

I. BACKGROUND

In 1995 Congress amended § 43 of the Trademark Act of 1946 (“Lanham Act”) by passing the Federal Trademark Dilution Act (“FTDA”) in order to provide a remedy for the dilution of famous marks.¹ Unlike traditional infringement law, the prohibitions against trademark dilution are not the result of common-law developments and are not motivated by an interest in protecting consumers.² The bill that was introduced in the House in 1995 and ultimately enacted as the FTDA states its purpose “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.”³ In *Moseley v. V. Secret Catalogue*, the Court resolved a conflict in the Circuits over whether “actual harm” to a Plaintiff’s famous trademark had to be shown in order to prevail on a trademark dilution claim.⁴

II. FACTS AND PROCEDURAL POSTURE

Petitioners, Victor and Cathy Moseley, own and operate a retail store named “Victor’s Little Secret” in a strip mall in Elizabethtown, Kentucky.⁵ An army colonel, upon viewing petitioners’ advertisement for their retail store, which at that time was called “Victor’s Secret,” sent a copy to respondents, affiliated corporations that own the Victoria’s Secret trademarks,

¹ See 15 U.S.C. § 1125(c) (West 2003). Relevant to the present case is the statutory text of § 1125(c)(1):

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).

² *Moseley v. V Secret Catalogue, Inc.*, 123 S.Ct. 1115, 1122 (2003).

³ H.R. 374, 104th Cong. (1995).

⁴ *Moseley*, 123 S.Ct. at 1122.

⁵ *Id.* at 1119.

because he viewed the petitioners' advertisement as an attempt to use a reputable trademark to promote the sale of "unwholesome, tawdry merchandise."⁶ Respondents requested that petitioners discontinue the use of the name and any variations thereof; petitioners responded by changing the store name to "Victor's Little Secret."⁷ Respondents, dissatisfied with this change, filed in Federal District Court, alleging, *inter alia*, "federal dilution" in violation of the FTDA.⁸

Respondents supported their claims that petitioners' conduct was "likely to blur and erode the distinctiveness" and "tarnish the reputation" of the Victoria's Secret trademark with an affidavit from a marketing expert who explained the value of respondents' mark but expressed no opinion concerning the impact of petitioners' use of "Victor's Little Secret" on that value.⁹

The District Court granted respondents summary judgment on the FTDA claim, and the Sixth Circuit affirmed, holding that respondents' mark was distinctive and that the evidence established dilution even though the respondents had not shown actual harm.¹⁰ In reaching its decision, the Sixth Circuit accorded with the standards for determining dilution under the FTDA that were enunciated by the Second Circuit in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (1991). Furthermore, the Sixth Circuit expressly rejected the holding of the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (1999), where the court held that the FTDA

requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods and services.¹¹

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 1119-20.

¹⁰ *Id.* at 1120-21.

¹¹ *Id.* at 1121-22 (citing *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (1999)).

The Supreme Court granted certiorari in order to resolve a conflict among the Circuits about the “actual harm” issue.¹² The Court reversed and remanded, holding that (1) the FTDA requires proof of actual dilution and (2) the evidence in the instant case was insufficient to support summary judgment on the dilution count.¹³

III. ANALYSIS OF THE COURT

A. Opinion of the Court

The Court began its analysis with a brief review of traditional trademark infringement law, where the defenses of an absence of likelihood of confusion and the absence of competition between adversaries in a case may be asserted.¹⁴ The instant case lacked both of these elements, neither of which provides a defense to a dilution claim, and accordingly was decided on the assumption that neither existed.¹⁵

After distinguishing trademark dilution law from infringement law, the Court traced the evolution of trademark dilution law back to 1927 and noted its subsequent codification in the statutes of at least 25 states, beginning with Massachusetts in 1947.¹⁶ The Court further emphasized the FTDA’s protection of famous trademarks, as opposed to preventing consumer confusion, by reviewing the legislative history of the FTDA.¹⁷ The FTDA’s legislative history mentions that the statute’s purpose is to protect famous trademarks from subsequent uses that blur the mark’s distinctiveness or tarnish or disparage it, even absent a likelihood of confusion.¹⁸

¹² *Id.* at 1122.

¹³ *Id.* at 1124-25.

¹⁴ *Id.* at 1122.

¹⁵ *Id.* Query what effect the presence of one or both of these elements may have on a dilution claim (*see* concurring opinion, *infra*).

¹⁶ *Id.* at 1122-23.

¹⁷ *Id.* at 1123.

¹⁸ *Id.*

The Court focused on the contrast between the state statutes and the federal statute to elucidate the issue of whether “actual harm” must be shown for an actionable dilution claim.¹⁹ While the state statutes repeatedly refer to a “likelihood” of harm, rather than a completed harm, the relevant text of the FTDA provides that “the owner of a famous mark” is entitled to injunctive relief against another’s commercial use of a trademark if that use “*causes dilution of the distinctive quality*” of the famous mark.²⁰ The Court concluded that “[t]his text unambiguously requires a showing of actual dilution, rather than a likelihood of harm.”²¹ Furthermore, the Court noted that this conclusion is confirmed by the FTDA’s definition of “dilution.”²²

The Court’s holding does not mandate that the consequences of dilution, such as an actual loss of sales or profits, must also be proved.²³ The Court stated that “direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can be proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical.”²⁴

B. Concurring Opinion

Justice Kennedy filed a concurring opinion in which he focused on the word “capacity” in the statutory phrase “the lessening of the capacity of a famous mark to identify and distinguish

¹⁹ *Id.* at 1124.

²⁰ *Id.* (quoting 15 U.S.C. § 1125(c)(1)) (emphasis in original).

²¹ *Id.*

²² That definition provides:

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 –

- (1) competition between the owner of the famous mark and other parties, or
- (2) likelihood of confusion, mistake, or deception.

15 U.S.C. § 1127 (West 2003).

²³ *Moseley*, 123 S.Ct. at 1124.

²⁴ *Id.* at 1125.

goods and services.”²⁵ Justice Kennedy stated that there are circumstances where, upon adoption of a competing mark, the case can turn on the *probable consequences* its commercial use will have for the famous mark.²⁶ In this situation, Justice Kennedy proposed that the word “capacity” “imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be diminished could suffice to show dilution.”²⁷ Therefore, a holder of a famous mark that is 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 their mark has been “eroded.”²⁸

²⁵ *Id.* (quoting 15 U.S.C. § 1127).

²⁶ *Id.* (emphasis added).

²⁷ *Id.*

²⁸ *Id.* at 1126.