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Legal Update

Trademark Dilution: Only the Truly “Famous” Need Apply[†]

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1. In *I.P. Lund Trading v. Kohler Co.* (“*Lund II*”), a recent trademark case, a three-judge panel of the First Circuit Court of Appeals set forth a heightened standard for plaintiffs bringing actions under the Federal Trademark Dilution Act of 1995¹ (“FTDA”).² The *Lund II* court reversed the U.S. District Court and rejected the use of the so-called “Sweet factors”³ as the test for trademark dilution under the FTDA.⁴ Judge Lynch, writing for the court, concluded that to prove that a mark is “famous,” a plaintiff must show that its trademark has achieved more than secondary meaning and, therefore, deserves protection under the FTDA.⁵

2. Since 1873, Lund has manufactured plumbing fixtures, including faucets.⁶ In 1969, it manufactured a faucet called the VOLA, the sales of which constitute a majority of Lund’s revenues.⁷ Between 1994 and 1995, defendant Kohler, the largest supplier of plumbing fixtures in the United States, negotiated with Lund to sell VOLA faucets under the Kohler name.⁸ Ultimately, these negotiations were

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¹ 15 U.S.C. § 1125(c) (1994 & Supp. III 1998).

² 163 F.3d 27, 33 (1st Cir. 1998) (“*Lund II*”).

³ See *infra* note 27.

⁴ See *Lund II*, 163 F.3d at 49-50.

⁵ See *id.* at 47.

⁶ See *id.* at 34.

⁷ See *id.* Distinguished architect, Arne Jacobsen, designed the faucet. See *id.* Since 1969, Lund has sold over 600,000 VOLA faucets. See *id.*

⁸ See *id.*

unsuccessful, and Kohler later produced and sold a faucet called the Falling Water faucet, which shared a number of similarities to the VOLA faucet.⁹

3. Lund filed for a preliminary injunction against Kohler, seeking trade dress protection under a theory of both infringement and dilution.¹⁰ The district court granted Lund a preliminary injunction on its dilution claim, but rejected the infringement claim.¹¹ Both Kohler and Lund appealed the district court's decision, and the First Circuit affirmed the denial of the infringement claim and vacated the injunction granted on the dilution claim.¹²

4. As a threshold issue on appeal, Kohler claimed that the VOLA faucet was functional and, therefore, could not receive trademark protection.¹³ The First Circuit held that Lund bore the burden of proving non-functionality because it was in the best position to know the functional and non-functional features of its product.¹⁴ The court justified placing the burden on the plaintiff by listing a parade of horrors that could otherwise follow, including increases in unwarranted litigation and unfair interference with legitimate competition.¹⁵

5. After assigning Lund the burden of proving non-functionality, the First Circuit then assumed *arguendo* that Lund's VOLA faucet contained some non-

⁹ *See id.* Kohler claimed that after testing the VOLA faucets, it discovered that the faucets "did not meet U.S. regulations regarding water flow capacity and resistance to hydrostatic pressure . . ." *Id.* Kohler then gave one their industrial designers a VOLA faucet and subsequently introduced the Falling Water faucet at a cheaper price than the VOLA faucet. *See id.* The district court found that both the VOLA and Falling Water faucets are

"single-control, wall-mounted faucets' with handles that 'utilize a thin cylindrical lever to adjust water temperature and volume'; both have 'spouts and aerator holders'. . . , with the spouts 'bend[ing] downward at right angles softened by a curve'; and 'both faucets offer spouts in almost exactly the same three lengths.'"

Id. (quoting I.P. Lund Trading ApS v. Kohler Co., 11 F. Supp. 2d 112, 116 (D. Mass. 1998)).

¹⁰ *See* I.P. Lund Trading ApS v. Kohler Co., 11 F. Supp. 2d 112, 114 (D. Mass. 1998) ("Lund I"). Section 43(a) of the Lanham Trademark Act of 1946 protects trade dress against infringement. *See* 15 U.S.C. § 1125(a) (1994 & Supp. III 1998). Section 43(c) provides protection under the dilution doctrine. *See id.* § 1125(c).

¹¹ *See Lund I*, 11 F. Supp. 2d at 127.

¹² *See Lund II*, 163 F.3d at 32.

¹³ *See id.* at 36. "The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature." *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 164 (1995).

¹⁴ *See Lund II*, 163 F.3d at 38.

¹⁵ *See id.*

functional features.¹⁶ Proceeding under this assumption, the court discussed the infringement and dilution claims, finding that Lund was unlikely to prevail on the merits of its infringement claim.¹⁷ Having dispensed with the infringement claim, the First Circuit then discussed Lund's dilution claim.¹⁸ The court held that Lund had to prove two elements: (i) that the VOLA faucet design was a "famous" identifying mark, and (ii) that "Kohler's Falling Water faucet 'diluted' Lund's mark."¹⁹

6. In evaluating the fame of the VOLA faucet design, the court first reviewed the FTDA's list of nonexclusive factors that determine whether a mark is famous.²⁰ The court also turned to the Restatement (Third) of Unfair Competition and state anti-dilution statutes, which provide background for the FTDA.²¹ Against this background, the court concluded that Congress, in enacting the FTDA, made it "clear that the standard for fame and distinctiveness required to obtain anti-dilution protection is more rigorous than that required to seek infringement protection."²² The court found that the district court's willingness to rest its

¹⁶ *See id.* The court stated that "functionality plays a key role in this case. In the absence of a finding of non-functionality of the aspects of the VOLA . . . , there can be no trademark or trade dress protection." *Id.*

¹⁷ *See id.* at 43-51. Because this Legal Update is primarily concerned with the court's treatment of the dilution claim, it will not discuss the infringement claim in detail.

¹⁸ *See id.* at 45.

¹⁹ *Id.* In deciding these issues, the court rejected Kohler's argument that the FTDA did not protect product designs. *See id.*

²⁰ *See id.* at 46. The eight factors are:

"(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register."

15 U.S.C. § 1125(c)(1) (Supp. III 1998).

²¹ *See Lund II*, 163 F.3d at 46-47; *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. e (1995) (stating that if a mark only evokes an association with a specific product, then the mark is probably not distinctive enough to be considered "famous" under dilution statutes).

²² *Lund II*, 163 F.3d at 47.

conclusion about fame on the fact that the VOLA faucet had acquired secondary meaning was erroneous, because the FTDA requires a “more rigorous definition of fame.”²³ Accordingly, the court decided that Lund would have a difficult time proving that its VOLA faucet design was famous.²⁴ Against this legal backdrop and given the facts in the record, the court held that Lund failed to meet its burden of establishing a likelihood of success.²⁵

7. Moving to the second element of the dilution claim, the First Circuit analyzed whether Kohler’s Falling Water faucet was likely to dilute Lund’s mark through blurring.²⁶ The court found that the district court erred in applying the “Sweet factors,”²⁷ noting that commentators have criticized the use of these factors in deciding the likelihood of blurring.²⁸ The court also noted that the “Sweet factors” were not appropriate for addressing either dilution claims against competitors or dilution claims that concerned product designs.²⁹ Ultimately, the First Circuit held it was unlikely that Lund could prove dilution and vacated the district court’s preliminary injunction against Kohler.³⁰

8. By mandating a more rigorous standard for the FTDA’s “famous” requirement, this First Circuit decision may be a harbinger of change in dilution litigation.³¹ For example, this decision may have a significant impact on

²³ *Id.*

²⁴ *See id.*

²⁵ *See id.*

²⁶ *See id.* at 49. Dilution can occur in one of two ways: blurring or tarnishment. *See id.* at 47. The FTDA defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of” competition or likelihood of confusion. 15 U.S.C. § 1127 (Supp. III 1998).

²⁷ *See Lund II*, 163 F.3d at 49. The “Sweet factors” are the six factors that Judge Sweet used to decide likelihood of blurring under the New York dilution statute. *See Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring). The six “Sweet factors” are: “(1) similarity of the marks (2) similarity of the products covered by the marks (3) sophistication of consumers (4) predatory intent (5) renown of the senior mark [and] (6) renown of the junior mark.” *Id.*

²⁸ *See Lund II*, 163 F.3d at 49; *see also* Gregg Duffey, *Trademark Dilution Under the Federal Trademark Dilution Act of 1995: You’ve Come a Long Way Baby – Too Far, Maybe?*, 39 S. TEX. L. REV. 133, 161-63 (1997) (concluding that because dilution does not require confusion, product similarity should have no bearing on the likelihood of dilution).

²⁹ *See Lund II*, 163 F.3d at 49-50.

³⁰ *See id.* at 50.

³¹ *See* *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*, No. 98-634-A, 1999 WL 51869, at *12 (E.D. Va. Feb. 2, 1999) (agreeing with *Lund II*’s finding that a mere showing of secondary meaning is not enough to show fame under the FTDA).

“cybersquatter” litigation. Cybersquatters are “individuals [who] attempt to profit from the Internet by reserving and later reselling or licensing domain names back to companies that spent millions of dollars developing the goodwill of the trademark.”³² In this area of the law, one strong argument supporting a more rigorous standard of fame under the FTDA is that courts, in deciding these domain name cases, have inappropriately granted dilution protection to domain names that have not achieved the level of fame that the FTDA mandates.³³ A more stringent “famous” requirement, however, such as that used by the First Circuit, could conceivably encourage cybersquatters to reserve less-famous marks for domain names. Thus, cybersquatters could still profit while legitimate, albeit less famous, businesses will suffer financially if they are forced to pay private individuals for domain names.³⁴

9. Nevertheless, plaintiffs bringing dilution claims might be able to distinguish *Lund II* on various grounds. For example, plaintiffs could distinguish their cases from this one on factual grounds, which is possible because the facts in *Lund II* are unusual for dilution cases.³⁵ The *Lund II* court identified two aspects in which the case was factually distinct:³⁶ First, most claims for dilution protection are brought for tradenames or trademarks, whereas Lund brought a dilution action for a product design.³⁷ The significance of this first distinction is that the drafters of the FTDA intended dilution protection to extend only to cases where it was the sole protection available for a famous mark.³⁸ Second, most dilution actions are brought against non-competitors, but Lund and Kohler directly compete with each

³² *Intermatic, Inc. v. Toepfen*, 947 F. Supp. 1227, 1233 (N.D. Ill. 1996).

³³ See, e.g., Martin B. Schwimmer, *Domain Names and Everything Else: Trademark Issues in Cyberspace*, in UNDERSTANDING BASIC TRADEMARK LAW 1998, at 263, 276-77 (PLI Pats., Copyrights Trademarks, and Literary Prop. Course Handbook Series No. G0-001S, 1998) (“Is it possible that in the rush to prevent domain name piracy, dilution law has been diluted?”).

³⁴ See, e.g., G. Peter Albert, Jr., *Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names*, 15 J. MARSHALL J. COMPUTER & INFO. L. 277, 304 (1997) (stating that because the FTDA only covers famous marks, cybersquatters could still register and resell non-famous marks). But see Danielle W. Swartz, *The Limitations of Trademark Law in Addressing Domain Name Disputes*, 45 UCLA L. REV. 1487, 1519 (1998) (finding that the FTDA may not adequately protect owners of famous marks from registrations by innocent users).

³⁵ See *Lund II*, 163 F.3d at 48.

³⁶ See *id.*

³⁷ See *id.* The First Circuit ultimately decided that the FTDA does not prohibit dilution protection for product designs, even though a design patent could provide similar protection. See *id.*

³⁸ See *id.*

other in the same market.³⁹ This second distinction is relevant because the dilution doctrine has most typically been applied to non-competing uses of trademarks.⁴⁰ Thus, while the First Circuit has substantially raised the bar for dilution claims, the dilution doctrine is still very much alive.

³⁹ *See id.* Although the First Circuit admitted that the FTDA extends both to competitors and non-competitors, the court cautioned that “[d]ilution laws are intended to address specific harms; they are not intended to serve as mere fallback protection for trademark owners unable to prove trademark infringement.” *Id.*

⁴⁰ *See id.*