January 2003

Victor's Little Secret Prevails (for Now) over Victoria's Secret: The Supreme Court Requires Proof of Actual Dilution under the FTDA

Sue Mota

Follow this and additional works at: http://digitalcommons.law.scu.edu/chtlj

Part of the Law Commons

Recommended Citation

Sue Mota, Victor's Little Secret Prevails (for Now) over Victoria's Secret: The Supreme Court Requires Proof of Actual Dilution under the FTDA, 19 SANTA CLARA HIGH TECH. L.J. 541 (2003).
Available at: http://digitalcommons.law.scu.edu/chtlj/vol19/iss2/10

This Case Note is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara High Technology Law Journal by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.
VICTOR'S LITTLE SECRET PREVAILS (FOR NOW)
OVER VICTORIA'S SECRET: THE SUPREME COURT
REQUIRES PROOF OF ACTUAL DILUTION UNDER
THE FTDA

Sue Ann Mota†

I. INTRODUCTION

On March 4, 2003, the U.S. Supreme Court resolved a split in the circuits, unanimously holding that the Federal Trademark Dilution Act (FTDA) requires an "actual proof of dilution," instead of a "likelihood of dilution," standard.¹ Thus, in the U.S. Supreme Court case of Moseley v. V Secret Catalogue, Inc., a lingerie and adult toy store, formerly called Victor's Secret, prevailed over the well-known Victoria's Secret lingerie empire.² The Court's rationale was that Victoria's Secret has not yet proven that Victor's Little Secret actually diluted the Victoria's Secret famous mark under the FTDA.³

This Case Note examines the FTDA and the Victor's/Victoria's litigation, analyzes the first Supreme Court decision on the FTDA, and makes predictions and recommendations for future FTDA litigants.

II. FEDERAL TRADEMARK DILUTION ACT OF 1995

U.S. trademark law had its origins in English common law and was codified in the Trademark Act of 1946, the Lanham Act.⁴ Trademark infringement law protects consumers from being misled

† Professor of Legal Studies, Bowling Green State University; J.D., University of Toledo College of Law, Order of the Coif; M.A. and B.A., Bowling Green State University.

² Id.
³ Id.
⁴ Id. at *16–17 (citing B. Pattishall, D. Hilliard, and J. Welch, Trademarks and Unfair Competition 2 (4th ed. 2000)).
by infringing marks.\textsuperscript{5} Trademark dilution law, however, neither had its origins in the common law nor its focus on the likelihood of consumer confusion; rather, it developed from a 1927 Harvard Law Review article that focused on the protection of the uniqueness of the owner's mark.\textsuperscript{6}

Massachusetts was the first state to enact a trademark dilution statute, and by the time the FTDA was enacted, at least twenty-five states had trademark dilution acts.\textsuperscript{7} This led to forum-shopping, increased litigation, inconsistent court decisions, and a lack of nationwide injunctions.\textsuperscript{8}

The FTDA was first considered in 1988, but was rejected by Congress due to First Amendment concerns.\textsuperscript{9} The FTDA was reintroduced in 1995, containing two provisions to overcome the First Amendment concerns: a fair use exception, which allows the use of the mark in comparative ads, and a provision that a non-commercial use is not infringement.\textsuperscript{10}

The FTDA's purpose, according to Congress, is to "protect famous trademarks from subsequent uses that blur the distinctiveness of the mark, or tarnish or disparage it, even in the absence of a likelihood of consumer confusion."\textsuperscript{11} Under the FTDA, dilution is defined as "the lessening of the capacity of a famous mark to identify or distinguish goods or services, regardless of the presence or absence of competition between the owner of the famous mark and other parties, or likelihood of confusion, mistake, or deception."\textsuperscript{12}

Its legislative history reveals that the FTDA was not intended to preempt state law.\textsuperscript{13} In addition, according to Congress, the FTDA is consistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), which is part of the GATT

\textsuperscript{5} Moseley, 2003 U.S. LEXIS 1945, at *17 (citing Qualitex Co. v. Jacobson Products Co., 514 U.S. 159, 163–64 (1995)).

\textsuperscript{6} Frank Schecter, Rational Basis of Trademark Protection, 40 HARV. L. REV. 813, 831 (1927) (referring to a German case protecting the owner of a well-known trademark for mouthwash from use by steel producers).


\textsuperscript{8} H. REP. No. 374, 104th Cong., 1st Sess. 5 (1995).

\textsuperscript{9} H. REP. No. 1028, 100th Cong., 1st Sess. 1 (1988).


\textsuperscript{13} H. REP. No. 374, 104th Cong., 1st Sess. 6 (1995).
Thus, the FTDA was enacted as law, allowing the owner of a famous mark to obtain an injunction when another makes a commercial use of that mark or trade name and there is evidence that the distinctive quality of the mark had been diluted. The following non-exclusive list of factors may be considered by a court to determine whether a mark is distinctive and famous: the distinctiveness of the mark; the duration and extent of the use of the mark; the duration and extent of advertising and publicity of the mark; the geographical trading area in which the mark is used; the channels of trade for the goods or services for which the mark is used; the degree of recognition of the mark in the trading areas and channels of trade used by both parties; the nature and extent of use of the same or similar marks by third parties; and whether the mark was registered on the principal register. The FTDA grants exceptions for news reporting and commentary, noncommercial use of the mark, and fair use for comparative advertising or promotion.
III. MOSLEY v. V SECRET CATALOGUE, INC.

The "Victoria’s Secret" mark has been registered with the U.S. Patent and Trademark Office since 1981, is owned by V Secret Catalogue, Inc., and the mark is currently licensed to Victoria’s Secret Stores and Victoria’s Secret Catalogue.\textsuperscript{18} Victoria’s Secret sells a complete line of lingerie, clothing, and accessories in over 750 stores and on the Internet. Victoria’s Secret Catalogue distributes 400 million copies of the catalogue each year.\textsuperscript{19}

In 1998, defendants Victor and Cathy Moseley opened "Victor’s Secret," a store in a strip mall in Elizabethtown, Kentucky, selling men’s and women’s lingerie, adult videos, sex toys, and other items.\textsuperscript{20} Two Victoria’s Secret stores were located within sixty miles of Elizabethtown, opening in 1982 and 1985, respectively.\textsuperscript{21} In 1998, 39,000 copies of the Victoria’s Secret catalog were distributed in Elizabethtown, which in 1990 had a population of nearly 33,000 in the county subdivision.\textsuperscript{22} In 1998, Victoria’s Secret spent over $55 million on advertising, and has recently been ranked the ninth most famous brand in the apparel industry.\textsuperscript{23}

The defendants, however, claimed that they were not aware of Victoria’s Secret stores or catalog until they received a cease and desist letter from Victoria’s Secret in 1998.\textsuperscript{24} Victor and Cathy Moseley then changed the name of their store to "Victor’s Little Secret," with the word "Little" in smaller font and above the other two words.\textsuperscript{25}

Victoria’s Secret filed suit against the defendants in federal district court, claiming federal trademark infringement, unfair competition under the federal Trademark Act, violation of the FTDA, and common law trademark infringement and unfair competition.\textsuperscript{26}

\textsuperscript{18} V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 466 (6\textsuperscript{th} Cir. 2001), rev’d, No. 01-1015, 2003 U.S. LEXIS 1945, at *1 (2003).
\textsuperscript{19} Id.
\textsuperscript{20} Moseley, 259 F.3d at 466.
\textsuperscript{21} Id.
\textsuperscript{22} U.S. Gazetteer, U.S. Census Bureau, available at www.census.gov (last visited Mar. 6, 2003). The city of Elizabethtown had a population of just over 18,000 in 1990. Id.
\textsuperscript{24} Moseley, 259 F. 3d at 466–67. Victoria’s Secret became aware of Victor’s Secret when an offended Army colonel contacted Victoria’s Secret. Moseley, 2003 U.S. LEXIS 1945, at *1.
\textsuperscript{25} Moseley, 2003 U.S. LEXIS 1945, at *1.
\textsuperscript{26} Moseley, 259 F.3d at 467.
Both parties moved for summary judgment.  

The district court granted the Moseleys’ motion for summary judgment on the federal trademark infringement laws because Victoria’s Secret did not present evidence sufficient to create a genuine issue of material fact that a likelihood of confusion existed between the two marks. Victoria’s Secret did not appeal this decision. The district court granted the motion for summary judgment on Victoria’s Secret’s FTDA claim, reasoning that “dilution can occur even where the products are not in competition and no likelihood of confusion is possible.” The district court found Victoria’s Secret’s mark to be both blurred and tarnished. In response to the district court’s injunction, the Moseleys changed the store’s name to “Cathy’s Little Secret” and then appealed to the controlling appellate court.

Two months after the lower court’s decision, the Sixth Circuit Court of Appeals adopted the Second Circuit’s standard for dilution. While the district court in Moseley had applied a four-factor test for dilution, the Second Circuit applied a five-factor test. The district court required the plaintiff to prove that i) the mark is famous; ii) the defendants were making a commercial use of the mark; iii) the defendants’ use began after the mark became famous; and iv) the defendants’ use of the mark diluted the quality of the mark by diminishing the mark’s strength as the identifier of the goods and services. The Second Circuit’s test, set out in Nabisco, Incorporated v. PF Brands, Inc., requires the plaintiff in a dilution claim establish that i) they have a senior mark; ii) the mark was both famous and distinctive; iii) the junior use is a commercial use; iv) use began after the senior mark became famous; and v) use caused dilution of the distinctive quality of the senior mark. The Sixth Circuit had previously adopted the Nabisco standard in Kellogg Co. v.

27. Id.
28. Id. at 466.
29. Id.
30. Id.
31. Id. at 467.
32. Moseley 259 F.3d at 466, 468.
34. Moseley, 259 F.3d at 469. See also Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999).
35. Moseley, 259 F.3d at 469 (citing Panavision Int’l., L.P. v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998)).
Exxon Corp. in 2000. The following year, the Sixth Circuit again applied this standard in Moseley. Finding the district court’s four-factor test to be “substantially similar” to the five-prong test adopted by the Sixth Circuit, the appellate court affirmed. In addition, the appellate court found the Victoria’s Secret mark to be “quite distinctive” and deserved a high degree of trademark protection. The court had “little doubt” that the average lingerie customer would associate the two marks, thus tarnishing and blurring the senior mark.

The Sixth Circuit discussed the test adopted by the Fourth Circuit in Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development in 1999. The Fourth Circuit held that dilution required a sufficient similarity of marks to evoke in consumers a mental association of the two that causes actual harm to the senior mark’s economic value as a product identifying and advertising agent. Furthermore, the Fourth Circuit stated that this “actual harm” test does not “leap” from the statute, but lies in the legislative history. The Court of Appeals for the Fifth Circuit has also adopted an “actual harm” standard, as applied in its 2000 decision in Westchester Media v. PRL USA Holding, Inc. The Second Circuit explicitly rejected the Fourth Circuit’s actual harm test, and the Sixth Circuit adopted the Second Circuit’s test; the result being a split in the circuits and a stage set for Supreme Court review.

---

37. Kellogg, 209 F.2d at 562.
38. Moseley, 259 F.3d at 469.
39. Id. at 466, 469. The only difference is that the appellate court’s test requires the plaintiff to prove the mark is not only famous but also distinctive. Id. at 469. Although the district court applied a slightly different test, the district court would have “undoubtedly” reached the same conclusion under the five-factor test. Id. at 470.
40. Id. at 476–77. The appellate court continued, “[t]his, then is a classic instance of dilution (associating the Victoria’s Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single unauthorized establishment).” Id. at 477.
42. Id.
44. Westchester Media v. PRL USA Holding, Inc., 214 F.3d 658 (5th Cir. 2000).
The U.S. Supreme Court granted certiorari to decide whether objective proof of actual injury to the economic value of a famous mark was necessary for relief under the FTDA. An unanimous Supreme Court decided that a showing of actual injury is necessary.

Examining the FTDA, Justice Stevens, writing for the Court, stated that the owner of a famous mark is entitled to injunctive relief against another's commercial use of a mark or trade name if that use "causes dilution" of the distinctive qualities. The Victoria's Secret mark is "unquestionably valuable," and the petitioners did not challenge that it was a famous mark. The question before the Court, though, was whether the use of the junior mark caused dilution of the distinctive quality of the famous mark. The Court concluded that the text of the statute unambiguously requires a showing of actual dilution, rather than a "likelihood" of dilution, as used in state statutes and the Lanham Act. Dilution is defined as "lessening the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the parties or likelihood of confusion, mistake, or deception." Thus, for an owner of a famous mark to prevail, the Court requires actual dilution, but not necessarily consequences of dilution. The consumers' mental association is not enough. The Court stated that direct evidence of dilution, such as consumer surveys, which may be expensive, unreliable, or difficult to obtain, are not necessary if actual dilution may be proven through reliable circumstantial evidence, such as where the marks are identical. Thus, the Court reversed the summary judgment and remanded the case.

Justice Kennedy concurred, with a few astute observations.
Justice Kennedy urged that the evidentiary showing required by the statute be clarified on remand.\textsuperscript{58} When conducting this inquiry, however, Kennedy stated that considerate attention should be placed on the word “capacity” in the definition of dilution—as in “lessening the capacity” of the famous mark to identify and distinguish goods and services.\textsuperscript{59} Since equitable principles encourage those who are injured to assert their rights promptly, the owner of a famous mark should not have to wait until actual harm is done.\textsuperscript{60} Judge Kennedy further states in his concurrence that diminishment of the famous mark’s capacity thus can be shown from the probable consequences flowing from the use of the competing mark.\textsuperscript{61}

IV. CONCLUSION

The U.S. Supreme Court ruled in its first, but surely not its last, case on the Federal Trademark Dilution Act in \textit{Moseley v. V Secret Catalogue, Inc.}, deciding that the FTDA requires a showing of actual dilution of the famous mark, not just a likelihood of dilution, thus, resolving a split in the circuits.\textsuperscript{62} On remand, Victoria’s Secret will have the opportunity to show actual harm, either through direct or circumstantial evidence, and may ultimately prevail in this dispute.\textsuperscript{63} In light of this decision, plaintiffs in future FTDA actions must go to court armed with reliable evidence of actual dilution of the famous mark in order to prevail under the FTDA.

Even though Justice Kennedy’s observations appear in a concurrence, his arguments have sound base.\textsuperscript{64} An FTDA plaintiff should not have to wait until there is actual harm, but should be able to show “diminishment of the capacity” of the mark by showing probable negative consequences attributable to the competing mark. Plaintiffs must act quickly to gather evidence of actual harm to a famous mark through dilution, yet, as Justice Kennedy rightly points out, courts should be willing to also consider evidence of a “lessening the capacity” of that famous mark to serve its purpose as an identifier.

\textsuperscript{58} \textit{Id.} at *27.

\textsuperscript{59} \textit{Id.} at *28. \textit{See supra} note 54 and accompanying text.

\textsuperscript{60} \textit{Moseley}, 2003 U.S. LEXIS 1945, at *29.

\textsuperscript{61} \textit{Id.}

\textsuperscript{62} \textit{Id.} \textit{See also supra} notes 33–47 and accompanying text.

\textsuperscript{63} \textit{See supra} note 54 and accompanying text. \textit{See also Moseley}, 2003 U.S. LEXIS 1945, at *29–30 (Justice Kennedy, concurring), which states, “The Court’s opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.” \textit{Id.}

\textsuperscript{64} \textit{See id.}