

Dealing with dilution

Neil Roman, of Covington & Burling, reviews *NASDAQ*, a case he believes offers a new clarity to the US Supreme Court's decision in *Victoria's Secret*



The case

NASDAQ Stock Market, Inc v Antartica, Srl
Trademark Trial and Appeal Board,
No 91121204
June 30 2003

Although the United States Supreme Court's decision earlier this year in the *Victoria's Secret* case, *Mosely v V Secret Catalogue, Inc.* 537 U.S. 418 (2003), resolved many issues concerning the scope of the Federal Trademark Dilution Act (FTDA) it left others open to debate - including the legal standard to be applied in opposition and cancellation proceedings where potential dilution is asserted.

In *Victoria's Secret*, a unanimous Supreme Court held that "actual dilution must be established ... [as] an essential element of a violation [of the FTDA]." Enacted in 1999, the FTDA protects the owners of trademarks against "the lessening if the capacity of a famous mark to identify and distinguish goods or services." The Supreme Court's decision resolved a split in the circuit courts of appeals over whether or not the owner of a famous mark is entitled to injunctive relief under the Act if it is able to show only a "likelihood" of dilution, as opposed to actual dilution.

The question left unanswered by the Supreme Court decision is its effect, if any, on the evaluation of trademark registrations by the US Patent and Trademark Office (PTO). Under §13 of the Lanham Act, "[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register may . . . file an opposition." 15 U.S.C. Sec. 1063(a). A cancellation proceeding under § 14 may be brought by "any person who believes that he is or will be damaged by the registration of a mark." 15 U.S.C. Sec. 1064. Such petitions are heard by the PTO's Trademark Trial and Appeal Board (TTAB).

In the 1999 amendments to the Lanham Act, Congress added dilution as a basis for opposing or canceling the registration of a mark. The Act now permits an opposition or cancellation proceeding to be initiated by "any person who believes that he would be damaged by the registration of a mark . . . including as a result of dilution." Because the Act speaks in terms of

"belief" and the Supreme Court decision requires "actual dilution," there is at least a basis for argument as to the standard to be applied in opposition and cancellation proceedings.

The TTAB appears, at least for now, to have resolved that tension in favour of the more liberal standard. In *NASDAQ Stock Market, Inc v Antartica, Srl*, a decision issued just three months after *Victoria's Secret*, the TTAB held that in an opposition proceeding a trademark owner "that establishes its ownership of a distinctive and famous mark may prevail upon a showing of likelihood of dilution." The TTAB's ruling in *NASDAQ* appears to be also fully applicable to cancellation proceedings.

In the *NASDAQ* case, the respondent, Antartica, sought to register the mark NASDAQ for the sporting goods and related apparel it sells. NASDAQ Stock Market (NSM) opposed the registration on the grounds that use of the mark would likely result in confusion among consumers and, more important for present purposes, that it "will diminish and dilute the distinctive quality" of its own NASDAQ mark.

Rejecting the claim that the *Victoria's Secret* decision requires a showing of actual dilution in opposition proceedings, the TTAB held that "there is a distinction between civil actions and Board proceedings."

The TTAB observed that when it passed the FTDA, Congress was aware of state dilution statutes that permit relief on a showing of likelihood of dilution, and yet provided different standards for judicial

proceedings and Board proceedings. In civil actions, "the owner of a famous mark shall be entitled . . . to an injunction against another person's use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. Sec. 1125(c)(1) (emphasis added). By contrast, the TTAB may cancel a mark "which when used would cause dilution." 15 USC Sec. 1052(f) (emphasis added).

There is, as the TTAB also observed, other textual support for the distinction. Most notably, the 1999 amendment of the Lanham Act to allow for dilution claims in Board proceedings "specifically refers to § 13 (oppositions) and § 14 (cancellations) as the proceedings in which a dilution claim may be raised." Both these sections are oriented to the future - § 13 provides standing to any person "who believes that he would be damaged . . ., including as a result of dilution" and § 14 allows actions by one "who believes that he is or will be damaged, including as a result of dilution." The TTAB thus concluded that "Congress intended to limit judicial relief under the FTDA to cases where dilution has already occurred but to allow cases involving prospective dilution to be heard by the Board. We see no holding or statement in [Victoria's Secret] that runs counter to this conclusion."

The combined effect of the Supreme Court and TTAB decisions, therefore, is to result in an anomaly - in the absence of actual dilution, a holder of a famous mark may prevent a person from securing or retaining a registration of a mark, but cannot prevent that same person from using it. ☸

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