



TOURO UNIVERSITY
JACOB D. FUCHSBERG LAW CENTER
Where Knowledge and Values Meet

Touro Law Review

Volume 19 | Number 4

Article 6

April 2015

Victor Can Keep His Little Secret Unless Victoria's Secret is Actually Harmed

Shafeek Seddiq

Follow this and additional works at: <https://digitalcommons.tourolaw.edu/lawreview>



Part of the [Intellectual Property Law Commons](#), and the [Legislation Commons](#)

Recommended Citation

Seddiq, Shafeek (2015) "Victor Can Keep His Little Secret Unless Victoria's Secret is Actually Harmed," *Touro Law Review*: Vol. 19: No. 4, Article 6.

Available at: <https://digitalcommons.tourolaw.edu/lawreview/vol19/iss4/6>

This Note is brought to you for free and open access by Digital Commons @ Touro Law Center. It has been accepted for inclusion in Touro Law Review by an authorized editor of Digital Commons @ Touro Law Center. For more information, please contact lross@tourolaw.edu.

Victor Can Keep His Little Secret Unless Victoria's Secret is Actually Harmed

Cover Page Footnote

19-4

VICTOR CAN KEEP HIS LITTLE SECRET UNLESS VICTORIA'S SECRET IS ACTUALLY HARMED

*Shafeek Seddiq*¹

INTRODUCTION

The owners of distinctive and famous marks, such as Kodak, Microsoft, and Victoria's Secret, did not reap the benefit of their assets by accident. Rather, the distinctions attained by these marks were the result of careful and deliberate efforts of their owners' investments. It is, therefore, unlikely that a camera shop will be named Kodak, or a software company will be named Microsoft, or a lingerie store named Victoria's Secret without the mark owner's consent. However, if there were such unauthorized use of these marks, trademark infringement law will protect them.

Suppose someone named Victor wants to open a small store that sells adult novelty products. The store is conveniently named "Victor's Secret." What, then, can Victoria's Secret do to prevent Victor from using a name that is similar to that of "Victoria's Secret"? What would consumers think about the name of the new store? Would consumers be able to understand that "Victor's Secret" and "Victoria's Secret" are two different entities, and if so, would the name of the new store affect consumers' .

¹ J.D. Candidate 2004, Touro College, Jacob D. Fuchsberg Law Center. I wish to extend my deepest gratitude to Professor Rena Seplowitz for her invaluable

reaction to Victoria's Secret stores or products? The answers to these questions lie with trademark dilution law.

The force behind protecting a famous mark, such as "Victoria's Secret" in the above case, is the idea that another's use² of a famous mark upon non-competing goods will gradually erode the selling power of that famous mark.³ The selling power of a famous mark is its capacity to evoke in consumers a particular product or, in some instances, a particular producer.⁴ The use of a famous mark by another on dissimilar products may diminish this capacity, that is, the mark's selling power. This loss of capacity or selling power is called "dilution."⁵

On March 4, 2003, the Supreme Court rendered its decision in the case of *Moseley v. V Secret Catalogue, Inc.*,⁶ to resolve the

advice in the development of this comment, and to my wife Hakima and my children Michelle, Oma and Essak for their unconditional love and support.

² Implicit in "another's use of a mark," is its unauthorized use, for if the use were authorized, there would be no dispute.

³ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995). See also David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 533-34 (1991) (a mark's advertising power is to be protected); Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TMR 269, 275 (1985) (stating that if the distinctive mark's selling power is not protected, it will gradually erode); Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TMR 289, 289 (1984) (trademark law should provide protection to a unique mark from gradual erosion); Robert C. Denicola, *Trademark as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 181 (1982) (the gradual dispersion of the unique mark's selling power requires protection).

⁴ See Denicola, *supra* note 3, at 181.

⁵ Denicola, *supra* note 3, at 181; see also *infra* text accompanying note 50.

⁶ 537 U.S. 418 (2003).

“Circus Among the Circuits”⁷ as to whether the Federal Trademark Dilution Act (“FTDA”)⁸ requires a plaintiff to show that the defendant’s mark has caused actual economic harm to the famous mark to establish dilution.⁹

In its decision, however, the Court did not resolve the split to the extent expected, but did provide some resolution. On the one hand, the Court held that for a plaintiff to prove dilution, it does not need to prove *actual economic harm* from appropriation of its name or use of a sufficiently similar name. On the other hand, the Court held that the famous trademark owner has to show *actual dilution*, that is, the loss of its distinctive quality or blurring of its image, as opposed to showing of a likelihood of future harm.¹⁰ The Court did not give specific guidance as to how a plaintiff could prove such harm and left the question of what factors to consider to the lower courts.¹¹

This article reviews the problems the circuit courts have faced in interpreting the FTDA and analyzes the practical implications of the *Moseley* decision. Part II presents the genesis of dilution and its theoretical foundations and discusses the spectrum of divergent interpretations of the FTDA by the circuit courts that led to the *Moseley* decision. Part III analyzes the

⁷ Xuan-Thao N. Nguyen, *A Circus Among the Circuits: Would the Truly Famous and Diluted Performer Please Stand up? The Federal Trademark Dilution Act and Its Challenges*, 1 J. INTEL. PROP. 158 (2000).

⁸ 15 U.S.C. § 1125(c) (1995).

⁹ *Moseley*, 537 U.S. at 422.

¹⁰ *Id.* at 433.

¹¹ See *infra* notes 127-35 and accompanying text.

Supreme Court's decision. Part IV explores the effects of *Moseley* on the lower courts, the owners of famous marks and junior marks, and its impact on the economy in general. Part V proposes alternatives to Congress and owners of famous and junior marks to achieve the intended result of the statute. Finally, the article concludes with recommendations to Congress for giving the owners of famous marks the protection they deserve while preserving the spirit of a competitive market economy.

BACKGROUND

The saying "what's in a name?" is just as significant in trademarks as in families. One way, other than hard work, for a fledgling actor in Hollywood to achieve stardom is to date or marry names like Tom Cruise, Michael Douglas, or Julia Roberts. This is particularly true with distinctive names like Kennedy and Bush. Over time, these names have acquired goodwill that people identify great acting with the former and great public service with the latter.

The same is true for a company which uses a name or a symbol on its product. Eventually, the name or symbol, when encountered by a consumer, will identify the product. Trademarks - names, symbols, devices, and slogans¹² - are used by companies to distinguish and identify the source of their products or services.

¹² See 15 U.S.C. § 1127 (1994) ("The term 'trademark' includes any word, name, symbol, or device, or any combination thereof . . . [used] to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source or the goods.").

It is this trait of trademarks, “source identification,” that brings consumers back to purchase the same products.¹³ Thus, consumers associate certain qualities with those trademarks just as consumers associate certain qualities with Tom Cruise, Michael Douglas, Julia Roberts, or the Kennedys. And the more consumers recognize a trademark, the more a trademark’s value increases.¹⁴

However, as soon as there are two Cruises or two Roberts in Hollywood, the names will create confusion in the minds of public. Consumers would have to work hard to differentiate the two Cruises either with first names or faces. Likewise, as soon as the same or similar trademarks are introduced by different companies in the marketplace, especially on similar products, the use of these trademarks will run the risk of creating confusion in the minds of consumers as to the identity or source of the product. Trademark infringement law is designed to protect consumers against such confusion.¹⁵

¹³ Robert N. Klieger, *The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 790 (1997) (Generally, consumers do not know or care where a product that bears a particular trademark comes from or who makes it, but “trademarks serve as makers of consistent source and quality.”).

¹⁴ Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719, 721 (2001).

¹⁵ In *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995), the Court explained:

In principle, trademark law, by preventing others from copying a source-identifying mark, “reduces the customer’s costs of shopping and making purchasing decisions,” . . . for it quickly and easily assures a potential customer that this item — the item with this mark — is made by the same producer as other similarly marked items . . . the law [also] helps assure a

Prior to the adoption of state anti-dilution statutes, owners of distinctive marks were unable to prevent others from using similar marks unless owners showed likelihood of consumer confusion and competition.¹⁶ Thus, courts and legislatures were reluctant to impose liability on junior users that used marks upon products which neither competed with the famous marks nor were likely to confuse customers as to the source of the products.¹⁷

In 1927, a new theory advanced by Professor Frank Schechter advocated that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”¹⁸ Schechter reasoned that in the absence of showing consumer confusion and competition between the users’ goods, a “unique” trademark is left without protection.¹⁹ He argued that the value of this “uniqueness” of a trademark is its power to advertise

producer that it will reap the financial . . . rewards associated with a desirable product.

(citing 1 J. MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.012, at 2-3 (3d ed. 1994)).

¹⁶ See *Hyatt Corp. v. Hyatt Legal Serv.*, 736 F.2d 1153, 1156 (7th Cir. 1984) (“In order to show infringement, the owner of a mark must show that the alleged infringer is using the same or similar mark in a way which is likely to cause confusion, or to cause mistake, or to deceive.”) (citing 15 U.S.C. § 1114(1)); see also Denicola, *supra* note 3, at 160-62. Historically, common law protected owners of famous trademarks if they showed that the use of a mark by another deceived consumers as to the source of the mark. Federal law – Section 32 of the Lanham Act, 15 U.S.C. § 1114 (1976) – also protected owners of famous trademarks if they showed that another’s use of the mark “is likely to cause confusion, or to cause mistake, or to deceive” consumers as to the source of the product.

¹⁷ See RESTATEMENT, *supra* note 3 at 289.

¹⁸ See Pattishall, *supra* note 3 at 289 (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927)).

¹⁹ See Pattishall, *supra* note 3 at 289.

or sell,²⁰ and that this “uniqueness and singularity” amounted to a property right in the trademark.²¹ Accordingly, a legal doctrine was warranted to protect against the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”²² Simply put: those who invest to make a name for their products through a mark deserve to be protected from others who use the mark on other products for their own benefits.

²⁰ Pattishall, *supra* note 3 at 290. Pattishall argued that protecting the value of the trademark is the cornerstone of dilution doctrine:

The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. *A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.* The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same — to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is sustained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

(citing *Mishawaka Rubber & Woolen Mfg., Co. v. S. S. Kresge Co.*, 316 U.S. 203, 205 (1942)) (emphasis in original).

²¹ Welkowitz, *supra* note 3, at 533 (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 822 (1927)).

²² Kim, *supra* note 14, at 724 (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927)).

The Evolution of State Anti-Dilution Statutes

It took twenty years for Schechter's idea of dilution to come to fruition.²³ Massachusetts adopted the first anti-dilution statute to protect against dilution of the distinctive quality of a trade name or a trade mark.²⁴ Soon after, other states followed the Massachusetts lead.²⁵

At first, courts were openly hostile or reluctant to apply the concept of dilution without showing a likelihood of consumer confusion, despite the clear language of the state statutes requiring a finding of liability without confusion.²⁶ These courts, and some commentators, were concerned that protection of a trademark pursuant to dilution would lead to a property right in gross in a trademark, thus, effectively creating a trademark monopoly and anticompetitive market.²⁷ That is, if "consumer confusion" were no longer a necessary element of the infringement action, then an owner of a famous mark could prohibit anyone from using a similar mark on anything, even on non-commercial products. Such a right of ownership, these courts and commentators feared, would be anticompetitive.²⁸

Proponents of the dilution doctrine continued to advocate protection of the advertising or selling power of the famous

²³ See RESTATEMENT, *supra* note 3.

²⁴ See RESTATEMENT, *supra* note 3.

²⁵ See RESTATEMENT, *supra* note 3.

²⁶ See RESTATEMENT, *supra* note 3.

²⁷ See RESTATEMENT, *supra* note 3.

²⁸ See RESTATEMENT, *supra* note 3.

trademarks.²⁹ The turning point³⁰ for judicial acceptance of dilution statutes occurred in 1977, when the New York Court of Appeals in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*,³¹ stated that dilution was “a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trade-mark or [trade] name.”³²

Since the decision of *Allied*, courts have warmly received the doctrine of dilution in granting injunctive relief solely based on dilution.³³ In 1987, the United States Supreme Court, in *San Francisco Arts & Athletics, Inc. v. United States Olympic Commission*,³⁴ enjoined the petitioner from using the word

²⁹ See RESTATEMENT, *supra* note 3.

³⁰ Although other decisions found dilution of the trademarks, the widely accepted decision was the decision of the New York Court of Appeals in *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 369 N.E.2d 1162 (N.Y. 1977); see also *Tiffany & Co. v. Tiffany Prods. Inc.*, 188 N.E. 30 (N.Y. 1933) (enjoining a movie theater from using the TIFFANY trademark in association with its business); *Polaroid Corp. v. Polarad Elec. Corp.*, 319 F.2d 830 (7th Cir. 1963) (enjoining defendant from using the mark in connection with designing and installing heating and refrigeration systems).

³¹ 369 N.E.2d 1162 (N.Y. 1977) (Plaintiff used the mark on or in connection with providing maintenance services for high-rise buildings while the defendant used the identical mark on heating, ventilating, and air conditioning services).

³² *Id.* at 1165 (finding no dilution of the Allied Maintenance mark because the mark was not distinctive; nonetheless, the decision defined dilution in concrete terms that resonated in courts throughout the country).

³³ See *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30 (1st Cir. 1987) (stating that the purpose of dilution doctrine is to “prohibit a merchant of noncompetitive goods from selling its products by trading on the goodwill and reputation of another’s mark.”); see also Pattishall, *supra* note 3 at 291 (In 1984, Pattishall observed that “more decisional ink appears to have been devoted to dilution during the past five years than the previous fifty.”).

³⁴ 483 U.S. 522 (1987) (case was decided pursuant to the Amateur Sports Act of 1978, 36 U.S.C. §§ 371, 396, that authorized the USOC to prohibit another from using the word “Olympic” on or in association with certain commercial and promotional uses).

“Olympic” regardless of whether the use caused any confusion.³⁵ The Court granted the U.S. Olympic Committee the exclusive right to use the word “Olympic” in connection with any athletic event.³⁶

Today, thirty-four states have adopted similar anti-dilution statutes.³⁷ All state anti-dilution statutes require the mark to be distinctive, provide for injunctive relief, and most significantly, require owners of marks to show only likelihood of dilution rather than actual dilution to prevail on a dilution claim.³⁸

In *Mead Data Central, Inc. v. Toyota Motor Sales, Inc.*,³⁹ a multifactor inquiry for determining a likelihood of dilution, analogous to that used to prove a likelihood of confusion, was suggested.⁴⁰ Although the court found that there was no substantial similarity between Mead’s mark of LEXIS and Toyota’s mark of LEXUS, Judge Sweet, in his concurring opinion, complained that the majority failed to define the likelihood of dilution concept and offered six factors that could be used on a case by case basis to

³⁵ *Id.* at 539. (“[U]nauthorized uses, even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks.”).

³⁶ *Id.* at 547.

³⁷ Kim, *supra* note 14, at 7260. Most state statutes adopted language of the Model Bill:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law shall be a ground for injunctive relief notwithstanding the absence of . . . confusion as to the source of goods or services.

Klieger, *supra* note 13, at 866 n. 132 citing Model State Trademark Bill § 12 (1964).

³⁸ See *Ringling Bros. v. Utah Div. Travel Dev.*, 170 F.3d 449 (4th Cir. 1999); see also Klieger, *supra* note 13 at 813.

³⁹ 875 F.2d 1026 (1989).

⁴⁰ *Id.* at 1035 (Sweet, J., concurring).

find dilution.⁴¹ Despite the initially warm reception of the “Sweet factors,” courts gradually either modified or rejected those factors because of their inapplicability to the dilution doctrine.⁴² In addition, courts’ interpretations of dilution varied from state to state which led to lack of uniformity and consistency, and created an uneven “patch-quilt system” of state dilution protection.⁴³ This lack of harmony led to the adoption of the FTDA.⁴⁴

The Rise and Scope of the FTDA

In January 1996, President Clinton signed the FTDA into law in order to create uniformity and prevent forum shopping.⁴⁵

⁴¹ *Id.* These factors, later known as the “Sweet factors,” were: “(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.”

⁴² *See* *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227 (2d Cir. 1999) (“We think it would be a serious mistake at the outset of our consideration of the new federal antidilution statute to limit ourselves to these six [Sweet] factors. . . .”); *Ringling Bros.*, 170 F.3d at 458 (stating that the essential factors in determining likelihood of dilution were either speculatively inferred from the Sweet factors or judicially presumed).

⁴³ H.R. REP. NO. 104-374 (1995) (“Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner.”).

⁴⁴ H.R. REP. NO. 104-374.

⁴⁵ H.R. REP. NO. 104-374.

A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system . . . court decisions have been inconsistent . . . protection for famous marks should not depend on whether the forum where suit is filed has a dilution statute. This simply encourages forum-shopping.

H.R. REP. NO. 104-374.

The Act defines dilution as the “lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of . . . competition between . . . the parties, or likelihood of confusion.”⁴⁶ Accordingly, the FTDA entitles the owner of a famous mark to injunctive relief “against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and causes dilution of the distinctive quality of the famous mark.”⁴⁷

It should also be noted that the House Report states that the FTDA did not preempt existing state dilution statutes; however, “[t]he ownership of valid federal registration would act as a complete bar to a dilution action brought under state law.” H.R. REP. NO. 104-374. The FTDA was applied to internet domain names prior to the enactment, in 1999, of the Anticybersquatting Consumer Protection Act (“ACPA”). *See Sporty’s Farm L.L.C. v. Omega Engineering, Inc.*, 202 F.3d 489, 495-96 (2d Cir. 2000) The District Court applied the FTDA and held that the defendant, by registering “sportys.com,” diluted the famous mark of plaintiff, “Sporty’s,” and that this registration deprived the plaintiff of using its trademark as a domain name. *Id.* While the case was pending on appeal, Congress passed the ACPA, and the Second Circuit applied it and affirmed the decision. *Id.* The ACPA protects famous or distinctive marks from being registered as domain names by others who subsequently may be interested in selling them to the owners of the marks for profit. *Id.*

⁴⁶ 15 U.S.C. §1125(c) (1996).

⁴⁷ 15 U.S.C. §1125(c). The Act provides an illustrative list of factors that could be considered in “determining whether a mark is distinctive and famous”:

- (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 of the mark’s owner and the person against whom the injunction is sought;

To alleviate the First Amendment concerns, the FTDA exempts certain uses from dilution action.⁴⁸

It is evident from the legislative history⁴⁹ as well as a general consensus among courts and commentators that dilution occurs in two situations: blurring and tarnishment.⁵⁰

Remedies Available Under the FTDA

The FTDA protects both federally registered and unregistered marks so long as they are famous and distinctive; and the Act provides for injunctive relief when it is established that another's use of the mark began after the senior mark was famous,

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) the existence of a registration under the Act of March 3, 1881, or the Act of February 20, 1995, or on the principal register.

The Act also provides for monetary relief only when the use by another is "willfully intended." *Id.*

⁴⁸ 15 U.S.C. §1125(c) provides:

The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

⁴⁹ H.R. REP. NO. 104-374 (1995) ("The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it . . ."); *see also* I.P. Lund Trading v. Kohler Co., 163 F.3d 27, 53 (1st Cir. 1998) ("Thus the archetypal problems involved non-competing products . . . a world famous brand name which was either tarnished or blurred. . . .") (citing 141 CONG. REC. S19306, S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch)).

that another's use was in commerce for commercial purposes, and that another's use causes dilution of the distinctive quality of the famous mark.⁵¹

Originally, under the Act, the only recourse the owner of a famous mark had was to seek injunctive relief after the mark was used by another.⁵² Thus, an application for registration with the Patent and Trademark Office ("PTO") filed by another for a famous mark could not be opposed or canceled by the owner of such mark based on dilution.⁵³

In 1999, Congress, in response to the United States Patent and Trademark Office decision in *Babson Brothers. v. Surge Power Corp.*,⁵⁴ enacted the Trademark Amendments Act of 1999,⁵⁵ to allow owners of famous marks to oppose the registration of the mark by another based on dilution.⁵⁶ The amendment provided an alternative remedy to the costly wait-and-file-for-injunctive-relief remedy under the FTDA.⁵⁷ The amendment allowed the owner of

⁵⁰ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. c (1995).

⁵¹ H.R. REP. NO. 104-374.

⁵² H.R. REP. NO. 106-250, at 7 (July 22, 1999).

⁵³ Brief of Amici Curiae the United States, at 3, *Moseley v. V Secret*, 537 U.S. 418 (2003) (No. 01-1015) ("Following enactment of the FTDA, however, the TTAB held that a trademark could not be opposed or canceled based on alleged dilution.") (citing *Babson Bros. v. Surge Power Corp.*, 39 U.S.P.Q. 2d (BNA) 1953 (TTAB 1996)).

⁵⁴ 39 U.S.P.Q.2d 1953 (TTAB 1996).

⁵⁵ Trademark Act of 1946, 15 U.S.C. § 1052 (1999).

⁵⁶ H.R. REP. NO. 106-250.

⁵⁷ H.R. REP. NO. 106-250 ("Resolution of dilution before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions.").

a famous mark to oppose registration of its mark by another based on dilution.⁵⁸

SPLIT IN THE CIRCUIT COURTS

The objective of the FTDA was to create a uniform federal dilution law and to eliminate forum shopping caused by state statutes.⁵⁹ Owners of famous marks were optimistic that the Act would enable them to protect the selling power of their marks with ease.⁶⁰ However, the Act does not explicitly state whether a claimant is required to show actual economic harm or likelihood of harm to prove dilution.⁶¹ As a result, a divergence of interpretations emerged in the circuit courts.⁶²

⁵⁸ H.R. REP. NO. 106-250.

⁵⁹ H.R. REP. NO. 104-374.

⁶⁰ Nguyen, *supra* note 7, at 158.

⁶¹ Nguyen, *supra* note 7, at 158.

⁶² See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904 (9th Cir. 2002) (“To be dilutive, use of the mark need not bring to mind the junior user alone. The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user alone.”); *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 905 (9th Cir. 2001) (agreeing with the Second Circuit’s interpretation of the FTDA so as not to “compromise the evident intent” of Congress); *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 466 (6th Cir. 2001) (concluding that the Second Circuit’s standard of interpreting the FTDA “hew[s] most closely to the Act.”); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (siding with the Second Circuit and holding that the FTDA requires likelihood of dilution); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000) (endorsing the Fourth Circuit’s interpretation of the FTDA requiring actual harm); *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 212 F.3d 157, 168-69 (3d Cir. 2000) (considering the Second Circuit’s “dilution analysis” helpful in finding that Times Mirror is “likely to prevail on the merits of its dilution claim.”); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224-25 (2d Cir. 1999) (finding that likelihood of dilution was

Congress has been criticized for passing the Act without considering the problems the Act may potentially pose.⁶³ This Congressional failure, it is argued, has created a federal dilution “system that is almost as chaotic as the original patchwork system” created by the state statutes.⁶⁴ Thus, Congress provided an opportunity for owners of senior and junior marks to continue forum shopping for a circuit that has interpreted the FTDA in a way suited to their claims.⁶⁵

The Fourth Circuit

The Fourth Circuit, in *Ringling Brothers v. Utah Division Travel Development*,⁶⁶ was the first court to address the question of whether the FTDA requires a plaintiff to show actual economic harm or likelihood of harm.⁶⁷ The court acknowledged that the meaning of the statute “surely does not leap fully and immediately from the statutory text,” but the court found that its interpretation

sufficient proof); *Ringling Bros.*, 170 F.3d at 461 (interpreting FTDA to require proof of actual economic harm).

⁶³ Nguyen, *supra* note 7, at 158.

⁶⁴ Nguyen, *supra* note 7, at 158.

⁶⁵ Nguyen, *supra* note 7, at 158.

⁶⁶ 170 F.3d 449.

⁶⁷ *Id.* at 451 Ringling Bros. has been promoting its circus as “The Greatest Show on Earth” since 1872, and obtained federal trademark registration in 1961. In 1962, The Utah Division of Travel Development began using “The Greatest Snow on Earth” to promote its winter tourism, obtained state registration in 1975, and its federal registration of the mark in 1997. *Id.* In *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000), the Fifth Circuit endorsed the Fourth Circuit’s interpretation that the FTDA requires showing of actual economic harm to the selling power of the plaintiff’s mark.

of the statute is “the necessary meaning of the Act’s critical provisions when read in light of the Act’s legislative history.”⁶⁸

The court interpreted the FTDA to require that Ringling Brothers must demonstrate actual economic harm caused by Utah’s use of “The Greatest Snow on Earth” which lessened the selling power of Ringling Brothers’ “The Greatest Show on Earth.”⁶⁹ To prove actual economic harm, the court concluded, the plaintiff, as a matter of law, must do more than show that the two slogans were sufficiently similar to invoke in consumers the mental association required of blurring.⁷⁰ What is required is objective proof of the actual, consummated harm to the selling power of the plaintiff’s mark.⁷¹

There are three ways, the court stated, a plaintiff could prove actual consummated harm to its selling power by the defendant’s use of the mark: 1) evidence that the defendant’s use of the plaintiff’s mark caused the plaintiff to lose revenues;⁷² 2) a consumer survey that would not only show the “mental association” but also a rational linkage to the actual harm to the famous mark’s selling power;⁷³ and 3) as indirect evidence in

⁶⁸ *Ringling Bros.*, 170 F.3d at 453. The court further elaborated that what it meant by the Act’s legislative history is “both the immediate but quite meager legislative record and, more critically, the broader background out of which the basic concept emerged and has evolved in state and federal trademark law.” *Id.*

⁶⁹ *Id.* at 461.

⁷⁰ *Id.* at 463.

⁷¹ *Id.* at 461.

⁷² *Id.* at 465 (“Most obviously, but most rarely, there might be proof of an actual loss of revenues. . .”).

⁷³ *Ringling Bros.*, 170 F.3d at 465 (“Most obviously relevant, and readily available, is the skillfully constructed consumer survey designed not just to

conjunction with other proof, presentation of other “relevant contextual factors such as the extent of the junior mark’s exposure, the similarity of the marks, and the firmness of the senior mark’s hold.”⁷⁴

The court, in arriving at its decision, compared the state statutory requirement of the “likelihood of dilution” with the FTDA’s definition of “causes dilution” and concluded that the FTDA required actual, consummated dilution.⁷⁵ The court further reasoned that unlike the state statutes that focus on the lessening of the distinctiveness of the mark, the FTDA specifically focuses on the carving away of the capacity of the senior mark to distinguish and identify goods and services.⁷⁶ To grant injunctive relief simply based on similarity of the marks absent a showing of objective proof of the lessening of the senior mark’s selling power, the court stated, would grant the owner of the senior mark “the radical property-right-in-gross.”⁷⁷

Accordingly, the Fourth Circuit held that Ringling Brothers had failed to prove that its slogan’s selling power was damaged, and therefore, did not meet the FTDA’s requirements necessary to

demonstrate ‘mental association’ of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred.”).

⁷⁴ *Id.*

⁷⁵ *Id.* at 458 (“Most critically, the federal Act proscribes and provides remedy only for actual, consummated dilution and not for the mere ‘likelihood of dilution’ prescribed by the state statutes.”).

⁷⁶ *Id.* (“specifically defining dilution as ‘the lessening of the capacity of a famous mark to identify and distinguish goods or services,’ the federal Act makes plain . . . that the end harm at which it is aimed is a mark’s selling power, not its ‘distinctiveness’”).

⁷⁷ *Id.* at 459-60.

show that Utah's use of the "Greatest Snow on Earth" slogan caused dilution.⁷⁸

The Fourth Circuit also reasoned that the "distinctive quality" is the mark's selling power that the FTDA seeks to prevent from dilution.⁷⁹ As such, if the FTDA is protecting the selling power of the famous mark, it must require a plaintiff to show actual economic harm to warrant protection pursuant to dilution.⁸⁰

The Second Circuit

Contrary to the Fourth Circuit's holding, the Second Circuit, in *Nabisco, Inc. v. PF Brands, Inc.*,⁸¹ held that the FTDA required a plaintiff to show a likelihood of dilution.⁸² The Second Circuit rejected the Fourth Circuit's findings, opining that the "actual consummated harm" standard of *Ringling Bros.* was based on "excessive literalism to defeat the intent of the statute."⁸³ The

⁷⁸ *Ringling Bros.*, 170 F.3d at 461.

⁷⁹ *See, e.g.*, at 458.

⁸⁰ *Id.*

⁸¹ 191 F.3d 208 (2d Cir. 1999).

⁸² *Id.* at 228-29. Pepperidge Farm has produced orange bite-size goldfish crackers since 1962, and has obtained several trademark registrations for the cracker design. In 1998, Nabisco, pursuant to a licensing agreement to promote Nickelodeon Television's "CatDog" cartoon program, began producing and selling animal shaped crackers based on the cartoon characters. The animal crackers, among other shapes, included a goldfish shaped cracker similar to that of Pepperidge Farm. Based on Nabisco's use of a similar shaped cracker in its "CatDog" crackers box, Pepperidge Farm sought to prevent Nabisco from producing and selling the crackers claiming that Nabisco's crackers would dilute Pepperidge Farm's "goldfish." *Id.* at 212-13.

⁸³ *Id.* at 224.

court found several problems with this interpretation: first, it is impossible to prove actual economic harm because the impact of the junior mark's use is not overnight but continuous and gradual over a longer period of time.⁸⁴ Moreover, even if loss of actual revenue could be shown, it would be too hard and speculative to attribute the loss to the dilution of the mark.⁸⁵ Second, surveys, the court reasoned, are time consuming, expensive, and subject to manipulation.⁸⁶ Third, to require a holder of a senior mark to show actual economic harm would subject the holder to "uncompensable injury."⁸⁷ Finally, the Second Circuit characterized the Fourth Circuit's requirement that a junior mark's owner must be already established in the marketplace to have caused actual dilution disastrous.⁸⁸ As such, a junior mark holder would have no alternative but to invest a vast sum in launching a product, only to find out that it has diluted another's mark.⁸⁹ This requirement, the Second Circuit reasoned, was financially detrimental to the junior mark user.⁹⁰

⁸⁴ *Id.* at 223-24.

⁸⁵ *Id.* at 224.

⁸⁶ *Nabisco*, 191 F.3d at 224.

⁸⁷ *Id.* ("[B]ecause the statute provides only for an injunction and no damages (absent willfulness), . . . such injury would never be compensated.") (citing 15 U.S.C. § 1125(c)(2)).

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.* at 224 n.5

In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched . . . [junior users] will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.

The Second Circuit, in affirming the district court's decision, applied a ten factor test⁹¹ and held that Pepperidge Farm had established likelihood of success on its dilution claim against Nabisco.⁹² Subsequent to the *Nabisco* ruling, several circuits which had taken up the question of whether the FTDA requires a plaintiff to show actual or likelihood of dilution adopted the *Nabisco* standards.⁹³

Id.

The *Nabisco* court also rejected the judicial presumption argument advanced by the Fourth Circuit:

The Fourth Circuit seemed to believe that the unacceptable alternative was to rely on inflexible "judicial presumptions." In our view no presumptions are involved. As in infringement actions (and virtually all other areas of law) facts may be found by drawing logical inferences from other established facts.

Id. at 224 n. 5.

⁹¹ *Nabisco*, 191 F.3d at 217-23 ((1) Distinctiveness; (2) similarity of the marks; (3) proximity of the products and likelihood of bridging the gap; (4) interrelationship between the first three factors; (5) shared consumers and geographic limitations; (6) sophistication of consumers; (7) actual confusion; (8) adjectival or referential quality of the junior use; (9) harm to the junior user and delay by the senior user; and (10) the effect of senior user's prior laxity in protecting the mark)).

⁹² *Id.* at 228-29.

⁹³ *Moseley*, 259 F.3d at 475-76 (allowing inference of likelihood of dilution rather than requiring proof of actual economic harm is attuned more with the language of the FTDA and follows more closely the intent of Congress); *Eli Lilly*, 233 F.3d at 468 (finding likelihood of dilution sufficient to satisfy the "causes dilution" element of FTDA rather than holding a plaintiff to an "impossible level of proof" as required by the Fourth Circuit); *Times Mirror*, 212 F.3d at 169 (rejecting the Fourth Circuit's requirement of actual economic harm, finding that it is sufficient to show that the likelihood of defendant's use of the similar mark lessens the capacity of the plaintiff's mark).

MOSELEY V. V SECRET CATALOGUE, INC.*The District Court*

In 1998, Petitioner Victor Moseley and his wife Kathy opened a store in a strip mall in Elizabethtown, Kentucky, that sold a wide variety of items, including men's and women's lingerie, adult videos, and sex toys.⁹⁴ An attorney in the Judge Advocate General ("JAG") corps office noticed the opening advertisement of the "Victor's Secret" store in "Inside The Turret," the newspaper serving the community of the United States Army base in Fort Knox.⁹⁵ Upon seeing the ad, the attorney faxed it to Victoria's Secret, and soon thereafter, Victoria's Secret sent a cease-and-desist letter to the Moseleys claiming that the use of "Victor's Secret" diluted the "Victoria's Secret" mark.⁹⁶ The Moseleys changed the name to "Victor's Little Secret" and added a logo, a pair of lips with an index finger pressed against them, indicative of "shhh" – something secret.⁹⁷

The change in the name was not satisfactory to Victoria's Secret, and it sued the Moseleys, claiming violation of the FTDA.⁹⁸ The court granted summary judgment in favor of Victoria's Secret on the dilution claim and enjoined the Moseleys from using the

⁹⁴ V Secret Catalogue Inc. v. Moseley, No. 3:98CV-395-S, 2000 U.S. Dist. LEXIS 5215, at **2-3 (W.D. Ky. 2000).

⁹⁵ *Moseley*, 537 U.S. at 423.

⁹⁶ *Id.*

⁹⁷ *V Secret*, 259 F.3d at 467.

⁹⁸ *Id.*

name “Victor’s Little Secret,” finding that the names were substantially similar and that the products sold in the store would tarnish the Victoria’s Secret mark.⁹⁹

The Sixth Circuit

The Moseleys appealed¹⁰⁰ to the Sixth Circuit, arguing that the district court erred in analyzing the dilution claim by failing to apply the *Ringling Brothers* standard requiring proof of actual economic harm and by failing to apply the *Nabisco* stringent substantial similarity standard.¹⁰¹ The Sixth Circuit adopted the *Nabisco* standard, opining that it adhered most closely to the meaning of the FTDA.¹⁰² The court reasoned that the “legislative history surrounding the statute’s enactment” supports the Second Circuit’s interpretation of the FTDA in two very important respects.¹⁰³ The court looked at the Congressional Record which states in part:

[Dilution] is an 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

⁹⁹ *V Secret*, 2000 U.S. Dist. LEXIS 5215, at *16 (“While the Defendant’s inventory may not be unsavory to all, its more risqué quality widely differentiates it from that of the Plaintiffs.”).

¹⁰⁰ *V Secret*, 259 F.3d at 468. Although the Moseleys changed the name to “Cathy’s Little Secret” pursuant to court’s order, they, nonetheless, appealed the decision. *Id.*

¹⁰¹ *Id.* at 466.

¹⁰² *Id.*

¹⁰³ *Id.* at 475.

injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.¹⁰⁴

First, the court found that the passage demonstrates that Congress intended to protect the distinctiveness of the mark.¹⁰⁵ Second, the court found that the language “confusion leads to immediate injury, while dilution is an infection,” demonstrates Congress’s intent to provide a remedy before actual economic injury has taken place.¹⁰⁶ Accordingly, the Sixth Circuit affirmed the district court’s decision and enjoined the Moseleys from using the name “Victor’s Little Secret.”¹⁰⁷

The United States Supreme Court

The Supreme Court granted certiorari to the Moseleys to decide the question of “whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective ‘likelihood of dilution’ standard) is a requisite for relief under the FTDA.”¹⁰⁸ It reversed the Court of Appeals for the Sixth Circuit and remanded the case for further proceedings, stating that the evidence in the record is insufficient to entitle Victoria’s Secret to summary judgment.¹⁰⁹ The Court, in deciding the case, assumed that the

¹⁰⁴ *Id.* (citing H.R. REP. NO. 104-374 (1995)).

¹⁰⁵ *V Secret*, 259 F.3d at 476.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 477.

¹⁰⁸ *Moseley*, 537 U.S. at 422.

¹⁰⁹ *Id.* at 434.

name “Victor’s Little Secret” did not confuse consumers.¹¹⁰ But the Court stated that neither lack of consumer confusion nor lack of competition is a defense to dilution.¹¹¹

On the issue of dilution, in an opinion by Justice Stevens, a unanimous Court held that the FTDA requires a showing of actual dilution rather than likelihood of dilution.¹¹² But the Court also stated that a plaintiff does not have to go so far as to show actual loss of sales or profits.¹¹³

ANALYSIS OF THE DECISION

The Plain Meaning Rule

The Supreme Court, in *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*,¹¹⁴ stated that the “[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.”¹¹⁵ Thus, the Court begins construction of the federal statute with the language to determine whether it is plain and unambiguous “with regard to the particular dispute at issue.”¹¹⁶ The next step in construing the statute is to cease further inquiry “if

¹¹⁰ *Id.* at 429.

¹¹¹ *Id.*

¹¹² *Id.* at 433.

¹¹³ *Moseley*, 537 U.S. at 433.

¹¹⁴ 469 U.S. 189 (1985).

¹¹⁵ *Id.* at 194 (citing *Am. Tobacco Co. v. Patterson*, 456 U.S. 63, 68 (1982)).

¹¹⁶ *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 450 (2002) (citing *Robinson v. Shell Oil Co.*, 519 U.S. 337, 340 (1997)).

the statutory language is unambiguous and the statutory scheme is coherent and consistent.”¹¹⁷ Implicit in this declaration is the notion that the Court will not further consider the legislative intent by referring to legislative history.¹¹⁸

Actual Dilution Versus Likelihood of Dilution

In arriving at its decision, the Court examined the history of the law of dilution, state anti-dilution statutes, and the text and the legislative history of the FTDA.¹¹⁹ It compared the state statutes

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 457.

Nor should we infer as much, as it is a general principle of statutory construction that when “Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.

Id. at 452 (citing *Russello v. United States*, 464 U.S. 16, 23 (1983)) (quoting *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (5th Cir. 1972)).

We refrain from concluding here that differing language from the two subsections has the same meaning in each. We would not presume to ascribe this difference to a simple mistake in draftsmanship . . . If Congress meant to make a preenactment successor in interest . . . it could have done so clearly and explicitly.

Id. at 454.

[The] floor statements from two Senators cannot amend the clear and unambiguous language of a statute. We see no reason to give greater weight to the views of two Senators than to the collective votes of both Houses, which are memorialized in the unambiguous statutory text.

Id. at 457.

¹¹⁹ See *Moseley*, 537 U.S. at 418.

and several provisions of the Lanham Act which refer to a “likelihood” of harm to the language of the FTDA which does not refer to a “likelihood” of harm.¹²⁰ As such, the Court held that the statute on its face “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution” because the FTDA entitles the owner of a famous mark to relief only if another’s use in commerce “causes dilution of the distinctive quality of the famous mark.”¹²¹

Furthermore, the Court reasoned that the definition of dilution strengthened the conclusion that an owner of a famous mark must establish actual dilution.¹²² While the Court recognized the difficulties associated with proving actual harm, nonetheless, wrote Justice Stevens, “they are not an acceptable reason for

¹²⁰ *Id.* at 432.

¹²¹ *Id.* at 433 (“The relevant text of 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.”) (emphasis in original) (citing 15 U.S.C. § 1125(c)(1)).

¹²² *Id.* at 433. The Court stated:

This conclusion is fortified by the definition of the term “dilution” itself. That definition provides:

The term ‘dilution’ means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of –

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

The contrast between the initial reference to an actual “lessening of the capacity” of the mark, and the latter reference to a “likelihood of confusion, mistake, or deception” in the second caveat confirms the conclusion that actual dilution must be established.

Id.

dispensing with proof of an essential element of a statutory violation."¹²³

The opinion does not explicitly state the plain meaning rule, however, the rule is implicitly applied.¹²⁴ The Court hinted that it would have been inclined to accept a narrow interpretation of the statute had the Moseleys contended that the FTDA does not lend support to tarnishment.¹²⁵ This dictum may render itself

¹²³ *Id.* at 434.

¹²⁴ See *supra* notes 118, 121-22 and accompanying text. It is also not surprising that Justice Scalia did not join part III of the legislative history of the opinion given his jurisprudence on statutory construction. That is, if the statute is clear on its face, reference to the legislative history is not necessary. However, the Court, although admitting that the statute unambiguously calls for actual dilution, went on to analyze the legislative history of the Act. *Moseley*, 537 U.S. at 431.

¹²⁵ *Moseley*, 537 U.S. at 431.

Petitioners have not disputed the relevance of tarnishment, . . . Whether it is actually embraced by the statutory text, however, is another matter. Indeed, the contrast between the state statutes, which expressly refer to both 'injury to business reputation' and to 'dilution of the distinctive quality of a trade name or trademark,' and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA.

Id. at 432.

But see *USOC*, 483 U.S. at 539. The Court went beyond the statutory interpretation to protect the use of the word "Olympic" and the intent of Congress:

Although the Lanham Act protects only against confusing uses, Congress' judgment respecting a certain word is not so limited. Congress reasonably could conclude that most commercial uses of the Olympic words and symbols are likely to be confusing. It also could determine that unauthorized uses, even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks. . . . There is no question that this unauthorized use could undercut the USOC's efforts to use, and sell the right to use, the word in the future, since much of the word's value comes from its limited use. Such an adverse effect on the USOC's activities is directly contrary to Congress' interest.

problematic for owners of famous marks. Lower courts may reject tarnishment claims, stating that the FTDA does not refer to tarnishment at all.¹²⁶

If the Court had explicitly stated that it was applying the plain meaning rule, then this would have been the end of the decision; that is, the FTDA, on its face, requires actual dilution. However, the Court described what “actual dilution” is not, but failed to define what it is or how a plaintiff may prove such dilution.¹²⁷

If Victoria’s Secret is not required to demonstrate actual loss of sale or profits, then what is Victoria’s Secret required to show to prove its claim of dilution? The Court admitted that “consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable,” which would make it difficult for Victoria’s Secret to obtain such evidence to prove its claim.¹²⁸ However, to the extent the Court provided a guidepost, it stated that the “direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical.”¹²⁹ Other than this one example, the Court offered no guidance as to how owners of

Id.

¹²⁶ To ameliorate this potential problem, *see infra* text accompanying notes 181-187 for a legislative proposal.

¹²⁷ *Moseley*, 537 U.S. at 434 (stating that to demonstrate actual dilution, a plaintiff need not show economic harm, that is, the loss of sales or profits).

¹²⁸ *Id.* at 434 (Kennedy, J., concurring).

¹²⁹ *Id.*

famous marks can successfully show that actual dilution had occurred.¹³⁰ It is also unclear what circumstantial evidence would be relevant to prove actual dilution.

Justice Kennedy, in a concurring opinion, stated that the word “capacity” in the FTDA “imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods.”¹³¹ The lessening of the famous mark’s capacity to identify and distinguish its products or services could be established by the “probable consequences” emanating from the use or adoption of the junior mark’s use of the famous mark.¹³² Justice Kennedy concluded that the FTDA provides for injunctive relief, and that the general principles of equity were intended to “encourage those who are injured to assert their rights promptly.”¹³³ As such, this opinion does not bar injunctive relief if Victoria’s Secret, on remand, can show “sufficient evidence of either blurring or tarnishment.”¹³⁴ Thus, there is a sign of cautious endorsement in Justice Kennedy’s concurring opinion regarding showing of less than actual harm – perhaps what may amount to a likelihood of dilution.¹³⁵

¹³⁰ *See id.*

¹³¹ *Id.* at 435 (Kennedy, J., concurring).

¹³² *Moseley*, 537 U.S. at 435-36 (Kennedy, J., concurring).

¹³³ *Id.* at 436 (Kennedy, J., concurring) (“A holder of a famous mark threatened with diminishment of the mark’s capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.”).

¹³⁴ *Id.*

¹³⁵ *Id.* at 435 (“If a mark will erode or lessen the power of the famous mark . . . the elements of dilution may be established.”).

Dilution by Blurring

Although claims are generally brought pursuant to dilution by blurring, nonetheless, dilution by blurring is the most difficult to prove because of its closeness to the likelihood of confusion test in infringement and its amorphous character.¹³⁶ Dilution by blurring occurs when another's use of a famous mark reminds consumers of the famous mark even though they may know that the famous mark is not the source of another user's product.¹³⁷ Consequently, this constant reminder will gradually diminish the uniqueness and distinctiveness of a trademark.¹³⁸ For example, dilution by blurring may occur when a mark like "Gateway" is used on fast food services and "Denny's" on automotive products.¹³⁹ Accordingly, use of these famous marks by others on dissimilar products may gradually reduce the selling power of the famous marks.¹⁴⁰ This is what Schechter was referring to as the "gradual whittling away" of a trademark's selling power, a "cancer-like growth" that feeds upon the distinctive quality of a famous mark.¹⁴¹

¹³⁶ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. F.

¹³⁷ *Id.*; see also *Times*, 212 F.3d at 168 ("Dilution by blurring takes place when the defendant's use of its mark causes the identifying features of the plaintiff's famous mark to become vague and less distinctive."); *Kohler*, 163 F.3d at 45 ("[D]ilution applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.") (citing H.R. REP. NO. 104-374, at 3).

¹³⁸ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. f.

¹³⁹ See, e.g., 141 CONG. REC. H 14317 (daily ed. Dec. 12, 1995) ("Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos . . .").

¹⁴⁰ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. f.

¹⁴¹ *Allied*, 369 N.E.2d at 1165.

The Court's definition of "dilution by blurring" is consistent with all other definitions as far as identical marks are concerned.¹⁴² For all junior marks that are not identical, mere mental association does not constitute blurring.¹⁴³ There must be a showing of some empirical evidence to establish dilution by blurring.¹⁴⁴ This is a distinction without significance. Let us suppose there is a store named "Victoria's Secret Subs" and a store named "Victor's Secret Subs." Under the former, consumers can automatically mentally associate the two names ("Victoria's Secret" and "Victoria's Secret Subs"), but under the latter, mental association is not sufficient to constitute "blurring" without further showing of some evidence of dilution. The rationale is that consumers in the latter case may make the mental association or may be reminded of the "Victoria's Secret" lingerie stores, but it does not mean that consumers will associate "Victoria's Secret" with sandwiches or form any different impression of the "Victoria's Secret" stores.¹⁴⁵ This rationale ignores the simple

¹⁴² *Moseley*, 537 U.S. at 433 (agreeing with the Fourth Circuit that "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution.").

¹⁴³ *Id.*

Utah drivers may be reminded of the circus when they see a license plate referring to the 'greatest snow on earth,' it by no means follows that they will associate 'the greatest show on earth' with skiing or snow sports, or associate it less strongly or exclusively with the circus." [Thus,] "[b]lurring is not a necessary consequence of mental association. (Nor, for that matter, is 'tarnishing."

Id. at 433-34.

¹⁴⁴ *See id.*

¹⁴⁵ *Id.* at 434

2004]

*VICTOR CAN KEEP HIS LITTLE
SECRET*

907

point that in both cases – uses of identical and similar marks – consumers have to investigate to find out whether there is any association, sponsorship, or license agreement between “Victoria’s Secret” and the other stores to avoid the mental association. Once consumers are satisfied that these are two separate entities and there is no association between the two – senior and junior marks – then there is no reason why this rationale cannot be applied equally to both identical and similar marks. In both situations, consumers may be reminded of the “Victoria’s Secret” stores when they see “Victoria’s Secret Subs” or “Victor’s Secret Subs,” but they will not associate “Victoria’s Secret” lingerie or clothing with sandwiches.

It is the proliferation of these identical and similar marks that increases the mental association of consumers of the famous marks which blurs the distinctive quality and fame of the marks. Congress was concerned with that “lessening of the capacity” of the famous marks when it enacted the FTDA.¹⁴⁶

The record . . . establishes that an army officer who saw the advertisement of the opening of a store named ‘Victor’s Secret’ did make the mental association with ‘Victoria’s Secret,’ but it also shows that he did not therefore form any different impression of the store that his wife and daughter had patronized.

Id.

¹⁴⁶ See *supra* notes 45 and 49 and accompanying text.

Dilution by Tarnishment

Dilution by tarnishment occurs when another's use of a famous mark tarnishes, disparages, or degrades the famous mark.¹⁴⁷ Thus, dilution by tarnishment prevents another from using a famous mark on unsavory products or services. Otherwise, such a use may remind a consumer – because of the inherent mental tendency to associate things – to link those unsavory products or services to the famous mark which may result in a gradual erosion of the selling power of the mark.¹⁴⁸

Dilution by tarnishment requires the holder of a famous mark to establish that another's use of its famous mark "causes consumers to mistakenly associate the famous mark" with another's "inferior or offensive product," and that "the positive associations" the consumers once had with the product identified by a famous mark "have been 'corroded' and have decreased the mark's value."¹⁴⁹

As noted above, since the Moseleys did not argue for a narrower definition of the FTDA, the Supreme Court reluctantly accepted the issue of dilution by tarnishment.¹⁵⁰ The opinion places "tarnishment" in the same category as "blurring," that is,

¹⁴⁷ See *L.L. Bean*, 811 F.2d at 31 ("[T]arnishment arises when the good will and reputation of a plaintiff's trademark is linked to products which are of shoddy quality.").

¹⁴⁸ See *Moseley*, 259 F.3d at 477 ("While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely to automatically think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop.").

¹⁴⁹ *Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 948.

¹⁵⁰ See *supra* note 125 and accompanying text.

mere mental association is not “tarnishment.”¹⁵¹ This argument again misplaced the distinction between identical and non-identical marks. The same reasoning applies, as explained above in dilution by blurring, to entities named “Victoria’s Secret Shop” and “Victor’s Secret Porn Shop.” Regardless of whether Victoria’s Secret must show circumstantial evidence to establish that consumers had formed different impressions of its mark, the proliferation of such names will increase the mental association between the two marks and constantly remind consumers of “Victor’s Secret Porn Shop” and its products when they shop at “Victoria’s Secret Shop.” This constant reminder will eventually lead to dilution by tarnishment – the lessening of the capacity of the “Victoria’s Secret” mark to advertise and distinguish its name.

Admittedly, the fear is not just one small store in Elizabethtown, Kentucky, but the proliferation of such stores throughout the nation. Suppose the Moseleys branch out and license the name “Victor’s Little Secret” to franchisees throughout the nation. Very soon, there could be a store on every street in the country selling unsavory products that remind consumers of Victoria’s Secret. But that is not all, suppose there were a business called “Victor’s or Vicky’s Secret Bank, Credit Union, Healthy Food, Computer Company, Modeling School, or Laundromat.” Eventually, numerous products and services with those names will render the advertising power of Victoria’s Secret meaningless, and

¹⁵¹ See *supra* note 125 and accompanying text.

thus lessen the mark's capacity. Moreover, if these marks are not protected, investors will have less incentive to spend so much in creating a mark that makes it easy for consumers to identify their products or services. By the same token, proliferation of similar names increases consumer costs (discussed in Part IV). This is a tremendous loss not only for the investors but also for the consumers. Therefore, the requirement of "mental association" – likelihood of dilution – should be sufficient to support a finding of dilution by tarnishment.

PRACTICAL IMPLICATIONS OF MOSELEY

A Decision Without Guidance

The somewhat nebulous nature of the dilution doctrine makes it more difficult for courts to apply it uniformly.¹⁵² The Ninth Circuit, in *Thane International, Inc. v. Trek Bicycle Corp.*, stated that an actual economic harm requirement would potentially make the "dilution concept much more concrete."¹⁵³ That

¹⁵² *Thane Int'l*, 305 F.3d at 908 ("neither participants in the commercial market-place nor courts are likely to apply dilution statutes in a predictable fashion.").

¹⁵³ *Id.* at 908 n.10.

The Supreme Court will soon consider whether under the federal antidilution provision a plaintiff must show objective proof of actual injury to the economic value of the mark in order to obtain relief . . . a market harm requirement, if adopted, has the potential of making the dilution concept much more concrete.

Id.

prediction was not fulfilled in light of the Supreme Court's decision.¹⁵⁴

It is argued that the expansion of the dilution cause of action without objective proof of economic harm could be tantamount to conferring property right-in-gross,¹⁵⁵ and thus is likely to harm competition.¹⁵⁶ The absence of concrete standards will lead to more litigation and inconsistent, unpredictable judgments.¹⁵⁷ Moreover, the issuing of injunctive relief is considered to be an "extraordinary" and "drastic" remedy,¹⁵⁸ and broad interpretation of the FTDA could lead to granting of injunctive relief that could be detrimental to the financial health of the defendant.¹⁵⁹

¹⁵⁴ See *Moseley*, 537 U.S. at 418.

¹⁵⁵ *Thane Int'l*, 305 F.3d at 905 ("[I]mplications of a broad application of the federal antidilution statute are troubling, as '[d]ilution causes of action, much more so than infringement and unfair competition laws, tread very close to granting rights in gross in a trademark,' thereby hampering competition and the marketing of new products.") (quoting *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999)).

¹⁵⁶ See *Times Mirror*, 212 F.3d at 170-71 (J. Barry dissenting) ("Moreover, there can be little doubt that Congress sought to protect only a select and narrow class of truly famous and well-organized marks. Without such a requirement, an anti-dilution statute becomes a rogue law that turns every trademark, no matter how weak, into an anti-competitive weapon.") (quoting 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION (4th ed. 1999) § 24:108 at 24-210).

¹⁵⁷ *Times Mirror*, 212 F.3d at 179 ("Lax interpretation of FTDA requirements, forecasts easier lawsuits for trademark owners who will use a dilution cause of action as a "tack-on" to an infringement claim in the event that likelihood of confusion cannot be shown.").

¹⁵⁸ *Computer Assoc. Intl., Inc. v. Rubin*, 784 F. Supp. 982, 986 (E.D.N.Y. 1992) (quoting *Patton v. Dole*, 806 F.2d 24, 28 (2d Cir. 1986)); *Borey v. Nat'l Union Fire Ins.*, 934 F.2d 30, 33 (2d Cir. 1991)).

¹⁵⁹ For instance, the Moseleys have already incurred expenses in changing their store name from "Victor's Secret" to "Victor's Little Secret" and

The Supreme Court was fairly clear on what an owner of a famous mark must prove – actual harm – to prevail on a dilution claim.¹⁶⁰ This interpretation, notwithstanding the problems of proof, should mitigate the fear that the Act is granting property rights-in-gross, reduce litigation, and lend some predictability and consistency to judgments. However, it may still not fulfill Congress' intent of protecting the investment poured into making a mark distinctive and singular.¹⁶¹

The opinion creates a gray area in the law and fails to set unequivocal standards for dilution.¹⁶² It leaves lower courts to determine what factors to use for establishing dilution and leaves everyone else to come up with novel ways to prove dilution. It is likely that litigation will ensue to determine what actual harm is, which may lead to another split in the lower courts over the issue.¹⁶³

subsequent to the district court's order to "Cathy's Little Secret"; now that the Supreme Court reversed and remanded, there is a possibility that the district court would allow the Moseleys to use the name "Victor's Secret." However, the cost is not recoverable. *See also Times Mirror*, 212 F.3d at 180.

Naturally, when a court rules on a motion for a preliminary injunction, it makes an initial judgment based on an incomplete factual record; its findings of fact and conclusions of law are subject to revision based on additional discovery. The stakes are, nonetheless, high; here for example, had the injunction not been stayed with the consent of the parties, . . . [defendant] would have been forced to alter its publication at great cost or cease publishing altogether.

Id.

¹⁶⁰ *Moseley*, 537 U.S. at 433.

¹⁶¹ H.R. REP. NO. 104-374.

¹⁶² *See Moseley*, 537 U.S. 418.

¹⁶³ As of the publication of this article, several courts have interpreted the Supreme Court's decision. *See Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 628 (6th Cir. 2003). Interpreting *Moseley* as requiring plaintiff to present

Owners of Marks and Consumers

The Supreme Court's decision not only made it difficult for owners of famous marks to prove dilution, but it may frustrate the goals of trademark law.¹⁶⁴ While the strict textual interpretation of the laws – infringement and dilution – may reveal that their purposes are different, their overall theme is to protect both the investment and hard work of the owners of famous marks and consumers. As explained below, under both “consumer confusion” and “dilution,” a consumer incurs search costs.

Trademark law traditionally is seen as having a dual purpose: on the one hand, it protects the distinctiveness of a trademark from others who appropriate the goodwill created by the owner of a distinctive mark, and on the other, it protects consumers from confusion that the others' use of a similar or identical mark

empirical evidence to show that “consumers no longer clearly understood to which products the ‘Victoria's Secret’ mark was related . . . here, Kellogg has presented no evidence that TGI's use of its Toucan marks has caused consumers no longer to recognize that Toucan Sam represents only Froot Loops.” This court applies the infringement standards of consumer confusion rather than dilution by determining whether consumers can distinguish the two products or are going to be confused; *Caterpillar Inc. v. The Walt Disney Co.*, 287 F. Supp. 2d 913, 921-22 (C.D.Ill. 2003) (“However, this decision [*Moseley*] discussed only blurring, although it did leave open the question of whether tarnishment is within the scope of § 43(c). Assuming that actual dilution must be shown for tarnishment, it is unclear what type of showing Caterpillar must make.”); *Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc.*, 1:00-CV-1934-BBM, 2003 U.S. Dist. LEXIS 8788, at *111 (N.D. Ga. May 9, 2003) (stating that circumstantial evidence is useful to infer actual dilution where the junior mark and senior mark are identical).

¹⁶⁴ *Moseley*, 537 U.S. at 428-29 (“Infringement law protects consumers from being misled by the use of infringing marks, . . . trademark dilution [is] not the product of common-law development, and [is] not motivated by an interest in protecting consumers.”).

on a product or service was from the same source.¹⁶⁵ What then are the practical implications of protecting the distinctive mark from appropriation and protecting consumers from confusion?

To better understand this phenomenon, let us return once again to our analogy of the Hollywood actors. People go to see a movie starring Tom Cruise or Julia Roberts because the names evoke something distinct and singular. This distinction is associated with either the public's personal experience of watching their movies, acting, or referral by others. Tom Cruise and Julia Roberts have an incentive to continue investing in their name and to protect the goodwill that they have acquired throughout the years; otherwise, consumers will be disappointed if they experience anything less than what they expect and will no longer watch their movies. But that is not all. Suppose other actors in Hollywood adopt "Tom Cruise" or "Julia Roberts" as their screen names. Then the public would be confused as to which Tom or Julia is appearing in a movie. The infringing actor is trying to mislead consumers into thinking that the movie they are about to see is the real Tom or Julia, thus diverting sales from the true Tom or Julia. In addition, this confusion would likely prompt the public to search first to find out which Tom or Julia is in the new movie before deciding to go out and see it, thus, increasing consumer search costs.

¹⁶⁵ Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002).

Trademarks act in the exact same fashion.¹⁶⁶ A trademark is used to differentiate one product from another.¹⁶⁷ Unfortunately, a famous and distinctive mark also attracts unscrupulous businesses to use the mark on identical or similar products or services in order to confuse consumers and divert sales from the owner of a famous mark.¹⁶⁸ A computer repair company that employs “Gateway Computer Repair Company” as a trademark to identify its services is an example of such infringing use.

Thus, the distinctiveness of a trademark not only identifies a product, but also communicates a particular quality (consumer’s experience) from that source.¹⁶⁹ Using a trademark then becomes an economically efficient way to market goods and services.¹⁷⁰

¹⁶⁶ *Id.*

The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods. The consumer who knows at a glance whose brand he is being asked to buy knows whom to hold responsible if the brand disappoints and whose product to buy in the future if the brand pleases. This in turn gives producers an incentive to maintain high and uniform quality, since otherwise the investment in their trademark may be lost as customers turn away in disappointment from the brand.

Id.

¹⁶⁷ Klieger, *supra* note 13, at 790.

¹⁶⁸ *Ty Inc.*, 306 F.3d at 510. A successful brand, however, creates an incentive in unsuccessful competitors to pass off their inferior brand as the successful brand by adopting a confusingly similar trademark, in effect appropriating the goodwill created by the producer of the successful brand. *Id.*

¹⁶⁹ Klieger, *supra* note 13, at 796.

¹⁷⁰ See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 269 (1987).

[A] trademark conveys information that allows the consumer to say to himself, ‘I need not investigate the attributes of the brand I am out to purchase because the trademark is a

Economic efficiency is achieved when a trademark reduces consumer search costs by providing consistent quality that the consumer has come to expect.¹⁷¹ It was this dual purpose that trademark law traditionally was enacted to achieve.¹⁷²

Still, there are others who will employ a famous mark on products or services unrelated to the one offered by the owner of the famous mark in order to capitalize on the goodwill of the famous mark without violating any infringement laws.¹⁷³ A fast food shop using the name "Gateway Sandwiches" on or in association with its food products is an example of such use.¹⁷⁴

Again, "Gateway Sandwiches" is getting a free ride on the investments that "Gateway" has made in acquiring a distinct name which invokes in consumers the quality computers that Gateway sells.¹⁷⁵ Moreover, although consumer confusion is not a factor, there is a distinct likelihood that consumer costs will rise.¹⁷⁶ The next time consumers see the name "Gateway Sandwiches" they

shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.

Id.

¹⁷¹ *Id.*

¹⁷² *See Ty Inc.*, 306 F.3d at 511.

¹⁷³ Klieger, *supra* note 13, at 791.

¹⁷⁴ Celebrity names can be misappropriated as well, but those cases are governed by the doctrine of the right to publicity. A health club named "Julia Roberts' Spa" or a music store named "Tom Cruise's Music" is an example of such a use. In these instances, consumers still have to investigate whether there is any association between these entities and the celebrity. Once the confusion is eliminated, then, the law of the right to publicity, rather than dilution, will govern to protect the celebrity's name. *See Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983).

¹⁷⁵ Landes & Posner, *supra* note 170, at 307.

¹⁷⁶ Landes & Posner, *supra* note 170, at 307 ("[S]o the communicative value [of a trademark] is diluted.").

2004]

*VICTOR CAN KEEP HIS LITTLE
SECRET*

917

may think of both the sandwich shop and the computer manufacturer, and as such the efficacy of the name as an identifier of source (quality, experience) of the computer manufacturer will diminish.¹⁷⁷

Now, suppose that the name is employed as “Gateway Nude Bar and Sandwiches” to identify not only the food it sells, but also striptease entertainment. Here again, the nude bar is capitalizing on Gateway’s investments in acquiring a distinct name that communicates to the consumers a consistent quality associated with its products without causing any confusion in consumers.¹⁷⁸ However, because of the inherent nature of the human mind, the next time consumers see the name “Gateway,” they will proceed to associate that name with the nude bar, thus, tarnishing Gateway’s image.¹⁷⁹ Using the trademark “Gateway” on or in association with unsavory products or services may tarnish the distinctiveness of the mark as an identifier of the source (quality, experience) of the product.¹⁸⁰ Similarly, using “Victor’s Little Secret” on or in association with adult novelty products may tarnish the distinctiveness of “Victoria’s Secret” mark as an identifier of the source (sophisticated and luxury lingerie) of the products.

As shown above, that is precisely what the trademark law of infringement, and subsequently the FTDA, were enacted to protect: both the investments made in a trademark as a unique

¹⁷⁷ Landes & Posner, *supra* note 170, at 307.

¹⁷⁸ *Ty Inc.*, 306 F.3d at 511.

¹⁷⁹ *Id.*

identifier of the source of the product or service and the reduction of consumer search costs by disallowing the use of a similar or identical name on products or services regardless of competition or consumer confusion.

ALTERNATIVE PROPOSALS

What Should Congress Do?

In the absence of a clear and unequivocal decision from the Supreme Court, Congress should amend the FTDA to provide clear language that will protect both owners of famous marks and consumers. The concern that the FTDA confers a trademark right in-gross upon the holder of a mark, and thus is anti-competitive, could be alleviated by specific language:

- 1) By amending the FTDA, Congress could emphatically state that the FTDA applies only to those marks that are truly distinct and famous, i.e., Pepsi, Microsoft, and IBM.¹⁸¹ The amended language should state that the mark must be “nationally famous and distinct” because the language will conform with the original Congressional intent of providing a uniform and

¹⁸⁰ *Id.*

¹⁸¹ See generally Landes & Posner, *supra* note 170. This will create an incentive for investors to continue providing consistent quality product or service identified by the mark, and inspire others to be creative in names because the human language is not limited to few famous names, thus encouraging competition and ultimately benefiting consumers.

national protection for famous marks as opposed to the current version of the FTDA which simply states that the Act protects famous marks.¹⁸² This language will further provide a basis for courts to easily determine whether a mark is famous throughout the nation.¹⁸³

- 2) Currently, the FTDA defines dilution as the “lessening of the capacity of a famous mark . . . regardless of the presence or absence of likelihood of confusion.”¹⁸⁴ The amended language should state that the FTDA protects marks that others use only on dissimilar products or services, and not marks that are used on products or services that are in direct competition with the famous mark.¹⁸⁵
- 3) The concern that interpreting the FTDA other than by requiring a showing of actual dilution creates an inference of “judicial presumption”¹⁸⁶ could be

¹⁸² See 15 U.S.C. § 1125(c).

¹⁸³ Presently, lower courts should adopt a uniform list of factors to use to determine if dilution has occurred. Such factors could include: Distinctiveness of the senior mark, renown and fame of the senior mark, sufficient similarities to conjure an association with the senior mark, and sophistication of consumers. See *Nabisco*, 191 F.3d at 208.

¹⁸⁴ 15 U.S.C. § 1127.

¹⁸⁵ Because traditional trademark infringement already protects such uses, this will eliminate the concern of “fall-back” theory that if a plaintiff loses on the infringement claim, it will fall back on the dilution claim.

¹⁸⁶ *Ringling*, 170 F.3d at 464.

alleviated by adding the standard of “likelihood of dilution” to the FTDA.¹⁸⁷

- 4) The amended definition should include both blurring and tarnishment, and add that dilution covers not only identical marks but also substantially similar marks.

What Should Owners of Famous Marks Do?

Now that the Trademark Amendments Act of 1999 allows holders of famous marks to file an opposition or to seek cancellation of a mark pursuant to the FTDA,¹⁸⁸ holders must be vigilant to consistently check the PTO databases for filings. This attentiveness will enable an owner of a famous mark to stop the use of its mark by another on dissimilar products or services before the use dilutes the distinctive quality of the famous mark.¹⁸⁹ The opportunity for the owner of a famous mark to file an opposition to another’s application for registering the famous mark as its own provides a safeguard for the owner of a junior mark before it invests heavily. Otherwise, without this filing of an opposition by the owner of a famous mark, the owner of a junior mark may invest a large sum only to find out later that its mark dilutes a

¹⁸⁷ See *Nabisco*, 191 F.3d at 224 (“Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. ‘Contextual factors’ have long been used to establish infringement. We see no reason why they should not be used to prove dilution.”).

¹⁸⁸ See 15 U.S.C. § 1129 (The 1999 Amendment Act).

¹⁸⁹ It is assumed that the junior mark has filed for registration. For marks that are not registered, the traditional method of due diligence of searching sources such as newspaper ads and trade journals should be followed.

2004]

*VICTOR CAN KEEP HIS LITTLE
SECRET*

921

famous mark, thus, depriving the junior mark owner of its investments. Moreover, the owner of a junior mark will incur the cost of either changing the mark or terminating its use.

What Should Owners of Junior Marks Do?

The most obvious advice is not to use the same mark. In the event that a junior user is unaware of the existence of an identical famous mark or believes that its mark is different, the junior user should try to differentiate its mark and be creative. This innovation, over time, will result in the establishment of a unique and distinct mark for the junior user. The junior user could also consult an attorney who will recommend either searching the PTO database or registering the mark to eliminate some of the problems that potentially may arise otherwise.

CONCLUSION

The Supreme Court's decision in *Moseley v. V Secret Catalogue, Inc.* closed the chapter on whether the FTDA requires actual dilution or likelihood of dilution. However, the opinion's lack of guidance on how owners of famous marks may prove actual dilution will likely contribute to the continued circus in the lower courts. The crucial holding of the decision is the rejection of the Fourth Circuit requirement of actual economic harm. This

requirement would have made dilution impossible to prove and rendered the FTDA meaningless.

Congress should act quickly and swiftly to amend the FTDA to provide the protection that is at the heart of the trademark law – protection of truly famous trademarks and reduction of consumer search costs. Owners of famous and junior marks should be vigilant in protecting their investments. The senior mark holder should file an opposition with the PTO and employ other traditional methods to protect its trademark, and the junior mark holder should not invest heavily only to find out later that it dilutes another's mark.