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FOURTH CIRCUIT'S "CHEWY VUITON" DECISION BREAKS NEW GROUND APPLYING 2006 TRADEMARK DILUTION REVISION ACT, BUT MANY QUESTIONS REGARDING TRADEMARK DILUTION CLAIMS REMAIN

In one of the first substantive trademark dilution decisions by a Court of Appeals since the enactment of the 2006 Trademark Dilution Revision Act ("TDRA"), the Court of Appeals for the Fourth Circuit affirmed a decision holding, on summary judgment, that Haute Diggity Dog LLC's CHEWY VUITON dog toys are not likely to cause confusion with, and are not likely to cause dilution of, Louis Vuitton Malletier's well-known LOUIS VUITTON trademarks, designs and products. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 2007 U.S. App. LEXIS 26334 (4th Cir. Nov. 13, 2007). The Fourth Circuit broke new ground interpreting and applying the Lanham Act's recently-amended dilution provisions, particularly as they apply in the context of parody. Although the Court's holding suggests that an alleged diluter's "successful parody" can significantly reduce any likelihood of confusion or dilution, it leaves many questions unanswered, including how the "success" of a parody is to be gauged and under what circumstances a successful parody might still be infringing or dilutive. The opinion also is silent on other important and controversial aspects of dilution claims, including what (and how much) evidence is required to demonstrate a mark's fame and the requisite degree of actual association between the famous mark and a diluting mark.

The lawsuit was brought by Louis Vuitton Malletier, the maker of "well recognized" luxury luggage and handbags and owner of the "famous and distinct" LOUIS VUITTON and LV trademarks and trade dresses. 2007 U.S. App. 26334, at *3. Vuitton also markets a limited selection of luxury pet accessories, such as collars and leashes, but does not market pet toys. The target of Vuitton's lawsuit, Haute Diggity Dog ("HDD"), makes plush dog toys that use names and designs similar to those of various high-end brands of products, such as perfume, cars, shoes, and handbags. One of HDD's products is a dog toy emblazoned with the name "Chewy Vuiton" that resembles a miniature handbag and "undisputedly evoke[s]" Vuitton's handbags of similar shape, design and color. *Id*. at *7. Louis Vuitton alleged that HDD's "Chewy Vuiton" toy infringed and diluted Vuitton's trademarks in violation of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a) and (c). The District Court granted HDD summary judgment on Vuitton's trademark infringement and dilution claims on the grounds that there was no likelihood of confusion or dilution of Vuitton's marks.

Applying its likelihood of confusion test, the Fourth Circuit agreed with the District Court that HDD's "Chewy Vuiton" toy was not likely to confuse consumers into believing that Vuitton was the source of the toy, or otherwise sponsored or was affiliated with HDD or the toy. First, after examining the similarities and differences between the appearances, purposes and sales characteristics of the parties' products, the Court concluded that HDD's toy was a "successful parod[y]" of Vuitton's marks and handbags. The Court reasoned that HDD's toy "undoubtedly and deliberately conjures up the famous [Vuitton] marks and trade dress, but at the same time, it communicates that it is not the [Vuitton] product." 2007 U.S. App. 26334, at *14.

The Court went on to explain that a finding that a defendant's use is a "successful parody" does not dispose of the likelihood of confusion inquiry, but it does "influence[] the way" the confusion test is applied because "an effective parody will actually diminish the likelihood of confusion." 2007 U.S. App. 26334, at *16. Thus, for instance, the Court explained that under the "strength of the mark" factor, "[i]n cases of parody, a strong mark's fame and popularity is precisely the mechanism by which likelihood of confusion is avoided." *Id.* The Court concluded,

"[r]ecognizing that 'Chewy Vuiton' is an obvious parody and applying the [likelihood of confusion] factors, . . . [Vuitton] has failed to demonstrate any likelihood of confusion." *Id*. at *22.

Turning to Louis Vuitton's dilution claim, the Fourth Circuit broke new ground in interpreting and applying the Lanham Act's recently amended dilution provisions. After acknowledging that the TDRA explicitly changed the pre-TDRA "actual dilution" standard to a "likelihood of dilution" standard, the Court interpreted the TDRA as requiring a plaintiff to satisfy four elements in proving a dilution claim: (1) plaintiff's ownership of a famous and distinctive mark; (2) defendant's use in commerce of a dilutive mark; (3) "a similarity between the [marks] giv[ing] rise to an association between the marks"; and (4) "that the association is *likely* to impair the distinctiveness of the famous mark or *likely* to harm the reputation of the famous mark." 2007 U.S. App. 26334, at *26 (emphases added).

The Court quickly concluded that Vuitton satisfied the first three dilution elements. In doing so, the Court did not address the degree of similarity a dilution plaintiff is required to demonstrate between its mark and the allegedly diluting mark.[1] The Court then proceeded to the fourth element of a dilution claim (*i.e*., likelihood of impairment of distinctiveness), holding that the District Court erred by failing to apply the TDRA's six non-exclusive factors[2] and by holding that the parody was, as a matter of law, immune to a dilution claim. The Court held that "parody is not automatically a complete *defense* to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, *i.e*., *as a trademark*." 2007 U.S. App. LEXIS 26334, at *30 (emphasis by court). Thus, because HDD's parodic use of Vuitton's marks *was* source-identifying (the product was branded "Chewy Vuiton"), HDD could not invoke the fair use defense that otherwise is available under the TDRA for parody.

Nevertheless, the Court applied the TDRA's six factors and agreed with the District Court's conclusion that HDD's "Chewy Vuiton" dog toy was not likely to dilute Louis Vuitton's marks. Similar to its consideration of parody as it applied to Vuitton's trademark infringement claim, the Court held that "parody is relevant to the overall question" of dilution. 2007 U.S. App. LEXIS 26334, at *31. Thus, for instance, although three of the six statutory factors concerning fame, exclusivity of use and recognition of the famous mark favored Louis Vuitton, the Court imposed upon Vuitton "an increased burden" to demonstrate that HDD's dog toys impaired Vuitton's trademarks in light of the fact that a successful parody, such as HDD's, communicates that "it is not the famous mark, but is only satirizing it." *Id*. at *34.

The Court was quick to explain that a dilution plaintiff could prevail, even where the diluting use was a parody, if application of the "degree of similarity" factor revealed that "the parody is so similar to the famous mark that it

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[1] Under the pre-TDRA "actual dilution" standard, the majority of the Courts of Appeal held that a plaintiff could not maintain a dilution claim unless it "demonstrate[d] a higher degree of similarity than is necessary in infringement claims." *AutoZone, Inc. v. Tandy Corp*., 373 F.3d 786, 806 (6th Cir. 2004) (AUTOZONE and POWERZONE not similar enough to sustain a dilution claim). *Accord Thane Int'l, Inc. v. Trek Bicycle Corp*., 305 F.3d 894, 906-07 (9th Cir. 2002) ("identical or nearly identical" or "substantially similar" standard); *Nabisco, Inc. v. PF Brands, Inc*., 191 F.3d 208, 218 (2d Cir. 2004) ("'very' or 'substantially' similar" standard). In light of the TDRA's more lenient "likelihood of dilution" standard, however, it is arguable that a plaintiff should not be required to meet a heightened standard of similarity between the marks. *E.g.*, GILSON ON TRADEMARKS, § 5A.01[5][c] at 5A-31("Use of a designation may create a *likelihood* of dilution even if the designation is not identical to the protected mark, but the resemblance between the two must be sufficiently close that the subsequent use evokes the requisite mental connection with the prior user's mark"). At least one post-TDRA case has found dilution where the marks at issue were not identical. *Nike, Inc. v. Nikepal Int'l, Inc*., 2007 U.S. Dist. LEXIS 66686 (E.D. Cal. Sept. 18, 2007) (finding the NIKEPAL mark dilutive of the NIKE mark).

[2] The factors are: (i) the degree of similarity between the marks; (ii) the degree of distinctiveness of the famous mark; (iii) the extent of the famous mark owner's exclusivity of use; (iv) the degree of recognition of the famous mark; (v) the alleged diluter's intent in adopting the mark; and (vi) actual association between the marks. *See* 15 U.S.C. § 1125(C)(2)(B).

likely could be construed as actual use of the famous mark itself." 2007 U.S. App. LEXIS 26334, at *34. This statement is consistent with the Court's overall reasoning that a successful parody avoids a likelihood of dilution because such use communicates "that it is not the famous mark, but is only satirizing it." *Id.* Thus, the Court appears to draw a line between seemingly permissible parodic use, such as HDD's, that may "imitate and suggest" a famous mark, and an impermissible parody that "use[s]" the famous mark. *Id.* at *35.

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While the Fourth Circuit's opinion addresses the effect of a successful parody on the infringement and dilution analyses, it leaves unanswered many questions about parodies and about the still-young TDRA. For example, it is not clear from the decision what standards or factors a court is to use to determine whether a parody is "successful," or when the issue is one for a jury. If a parody is deemed unsuccessful, then how, if at all, does that impact the application of the likelihood of confusion and likelihood of dilution factors?

It also remains unclear when, if a parody is deemed successful, there will be a likelihood of confusion or dilution. It is noteworthy that Louis Vuitton did not present a consumer survey on either confusion or dilution. Although not addressed by the Court of Appeals, a survey demonstrating a significant likelihood of confusion or dilution might have helped plaintiff, notwithstanding the Court's view that the parody was "successful." In this regard, however, there is little case law addressing how a dilution survey should be structured to measure the degree to which a mark's distinctiveness is diminished or is associated with the defendant's mark for dilution purposes, particularly in the parody context. *Cf. Nike, Inc. v. Nikepal Int'l, Inc.*, 2007 U.S. Dist. LEXIS 16966, at *10 (E.D. Cal. Feb. 27, 2007) (under TDRA, admitting a dilution survey and denying cross-motions for summary judgment where the survey showed that "a substantial majority" of purchasers "think of [plaintiff's mark] NIKE when encountered with Defendant's website"); *Kellogg Co. v. Exxon Mobil Corp.*, 192 F. Supp. 2d 790, 806 (W.D. Tenn. 2001) (crediting a dilution survey as evidencing actual association between the marks where respondents were asked "What company or name or brand, if any, comes to mind when you see [the diluting mark]").

Finally, the Court's opinion leaves unanswered a variety of other questions created by the TDRA — such as the burden a plaintiff must carry in demonstrating the fame of its mark, and the requisite degree of similarity between its mark and the diluting mark — that potential dilution plaintiffs must consider when asserting dilution claims.