

**Owners of Famous Trademarks
Must Prove “Actual Dilution” in
Federal Trademark Dilution Act Claims**

VICTORIA’S SECRET v. VICTOR’S LITTLE SECRET

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INTRODUCTION

On March 4, 2003, the United States Supreme Court issued its unanimous decision, written by Justice John Paul Stevens, regarding the Federal Trademark Dilution Act (“FTDA”).

The FTDA is a 1995 Amendment to the Trademark Act of 1946 and states that:

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.²

To determine whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:

- (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.³

The FTDA 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 or confusion, mistake, or deception.”⁴ Due to uncertainty about how to prove the element “causes dilution” under the FTDA, the parties in *Moseley d/b/a Victor’s Little Secret v. V Secret Catalogue, Inc., et al.*,⁵

asked the Supreme Court to determine whether the FTDA requires a showing of (i) actual dilution; or (ii) a likelihood of dilution.

BACKGROUND

This case commenced in the Western District of Kentucky when V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Catalogue (collectively, "Victoria's Secret") brought claims of (i) trademark infringement under the Lanham Act; (ii) misrepresentation under 15 U.S.C. § 1125(a); (iii) trademark dilution under the FTDA; and (iv) state common law claims of trademark infringement and misrepresentation against Victor and Cathy Moseley d/b/a Victor's Little Secret ("Moseley") as a result of Moseley's use of the mark "Victor's Little Secret" for an adult toy and lingerie store.

A. Factual Background

V Secret Catalogue, Inc. registered the "Victoria's Secret" mark in the United States Patent and Trademark Office on January 20, 1981, and licensed Victoria's Secret Catalogue and Victoria's Secret Stores to use the mark. Victoria's Secret sells a complete line of women's lingerie, along with other clothes and accessories. Victoria's Secret Stores operates over 750 stores, including two in Louisville, Kentucky – within 60 miles of Moseley's store in Elizabethtown, Kentucky – that Victoria's Secret Stores opened in 1982 and 1985. Victoria's Secret Catalogue distributes 400 million copies of the Victoria's Secret catalogue each year, including 39,000 in Elizabethtown, Kentucky. In 1998, Victoria's Secret spent over \$55,000,000 on advertising, and a recent survey rated Victoria's Secret as the 9th most famous brand in the apparel industry.

Moseley opened "Victor's Secret" in February, 1998, selling lingerie for men and women, adult videos, sex toys, and "adult novelties." On February 12, 1998, Colonel Baker,

Staff Judge Advocate at Fort Knox, Kentucky noticed – in a weekly publication for the Fort Knox residents – an advertisement of the grand opening of Moseley’s store, “Victor’s Secret,” in Elizabethtown. Colonel Baker sent a copy of the advertisement to Victoria’s Secret, who promptly wrote a cease and desist letter to Moseley. Moseley claimed unawareness of Victoria’s Secret’s catalogue and stores and responded by changing the name of the store to “Victor’s Little Secret.”

B. Procedural History

The district court granted summary judgment to Moseley on Victoria Secret’s federal and state trademark infringement claims for lack of sufficient evidence to establish a likelihood of confusion between the two marks. The district court also held that Moseley’s mark diluted the Victoria’s Secret mark – absent a showing of any actual tarnishment or blurring – and enjoined Moseley from use the of mark because Victor’s Little Secret had a “tarnishing effect” on the famous Victoria’s Secret mark under the FTDA.⁶ The district court stated that a clear reading of the FTDA mandates that Victoria’s Secret must prove the following elements: (i) its mark is famous; (ii) Moseley is making a commercial use of its mark in commerce; (iii) Moseley’s use of its mark came after the Victoria’s Secret mark became famous; and (iv) Moseley’s use of its mark dilutes the quality of the Victoria’s Secret mark.⁷

The Sixth Circuit, however, recently adopted the Second Circuit’s *Nabisco* test requiring the distinctiveness element, and so the appellate court – applying the anti-dissection rule in determining distinctiveness under the *Nabisco* test – held that the Victoria’s Secret mark was distinctive and that the district court would have come to the same conclusion if it had applied the *Nabisco* test.⁸ The appellate court then examined the conflicting lines of authority regarding the standard of proof for dilution under the FTDA. The Fourth Circuit’s “concededly stringent”

standard requires that the owner of a famous trademark prove that the junior user caused actual economic harm to the famous mark by “an actual lessening of the senior mark’s selling power, expressed as ‘capacity to identify and distinguish goods or services.’”⁹ The Fifth Circuit endorsed the Fourth Circuit’s holding that “the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute. . . . Both the present tense of the verb [“causes dilution”] and the lack of any modification of ‘dilution’ support an actual harm standard.”¹⁰ Conversely, the Second Circuit rejected the *Ringling Bros.* approach and concluded that – because the FTDA permits the broad relief of an injunction – the statute allows “adjudication granting or denying an injunction . . . before the dilution has actually occurred.”¹¹ In concluding that Congress’s intent in enacting the FTDA was to provide plaintiffs a nationwide remedy for dilution claims, the Sixth Circuit adopted the Second Circuit’s broad *Nabisco* approach and affirmed the district court’s injunction against Moseley.

On April 15, 2002, the Supreme Court granted certiorari to resolve the split of authority with respect to the standard for proving dilution under the FTDA¹² and held a hearing for arguments on November 12, 2002.¹³

ARGUMENTS IN FRONT OF THE SUPREME COURT

Moseley requested that the Court construe the FTDA to “keep Federal trademark law in its proper bounds” and submitted that the Court could accomplish this by “choosing objective proof over supposition and inference to guide future FTDA cases.”¹⁴ According to Moseley, Victoria’s Secret should show that Moseley’s mark is lessening the capacity of that mark to identify and distinguish its services – which is best done by consumer surveys.¹⁵ Moseley stated that “we live in an age when consumer surveys, voter surveys, public opinion surveys are done over a weekend, and in this situation that is the kind of survey we would suggest.”¹⁶ Moseley

concluded with a comparison of his interpretation of the FTDA against Victoria's Secret's interpretation:

[o]ur choice is grounded in the actual use, words that Congress used, and [Victoria's Secret's] position is grounded in the academic theory of dilution which we say is way ahead of the law. Our standard is objective and predictable. Theirs is subjective, unpredictable, invites the courts to substitute its own judgment for consumer perceptions. . . . Our standard merely puts the famous mark owner to their proof to show that Congress' words, the lessening of the capacity, has been established as a matter of proof. They should not get a national injunction without that. Our standard keeps trademark law in its proper bounds. Their standard merely rewards the achievement of fame.¹⁷

Deputy Solicitor General Wallace appeared on behalf of the United States, as amicus curiae, and supported Moseley. Using the *Ringling Brothers* case as an example for the Court, Deputy Wallace argued that:

[p]eople might associate Utah's use of Greatest Snow on Earth with Ringling Brothers' use of Greatest Show on Earth, but if they keep the two distinct in their minds, even though they recognize that it's a play on the same words, but they think the trademarks refer to different products and services, then . . . no harm is done to Ringling Brothers.¹⁸

He stated that harm is done when the consumers "are diminished in their capacity to recognize the mark that is the famous mark that is being protected."¹⁹

The International Trademark Association ("INTA") – a not-for-profit organization of trademark owners, law firms, advertising agencies, packaging companies, and professional associations who emphasize the importance of trademarks and promote an understanding of the role of trademarks²⁰ – filed a brief as amicus curiae in support of Victoria's Secret. INTA analyzed the legislative history of the FTDA and pointed out that Congress had noted that "DUPONT shoes," "BUICK aspirin," and "KODAK pianos" would be actionable because "such uses lessen the capacity of the mark to identify goods, and reduce the public's perception that the

mark signifies something . . . singular.”²¹ Quoting an article from *The Trademark Reporter*, INTA argued that the DUPONT, BUICK, and KODAK examples illustrate how “other associations inherently lessen a famous mark’s capacity to identify and distinguish goods. Dilution, indeed, is not an empirically sustainable fact.”²²

Victoria’s Secret emphasized the importance of the narrow application of the FTDA because of the requirement that the mark has to be truly famous.²³ In response to the question of whether BUICK signifies something more than cars, Victoria’s Secret stated:

Not just that, but a certain mark and quality and a kind of product is exemplified, and that’s what makes a mark famous. . . . Now, if – we know that these marks have value. When – when companies are acquired, often as much as four-fifths of the value may go to use that name. That is something quite valuable . . . and its value is going to be lost . . . if there are a thousand different ones.²⁴

Victoria’s Secret argued that economic injury “often would not be identifiable – until it’s too late to rectify the harm that has been done.”²⁵

THE SUPREME COURT’S DECISION

The Supreme Court reviewed the legislative history of the FTDA and noted that “[u]nlike traditional infringement law, the prohibitions against trademark dilution are not the product of common law development and are not motivated by an interest in protecting consumers.”²⁶ While the concepts of “tarnishment” and “blurring” are in the legislative history of the FTDA and are central to state antidilution statutes, the language of the FTDA is void of any reference to these concepts. The Court concluded that the absence of the requirement of a “likelihood of harm” – which is explicitly and repeatedly in other Lanham Act provisions – dictates that the requirement of “causes dilution” unequivocally requires proof of a completed harm.²⁷ The Court supported this conclusion by interpreting the FTDA’s definition of “dilution”

and finding that the second stipulation – “regardless of the presence or absence of . . . (2) likelihood of confusion, mistake, or deception” – confirms that actual dilution must be established.²⁸

Next, the Court provided three guidelines for proving actual dilution:

- The consequences of dilution – such as an actual loss of sales or profits – are not required to prove actual dilution;²⁹
- If the junior user’s mark and the famous mark are identical, then direct evidence (*i.e.*, a customer survey) is not required if circumstantial evidence – exists;³⁰ and
- If the junior user’s mark and the famous mark are not identical, then circumstantial evidence (*i.e.*, mere mental association between the two marks) is insufficient to prove actual dilution and direct evidence is required. “Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.”³¹

In this case, the record demonstrated that – although Colonel Baker made a mental association between the famous Victoria’s Secret mark and Victor’s Little Secret – he was only offended by the Moseleys and did not form any different impression of Victoria’s Secret. Because this evidence did not support the summary judgment on the FTDA cause of action, the Court reversed the Sixth Circuit’s judgment and remanded this case to clarify the evidentiary showing required by the FTDA.³² Justice Anthony Kennedy concurred and suggested that the word “capacity” in the FTDA’s definition of dilution “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.”³³

APPLICATION OF THE FTDA AFTER MOSELEY v. VICTORIA’S SECRET

A few courts have had the opportunity to apply the Supreme Court’s rules in FTDA cases. In *Pinehurst, Inc. v. Wick and Am. Distribution Sys., Inc., d/b/a Defaultdata.com*,³⁴ Plaintiff owned two very famous federal service marks for golfing, resort, and country club services: “Pinehurst” and “Pinehurst Resort and Country Club.” Defendants registered 3,000 to

4,000 domain names that were confusingly similar to some of the most famous marks in the country, including 250 domain names similar to well-known law firms. Plaintiff set forth evidence that Defendant registered the law firms' domain names "in order to mess with attorneys because Defendants feel lawyers are the biological parents of big-business and the U.S. Constitution has never made a mortgage payment for a lawyer."³⁵ In addition to businesses and law firms, Defendants targeted famous country clubs and golf clubs to "mess" with the lives of executives who play golf at these facilities. Because Plaintiff cannot obtain the registration of Defendants' Pinehurst domain names and engage in electronic commerce under these names, the selling power of Plaintiff's marks is reduced. The court held that Defendants' registration and use of Plaintiff's service marks constitutes dilution under the FTDA because Defendants' registration and use of Plaintiff's marks reduced Plaintiff's control over its unique association with its marks.³⁶

Contrarily, in *Best Cellars, Inc. v. Wine Made Simple, Inc.*,³⁷ Plaintiff owned and operated four wine stores – including its flagship store on the Upper East Side of Manhattan – which organized wines by taste category (*i.e.*, light, medium, or heavy-bodied white or red wines, sparkling and dessert wines), rather than by grape type or country of origin. The intention of using this "totally new kind of retail store for wine" was to simplify the wine shopping experience for the novice wine consumer. The interior decor for the flagship store included wine racks built into a wall – consisting of tubes to hold bottles of wine horizontally – to creating the appearance of a grid of steel rimmed holes in a light wood-paneled wall. Plaintiff's stores consisted of a limited selection of wines, retailing for under \$20.00 a bottle, sorted by taste, and displayed on a "wall of wine." Specialty wine magazines described the stores as "radically new," "revolutioniz[ing] wine shopping," and as offering "the most original approach to selling

wine.”³⁸ Defendants opened wine stores around the country, including one in the Upper East Side of Manhattan less than two miles from Plaintiff’s flagship store. Defendants’ stores sell wine to novice wine consumers by organizing their inventory by taste category, by displaying the wine bottles horizontally, and by retailing modestly-priced wines in an imaginatively-decorated store. The court held that the operation of Defendants’ stores did not constitute dilution under the FTDA because – absent any evidence of marketing studies, a nationwide advertising campaign emphasizing the trade dress, or any other indicia of consumer awareness of its trade dress – Best Cellars failed to demonstrate customer awareness of its trade dress sufficient to establish its fame.³⁹

CONCLUSION

The Supreme Court’s decision in *Moseley v. Victoria’s Secret* makes clear what evidence is insufficient to prove dilution under the FTDA: if the marks are not identical, mere mental association is insufficient. What may be less clear is what evidence is sufficient to prove dilution under the FTDA: “consumer surveys and other means of demonstrating actual dilution are expensive and unreliable.” In at least one post-*Moseley*, cybersquatting case, however, the court held that the Plaintiff set forth sufficient evidence to establish dilution under the FTDA. Although the Supreme Court’s decision may cause difficulties for owners of famous trademarks to enjoin others from using similar forms of the mark for non-competitive businesses, the Court rejected the Fourth Circuit’s most stringent rule that these trademark owners must establish proof of economic harm.

Incidentally, Moseley renamed his store: “Cathy’s Little Secret.”

¹ This paper represents the individual views of its authors and does not purport to represent the views of Haynes and Boone, L.L.P. or any of its clients.

² 15 U.S.C. § 1125(c)(1) (emphasis added).

³ *Id.*

⁴ 15 U.S.C. § 1127.

⁵ 123 S. Ct. 1115, 65 U.S.P.Q.2d 1801 (2003).

⁶ *V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., & Victoria's Secret Catalogue, Inc. v. Moseley d/b/a Victor's Little Secret*, No. 3:98CV-395-S, 2000 WL 370525, at *6, 54 U.S.P.Q.2d 1092, 1096 (W.D. Ky. Feb. 09, 2000).

⁷ *Id.* at *5 (applying the Ninth Circuit's *Panavision* test).

⁸ *V Secret Catalogue, Inc., Victoria's Secret Stores, Inc. & Victoria's Secret Catalogue, Inc. v. Moseley d/b/a Victor's Little Secret*, 259 F.3d 464, 468-71, 59 U.S.P.Q.2d 1650, 1659-60 (6th Cir. 2001).

⁹ *Id.* at 473, 1657 (following *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 50 U.S.P.Q.2d 1065 (4th Cir. 1999)).

¹⁰ *Id.* at 474, 1657 (quoting *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 55 U.S.P.Q.2d 1225 (5th Cir. 2000)).

¹¹ *Id.* at 475, 1657-58 (rejecting *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 51 U.S.P.Q.2d 1882 (2d Cir. 1999)).

¹² *Moseley d/b/a Victor's Little Secret v. V Secret Catalogue, Inc., et al.*, 535 U.S. 985, 122 S. Ct. 1536, 152 L. Ed.2d 463 (Apr. 15, 2002).

¹³ Official Transcript Proceedings Before the Supreme Court of the United States for Case No. 00-1015 (Nov. 12, 2002), 2002 WL 31643067, at pg. 1, line 12.

¹⁴ *Id.* at pg. 3, lines 12-20.

¹⁵ *Id.* at pg. 20, lines 3-7.

¹⁶ *Id.* at pg. 16, lines 4-7.

¹⁷ *Id.* at pg. 50, lines 20-25; pg. 51, lines 1-12.

¹⁸ *Id.* at pg. 26, lines 19-25; pg. 27, lines.1-2.

¹⁹ *Id.* at pg. 27, lines 7-8.

²⁰ Brief of the International Trademark Association as Amicus Curie in Support of Respondents at 2002 WL 1967947, pg 1 (Introduction).

²¹ *Id.* at pg. 12 (Legislative History of Section 43(c)).

²² *Id.* at pg. 14 (Historical Summary) (quoting Jerre B. Swann, Sr., *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 612 (2002)).

²³ Official Transcript Proceedings Before the Supreme Court of the United States for Case No. 00-1015 (Nov. 12, 2002), 2002 WL 31643067, at pg. 29, lines 14-17.

²⁴ *Id.* at pg. 35, lines 13-23.

²⁵ *Id.* at pg. 37, lines 22-25.

²⁶ *Moseley d/b/a Victor's Little Secret v. V Secret Catalogue, Inc., et al.*, 123 S. Ct. 1115, 65 U.S.P.Q.2d 1801 (Mar. 4, 2003).

²⁷ *Id.* at 1124, 1807 (interpreting 15 U.S.C. § 1127).

²⁸ *Id.* at 1124, 1807 (interpreting 15 U.S.C. § 1127).

²⁹ *Id.* at 1124, 1807 (disagreeing with *Ringling Bros.-Barnum Shows, Inc.*, 170 F.3d 449, 50 U.S.P.Q.2d 1065).

³⁰ *Id.* at 1125, 1807-08.

³¹ *Id.* at 1125, 1808.

³² *Id.* at 1125, 1808.

³³ *Id.* at 1125-26, 1808.

³⁴ No. CIV.1:01 CV 00441, 2003 WL 1870238 (M.D.N.C. Mar. 21, 2003).

³⁵ *Id.* at *1.

³⁶ *Id.* at *16.

³⁷ No. 01-CIV-11780, 2003 WL 1212815 (S.D.N.Y. Mar. 14, 2003).

³⁸ *Id.* at *1-*3.

³⁹ *Id.* at *17.