

LEGAL AND PRIVACY

## Rolex lawsuit highlights importance of dilution claim

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*Wind behind its sails: Rolex zealously guards its trademark. Seen here: Rolex's Yacht-Master Regatta watch. Image credit: Rolex*

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Trademarks generally only confer rights within a particular market for particular goods or services.

But what happens when someone uses the same mark in a totally different and unrelated field? Can the trademark owner do anything about it?

The answer is, if it is a very famous and renowned mark, then there may be a claim for what is known as "dilution."

A recent suit filed by watchmaker Rolex in federal court in Texas may shed light on this issue.

Rolex Health is a Texas company that offers health-related services and goods home health care, personal care and medical equipment and operates a Web site at [rolexhealth.com](http://rolexhealth.com).

**Rolex**, understandably upset at the seeming misappropriation of its name, brought suit for trademark infringement.

**Infringement versus dilution**

To show trademark infringement, the trademark owner must show "likelihood of confusion" that consumers will be confused into believing the defendant's goods are those of the trademark owner, or otherwise licensed or sponsored by the trademark owner. That often can be shown where the goods are the same, or at least closely related.

For example, Rolex's marks cover watches and clocks. A competitor that used Rolex for the same goods would clearly infringe. And even if the defendant's goods were related for example, jewelry items, which are often sold by many companies under the same brand as watches then Rolex would have a strong infringement case. Consumers would likely believe that Rolex branched out to the jewelry business.

But Rolex will have a much harder time showing confusion if the mark is used on something totally unrelated say, health services.

Watches and health services are not generally associated in the public mind, and it is rare, may be even unlikely, that the same company offers both under the same trademark.

But there is another, less known claim Rolex can make trademark dilution. That claim does not require a showing of confusion. But it has other hurdles that a trademark owner must overcome.

#### Dilution

Only "famous" marks qualify. And "famous" is strictly defined: the mark must be "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."

Fame among an elite, niche market is insufficient. In essence, the mark has to be a household name.

This can be a difficult hurdle for many fashion and luxury companies, which may not be known outside high-end consumers.

On the other hand, some of the most famous luxury brands are widely known outside their customer base. Many people have heard of Rolls-Royce, even if they will never be able to afford one.

Next, the trademark owner must show likelihood of dilution. There are two kinds of dilution: dilution by blurring and dilution by tarnishment. The first one seems most applicable to Rolex's case.

The classic case of dilution by blurring involves an unrelated product coopting a famous name or trademark as its own like "Dupont shoes, Buick aspirin tablets and Kodak pianos."

It is not that the consumer is confused that the product is that of the trademark owner. It is that the identifying power of the trademark is lessened "diluted." In the words of the statute, it "impairs the distinctiveness of the famous mark."

Courts look to a variety of factors to decide if dilution is likely. This can be a fact-intensive inquiry, require strong proofs that the trademark owner has a very strong, recognized mark and has maintained exclusivity. Surveys are often used to show dilution, as well as fame.

The exclusivity point may come into play in the Rolex case.

#### On the fringes

Rolex's complaint attaches correspondence from the defendant that identifies six other companies in various fields that have used marks similar to Rolex.

For example, it identifies a company that manufactures and sells metal siding for houses under the name Rollex, with a Web site at [rollex.com](http://rollex.com).

While such an example would probably matter little to an infringement theory, for a dilution theory it could be far more important.

The other recognized form of dilution is dilution by tarnishment. Congress defined that to mean use of a mark that creates an association with the trademark that harms its reputation. This usually arises either where the mark is being used to sell shoddy or inferior goods, or in an unsavory context, such as pornography.

Finally, since dilution potentially could infringe on many protected uses of a mark, Congress expressly exempted "fair use" of a trademark from a dilution claim. That includes comparative advertising; parody, commentary and criticism; news reporting; and any non-commercial use of the mark.

DILUTION CAN BE a very powerful claim, but Congress and the courts worried that it might expand trademark rights far beyond their purpose to identify goods and services as those of a particular source have sharply limited dilution claims to very narrow circumstances.

Nevertheless, in cases such as Rolex, it can be a very useful tool to deal with users of a mark in an unrelated field.



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