



# The posts shift for US brand owners

Companies working across a wide variety of industries have come to rely on brands as powerful tools. As the importance of brands has grown, however, a series of recent decisions by leading courts in the US has had a major impact on the legal landscape within which brand owners operate

A number of court rulings, including three decisions by the United States Supreme Court, highlight the important role trademarks and trade dress play in a marketplace built around brands, as well as the speed with which trademark law is evolving.

In a world where nine out of 10 new products fail and even successful products face constant competition, trademarks and trade dress are the shorthand symbols that identify the products of one company and distinguish them from the products of others. Because they can become invaluable corporate assets, vast resources are spent protecting them and court decisions are continually remaking the legal landscape.

## Diluting dilution

A trademark is infringed when another mark is used in a way that is likely to confuse the public into believing that the trademark owner is the source or sponsor of products that it does not actually make or endorse. However, for over 50 years some US states have recognised that trademarks can be safeguarded against a different kind of harm: dilution.

Dilution is the gradual weakening or whittling away of a trademark's strength, through blurring or tarnishment, even if the public is not likely to be confused. Dilution by blurring can occur when a trademark is used by someone other than the trademark owner on very different products, for example, KODAK pianos. A trademark can be tarnished when it is used in a way that degrades the mark or presents it in an unsavoury context.

To address perceived weaknesses in the patchwork of state anti-dilution statutes, an

anti-dilution provision was added to the federal trademark statute in 1996. But far from resolving problems, the federal statute has resulted in a host of conflicting decisions on a variety of issues.

One of the most important of these was addressed by the Supreme Court earlier this year in *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003). In that case, the Court ruled that the federal statute requires proof that a defendant's activity has actually diluted a famous mark. It is not enough to prove that dilution is likely to occur.

The Supreme Court did not spell out how actual dilution can be proved. However, in at least certain cases, it may well be necessary to conduct market research or introduce the testimony of expert witnesses (see, e.g., *Kellogg Co. v. Toucan Golf Inc.*, 67 USPQ2d 1481 (6th Cir. 2003)).

Taken together with other recent decisions concerning which marks are entitled to dilution protection in the first place, *Moseley* means that fewer trademark owners will win federal dilution cases. Indeed, it may be easier in some cases to prevail under state law or to show that a trademark has been infringed.

## Focus on trade dress

Both the packaging for products and the appearance of the products themselves can acquire brand status. Although such symbols are sometimes registered as trademarks, they are commonly referred to as trade dress. Following a decade or more of expanded protection, two Supreme Court cases have made it more difficult to acquire rights in product configuration trade dress.

In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), involving the appearance of a line of children's clothing, the Supreme Court held that it is always necessary to prove that product configuration trade dress has acquired distinctiveness among consumers. As a result, a competitor who introduces a look-alike product after the original product has been introduced, but before its appearance has acquired trade dress status in the marketplace, typically cannot be stopped.

Two years later in *Traffix Devices Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2002), the Supreme Court decided that the appearance of a key feature of a traffic sign was not

entitled to trade dress protection because the feature was functional. Since then the courts have split.

Some lower courts have read *Traffix* to mean that non-functionality is no harder to prove than it was before the Supreme Court ruled. Others, however, have cut back on trade dress protection for product configurations by making it more difficult to show that a product feature is non-functional.

In the wake of these decisions, companies should pay careful attention to what they claim is trade dress and bear in mind:

- Product configuration trade dress generally is harder to protect than the appearance of packaging.
- The appearance of a product is not entitled to trade dress protection as soon as the product is introduced. It must acquire trade dress status among consumers, which takes time.
- Because it is more difficult to establish trade dress rights in product features in some courts than others, it is important to know where an infringer can be sued.
- The pace at which the law in this area is evolving puts a premium on keeping up with developments as they happen. A case that would have been a winner even a year ago may be a loser today.

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