PROOF OF DILUTION IN THE UNITED STATES
OF THE DILUTION AND WELL-KNOWN MARKS COMMITTEE

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I. Introduction

Over eight years have passed since dilution law became a matter of federal concern. Since the effective date of the Federal Trademark Dilution Act ("FTDA") in early 1996, the courts have grappled with issues of retroactivity, fame and niche fame, identity of the marks, and a number of related questions left unanswered by the statute. Perhaps the most important and case-dispositive issue was a fundamental one: does a dilution plaintiff have to prove actual dilution of its famous mark, or is a likelihood of dilution sufficient?

As discussed below, the courts of appeals reached different results. The Supreme Court resolved these differences in Moseley v. V Secret Catalogue, Inc., holding that the FTDA requires proof of actual dilution. The decision was less clear, however, about how a plaintiff satisfies its burden of proving actual dilution. This report attempts to provide the trademark practitioner with an assessment of the law as it has developed, which may be of assistance in litigating dilution claims in the post-Moseley era.

It is apparent that proof of actual dilution, as required by Moseley, has been subjected to varying and sometimes inconsistent standards. This issue provides the trademark litigator with opportunities for imaginative and original use of survey designs, expert witnesses and other methods of proof to establish (either directly or by circumstantial evidence) actual dilution under the FTDA. In the absence of further clarification by the Supreme Court or by federal legislation, however, the likely outcome of dilution claims will remain difficult to predict.

II. Current State of the Law

A. Proof of Dilution Before Moseley

On January 16, 1996, the FTDA became effective as Section 43(c) of the Lanham Act. The FTDA created a potentially far-reaching claim for trademark dilution, giving the owners of famous marks a powerful tool for protection of their marks even in the absence of likelihood of confusion. Congress enacted the FTDA to bring national uniformity to dilution law and to allow famous trademark owners to seek protection for their marks consistently in every state.

The state statutes upon which the FTDA was based contain a "likelihood of dilution" standard. Some have interpreted the language of the FTDA, however, to suggest that proof of actual dilution is required. The courts of appeal reached different

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1  537 U.S. 418 (2003).
3  Alabama, California, Delaware, Florida, Georgia, Louisiana, Maine, Massachusetts, Missouri, Montana, New Hampshire, New York, Oregon, Rhode Island, and Texas.
results on the issue. The Second Circuit held that an FTDA claim could be founded on a likelihood of dilution. The Fourth Circuit, however, required evidence of actual dilution, concededly a “strict interpretation” of the FTDA.

*Nabisco*, a case involving goldfish-shaped snack crackers sold under the Pepperidge Farm brand, held that the FTDA required only a likelihood of dilution standard and announced a list of ten factors for courts to consider, to determine if a likelihood of dilution exists. Applying these factors, the court determined that Pepperidge Farms' famous goldfish cracker shape had been diluted by Nabisco's fish-shaped crackers.

Some courts embraced the Second Circuit's likelihood of dilution approach, even when they dispensed with the multi-factor test employed in *Nabisco*. In *I.P. Lund Trading ApS v. Kohler Co.*, involving a dilution claim based upon a famous faucet design, the court rejected use of the *Nabisco* factors but opted for likelihood of dilution as the appropriate standard under the FTDA. Likewise, the Third Circuit held in a case involving the mark THE SPORTING NEWS that a likelihood of dilution standard was appropriate.

In contrast to the Second Circuit's approach, the Fourth Circuit found that proof of actual dilution was necessary. In *Ringling Bros.*, the Ringling Bros. circus sued Utah's travel board for its use of the slogan THE GREATEST SNOW ON EARTH, contending that it diluted the famous Ringling Bros.' mark THE GREATEST SHOW ON EARTH. The court held that a likelihood of dilution was insufficient to succeed on an FTDA claim. Relying on the "causes dilution" language in the FTDA, the court held that the plaintiff must prove that:

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4 “The owner of a famous mark shall to be entitled to an injunction ... against another person’s commercial use in commerce of a mark ... if such use ... causes dilution.” 15 U.S.C. § 1125(c)(emphasis supplied).

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

6 *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999).

7 These factors are (1) distinctiveness; (2) mark similarity; (3) product proximity and likelihood of bridging the gap; (4) interrelationship of 1-3; (5) shared consumers and geographical limitations; (6) consumer sophistication; (7) actual confusion; (8) adjectival quality of the junior use; (9) harm to the junior user and delay by the senior user; and (10) the senior user’s laxity in protecting the mark. 191 F.3d at 217-222.

8 163 F.3d 27 (1st Cir. 1998).

9 *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157 (3d Cir. 2000). See also *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000) (applying likelihood of dilution standard and finding dilution); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000) (holding that likelihood of dilution was correct standard but rejecting *Nabisco* factors.)

10 170 F.3d 449 (4th Cir. 1999).
(1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services.11

The *Ringling Bros.* case received support from the Fifth Circuit in a dispute between the famous Ralph Lauren POLO mark and a company using POLO for a magazine.12 The court noted the difference in the likelihood of dilution standard used in many of the state dilution statutes and the actual language of the FTDA:

[W]e endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute. There is a key difference between the state antidilution statutes that formed the backdrop for passage of the FTDA and the FTDA itself. Whereas state antidilution statutes incorporate, often expressly, the "likelihood of dilution" standard, the federal statute does not. See *Ringling Bros.*, 170 F.3d at 461. Instead, it prohibits any commercial use of a famous mark that "causes dilution." 15 U.S.C. § 1125(c)(1). Both the present tense of the verb and the lack of any modification of "dilution" support an actual harm standard.13

Accordingly, there was an unambiguous split among the circuits regarding the type of proof required by the FTDA. Famous trademark owners and trademark practitioners faced troubling questions about the protection of their marks in different jurisdictions, in some respects similar to the problems of jurisdictional inconsistency that existed prior to the enactment of the FTDA. The issue was therefore ripe for Supreme Court resolution. It came in the *Moseley* case.

### B. The Moseley Decision

Mr. and Mrs. Victor Moseley opened a store in Kentucky that sold adult novelties and movies, women’s lingerie, and other related goods. The store was initially called ‘VICTOR’S SECRET.” After the owners of the VICTORIA’S SECRET trademark complained, the Moseleys changed the name of their store to “VICTOR’S LITTLE SECRET.” Dissatisfied, Victoria’s Secret sued, alleging, among other things, a violation of the FTDA for blurring and tarnishment.

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11 170 F.3d at 461.

12 *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

13 214 F.3d at 670-71.
Victoria’s Secret prevailed on its dilution claim in the district court based upon a finding of tarnishment.\textsuperscript{14} As the Supreme Court was to later note, Victoria’s Secret’s trial expert opined on the “enormous value” of its mark, but “[n] either he, nor any other witness, expressed any opinion concerning the impact, if any, of petitioners’ use of the name ‘Victor’s Little Secret’ on that value.”\textsuperscript{15} The Sixth Circuit affirmed, expressly rejecting the Fourth Circuit’s decision in \textit{Ringling Bros} that proof of actual economic harm was required.\textsuperscript{16} In light of the split among the circuits on the issue of actual harm, described above, the Supreme Court granted certiorari to resolve the issue.\textsuperscript{17}

The Court stated the issue as follows:

The question we granted certiorari to decide is whether objective proof of actual injury to the economic value of a famous mark (as opposed to the presumption of harm arising from a subjective “likelihood of dilution” standard) is a requisite for relief under the FTDA.\textsuperscript{18}

The answer was a matter of statutory construction. In contrast to the pre-FTDA state dilution statutes based on the 1964 version of the Model State Trademark Bill and various provisions of the Lanham Act that refer to a “likelihood” of harm, the FTDA provides that relief is available if another’s use of the plaintiff’s mark “causes dilution to the distinctive quality” of the famous mark.”\textsuperscript{19} Thus, according to the Court, this language “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.”\textsuperscript{20} The Court’s reading of the FTDA on this issue was corroborated by the FTDA’s definition of “dilution” as a “lessening of the capacity” of a mark to identify and distinguish, notwithstanding the presence or absence of a “likelihood of confusion, mistake, or deception.”\textsuperscript{21}

Despite its holding that proof of actual dilution was required, the Court held that this “does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved.”\textsuperscript{22} At least where the marks are not identical, however, the “mere fact that consumers mentally associate the junior user’s mark with a famous mark

\begin{itemize}
  \item \textsuperscript{15} 537 U.S. at 424-425.
  \item \textsuperscript{16} \textit{V Secret Catalogue, Inc. v. Moseley}, 259 F.3d 464 (6\textsuperscript{th} Cir. 2001).
  \item \textsuperscript{17} 537 U.S. at 428.
  \item \textsuperscript{18} \textit{Id.} at 421-422.
  \item \textsuperscript{19} \textit{Id.} at 433 (emphasis in original).
  \item \textsuperscript{20} \textit{Id.}
  \item \textsuperscript{21} \textit{Id.} at 433, quoting 15 U.S.C. § 1127 (emphasis added).
  \item \textsuperscript{22} \textit{Id.} at 433, disapproving language to the contrary in \textit{Ringling Bros}. 
\end{itemize}
is not sufficient to establish actionable dilution.” Victoria’s Secret and various amici argued that proof of an actual lessening of the capacity of a mark to identify and distinguish, such as survey evidence, may be difficult to obtain and unreliable. The Court responded as follows:

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. The differing interpretations of this language by the courts are discussed below.

Justice Kennedy filed a brief “concurring” opinion. Relying on dictionary definitions of the word “capacity,” Justice Kennedy stated that the word “imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be diminished could suffice to show dilution.” Further, the FTDA authorized injunctive relief, something that is intended to prevent future wrongs. Finally, Justice Kennedy stated that a famous mark owner “should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.”

C. Does the FTDA Encompass Tarnishment Claims?

Case law has traditionally recognized two forms of dilution: (1) the blurring of a mark’s product identifications such that the mark’s distinctiveness is diminished; and (2) the tarnishment of the affirmative associations a mark has come to convey.

Accordingly, blurring has been described as occurring when plaintiff’s mark no longer calls immediately to mind only plaintiff’s products. Tarnishment has been described as occurring when plaintiff’s mark is “linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context,” with the result that “the public will associate the lack of quality or lack of prestige in the defendant’s goods with the plaintiff’s unrelated goods.”

23 Id.
24 Id. at 434.
25 Although labeled a “concurring” opinion, it seems fairly clear that Justice Kennedy believed that the FTDA protected famous marks from future as well as present harm.
26 537 U.S. at 435 (emphasis added).
27 Id. at 436.
28 Polaroid Corp. v. Polaraid, Inc. 319, F.2d 830, 836 (7th Cir. 1953).
29 Deere & Co. v. MTD Prods., Inc., 41 F.3d 39, 43 (2d Cir. 1994).
After the FTDA was enacted, courts considering federal dilution claims continued to describe dilution in terms of blurring and tarnishment. In Moseley, however, the Supreme Court questioned whether the FTDA applied to both blurring and tarnishment. The Court observed that the concept of tarnishment “was prominent in litigation brought under state antidilution statutes,” but that “[w]ether it is actually embraced by the statutory text, however, is a different matter.” The Court stated:

Indeed, the contrast between the state statutes, which expressly refer to both “injury to business reputation” and to “dilution of the distinctive quality of a trade name or trademark,” and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA.

The Court, however, also quoted the legislative history stating that the purpose of the FTDA was “to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.”

Some decisions since Moseley seem to assume that tarnishment is actionable under the FTDA, despite the Supreme Court’s suggestion to the contrary. In Reed Elsevier, the court cited Moseley for the proposition that “[u]nder a dilution theory, the holder of a distinctive mark seeks to protect its interests in the trademark from the use of an identical or similar mark by a junior user that tends to blur or tarnish the image of the distinctive mark.” In Four Seasons Hotels, the court found dilution where defendant’s customers “plainly formed a different, negative impression” of plaintiff. The court applied Moseley to find dilution where “the record reflect[ed] evidence of actual harm to Four Seasons in the form of customers who complained that the [defendant’s] hotel ‘wasn’t a Four Seasons’ due to its substandard nature, incomplete construction and inferior furnishings”. However, the court did not categorize this finding as either blurring or tarnishment and did not refer to the question of whether the FTDA covers tarnishment.

In Caterpillar, plaintiff objected to defendant’s movie portrayal of plaintiff’s construction equipment as the vehicles used by the villain’s henchmen. While noting the Supreme Court’s question about tarnishment, Caterpillar treated tarnishment as within

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30 See, e.g., Eli Lilly & Co., supra, 233 F.3d at 466 (7th Cir. 2000) (“Courts recognize two principal forms of dilution: tarnishing and blurring”); I.P.Lund Trading ApS, supra, 163 F.3d at 47 (1st Cir. 1998) (“there are two types of dilution recognized: blurring and tarnishing”).


the scope of the FTDA. The court assumed that actual dilution would have to be shown in tarnishment cases, and stated that it was unclear what type of showing would suffice. In any event, since the defendant’s cinematic portrayal of plaintiff’s products did not suggest plaintiff’s products were shoddy, of low quality, unwholesome or unsavory, the court did not find dilution by tarnishment.35

D. Judicial Reaction to Moseley

1. Courts

Since the Supreme Court’s decision in Moseley, a number of courts have addressed the requirement that in order to prevail on a dilution claim, the plaintiff must provide proof of actual dilution -- i.e. a lessening of the capacity of its mark to identify and distinguish its goods and services.36 To date, however, the decisions have provided little guidance on the type or sufficiency of the evidence needed to prove dilution. Indeed, the courts generally appear to be as uncertain as practitioners about how to prove actual dilution.

In particular, there have been very few published decisions in which courts have been presented with direct, empirical evidence of actual dilution. Consequently, except in those cases where the courts have been willing to find the use of identical marks to itself to be sufficient circumstantial evidence, judges have had little opportunity to clarify what evidence would be considered appropriate or adequate to prove dilution.

In Ty Inc. v. Softbelly’s Inc.,37 Judge Posner's opinion for the court stated that Moseley implied the need for some form of “trial-type evidence” to determine whether there has been actual dilution. However, he stated that “[w]e are not sure what question could be put to consumers that would elicit a meaningful answer either in that case [Moseley] or this one.”38 He also noted that “[w]e are not alone in having these doubts” (citing to an article by Jonathan Moskin in The Trademark Reporter and Professor McCarthy’s treatise).39 Judge Posner noted that the Supreme Court had said that in some cases “direct evidence of actual dilution such as consumer surveys will not be necessary

35 Caterpillar, Inc. v. Walt Disney Co., 287 F.Supp.2d 913, 922 (C.D.Ill. 2003). See also NASDAQ Stock Market, Inc. v. Antarctica, S.r.l., 2003 T.T.A.B. LEXIS 391 (T.T.A.B. 2003) (noting that in Moseley the Supreme Court recognized that “state dilution statutes provide that tarnishment and blurring are actionable, while FTDA arguably refers only to the latter”).

36 In Playtex Products, Inc. v. Georgia-Pacific Inc., 67 U.S.P.Q.2d 1923, 1931 (S.D.N.Y. 2003), the court stated that “the FTDA provides the holder of a senior mark a remedy without proof of actual dilution.” Similarly, the court in Wham-O, Inc. v. Paramount Pictures, 286 F.Supp.2d 1254, 1260 (N.D. Cal. 2003), suggested that “likelihood of dilution” was the appropriate legal standard based on prior Ninth Circuit precedent. However, those positions are plainly erroneous after Moseley.

37 353 F.3d 528 (7th Cir. 2003).

38 Id. at 535.

39 Id.
if actual dilution can reliably be proved through circumstantial evidence.” However, he also observed that “[t]he Court did not explain and no one seems to know what that ‘circumstantial evidence’ might be.”

Similarly, in *Caterpillar Inc. v. Walt Disney Co.*, the court noted that even if one assumes that a claim of dilution by tarnishment is still viable under the FTDA after *Moseley*, and that proof of actual dilution is required in such cases, “it is unclear what type of showing [plaintiff] must make.”

In *Kellogg Co. v. Toucan Golf, Inc.*, the plaintiff had presented marketing studies regarding public recognition of its marks before and after the defendant commenced use of its mark. However, the Sixth Circuit found that this evidence did not support a finding of dilution and, if anything, suggested that there had been no lessening in the public’s recognition of the marks or their capacity to identify and distinguish Kellogg’s product. In *Gateway, Inc. v. Companion Products, Inc.*, the court similarly held that although plaintiff’s likelihood of confusion survey demonstrated that a significant portion of the public associates the defendant’s product with the plaintiff because of its use of a similar mark and trade dress, it did not demonstrate any lessening in the strength of the plaintiff’s mark — i.e. the ability of the plaintiff’s mark to identify and distinguish its products.

In *ETW Corp. v. Jireh Publishing, Inc.*, the majority held that plaintiff’s consumer survey evidence could not be used to support its claim of dilution because the survey respondents were not shown materials that included the specific mark that was the subject of the dilution claim. The court in *Golden West Financial v. West Mortgage Services, Inc.*, found no evidence that the plaintiffs’ marks were diluted by defendant’s use, noting that the plaintiffs had nearly $65 million in assets and that the parent company had recently reported record profits.

In *HBP, Inc. v. American Marine Holdings, Inc.*, plaintiff argued that it should be able to show actual dilution based on a loss in licensing revenue and reduction in the royalty value of the mark, citing to deposition testimony. However, plaintiff had failed to include that evidence in the record. Moreover, the court found that plaintiff had not

40 Id.
42 337 F.3d 616 (6th Cir. 2003).
44 332 F.3d 915, 923 n.7 (6th Cir. 2003).
45 2003 WL 1343019 *8 (N.D. Cal. 2003).
46 290 F.Supp.2d 1320 (M.D. Fla. 2003),
introduced any evidence that its customers and potential customers had formed any different impression of its products or services as a result of defendant’s use of the mark.

As discussed below, in a few cases where the defendant’s mark was deemed to be identical to the plaintiff’s mark, the courts have interpreted *Moseley* to mean that such identity between the marks *in itself* is sufficient circumstantial evidence of actual dilution. Other courts, however, have insisted that even if the marks are identical, the plaintiff must provide other circumstantial evidence of dilution. Indeed, to date there have been only two published decisions that have found actual dilution on grounds other than simply because the marks were identical. Both cases, however, involved unusual circumstances and may have little application beyond their specific contexts.

In *Four Seasons Hotels and Resorts B.V. v. Consorcio Barr, S.A.*, the licensor of the FOUR SEASONS mark for hotels brought suit against a licensee alleging, *inter alia*, trademark dilution. The court found that the licensee’s failure to comply with the quality control standards in the license “diminished the capacity of the mark to distinguish the high quality of Plaintiffs’ services.” In particular, the court pointed to evidence in the record that customers had complained that the hotel “wasn’t a Four Seasons” due to its substandard nature, incomplete construction and inferior furnishings and finishings. The court held that “[t]his constitutes evidence of actual harm to establish dilution under the Lanham Act.”

In *Pinehurst, Inc. v. Wick*, the owner of the Pinehurst Golf Resort sued the registrants of the domain names <pinehurstresort.com> and <pinehurstresorts.com> under both the Anticybersquatting Consumer Protection Act and the FTDA. On the dilution claim, the court found that the identical or virtually identical character of the domain names to plaintiff’s marks constituted evidence of dilution. The court found that “[d]efendant’s use of domain names identical or confusingly similar to [p]laintiff’s marks is likely to prevent or hinder Internet users from accessing [p]laintiff’s golf services on the Internet.” The court reasoned that customers who were unable to locate plaintiff’s site by typing those domain names into their browsers might fail to continue to search for the plaintiff’s own web site and that “[a]s a result, the economic value of [p]laintiff’s mark is diminished.” Consequently, “[b]ecause of the unique nature of domain names in electronic commerce and the resulting economic harm when marks are registered as domain names by cyberpirates, [d]efendants’ use of [p]laintiff’s mark in their Pinehurst

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50 Id. at 1332.

domain names constitutes dilution.”  

2. **TTAB**

The TTAB has reached the issue of dilution on only two occasions since the Moseley decision. Only one decision has precedential value.

In a decision not citable as precedent, The *Pep Boys Manny, Moe & Jack of California v. Cherng Lian Ent Co., Ltd.*

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, the Board dismissed an opposition filed against an intent to use application for the mark ROAD BOY and Design for “light fixtures for vehicles, namely lights for automobiles, fog lights, headlights for automobiles, [and] light bulbs for land vehicles”. On the dilution issue, the Board generally concluded that Opposer had failed to establish that its marks were famous prior to Applicant’s constructive use date but it assumed that Opposer’s marks were indeed famous “in view of our disposition of the dilution claim”. The Board found that “Applicant’s ‘ROAD BOY’ and design mark is, in short, so different that, as a matter of law, it cannot cause dilution of the distinctive quality of any of Opposer’s ‘PEP BOYS’ marks.”

In *The NASDAQ Stock Market, Inc. v. Antarctica, S.r.l.,*

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, the Board sustained an opposition to register the mark NASDAQ and Design on the basis of Opposer’s claims of likelihood of confusion and dilution. Applicant sought to register the mark for a variety of goods including, *inter alia*, safety helmets, sport clothing and shoes, and sporting and exercise equipment. Opposer asserted its registration for the mark NASDAQ on the Principal Register for “listing of securities for quotation for sale or information purposes.” The application in question was based on Section 44 of the Lanham Act, and Applicant had used the mark neither in the U.S. nor in commerce between Italy and the U.S. With regard to Opposer’s dilution claim, and in light of *Moseley’s* admonition that a plaintiff in a civil action under the FTDA must prove *actual dilution*, the Board first had to decide whether proof of *likelihood of dilution* would suffice in a Board proceeding under the FTDA.

Relying upon its pre-*Moseley* holding in *Toro*

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, that a plaintiff in an opposition proceeding involving an intent to use application may prevail upon a showing of likelihood of dilution, the Board concluded that an opposer in a case in which the mark is not in use and is the subject of a Section 44 application may prevail upon the same basis. Looking at the legislative history of the FTDA and Trademark Amendments Act of 1999,

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the Board reached the “inescapable conclusion” that Congress intended to “allow cases involving prospective dilution to be heard by the Board.” The Board also found

52  *Id.* at 431-432.


56  Public Law No: 106-43.
that there is “no holding or statement in Moseley that runs counter to this conclusion.” On the basis of the evidence before it, the Board concluded that Opposer’s mark was inherently distinctive, that it was famous for purposes of a dilution analysis and that its fame had been acquired before the priority date of the application in issue. The Board held that “blurring” was established in view of the identity of the marks, the fame of Opposer’s mark and the fact that the general public would be unlikely to associate the mark NASDAQ with any party other than Opposer. Opposer had therefore sufficiently proved its case to warrant refusal of registration.57

III. Survey Evidence to Prove Actual Dilution

Unlike traditional survey evidence offered to prove or disprove likelihood of confusion, secondary meaning and genericness, dilution surveys are relatively new and infrequent, perhaps because dilution claims often “tag-along” to infringement claims and thus receive comparatively little attention by the litigants and the courts. Whatever the reasons, the difficulties associated with dilution surveys are such that one court wrote that “[t]here is [sic] no standard criteria for surveying for dilution.”58 The pre-Moseley approaches to dilution surveys are discussed below, followed by a number of suggested survey designs that arguably satisfy the goals of admissibility, persuasiveness to prove actual dilution, and practicality (i.e., cost). In considering what follows, readers are cautioned that no post-Moseley case has dealt with and approved or disapproved of a specific dilution survey design.

A. Pre-Moseley Survey Evidence

Under pre-Moseley case law, proof of dilution, whether blurring or tarnishment, required evidence that the defendant’s mark, when seen by or exposed to the relevant group of people, caused the plaintiff’s famous mark to come to mind, even though confusion did not exist. The few reported decisions where dilution survey evidence was offered thus involved surveys designed to establish an association between plaintiff’s and defendant’s mark.

1. Wawa, Inc. v. Haaf59

Plaintiff, the operator of a chain of convenience stores under the name Wawa, asserted a claim under the FTDA based upon defendant’s use of the name HAHA on his convenience store. Plaintiff offered the results of a name association survey of adults residing in the area of the HAHA store. Survey respondents were shown a photograph of the HAHA store and were asked, “Have you ever seen or heard of this store?” and,

57 Whether the Board would apply a likelihood of dilution standard to a use-based application or to a cancellation proceeding is still undecided.


regardless of the answer, were then asked, “What do think of when you see or hear the name of this store?”

The court deemed the survey evidence persuasive:

Plaintiff buttresses its position by introducing evidence of a marketing survey which concludes that persons in HAHA’s neighborhood who were interviewed about Defendant’s market tended, in 29% of the cases, to associate Defendant’s market with a Wawa market. Although Defendant’s expert categorized the market survey as unreliable, I find by a preponderance of the evidence that Plaintiff’s market survey is credible and supports my own conclusion that HAHA 24 HR. Market is undermining the strength of Wawa either through dilution or parody.

2. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development

Plaintiff, the owner of the famous mark THE GREATEST SHOW ON EARTH (having used the mark in connection with circus entertainment since 1872), sued an agency of the State of Utah for its use of the mark THE GREATEST SNOW ON EARTH to promote tourism and to advertise Utah’s winter skiing facilities. Survey respondents were given a card with the words ‘THE GREATEST _____ ON EARTH’ on it and were asked what word or words they would use to “fill in the blank.” Respondents who completed the statement were then asked with whom or what they associated the completed statement, whether they could think of any other way to complete the statement and, if so, with whom or what they associated that statement. Plaintiff’s survey expert compared the responses to the “THE GREATEST _____ ON EARTH” statement in Utah with responses elsewhere in the United States.

The survey results showed that 25% of respondents in Utah completed the statement with only the word SHOW and associated the statement with the circus, 24% completed the statement with only the word SNOW and associated the completed statement with the winter sports facilities in Utah.


63 Cards with the words “I LOVE _____” and “DON’T LEAVE ______WITHOUT IT” were used as controls.
statement with Utah, and 21% completed the statement with the word SHOW, associating it with the circus, and also with the word SNOW, associating the second statement with Utah. Outside Utah, 41% of respondents completed the statement only with the word SHOW, associating the statement with the circus, no one completed the statement only with the word SNOW, and less than 0.5% completed the statement with both SHOW and SNOW and made the appropriate associations.

Plaintiff argued that while 41% of respondents outside Utah associated THE GREATEST _____ ON EARTH with it, only 25% of those in Utah did so. This, according to plaintiff, established that Utah’s use of THE GREATEST SNOW ON EARTH had diluted plaintiff’s mark. The court was not persuaded. The survey showed that the mark THE GREATEST SNOW ON EARTH was unknown outside of Utah and thus could not be diluting plaintiff’s mark.64 Within Utah, the court found that the survey established that respondents had no difficulty keeping the two marks separate in terms of the goods and services that each identifies and distinguishes. In response to plaintiff’s argument that Utah’s mark shared “top of the mind” status with plaintiff’s mark and thus diluted it, the court focused not on the incomplete statement THE GREATEST _____ ON EARTH but instead plaintiff’s actual mark THE GREATEST SHOW ON EARTH and found no evidence from the survey results that this mark had been diluted by Utah’s mark.65

3. *Hershey Foods Corp. v. Mars, Inc.*66

Plaintiff, the manufacturer of Reece’s Peanut Butter Cups, sued Mars for trade dress dilution, asserting that Mars’ trade dress for its peanut butter-filled M&M's brand candy diluted plaintiff’s trade dress in violation of the Lanham Act and Pennsylvania law. Plaintiff offered survey evidence in support of its claims of secondary meaning, fame and dilution. With respect to the dilution segment of the survey, respondents were shown a representation of the M&M’s package without the M&M’s logo and the cascading candy pieces on the right side of the package and with a “Brand X” logo added. They were then asked “If you think you know, what brand of candy comes in this package?” and, if a brand was named, what in particular made them think it was that brand. The survey results showed that 7% identified the brand as M&M’s while 51% misidentified it as Reese’s and 49% of those cited the package’s color as the reason. Plaintiff’s survey expert concluded that the results established dilution because a substantial number of persons saw a representative of an M&M’s package and connected it with Reese’s.

The court discounted the survey because the survey stimulus had omitted several visual clues that could have misled respondents into the mistaken belief that the representation was of Reese’s trade dress.67

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64 955 F.Supp. at 617.
65 *Id.* at 617-618.
67 998 F.Supp. at 519.
4. **Kellogg Co. v. Exxon Mobil Corp.**\(^{68}\)

Kellogg sued Exxon Mobil for trademark infringement and dilution, asserting that Exxon Mobil’s use of a cartoon tiger icon infringed and diluted the name and image of its “Tony the Tiger” spokes animal. In support of its dilution claims, Kellogg offered the results of an extensive dilution survey. Each survey respondent was shown one of four different stimuli, each bearing a likeness of the Exxon tiger. They were then asked “What company or name or brand, if any, comes to mind when you see this tiger?” and “What other companies or names or brands, if any, come to mind when you see this tiger?” Respondents who answered Kellogg or Frosted Flakes to either question were counted as associating the tiger with Kellogg. Each of the four stimuli produced an association of approximately 70%.\(^{69}\) Exxon Mobil’s motion for summary judgment was denied, the court finding that the survey evidence was sufficient proof that Exxon Mobil’s tiger “causes dilution.”

5. **Pharmacia Corp. v. Alcon Laboratories, Inc.**\(^{70}\)

Plaintiff, the owner of the XALATAN mark used on a drug to treat glaucoma, sued defendant for its use of the mark TRAVATAN on a competing drug. In support of its dilution claim, plaintiff offered the results of a survey that showed ophthalmologists a box of “Travatan” and asked what other products, if any, were brought to mind. If a survey respondent answered “Xalatan,” he/she was then asked several times why Xalatan came to mind. After netting out the results of a control cell that showed respondents a box of “Lumigan” and asked the same questions, the survey showed that 14% of respondents thought that Travatan brought to mind Xalatan because of similarities in the trade names.

The court rejected the survey results because the survey universe employed was too narrow and was not shown to be representative of all ophthalmologists, because the responses were inconsistently coded, and because the responses obtained by one interviewer were suspect. Other than to reject defendant’s criticism of the use of the word “products” in the survey question, the court did not otherwise comment on the survey design.

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\(^{68}\) 192 F.Supp.2d 790 (W.D. Tenn. 2001).

\(^{69}\) 192 F.Supp.2d at 805-806.

\(^{70}\) 201 F.Supp.2d 335 (D. N.J. 2002).
B. Post-Moseley Survey Evidence

1. What Moseley Suggests About Dilution Surveys

As discussed above, Moseley held that proof of actual dilution was required. The Court in Moseley made several statements about the role that surveys should or could play in proving actual dilution:

We do agree ... that, at least where the marks are not identical, the mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution.

*   *   *

Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents and their amici argue that evidence of 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 proved 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.71

As discussed below, the Court did not provide guidance on (1) what alternatives to survey evidence are available as direct evidence of actual dilution; (2) when surveys are unnecessary to prove actual dilution, or (3) what a survey must show to provide evidence of actual dilution.

2. Interpretations and Comments Regarding Moseley’s Statements on Dilution Surveys

Several months after the Supreme Court’s decision in Moseley, the Seventh Circuit in Ty Inc. v. Softbelly’s, Inc. considered a claim that “Screenie Beanies” (for plush toys with chamois bellies, used for cleaning computer screens) diluted “Beanie Babies” used for toys having a soft feel (thus, the marks were not identical).72 No survey was involved, but Judge Posner -- after noting that the Moseley question was whether there has been “any lessening of the capacity of the Victoria’s Secret mark to identify and distinguish goods or services sold in Victoria’s Secret stores or advertised in its catalogs”

71 537 U.S. at 433- 34.
74 353 F. 3d 528 (7th Cir. 2003).
-- commented as follows:

   We are not sure what question could be put to consumers that would elicit a meaningful answer either in that case or this one. We are not alone in having these doubts.73

The Moskin article cited by Judge Posner makes the following similar but more elaborative points:

   The Supreme Court held, however, that merely establishing an association is not proof of actual dilution. In the wake of Moseley, it remains to be seen if some other effective (or at least acceptable) methods can be designed of surveying actual effects on consumers caused by any given accused mark. Although the Supreme Court did not foreclose use of contextual principles in at least some cases where the marks are identical, that scarcely resolves what must be proven in all other cases and may be cold comfort even in cases where the marks are identical because litigants will not want to risk trying a case without any evidence and the Court did not say that contextual factors are appropriate even in all cases where the marks are identical.74

   Professor J. Thomas McCarthy attempts to find more direction from Moseley on when surveys are and are not required. He first adopts the identical/non-identical mark dichotomy discussed in Moseley and then divides the former into situations where the famous mark (which the junior user employs in identical form) is coined and fanciful (e.g. Rolex, Clorox, Kodak or Exxon), and situations where the mark is famous for particular goods or services but not coined or fanciful (e.g., APPLE for computers, POLO for wearing apparel or SATURN for autos). In the case of a fanciful, famous mark used in identical form by the alleged dilutor (e.g., KODAK pianos), Professor McCarthy suggests that no direct evidence of dilution is necessary, in the form of a survey or otherwise, and that dilution should be presumed.75 If the famous mark is used identically but is not a fanciful term (e.g., SATURN telescopes or POLO horse trailers), Professor McCarthy suggests that evidence of an association with the senior user called to mind by the junior use should suffice and that it can be established by an association survey of the type used in several pre-Moseley cases.76

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74 93 TMR at 853.

75 Professor McCarthy does not say whether the presumption is conclusive or rebuttable.

76 See 4 McCarthy on Trademarks and Unfair Competition § 24-94.2 at 24-201-24-203.
Where the junior user’s mark is not identical to the famous mark, Professor McCarthy notes that *Moseley* requires direct evidence of dilution and that evidence of mere association is not sufficient. Thus, in such circumstances a survey must show that the junior user has caused a lessening of the capacity of the senior user’s mark to identify and distinguish its goods or services.77

3. **Post-Moseley Surveys in the Courts**

Three cases indicate how the courts may treat dilution surveys after *Moseley*.

The first is *Kellogg Company v. Exxon Mobil Corporation*,78 discussed above. Although the case was decided pre-*Moseley*, the court purported to apply the actual dilution standard later mandated by the Supreme Court. Kellogg alleged that its famous “Tony the Tiger” mark for its cereal was diluted by Exxon’s cartoon tiger, which had historically been used for gasoline products and related services, and had been recently expanded for use on convenience stores on the premises of its service stations.79 In support of its FTDA claim, Kellogg introduced a survey in which customers at eight metropolitan area shopping centers were shown items bearing Exxon's cartoon tiger that were distributed at Exxon’s convenience stores and print ads bearing that character. They were asked “What company or name or brand, if any, comes to mind when you see this tiger?” and “What other companies or names or brands, if any, come to mind when you see this tiger?” Seventy percent of the respondents mentioned Kellogg or a Kellogg product. The court held that this “mere association” test was sufficient to prevent summary judgment against Kellogg, though the *Moseley* court later held that such association does not constitute evidence of actual dilution.

In *Kellogg Company v. Toucan Golf, Inc.*,80 Kellogg again asserted a dilution claim under the FTDA against a junior user of an animal character of the same species that Kellogg used for a cereal product. Kellogg was attempting to protect its famous Toucan Sam character used as a mark on its Froot Loops cereal. The defendant used a toucan of a different design (non-identical mark) on golf putters. Kellogg offered two surveys, one undertaken in 1991 that showed that 94% of children recognized Toucan Sam and that 84% of children related him to Froot Loops, and a second survey undertaken in 1997 showing that 94% of adults recognized Toucan Sam. The defendant began its use of a toucan between the dates of these surveys. The court held that, rather than establishing that defendant’s use resulted in fewer people recognizing "Toucan Sam" as a symbol for Kellogg, these surveys showed that there had been no such lessening. Because Kellogg submitted no other direct evidence of dilution, its dilution claim was dismissed. As discussed below, the case involves the possible use of benchmarking.

77 *Id.* at 24-203.


79 Interestingly, Kellogg did not complain that Exxon’s long-standing use of its cartoon tiger on gasoline products and related services was dilutive, perhaps because of an anticipated laches defense.

80 337 F.3d 616 (6th Cir. 2003).
surveys – both before and after defendant’s use -- to demonstrate a lessening in the capacity of a mark to identify or distinguish, as well as the potential dangers in doing so.

In Gateway, Inc. v. Companion Products, Inc., computer seller Gateway claimed that its famous black-and-white cows and spots mark was diluted by defendant’s sale of a plush, stuffed black and white toy cow (“Cody Cow”) designed to wrap around computer monitors. Gateway introduced a survey to support both its trademark infringement and dilution claims. Actual and potential purchasers of computer accessories in twelve shopping malls around the country were divided into two cells. The test cell was shown a photograph of Cody Cow wrapped around a computer monitor. The control cell was shown a photo of another of the defendant’s wraparound computer animals, a tiger, in the same pose. Respondents were first asked “Based on what you just saw, do you or do you not have a belief as to who or what company or companies puts out the product in the picture that I just showed you?” If they answered “yes,” they were asked (1) what company or companies put it out; (2) what other product(s) that company(ies) made; and (3) whether whoever put out the product in the picture was related to, associated with or sponsored by another company, and if so who that other company was. After each question, the respondent was asked to explain the reason for the answer. According to the survey designer, 39% of the test group erroneously believed that Gateway manufactured or sponsored Cody Cow. By contrast, in the control group that saw the tiger instead of Cody Cow, 86% did not have a belief as to the source of the product and of those who did only one respondent mentioned Gateway. The court held that this survey did not prove actual dilution:

Gateway has not proven that CPI’s sale of Cody Cow actually dilutes the strength of its mark. Although the consumer survey demonstrates that a significant portion of the public associates Cody Cow with Gateway, it does not demonstrate actual dilution. There is no evidence that Cody Cow, in actuality, lessens Gateway’s trademark. No evidence demonstrates that Cody Cow undermines the ability to identify and distinguish Gateway’s products.

4. Possible Survey Designs

Several commentators have addressed the subject of survey designs sufficient to pass muster under Moseley.


82 Id., 68 U.S.P.Q.2d at 1424.

83 The description below of various survey designs is intended as a catalog of possible approaches and is not an endorsement or criticism of these designs or any of them.
a. Comparative Surveys

Perhaps in response to the *amici* briefs filed in *Moseley* in support of respondents, arguing the difficulty of providing direct evidence of actual dilution via surveys or otherwise, the *amicus* brief of the Solicitor General of the United States in support of petitioners referenced four types of survey designs (published by commentators) that would, in its opinion, provide such evidence. 85 Professor McCarthy describes them in his treatise without comment.86 Each of the four designs involves gathering comparative data from two groups: Group A that is familiar with the junior use of the famous mark (or non-identical form of the famous mark) and Group B that is not. Though the Solicitor General provided only brief examples, more detailed versions of the examples are provided below.

This protocol presents the first potential problem with the survey designs--finding respondents who fit within these respective groups. In the *Moseley* case, the defendants owned a single retail store in Elizabethtown, Kentucky, whereas plaintiff’s owned stores nationwide. Thus, Group A would be those people in or near the Elizabethtown area and Group B would be respondents outside that area. However, in many cases such geographical dichotomy may not be so clear. One potential solution may be to have the last question in the survey ask whether the respondent has ever heard of the junior use of the mark and to group respondents based upon the answer.

**Example 1**: In this survey both groups of respondents are asked with what products or services they identify plaintiff’s mark. If Group A shows a lower level of identification with the senior user’s goods or services, this is said to demonstrate the diluting effect of the junior use. In the *Moseley* context, Group A would be respondents in or near Elizabethtown and Group B would be people outside that area. If 75% of Group A responded “women’s lingerie and wearing apparel” compared to 87% in Group B, the difference would arguably be a measure of actual dilution caused by the defendant’s mark.

**Example 2**: This design is the same as Example 1, except that what is compared is the rate of *sole* identification of the senior user’s goods or services with the rate of *joint* identification of both parties goods or services in Groups A and B. A greater joint identification in Group A than B would arguably be a measure of actual dilution. In the *Moseley* context, both groups would be asked with what goods or services they associate the senior user’s “Victoria’s Secret” mark. In contrast to Government 1, however, what

85 See also Restatement (Third) of the Law of Unfair Competition §25, comment f at 270 (1995)(“Direct evidence of a dilution of distinctiveness is seldom available because the harm at issue is a blurring of the mental associations evoked by the mark, a phenomenon not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior.”).

85 The Solicitor General’s recommended survey designs were based on suggestions in the following two articles: 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. (Winter 1999); and Barber, “How to do A Trademark Dilution Survey (Or Perhaps How Not to do One)”, 89 TMR 616 (1999).

86 McCarthy, §24:94.2 at 24-204-24-207.
is compared is the extent to which Group A identifies both women’s lingerie/wearing apparel and sex toys with the extent to which Group B identifies the mark solely with lingerie/wearing apparel. Thus, if 30% of Group A includes sex toys in their answers but none of group B does, this 30% is arguably a measure of actual dilution caused by the junior mark.

**Example 3:** This design also involves Groups A and B, as above, but the focus of the questions is different. Here respondents are asked to identify the positive and negative attributes they associate with the senior user’s mark. If Group A mentions fewer positive or more negative attributes than Group B, this arguably can be asserted as evidence of actual dilution. For example, in the Moseley context, if more people aware of the junior use (Group A) were to mention “low-class” or “X-rated” as attributes of “Victoria’s Secret” than Group B, it could be argued that this demonstrates actual dilution. One concern is that the type of dilution measured may be tarnishment and, as discussed above, there is a question as to whether tarnishment is remediable under the FTDA.

**Example 4:** This design is similar to Example 3, but rather than asking Groups A and B to volunteer attributes associated with the famous mark, the survey provides them with a list of qualities and asks them to rate each quality on a numerical scale. Significant differences in ratings between respondents who are and are not familiar with the junior user’s mark are arguably direct evidence of actual dilution. For example, in the Moseley context, the “Victoria’s Secret” mark could be rated on a scale of 1 to 10 on attributes such as “tasteful,” “charming,” “delicate,” “elegant,” “cultured,” “classy,” “crude,” “gross,” and “vulgar,” and the scores in Group A versus Group B compared. Significant numerical differences in the area where the junior user’s mark is and is not known can supply evidence of actual dilution (e.g., the “tastefulness” score for the plaintiff’s mark is 7.8 where defendant’s mark is unknown but only 5.2 where it is known).

**b. Benchmark Surveys**

As noted above, it may be difficult to locate separate groups of respondents that are aware and unaware of the junior user’s mark. For example, if the junior user begins using the mark nationally with a significant advertising budget behind it, unaware respondents may be difficult to locate for purposes of the comparative surveys discussed above. Benchmarking surveys may be a solution, although their practicality and judicial acceptance have not yet been tested.

In advance of any dilution controversy, owners of famous marks might conduct non-comparative attribute and/or quality studies of the type discussed above in Example 3 and Example 4. Respondents would be asked to describe the qualities they associate with the famous mark or to rate certain attributes concerning it. In addition to providing an opportunity to gather data concerning fame (where necessary), the results might provide a baseline against which the effects of a later, allegedly diluting mark can be measured by comparing the “before and after” results. Benchmarking surveys, however, may raise issues, among others, of the timing of the first benchmark, differing market
conditions at the time of the surveys and other issues bearing on their comparability.

c. Speed and Accuracy of Recall Surveys

Several commentators have suggested a survey design for proving actual dilution where the underlying rationale is that the junior use of the famous (or non-identical, but similar) mark will delay the speed of recall of the senior use and/or affect the accuracy of the recall of the senior use, and that either demonstrates actual dilution.

This design is discussed in the 1999 article by Bible and elaborated upon in Morrin and Jacoby, “Trademark Dilution: Empirical Measures for an Elusive Concept”, Journal of Public Policy & Marketing (Fall 2000). The Morrin and Jacoby article describes the survey protocol and analysis methodology in far too much detail to be summarized here. In general, the studies it describes show that a measurable delay in the ability of a respondent to associate the famous mark with its owner and/or a measurable decrease in the ability of a respondent accurately to recall, for example, advertising messages for the senior use can be determined if there is actual dilution. One concern may be the cost of such surveys.

The literature and cases to date do not appear to discuss any additional survey designs that might serve as proof of actual dilution. If the requirement for such proof is not changed or modified by legislation, however, owners of famous marks and their counsel will no doubt be giving further consideration to the possible use of market research as evidence of actual dilution.

IV. Circumstantial Evidence of Actual Dilution

A. Identical and Non-Identical Marks

The post-Moseley cases summarized below, turning on the degree to which the marks were deemed to be identical, illustrate two trends. First, if the marks are not identical or virtually identical, a finding of dilution is unlikely. Second, Moseley is subject to differing interpretations, specifically the language in Moseley to the effect

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.

This language has been interpreted in various ways by the courts, as illustrated by the decision in Savin Corp. v. The Savin Group. In focusing on the Moseley language

87 See note 87, supra.
88 537 U.S. at 434.
quoted above, the court stated:

This sentence is not easy to interpret, as is apparent from the differing interpretations of lower courts. Is the Court saying, as plaintiff maintains, that when the junior and senior marks are identical, that in itself is sufficient circumstantial evidence to prove actual dilution? (citation omitted) Or, is the Court saying that circumstantial evidence of actual dilution, as opposed to direct evidence, is sufficient when the marks are identical? (citation omitted) The latter interpretation seems more likely because, in the sentence following its statement that actual dilution may be proven through circumstantial evidence, the Moseley Court says:

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.90

The lower courts so far have adopted two interpretations of Moseley. The first interpretation—identical marks equals proof of actual dilution—was endorsed by the courts in the Nike case and the 7-Eleven case and by the TTAB in the NASDAQ case. The second interpretation—identical marks allows circumstantial evidence, rather than direct evidence, to prove actual dilution—was adopted by the courts in Pinehurst, Savin, and Scott.

1. Identical Marks Equals Proof of Actual Dilution

In Nike, Inc. v. Variety Wholesalers, Inc.,91 the court concluded that the defendant diluted plaintiff Nike’s trademarks due to the “identical or virtually identical character” of the marks on the associated goods. The court in 7-Eleven, Inc. v. McEvoy92 applied the identical marks equals circumstantial evidence of actual dilution interpretation of Moseley: “The requirement of actual dilution is satisfied where the defendant uses the plaintiff’s mark.”93 In NASDAQ Stock Market, Inc. v. Antartica,94 the TTAB denied an Italian corporation’s application to register a “NASDAQ and Design” mark because the NASDAQ mark, as owned by the stock market, would be diluted. The Board had no difficulty concluding that “the marks are effectively identical” and, as a result, dilution

90 2003 U.S. Dist. LEXIS at *43.
93 Id. at *9.
would occur, even in the absence of survey evidence.

2. **Identical Marks Allows Circumstantial Evidence, Rather Than Direct Evidence, To Prove Dilution**

In *Scott Fetzer Co. v. Raymond G. Gehring*, defendant sold plaintiff’s products with plaintiff’s identical marks without authorization. The court considered surrounding circumstances, including the use of identical marks, in determining that plaintiff had established actual harm and dilution, citing *Moseley*.

In *Savin Corp.*, plaintiff’s dilution claim failed on a motion for summary judgment because plaintiff failed to show actual dilution where, despite the identity of marks, plaintiff failed to offer any other circumstantial evidence tending to show evidence of actual dilution. The court found that simply proving identical marks is insufficient for a showing of dilution, interpreting *Moseley* to hold that circumstantial evidence of actual dilution, as opposed to direct evidence, is sufficient when the marks are identical.

In *Pinehurst, Inc. v. American Dist. Sys., Inc.*, the court held that defendants’ use of plaintiff’s service marks in their Pinehurst domain names constituted dilution. Recognizing the unique nature of domain names in electronic commerce and the resulting harm to plaintiff from defendants’ use, the court found that defendants diluted plaintiff’s PINEHURST and PINEHURST RESORT AND COUNTRY CLUB marks due to the “identical or virtually identical” character of defendant’s Pinehurst.com and PinehurstResorts.com domain names.

In *Gateway, Inc. v. Companion Products, Inc.*, the court entered judgment in favor of defendant on the issue of trademark dilution. Concluding that Gateway’s trademark was identical to defendant’s Cody Cow mark, the court nonetheless found that Gateway did not prove actual dilution. The court stated that there is “no evidence that [the] Cody Cow [mark] lessens the strength of Gateway’s trademark” and that “[n]o evidence demonstrates that Cody Cow undermines the ability to identify and distinguish Gateways’ products.”

3. **Non-Identical Marks**

In *Ty, Inc. v. Softbelly’s, Inc.*, the Seventh Circuit reviewed the lower court’s ruling that defendant’s use of the term “Beanies” diluted plaintiff’s famous mark as a

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98 353 F.3d 528, 2003 U.S. App. LEXIS 25883 (7th Cir. 2003).
matter of law. The court found that plaintiff had offered no evidence that would have permitted a trier of fact to infer any lessening in the capacity of “Beanies” to identify and distinguish plaintiff’s plush beanbag animals. Plaintiff argued that no consumer survey evidence or any other evidence was required because of the identity of the marks. The court dodged any position on the two interpretations of Moseley discussed above, noting that “[n]either ‘Beanies’ nor ‘Beanie Babies’ is identical to ‘Screenie Beanies.’”

In Playtex Products, Inc. v. Georgia-Pacific, Inc.,99 the court granted defendant’s motion for summary judgment on plaintiff’s federal and state dilution claims. The court found that the marks WET ONES and QUILTED NORTHERN MOIST ONES were not sufficiently similar to support a claim for dilution under either federal or state statutes. The court noted that the differences between the marks were greater than their similarities and there was little likelihood of an association in the mind of the consumer, as confirmed by the total lack of evidence of actual confusion. Since the marks were not identical, there was no discussion of the Moseley issue.

In Tommy Hilfiger Licensing, Inc. v. Goody’s Family Clothing, Inc.,100 the court dismissed Hilfiger’s trademark dilution claim as a matter of law. Hilfiger argued that evidence of the similarity of Goody’s trim packaging101 to the Hilfiger mark was sufficient to sustain its dilution claim. In response, the court stated that the Hilfiger flag design mark and Goody’s trim packaging was not sufficiently similar to infer actual dilution, thereby requiring proof of actual dilution, citing Moseley.

B. The Role of Dilution Factors

1. Overview

Some courts have analyzed dilution by applying a series of factors. Other courts have rejected a multi-factor analysis, noting that this approach is more appropriate for the likelihood of confusion issue.

A review of the conflicting case law on this issue suggests that a multi-factor approach may be more suitable when the standard is likely dilution (e.g., under certain state statutes) than when the standard is actual dilution. However, even case law that criticizes the multi-factor approach accepts certain factors as relevant, such as similarity of the marks and plaintiff’s renown.

101 “Trim packaging” is a phrase used in the apparel industry to refer to the labels, tags, and design elements of garments that are visible to the customer when inspecting apparel for purchase, including size stickers, waistband labels, and woven labels attached to other parts of the garment. Tommy Hilfiger Licensing, Inc. v. Goody’s Family Clothing, Inc., 2003 U.S. Dist. LEXIS 8788, *21 (D. Ga. 2003).
2. Case Law

Two Second Circuit decisions, *Mead* and *Nabisco*, were instrumental in establishing the multi-factor approach to dilution. Judge Sweet’s concurring opinion in *Mead* considered the following factors in evaluating dilution under the New York statute:

1. similarity of marks and products;
2. consumer sophistication;
3. predatory intent; and
4. renown of the two marks.\(^{102}\)

In *Nabisco*, Judge Leval pronounced the *Mead* factors as too restrictive and applied a more elaborate multi-factor analysis for evaluating dilution under the FTDA:

1. distinctiveness
2. mark similarity;
3. product proximity and likelihood of bridging the gap;
4. interrelationship of 1-3;
5. shared consumers and geographical limitations;
6. consumer sophistication;
7. actual confusion;
8. adjectival quality of the junior use;
9. harm to the junior user and delay by the senior user; and
10. the senior user’s laxity in protecting the mark.\(^{103}\)

The Third Circuit in *Times Mirror* advocated consideration of both the *Mead* and *Nabisco* factors under the FTDA.\(^{104}\)

Several circuits have criticized the *Mead* factors as inappropriate for assessing a dilution claim under the FTDA. The First Circuit in the *Lund* case noted that *Mead* factors such as similarity of products and sophistication of consumers “work directly contrary to the intent of a law whose primary purpose was to apply in cases of widely differing goods, that is, KODAK pianos and KODAK film.” Moreover, “[t]here are difficulties with the Sweet factors even when used with competing goods.”\(^{105}\)

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102 *Mead Data Ctr., Inc. v. Toyota Motor Sales, Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989).
103 *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217-22 (2d Cir. 1999).
The Fourth Circuit in *Ringling Bros.* stated that the *Mead* “analysis simply is not appropriate for assessing a claim under the federal Act.” The *Ringling* court explained that “inferring actual harm and effective causation from such factors as ‘consumer sophistication,’ and ‘predatory intent’ is a chancy process at best.” 106 The Seventh Circuit observed in *Eli Lilly* that “several of these factors are more suited to an inquiry into the likelihood of confusion.” 107 While the Ninth Circuit has not confronted the issue, district courts in that circuit have applied the likely dilution standard without using a factor analysis.108

In *Moseley*, the Court alluded to the *Nabisco* factors in its discussion of the Sixth Circuit’s disposition below:

> The [Sixth Circuit] had previously noted that the “Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred, while describing them as a ‘nonexclusive list’ to ‘develop gradually over time’ and with the particular facts of each case.” 109

However, the appropriateness of a factor analysis or the pertinence of specific factors was not before the Court.

A more detailed look at the above court of appeals decisions suggests that the courts may be less inclined to rely on an extensive multi-factor analysis where actual dilution, as opposed to likely dilution, is the standard. The *Mead* factors were introduced in a case decided under the New York state dilution statute – a statute that provides relief based on “likelihood of injury to business reputation or of dilution.” 110 Recall that the Fourth Circuit *Ringling Bros.* case – which held that the FTDA required actual dilution – criticized use of the *Mead* factors in determining dilution under the FTDA:

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106 *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999)

107 *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (court considered only similarity of marks and renown of plaintiff’s mark).

108 *GMC v. Let’s Make a Deal*, 223 F.Supp.2d 1183 (D. Nev. 2002) (defendant’s use of plaintiff’s Hummer marks to market defendant’s own vehicles could cause consumers to associate plaintiff’s marks with defendant in light of the similarities between vehicles and symbols); *Ford Motor Co. v. Ultra Coachbuilders, Inc.*, 57 U.S.P.Q.2d 1356 (C.D.Cal. 2000) (defendant’s use of “Ultra Navigator” mark for its converted limousines implied that there is not a single source for Navigator vehicles, thus creating possibility that mark will lose its ability to serve as distinctive indicator of plaintiff’s product).


[a dilution factor analysis] 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. Indeed, of the factors, only mark similarity and, possibly, degree of “renown” of the senior mark would appear to have trustworthy relevance under the federal Act.\textsuperscript{111}

\textit{Ringling} described the factors it deemed useful as “relevant contextual factors” such as the similarity of the marks, the extent of the junior mark’s exposure and the firmness of the senior mark’s hold.

C. Use of Expert Witnesses

1. Marketing

A potential method of proving actual dilution by circumstantial evidence is through the testimony of marketing experts. In \textit{Moseley}, the Supreme Court twice noted the absence of any expert testimony on the impact of the VICTOR’S LITTLE SECRET mark on the VICTORIA’S SECRET mark. The Court observed that “[n]either [the expert for Victoria’s Secret], nor any other witness, expressed any opinion concerning the impact, if any, of petitioners’ use of the name ‘Victor’s Little Secret’ on [the value of the VICTORIA’S SECRET mark].”\textsuperscript{112} The Court made the same observation a second time, stating that “the expert retained by [Victoria’s Secret] had nothing to say about the impact of petitioners’ name on the strength of the [VICTORIA’S SECRET] mark.”\textsuperscript{113} These statements imply that the result in \textit{Moseley} may have been different if Victoria’s Secret had presented expert testimony concerning the impact of the use of VICTOR’S LITTLE SECRET on the VICTORIA’S SECRET mark. Accordingly, \textit{Moseley} provides some support for the use of a marketing expert to prove actual dilution.

There are no published cases in which a marketing expert was used to establish dilution in the absence of a survey. However, the use of a marketing expert to establish a violation of the Lanham Act in the absence of a survey is not novel. In \textit{Betterbox Communications Ld. v. BB Technologies, Inc.},\textsuperscript{114} the Third Circuit held that the district court did not err in admitting the testimony of both parties’ marketing experts on the issue of likelihood of confusion. Plaintiff’s expert formed his opinion that there was a likelihood of confusion by reviewing the parties’ catalogs, informally “surveying”


\textsuperscript{112} 537 U.S. at 425, 434.

\textsuperscript{113} \textit{Id.} at 425, 434.

\textsuperscript{114} 300 F.3d 325, 329 (3d Cir. 2002).
colleagues, and evaluating the target markets. Defendant’s marketing expert formed his opinion that there was no likelihood of confusion by reviewing the parties’ catalogs. In *TV Land L.P. v. Viacom International*,115 the court in granting preliminary injunctive relief relied on plaintiff’s marketing expert’s testimony on the likelihood of confusion, including his opinion that consumers would associate defendant’s use of the mark at issue with the plaintiff. More recently, in *Nautilus Group, Inc. v. Icon Health and Fitness, Inc.*,116 the court denied a motion to exclude the testimony of a marketing expert on whether the product at issue was a high-involvement good (i.e., one that a consumer thinks about before buying). The court noted that the marketing expert had cited several academic studies and had reviewed recordings of customers’ telephone calls in forming his opinion, so his testimony did not constitute pure speculation.117

As with any expert witness, the party offering the marketing expert as a witness must ensure that the expert and his or her testimony satisfies the requirements of Rule 702 of the Federal Rules of Evidence. These requirements include, among other things, establishing that the testimony is based upon sufficient facts or data, the testimony is the product of reliable principles and methods, and the expert has applied reliably the principles and methods to the facts of the case. It is not clear how these factors apply to a marketing expert’s testimony on the existence of actual dilution when such an opinion may not be susceptible to validation through a survey or use of other empirical evidence. Nonetheless, the Advisory Committee Notes to Rule 702 recognize that some types of expert testimony will be more objectively verifiable than others and the inability to objectively verify the expert opinion does not mean that the testimony is inadmissible.

When providing an opinion on actual dilution, the marketing expert should identify the principles and methods used to determine the existence of dilution or the particular elements that the expert is addressing. These principles may include, for example: (1) familiar names and marks have certain associations that are linked to these names in memory; and (2) the degree to which any different use of an existing mark calls to mind and dilutes the associations and distinctiveness of the famous mark depends on several factors, including, the distinctiveness of the senior mark, the similarity of the junior mark, and the similarity of the uses. After identifying the principles and methods used as the basis for the opinion, the marketing expert should establish that the principles and methods are reliable in establishing dilution and that the principles and methods were reliably applied in the particular case in which the expert is testifying.

2. **Trademark Valuation**


117 908 F. Supp. 543.
Trademarks are property but, as Professor McCarthy states, a trademark “has no existence apart from the good will of the product or service it symbolizes.”\textsuperscript{118} The valuation of good will arises in federal taxation matters, valuing an estate and in other contexts. The U.S. Tax Court, for example, has confronted trademark valuation issues many times. The inseparability of a trademark and the good will of the business suggests a valuation method of proving actual dilution. This approach would quantify the value of a trademark prior to defendant’s use of the mark and compare that value with the value of the mark once defendant’s mark has been used in the market and the plaintiff’s mark has lost its exclusivity and distinctiveness.

3. Psychological Experts

The use of cognitive psychology experts in Lanham Act cases is a comparatively unexplored area. Proving actual dilution, especially in a blurring case, may well be assisted by the use of a psychological expert to explain to the court and jury how the mind processes and stores information and how associations with famous marks may be impaired by multiple third-party uses of that brand.

V. Evidence of Actual Financial Harm

Financial impact of trademark use has long been a consideration for successful claims under the Lanham Act in the context of monetary relief. The FTDA introduced a new potential role of financial impact for claims based on trademark dilution. The Moseley decision makes clear that actual loss of sales or profits need not be proven and that a plaintiff need not quantify the actual harm necessary to establish dilution. Such quantification, however, may be possible. To date there appear to be no cases that rely upon financial measurements as proof of dilution.\textsuperscript{119}

\textsuperscript{118} 1 McCarthy, McCarthy on Trademarks and Unfair Competition, § 2:15 at 2-33.
\textsuperscript{119} See, e.g., The Gazette Newspapers Inc. v. New Paper Inc., 934 F. Supp. 688 (D. Md. 1996) (plaintiff was entitled to relief under Section 1125(c) even though it “has not offered any evidence of damage to its reputation …”); USX Corp. v. U.S. Steel, Inc., 52 U.S.P.Q.2d 1532 (D. Kan. 1999)(award of $5,000 was granted in lieu of calculating actual damages).