

Trademark Dilution Following *Moseley v. V. Secret Catalogue, Inc.*

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Introduction

In January of 1996, Congress passed the Federal Trademark Dilution Act of 1995 (“FTDA”).¹ This act allows owners of famous trademarks to obtain injunctive relief against a junior user if the junior use is commercial, if the junior use began after the senior mark became famous, and if the junior use causes dilution of the distinctive quality of the famous mark.² The act defines dilution as, “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.”³ The act also provides numerous factors to use in determining whether a mark is distinctive and famous.⁴ The act limits recovery for dilution to injunctive relief unless the junior user willfully intended “to trade on the owner’s reputation or to cause dilution of the famous mark.”⁵ The act also provides for defenses of fair use, noncommercial use, and an exemption for news reporting and news commentary.⁶

¹ The Federal Trademark Dilution Act of 1995 became 15 U.S.C. §1125 (c).

² 15 U.S.C. §1125(c)(1).

³ 15 U.S.C. §1127.

⁴ These factors are: “(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.” 15 U.S.C. §1125 (c)(1).

⁵ 15 U.S.C. §1125(c)(2).

⁶ 15 U.S.C. §1125(c)(4).

Congress passed the FTDA for two main purposes. First, Congress wanted to promote uniformity in the trademark law across states because famous marks are used on a national basis.⁷ Congress also worried that lack of uniformity would lead to forum-shopping.⁸ Second, Congress passed the FTDA to comply with international obligations, contained in the TRIPS agreement and the Paris convention, and to assist the executive branch in its efforts to gain more protection for U.S. famous marks in foreign countries.⁹

I. The Lower Court Decisions that Led to the Circuit Split.

Federal Circuit Courts of Appeal split on how to interpret “causes dilution” in the FTDA. The Second and Sixth Circuit required only a likelihood of dilution, whereas the Fourth and the Fifth Circuits required a showing of actual harm.

A. Actual Harm Standard

The keystone case for the actual harm standard is *Ringling Bros.-Barnum & Bailey Combined Shows., Inc. v. Utah Div. of Travel Development*.¹⁰ Ringling Bros., owner of the “Greatest Show on Earth” mark, sued Utah Division of Travel Development, alleging that Utah’s use of “Greatest Snow on Earth” diluted “Greatest Show on Earth” under FTDA. The district court found that Ringling Bros. had not proven dilution, and Ringling Bros. appealed to the Fourth Circuit Court of Appeals. Ringling Bros. argued that mental association of the two marks by viewers was sufficient to prove dilution.¹¹ The Court rejected Ringling’s argument that mental association alone

⁷ Before the FTDA, only twenty-five states had laws prohibiting trademark dilution. H.R. Rep. 104-374, at 3 (1995).

⁸ Id. at 4.

⁹ Id.

¹⁰ 170 F.3d 449 (4th Cir. 1999).

¹¹ Id. at 453.

was sufficient to establish dilution,¹² and the court rejected a less stringent standard that would only require likelihood of dilution as opposed to actual economic harm.¹³ The court found that the main purpose of anti-dilution statutes is to prevent harm to the selling power or advertising value of distinctive marks.¹⁴ The court found that the FTDA made no mention of likelihood of dilution as contained in many state statutes.¹⁵ Further the FTDA defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods and services.”¹⁶ The court reasoned that the FTDA was ultimately aimed at protecting the mark’s selling power and not its distinctiveness alone.¹⁷ Therefore, the court found that dilution requires: “(1) a sufficient similarity if marks to evoke in consumers a mental association of the two that (2) causes (3) actual economic harm to the senior marks’ economic value as a product-identifying and advertising agent.”¹⁸

The Fifth Circuit Court of Appeals in *Westchester Media v. PRL Holdings, Inc.* adopted the Fourth Circuit Test “actual harm” standard for proving trademark dilution because the plain meaning of the statute shows that Congress did not intend a likelihood of dilution standard.¹⁹

B. Likelihood of Dilution Standard

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¹³ Id. at 457 (finding that this standard assumes that harm to a mark’s selling power cannot be proven by direct evidence and must instead be presumed from the similarity of the junior and senior marks).

¹⁴ Id. at 456.

¹⁵ Id. The court also noted that about half the states had enacted state statutes to prohibit trademark dilution and that one of the typical features of such statutes was that they did not proscribe likelihood of dilution. Id. at 454.

¹⁶ Id. at 458.

¹⁷ Id.

¹⁸ Id. at 461.

¹⁹ 214 F.3d 658, 671 (5th Cir. 2000).

Conversely, the Second, Seventh, and Sixth Circuit Court of Appeals adopted a less stringent standard that requires that the senior mark holder prove likelihood of dilution. The keystone case for this interpretation is *Nabisco, Inc. v. PF Brands, Inc.*²⁰ PF Brands (“Pepperidge Farm”), owner of trademark for “Goldfish” crackers, sued Nabisco for trademark dilution because Nabisco manufactured “CatDog” cheese crackers, which included goldfish-shaped crackers.²¹ The court stated that dilution under the FTDA requires five elements, “(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior mark must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark.”²² To help courts determine when a senior mark has suffered dilution, the court announced a nonexclusive list of factors that courts should consider in determining dilution.²³

The Second Circuit rejected the requirement of proof of actual, consummated harm under the Fourth Circuit standard.²⁴ The court found that the Fourth Circuit standard relied on excessive literalism, and that contrary to the Fourth Circuit’s interpretation, Congress likely intended for an injunction to issue to prevent the harm before it occurs.²⁵ The Second Circuit also worried that an actual harm requirement would hurt junior users because a court could not rule on whether a new mark caused

²⁰ 191 F.3d 208 (2d Cir. 1999).

²¹ *Id.* at 213.

²² *Id.* at 215.

²³ These factors are: (a) distinctiveness; (b) similarity of marks; (c) proximity of products and likelihood of bridging the gap; (d) interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products; (e) shared consumers and geographic limitations; (f) sophistication of consumers; (g) actual confusion; (h) adjectival or referential quality of the junior use; (i) harm to the junior user and delay by the senior user; and (j) effect of senior user’s laxity in protecting the mark. *Id.* at 217-22.

²⁴ *Id.* at 223.

²⁵ *Id.* at 224 (“To read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury . . . because the statute provides only for an injunction and no damages . . .”).

dilution until the junior user had expended resources on launching the new mark.²⁶

Therefore, the court adopted a likelihood of dilution standard.²⁷

The Seventh Circuit in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000) followed the Second Circuit and adopted the likelihood of dilution standard. Eli Lilly owned rights in the Prozac trademark, used for a drug used to treat depression, and Natural Answers introduced an herbal supplement called HERBROZAC.²⁸ Eli Lilly sued claiming both trademark infringement and dilution.²⁹ The district court found both infringement and dilution, under a likelihood of dilution standard, and enjoined Natural Answers from further use of HERBROZAC.³⁰

On appeal, the Seventh Circuit adopted the likelihood of dilution test because the FTDA only provides for injunctive relief, such that plaintiffs required to show actual economic harm would suffer uncompensable injury, and because the actual economic harm would be impossible to prove.³¹ Additionally, the Seventh Circuit did not adopt all of the Second Circuit factors because it found that some of the factors were irrelevant to a dilution analysis.³² Instead, the Seventh Circuit only applied two factors, the similarity between the junior and senior marks and the renown of the senior mark.³³ After applying these factors, the Seventh Circuit affirmed the district court's holding that Eli Lilly had shown a likelihood of dilution.³⁴

²⁶ Id.

²⁷ Id. at 224-5 (“[W]e read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior use or the junior seeking declaratory relief, before the dilution has actually occurred.”).

²⁸ *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 459-460 (7th Cir. 2000).

²⁹ Id. at 460-461.

³⁰ Id. at 461.

³¹ Id. at 468 (“It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible.”).

³² Id. at 468-469.

³³ Id. at 469.

³⁴ Id.

II. Moseley

A. Lower Court Decisions

V. Secret Catalogue and affiliated companies, owner of the Victoria's Secret mark sued Moseley for inter alia trademark dilution under the FTDA in the United States District Court for the Western District of Kentucky.³⁵ Victoria's Secret is a famous retailer of women's lingerie, and Victoria's Secret operates over 750 stores and distributes 400 million copies of its catalogue each year.³⁶ The Moseleys opened a store called "Victor's Secret" in Elizabethtown, KY, which sold men's and women's lingerie and other adult items.³⁷ The Moseleys claimed that they were unaware of Victoria's Secret until they received a cease and desist letter from Victoria's Secret's counsel.³⁸ After receiving this letter, the Moseleys changed the name of the store to "Victor's Little Secret."³⁹ The district court stated that, under the FTDA, the plaintiff must show: "1) its mark is famous, 2) the defendant is making a commercial use of its mark in commerce, 3) the defendant's use of its mark came after the plaintiff's mark became famous, and 4) the defendant's use of its mark dilutes the quality of the plaintiff's mark."⁴⁰ The first three elements were not disputed.⁴¹ Therefore, the only issue before the district court was whether the Moseleys' use of "Victor's Little Secret" diluted the quality of the Victoria's Secret mark.⁴² The district court found that the Moseleys diluted the Victoria's Secret mark through blurring because Victor's Little Secret was sufficiently similar to Victoria's

³⁵ V. Secret Catalogue v. Moseley, No. 3:98CV-395-S, 2000 WL 370525 (W.D.Ky. Feb. 9, 2000).

³⁶ Id. at *1.

³⁷ Id.

³⁸ Id.

³⁹ Id.

⁴⁰ Id. at *5.

⁴¹ Id.

⁴² Id.

Secret and through tarnishment because the Moseleys sold adult videos, sex toys, and adult novelties in their store.⁴³ Therefore, the district court granted summary judgment to Victoria's Secret and enjoined the Moseleys from using the mark "Victor's Little Secret."⁴⁴

The Moseleys appealed the district court decision to the Sixth Circuit Court of Appeals.⁴⁵ The Sixth Circuit noted that about two months after the district court decision, the Sixth Circuit had adopted the *Nabisco* standard in *Kellogg Co. v. Exxon Corp.*⁴⁶ The Sixth Circuit noted that since the district court had used the Panavision test, the district court had failed to consider whether the Victoria's Secret mark was distinctive, but the Sixth Circuit found that this was harmless error because the Victoria's Secret mark is arbitrary and fanciful.⁴⁷ Because the Sixth Circuit had not yet conducted a full dilution analysis under the FTDA, the Sixth Circuit considered whether to adopt the Nabisco or Ringling Bros. standard.⁴⁸ After reviewing the Fourth Circuit's opinion in Ringling Bros. and the Second Circuit's opinion in Nabisco, the Sixth Circuit adopted the Second Circuit likelihood of dilution standard.⁴⁹ The Sixth Circuit concluded that the injury that Congress was trying to prevent by enacting the FTDA was to the mark's distinctiveness.⁵⁰ The Sixth Circuit also stated that the legislative history indicated that showed that Congress intended "to allow a remedy before dilution has actually caused

⁴³ Id. at *5-6.

⁴⁴ Id. at *6.

⁴⁵ After the issuance of the injunction by the district court, the Moseleys changed the name of their store to "Cathy's Little Secret" without objection from Victoria's Secret. *V. Secret Catalogue v. Moseley*, 259 F.3d 464, 467-8 (6th Cir. 2001).

⁴⁶ Id. at 468-9 (citing *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000) which adopted the five-element test from Nabisco but did not apply the test because the Sixth Circuit remanded the case for the district court to properly consider the issue).

⁴⁷ Id. at 469-71.

⁴⁸ Id. at 472.

⁴⁹ Id. at 475.

⁵⁰ Id.

economic harm to the senior mark.”⁵¹ The Sixth Circuit also worried about the difficulty of proving actual harm.⁵² Therefore, the Sixth Circuit applied the list of nonexclusive factors from *Nabisco* and found that the *Moseleys* had diluted the *Victoria’s Secret* mark both by blurring and tarnishment, and the Sixth Circuit affirmed the district court decision.⁵³

B. Supreme Court Decision

The *Moseleys* appealed the decision of the Sixth Circuit. The Supreme Court granted certiorari to resolve this circuit split and announce the standard for trademark dilution.⁵⁴ Justice Stevens wrote for the majority.⁵⁵ The Supreme Court rejected the “likelihood of dilution” standard and interpreted the statute to require a showing of actual dilution.⁵⁶ However, the Supreme Court also declined to wholly adopt the Fourth Circuit standard requiring actual economic harm.⁵⁷ The Court also found that consumers’ mental association of the junior user’s mark with the famous mark is not sufficient to establish dilution, “at least where the marks at issue are not identical.”⁵⁸

⁵¹ Id. at 476 (“Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.” H.R. Rep No. 104-374 (1995)).

⁵² Id. (“[R]equiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult.”)

⁵³ Id. at 476-7; This decision by the Sixth Circuit created a 3-2 circuit split, with three circuits applying the likelihood of dilution standard, and two circuits applying the actual harm requirement.

⁵⁴ *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 123 S. Ct. 1115, 1122 (2003).

⁵⁵ Id. at 1118 (Justice Scalia joined in all but Part III of the opinion which detailed the legislative history, but Justice Scalia did not write separately.)

⁵⁶ Id. at 1124. The Supreme Court, like the 4th Circuit, placed weight on the fact that many state statutes and other provisions in the Lanham Act referred to a likelihood of harm, whereas the FTDA uses the language “causes harm.” The Court also looked at the definition of dilution and made a contrast between an actual “lessening of capacity of the mark” and a later reference to “likelihood of confusion, mistake, or deception.”

⁵⁷ Id. (holding that consequences of dilution such as actual lost sales or profits need not be proved).

⁵⁸ Id.

Applying this standard to the facts of the Moseley case, the Court found that Victoria's Secret had failed to prove dilution by either blurring or tarnishment to support summary judgment.⁵⁹ The record showed that an army officer made a mental association between Victor's Little Secret and Victoria's Secret but also that the officer did not change his impression of Victoria's Secret because of the mental association.⁶⁰ Further, Victoria's Secret did not present any evidence showing that Victor's Little Secret lessened the capacity of the famous mark.⁶¹ The Court noted that respondents and their amici had argued that evidence of actual lessening of capacity of the mark would be difficult to prove, but the Court found that difficulty of proof was an insufficient reason to dispense with an essential element of the statute.⁶² Therefore, the Court reversed and remanded.⁶³

Justice Kennedy filed a separate concurring opinion.⁶⁴ Justice Kennedy stated that more attention should be given to the word "capacity" as it was used to define dilution.⁶⁵ Justice Kennedy found, using dictionary definitions of "capacity," that the interpretation of dilution should not be as narrow as that required by the majority, and instead in some cases, "the fact that this power [of the famous mark to identify and distinguish goods] will be diminished could suffice to show dilution."⁶⁶ Further, Justice Kennedy, like the Second Circuit, found that injunctive relief as the exclusive remedy

⁵⁹ Id. at 1125.

⁶⁰ Id.

⁶¹ Id.

⁶² Id.

⁶³ Id.

⁶⁴ Id.

⁶⁵ Id. ("the lessening of the capacity of a famous mark to identify and distinguish goods or services" 15 U.S.C. §1127).

⁶⁶ Id.

indicated that Congress intended for the famous mark holder to obtain relief before “the damage is done and the distinctiveness of the mark has been eroded.”⁶⁷

III. Analysis of Moseley

A. Uncertainty of Proof

The Supreme Court opinion in *Moseley* left many questions unanswered. The most glaring is the issue of what proof is required to establish a claim of trademark dilution after *Moseley*. The Court only established outer bounds. Famous mark holders know that mere mental association between their famous mark and the junior mark is insufficient to establish trademark dilution.⁶⁸ However, famous mark holders are not required to actual loss of sales or profits to show that actual dilution has occurred.⁶⁹ Famous mark holders are left with little guidance of what proof in between these is sufficient to prove dilution. The Court seemed to indicate that consumer surveys showing that a junior use has created not only a mental association in consumers but also a tendency for consumers to identify the famous mark less strongly with the famous mark holder (for blurring) or a change in perception towards the famous mark holder.⁷⁰

While such consumer surveys may provide famous mark holders a way to prove trademark dilution, famous mark holders will likely be unable to obtain such results until

⁶⁷ Id. at 1126.

⁶⁸ Id. at 1124 (“[A]t least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution.”).

⁶⁹ Id. (“[A]ctual dilution must be established. Of course, that does not mean that the consequences of dilution, such as actual loss of sales or profits, must also be proved.”)

⁷⁰ Id. at 1124-5 (discussing the facts of *Ringling Bros.* and stating that “even though Utah drivers may be reminded of the circus when they see a license plate referring to the ‘greatest *snow* on earth,’ it by no means follows that they will associate ‘the greatest show on earth’ with skiing or snow sports, or associate it less strongly or exclusively with the circus”).

serious damage to the distinctiveness of their mark has already occurred. This result is especially troubling since the FTDA only provides for injunction relief unless the junior use is shown to be willful. Therefore, requiring this type of evidence will necessarily mean that famous mark holders who later show trademark dilution by a junior use will suffer an injury to the value of their mark that can never be compensated.⁷¹

William G. Barber, [How To Do a Trademark Dilution Survey \(or Perhaps How Not To Do One\)](#), 89 TMR 616 (1999).

Patrick M. Bible, Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution, U. COLO. L. REV. 295 (Winter 1999).

B. Dilution and Identical Marks: A Chink in Moseley's Armor?

The Supreme Court in its Moseley decision indicated that it would have reached a different result if the marks had been identical. First, the Court referenced the legislative history which used the examples of DUPONT shoes, BUICK aspirin, and KODAK pianos, all identical to famous marks.⁷² Further, the Court qualified its holding that mental association was insufficient to establish dilution by stating, “at least where the marks at issue are not identical.”⁷³ Further, 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

⁷¹ Nabisco, 191 F.3d at 224.

⁷² Moseley, 123 S. Ct. at 1123 (citing H.R. Rep. No. 104-374 and 141 Cong. Rec. 38559-38561).

⁷³ Id. at 1124.

marks are identical.”⁷⁴ Such statements by the Court show that the Court did not necessarily intend a broad interpretation of Moseley to apply to cases where the famous and junior marks are identical.

Therefore, in applying Moseley, courts should limit this decision wherever possible. Courts should continue to find dilution without a showing of actual harm where the junior and senior marks are identical or virtually identical because this approach is consistent with language in the Moseley decision. Such an approach has already been used by the few courts that have applied Moseley and district courts evaluating trademark dilution claims should continue to follow suit.⁷⁵ This approach will ensure that trademark dilution will remain a viable way for famous mark holders to protect the value of these marks against the whittling away of the mark’s distinctiveness by those using identical or nearly identical variants of the famous mark. This approach will also give effect to Justice Kennedy’s concurrence when he contemplated that in some cases the fact that the power to identify and distinguish goods and services will be diminished should be sufficient to establish dilution. Further, this approach will allow, at least in cases of identical or nearly identical junior uses, the injunctive relief authorized by the statute to be an effective remedy to famous mark holders, ensuring that they will not suffer damages to their mark that can never be compensated.

C. Need for a Relaxed Standard of Proof to Show Actual Dilution

⁷⁴ Id. at 1125.

⁷⁵ *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D.N.C. 2003) (holding that defendant’s registration of the domain names, “Pinehurstresort.com” and “Pinehurstresorts.com,” had diluted the plaintiff’s mark, “Pinehurst Resort and Country Club,” because the domain names were identical or virtually identical to the plaintiff’s mark); *Nike, Inc. v. Variety Wholesalers, Inc.*, No. CV-402-182, 2003 WL 21782289 (S.D. Ga. July 22, 2003) (applying the actual dilution requirement of Moseley and holding that dilution had occurred because the marks were identical or virtually identical).

Further, courts find actual dilution where the evidence creates an inference that actual dilution is beginning to occur. In other words, courts should require direct evidence showing only a minimal impact and not a substantial impact on the distinctiveness of the famous mark. Without such relaxed standards, famous mark owners will be largely without relief until the distinctiveness of their marks have been significantly damaged. Since the statute only allows for injunctive relief, under a more stringent standard, famous mark owners will not be compensated for the damages suffered by commercial use of variants of their famous marks.

IV. Conclusion