept the prospect of future dilution in infringement and registration actions. However, a review of the available cases reveals that the courts have spoken of likely dilution in registrability cases in Sweden<sup>233</sup> and in infringement cases in the Netherlands<sup>234</sup> Denmark,<sup>235</sup> Italy<sup>236</sup> and Portugal.<sup>237</sup> Nevertheless, research has not revealed

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<sup>233</sup> Mitutoyo Corp.'s Application, [PBR] [Court of Patent Appeals] 1998-05-08, [1999] E.T.M.R. 39 (Swed.). The court said:

When judging between the well-known marks' need for extended protection and the interest in establishing a reasonable degree of scope for other marks, the claim according to the meaning of the Court of Patent Appeals should be indicated so that it will appear as *probable* that the use of a later mark results in an unfair advantage or detriment.

*Id.* at 43 (emphasis added). The court's justification for setting the standard of proof at that level was that too high a level of proof would mean that well-known marks would not be able to benefit in practice from the extra protection that they had been granted, while too low a level of proof would reduce the scope of marks available to third parties. *See supra* text accompanying notes 137-139 (discussing of the meaning of the word "probable").

<sup>234</sup> Guinness United Distillers / Koninklijke Coymans B.V., Hof [Court of Appeal], Den Bosch, 29 July 2003, [2004] E.T.M.R. 11, ¶ 43 (Neth.).

<sup>235</sup> *See* McDonald's Corp. v. Allan Bjerrum Pedersen, [Danish Supreme Court], 24 August 1995, 4 December 1996, [1997] E.T.M.R. 151, 157 (Den.) (holding that "[n]either does the use of the [Mc] prefix involve any improper exploitation of the distinctiveness or reputation of McDonald's trade marks, nor can it be regarded as likely to damage the distinctiveness or reputation." Taken literally, this would suggest that future detriment is sufficient but unfair advantage must have already come to pass. However, there is no indication in the Directive that this is the correct approach.)

<sup>236</sup> *See* Adidas Salomon AG v. Shoes Partners S.A.S. [Corte app., 12 December 2003, n.85595/03 R.G.], [2005] E.T.M.R. 3 (Italy). The Court of Rome stated:

... whereas, on the basis of the previous remarks, the reference to the Adidas trade mark constitutes per se an infringement under article 1(c) of the Trade Mark law (*Legge Marchi*), it being sufficient that the consumer sees the sign used by the defendant as an imitation of the claimants' trade mark, even where there is no likelihood of confusion about the origin of the product, since in this way Shoes Partners takes advantage of the reputation and of the attractiveness of Adidas trade

any cases other than *Mitutoyo*,<sup>238</sup> that directly discuss whether actual or likely dilution is needed to successfully establish infringement or a relative ground for the refusal of registration.

A review of the EU Member States' legislation reveals that future dilution is suggested by the wording of legislation concerning relative grounds for the refusal of registration in all Member States that have incorporated Article 4(4)(a) of Directive 89/104 into their legislation. Moreover, terms suggesting that likely dilution would be acceptable are employed in the infringement legislation of Finland,<sup>239</sup> France,<sup>240</sup> Sweden<sup>241</sup> and the Czech Republic.<sup>242</sup>

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mark, with a consequent damage for the rightful owners, given the *potential* dilution of the distinctive character itself.

*Id.* at 20 (emphasis added).

<sup>237</sup> *Campomar S.L. v. Nike Int'l, Ltd.*, [Supreme Court of Justice, 13 May 2003], [2005] E.T.M.R. 1 (Port.). The Portuguese Supreme Court stated:

Even though the intention to take advantage of such a trade mark is a matter of fact, this one was claimed and proven either by reference to normal conduct together with the *risk* of association and to the protection against unfair competition or through what leads to the phenomenon of dilution of the trade mark.

*Id.* at ¶ 28 (emphasis added). If, as the court is saying, it is sufficient to show that there is a risk of consumers' associated the two marks, then, *a fortiori*, a risk of dilution should be sufficient. Moreover, by referring to "normal conduct", the court appears to be admitting that there is a role for multifactor tests in establishing dilution.

<sup>238</sup> *Mitutoyo*, [1999] E.T.M.R. at 43.

<sup>239</sup> Act No. 7 of 10 January 1064 [Trademarks Act] (Fin.), amended by Act No. 1715 of 22 December 1995 and Act No. 56 of 21 January 2000, available at [http://www.jpo.go.jp/shiryousonota\\_e/fips\\_e/pdf/finland/trademarks\\_act.pdf](http://www.jpo.go.jp/shiryousonota_e/fips_e/pdf/finland/trademarks_act.pdf). The Act deems confusion to occur when detriment or unfair advantage occurs:

Trade symbols shall be regarded under this Act as liable to cause confusion only if they apply to goods of identical or similar type.

Notwithstanding the foregoing, the confusability of trade symbols may be judged in favor of a symbol that has a reputation in Finland where the use of another's trade symbol without due cause *would* constitute unfair exploitation of, or action detrimental to, the distinctive character or fame of the earlier trade symbol.

*Id.*, art. 6 (emphasis added). The use of the "likelihood" language can perhaps be explained by the fact that Article 6 applies both to infringement and to the grounds for the refusal of registration.

<sup>240</sup> Law No. 92-597 of 1 July 1992 [Intellectual Property Code (Legislative Part)], art. 713-5, Journal Officiel de la République Française [J.O.] [Official Gazette of France], 3 July 1992, available at [http://www.legifrance.gouv.fr/html/codes\\_traduits/cpiatext.htm](http://www.legifrance.gouv.fr/html/codes_traduits/cpiatext.htm). The Law refers to use that is "*likely* to cause a prejudice to the owner of the mark or if such use constitutes unjustified exploitation of the mark" (emphasis added). Taken literally this would suggest that likely detriment is sufficient for infringement, but any unfair advantage must be actual.

<sup>241</sup> Varumärkeslag [Trademarks Act] (Svensk författningssamling [SFS] 1960:644)



## VII. CONCLUSION

This article has revealed identical trends in the US (prior to the 2006 Trademark Dilution Revision Act), the EU, the UK and most of the other EU Member States regarding the requirement of actual dilution. While actual dilution has been required for infringement by dilution,<sup>243</sup> future dilution is a sufficient reason to prevent a mark from being registered in opposition proceedings.<sup>244</sup> Moreover, the route used to reach these conclusions has been the same in the various jurisdictions, relying on a highly literal analysis of the relevant statutory material and on the fact that it is difficult to show actual dilution where the later mark has not yet been used. However, there has been a general lack of clarity as to how actual dilution can be proved in infringement actions.<sup>245</sup> Taking these considerations together with the continued role of likely dilution in registrability cases, it is unsafe to rule out the continuing importance of multifactor tests, which often employ circumstantial evidence of dilution. In fact, one such multifactor test has been given an explicit role under the U.S. Trademark Dilution Revision Act.<sup>246</sup> Equally well, it is impossible to

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(Swed.). Like the Finnish legislation, *supra* note 239, the Swedish Act deems marks with a reputation that cause detriment or unfair advantage to earlier marks be confusingly similar to those earlier marks:

Confusing similarity may be invoked also for the benefit of a symbol which has a reputation in this country if the use of another similar symbol *would* take unfair advantage of, or *would* be detrimental to, the distinctive character or reputation of the symbol having the reputation.

*Id.*, art. 6 (emphasis added), *last amended by* Lag (Svensk författningssamling [SFS] 1992:1686) (Swed.), *available at* [http://www.wipo.int/clea/docs\\_new/en/se/se017en.html](http://www.wipo.int/clea/docs_new/en/se/se017en.html). Like the Finnish legislation, this provision also applies to both infringement and registrability.

<sup>242</sup> Zákon č. 137/1995 Sb. [Law on Trademarks] (Czech), *amended by* Zákon č. 191/1999 and Zákon č. 116/2000, *available at* [http://isidvapl.upv.cz/pls/portal30/docs/FOLDER/PDF\\_DOKUMENTY/ZAKONY/137\\_1995\\_A.PDF](http://isidvapl.upv.cz/pls/portal30/docs/FOLDER/PDF_DOKUMENTY/ZAKONY/137_1995_A.PDF). The law provides that the owner of a well-known mark may seek a prohibition on the use of a similar mark where its use “on different goods or services *might* suggest a relationship between the goods or services so marked and the owner of the well-known trademark, and where the interests of the owner of the well-known trademark *might* be prejudiced by such use.” *Id.*, § 15(2) (emphasis added).

<sup>243</sup> *See supra* Part III.B. and Part III.D.-E. (U.S.); Part IV.A. (EU); Part V.A.-B. (U.K.).

<sup>244</sup> *See supra* Part III.H. (U.S.); Part IV.B. (EU); Part V.C. (U.K.); Part VI (EU Member States).

<sup>245</sup> *See, e.g., supra* Part III.D.-E. (discussing the U.S. cases attempting to apply and interpret *Victoria's Secret*), Part IV.A. (discussing the limited guidance on the subject provided by the Attorney General in *General Motors*), and Part V.A.-B. (discussing the U.K. courts' unclear position on methods of proof in *MERC* and *Electrocoin*).

<sup>246</sup> Trademark Dilution Revision Act of 2006, 109 P.L. 312, § 2, 120 Stat. 1731 (amending 15 U.S.C. § 1125(c)(2)) (emphasis added). *See supra* text accompanying note



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say with certainty that such tests remain valid under an actual dilution standard, and even if they do, whether all or only some of the factors utilised will be of assistance in showing actual dilution.

The problems caused by an actual dilution standard, and the difficulty of testing for actual dilution, have only been short-term in the U.S. Following the passage of the Trademark Dilution Revision Act in 2006,<sup>247</sup> the actual dilution standard in the US is no more, although it is not clear yet whether the likely dilution standard will be construed in a way which makes it easy for a trade mark owner to succeed in a dilution action.<sup>248</sup> Europe, however, is only just waking up to the issue of whether the correct standard is likely or actual dilution and has certainly not paid close attention to how to test for actual dilution, if it is the correct standard. The U.K., in particular, appears to be edging towards an actual dilution standard, at least for infringement.<sup>249</sup> Before continuing down this route, those involved would be well advised to pay close attention to the U.S. experience following *Victoria's Secret*,<sup>250</sup> where the imposition of an actual dilution standard effectively stultified dilution law for over two years and resulted in an urgent need for legislative reform.<sup>251</sup>

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133 (quoting and discussing the multifactor test in question).

<sup>247</sup> *Id.*, 109 P.L. 312, 120 Stat. 1730 (2006) (amending 15 U.S.C. §§ 1125(c), 1052(f) and 1127).

<sup>248</sup> *See supra* text accompanying notes 137-139 (discussing various unresolved questions regarding the “likelihood” standard).

<sup>249</sup> *See supra* Part V.A.-B. (discussing the *MERC* and *Electrocoin* decisions).

<sup>250</sup> *See supra* Part III.B.

<sup>251</sup> *See supra* Part III.D.-E.