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BRIEFING PAPER:
Moseley v. V Secret Catalogue, Inc.

I. INTRODUCTION

In its recent *Victoria' Secret* decision, the Supreme Court resolved a split of circuits over whether a plaintiff asserting a claim under the Federal Trademark Dilution Act ("FTDA")[1] had to prove a defendant's mark actually harmed a famous mark through dilution or merely had to show a likelihood of dilution.[2] The Court reasoned that in light of the legislative history of the FTDA, the contrast between state dilution statutes and the FTDA, the plain text of the FTDA,[3] and the statutory definition of "dilution"[4] that the FTDA requires a showing of actual dilution, rather than a likelihood of dilution.[5] The Court noted that its decision does not necessitate proof of the consequences of dilution, such as actual loss of sales or profits.[6] Furthermore, while it may prove

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[1] 15 U.S.C. § 1125 (West 2003).

[2] Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 123 S.Ct. 1115 (2003).

[3] The relevant text considered by the Court is that of § 1125(c)(1), providing:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial 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, and to obtain such other relief as is provided in this subsection.

(emphasis added).

[4] Section 1127 defines dilution in the context of the FTDA as:

> The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of –
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> (1) competition between the owner of the famous mark and other parties, or
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> (2) likelihood of confusion, mistake, or deception.

15 U.S.C. § 1127 (West 2003).

[5] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1124.

[6] *Id*.

difficult to obtain direct evidence of dilution such as costumer surveys, the Court stated that, in some circumstances, actual dilution can reliably be proven through circumstantial evidence; an example of such a situation being where the junior and senior marks are identical.[7]

The Court essentially created two categories of dilution cases: (i) cases where the conflicting marks are identical and (ii) cases where the conflicting marks are not identical.[8] Under the first case, the Court suggests that dilution may be proved through circumstantial evidence,[9] and, under the second case, the Court gave little guidance as to what evidence would suffice as proof.[10] Despite the arguments of respondents and *amici* that evidence of an actual "lessening of the capacity of a famous mark to identify and distinguish goods or services,"[11] may be difficult to obtain, the Court reasoned that whatever the difficulties of proof may be "they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation."[12] Furthermore, it remains unclear exactly what provable quantity of economic harm will suffice to show actual harm due to dilution.[13]

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[7] *Id*. at ___, 123 S.Ct. at 1125.

[8] *See* 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:94.2 (West 2003).

[9] *See V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125.

[10] The leading treatise on trademarks suggests the use of expert testimony and survey evidence to prove actual dilution when the junior and senior marks are not identical. *See* MCCARTHY, *supra* note 8, § 24:94.2.

[11] § 1127.

[12] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125. The Court's view on this issue is in accord with avoiding the judicial presumption of actual economic harm criticized by the 4th Circuit: "Neither can the [FTDA] be interpreted to require proof of actual economic harm and its effective cause but permit them to be judicially presumed from proof alone of the marks' sufficient similarity." Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev., 170 F.3d 449, 459 (4th Cir. 1999). The 4th Circuit's opinion conflicted with the 2d Circuit's opinion in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), where a "likelihood of dilution" standard was approved (the so-called Nabisco Ten Factor Test for Blurring).

[13] While Justice Kennedy's concurrence in *V Secret* emphasizes that "[a] holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded," it is not clear whether the *threat* of diminishment would be associated with actual economic harm due to dilution or, rather, would be more properly associated with a likelihood

Due to the uncontested "famous mark"[14] status of the Victoria's Secret trademark, the Court did not opine on an additional ambiguity surrounding application of the FTDA – what marks qualify as "famous marks" within the ambit of the FTDA? The legislative history indicates that examples such as DUPONT, KODAK, and BUICK are exemplary famous marks.[15] However, courts applying the FTDA have been willing to conclude that a local favorite, or obscure company, qualifies as a "famous mark."[16] For example, marks such as Papal Visit 1999, Nailtiques, and Wawa have been declared famous.[17] Unfortunately, the Court failed to provide clarification on whether the FTDA should be construed to protect such marks that have achieved "niche" fame.

While the Court's decision may have resolved a split in the circuits regarding the necessity of proof of actual harm through dilution, it maintained a commensurate ambiguity involving what types of evidence and precisely what threshold of harm will suffice to show actual economic harm in cases where the conflicting marks are not identical.[18] Furthermore, the remaining uncertainty surrounding the determination of "famous status" to qualify for the FTDA only enhances the lack of judicial predictability which *still* enshrouds the FTDA. In essence, the Supreme Court issued a hollow resolution.

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of such harm. *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125 (Kennedy, J., concurring). In the latter case, proof of actual harm remains unsatisfied and, therefore, contrary to Justice Kennedy's assertions, the holder of a famous mark necessarily would be "forced to wait until [at least a provable modicum of] damage is done and the distinctiveness of the mark has [thus] been eroded [to some extent]." *Id.*

[14] § 1125(c)(1).

[15] *See* H.R. REP. NO. 104-374, 3 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029.

[16] *See* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1698 (1999).

[17] *See id.*

[18] Indeed, in *Ringling Bros.*, the 4th Circuit concedes that the difficulties of proving actual dilution may have lead a few federal courts to assume, "without facing up to the interpretive difficulty of doing so," that the FTDA only requires a "likelihood of dilution." *Ringling Bros.*, 170 F.3d at 464.

Was statutory interpretation valid? Why not likelihood of dilution if so many of the states were implementing such a likelihood standard in their state statutes?

II. EVOLUTION OF DILUTION LAW

The concept of trademark dilution is commonly traced to Frank I. Schechter. In his 1927 law review article, he concluded "that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."[19] Schechter proposed to provide that protection by prohibiting "dilution" of a mark's uniqueness from which it derived its hard-earned advertising value and selling power.[20] The principal focus of the Schechter article involved an established arbitrary mark that had been "added to rather than withdrawn from the human vocabulary" and an infringing user of the identical mark. Schechter believed that these marks "have, from the very beginning, been associated with a particular product, not with a variety of products, and have created in the public consciousness an impression or symbol of the excellence of the particular product in question."[21] By "dilution" under this model, Schechter meant the junior use of an identical or sufficiently similar mark, where the injury caused by this concurrent use was not customer confusion but the "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."[22]

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[19] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1122 (quoting Frank Schechter, *Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 831 (1927)).

[20] *Id*. at 832 (borrowing the term "diluted" from a German case).

[21] *Id*. at 828-29.

[22] *Id*. at 825.

The practical effect of Schechter's model, if fully adopted, would be to create under trademark protection law property rights in gross in suitably "unique" marks.[23] However, Schechter's "radical dilution proposal" received only occasional favorable notice from the bench.[24]

It was not until Massachusetts enacted the first state dilution statute in 1947 that trademarks owners had a cause of action against dilution for trademarks registered in Massachusetts.[25] Importantly, the Massachusetts statute prohibited both the likelihood of injury to business reputation ("tarnishment") and dilution (by "blurring").[26] In the decades preceding the FTDA, at least 25 states passed similar dilution laws.[27]

Out of this backdrop arose the FTDA. In 1995, the bill, H.R. 1295, for an antidilution amendment to the Lanham Act, was passed unanimously by the House.[28] The Subcommittee on Courts and Intellectual Property of the House Judiciary Committee's report stated that the "purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."[29] An identical bill passed on the same day in the Senate, the purpose of which was

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[23] *See Ringling Bros.*, 170 F.3d at 454 (discussing the origins of trademark dilution).

[24] *Id.*

[25] The Massachusetts statute provided:

> Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief in cases of trade-mark infringement or unfair competition notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services.

V Secret, 537 U.S. at ___, 123 S.Ct. at 1123 (quoting from 1947 Mass. Acts, ch. 307, 300).

[26] *See id.*

[27] *Id.*

[28] *Id.*

[29] H.R. REP. NO. 104-374, *supra* note 15, at 2.

"protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it."[30]

A. ELEMENTS OF A DILUTION CLAIM

A *prima facie* case for an injunction against dilution under the FTDA is comprised by the following elements:

> (i) the plaintiff is the owner of a mark which qualifies as a "famous" mark as measured by the totality of the eight factors listed in § 1125(c)(1);
> (ii) the defendant is making commercial use;
> (iii) in interstate commerce (or, in the United States, import or export trade that can be regulated by Congress);
> (iv) of a mark or trade name;
> (v) and defendant's use began after the plaintiff's mark became famous; and
> (vi) defendant's use causes dilution by lessening the capacity of the plaintiff's mark to identify and distinguish goods or services.[31]

B. IS A FEDERAL DILUTION LAW NECESSARY?

The issue of whether the dilution doctrine is a good idea remains controversial among many legal scholars.[32] Judges, by and large, for fear of granting a trademark owner a "right-in-gross," do not desire broad application of the dilution concept.[33] According to the leading treatise on the matter, "no antidilution law should be so interpreted and applied as to result in granting the owner of a famous mark the right to exclude any and all uses of similar marks in all product

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[30] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1123 (quoting 141 CONG. REC. 38559-38561 (statement of Sen. Hatch)).

[31] *See* MCCARTHY, *supra* note 8, § 24:89.

[32] *See id*. § 24:114; Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433 (1994).

[33] *See* MCCARTHY, *supra* note 8, § 24:114.

or service lines."[34] The delicate balance between free competition and fair competition would be upset by such an expansive view of trademark rights.[35]

III. VICTORIA'S SECRET: RESOLUTION OR SUSTAINED AMBIGUITY?

As previously discussed, the Court's decision sustained the ambiguity surrounding proof of actual dilution when the conflicting marks are similar, but not identical, and left unanswered just what marks qualify as "famous marks" under the FTDA. In addition to the ambiguities exhibited by the result of the Court's analysis, the analysis itself produces its own array of questions.

Firstly, the state dilution statutes repeatedly refer to a "likelihood" of harm, rather than to a completed harm.[36] It is not clear why the fact that approximately 25 states, with the earliest dilution statute pre-dating the FTDA by almost 50 years, possessing the language "likelihood" of harm should have no weight in the Court's interpretation of the FTDA. Furthermore, the fact that some courts had resorted to a "likelihood of dilution" standard in applying the FTDA, in light of the numerous state statutes, should have some probative force in interpreting the federal statute.[37]

The next consideration builds upon Justice Kennedy's comments in his concurring opinion.[38] Due to the fact the role of injunctive relief is to "prevent future wrong, although no right has yet been violated,"[39] it is inconsistent a plaintiff would have to await proof that a

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[34] *Id.*

[35] *Id.*

[36] *See V Secret*, 537 U.S. at ___, 123 S.Ct. at 1124.

[37] *See Ringling Bros.*, 170 F.3d at 464.

[38] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125.

[39] *See id.* (quoting Swift & Co. v. United States, 276 U.S. 311 (1928)).

trademark right has been violated before an injunction can be granted under § 1125(c)(2). While Justice Kennedy's concurrence in *V Secret* emphasizes that "[a] holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded," it is not clear whether the *threat* of diminishment would be associated with actual economic harm due to dilution or, rather, would be more properly associated with a likelihood of such harm.[40] In the latter case, proof of actual harm remains unsatisfied and, therefore, contrary to Justice Kennedy's assertions, the holder of a famous mark necessarily would be "forced to wait until [at least a provable modicum of] damage is done and the distinctiveness of the mark has [thus] been eroded [to some extent]."[41] The Court unfortunately fails to address the textual conflict introduced by its own interpretation of the statutory text in light of the legislative history.

While only the initial repercussions of the *Victoria's Secret* decision are becoming apparent in the district courts[42] as well as the circuit courts,[43] perhaps a comment made by Chief Judge Rice of the Southern District of Ohio typifies the reaction of the lower courts to the High Court's decision: "However, [plaintiffs] are no doubt entitled to an opportunity to make their [dilution] case on the merits, the [c]ourt will note that it is *extremely difficult to prevail* on such [dilution claim] under the Lanham Act."[44] If this attitude generally prevails in courts faced with dilution claims, then plaintiffs, faced by the lack of judicial predictability on the outcome of

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[40] *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125 (Kennedy, J., concurring).

[41] *Id.*

[42] *See, e.g.*, Golden W. Fin. v. WMA Mortgage Servs., 2003 WL 1343019 (N.D. Cal. 2003); Best Cellars, Inc. v. Wine Made Simple, Inc., 2003 WL 1212815 (S.D.N.Y. 2003).

[43] *See, e.g.*, Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc., 330 F.3d 1333 (Fed. Cir. 2003).

[44] Reed Elsevier, Inc. v. TheLaw.net Corp., 269 F. Supp. 2d 942, WL p. 11 (S.D. Ohio 2003).

dilution claims as well as by the potentially prohibitive costs of establishing actual proof of economic harm, may be dissuaded from asserting any claims under the FTDA. Thus, ironically, the Court's *Victoria's Secret* decision may satisfy the critics of trademark dilution theory by whittling dilution out of the courts.