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Law & Technology Writing Workshop

OUTLINE:
Moseley v. V Secret Catalogue, Inc.

I. INTRODUCTION

A. The Supreme Court's holding in *V Secret* and its reasoning.

B. Implication of the decision: (i) what evidence of actual dilution will suffice?; (ii) how should the court account for the inaccuracies (both potentially misleadingly introduced and statistically necessary inaccuracies) associates with customer surveys?; and (iii) what marks qualify as "famous" under the FTDA?

C. Thesis: The Supreme Court resolved the conflict in the circuits over whether a likelihood of dilution or actual dilution had to shown by a claimant. The Court, however, left many other questions surrounding the FTDA unanswered.

1. Perhaps the Court, sensing that the FTDA was still young and evolving, intended to only set a single constraint and to allow the federal law to further evolve in the lower courts.

2. Perhaps the Court's interpretation of the statute was incorrect and a likelihood of dilution standard is what Congress intended.

3. More sinister view – the Court dislikes dilution theory (it was the radical brainchild of Schechter that should never have become law). Dilution theory is anti-competitive because its grants a "trademark right in gross" to trademark owners (at its limit, it reaches every possible product line!), it has been disfavored by the state judiciary as indicated by the paucity of state decisions finding dilution under state antidilution statutes, and it goes against the very touchstone of customer confusion that trademark theory was founded upon. The Supreme Court intended its decision to "defang" the FTDA by making dilution claims prohibitively difficult to prevail on. The practical effect is that dilution law will be (to the delight of its critics) whittled out of existence.

4. Note that in each of these theses, the practical effect of the Court's holding is that dilution law will gradually disappear because plaintiffs will find it prohibitively expensive and difficult to prove actual dilution.

II. BACKGROUND

A. Brief background on the introduction of dilution theory by Schechter in 1927 with an emphasis on the perspective of his "radical" theory in contrast to customer confusion, the touchstone of trademark law.

B. Evolution of dilution from non-existence, to state antidilution statutes (all requiring a likelihood of dilution standard), to the Model Trademark Bill, to the FTDA. Emphasis here on the paucity of state court decisions finding dilution and on the typical boilerplate approach of tacking on dilution claims to infringement claims. [Note that these sections will be *brief* since a comprehensive review is beyond the scope of the article. This discussion is just to set the stage for the reader.]

C. Setting the stage for the Supreme Court to opine on the FTDA:

1. The split in the Circuits: 4th (very brief discussion of *Ringling Bros.*) and 5th maintaining that a claimant must show actual economic injury versus the 2d (very brief discussion of *Nabisco* case), 3d, 6th (use this to lead into the Supreme Court granting certiorari to hear this case), and 7th maintaining that a claimant need only show a likelihood of harm. Perhaps brief mention of Judge Sweet's factors from his concurrence in *Mead* case (See McCarthy, however, for the inappropriateness of a number of these factors). This section likely would be best served by using all of these conflicting perspectives to show how the courts were (and are) struggling with application of the FTDA.

2. Brief discussion of confusion over which marks are to be considered "famous" under the FTDA. Issue of niche fame and of what "distinctiveness" in the FTDA should refer to in the trademark parlance.

3. [Perhaps really highlight the confusion here to show how the Supreme Court's *V Secret* decision could have been much more instructive to the lower courts on application of the FTDA].

4. At this point, the reader should have a sense of where the FTDA stood with respect to the backdrop of its origin and the state antidilution statutes. The Supreme Court steps in to resolve the split in the circuits.

III. CASE SUMMARY

A. Facts and Procedural History

B. The District Court's Analysis. Emphasis on "likelihood of dilution" standard.

C. The 6th Circuit's Analysis. Affirmation of "likelihood of dilution" standard.

D. The Supreme Court's Analysis

1. Background of dilution law (Schechter, state, FTDA)

2. Legislative intent

3. Contrast of FTDA to state antidilution statutes; plain text of the statute – "causes dilution;" intra-textual analysis – by focusing on the definition of the term "dilution" itself in § 1127.

4. Kennedy's concurrence; emphasis on the word "capacity."

IV. DISCUSSION

A. The Court issued a hollow resolution.

1. Because the famous status of V Secret was undisputed, the Court did not reach the issue of what marks are to be consider "famous" under the FTDA. The FTDA was presumably enacted to cover trademarks with markets that span a large geographic area, however, there are cases that grant famous status to marks with only niche fame. What marks should be covered under the FTDA? With the background of Schechter's examples of famous marks and the comments made in the House Reports, the examples of famous marks should not include some of the marks (Papal Visit 1999, for example) that have been given famous status. The Court should have opined on this ambiguous issue.

   a. Why should some trademark owners be granted these "trademark rights in gross," where, at one limit, the owner may exclude others on dilution grounds in every possible market. Should the Court favor this anti-competitive theory?

2. While the Court announced the necessity of showing "actual dilution" and that customer surveys may suffice to prove such harm, the necessary level of dilution to prevail on a dilution claim is unclear. Furthermore, if a plaintiff is seeking a preliminary injunction, it is counterintuitive that a claimant must wait until actual harm has occurred.

   a. Granted that the Court notes that its holding "does not mean that the consequences of dilution, such as an actual loss of sales or profits must also be proved," the very existence of actual dilution causes harm to the senior trademark owner.

   b. Justice Kennedy's concurrence focuses on the language of the statute stating "the lessening of the capacity of a famous mark to identify and distinguish goods or services." 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 dilution or, rather, would be more properly associated with a likelihood of such harm.[1] In the latter case, proof of actual dilution 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]."[2] The Court unfortunately fails to address the textual conflict introduced by its own interpretation of the statutory text in light of the legislative history.

3. Discussion concerning the difficulty of proving actual dilution.

   a. Survey evidence can too easily be manipulated by interested parties; data can be unreliable; population for sampling may be either inaccurate or chosen to convey certain information.

   b. Price of producing such evidences may be so prohibitive as to discourage claimants from pursuing dilution claims.

   c. These factors in light of the above issues regarding what level of actual dilution is necessary to prevail on dilution grounds amplify the ambiguities introduced by the Court's decision.

B. Did the Court reach the correct decision?

1. Comment on the posture of all state courts and the state antidilution statutes requiring a "likelihood of dilution" standard. What weight should the state court decisions have? [Note as well that state courts appeared to be unreceptive to the dilution doctrine as indicated by its judicial history].

2. It is not clear that a "likelihood of dilution" standard would fail to comport with the legislative intent behind the FTDA.

3. Courts are well-suited to apply weighing and balancing tests and could, therefore, avoid the use of easily manipulated survey evidence.

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[1] Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, ___, 123 S.Ct. 1115, 1125 (2003) (Kennedy, J., concurring).

[2] *Id.*

C. Effect of *V Secret* on federal dilution claims.

1. Perhaps the Court decided to "defang" the anti-competitive dilution theory with its decision. Develop an argument here that the Court disfavors granting a trademark right in gross to trademark owners – that the Court favors free competition – and used its decision to debilitate federal dilution law.

2. By making dilution claims prohibitively difficult to prevail on, the Court's decision will force dilution theory to "whittle away" into the pages of judicial history.

V. CONCLUSION