Moseley v. Secret Catalogue, Inc.: Supreme Court Blurs the Test for Trademark Dilution

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In its first decision interpreting the Federal Trademark Dilution Act (FTDA), the United States Supreme Court has ruled, in *Moseley v. Secret Catalogue, Inc.*, that, in order for a trademark owner to prevail on a claim of dilution under the FTDA, it must present evidence that dilution—*i.e.*, a lessening of the capacity of its trademark to identify and distinguish the goods or services of its owner—has actually occurred. It is not enough for the trademark owner merely to assert that dilution is likely if the conduct at issue were permitted to continue.

Enacted in 1995, the FTDA permits an owner of a "famous" trademark to seek injunctive relief to prevent others from using a name that is the same as or similar to the owner's trademark if such use (1) begins after the owner's mark has become famous and (2) dilutes the distinctive quality of the mark either by "blurring" (reducing the ability of the mark to distinguish its owner's goods or services) or by "tarnishment" (damaging positive associations that have attached to the mark). When the FTDA was drafted, its authors wrote that its purpose "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 confusion.***" They explained that "confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." Accordingly, the FTDA provides owners of famous trademarks an alternative avenue of relief when they cannot prove the likelihood of confusion necessary to sustain a claim of trademark infringement or unfair competition under the Lanham Act. For example, Coca-Cola could (and did) obtain an injunction against a company which sought to exploit Coca-Cola's well-known slogan —"Enjoy Coca-Cola"—with its characteristic red background and white lettering, by distributing posters with the phrase "Enjoy Cocaine," also in white lettering against a red background. Although few people would confuse the purveyors of these posters with Coca-Cola or believe that Coca-Cola had authorized the distribution of such posters, this use of Coca-Cola's mark might impugn Coca-Cola's product and reputation.

In *Moseley*, the owners and operators of the well-known lingerie retailer, Victoria's Secret, filed suit against two individuals who operate a single retail store named "Victor's Little Secret," which primarily sells adult novelty items. Victoria's Secret initially claimed that the defendants' use of the name "Victor's Little Secret" constituted trademark infringement, unfair competition, and dilution. The district court granted summary judgment in favor of Victor's Little Secret with respect to the claims of trademark infringement and unfair competition. The court concluded that no likelihood of confusion existed because there had been no actual confusion and the parties did not compete. However, noting that the fame of the Victoria's Secret mark was undisputed, the district court granted judgment for Victoria's Secret on its trademark dilution claim and entered an injunction prohibiting the defendants from using the name "Victor's Little Secret." The district court concluded that the name "Victor's Little Secret" was sufficiently similar to the "Victoria's Secret" mark to cause dilution and that use of the name "Victor's Little Secret" had a tarnishing effect on the "Victoria's Secret" mark. The district court did not, however, find that any "blurring" had occurred.

Victor's Little Secret appealed, arguing that Victoria's Secret was not entitled to relief in the absence of evidence that dilution actually had occurred. However, the Sixth Circuit affirmed, concluding that it was sufficient to show that dilution was likely, and holding that a famous mark owner need not show that dilution actually had occurred already. Victor's Little Secret then sought and obtained review by the Supreme Court.

Writing for the Court, Justice John Paul Stevens reviewed the history of dilution law and the legislative history leading to enactment of the FTDA. He noted that, although many state statutes relating to dilution permit a claim based on a likelihood of harm, the language of the FTDA "unambiguously requires a showing of actual dilution." In particular, the Court focused on the portion of the FTDA, 15 U.S.C. § 1125(c)(1), which states that "[t]he owner of a famous mark [shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use] ***causes dilution*** of the distinctive quality of the mark." In addition, Justice Stevens observed that the distinction between dilution—the "lessening of the capacity of a famous mark to identify and distinguish" the goods or services of its owner—and the trademark infringement standard of "likelihood of confusion, mistake or deception" supports the conclusion that a mere likelihood of harm is insufficient to prove a claim of dilution. Because Victoria's Secret had presented no evidence that dilution actually had occurred, the Court reversed the judgment in favor of Victoria's Secret.

Justice Stevens did not explain how a trademark owner would prove "actual dilution," an issue that is sure to provoke much thought and disagreement among the lower courts. However, the Court's opinion does provide some hints about what is, or is not, sufficient proof. Justice Stevens explicitly rejected the position that evidence of an actual loss of sales or profits must be presented to demonstrate actual dilution. Nor is it necessary to prove the existence of competition, actual confusion, or likely confusion. Conversely, "the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution," because such mental association will not necessarily result in blurring or tarnishment of the famous mark. Instead, it is necessary to demonstrate that the offending conduct has an "impact . . . on the strength of [the trademark owner's] mark." And, owners of famous trademarks will need to establish in fact a "lessening of the capacity of their marks" to identify and distinguish the goods or services sold." The Court offered no guidance about the sort of evidence relevant to make this showing, stating only that direct evidence of dilution, such as in the form of consumer surveys, may not be necessary if circumstantial evidence of dilution exists.

In a concurring opinion, Justice Anthony Kennedy noted that owners of famous trademarks may still obtain preliminary injunctive relief, based upon a showing of likelihood of harm and the threat of irreparable harm.

The challenge for famous trademark owners, practitioners, and courts in the wake of Moseley, therefore, is to define what the nature and extent of evidence necessary to establish "actual dilution." The Second Circuit has developed, in *Nabisco, Inc. v. PF Brands, Inc.*, a list of ten nonexclusive factors to consider in assessing whether dilution has, in fact, occurred. The Supreme Court noted the existence of the *Nabisco* analysis, without any comment. Interestingly, the *Nabisco* factors are virtually identical to those that many courts apply in trademark infringement cases in order to gauge whether there is a likelihood of confusion. Even the *Nabisco* factors may be susceptible to the criticism that—based, as they are, on factors designed to show "likelihood" of confusion—they are insufficient to establish actual harm.

Intense debate—and litigation—over the methods to establish "actual" dilution is certain.

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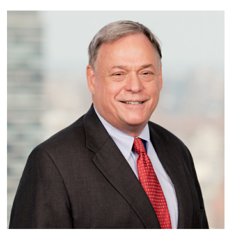

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