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**Intellectual Property Trademark Law—Victor/Victoria?—The United States Supreme Court Requires Trademark Dilution Plaintiffs to Show Actual Harm. *Mosely v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418 (2003)**

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INTELLECTUAL PROPERTY—TRADEMARK LAW—VICTOR/VICTORIA?  
—THE UNITED STATES SUPREME COURT REQUIRES TRADEMARK DILUTION  
PLAINTIFFS TO SHOW ACTUAL HARM. *Moseley v. Victoria's Secret  
Catalogue, Inc.*, 537 U.S. 418 (2003).

I. INTRODUCTION

Victor Moseley did not venture into the world of lingerie and adult novelty sales expecting to face-off with the biggest name in the lingerie business: Victoria's Secret.<sup>1</sup> Victoria's Secret immediately sent a cease-and-desist letter to Mr. Moseley upon learning that he named his small-town Kentucky establishment "Victor's Secret."<sup>2</sup> Although Mr. Moseley obliged Victoria's Secret's demand and altered the name of his store to "Victor's Little Secret," an unsatisfied Victoria's Secret proceeded to sue in federal district court for an injunction.<sup>3</sup> In district court Victoria's Secret successfully argued that Mr. Moseley's use of the name Victor's Little Secret violated the Federal Trademark and Dilution Act of 1995 (FTDA).<sup>4</sup> The purpose of the FTDA is to prevent the "lessening of the capacity of a famous trademark to identify and distinguish" the trademark owner's goods and services.<sup>5</sup> The FTDA provides for an injunction of a trademark that "causes dilution of the distinctive quality" of a famous trademark.<sup>6</sup> The United States Court of Appeals for the Sixth Circuit affirmed the injunction of Mr. Moseley's use of the name Victor's Little Secret.<sup>7</sup> The United States Supreme Court reversed, however, requiring a plaintiff in a trademark dilution case to show proof of actual harm to the economic value of a trademark.<sup>8</sup> The *Moseley* decision overrules a long history of dilution precedent, creates a more reliable remedy for the owners of famous trademarks, and helps facilitate the entry of new businesses into the marketplace.<sup>9</sup> This note relates the facts of the *Moseley* case,<sup>10</sup> discusses the background of the FTDA,<sup>11</sup>

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1. David G. Savage, *Court Says Victor's Secret Safe: Lingerie Giant Fails to Sway Justices*, CHI. TRIB., Mar. 5, 2003, available at 2003 WL 14861422.

2. Petitioners' Brief on the Merits at 4, *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015).

3. *Victoria's Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d 1092, 1096 (W.D. Ky. 2000).

4. *Id.*

5. 15 U.S.C. § 1127 (2000).

6. 15 U.S.C. § 1125(c)(1) (2000).

7. *Victoria's Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 477 (6th Cir. 2001).

8. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003).

9. *See infra* Part V.

10. *See infra* Part II.

11. *See infra* Part III.

and explains the rationale and significance of the Supreme Court's requirement of actual harm for relief under the FTDA.<sup>12</sup>

## II. FACTS

Victor Moseley lost his job in 1997.<sup>13</sup> When Mr. Moseley and his wife, Cathy, could no longer depend on Mr. Moseley's unemployment benefits for financial support, they decided to open an adult gift and novelty store.<sup>14</sup> The Moseleys used money from their personal savings and credit cards as capital to finance their store, which opened in Elizabethtown, Kentucky, in February of 1998.<sup>15</sup> Because they wanted to keep the store a secret from Victor's former employer, the Moseleys named the store "Victor's Secret."<sup>16</sup> The Moseleys also kept their new store a secret from family and friends.<sup>17</sup> The slogan of Victor's Secret was "Everything for Romantic Encounters."<sup>18</sup> Victor's Secret was approximately twelve hundred square feet, and its inventory included lingerie, incense, lycra dresses, leather clothes, adult videos, and novelties.<sup>19</sup> The Moseleys separated the adult videos and novelties from the rest of their inventory by placing the adult videos and novelties in an eight by ten foot section located in the back of Victor's Secret.<sup>20</sup> Customers purchasing items from this section of the store had to place the items in plain brown paper bags before going to the register.<sup>21</sup>

The Moseleys advertised the debut of Victor's Secret in local newspapers, as well as in a publication called "Inside The Turret," a newspaper distributed at the Fort Knox U.S. Army base near Elizabethtown.<sup>22</sup> Colonel John E. Baker, a member of the Judge Advocate General Corps, spotted the Moseleys' ad and faxed it to the Victoria's Secret corporate headquarters.<sup>23</sup> The colonel was offended that the Moseleys were using a variation of the famous Victoria's Secret trademark to market their "unwholesome, tawdry merchandise."<sup>24</sup>

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12. See *infra* Parts IV, V.

13. Petitioners' Brief on the Merits at 3, *Moseley* (No. 01-1015).

14. *Id.*

15. *Id.*

16. *Id.*

17. See Savage, *supra* note 1.

18. Petitioners' Brief on the Merits at 4, *Moseley* (No. 01-1015).

19. *Id.*

20. *Id.*

21. Brief for Respondents at 4, *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015).

22. Petitioners' Brief on the Merits at 4, *Moseley* (No. 01-1015).

23. *Id.*

24. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 423 (2003). One reason for the colonel's familiarity with Victoria's Secret was that his wife and daughter had shopped there. *Id.* at 1125.

Victoria's Secret opened its first store in California in 1977, and the storeowners registered the Victoria's Secret trademark with the United States Patent and Trademark Office in 1981.<sup>25</sup> By 1998 Victoria's Secret had expanded to more than 750 stores, distributed millions of catalogues, and sold merchandise on its website, [www.victoriasecret.com](http://www.victoriasecret.com).<sup>26</sup> There are two Victoria's Secret stores in Louisville, Kentucky, that are within sixty miles of the Moseleys' store.<sup>27</sup> In 1998 Victoria's Secret distributed more than three and a half million of its catalogues to Kentucky residents.<sup>28</sup> A recent survey showed that Victoria's Secret is the ninth most recognizable brand in the clothing industry.<sup>29</sup> Victoria's Secret's inventory includes lingerie, sleepwear, fragrances, and bath products.<sup>30</sup>

Victoria's Secret sent the Moseleys a cease-and-desist letter on February 25, 1998.<sup>31</sup> The letter claimed that the Moseleys had violated Victoria's Secret's federally registered trademark rights and that the Moseleys' store name diluted the Victoria's Secret trademark.<sup>32</sup> Subsequently, the Moseleys changed the name of their store from Victor's Secret to "Victor's Little Secret." Victoria's Secret, however, was not appeased and filed suit against the Moseleys in the United States District Court for the Western District of Kentucky on June 22, 1998.<sup>33</sup> Victor Moseley expressed surprise that Victoria's Secret sued his small, Kentucky store.<sup>34</sup>

#### A. The United States District Court for the Western District of Kentucky's Analysis

Victoria's Secret based its claims of trademark infringement and unfair competition on the Lanham Act, the Federal Trademark Dilution Act, and Kentucky common law.<sup>35</sup> The Moseleys moved for summary judgment on the federal trademark infringement claim because Victoria's Secret had not presented evidence of a likelihood of confusion of its trademark with Vic-

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25. Brief for Respondents at 2, *Moseley* (No. 01-1015).

26. *Id.* at 3.

27. *Victoria's Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d 1092, 1093 (W.D. Ky. 2000).

28. Brief for Respondents at 3-4, *Moseley* (No. 01-1015).

29. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1093.

30. Brief for Respondents at 3, *Moseley* (No. 01-1015).

31. Petitioners' Brief on the Merits at 4, *Moseley* (No. 01-1015).

32. *Id.*

33. *Id.* at 4-5.

34. See Savage, *supra* note 1.

35. *Victoria's Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d 1092, 1093 (W.D. Ky. 2000). See 15 U.S.C. § 1125(a) (2000), *infra* note 105, for an explanation of the Lanham Act. See 15 U.S.C. § 1125(c)(1) (2000), *infra* note 134, and accompanying text for a discussion of the Federal Trademark Dilution Act of 1995.

tor's Little Secret.<sup>36</sup> Victoria's Secret and the Moseleys both moved for summary judgment on the FTDA claim.<sup>37</sup>

1. *Trademark Infringement and Unfair Competition Claims*

The district court applied eight factors set out by the United States Court of Appeals for the Sixth Circuit for evaluating the likelihood of confusion: (1) the strength of the Victoria's Secret mark, (2) the relatedness of Victoria's Secret's goods to the Moseleys' goods, (3) the similarity of the two marks, (4) the evidence of actual consumer confusion, (5) the marketing methods used by both parties, (6) the degree of consumer care and sophistication, (7) the Moseleys' intent in using their trademark, and (8) the likelihood that the Moseleys would expand their business using the Victor's Little Secret trademark.<sup>38</sup>

The Moseleys admitted that the Victoria's Secret trademark is strong but submitted evidence showing that two hundred and fifty-seven other trademarks contained the word "secret" and that fourteen other trademarks resembled the Victoria's Secret trademark.<sup>39</sup> Although the Moseleys had pointed out that the only item sold by both parties was lingerie, and lingerie sales only contributed to five percent of the Moseleys' total sales, the district court assumed that the parties' products were in direct competition.<sup>40</sup>

When the district court compared the Moseleys' trademark with the Victoria's Secret trademark, the district court found that the marks appeared

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36. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1095.

37. *Id.*

38. *Id.* at 1093. The distinctiveness of a trademark determines its strength. *Id.* at 1094. There are three categories of relatedness: (1) directly competing services where confusion is likely if the trademarks are "sufficiently similar" (2) related but uncompetitive services where the likelihood of confusion depends on additional factors; and (3) completely unrelated services where confusion is not likely. *Id.* Testing for similarity of trademarks involves considering the trademarks in context rather than a "side-by-side comparison." *Id.* The "degree of purchaser care" is related to similarity analysis. *Id.* Purchasers exercise different levels of care depending on what product they are purchasing. *Id.* If actual confusion exists, "[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion." *Id.* at 1094-95 (citing *P.T.C. Brands, Inc. v. Conwood Co. L.P.*, 887 F. Supp. 963, 969 (W.D. Ky. 1995)) (quoting *World Carpets, Inc. v. Dick Litterell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)). When comparing the marketing channels used by the parties, the "scale of the advertising is irrelevant." *Id.* at 1095. If someone selects a trademark intending to cause confusion, "that fact alone may be sufficient to justify an inference of confusing similarity." *Id.* (quoting *Homeowner's Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1107 (6th Cir. 1991)). The likelihood of expansion of a product line occurs when a business plans on extending its trade outside of the original area of business. *Id.*

39. *Id.* at 1094.

40. *Id.*

very similar.<sup>41</sup> The court, however, determined that it should consider the trademarks as a whole and in the context of their use.<sup>42</sup> The court acknowledged that analyzing the similarities between two trademarks often includes viewing the degree of consumer care in purchasing products such as those sold at a Victoria's Secret store.<sup>43</sup> Consumers shopping at Victoria's Secret would probably use a higher degree of care than if they were making impulse buys, such as a fast food purchase.<sup>44</sup> Consumers, therefore, would most likely not have a hard time figuring out that Victor's Little Secret is not associated with Victoria's Secret.<sup>45</sup> Victoria's Secret showed no evidence of actual consumer confusion between the similar trademarks.<sup>46</sup> In addition, Victoria's Secret's marketing expert did not give an opinion on the effect of the Victor's Little Secret trademark on the value of the Victoria's Secret trademark.<sup>47</sup>

The district court noted that Victoria's Secret and Victor's Little Secret used the same marketing forums: print advertisements and radio.<sup>48</sup> The Moseleys argued that their advertising was on a much smaller scale than Victoria's Secret's.<sup>49</sup> The court, however, countered that the Moseleys' smaller advertising campaign may help show that the Moseleys were trying to exploit the similarity of the two trademarks to sell their related merchandise.<sup>50</sup> The court assumed that the Moseleys had designed their trademark with the intent of causing confusion between their mark and the Victoria's Secret trademark.<sup>51</sup> The Moseleys maintained that before opening Victor's Secret, they had never seen a Victoria's Secret catalogue or ad.<sup>52</sup> In addition, the Moseleys did not express any intent of expanding Victor's Secret outside of Elizabethtown, Kentucky.<sup>53</sup>

The district court determined that there was no likelihood of confusion between the Moseleys' trademark and the Victoria's Secret trademark.<sup>54</sup> The court granted the Moseleys' motion for summary judgment on Victoria's Secret's federal trademark infringement claim.<sup>55</sup> Because the focus of

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41. *Id.*

42. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1094.

43. *Id.*

44. *Id.* (citing *Frisch's Rest., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642 (6th Cir. 1982)).

45. *Id.* at 1094.

46. *Id.*

47. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 424–25 (2003).

48. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1095.

49. *Id.*

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

54. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1095.

55. *Id.*

federal unfair competition law is to prevent the likelihood of confusion, the court also granted summary judgment to the Moseleys on Victoria's Secret's federal unfair competition claim.<sup>56</sup> Victoria's Secret's state trademark infringement and unfair competition claims were similar to its federal claims. The court, therefore, granted summary judgment to the Moseleys on those claims as well.<sup>57</sup> After granting the Moseleys' Motions for Summary Judgment on the trademark infringement and unfair competition claims, the district court turned to Victoria's Secret's federal trademark dilution claim.<sup>58</sup>

## 2. *The Dilution Claim*

Victoria's Secret and the Moseleys moved for summary judgment on Victoria's Secret's claim under the Federal Trademark Dilution Act of 1995 (FTDA), which gives owners of famous trademarks a cause of action for an injunction against the use of another trademark that causes dilution of the famous trademark's distinctive quality.<sup>59</sup> The district court found that the Moseleys' trademark was "sufficiently similar" to the Victoria's Secret trademark thereby causing dilution of the Victoria's Secret mark.<sup>60</sup> The court considered that the Moseleys changed the name of their store from Victor's Secret to Victor's Little Secret, but the court dubbed this an insignificant change and an "afterthought."<sup>61</sup> Because the Moseleys' inventory included adult videos and sex toys as well as lingerie, the court found that the Victor's Little Secret trademark caused dilution by tarnishing the Victoria's Secret trademark.<sup>62</sup> The court granted Victoria's Secret's motion for summary judgment on its claim under the FTDA and enjoined the Moseleys from using the Victor's Little Secret trademark, because the Moseleys' use of the Victor's Little Secret trademark "cause[d] dilution of the distinctive quality of the Victoria's Secret trademark."<sup>63</sup> The court also enjoined the Moseleys from using any other mark similar to the Victoria's Secret trademark "or any reproduction, counterfeit, copy or colorable imitation of the Victoria's Secret trademark."<sup>64</sup> The Moseleys appealed the district court's decision to the United States Court of Appeals for the Sixth Circuit.<sup>65</sup>

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56. *Id.*

57. *Id.*; see 15 U.S.C. § 1125(c) (2000).

58. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1095.

59. *Id.*

60. *Id.* at 1096.

61. *Id.*

62. *Id.*

63. *Id.*

64. *Victoria's Secret Catalogue, Inc.*, 54 U.S.P.Q.2d at 1096.

65. *Victoria's Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 465–66 (6th Cir. 2001).

B. The United States Court of Appeals for the Sixth Circuit Affirms the Finding of Dilution

On July 30, 2001 the Sixth Circuit affirmed the district court's decision.<sup>66</sup> Beginning with a discussion of the purpose of the FTDA, the Sixth Circuit remarked that "[c]ourts have not made a uniform application of the FTDA."<sup>67</sup> The Sixth Circuit noted that the purpose of the FTDA is to provide a consistent level of trademark dilution protection for owners of famous trademarks.<sup>68</sup> Until *Moseley*, the Sixth Circuit had not analyzed an FTDA claim.<sup>69</sup> The Sixth Circuit had to determine what factors to consider in determining whether trademark dilution had occurred to the Victoria's Secret trademark within the meaning of the FTDA.<sup>70</sup> The court recognized that a circuit split existed over whether a trademark dilution plaintiff must show actual harm to the trademark for relief under the FTDA.<sup>71</sup> The Sixth Circuit faced a decision between two conflicting standards: the likelihood of harm requirement of the Second Circuit's decision in *Nabisco, Inc. v. PF Brands, Inc.*<sup>72</sup> and the actual harm requirement of the Fourth Circuit's decision in *Ringling Brothers v. UT Division of Travel Development*.<sup>73</sup>

Determining that the likelihood of dilution standard better represented the language and intent of the FTDA than the actual dilution standard, the Sixth Circuit adopted the *Nabisco* test for trademark dilution.<sup>74</sup> The court doubted that Congress enacted the FTDA to provide a remedy for dilution but left the task of proving dilution impossible for plaintiffs.<sup>75</sup> Pointing to the legislative history of the FTDA, the Sixth Circuit stated that Congress aimed to provide a nationwide remedy for dilution.<sup>76</sup> The Sixth Circuit em-

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66. *Id.* at 477.

67. *Id.* at 468.

68. *Id.*

69. *Id.* at 471.

70. *Id.* at 471-72.

71. *Victoria's Secret Catalogue, Inc.*, 259 F.3d at 471.

72. 191 F.3d 208 (2d Cir. 1999).

73. 170 F.3d 449 (4th Cir. 1999). *See also infra* notes 185-88, 206-11, and accompanying text.

74. *Victoria's Secret Catalogue, Inc.*, 259 F.3d at 475.

75. *Id.* at 476.

76. *Id.* at 475 (citing H.R. Rep. No. 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032). The court quoted the explanation of dilution in the Congressional Record as [A]n injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

*Id.* The Sixth Circuit stated that the FTDA's legislative history shows that "legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as



phasized that requiring a trademark owner to prove actual harm to the trademark would "make bringing a successful claim under the FTDA unreasonably difficult."<sup>77</sup>

The court then turned to a list of factors for evaluating dilution that the Second Circuit established in *Nabisco*.<sup>78</sup> The Sixth Circuit maintained that the Victoria's Secret trademark was highly distinctive and that the Moseleys' trademark was very similar to the Victoria's Secret mark in font size and word placement.<sup>79</sup> The court questioned whether a consumer would associate Victor's Little Secret with Victoria's Secret.<sup>80</sup> Although the court remarked that a consumer would not likely patronize the Moseleys' store in hopes of buying a Victoria's Secret Miracle Bra, a consumer would probably make a mental link between the two stores.<sup>81</sup> The Sixth Circuit termed this case a "classic instance of dilution by tarnishing . . . and by blurring."<sup>82</sup> Thus, the Sixth Circuit affirmed the grant of summary judgment to Victoria's Secret on its FTDA claim.<sup>83</sup> On April 15, 2002, the United States Supreme Court granted the Moseleys' petition for writ of certiorari to the Court of Appeals for the Sixth Circuit.<sup>84</sup>

### III. BACKGROUND

The parent of trademark law is the broader law of unfair competition.<sup>85</sup> The essential function of a trademark is to enable a consumer to determine who has produced an item that the consumer wants to purchase.<sup>86</sup> Initially, trademarks did not vest a property right in the trademark holder.<sup>87</sup> Instead, a trademark was simply a communication device used to imprint a symbol of goodwill on the public mind.<sup>88</sup> Trademark law does not protect trademarks

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distinct from the Lanham Act's established protection for trademark infringement." *Id.*

77. *Id.* at 476.

78. *Id.* (citing factors for determining dilution of *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208) (2d Cir. 1999)).

79. *Id.* 476-77.

80. *Victoria's Secret Catalogue, Inc.*, 259 F.3d at 477.

81. *Id.*

82. *Id.*

83. *Id.* After the Sixth Circuit affirmed the district court's decision, the Moseleys changed the name of their store to Cathy's Little Secret. Linda Greenhouse, *Retail Giant Asks Court to Protect Its Name*, N.Y. TIMES, Nov. 13, 2002, available at 2002 WL 103085917.

84. *Victoria's Secret Catalogue, Inc.*, 259 F.3d 464, cert. granted, 535 U.S. 985 (2002).

85. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916).

86. *Id.* at 412.

87. *Id.* at 414.

88. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 819 (1927). Goodwill is a "business value" that represents a consumer's tendency to maintain a business relationship with a certain producer that sells goods the consumer appre-

as “independent creative works, but only as product or service identifiers.”<sup>89</sup> Trademarks free consumers from having to research different brands of a good before making a purchasing decision.<sup>90</sup> Because a consumer may rely on a particular brand purchased in the past, he or she may assume that purchasing the same brand will result in obtaining a good of a consistent level of quality.<sup>91</sup> Market competition would be practically non-existent if consumers could not distinguish one brand of a good from another.<sup>92</sup> By distinguishing between products, however, trademarks may “erect powerful barriers to entry into a market.”<sup>93</sup> Gradually, trademark law has developed to provide protection for property rights in the trademarks themselves.<sup>94</sup> Trademark law, therefore, advances two intertwined objectives—to prevent consumer deception and to protect the trademark holders’ property rights in trademarks.<sup>95</sup> Trademark dilution results when a trademark reduces the ca-

ciates and finds adequate. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:17 (4th ed. 2003). The “favorable consideration shown by the purchasing public to goods known to emanate from a particular source” establishes goodwill. *Id.* Intangible characteristics such as the reputation of a business help determine goodwill. BLACK’S LAW DICTIONARY 703 (7th ed. 1999).

89. Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 74–75 (1992).

90. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987).

91. *Id.*

92. Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 853 (1997).

93. *Id.*

94. *Ameritech, Inc. v. Am. Info. Tech. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987).

95. *Id.* Fanciful or arbitrary trademarks earn the highest level of protection from infringement. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976). Suggestive trademarks have the second highest level of protection, and trademark owners do not have to prove secondary meaning to obtain protection for a suggestive trademark. *Id.* at 9, 11. A trademark has secondary meaning if its owner can demonstrate that it has exclusively used and advertised the mark to the point where the public associates the trademark with the trademark owner or the owner’s goods. *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 369 N.E.2d 1162, 1166 (N.Y. 1977). Descriptive trademarks are entitled to the third highest level of protection from infringement; however, the trademark owner must show that the trademark in question has acquired secondary meaning. *Abercrombie*, 537 F.2d at 9–10. A word like “CHEWY” would be descriptive for a candy, but would be suggestive, or even arbitrary or fanciful, if used in connection with bed sheets, a computer, or an automobile.” *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995). No trademark owner may exclusively use words and symbols associated with a trademark if the public has the right to use “words or images in good faith in their ordinary descriptive sense.” *Id.* For instance, a car air-freshener shaped like a tree is not necessarily entitled to trademark protection. *Id.* at 270. Generic trademarks are traditionally the lowest priority of trademarks and are not entitled to recognition. *Abercrombie*, 537 F.2d at 9. Weak or generic trademarks are diluted by nature and cannot lose distinctiveness under a dilution theory. RUDOLF CALLMANN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* at § 21.12 (4th ed. 2002).

capacity of a famous trademark to identify a particular brand of goods or services.<sup>96</sup> This section discusses the development of the concept of trademark dilution, state anti-dilution statutes, the FTDA, and the circuit split over the requirement of actual harm in dilution cases.

#### A. The Concept of Dilution and Its Incorporation in Unfair Competition Law

A 1927 Harvard Law Review article represents the birth of trademark dilution theory.<sup>97</sup> According to the author of the article, Frank I. Schechter, the "preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."<sup>98</sup> When a trademark has a greater degree of distinctiveness or uniqueness, then "the deeper is its impress upon the public consciousness, and the greater its need for protection against violation or dissociation from the particular product in connection with which it has been used."<sup>99</sup> Trademark dilution is "analogous to the situation where the plaintiff's building is demolished stone by stone."<sup>100</sup>

Schechter discussed a German case in which non-competing steel companies used a famous trademark for mouthwash, Odol, to market their products.<sup>101</sup> The German court reasoned that when the public sees the word "Odol" it associates the word with mouthwash and may assume that whatever product is sold under the name "Odol" is of good quality.<sup>102</sup> The court concluded by stating that the producer of the mouthwash has "the utmost interest in seeing that its mark is not diluted," because the trademark "would lose in selling power if everyone used it as the designation of his goods."<sup>103</sup>

Twenty years after the Schechter article, Massachusetts enacted the first state anti-dilution statute in 1947.<sup>104</sup> Congress debated adding a dilution amendment to the Lanham Act<sup>105</sup> in 1988 but did not do so because of the

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96. 15 U.S.C. § 1127 (2000).

97. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003).

98. Schechter, *supra* note 88, at 831.

99. *Id.* at 825.

100. CALLMANN, *supra* note 95, at § 21:12.

101. Schechter, *supra* note 88, at 831-32.

102. *Id.*

103. *Id.* (quoting a 1924 decision by the German court, *Landesgericht* at Elberfeld).

104. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 430 (2003).

105. The Lanham Act of 1946, today codified at 15 U.S.C. § 1125, created a civil action for the misleading use of a trademark that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation" of one person with another. 15 U.S.C. § 1125(a)(1)(A) (2000). The Lanham Act also prevents a person from "misrepresent[ing] the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities" in "commercial advertising or promotion." *Id.* at § 1125(a)(1)(B).

fear of restricting speech protected under the First Amendment.<sup>106</sup> In 1995 Congress did pass a dilution amendment in the form of the FTDA.<sup>107</sup>

#### B. State Dilution Law and Its Relationship to Federal Intellectual Property Law

Illinois and approximately thirty states have adopted the language of the 1964 or the 1992 International Trademark Association Model State Trademark Bill, which states that the likelihood of dilution of a trademark's distinctive quality is grounds for an injunction.<sup>108</sup> Most state dilution statutes, therefore, have similar language.<sup>109</sup> Interpretation of the state dilution statutes by courts, however, differs among the jurisdictions and results in forum shopping.<sup>110</sup> Unlike the Federal Trademark Dilution Act, state statutes do not require that a trademark qualify as "famous."<sup>111</sup>

In 1977 the New York case of *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*<sup>112</sup> established the general inclination of state trademark dilution law.<sup>113</sup> The *Allied* court compared a diluting trademark to a cancer that survives and spreads by latching onto the reputation of an established business with a distinctive trademark.<sup>114</sup> The purpose of New York's anti-dilution statute was to prevent "the gradual whittling away of a firm's distinctive trade-mark or name."<sup>115</sup> The New York statute provided that the likelihood of dilution of a trademark's distinctive quality would be grounds for an injunction with or without the existence of competitive parties or the lack of confusion as to the origin of the goods or services.<sup>116</sup> When parties are neither in competition nor producing similar goods, it is more problematic for the unfair competition plaintiff to obtain relief due to the difficulty of showing a likelihood of confusion between the parties' products or services.<sup>117</sup> For example, under the New York dilution statute it is not important that Tiffany's Jewelry is not confusable or in competition with Tiffany's Movie Theatre.<sup>118</sup> The *Allied* court noted that the name "Allied" is

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106. *Moseley*, 537 U.S. at 430-31.

107. *Id.* at 431.

108. MCCARTHY, *supra* note 88, at § 24:80.

109. Courtland L. Reichman, *State and Federal Trademark Dilution*, 17 FRANCHISE L.J. 111, 132 (1998).

110. *Id.*

111. CALLMANN, *supra* note 95, at § 22:13 (Cumulative Supplement).

112. 369 N.E. 2d 1162 (N.Y. 1977).

113. *Id.*

114. *Id.* at 1165.

115. *Id.* at 1166.

116. *Id.* at 1164.

117. *Id.* at 1165.

118. *Allied Maint. Corp.*, 369 N.E. at 1165-66.

generic and found in the names of at least three hundred businesses in New York City phone books.<sup>119</sup> To qualify for protection from dilution a trademark must be either distinctive or have secondary meaning.<sup>120</sup> The majority in *Allied* did not state that a trademark's fame was a requirement for distinctiveness.<sup>121</sup> The court concluded that only the trademarks that are distinctive or have acquired secondary meaning for the public are entitled to protection under New York's anti-dilution statute.<sup>122</sup>

In 1988 the United States Court of Appeals for the Seventh Circuit observed that no conflict existed between an Illinois anti-dilution statute and the federal Lanham Act.<sup>123</sup> Without a conflict the court could not infer that Congress intended for federal dilution law to override state anti-dilution laws.<sup>124</sup> The Seventh Circuit also remarked that a fair-use defense requires that the infringer used the trademark in good faith to simply describe goods or services.<sup>125</sup> A used car business may not have "The Greatest Used Car Show on Earth" as its slogan, because it is a famous slogan of Ringling Brothers-Barnum & Bailey Circus.<sup>126</sup> In addition, a used car business is not really putting on a show, so the slogan would not be descriptive of a car dealership's goods and services.<sup>127</sup>

Federal law also favors consistency in other areas of intellectual property such as patents and copyrights.<sup>128</sup> A state's unfair competition law may not prohibit someone from copying an item that is not patentable or copyrightable under federal law.<sup>129</sup> State intellectual property laws that conflict

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119. *Id.* at 1166.

120. See *id.* for a definition of "secondary meaning." See also *supra* note 95 for a discussion on secondary meaning.

121. SIEGRUN D. KANE, TRADEMARK LAW: A PRACTITIONER'S GUIDE § 9:2.4 (4th ed. 2002).

122. *Allied Maint. Corp.*, 369 N.E.2d at 1166.

123. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 483 (7th Cir. 1988). A car dealership launched an advertising campaign in 1985 using the slogan "The Greatest Used Car Show on Earth." *Id.* at 481. The dealership made large signs with the slogan in large "red circus-style letters" that the dealership displayed in stores and television commercials. *Id.* In addition the dealership argued that the Lanham Act's fair use defense, 15 U.S.C. § 1115(b)(4), preempted the state anti-dilution statute. *Id.* at 483. The fair use defense of federal law "provides a defense to an action that would otherwise constitute trademark infringement if the mark is used fairly and in good faith to describe the goods or services or their geographic origin." *Id.*

124. *Id.*

125. *Id.* at 484.

126. *Id.*

127. *Id.*

128. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989) (holding that state patent laws must yield to federal patent laws which create a balance between the need to encourage inventors and the need to allow the public to freely use the patented material after the patent expires).

129. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964) (ruling that a state

with federal patent laws are invalid.<sup>130</sup> Moreover, the Patent and Copyright Clauses in the United States Constitution advance “national uniformity in the realm of intellectual property.”<sup>131</sup> If uniform national patent regulations did not exist, a state could provide patent protection to state-based industries and shield them from outside competition.<sup>132</sup> By enacting such regulations as § 43(a) of the Lanham Act, Congress has incorporated principles of state unfair competition into federal law.<sup>133</sup>

### C. The Federal Trademark Dilution Act of 1995 (FTDA)

Under the Federal Trademark Dilution Act of 1995,<sup>134</sup> trademark dilution results when someone other than the registered owner of a trademark uses the trademark in a manner that “causes dilution of the distinctive quality of the mark.”<sup>135</sup> Although the FTDA defines trademark dilution, it does not discuss how a plaintiff must prove that dilution has occurred.<sup>136</sup> Trade-

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cannot provide patent protection for a device, a pole lamp, that did not qualify for federal patent protection).

130. *Bonito Boats, Inc.*, 489 U.S. at 152.

131. *Id.* at 162.

132. *Id.* at 163.

133. *Id.* at 166.

134. 15 U.S.C. § 1125(c)(1)(A)–(H) (2000). A trademark dilution plaintiff’s remedy under federal law is defined as follows:

(c) Remedies for dilution of famous marks

(1) the owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining 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.

*Id.*

135. *Id.* § 1125(c)(1).

136. Sandra Edelman & Bruce R. Ewing, *The Federal Trademark Dilution Act of 1995: A Litigation Perspective*, 86 TRADEMARK REP. 485, 496 (1996).

mark dilution litigants and the judiciary have a history of difficulty in determining the elements for proving dilution.<sup>137</sup> For instance, the difficulty of locating a witness who can testify as to a "gradual watering down of his or her loyalty to a branded product" is a challenge in dilution litigation.<sup>138</sup> Not surprisingly, courts fanned out in different directions when interpreting the FTDA.<sup>139</sup> Some courts required plaintiffs to show actual harm to a trademark to obtain an injunction of an offending use, while other courts required plaintiffs to show only a likelihood of harm to the trademark.<sup>140</sup>

### 1. *Dilution by Blurring and Tarnishing*

Prior to the FTDA, courts recognized two different types of trademark dilution: dilution by blurring and dilution by tarnishing.<sup>141</sup> Dilution by blurring involves a weakening of a trademark's ability to distinguish a particular brand of a product and a diminished uniqueness of the trademark.<sup>142</sup> For example, "Sacks Thrift Avenue" dilutes the distinctiveness of "Saks Fifth Avenue."<sup>143</sup> Dilution by tarnishment occurs when a trademark is associated with products or services of inferior quality to those it actually represents.<sup>144</sup> Tarnishment is found when a trademark is "parodied in the context of obscene, illegal, or unsavory activity."<sup>145</sup> An example of tarnishment is a magazine's display of the Pillsbury Doughboy in sexually suggestive poses.<sup>146</sup> The FTDA does not mention "dilution by blurring" or "dilution by tarnishing" in the statutory language.<sup>147</sup>

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137. *Id.*

138. Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 138 (1993).

139. Jennifer Mae Slonaker, Comment, *Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection*, 26 U. DAYTON L. REV. 121, 153 (2000).

140. *Id.*

141. KANE, *supra* note 121, at § 9:2.4[B].

142. *Id.*

143. *Id.* (citing *Saks & Co. v. Hill*, 843 F. Supp. 620, 625 (S.D. Cal. 1993)).

144. *Id.*

145. *Id.*

146. *Id.* (citing *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 124 (N.D. Ga. 1981)).

147. See 15 U.S.C. § 1125(c)(1)(A)–(H) (2000). See also *supra* note 134 and accompanying text.

## 2. *Dilution and Free Speech: Trademarks as Parody and Protected Speech*

Parody is a form of protected expression under the First Amendment.<sup>148</sup> There are two types of trademark parody.<sup>149</sup> The first type presents the danger of public confusion as to the source of a product; whereas, the second type does not present any danger of confusion.<sup>150</sup> An example of the first type of trademark parody is when a parodist sells products, such as a fast food restaurant other than McDonald's that sells McBagels.<sup>151</sup> An example of the second type of trademark parody is an "I Like Cocaine" t-shirt with a Coca-Cola ad style.<sup>152</sup> The parodist is selling the parody itself, and few consumers would think that Coca-Cola distributes "I Like Cocaine" t-shirts.<sup>153</sup>

A constitutional, incidental effect on expression results when trademark law prevents someone from using another's trademark.<sup>154</sup> The use of anti-dilution statutes, however, to prevent the noncommercial use of a trademark by someone participating in protected speech, such as editorials or artistic comments, is unconstitutional.<sup>155</sup> Parodies of famous trademarks may offend famous trademark owners, but the parodies allow the public to have fun with famous symbols that it encounters in day-to-day life.<sup>156</sup> If famous trademark owners could smother all negative or offensive uses of their mark in noncommercial contexts, then businesses could limit the amount of useful criticism that the public is entitled to learn for the purpose of making informed decisions.<sup>157</sup>

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148. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 33 (1st Cir. 1987).

149. Posner, *supra* note 89, at 74.

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.*

154. *L.L. Bean, Inc.*, 811 F.2d at 31. An incidental effect on expression occurs when a trademark owner invokes an anti-dilution statute to prevent a defendant from using a trademark to market unrelated goods without the permission of the trademark owner. *Id.* The United States Court of Appeals for the First Circuit stated that any incidental effect on protected expression should be balanced with the purpose of the anti-dilution statute. *Id.* (citing *Friedman v. Rogers*, 440 U.S. 1, 15-16 (1979)). An anti-dilution statute is designed to prevent a trademark's loss of respect in the public eye and loss of the capacity to identify products when the trademark is used improperly. *Id.*

155. *Id.* at 32-33. The United States Court of Appeals for the First Circuit acknowledged that courts cannot restrict the noncommercial use of a trademark without monitoring the English language itself. *Id.* at 33 (citing *Lucasfilm v. High Frontier*, 622 F. Supp. 931, 935 (D.D.C. 1985)). The First Amendment protects a bawdy parody of the Miss America pageant. *Id.* at 33 (citing *Pring v. Penthouse Int'l*, 695 F.2d 438 (10th Cir. 1982)).

156. *See id.* at 34.

157. *Id.* at 33.



In 1987 the United States Court of Appeals for the First Circuit held that the use of the Maine anti-dilution statute to enjoin the publishers of a magazine from parodying the L.L. Bean logo in a raunchy context was an unconstitutional limit on protected expression.<sup>158</sup> The magazine displayed the L.L. Bean logo alongside sexually explicit content.<sup>159</sup> The court stated that a trademark holder may not smother the efforts of others who want to use the trademark to express ideas and viewpoints.<sup>160</sup>

In 1994, nonetheless, the United States Court of Appeals for the Second Circuit took an alternative route and held that a competitor lawnmower company could not parody the John Deere logo in an ad comparing the two companies' products.<sup>161</sup> The competitor's television ad depicted the John Deere "deer" as a terrified two-dimensional cartoon that runs away from a dog and the competitor's lawn tractor.<sup>162</sup> The court determined that the ad came within New York's dilution statute because the ad presented the risk that the public would learn to associate the John Deere trademark with sub-standard products.<sup>163</sup>

#### D. The Circuit Split: Likelihood of Dilution or Actual Dilution?

Before and after the passage of the FTDA, courts used different standards to evaluate trademark dilution claims.<sup>164</sup> Many circuit court decisions used the likelihood of dilution standard when evaluating dilution cases.<sup>165</sup> A minority of decisions, however, used the actual dilution standard when evaluating dilution claims.<sup>166</sup> The United States Supreme Court's decision in *Moseley* resolved this circuit split.<sup>167</sup>

##### 1. *A Preponderance of Trademark Dilution Decisions Favored the Traditional Likelihood of Dilution Standard*

In 1983 the United States Court of Appeals for the Second Circuit decided *Sally Gee, Inc. v. Myra Hogan, Inc.*,<sup>168</sup> in which the plaintiff sued for trademark dilution of the name of its clothing line, "Sally Gee," by the name

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158. *Id.*

159. *Id.* at 27.

160. *L.L. Bean, Inc.*, 811 F.2d at 29.

161. *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 46 (2d Cir. 1994).

162. *Id.* at 41.

163. *Id.* at 45.

164. *See Moseley v. Victoria's Secret Catalogue*, 537 U.S. 418, 428 (2003).

165. *See infra* Part III(D)(1).

166. *See infra* Part III(D)(2).

167. *Moseley*, 537 U.S. at 433. *See also infra* Part IV.

168. 699 F.2d 621 (2d Cir. 1983).

of a competing brand, "Sally Lee."<sup>169</sup> The court was not swayed by Sally Gee's argument and affirmed the district court's dismissal of Sally Gee's likelihood of dilution claim.<sup>170</sup> The Second Circuit stated that the "Sally Lee" brand name did not cause a likelihood of dilution by blurring, and "discerning consumers of women's apparel are unlikely to have blurred vision causing them to see 'Sally Gee' upon viewing a Sally Lee label."<sup>171</sup> To succeed on a dilution claim, the court stated that Sally Gee must show that the public associates the Sally Lee trademark with Sally Gee clothing.<sup>172</sup> The court remarked that the record held no proof that the defendant's use of the trademark Sally Lee caused a blurring of Sally Gee's "product identification."<sup>173</sup>

In another United States Court of Appeals for the Second Circuit decision, Judge Sweet's concurrence in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.* listed six factors to consider for the likelihood of dilution by blurring: (1) similarity of the marks, (2) similarity of the products covered by the marks, (3) sophistication of consumers, (4) predatory intent, (5) renown of the senior mark and (6) renown of the junior mark.<sup>174</sup> The majority opinion in *Mead* extracted the "distinctive quality capable of dilution" requirement from *Allied* and the likelihood of dilution requirement from *Sally Gee* to form a rule for determining the likelihood of dilution between two similar-sounding trademarks.<sup>175</sup> In *Mead*, the name "Lexus" for a luxury car did not result in a likelihood of dilution for the name of a computerized legal research service, "Lexis."<sup>176</sup> Although Judge Sweet concurred in the result, he disagreed that the name "Lexis" is not a strong trademark.<sup>177</sup> Judge Sweet, however, did acknowledge that "Lexis" has "limited renown" with a select group of consumers and that Toyota Motor Sales lacked predatory intent.<sup>178</sup> If Toyota had predatory intent, it would have had knowledge of the Lexis trademark and would have adopted the

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169. *Id.* at 622.

170. *Id.* at 626.

171. *Id.*

172. *Id.*

173. *Id.*

174. *Mead Data Cent. v. Toyota Motor Sales, U.S.A.*, 875 F.2d 1026, 1035 (2d Cir. 1989).

175. *See id.* at 1030.

176. *Id.* at 1032. The plaintiff had used the name LEXIS to market its legal research system since 1972. *Id.* at 1027. In 1987 the defendant, Toyota, launched a luxury car line called LEXUS. *Id.* at 1028. Before Toyota named its new car "LEXUS," Toyota's legal advisors gave the opinion that "here is absolutely no conflict between 'LEXIS' and 'LEXUS.'" *Id.*

177. *Id.* at 1040 (Sweet, J., concurring).

178. *Id.* (Sweet, J., concurring).

Lexus trademark with the intent of profiting from the similarity to the Lexis trademark.<sup>179</sup>

Because the First Amendment protects parody of famous trademarks,<sup>180</sup> parody may help to absolve a trademark dilution defendant for creating a new product that spoofs a famous product.<sup>181</sup> The United States Court of Appeals for the Second Circuit concluded that the Muppet character Spa'am did not create a likelihood of dilution for the Hormel Foods product, SPAM.<sup>182</sup> Hormel Foods could not show that Jim Henson Productions' use of the name Spa'am would cause "negative associations," that Jim Henson Productions was in direct competition with Hormel, or that the parody was not intrinsic in Spa'am.<sup>183</sup> Spa'am, therefore, did not present a likelihood of dilution for SPAM under a tarnishment theory.<sup>184</sup>

After passage of the FTDA, the United States Court of Appeals for the Second Circuit recognized that the language of the FTDA specifies that a necessary element for a dilution claim is that the junior mark "must *cause* dilution of the distinctive quality of the senior mark," but the court continued to evaluate trademark dilution cases under a likelihood of dilution theory.<sup>185</sup> For instance, the United States Court of Appeals for the Second Circuit determined that Nabisco's use of goldfish-shaped cheesecrackers caused a likelihood of dilution of the distinctiveness of Pepperidge Farm's famous goldfish-shaped cheesecrackers.<sup>186</sup> Pepperidge Farm did not have to provide proof of "actual loss of revenue" or conduct consumer surveys to show that its famous, senior mark lost distinctiveness due to Nabisco's goldfish-shaped cracker.<sup>187</sup> According to the United States Court of Appeals for the Second Circuit, linking lost revenue to dilution of a trademark is speculative and very difficult.<sup>188</sup> The Second and Seventh Circuits disagreed with the Fourth Circuit's decision in *Ringling Brothers-Barnum & Bailey Combined Shows v. Utah Division of Travel Development*,<sup>189</sup> where the Fourth Circuit required proof of actual dilution of the circus's slogan "Greatest Show on Earth."<sup>190</sup>

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179. *Id.* at 1037 (Sweet, J., concurring).

180. *L.L. Bean, Inc. v. Drake Publishers*, 811 F.2d 26, 33 (1st Cir. 1987).

181. *See Hormel Foods Corp. v. Jim Henson Prods.*, 73 F.3d 497 (2d Cir. 1996).

182. *Id.* at 508.

183. *Id.*

184. *Id.*

185. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215, 228-29 (2d Cir. 1999) (emphasis added).

186. *Id.* at 218.

187. *Id.* at 223-24.

188. *Id.* at 224.

189. 191 F.3d 208 (2d Cir. 1999).

190. *See id.* The Second Circuit affirmed the district court's preliminary injunction of the defendant's use of a similar cheese cracker based on a finding of a likelihood of dilution. *Id.*

The Seventh Circuit required a dilution plaintiff, Eli Lilly & Company, to show a likelihood of dilution of the trademark "Prozac" by the defendant's trademark "Herbrozac."<sup>191</sup> The court noted that the FTDA does not use the word "likelihood" with respect to finding dilution but nonetheless proceeded to decide the case based on a likelihood of dilution theory.<sup>192</sup> According to the Seventh Circuit, if trademark owners could not sue for an injunction of the use of a diluting trademark before suffering actual damages, new companies would not be able to obtain a declaratory judgment that their junior mark is distinctive enough from a senior mark before investing in putting a new product on the market.<sup>193</sup> Under the Seventh Circuit's reasoning, a showing of actual dilution "holds plaintiffs to an impossible level of proof,"<sup>194</sup> and proving dilution with consumer surveys is costly and unreliable.<sup>195</sup> The court stated that with a famous product such as Prozac, the distinctiveness of the trademark Prozac may suffer dilution while sales are increasing, but sales would not increase as much as they would without the presence of a similar, junior trademark.<sup>196</sup> The Seventh Circuit stated in dicta that it doubted that Congress would enact the FTDA with an impossible level of proof for the plaintiff.<sup>197</sup>

## 2. *The Actual Dilution Minority*

Under the FTDA, a showing of either dilution by blurring or dilution by tarnishment is not necessary to show actual dilution.<sup>198</sup> The FTDA restricts the use of a trademark that "causes dilution of the distinctive quality" of a famous trademark.<sup>199</sup> In 1998 the Ninth Circuit affirmed that a defendant's conduct in registering Panavision's famous trade name as his own Internet domain name caused dilution of the capacity of the "Panavision" mark to identify goods and services.<sup>200</sup> The Ninth Circuit followed the language of the FTDA in affirming that the defendant, Toeppen, had "dimin-

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at 223. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468-69 (7th Cir. 2000) (holding that the defendant's herbal remedy "Herbrozac" caused a likelihood of dilution of the plaintiff's trademark "Prozac"). *Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999) (holding proof of actual harm necessary for a trademark dilution claim).

191. *Eli Lilly & Co.*, 233 F.3d at 469.

192. *Id.* at 467, 469.

193. *Id.* at 468.

194. *Id.*

195. *Id.*

196. *Id.*

197. *Eli Lilly & Co.*, 233 F.3d at 468.

198. *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 (9th Cir. 1998).

199. See 15 U.S.C. § 1125(c)(1) (2000). See also *supra* note 134 and accompanying text.

200. *Panavision*, 141 F.3d at 1327.

ished 'the capacity of the Panavision marks to identify and distinguish Panavision's goods and services on the Internet.'"<sup>201</sup> Panavision had sued Toeppen for his habit of "cyber pira[cy]" in registering famous trademarks and setting up domain names on the Internet in order to sell the domain names to the trademark owners.<sup>202</sup> The Ninth Circuit stated that courts do not have to evaluate dilution cases with the traditional dilution by blurring and dilution by tarnishing concepts.<sup>203</sup>

In 1999 the Fourth Circuit's decision in *Ringling Brothers.-Barnum & Bailey Combined Shows v. Utah Division of Travel Development*<sup>204</sup> established a precedent for future decisions holding that a showing of actual dilution is required under the FTDA.<sup>205</sup> The court reasoned that if the FTDA does not require trademark dilution plaintiffs to show proof of actual dilution, the lack of a proof requirement may create a "property-right-in-gross interpretation."<sup>206</sup> The Fourth Circuit observed in dicta that a junior use of a trademark similar to a famous trademark might actually "enhance a senior mark's 'magnetism'—by drawing renewed attention to it as a mark of unshakable eminence worthy of emulation by an unthreatening non-competitor."<sup>207</sup> Under the Fourth Circuit rule, a plaintiff must show three things in a trademark dilution case under the FTDA: (1) a defendant has used a junior mark that is similar enough to a famous, senior mark "to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services."<sup>208</sup> The Fourth Circuit admitted that its rule is a strict interpretation of trademark dilution under the FTDA.<sup>209</sup>

In the Fourth Circuit's view, Ringling's consumer survey evidence failed to prove that Utah's slogan "The Greatest Snow on Earth" caused a lessening of the capacity of Ringling's slogan "The Greatest Show on Earth" to identify and distinguish the Ringling circus.<sup>210</sup> The Ringling sur-

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201. *Id.* at 1326 (quoting *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1304 (C.D. Cal. 1996)).

202. *Id.* at 1318. The Federal Anti-Cybersquatting Act of 1999 has rendered cybersquatting virtually non-existent. See MCCARTHY, *supra* note 88, at § 24:69.1.

203. *Panavision*, 141 F.3d at 1326.

204. 170 F.3d 449, 459 (4th Cir. 1999).

205. See *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

206. *Ringling Bros.*, 170 F.3d at 459. The Fourth Circuit expressed its doubt that Congress intended to create an unlimited in time property right "via injunction." *Id.* If Congress had intended to do so, it would have restricted the use of any substantially similar second-in-time trademark. *Id.*

207. *Id.* at 460.

208. *Id.* at 461.

209. *Id.* at 458.

210. *Id.* at 462-63.

vey showed that in Utah, twenty-four percent of the consumers surveyed filled in "THE GREATEST \_\_\_\_\_ ON EARTH" with only the word "snow," whereas outside of Utah, zero percent of the consumers surveyed filled in only the word "snow."<sup>211</sup> The slogan, "Greatest Snow on Earth," was probably very well known within Utah, because every license plate in the state displayed the slogan.<sup>212</sup> According to one expert, those conducting consumer surveys to test for trademark recognition should wait until the defendant's trademark or slogan has "come[] to enjoy at least a certain measure of widespread use."<sup>213</sup> The slogan "Greatest Snow on Earth" was well known in Utah but relatively unknown outside of Utah.<sup>214</sup> One of the factors that a court may consider in determining whether or not a trademark is distinctive and famous within the meaning of the FTDA is the "geographical extent of the trading area in which the mark is used."<sup>215</sup>

The Fifth Circuit followed the Fourth Circuit's lead in 2000 and considered the plain meaning of the language of the FTDA in requiring proof of actual dilution.<sup>216</sup> Because the Fifth Circuit required proof of actual dilution, PRL USA Holdings, Inc. failed to show that a magazine title "POLO" caused dilution of the Ralph Lauren logo "Polo."<sup>217</sup>

Also in 2000, the Sixth Circuit remanded a case to the district court for clarification of a dilution issue: whether the Exxon cartoon tiger caused dilution of Kellogg's "Tony the Tiger."<sup>218</sup> Kellogg had to show that Exxon's use of its cartoon tiger "lessened the capacity of Tony the Tiger to identify and represent Kellogg's food products."<sup>219</sup> The district court mixed dilution theories to find that because Kellogg had demonstrated that Exxon's use of its cartoon tiger resulted in actual dilution by blurring, a likelihood of dilution by blurring also existed.<sup>220</sup> In 2001 the Sixth Circuit formally rejected the actual harm requirement and adopted the *Nabisco, Inc.* likelihood-of-dilution requirement to determine that an independent store named Victor's Little Secret caused a likelihood of dilution of the famous trademark Victoria's Secret.<sup>221</sup>

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211. *Id.* at 462.

212. Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1053 (2001).

213. *Id.*

214. *See Ringling Bros.*, 170 F.3d at 462.

215. *See* 15 U.S.C. § 1125(c)(1)(D) (2000). *See also supra* note 134, at § 1125(c)(1)(D).

216. *Westchester Media v. PRL USA Holdings*, 214 F.3d 658, 670 (5th Cir. 2000).

217. *Id.* at 658.

218. *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 576-77 (6th Cir. 2000).

219. *Kellogg Co. v. Exxon Mobil Corp.*, 192 F. Supp. 2d 790, 804 (W.D. Tenn. 2001).

220. *See id.* at 808.

221. *Victoria's Secret Catalogue, Inc., v. Moseley*, 259 F.3d 464, 476-77 (6th Cir. 2001).

## IV. REASONING

The United States Supreme Court reversed the United States Court of Appeals for the Sixth Circuit's decision in *Moseley* and held that the FTDA requires a plaintiff in a trademark dilution case to show proof of actual harm to the trademark's economic value.<sup>222</sup> The Court granted certiorari because of the circuit split over whether the FTDA requires proof of actual harm to a trademark.<sup>223</sup> Before analyzing Victoria's Secret's dilution claim, the Court discussed the history of trademark dilution and Congress's intent in passing the FTDA.<sup>224</sup>

## A. The History of Trademark Dilution

The Court traced the development of the concept of trademark dilution from the traditional concept of trademark infringement to the state dilution statutes in effect before the FTDA.<sup>225</sup> The Court acknowledged that the law of unfair competition includes the law of trademark infringement.<sup>226</sup> The Court, in addition, noted that unfair competition law in the United States is rooted in English common law, and that Congress incorporated the common law concepts of trademark infringement in the Lanham Act of 1946.<sup>227</sup> Victoria's Secret did not appeal the district court's grant of the Moseleys' Motion for Summary Judgment on Victoria's Secret's trademark infringement and unfair competition claims.<sup>228</sup> The Court, therefore, assumed that the use of the name Victor's Little Secret neither caused nor was likely to cause confusion for consumers.<sup>229</sup> Also, the Court assumed that the Moseleys' store was not a competitive threat to Victoria's Secret.<sup>230</sup> The Court, nevertheless, emphasized that neither the absence of a likelihood of confusion nor the lack of competition between the parties bars a claim under the FTDA.<sup>231</sup>

Noting that the concept of trademark dilution was not derived from the common law, the Court turned to a discussion of the origin of trademark dilution in Frank Schechter's 1927 Harvard Law Review article.<sup>232</sup> Schechter proposed that "the preservation of the uniqueness of a trademark

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222. *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003).

223. *Id.* at 428.

224. *Id.* at 428–31.

225. *Id.* at 428–30.

226. *Id.* at 428.

227. *Id.* at 428–31.

228. *Moseley*, 537 U.S. at 423–24, 428.

229. *Id.* at 429.

230. *Id.*

231. *Id.*

232. *Id.*

should constitute the only rational basis for its protection.”<sup>233</sup> In 1947 Massachusetts enacted the first state law prohibiting trademark dilution.<sup>234</sup> The Massachusetts statute provided relief for both dilution and the likelihood of harm to a business’s reputation.<sup>235</sup> The Court noted that approximately twenty-five states had passed dilution statutes similar to the Massachusetts statute in the forty-eight years before the enactment of the FTDA.<sup>236</sup>

## B. Congress’s Intent in Passing the FTDA

Congress first considered enacting a federal anti-dilution statute in 1988.<sup>237</sup> Congress, however, did not enact a dilution amendment to the Lanham Act because of the fear of a potential application of the dilution statute to protected speech under the First Amendment.<sup>238</sup> When the FTDA was introduced to Congress in 1995, it contained two exceptions to allow for First Amendment issues.<sup>239</sup> The first exception provided for the “fair use” of a registered trademark in comparative advertising and promotion, while the second exception provided that the noncommercial use of a registered trademark would not amount to dilution.<sup>240</sup> The Court noted that the House of Representatives unanimously passed the FTDA and that the Senate later passed the FTDA without hearings.<sup>241</sup>

## C. The Court Decides: Likelihood of Dilution v. Actual Dilution

The Supreme Court acknowledged that the Victoria’s Secret trademark is valuable and that the Moseleys had conceded that the Victoria’s Secret trademark is famous within the meaning of the FTDA.<sup>242</sup> The Moseleys, furthermore, did not assert that the FTDA prohibits dilution by the identical use of a famous trademark.<sup>243</sup> The Court stated that even if the Moseleys had claimed that the FTDA only applies to identical uses of famous trademarks, the statutory language did not lend itself to such a narrow reading.<sup>244</sup>

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233. *Id.* (discussing *Schechter*, *supra* note 88, at 31). See also *supra* notes 88, 98–99, 100–02 and accompanying text.

234. *Moseley*, 537 U.S. at 430.

235. *Id.*

236. *Id.*

237. *Id.*

238. *Id.* at 431.

239. *Id.*

240. *Moseley*, 537 U.S. at 431 (citing 15 U.S.C. § 1125 (c)(4)(2000)).

241. *Id.* Senator Hatch declared that the purpose of the FTDA was “to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.” *Id.* (citing 141 CONG. REC. 38559–61 (1995)).

242. *Id.* at 432.

243. *Id.*

244. *Id.*



Turning to the lower courts' findings of dilution by tarnishment and blurring, the Supreme Court questioned whether the language of the statute included dilution by tarnishment.<sup>245</sup> The Court emphasized the contrast between the FTDA and the state statutes that clearly provided for harm to business reputation and for dilution of the distinctive quality of a trademark.<sup>246</sup> The FTDA only provides for dilution of the distinctive quality of a trademark, thus supporting a narrow interpretation of the FTDA with respect to dilution by tarnishing.<sup>247</sup> Indeed, the contrast between state anti-dilution statutes and the FTDA presented the Court with the issue it had to resolve: Does the FTDA require proof of a likelihood of dilution or proof of actual dilution for a valid claim?<sup>248</sup>

1. *The Unambiguous Requirement of Actual Harm Under the FTDA*

The Supreme Court determined that the FTDA is unambiguous in requiring proof of actual dilution of a trademark.<sup>249</sup> The FTDA provides that "the owner of a famous mark" is entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "causes dilution of the distinctive quality" of the famous mark."<sup>250</sup> The Court concluded that the statutory text of the FTDA requires proof of actual dilution and not a likelihood of dilution.<sup>251</sup> To reinforce its conclusion that the FTDA requires actual dilution, the Court pointed to the definition of dilution found in 15 U.S.C. § 1127, which first defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."<sup>252</sup> The statute then provides for dilution "regardless of the presence or absence of — (1) competition" between the parties or "(2) the likelihood of confusion, mistake, or deception."<sup>253</sup> The Court determined that the contrast between the initial definition of dilution in the statute and the later provision for the likelihood of confusion solidifies its decision that the FTDA requires proof of actual dilution.<sup>254</sup>

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245. *Id.* at 432–33.

246. *Moseley*, 537 U.S. at 432–33.

247. *Id.*

248. *Id.*

249. *Id.* at 433.

250. *Id.* at 432–33 (quoting 15 U.S.C. § 1125(c)(1) (2000)) (emphasis added).

251. *Id.* at 433.

252. *Moseley*, 537 U.S. at 433 (citing 15 U.S.C. § 1127 (2000)).

253. *Id.* (citing 15 U.S.C. § 1127 (2000)).

254. *Id.*

## 2. *Proof of Actual Dilution*

Although the FTDA requires proof of actual dilution, the Court stated that a trademark dilution plaintiff does not necessarily have to show a loss of sales or profits.<sup>255</sup> The Court disagreed with the Court of Appeals for the Fourth Circuit's opinion to that end in *Ringling Brothers*.<sup>256</sup> The Court, however, agreed with the Fourth Circuit that when the trademarks in question are not identical, the fact that a consumer makes a mental link between the famous trademark and a similar trademark does not constitute dilution.<sup>257</sup> The fact that a similar trademark reminds a consumer of a famous trademark may not always "reduce the capacity of the famous mark to identify the goods of its owner," which the FTDA requires.<sup>258</sup>

The Court observed that the colonel who reported the existence of the Moseleys' store to Victoria's Secret did make the mental association between the two stores, but the record does not show that use of the name Victor's Secret changed the colonel's opinion of Victoria's Secret.<sup>259</sup> Moreover, the Court noted a "complete absence of evidence of any lessening of the capacity of the VICTORIA'S SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs."<sup>260</sup> Also, Victoria's Secret's expert did not give an opinion as to the effect of the trademark "Victor's Secret" on the strength of the Victoria's Secret trademark.<sup>261</sup>

Although the Court acknowledged Victoria's Secret's argument that obtaining evidence of actual dilution through such methods as consumer surveys is costly and untrustworthy, the Court stated that such direct evidence may not be necessary if a plaintiff has circumstantial evidence that shows actual dilution.<sup>262</sup> When the famous trademark and the second-in-time trademark are identical, the plaintiff may certainly use circumstantial evidence to show actual dilution.<sup>263</sup> The majority opinion concluded by emphasizing that the difficulty of obtaining proof is not a valid excuse for sidestepping a requirement for statutory relief.<sup>264</sup>

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255. *Id.*

256. *Id.* at 433–34 (discussing *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 460–65 (4th Cir. 1999)).

257. *Id.* at 433.

258. *Moseley*, 537 U.S. at 433.

259. *Id.* at 434.

260. *Id.*

261. *Id.*

262. *Id.*

263. *See id.*

264. *Moseley*, 537 U.S. at 434.

### 3. *Justice Kennedy's Concurrence*

Justice Kennedy wrote a concurring opinion in which he proposed that the word "capacity" in the FTDA should determine what factors are necessary to show dilution.<sup>265</sup> The concurrence stated that "[i]f a mark will erode or lessen the power of the famous mark to give customers the assurance of quality and the full satisfaction they have in knowing they have purchased goods bearing the famous mark," a plaintiff may prove dilution.<sup>266</sup> Justice Kennedy maintained that the majority did not rule out injunctive relief for Victoria's Secret if it can show "sufficient evidence of either blurring or tarnishment" on remand.<sup>267</sup>

## V. SIGNIFICANCE

Victor Moseley and his mom-and-pop lingerie and adult novelty store managed to bring about a significant departure from trademark dilution law precedent. The Supreme Court's decision in *Moseley* ran counter to fifty-six years of state dilution law history and overruled a majority of the lower federal courts which allowed proof of dilution upon a showing of a likelihood of harm.<sup>268</sup> The *Moseley* decision resolved a circuit split represented by the conflicting decisions of the Fourth Circuit in *Ringling Brothers* and the Second Circuit in *Nabisco*.<sup>269</sup> This section discusses the issues involved in proving actual harm to a trademark's economic value, the benefits of the *Moseley* decision for owners of famous trademarks, and the importance of the decision for product competition and the ingenuity of small business.

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265. *Id.* at 435 (Kennedy, J., concurring).

266. *Id.* (Kennedy, J., concurring).

267. *Id.* at 436 (Kennedy, J., concurring).

268. See KANE, *supra* note 121, at § 9:1.1 (relating that Massachusetts enacted the first state anti-dilution statute in 1947); *Ringling Bros. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999) (discussing how the most common aspect of state dilution laws is the requirement of proof of a likelihood of dilution rather than proof of actual dilution for an injunction); *Moseley*, 537 U.S. at 432-33 (using statutory construction to determine that the FTDA requires proof of actual dilution rather than a likelihood of dilution as required by most federal courts).

269. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 223 (2d Cir. 1999) (stating that the Fourth Circuit's rule of requiring actual harm in a dilution case is inappropriate because of its difficulty); *Ringling Bros.*, 170 F.3d at 461 (holding that a trademark dilution plaintiff must show proof of actual harm to a trademark to obtain relief under the FTDA).

A. The Status of Trademark Dilution Post-*Moseley*: How Is Actual Harm Proven?

According to the United States Supreme Court, proving actual harm to a trademark's economic value means more than showing a consumer's mental association with the famous mark but less than having to show proof of dilution's consequences, such as loss of profits or sales.<sup>270</sup> The Court left the clarification of the requirements of proving actual harm up to future decisions under the FTDA.<sup>271</sup> Justice Kennedy's concurrence suggested that the owner of a famous trademark should not have to wait until the mark has lost its distinctiveness to obtain an injunction.<sup>272</sup> The majority, however, emphasized that a plaintiff must show economic harm to a trademark to prove dilution.<sup>273</sup> Victoria's Secret pointed out that proving actual harm to a trademark through such devices as consumer surveys is often difficult, expensive and unreliable.<sup>274</sup> In response the Court allowed that direct evidence of dilution is not required if circumstantial evidence showing dilution is available.<sup>275</sup> The Court, for example, stated that a suitable situation for using circumstantial evidence is when a trademark is put to an identical use.<sup>276</sup> A federal district court has since followed this example when it implicated the identical use guideline in finding an FTDA violation.<sup>277</sup>

Perhaps if consumers had testified that they changed their perception of Victoria's Secret, this would have qualified as evidence of actual dilution. The Supreme Court noted that the colonel who notified Victoria's Secret of the Moseleys' store did not testify that he changed his opinion of

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270. *Moseley*, 537 U.S. at 433.

271. *See id.* at 433-34.

272. *Id.* at 435 (Kennedy, J., concurring).

273. *Id.* at 434.

274. *Id.*

275. *Id.*

276. *Moseley*, 537 U.S. at 434. In *Ringling Bros. v. Utah Division of Travel Development*, the Court of Appeals for the Fourth Circuit rejected the argument that "mental association" is "presumed" with identical trademark use such as "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos." 170 F.3d 449, 459 n.5 (4th Cir. 1999) (citing Appellant's Br. at 14) (quoting (H.R. Rep. No. 104-374, at 3 (1995))). The Supreme Court agreed with the Fourth Circuit that when trademarks are not identical, mental association does not constitute a valid dilution claim. *Moseley*, 537 U.S. at 433. The Supreme Court then went on to state that a dilution plaintiff may use circumstantial evidence to prove actual dilution when the trademarks in question are identical. *Id.* at 434.

277. *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 432 (M.D.N.C. 2003). Pinehurst is the owner of the famous Pinehurst Golf Resort. *Id.* at 425. The defendant registered the domain name PinehurstResort.com and refused to transfer the name to Pinehurst, Inc. *Id.* at 426. The district court found that the defendant's use of the domain name had caused economic harm to Pinehurst's mark by reducing its marketing power. *Id.* at 431. Thus, the court found that the defendant's identical use of the Pinehurst trademark had caused dilution of the mark in violation of the FTDA. *Id.* at 432.

Victoria's Secret after seeing the ad for Victor's Secret.<sup>278</sup> Because the Supreme Court stated that dilution plaintiffs do not have to show actual profit losses,<sup>279</sup> consumer surveys showing that consumers changed their opinion of Victoria's Secret may qualify as evidence of actual dilution. The Supreme Court, in addition, remarked that Victoria's Secret's expert had not expressed an opinion on the effect of the name Victor's Secret on the strength of the Victoria's Secret trademark.<sup>280</sup> If an expert can testify that a similar trademark harms the economic strength of a famous trademark, this may show actual dilution even without the availability of consumer surveys.

Although some courts will struggle to define exactly what proves actual harm to a trademark,<sup>281</sup> others will continue to provide examples of when dilution has occurred within the meaning of the FTDA.<sup>282</sup> The Supreme Court did not apply the traditional concepts of dilution by tarnishment or dilution by blurring in its analysis of the *Moseley* case.<sup>283</sup> In fact,

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278. *Moseley*, 537 U.S. at 434.

279. *Id.* at 433.

280. *Id.* at 434.

281. See, e.g., *Reed Elsevier, Inc. v. Thelaw.net Corp.*, 269 F. Supp. 2d 942, 944-45 (S.D. Ohio 2003). The plaintiff owns several trademarks, including LEXIS-NEXIS and MARTINDALE-HUBBELL, and sued the defendant for causing dilution with the use of the term "Wexis." *Id.* at 945. The district court stated that the plaintiff may proceed with its dilution claim but also stated that winning a dilution claim after the *Moseley* decision is very difficult. *Id.* at 953.

282. See, e.g., *Four Seasons Hotels & Resorts v. Consorcio Barr, S.A.*, 267 F. Supp. 2d 1268 (S.D. Fla. 2003). Four Seasons licensed the use of its trademarks to the defendant who opened a hotel using the trademarks. *Id.* at 1271-72. When the hotel opened, the kitchen and computer equipment were insufficient and the furnishings were not up to Four Seasons standards. *Id.* at 1275-76. The district court concluded that the defendant had lessened the capacity of the Four Seasons trademarks to identify the level of quality associated with Four Seasons. *Id.* at 1276-77. As evidence of actual harm, the court recognized the customer complaints about the substandard state of the defendant's hotel. *Id.* The court considered the customer complaints as actual harm sufficient to establish trademark dilution. *Id.*; see also *Golden W. Fin. v. WMA Mortgage Servs.*, No. C 02-05727, 2003 WL 1343019 (N.D. Cal. Mar. 13, 2003). In *Golden West Financial*, the district court used the Supreme Court's decision in *Moseley* to support its conclusion that the defendant's use of its trademark did not cause dilution of the plaintiff's trademark. *Id.* at 8. The plaintiff claimed that its mark, World Mortgage, was famous before the defendant used the term "world" in its trademarks identifying its mortgage service. *Id.* at 1. The court determined that because the plaintiff's customers could still identify and contact them, the plaintiff's trademark had not decreased in value. *Id.* at 8.

283. *Moseley*, 537 U.S. at 432-33. The Supreme Court noted that the Court of Appeals for the Sixth Circuit used the concepts of dilution by blurring and by tarnishing in affirming the district court's finding of a likelihood of dilution. *Id.* at 432. The *Moseleys* did not contest that dilution by tarnishment is relevant. *Id.* The Court, however, questioned whether the concept of dilution by tarnishment is included in the language of the FTDA. See *id.* The FTDA refers to dilution of the distinctive quality of a trademark whereas state statutes refer to both harm to business reputation and dilution of a trademark's distinctiveness. *Id.*

the Court narrowed the scope of dilution when it used basic statutory construction to determine the definition of dilution.<sup>284</sup>

Perhaps the *Moseley* decision has established a more concrete concept of dilution that will lead to consistent applications of the FTDA. The old likelihood of dilution standard is a nebulous concept that may have allowed trademark owners too much freedom in asserting their rights.<sup>285</sup> Because trademark owners did not have to show actual harm to the economic value of a trademark, courts had to subjectively determine whether or not a likelihood of dilution existed.<sup>286</sup> By requiring actual harm, the Supreme Court has established that a trademark dilution plaintiff must show real and identifiable injuries for which a court may grant relief.<sup>287</sup>

#### B. Benefits of the *Moseley* Decision for Owners of Famous Trademarks

The owners of famous trademarks cannot take much solace from the *Moseley* decision, but there are some benefits of the decision for the owners of famous trademarks. Perhaps Victoria's Secret sued the Moseleys because of the fear that if Victoria's Secret did not pursue a dilution claim against the Moseleys, failing to police its trademark rights would preclude future dilution claims. After the *Moseley* decision, however, Victoria's Secret and other owners of famous trademarks may not have to police every use of a similar trademark that may cause a likelihood of dilution. Failing to pursue dilution claims against businesses like Victor's Secret may not result in the preclusion of dilution claims under the actual harm standard.

Prior to the *Moseley* decision, a trademark dilution plaintiff's remedy depended largely on where the plaintiff filed suit.<sup>288</sup> The Supreme Court ruling may now help to ensure that courts decide FTDA claims consistently and that trademark owners will have a secure remedy regardless of where they file suit. A trademark owner may rely on the principle that if a trademark suffers actual economic harm from dilution, the trademark owner may certainly obtain relief under the FTDA. Trademark owners will be aware that filing claims under the FTDA when only a likelihood of dilution is present will not ensure a court granting an injunction of the use of an offending trademark.<sup>289</sup> Knowing what factors constitute actual harm will enable

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284. *See id.*

285. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 459 (4th Cir. 1999) (rejecting the idea that Congress intended to create property rights in gross with the FTDA).

286. *Id.* at 458.

287. *Moseley*, 537 U.S. at 434.

288. Slonaker, *supra* note 139, at 122-23.

289. *Moseley*, 537 U.S. at 434.

trademark owners to determine if they have valid FTDA claims.<sup>290</sup> As new cases arise under the FTDA different examples of actual harm will expand the Supreme Court's decision in *Moseley* and allow trademark owners to quickly recognize when they should act to protect their trademarks from dilution.<sup>291</sup>

### C. The Importance of Creativity and Flexibility for Independent Small Business Owners

The *Moseley* decision supports the public interest in encouraging the development of new business. Entrepreneurs might be hesitant to enter the marketplace if they have to be absolutely sure that their trademark is not similar enough to a famous trademark to cause a likelihood of dilution. This does not mean, however, that trademarks may be so similar as to cause a likelihood of confusion.<sup>292</sup> Victor Moseley creatively named his business to represent his wish to keep his new venture a secret from his former employer, friends and family.<sup>293</sup> Although the name of Mr. Moseley's store, Victor's Secret, is almost identical to Victoria's Secret, it is doubtful that the average consumer would seriously think that the two stores were associated with each other.<sup>294</sup>

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290. See *id.* at 435 (Kennedy, J., concurring). Justice Kennedy stated that the "evidentiary showing required by the statute can be clarified on remand." *Id.* (Kennedy, J., concurring).

291. See *id.* at 432-33.

292. *Id.* at 428. The Court noted that the Lanham Act of 1946 prohibits trademark use that causes a likelihood of confusion concerning the source of a good or service. *Id.*; see also 15 U.S.C. § 1125 (2000).

293. Petitioners' Brief on the Merits at 3, *Moseley* (No. 01-1015); Savage, *supra* note 1.

294. *Moseley*, 537 U.S. at 429.

In addition, the public has a strong interest in finding low-price products comparable to famous high-quality products. Consumers often use comparison shopping to find the best product at the cheapest price. Similarity among the trademarks of a particular kind of product may help a consumer to find products comparable to those sold under a famous trademark. Products sold under a famous trademark are often more expensive than generic brands, even though the products may be of the same quality. Without competition from new or generic brands of a product, the producers of a good sold under a famous trademark may enjoy a monopoly over that particular market. Some similarity in the trademarks of a specific kind of product may facilitate competition between the products and encourage producers to develop improved versions of that product.

Future court decisions will clarify what proves actual harm under the FTDA. If the owners of famous trademarks can demonstrate actual harm to the economic value of their trademarks, the trademark owners now have a more reliable remedy with a greater promise of consistent application than the amorphous likelihood of dilution standard. If the United States Supreme Court had affirmed the Sixth Circuit's application of the likelihood of dilution standard in the *Moseley* case, the decision would have forced small business owners like the Moseleys to exhaustively determine whether their choice of a business name might result in the likelihood of dilution of a famous trademark.

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