Ringling Bros.-Barnum & Bailey Combined Shows, Inc.
v.
Utah Division Of Travel Development
170 F.3d 449 (4^{th} Cir. 1999)
Case Report

I. Introduction

In 1996, Congress supplemented existing federal trademark law with the passage of the Federal Trademark Dilution Act ("FTDA").[1] The concept of trademark "dilution" is distinct from the more familiar concept of trademark "infringement." Based largely on consumer protection, a trademark infringement claim generally requires a plaintiff to show that use of the junior mark is likely to cause confusion between its product or service and the product or service of the infringing mark. In contrast, a trademark dilution claim focuses on the reduction of the "distinctive quality" of a trademark and the resulting loss of economic power caused by the use of a similar mark, regardless of whether such use is likely to cause confusion.[2] Trademark dilution represents a substantial expansion of traditional trademark law, and a shift from a consumer protection model to a property rights model.

Prior to the adoption of the federal Act, approximately half of the states had already adopted some form of trademark dilution protection. The essential elements of a dilution claim are generally mental association, cause, and harm. In proving these elements, state courts had adopted two basic approaches: (1) finding the elements through inference by balancing several factors deemed relevant, or (2) presuming these factors simply from the similarity of the two marks. However, unlike most state statutes, which allow a dilution claim if a junior mark is "likely to cause dilution," the language of the FTDA is limited to use that "causes dilution." Taken literally, this difference in language suggests a substantially more limited dilution

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[1] *15 U.S.C. § 1125*
[2] For example, under the Federal Trademark Dilution Act, "dilution" is defined as a "lessening of the capacity of a famous mark to identify and distinguish goods or services, *regardless* of the presence or absence of (1) competition, . . . or (2) the likelihood of confusion, mistake, or deception. 15 U.S.C. § 1127 (emphasis added).

protection under federal law. This was the issue addressed by the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division Of Travel Development*, 170 F.3d 449 (4th Cir. 1999). Ultimately, the court held that under the federal Act, protection is limited to actual realized dilution, and more significantly, rather than presume dilution based on similarity of the marks, a plaintiff must prove actual dilution.

II. Factual Background

Since 1872, Ringling Brother's and Barnum and Bailey Combined Shows, Inc. ("Ringling") has promoted its circus as "The Greatest Show on Earth." Ringling obtained federal registration for its trademark in 1961. More than 70 million people are exposed to Ringling's Greatest Show mark annually. In 1997, Ringling spent approximately $19 million on advertising using the Greatest Show mark, and revenues derived from goods and services bearing the mark exceeded $130 million.

Utah Division of Travel ("Utah"), an agency of the State of Utah, began using its mark, "The Greatest Snow on Earth," to promote tourism as early as 1962. Utah's primary use of its mark is on motor vehicle license plates, but it has also spent approximately $375,000 annually in advertising with the mark. In 1965, the Utah Attorney General opined that Utah's mark did not impair Ringling's mark. Utah registered its mark with the State of Utah in 1975, and applied to the United States Patent Office for registration in 1988. Ringling unsuccessfully opposed Utah's application, and federal registration of Utah's Greatest Snow mark was granted in 1997.

III. The District Court Decision

Ringling brought an action against Utah in federal court alleging Utah's use of it Greatest Snow mark "diluted" Ringling's Greatest Show mark in violation of the FTDA.[3] Ringling offered as evidence the results of a consumer survey, which it claimed showed an "instinctive mental association" of the two marks by viewers, and which Ringling asserted was the standard for dilution under the FTDA. The district court rejected Ringling's proposed "instinctive-mental association-alone" test, and instead held that dilution under the Act occurs where consumers mistakenly associate or confuse the marks and the goods or services they seek to identify and distinguish, and this association causes actual harm to the senior marks capacity to identify and distinguish. Applying this test, the district court found Ringling's consumer survey evidence insufficient to prove dilution under the Act.[4] In a separate analysis, the district court applied a multi-factored balancing test,[5] and similarly found that, on balance, Utah's mark had not diluted Ringling's mark within the meaning of the Act.

IV. The Appellate Court Decision

Ringling appealed the district court's decision challenging the lower court's interpretation of "dilution" and the elements required to prove it under the FTDA. In affirming the district court, the Fourth Circuit Court of Appeals also rejected Ringling's proposal that dilution under the Act only requires only proof of sufficient similarity between the junior and senior mark to "evoke in consumers an instinctive mental association of the two," and largely adopted the district court's test.[6]

In arriving at this interpretation of the FTDA, the court began with an inquiry into the origin of trademark dilution, and subsequent adoption and enforcement by the states. The court concluded that states had struggled with defining dilution as a legal norm, and that while state statutes usually defined dilution in terms of a loss of distinctiveness, the courts, to avoid granting property rights in-gross, generally defined dilution in terms of a loss of economic power. The

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[3] S*ee Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev*., 955 F. Supp. 605 (E.D.Va. 1997).
[4] *See Id.* at 616-18.
[5] The district court applied the multi-factor test proposed in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A.. Inc.*, 876 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring).

court identified three distinct approaches to proving dilution adopted by the states: (1) evidence of some product diverting consumer confusion, (2) judicial fact finding through inference or balancing of multi-factor tests, and (3) presumption from the sufficient similarity of the junior and senior marks. The court also noted that because state dilution statutes provide protection for mere likelihood of dilution, state courts have generally not required actual dilution to be proved.

In comparing the federal Act to the state statutes, the court focused on two key distinctions. First, the federal Act, unlike the state statutes, proscribes a remedy only for consummated dilution, not for the mere likelihood of dilution. Second, by specifically defining dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services “ the federal Act makes it plain that the end harm at which it is aimed is the loss of selling power, not mere distinctiveness. From these two distinctions, the court interpreted the Act to require proof of “(1) a sufficient similarity between the junior and senior marks to evoke an instinctive mental association of the two by a relevant universe of consumers which (2) is the effective cause of (3) an actual lessening of the senior mark’s selling power, expressed in its capacity to identify and distinguish goods or services.’”[7]

The court refuted Ringling’s argument for an alternative interpretation along two lines of reasoning. First, the court refuted an argument based on the senior’s mark’s “distinctiveness” alone. The court points out that such an interpretation would effectively grant a “property-right-in-gross” to the senior trademark holder – effectively giving the holder the perpetual right to enjoin the commercial use of any similar mark simply on the grounds of similarity. The court refused to believe that Congress would grant such an expansive right, unlimited in time, without making its intention perfectly clear. Rather, the court held the literal interpretation of dilution

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[6] *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).
[7] *Id.* at 458

under the Act is the "specific harm to the senior mark's economic value in the form of a "lessening of [its] capacity . . . to identify and distinguish goods and services."

Next, the court refuted an interpretation allowing a process of presumption where the Act ostensibly requires proof of actual economic harm and its effective cause, but permits them to be judicially presumed from proof of the mark's sufficient similarity. The court points out that while such presumption may be justified in logic under state dilution statutes which provide a remedy for mere likelihood of dilution, the probabilities are simply not high enough for presumption of actual economic harm which must me proved under the federal Act.

Arguing that the difficulty in proving dilution under its interpretation does not creates a statute with no enforceable meaning, the court, in dicta, offers three possible means of proof: (1) proof of an actual loss of revenues, and proof of replicating cause by elimination of other causes, (2) a skillfully constructed consumer survey designed to shown mental association, and consumer impressions from which actual harm and cause might rationally be inferred, and (3) relevant contextual factors such as the extent of the junior mark's exposure, the similarity of the marks, the firmness of the senior mark's as indirect evidence that might compliment other proof.

Finally, in applying its newly formulated interpretation of the FTDA to the facts of the case, the court easily found that district court did not err in finding that Ringling had failed to prove dilution. The court pointed out that Ringling had developed its survey evidence to prove its theory of dilution, which was based on the mere showing of a "sufficient similarity between the junior and senior marks to evoke an instinctive mental association of the two by a relevant universe of consumers." Unfortunately for Ringling, this only satisfied the first element of the dilution test. The court found that not only did the survey not indicate "an actual lessening of the senior mark's selling power, expressed in its capacity to identify and distinguish goods or services," it actually tended to prove just the opposite.