

First Draft:
MOSELEY V. V SECRET CATALOGUE, INC.

In its recent *Victoria's Secret* decision, the Supreme Court resolved a circuit split over whether a plaintiff asserting a dilution claim under the Federal Trademark Dilution Act ("FTDA")¹ has to prove actual dilution of a famous mark or merely a likelihood of dilution.² The Court held, in light of the FTDA's legislative history, the dissimilarities between state antidilution statutes and the FTDA, the plain text of the FTDA,³ and the statutory definition of the term "dilution"⁴ that the FTDA requires a showing of actual dilution.⁵ The Court stated that its decision does not require the plaintiff to prove the consequences of dilution, such as an actual loss of sales or profits.⁶

The Court suggested that proof of actual dilution may be established by survey evidence and expert testimony, and that, in instances such as when the junior and senior marks are

¹ 15 U.S.C. § 1125 (____).

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

³ The Court considered the text 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 –

- (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 (____).

⁵ *V Secret*, 537 U.S. at ____, 123 S.Ct. at 1122-25.

⁶ *Id.* at ____, 123 S.Ct. at 1124.

identical, circumstantial evidence of dilution may suffice.⁷ In situations where the junior and senior marks are not identical, the Court gave little guidance as to what evidence gathered, for example, through surveys or from expert testimony would suffice to prove actual dilution.⁸ Furthermore, the Court failed to specify even what quantity of the “lessening of the capacity of a famous mark to identify and distinguish goods or services”⁹ would suffice.¹⁰ Although respondents *Victoria’s Secret* and *amici* emphasized the difficulty in obtaining evidence of actual dilution, the Court reasoned that the difficulties were “not an acceptable reason for dispensing with proof of an essential element of a statutory violation.”¹¹

While the Court’s decision may have resolved a circuit split, it maintained a commensurate ambiguity involving what types of evidence and precisely what threshold of harm will suffice to prove actual dilution.¹² Furthermore, additional ambiguities that were not before the Court continue to frustrate application of the FTDA, namely what marks should qualify for

⁷ *Id.* at 1125. While the Court gave no guidance on what this circumstantial evidence may be, the leading treatise on trademarks provides some useful suggestions. See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:94.2 (West 2003). See also discussion *infra*.

⁸ *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1125. McCarthy provides some guidance with his discussion of expert testimony and dilution surveys. See MCCARTHY, *supra* note 7, § 24:94.2.

⁹ § 1127.

¹⁰ *Secret*, 537 U.S. at ___, 123 S.Ct. at 1125.

¹¹ *Id.* The Court’s view on this issue is in accord with avoiding the judicial presumption of actual economic harm criticized by the Fourth 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 Fourth Circuit’s opinion conflicted with the Second 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 *Nabisco* Ten Factor Test for Blurring).

¹² Indeed, in *Ringling Bros.*, the Fourth Circuit conceded 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.

“famous” status,¹³ to what extent does the statute provide for marks that are distinctive due to acquired secondary meaning,¹⁴ what constitutes fair use under the FTDA,¹⁵ should trademark dilution extend to trade dress,¹⁶ and is dilution applicable where the goods or services are in competition?¹⁷ The totality of these factors likely will enhance the lack of judicial predictability still enshrouding the FTDA, thus making the Court’s opinion tantamount to a hollow resolution. Therefore, the *Victoria’s Secret* decision is most likely merely the first chapter in the story of the FTDA.

I. BACKGROUND

A. Origin of Trademark Dilution in the United States

The language of dilution¹⁸ can be found in cases dating back to the beginning of the twentieth century, and even earlier in Great Britain.¹⁹ In his 1927 article, *The Rational Basis of*

¹³ See, e.g., MCCARTHY, *supra* note 7, §24.112.1 (opining that the FTDA does not require courts to recognize niche fame); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1698 (1999) (discussing how some courts applying the FTDA have expanded the scope of “famous” marks to include the marks of a local favorite and obscure companies).

¹⁴ See, e.g., MCCARTHY, *supra* note 7, § 24:91 (questioning “[i]n what way is some kind of ‘distinctiveness’ required for the anti-dilution remedies?”).

¹⁵ Section 1125(c)(4)(A) provides that:

The following shall not be actionable under this section:

Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

¹⁶ See, e.g., MCCARTHY, *supra* note 7, § 24:90.1 (noting that “if anti-dilution law was applied to give exclusive rights to a product shape, there would be a constitutional clash between the Lanham Act (founded on the Commerce Clause) and design patent law (founded on the Patent/Copyright Clause)).

¹⁷ See, e.g., *id.* § 24:72 (observing that the FTDA on its face is capable of application to competitive situations); *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39 (2d Cir. 1994).

¹⁸ In contrast to traditional infringement law, where consumer confusion is the touchstone, dilution protects the commercial image or goodwill of the trademark. Cases protecting a trademark from the perspective of dilution used such “language of dilution.”

¹⁹ See generally MCCARTHY, *supra* note 7, §24:67 *et seq.* (providing a critical assessment of the dilution doctrine); ROBERT P. MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* (2d ed. 2000);

Trademark Protection, Frank I. Schechter arguably brought trademark dilution into the consciousness of courts and legislators.²⁰ Schechter opined that the “preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”²¹ The trademark could be protected by prohibiting “dilution” of the mark’s uniqueness from which it derived its hard-earned advertising value and selling power.²² 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.²³

Schechter believed that these marks have, “from the very beginning, been associated with a particular product, not with a variety of products,²⁴ and have created in the public consciousness an impression or symbol of the excellence of the particular product in question.”²⁵ By “dilution” under this model, Schechter meant the junior use of an identical or sufficiently similar mark, where the injury caused by 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.”²⁶

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 (West 2003) (providing background on the incorporation of the dilution doctrine into state antidilution laws) [hereinafter “RESTATEMENT (THIRD)”]; DAVID S. WELKOWITZ, TRADEMARK DILUTION (2002) (tracing the origins and development of trademark dilution law in the United States);

²⁰ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

²¹ *Id.* at 831.

²² *Id.* at 832 (borrowing the term “diluted” from a German case).

²³ *Id.* at 828-29.

²⁴ This language from the Schechter article appears to indicate that he intended protection from dilution to apply to a class of trademarks that were synonymous with a single product or product class. Some commentators have argued that, in situations where the senior trademark owner use their famous mark to identify a diversity of products, the owners themselves destroy the uniqueness of their mark and, thus, should lose their rights to a claim under the FTDA. See Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 734-35 (2003).

²⁵ Schechter, *supra* note 20, at 828-29.

²⁶ *Id.* at 825.

Schechter advocated the broadest protection for only “coined or fanciful marks,” as opposed to “words or phrases in common use.”²⁷ This position was justified because of the requirement that a mark be *uniquely* associated with a particular source to merit such broad protection.²⁸

The practical effect of Schechter’s model, if fully adopted, would be to grant, through trademark protection law, property rights in gross to owners of suitably “unique” marks, making them commensurate, albeit without the time-limits, to those protected by patent and copyright law.²⁹ However, after its introduction, Schechter’s “radical dilution proposal” received only occasional favorable judicial notice.³⁰

B. State Antidilution Statutes

It was not until Massachusetts enacted the first state antidilution statute in 1947 that trademark owners had a cause of action against dilution of trademarks registered in Massachusetts.³¹ Importantly, the Massachusetts statute prohibited both the “[l]ikelihood of

²⁷ *Id.* at 828.

²⁸ *See id.* at 829. Schechter apparently did not contemplate dilution protection for trade dress. He stated that “[t]he owner of a distinctive mark or name . . . obtains thereby no monopoly of goods or services; these may be freely sold on their own merits and under their own trade symbols.” *Id.* at 833. When Schechter wrote, the concept of protecting product configurations (trade dress protection) was not established. *See WELKOWITZ, supra* note 19, at 7-8, fn 25. However, the FTDA extends protection to famous trade dress and product configurations. *See Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246 (5th Cir. 1998).

²⁹ *See Ringling Bros.*, 170 F.3d at 456. *See, e.g.*, Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 802 (1997).

³⁰ *Ringling Bros.*, 170 F.3d at 454.

³¹ The Massachusetts statute provided:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trademark 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 1947 Mass. Acts, ch. 307, 300).

injury to business reputation” (“tarnishment”) and “dilution of the distinctive quality” of the mark (“blurring”).³² While the original bill in Massachusetts was intended to protect only a “coined or peculiar word,” as enacted, the statute contained no express limitation to such marks.³³ Early Massachusetts case law was cautious in interpreting the statute, and owners of marks consisting of fairly common terms without substantial renown found courts reluctant to enforce the statute.³⁴

In the decades preceding the FTDA, at least twenty-five states passed similar antidilution laws.³⁵ Though the state statutes varied in detail, they typically had four features of relevance for comparison to the FTDA: (i) they defined the class of marks eligible for protection from dilution solely by reference to their “distinctive quality;” (ii) they proscribed a “likelihood of dilution” in addition to actual, consummated dilution; (iii) they contained no express reference to harm to the senior mark’s economic value, and, thus, defined dilution in terms that could reasonably be interpreted to indicate that it solely consisted of a diminishment of the mark’s distinctiveness; and (iv) they provided only injunctive relief.³⁶ The state statutes were the primary source of dilution law prior to enactment of the FTDA in 1995.³⁷

C. The Model State Trademark Bill

³² *See id.*

³³ WELKOWITZ, *supra* note 19, at 12.

³⁴ *Id.* (citing Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CAL. L. REV. 439, 453-57 (1956)).

³⁵ *See* RESTATEMENT (THIRD), *supra* note 19, at 2, 8 (listing state antidilution statutes and discussing their commonalities). Interestingly, in many cases when the statutes were initially being applied, courts denied dilution claims because the plaintiff had failed to show a likelihood of confusion, notwithstanding the plain language of the statutes eliminating confusion as an element of a dilution cause of action. *See id.*

³⁶ *Ringling Bros.*, 170 F.3d at 454. *See, e.g.*, CAL. BUS. & PROF. CODE § 14330 (West 2003).

³⁷ *See* WELKOWITZ, *supra* note 19, at 17 (discussing in detail the state antidilution statutes, which exist in a total of 34 states). The FTDA became effective on January 16, 1996.

In 1964, the United States Trademark Association (the “USTA,” now the International Trademark Association, or “INTA”) added a dilution provision to its Model State Trademark Bill that was identical to the Massachusetts statute.³⁸ The 1964 Model Bill, like the existing state statutes that inspired it, was broadly worded, lacking a definition for the term “dilution” and failing to clarify what gives a mark the “distinctive quality” that is a prerequisite for dilution.³⁹

The dilution provisions of the Model Bill were amended in 1992, prior to enactment of the FTDA, by providing substantially more detail than the 1964 dilution provision.⁴⁰ In particular, the 1992 provisions protected only “famous” marks, provided factors to assess fame, defined the term “dilution,” and permitted the award of damages for certain “willful” acts of infringement.⁴¹ However, the 1992 Model Bill still proscribed the “likelihood of injury” standard adopted from the state antidilution statutes in 1964.⁴²

Thus, prior to enactment of the FTDA, the dilution doctrine had existed in the United States for almost seventy years, and could be successfully exercised as a cause of action based on a theory of a “likelihood of dilution” for almost fifty years.

D. The Federal Trademark Dilution Act

The FTDA arose out of this backdrop. After an unsuccessful attempt to pass a dilution bill in 1988, the House and Senate passed a new dilution bill in 1995, thus enacting the FTDA.⁴³

³⁸ See *id.* at 15. The purpose of the Model Bill was to provide a model promoting uniformity and greater certainty concerning trademark rights under state laws. *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at 16.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.* at 158. The House Report on the dilution bill, H.R. 1295, stated the purpose of the FTDA:

In contrast to the debate that surrounded the 1988 bill, there appeared to be general agreement on the need for a federal dilution statute as of 1995.⁴⁴

The FTDA contained a number of innovations. First, in contrast to state antidilution statutes, the FTDA required a mark to be “famous.”⁴⁵ The statute sets forth eight factors to guide the court in determination of a mark’s famous status.⁴⁶ Second, the FTDA provides a definition of dilution, defining it as “the lessening of the capacity of a famous mark to identify and distinguish goods and services ...”⁴⁷ This is in contrast to many of the older state dilution laws.⁴⁸ Third, the FTDA includes three specific defenses to a dilution claim: fair use in comparative advertising, noncommercial use, and news reporting and commentary.⁴⁹ While any state law patterned after the 1964 Model Bill does not contain these provisions, an analogy to the FTDA provisions may exist under the state laws.⁵⁰ Fourth, the FTDA, unlike state statutes, does not contain the language “likelihood of dilution,” rather, it proscribes use that “causes dilution,”

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. H.R. 1295 does this by amending Section 43 of the Trademark Act of 1946 to add a new subsection (c) to provide protection against another’s commercial use of a famous mark which results in dilution of such mark. Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks and is also consistent with our international obligations in the trademark area.

H.R. REP. NO. 104-374, p.2-3 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029.

⁴⁴ WELKOWITZ, *supra* note 19, at 158.

⁴⁵ *Id.* at 163-64.

⁴⁶ *See* § 1125(c)(1)(A)-(H).

⁴⁷ § 1127 (definition of “dilution”).

⁴⁸ WELKOWITZ, *supra* note 19, at 165.

⁴⁹ § 1125(c)(4).

⁵⁰ WELKOWITZ, *supra* note 19, at 166. *See, e.g.,* L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 31 (1st Cir. 1987) (holding that the First Amendment required allowance of a fair use defense of parody to state antidilution law).

suggesting that a plaintiff must prove actual harm.⁵¹ Additionally, the FTDA did not preempt state antidilution law, allowed for damages in cases of willful violations, and enabled the owner of a famous mark to oppose or cancel registrations.⁵²

Shortly after enactment of the FTDA, a conflict arose in the circuits which would eventually lead to the intervention of the Supreme Court.

E. A Split Between the Circuits: Setting the Stage for *Victoria's Secret*

The circuits soon became split over whether a plaintiff had to prove actual dilution to a famous mark or merely had to establish that a “likelihood” of such harm existed.⁵³ While the Fourth and Fifth Circuits held that actual economic injury (or actual dilution, if we equate dilution with economic injury), the Second, Third, Sixth, and Seventh Circuits held that a plaintiff need only demonstrate a likelihood of harm or dilution.

The Fourth Circuit’s analysis in *Ringling Bros.* and the Second Circuit’s approach in *Nabisco* exemplified the circuit split.⁵⁴ The Fourth Circuit held that, under the FTDA, a plaintiff must prove actual economic harm, opining that the impossibility or near-impossibility of proving such harm does not support a judicial presumption of dilution from proof alone of the marks’

⁵¹ § 1125(c)(1).

⁵² WELKOWITZ, *supra* note 19, at 164.

⁵³ See generally Karen S. Frank & Gail I. Nevius, *Dilution: The Conflict in the Circuits*, PRACTISING L. INST., PLI Order No. G0-0124, Sept. 2002, at 513; Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719 (2001) (discussing the circuit split and arguing for an actual economic harm standard); Matthew S. Voss, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development & Nabisco, Inc. v. PF Brands, Inc.*, 15 BERKELEY TECH. L.J. 265 (2000) (highlighting the key cases in the circuit split, the Fourth Circuit v. Second Circuit).

⁵⁴ See *Ringling Bros.*, 170 F.3d 449 (4th Cir. 1999); *Nabisco*, 191 F.3d 208 (2d Cir. 1999). Indeed, in reaching its decision in *Victoria's Secret*, the Supreme Court predominantly addressed these two circuit decisions. *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1120-22.

sufficient similarity.⁵⁵ The Fourth Circuit suggested that actual dilution could be shown by proof of an actual loss of revenues and by the skillfully constructed consumer survey.⁵⁶

The Second Circuit rejected the Fourth Circuit's requirement of proof of actual economic harm.⁵⁷ Since the FTDA provides for only an injunction and no damages (absent willfulness), the trademark owner would have to wait until harm had occurred before invoking the statute, resulting in an uncompensated injury. Furthermore, junior users, contemplating the use of a new mark, would be unable to seek declaratory relief before going to market, thus they would be required to invest large sums of money without assurance that their mark would not be enjoined.⁵⁸ The Second Circuit adopted a new test consisting of an expanded non-exclusive list of ten factors to establish a likelihood of dilution (the *Nabisco* ten-factor test for blurring).⁵⁹

In *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), the Sixth Circuit sided with the Second Circuit in adopting a "likelihood" of dilution standard, thus setting the stage for the Supreme Court to resolve the conflict.

⁵⁵ *Ringling Bros.*, 170 F.3d at 459-61. In advocating its interpretation of the FTDA, the court stated:

The difficulties of proving actual dilution by practically available means is evident ... It may have lead a few federal courts early on simply to assume, without facing up to the interpretive difficulty of doing so, that the federal Act only requires proof of a "likelihood of dilution."

Id. at 464.

⁵⁶ *Id.* at 465.

⁵⁷ *Nabisco*, 191 F.3d at 224. The Second Circuit stated that the requirement of actual dilution "depends on excessive literalism to defeat the intent of the statute." *Id.*

⁵⁸ *Id.*

⁵⁹ *See id.* at 217-24.

II. CASE SUMMARY

A. Facts and Procedural Posture

In February 12, 1998, petitioners, Victor and Cathy Moseley, advertised the grand opening of their Elizabethtown, Kentucky, retail store, “Victor’s Secret,” in a weekly publication.⁶⁰ Someone saw the advertisement and believed that it was an attempt to use the “Victoria’s Secret” trademark to promote the sale of “unwholesome, tawdry merchandise.”⁶¹ He sent a copy of the advertisement to respondents, affiliated corporations that own the Victoria’s Secret trademark and operate over 750 Victoria’s Secret stores, two of which are in Louisville, Kentucky.⁶² Counsel for Victoria’s Secret requested that the Moseleys discontinue using the name and any variations, and the Moseleys responded by changing the store name to “Victor’s Little Secret.”⁶³ Dissatisfied with this change, Victoria’s Secret filed an action under the Lanham Act in the Western District of Kentucky, alleging, among other things, federal dilution in violation of the FTDA.⁶⁴

In support of the dilution claim, Victoria’s Secret alleged that the Moseley’s conduct was “likely to blur and erode the distinctiveness” and “tarnish the reputation” of the Victoria’s Secret trademark.⁶⁵ They supported this claim with a marketing expert’s affidavit that explained the

⁶⁰ *V Secret*, 537 U.S. at ____, 123 S.Ct. at 1119.

⁶¹ *Id.* Whereas Victoria’s Secret primarily marketed “moderately priced, high quality, attractively designed lingerie,” *id.*, Victor’s Little Secret sold, among other things, novelty action clocks, patches, temporary tattoos, handcuffs, hosiery bubble machines, incense burners, lingerie, pagers, adult video tapes, and adult novelties. *Id.* at ____, 123 S.Ct. at 1120.

⁶² *Id.* at ____, 123 S.Ct. at 1119.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

value of the Victoria's Secret mark but expressed no opinion on the impact of the Moseleys' use of Victor's Little Secret on that value.⁶⁶

B. The District Court

The Moseleys did not challenge the "famous" status of the Victoria's Secret mark, and therefore, the only question before the District Court was whether the Moseleys' use of Victor's Little Secret diluted the distinctive quality of the Victoria's Secret trademark.⁶⁷ The court granted summary judgment for Victoria's Secret on the dilution claim, holding that the two marks were sufficiently similar to cause dilution and that the Moseleys' mark diluted the Victoria's Secret mark because of its "tarnishing effect" upon the latter.⁶⁸

C. The Sixth Circuit

The Court of Appeals for the Sixth Circuit affirmed.⁶⁹ In a case decided shortly after the entry of the District Court's judgment,⁷⁰ the Sixth Circuit adopted the *Nabisco* Test for dilution.⁷¹ In order to apply those standards, the court considered two additional elements that were not analyzed by the District Court: (i) whether the Victoria's Secret mark is "distinctive;" and (ii) whether relief could be granted before dilution had actually occurred.⁷²

⁶⁶ *Id.* at ___, 123 S.Ct. at 1119-20.

⁶⁷ *V Secret Catalogue, Inc. v. Moseley*, No. 3:98CV-395-S, 2000 WL 370525, *5 (W.D. Ky. Feb. 9, 2000).

⁶⁸ *Id.* at *5-6.

⁶⁹ *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001).

⁷⁰ *See Kellogg Co. v. Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000).

⁷¹ The *Nabisco* test was outlined in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) and is discussed *supra*.

⁷² 259 F.3d at 468-71.

With respect to the distinctiveness of the Victoria's Secret trademark, the court held that the mark "ranks with those that are 'arbitrary and fanciful' and is therefore deserving of a high level of trademark protection."⁷³

In light of the legislative history of the FTDA and the difficulty of proving actual harm, the court held that the evidence sufficiently established dilution.⁷⁴ In reaching this decision, the court adopted a likelihood of harm standard as sufficient to establish dilution and expressly rejected the Fourth Circuit's holding in *Ringling Bros.*, which required proof of actual harm to the famous mark's economic value.⁷⁵

D. The Supreme Court

The Court reversed the decision below and remanded the case.⁷⁶ The Court held that (i) the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution" and (ii) Victoria's Secret failed to establish that their famous mark was diluted, absent evidence of any lessening of the capacity of the mark to identify and distinguish goods or services sold in their stores or advertised in their catalogues.⁷⁷

⁷³ *Id.* at 470.

⁷⁴ *Id.* 475-76. The Sixth Circuit held:

While no consumer is likely to go to the Moseley's store expecting to find Victoria's Secret famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely automatically to think of the more famous store and link it to the Moseley's adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors.

Id. at 477.

⁷⁵ *Id.* at 475. *See Ringling Bros.*, 170 F.3d 449, 464-65 (1999).

⁷⁶ Justice Stevens delivered a decision that was unanimous for all parts except for Part III, which examined the legislative history of the FTDA. *See V Secret*, 537 U.S. at ___, 123 S.Ct. at 1123-24. Justice Kennedy filed a concurring opinion. *See id.* at ___, 123 S.Ct. at 1125-26.

In reaching its decision, the Court began by distinguishing trademark dilution from trademark infringement law and presented a brief background of the development of trademark dilution law.⁷⁸ The Court noted that while state antidilution statutes expressly applied to both dilution due to tarnishment and blurring, the FTDA arguably supports a narrower reading since it refers to only the element of blurring.⁷⁹

The Court discussed the legislative intent behind the FTDA by focusing on the identical language that was used to describe the bill in both Houses: “The purpose of [the bill] 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.”⁸⁰ Additionally, the legislative history showed that the bill passed the House unanimously and passed in the Senate without any hearings.⁸¹

The Court then focused on the contrast between the state antidilution statutes and the FTDA to elucidate whether actual harm must be shown for an actionable dilution claim.⁸² While the state statutes repeatedly refer to a “likelihood” of harm, the FTDA provides injunctive relief when the alleged diluter’s commercial use of a senior user’s trademark “*causes dilution* of the distinctive quality” of the famous mark.⁸³ The Court concluded that this text unambiguously

⁷⁷ *Id.* at ___, 123 S.Ct. at 1124-25.

⁷⁸ *Id.* at ___, 123 S.Ct. at 1122-23. The discussion, *supra*, provides similar background in more detail.

⁷⁹ *Id.* at ___, 123 S.Ct. at 1123-24.

⁸⁰ *Id.* at ___, 123 S.Ct. at 1123 (quoting H.R. REP. NO. 104-374, p.2 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029).

⁸¹ *Id.*

⁸² *Id.* at ___, 123 S.Ct. at 1124.

⁸³ *Id.* (quoting § 1125(c)(1))(emphasis in original).

requires a showing of actual dilution, rather than a likelihood of dilution.⁸⁴ In support of its interpretation, the Court focused on the definition of the term “dilution.”⁸⁵

Importantly, the Court stated that its holding does not mean that the consequences of dilution, such as actual losses in sales or profits, must also be proved.⁸⁶ The Court suggested that proof of actual dilution may be established by survey evidence and expert testimony, and that, in instances such as when the junior and senior marks are identical, circumstantial evidence of dilution may suffice.⁸⁷

In his concurring opinion, Justice Kennedy focused on the word “capacity” in the definition of “dilution” as the “lessening of the capacity of a famous mark to identify and distinguish goods or services.”⁸⁸ 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.⁸⁹ 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 potential power will be diminished could suffice to prove actual dilution.⁹⁰ Therefore, in comporting with the role of

⁸⁴ *Id.* The Court presumably reached this decision in light of the history of dilution law, the legislative history and intent of the FTDA, and the suggested narrower reading of the FTDA compared to state antidilution laws with respect to blurring and tarnishment. However, the Court provided no explicit bearing of these factors upon their interpretation of the statutory language. *See id.*

⁸⁵ *Id.* The definition of dilution is given in *supra* note 4. The Court stated that the contrast between the initial reference to an actual lessening of the mark’s capacity and the later reference of a “likelihood of ...” in the second caveat confirms the interpretation that actual dilution must be established. *V Secret*, 537 U.S. at ___, 123 S.Ct. at 1124.

⁸⁶ *Id.*

⁸⁷ *Id.* at ___, 123 S.Ct. at 1125.

⁸⁸ *Id.* (Kennedy, J., concurring) (quoting § 1127).

⁸⁹ *Id.* (emphasis added).

injunctive relief, the holder of a famous mark threatened by diminishment of the mark's capacity would not be forced "to wait until the damage is done and the distinctiveness of the mark has been eroded."⁹¹

III. DISCUSSION

A. Did the Court Reach the Correct Result?

In analyzing the plain statutory language "causes dilution," the Court reached a result which is in contradiction to the purpose of the FTDA.⁹² Furthermore, a consideration of the fifty years of state antidilution statutes existent prior to the FTDA, the Model State Trademark Bill, and the capability of courts to effectively apply complicated balancing tests⁹³ supports a "likelihood of dilution" standard. Therefore, the Court likely arrived at the wrong result in interpreting the FTDA.

1. *Statutory Interpretation Favors a "Likelihood of Dilution" Standard*

In interpreting the statutory phrase "causes dilution,"⁹⁴ the Court ultimately followed a strict textualist approach,⁹⁵ which was reinforced by the contrast between the FTDA and the text

⁹⁰ *Id.*

⁹¹ *Id.* at 1126.

⁹² See generally William N. Eskridge & Philip P. Frickey, *Statutory Interpretation as Practical Reasoning*, 42 STAN. L. REV. 321 (1990) (providing a critical assessment of traditional approaches to statutory interpretation and formulating a new approach to statutory interpretation). See also Amicus Curiae Brief of Intellectual Property Law Professors in Support of Respondents, 2002 WL 1967938 (August 21, 2002) [hereinafter "Brief of IP Law Professors"]; Brief of the American Bar Association as Amicus Curiae Supporting Respondents, 2002 WL 1929517 (August 16, 2002).

⁹³ See, e.g., *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979) (laying out the eight *Sleekcraft* factors for likelihood of confusion in a trademark infringement claim).

⁹⁴ § 1125(c)(1).

⁹⁵ See Eskridge, *supra* note 92, at 340-45.

of the state statutes, requiring a “likelihood of dilution.”⁹⁶ Although, the court briefly discussed the legislative history behind the FTDA and indicated the legislative intent by reviewing comments in both the House and the Senate,⁹⁷ neither the legislative intent nor federal legislative history elucidate the meaning of the phrase “causes dilution.”⁹⁸ Indeed, the Court did not explicitly link the legislative background to their exercise in statutory interpretation.⁹⁹ In fortifying their interpretation by relying on the statutory definition of “dilution,” the Court limited itself to the plain language of the statute.¹⁰⁰

The textualist approach followed by the Court, however, fails to consider the context, on one level, provided by the statutory language as well as the context, on another level, of what the polity considered important with regard to dilution law.¹⁰¹ As noted in the concurrence, the essential role of injunctive relief is to “prevent future wrong, although no right has yet been violated.”¹⁰² Forcing a trademark owner to wait until a provable level of harm has occurred makes the injunctive remedy of the statute futile, at least with respect to the actual amount of harm suffered prior to winning an injunction.¹⁰³ Furthermore, the provable amount of harm may

⁹⁶ *V Secret*, 537 U.S. at ___, 123 S.Ct. 1124.

⁹⁷ *See id.* at ___, 123 S.Ct. at 1123. The comments, however, only indicate a desire 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.” *Id.* These comments do not shed light on the statutory phrase “causes dilution” in § 1125(c)(1).

⁹⁸ § 1125(c)(1).

⁹⁹ *See V Secret*, 537 U.S. at ___, 123 S.Ct. 1124.

¹⁰⁰ *See id.*

¹⁰¹ *See generally* Eskridge, *supra* note 92, at 341-42.

¹⁰² *V Secret*, 537 U.S. at ___, 123 S.Ct. 1125 (Kennedy, J., concurring) (quoting *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928)).

¹⁰³ The harm prior to an injunction likely will never be compensated. *See* Brief of IP Law Professors, *supra* note 92, at *5-8.

be far less in comparison to the amount that the senior user continues to endure. Such an unjust result is in violation of the spirit of the FTDA.

Furthermore, while Justice Kennedy's concurrence focuses on the statutory use of the word "capacity" in the phrase defining dilution as "the lessening of the capacity of a famous mark to identify goods or services,"¹⁰⁴ he arrives at a contradictory result. Kennedy states 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,"¹⁰⁵ it is unclear whether the *threat* of diminishment would be associated with actual economic harm due to dilution or, rather, more properly associated with a likelihood of such harm. 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 amount of] damage is done and the distinctiveness of the mark has [thus] been eroded [to some measurable extent]."¹⁰⁶

Therefore, within the context of the statutory language of the FTDA, the Court's exercise in interpretation appears flawed.

With respect to the context on a policy level, the FTDA protects senior mark owners from uses that reduce the distinctiveness of the famous mark (blurring) or disparage it (tarnishment). By adopting a standard of actual dilution, the Court permits either or both of these forms of dilution to occur *before* the senior user may seek relief.¹⁰⁷ This result contradicts the legislatures' original intent to protect famous marks from such uses. Additionally, on a policy level, the

¹⁰⁴ § 1127 (defining "dilution").

¹⁰⁵ *V Secret*, 537 U.S. at ___, 123 S.Ct. 1125 (Kennedy, J., concurring).

¹⁰⁶ *Id.*

¹⁰⁷ *See Nabisco*, 191 F.3d at 223-35; Brief of IP Law Professors, *supra* note 92, at *5-7.

Court's interpretation forces junior users to incur potentially large costs without judicial assurance that their mark will not be later enjoined and their investment wasted.¹⁰⁸

The fundamental approaches to statutory interpretation provide a safety valve for use when a result is absurd or in clear contradiction of the spirit of the statute under examination.¹⁰⁹ However, in the instant interpretation, the Court failed to trip the safety valve.

2. *State Statutes and the Model State Trademark Bill Require a "Likelihood of Dilution" Standard*

At the time Congress passed the FTDA, no state antidilution statute had been interpreted to require proof of actual economic harm.¹¹⁰ As well, the Model State Trademark Bill explicitly used the term "likelihood" as inspired by the state statutes.¹¹¹ Because approximately twenty-five states had antidilution laws in effect, Congress felt that protection of famous marks from dilution was only available on a "patch-quilt system of protection" and, therefore, a federal dilution statute was necessary to overcome inconsistent court decisions on state laws and reluctance of state courts to grant nationwide injunctions when half of the states had no dilution laws.¹¹²

¹⁰⁸ See *Nabisco*, 191 F.3d at 224.

¹⁰⁹ See generally Eskridge, *supra* note 92. In commenting on this contradiction, Mark A. Lemley *et al.* in Brief of IP Law Professors, *supra* note 92, at *7 state:

The fact that a statute is limited to injunctive relief in most cases belies the arguments for the actual dilution standard. Surely Congress didn't intend to require proof of damage and then refuse to compensate it. Such a reading would render the protections of the FTDA hollow indeed. It would also strain the equity powers of the courts.

Not surprisingly, the Moseleys argued exclusively for a plain language interpretation of "causes dilution." See Petitioner's Reply Brief on the Merits, 2002 WL 31156489 (September 23, 2002).

¹¹⁰ See, e.g., WELKOWITZ, *supra* note 19, at 17-21; Klieger, *supra* note 29, at 813-14.

¹¹¹ See, e.g., WELKOWITZ, *supra* note 19, at 17-18.

¹¹² H.R. REP. NO. 104-374, p.3-4 (1995).

If the FTDA is to be understood as proscribing protection from actual dilution, then the federal dilution law is in sharp contrast to the almost fifty-years of state law and the Model State Trademark Bill that presumably constituted the lay of the land when Congress enacted the FTDA. It seems highly implausible that Congress, striving to bring uniformity and predictability to the protection of famous marks from dilution, would have intended the FTDA to require proof of actual dilution.¹¹³

3. *Courts are Accustomed to Applying Balancing Tests*

In reaching its decision, the Court overlooked the expertise of the lower courts in applying complex balancing test to draw logical inferences from other established facts.¹¹⁴ Given the uncertainties and potential for manipulation inherent in customer surveys¹¹⁵ as well as the difficulties in measuring actual dilution,¹¹⁶ it appears that an actual dilution standard may render a dilution claim prohibitively difficult to prevail upon. Granted that both methodologies have their respective difficulties, a “lesser of evils” approach tends to favor a balancing test approach, such as that proposed by the Second Circuit in *Nabisco*.¹¹⁷ Such an approach allows for better judicial predictability once precedent is established.

The Court’s interpretation of the FTDA should have been tempered by these additional considerations.

B. The Court Issued a Hollow Resolution

¹¹³ See Brief of IP Law Professors, *supra* note 92, at *12.

¹¹⁴ See, e.g., *Nabisco*, 191 F.3d at 224. See also *Sleekcraft*, 599 F.2d 341 (laying out the eight *Sleekcraft* factors for likelihood of confusion in a trademark infringement claim).

¹¹⁵ See discussion *infra*.

¹¹⁶ See discussion *infra*.

¹¹⁷ See *Nabisco*, 191 F.3d 217-22.

While the Court “resolved” a question of statutory interpretation, the remaining questions of: (i) how effective are customer surveys and expert testimony in measuring and quantifying dilution? and (ii) assuming that dilution is measurable and quantifiable, what magnitude of dilution must be shown? render the Court’s resolution hollow.

1. *The Effectiveness of the Suggested Means of Proof is Questionable*

The threshold question to consider is whether dilution may be reliably measured. The FTDA defines dilution as “the lessening of the capacity of a famous mark to identify goods and services.”¹¹⁸ While some commentators advocate the use of expert testimony and the skillfully constructed consumer survey,¹¹⁹ others point to the manipulability of surveys and the possibility that dilution may occur, but may be vanishingly small.¹²⁰

Indeed, at the incipient stages of dilution, the harm may be so small as to be immeasurable.¹²¹ This idea ties into the fundamental theory of the slippery slope and dilution.¹²² If the harm due to the initial junior user is practically immeasurable,¹²³ then winning a nationwide injunction against the allegedly diluting mark may be essentially impossible under the Court’s actual dilution requirement. Therefore, assuming that each junior user’s dilutive effects may be statistically factored out of the testimony or survey evidence, a senior user may

¹¹⁸ § 1127.

¹¹⁹ See, e.g., Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295 (1999); MCCARTHY, *supra* note 7, § 24:94.2; Adam Omar Shanti, *Measuring Fame: The Use of Empirical Evidence in Dilution Actions*, 5 MARQ. INTELL. PROP. L. REV. 177 (2001).

¹²⁰ See, e.g., *Nabisco*, 191 F.3d at 223-24.

¹²¹ See *id.*

¹²² See MCCARTHY, *supra* note 7, § 24:94.2.

¹²³ Clearly, momentarily putting aside “the principle” of the matter in *Victoria’s Secret*, if the profits (as one potential indicator of actual harm) lost to Victoria’s Secret due to dilution by blurring or tarnishment by Victor’s Little Secret were taken relative to the total profits of the company, the result would likely be a rather small percentage.

find itself unable to prevail on a dilution claim against any single user.¹²⁴ Such a result would allow the infection that is dilution to spread and ultimately irreparably damage the senior owner's famous trademark.¹²⁵

Perhaps the Court should have assumed that, as a threshold matter, the harm likely will be vanishingly small, and, therefore, a likelihood of dilution standard is the only pragmatic way to protect the senior user from harm due to dilution. This potential outcome flowing from an actual dilution standard casts additional doubt on the Court's interpretation of the FTDA.

2. *Assuming that Surveys or Expert Testimony Can Reliably Show Actual Dilution, What Quantity of Harm is Required?*

The Court failed to specify what level of actual dilution a plaintiff had to prove to prevail on a federal dilution claim, thus amplifying the concerns discussed in the previous section.

Comment on survey evidence and need for cases to establish requisite levels. (I am still playing with what to say here ...)

IV. CONCLUSION

The *Victoria's Secret* Decision is the First Chapter in the Story of the FTDA (either a separate section in the Discussion section above or tied into the conclusion).

As I briefly mentioned above, there are many ambiguities surrounding the FTDA. Voss' BTLJ article discusses them in some detail – I plan to present them in brief detail just to illustrate how the “actual dilution” interpretation is only a single constraint in the dilution puzzle. In this sense, the *Victoria's Secret* decision is to be seen as merely the first chapter in the FTDA story.

¹²⁴ This assumes, of course, that the junior marks are used in some staggered fashion so that the senior user may not sue them collectively.

¹²⁵ *See*