2010 CASE SUMMARIES UNDER THE TRADEMARK DILUTION REVISION ACT

This report summarized cases decided in 2010 under the Trademark Dilution Revision Act. While its goal is to be broadly inclusive of cases that involved the TDRA, cases decided on procedural grounds or lacking significant discussion of the TDRA may not have been included.

FIRST CIRCUIT

No cases to report

SECOND CIRCUIT

Fendi Adele S.R.L. v. Filene's Basement, Inc., 2010 WL 907869 (S.D.N.Y. Mar. 11, 2010)

Facts: Fendi, an Italian producer of luxury handbags, shoes, and other high-fashion items, sued Filene's Basement and its parent company, Retail Ventures, on claims arising from the sale of counterfeit Fendi handbags in various Filene's Basement stores. Filene's never contested Fendi's testimony demonstrating that the goods in question were counterfeit. Fendi moved for summary judgment and a permanent injunction against Filene's.

Disposition: The court held that Fendi was entitled to summary judgment on the issue of federal trademark infringement and common law unfair competition. The court's dilution analysis borrowed heavily from its analysis that the handbags were counterfeit. It first held, however, that the applicable dilution standard was the one found in the 1995 Federal Trademark Dilution Act (FTDA), which was replaced in 2006 by the Trademark Dilution Revision Act (TDRA). The court held that since Fendi sought both monetary and injunctive relief, and some of Filene's infringement began prior to the enactment of the TDRA, "the FTDA's more stringent test of actual dilution" applied.

Using the FTDA standard, the court easily found that Fendi's marks were famous, had been used in commerce, and that Filene's use occurred after the marks had become famous. Because the marks on the counterfeit bags were identical to those on genuine Fendi products, the court held that "Filene's use of the Fendi Marks dilutes the quality of the Marks by diminishing their capacity to identify and distinguish the Fendi Products." Therefore, the court held that there was dilution, although it did not distinguish between dilution by blurring and dilution by tarnishment.

Bottom Line: Dilution claims can prevail in context of competing goods, and in counterfeiting cases.

Categories: When FTDA standard applies post-TDRA; dilution claims in counterfeiting cases.

***New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305 (S.D.N.Y. 2010)**

Facts: New York City Triathlon, LLC ("NYC Triathlon"), the company that runs that annual triathlon event known as the "New York City Triathlon" or "NYC Tri," sued NYC Triathlon Club, Inc. (the "Club") on claims of trademark infringement, trademark dilution, cyber squatting, and corresponding New York State claims over the Club's use of the marks "NYC Triathlon" and "NYC Tri." NYC Triathlon has been hosting its annual triathlon race for the past ten years, and the race has become increasingly popular. For a few of those years, one of the event's sponsors was the Club, which at the time was known as the "SBR Triathlon Club." In January 2010, the Club announced that it was changing its name to "NYC Triathalon Club." After sending a cease and desist letter, NYC Triathlon sued and filed a motion for preliminary injunctive relief.

Disposition: In ruling on NYC Triathlon's motion for a preliminary injunction, the court first analyzed the infringement claim. It considered each of the *Polaroid* factors, finding that: (i) NYC Triathlon's marks were strong as a result of its exclusive ten year use of the marks and the amount of media coverage that the race generates; (ii) the name that the Club planned to adopt was identical to NYC Triathlon's marks; (iii) the organizations were in the same channels of trade; (iv) there was evidence of actual confusion even in the short time the Club had used the new name; (v) the Club changed its name in bad faith in order to trade on NYC Triathlon's goodwill; (vi) the Club has a reputation of poor business practices; and (vii) many of the NYC Triathlon's racers are first-time triathletes, which magnified the likelihood of confusion. Because each of the relevant factors favored a finding of likelihood of confusion, the court found that it was likely that NYC Triathlon would prevail on its claim of trademark infringement.

Next the court analyzed the federal dilution claim. First, it held that the "NYC TRIATHLON" marks are famous as a result of the extent of the publicity associated with the race and the large number of applicants the race gets each year (selling out in under seven minutes). Second, it held that there was no doubt that the Club was using the marks in commerce, and third, that such use started after NYC Triathlon had made them famous.

The court then held that, upon consideration of each of the statutorily prescribed factors, and with reference to its earlier infringement analysis, NYC Triathlon was likely to prove dilution by blurring. The evidence revealed that there existed little difference between the names and marks, and that it was clear the Club attempted to create an association with NYC Triathlon. The court also found that it likely that NYC Triathalon would be able to prove dilution by tarnishment on account of the Club's poor reputation for customer service.

The court found that NYC Triathalon would suffer irreparable harm absent the injunction, holding that a presumption of such harm flows from a finding of likely dilution and likely confusion. Finally, the court determined that the balance of hardships weighed in favor of NYC Triathlon because it had used the marks for over ten years and had spent a long time building up goodwill in the marks, while the Club had only recently started using the marks, and therefore had little to no goodwill established in them. Therefore, the court granted NYC Triathlon's motion for a preliminary injunction.

Bottom Line: Identical marks and evidence of bad faith make for an easy dilution claim.

Categories: Identical marks; fame; bad faith.

THIRD CIRCUIT

No cases to report

FOURTH CIRCUIT

***Super Duper, Inc. v. Mattel, Inc.*, 382 Fed. Appx. 308 (4th Cir. 2010)**

Facts: Super Duper filed a declaratory judgment action in the United States District Court for the District of South Carolina requesting a ruling that certain of its marks did not violate Mattel's intellectual property rights, including Mattel's mark "SEE 'N SAY". Mattel counterclaimed, contending that Super Duper had engaged in trademark infringement, trademark dilution by blurring, unfair competition, and fraud upon the USPTO. At trial, a jury found that Super Duper's use of seven trademarks infringed upon and/or diluted four of Mattel's pre-existing marks and awarded Mattel $400,000 in damages. The court denied Super Duper's renewed motion for judgment as a matter of law, granted Mattel's motion for a permanent injunction, order of cancellation, and finding of profits (from $400,000 to $999,000), and awarded defendant attorneys' fees and costs. Super Duper appealed.

Disposition: The Fourth Circuit resolved several challenges to the district court's jury instructions. First, it held that although the District Court erred in instructing the jury that any doubt regarding the outcome of the likelihood of confusion analysis had to be resolved in Mattel's favor, the instructions as a whole adequately and correctly stated the controlling law. Second, it held that the lower court did not abuse its discretion in instructing the jury that absence of evidence of actual confusion, in and of itself, was a neutral factor. Finally, it held that the district court's mark-pairing instruction (e.g., that the presence of the house mark "Super Duper" did not necessarily avoid a finding of likelihood of confusion) was correct.

Next, the Fourth Circuit rules that its precedent does not require the production of survey evidence or expert testimony to establish trademark dilution. It then declined to exercise its discretion to correct forfeited error concerning the district court's award of increased profits under the Trademark Dilution Revision Act. Finally, it held that the lower court had not abused its discretion in granting Mattel's request for attorneys' fees in the amount of $2,643,844.15.

Bottom Line: Survey evidence not required to sustain dilution claims in Fourth Circuit.

Categories: Jury instructions; need for survey evidence; review of district court enhanced profits and attorney fee awards.

***Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531 (E.D Va. 2010)**

Facts: Rosetta Stone brought an action against Google, alleging that Google assisted third party advertisers in misleading consumers and misappropriated its trademarks by using them as keyword triggers for paid advertisements (AdWords) and within title and text of paid advertisements on Google's search engine / website. Following discovery, the parties filed cross-motions for summary judgment.

Rosetta Stone's evidence included the following: (i) Rosetta Stone has provided technology-based language learning products and services since 1982; (ii) Rosetta Stone's language learning products are available in over thirty languages and are used by schools, corporations, government entities and millions of individuals in over 150 countries; (iii) to strengthen its trademark rights, Rosetta Stone obtained federal trademark registration for some of its marks, including: ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, AND ROSETTA WORLD; (iv) Rosetta Stone advertises through a variety of media, including television, radio, newspapers, magazines, direct mail, and telephone directories; and (v) between 2005-2009 Rosetta Stone's brand awareness had increased from 15% to 75%, and its brand awareness equity had increased from 19% to 95%.

Disposition: Despite finding that that Rosetta Stone's (RS) marks were "famous" within the meaning of federal dilution law, the court granted Google's motion for summary judgment on the dilution claim. The court found that Google did not sell language learning software and noted that the TDRA permits fair use of a famous mark other than as a designation of source. It held that, absent proof that Google uses the RS marks to identify *its own* goods and services, there could be no dilution. Further, the court explained that Rosetta Stone could not show dilution by tarnishment or by blurring given that its brand awareness had only *increased*, and where the reputation of its marks had not been harmed. The court also rejected the tarnishment claim because RS had proffered no evidence that those who purchased allegedly counterfeit Rosetta Stone software had a reduced opinion of the Rosetta Stone Marks.

Bottom Line: Some courts are reluctant to find dilution where evidence of brand awareness / recognition remains strong and has increased during and after challenged conduct.

Categories: Interplay between evidence of fame / goodwill and evidence of dilution; fair use; impact of non-competitive products.

FIFTH CIRCUIT

No cases to report

SIXTH CIRCUIT

***V Secret Catalogue, Inc. and Victoria's Secret Stores Inc. v. Victor Moseley, dba Victor's Little Secret, fka Victor's Secret; Cathy Moseley, dba Victor's Little Secret, fka Victor's Secret,* 605 F.3d 382 (6th Cir. 2010)**

Facts: An Army Colonel saw an ad for "Victor's Secret" in a weekly publication that advertised a local store that sold adult videos, novelties and lingerie. The Colonel was offended because the sexually-oriented business was semantically associating itself with "Victoria's Secret". The Colonel notified Plaintiff of use of the offending mark, the Plaintiff sent a demand letter, and the Defendant changed the name to "Victor's Little Secret".

The U.S. District Court for the Western District of Kentucky issued an injunction against use of "Victor's Little Secret" in connection with the sale of sexually oriented products. The court concluded that even though the parties do not compete in the same market, Defendant's mark disparages and tends to reduce the positive association and selling power of Plaintiff's mark. That ruling implicated the question whether, under the original FTDA, a plaintiff could prevail on a dilution claim by demonstrating that the defendant's conduct was likely to cause dilution of the plaintiff's mark or whether the higher standard of "actual dilution" was appropriate. The U.S. Supreme Court ultimately held that actual dilution was required, and Congress thereafter revised the statute to expressly impose the more lenient "likelihood of dilution" standard.

On remand, the question arose whether the plaintiff's evidence satisfied the new standard with respect to "dilution by tarnishment" claims. The district court considered that question based on the same evidence that originally had been submitted (no new evidence was presented). More specifically, the court focused on whether "Victor's Little Secret" used in association with sexual toys could be held likely to dilute plaintiff's mark by "tarnishment" absent consumer surveys or other evidence.

Disposition: The court recognized and considered an emerging consensus that a semantic association between a famous mark and a mark used in connection with lewd sexual activity will disparage and reduce the commercial value of the famous mark. This presumption or inference is based on a prediction of the taste and reaction of conventional consumers in our culture. The Court held that this case law should be interpreted to create a rebuttable presumption, or a very strong inference, that a new mark used to sell sex related products is likely to tarnish a famous mark if there is clear semantic association between the two. Such a procedural mechanism places the burden on the owner of the accused, junior mark to produce evidence that there is no likelihood of tarnishment (*e.g.*, by way of expert testimony, surveys, polls or customer testimony).

Although the court found that the "tarnishing effect" of the defendant's mark was speculative in this case, the defendant had failed to offer evidence that there was no likelihood of tarnishment, therefore, there was no evidence to overcome the inference. The court went so far as to surmise that "the new law seems designed to protect trademarks from any unfavorable sexual associations".

The Fourth Circuit also held as follows: (i) the so-called "law of the case" doctrine did not apply to request for prospective relief; (ii) application of the TDRA to this case was not unconstitutionally retroactive because new statutes may be applied to pending cases where prospective relief is sought for ongoing conduct; and (iii) Section 1125(c)(5) of TDRA did not bar entry of the injunction.

Bottom Line: Tarnishment will be found under the TDRA standard where the junior mark is used on sex-related products. The TDRA will be applied in cases that began prior to adoption of the TDRA as long as there is request for prospective relief for ongoing conduct.

Categories: Retroactivity of TDRA; dilution by tarnishment; likely to cause dilution standard; rebuttable presumption of tarnishment in sex-related cases.

SEVENTH CIRCUIT

No cases to report

EIGHTH CIRCUIT

***Champagne Louis Roederer v. J. Garcia Carrion S.A. and CIV USA*, 732 F. Supp. 2d 836 (D. Minn. 2010)**

Facts: Champagne Louis Roederer ("Roederer"), the maker of CRISTAL Champagne, brought the action against J. Garcia Carrion, the maker of CRISTALINO Cava and its United States importer and marketer, CIV USA. Following trial the court found that there was likelihood of confusion, mistake, and deception from the use of CRISTALINO on sparkling wine. The Court also found that Roederer had not proven its claim of trademark dilution under.

Disposition: Roederer argued the relevant date for the determination of the fame of CRISTAL was 1993 because any sales of CRISTALINO cava in the United States before that date were *de minimus.* The Court rejected the argument, concluding there was no *de minimus* exception to the federal anti-dilution law.

The Court concluded the facts did not prove that CRISTAL was famous among the general consuming public before 1993 or before 1989 (the earliest date of CRISTALINO sales in the United States), finding the advertising and publicity related to CRISTAL during that time primarily reached those in the wine or related industries (*e.g.*, in merely a niche market). The Court distinguished between proof of strength or fame for purposes of likely confusion and proof of fame for dilution.

Bottom Line: Proof of general fame, especially as of an early date when records are lacking, is much more difficult than proof of the mark's strength and renown in its own product category.

Categories: Evidence of fame; relevant date by which fame must be demonstrated; niche fame.

***Gary Leon Teter, Jr. v. Glass Onion, Inc.*, 723 F. Supp. 2d 1138 (W.D. Mo. 2010)**

Facts: Artist (Gary Leon Teter, Jr.) brought an action against art gallery owner (Glass Onion, Inc.), alleging copyright infringement, false designation of origin, unfair competition, trademark infringement, trademark dilution, and violation of the Visual Arts Rights Act (VARA) arising from owner's use of images of artist's works in advertising. The art gallery owner brought counterclaims for breach of contract, promissory estoppel, and breach of covenant of good faith and fair dealing.

The district court found that the art gallery owner used the mark over a period of years and helped the mark gain broader recognition, and that the use was primarily "nominative". In addition, the art gallery owner did not place the mark on products aside from the artist's own artwork.

Disposition: The court held that the mark LEON TETER was not famous within meaning of Lanham Act.

Bottom Line: Mark LEON TETER was not famous within the meaning of the dilution statute. However, in *dicta* the court also noted that (i) the fact that Teter offered no evidence of "actual dilution" as required by *Moseley* was another reason to reject his claim; and (ii) the issue whether "niche fame" could suffice remained unsettled in the Eighth Circuit.

Categories: Courts still citing "actual dilution" standard post-TDRA.

NINTH CIRCUIT

Visa International Service Association v. JSL Corporation, 610 F.3d 1088 (9th Cir. 2010)

Facts: Joseph Orr ran eVisa, a "multilingual education and information business that operated exclusively on the Internet" at www.evisa.com. Orr traced the name eVisa back to an English language tutoring service called "Eikaiwa Visa," which he had operated while living in Japan. "Eikaiwa" is Japanese for English conversation, and the "e" in eVisa was allegedly short for Eikaiwa. The use of the word "visa" in both eVisa and Eikaiwa Visa is meant to suggest "the ability to travel, both linguistically and physically, through the English-speaking world." Orr founded eVisa shortly before his return to America, where he started operating it out of his apartment in Brooklyn, New York. Visa International Service Association sued JSL Corporation, through which Orr operates eVisa, claiming that eVisa was likely to dilute the Visa trademark. The district court granted summary judgment for Visa, and JSL appealed.

Disposition: The Ninth Circuit affirmed, holding that since JSL was not using the word visa for its literal dictionary definition, its use resulted in the word becoming associated with two products instead of one, thereby weakening the mark's ability to bring to mind Visa's goods or services. As a result, the court held Visa had proven dilution by blurring.

Bottom Line: Fact that accused mark has a literal dictionary definition does not negate dilution if defendant is not using mark in that connotation.

Categories: Fame; similarity and connotation of marks necessary for dilution

***Mattel, Inc. v. MGA Entertainment, Inc.*, 2010 WL 5422504 (C.D. Cal. December 27, 2010)**

Facts: MGA Entertainment intervened in an action that Mattel, Inc. had filed against its former employee in December 2004. Four months later, MGA Entertainment filed its own action against Mattel for trade dress infringement, dilution, unfair competition, and unjust enrichment, alleging, *inter alia*, that Mattel infringed MGA's distinctive packaging of its Bratz doll products and interfered with its business relationships. MGA claimed that it owned registered trademarks in certain trapezoidal packaging and that Mattel's sale of three doll products in a type of trapezoidal packaging constituted trade dress infringement and dilution. Mattel moved for summary judgment.

Disposition: The District Court granted Mattel's motion for summary judgment on its trademark dilution claim, finding there was no genuine issue of material fact that MGA's trapezoidal packaging had a consumer association with MGA. The Court held that MGA was unable to establish that (i) the trapezoidal packaging was famous within the meaning of federal dilution law, or (ii) Mattel's packaging was identical or nearly identical to that of MGA. Other than the fact that MGA had registered its trade dress and the volume of sales of its Bratz dolls, MGA was unable to provide any evidence specific to its trapezoidal packaging, nor had it conducted any consumer surveys on the packaging specifically. The Court found that MGA's packaging was neither inherently distinctive nor distinctive by virtue of secondary meaning, let alone famous. Moreover, the Court found that Mattel's trapezoidal packages did not resemble those of MGA.

Bottom Line: High standard for proving fame, including with respect to trade dress.

Categories: Summary Judgment; Dilution

TENTH CIRCUIT

No cases to report

ELEVENTH CIRCUIT

No cases to report

D.C. CIRCUIT

No cases to report

FEDERAL CIRCUIT

No cases to report