

Supreme Court Argument On “Victoria’s Secret” Trademark Dilution Case:

*Victor Moseley and Cathy Moseley, d/b/a Victor’s Little Secret v.
V. Secret Catalogue Inc., et al., No. 01-1015 (argued Nov. 12, 2002)*
by Howard J. Shire and Ronald L. Sigworth*

In 1995, Congress enacted the Federal Trademark Dilution Act (“FTDA”) to provide a federal statutory dilution remedy against “the gradual whittling away” of famous marks by prohibiting a junior user from using a mark that “causes dilution” of a famous mark’s distinctive quality. 15 U.S.C. §1125(c)(1).

On November 12, 2002, the Supreme Court heard its first oral argument concerning the FTDA, and its particular application to the “Victoria’s Secret” trademark. This case is the Court’s first opportunity to construe the FTDA. The Supreme Court was asked to resolve a split among the federal circuit courts and determine whether dilution under the FTDA requires a showing of actual economic harm or whether a showing that a defendant’s mark is likely to cause dilution is sufficient.

The petitioners, Victor and Cathy Moseley, opened a store in a strip-mall in Elizabethtown, Kentucky, named “Victor’s Secret” in 1998, selling lingerie and adult novelties, among other items. The respondent, owner of the “Victoria’s Secret” trademark, was not amused, and sent a cease-and-desist letter to the Moseleys. In response the Moseleys changed the store’s name to “Victor’s Little Secret,” but Victoria’s Secret was not satisfied and sued. The case reached the Sixth Circuit, which affirmed a finding that the “Victoria’s Secret” mark was diluted under the FTDA, under a “likelihood of dilution” standard. Although the Sixth Circuit examined the Fourth Circuit’s holding requiring proof of actual economic loss, it nonetheless specifically held that the likelihood standard “hew[ed] most closely to the Act.” *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 466 (6th Cir. 2001).

During the Supreme Court oral argument, the Justices wrestled with the definition of dilution under the FTDA, often peppering both petitioner’s and respondent’s attorneys with discrete examples in an attempt to define the metes and bounds of the murky dilution standard. Dilution examples of Delta faucets, Bugwiser bug spray, Tiffany’s pet store, and Kodak monkey wrenches were bandied about.

The Moseleys’ attorney argued for an objective, predictable dilution standard requiring actual economic harm. He pointed to the statute’s language, “causes dilution,” as proof that Congress required actual consummated harm. He ominously predicted that the Second and Sixth Circuit dilution standard of *likelihood* of harm “threaten[s] to

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usher in an anti-competitive expansion of trademark law into patent-like realm” where “an unpatented, uncopyrighted design [may] enjoin a product that they said diluted [the senior mark].” Justice Breyer seemed to agree, stating that dilution should not cover “Bugwiser Bug Spray” and its slogan, “where there’s life, there’s bugs,” because the statute refers to dilution of a mark’s distinctiveness – not the tarnishment of the mark.

Although the petitioner advocated a dilution standard that required actual economic harm, he admitted, when quizzed by Justice O’Connor, that while the FTDA “does not mention economic harm *per se*,” it provides that the plaintiff must prove dilution by a showing of “objective proof of dilution, and that necessarily has an economic component with it.”

The petitioner argued that the Sixth Circuit’s likelihood of dilution standard is unpredictable. He indicated that the Sixth Circuit had wrongly focused on what a consumer is “likely automatically to think” when linking the junior mark to the famous mark, which “requires a court to guess whether the association that the consumer thinks of is” linked to the famous mark. This prompted Justice Scalia to bluntly ask what standard of proof petitioners would require a plaintiff to show. The petitioner answered, “objective proof of consumer perceptions that it causes dilution, exactly as the statute says,” which could be proved through surveys of consumers. Chief Justice Rehnquist immediately tested the predictability of such proof, wondering how many surveyed people constituted a general consumer perception?

Justice Breyer later raised a First Amendment speech issue, stating that if the Court accepts a broadened dilution standard, it might limit advertising and “cut off what people can say in commercial contexts.” The petitioner agreed and stated that other than the First Amendment, “there really isn’t a public interest that is being . . . applied here.” Chief Justice Rehnquist sternly disagreed, asserting that there is a “public interest in not having some organization . . . simply copy another person’s name.” He ominously further added, “your client doesn’t come off well in this case.”

Counsel for respondent, Victoria’s Secret, argued that the plain language of the FTDA does not require proof of actual economic harm. Significantly, he backed away from the Sixth Circuit’s likelihood of dilution standard by conceding that the FTDA “requires a showing of actual, present dilution,” which he claimed Victoria’s Secret had

made. Rather, the FTDA, which he argued protects just “a few very famous marks,” requires only a showing of a lessening of the mark’s capacity to distinguish. If the Court were to adopt the Fourth Circuit’s requirement of actual revenue loss, the respondent foretold, a plaintiff may not be able prove up such actual losses until it is too late. In such a case, damage to the mark will already be done -- “you can’t unring the bell, particularly with tarnishment.”

The respondent reiterated this theme several times, stating dilution proved through actual economic harm “may not be identifiable – often would not be identifiable – until it’s too late to rectify the harm that has been done . . . how can you stop the second, the third, the 500th use? By the time you could show economic damage, . . . first of all, . . . you might have lost the status as a famous mark. . . . Secondly, it is not clear why you would prohibit the 500th user of the mark . . . when you allowed the first 499 to go on.” Justice Scalia rhetorically asked, “[w]here will it all end?” In sum, the respondent noted that the mark becomes diluted because it “[n]o longer identifies one thing. It now identifies a thousand things.”

Justice Breyer skeptically asked what is respondent’s harm when people go to Victor’s Little Secret, associate it with Victoria’s Secret, but nonetheless think nothing worse of Victoria’s Secret? Further, what is respondent’s harm where people who visit Victoria’s Secret don’t know, don’t care, or have never heard of Victor’s Little Secret? The respondent answered that “Congress simply did not agree that no harm has been done when the famous mark loses its singularity.” Further, because it “no longer . . . [singularly] stand[s] for anything in your mind, . . . Congress believed, and the market reflects, that that is a true loss.” In effect, the respondent seemed to be arguing that any second user of a famous mark would be actionable under the FTDA.

Justice Stevens quizzed the respondent whether a mark’s “quality” must be evaluated under the FTDA. The respondent maintained that Congress encompassed tarnishment as well as blurring of marks as actionable under the FTDA. Justice Scalia disagreed, retorting that the House committee – not Congress – discussed tarnishment, and noting that “[n]othing could be clearer than that Congress adopted a definition of what dilution consists of and, to my mind, that definition does not at all cover disparaging the other product. . . . What Congress thought was the definition that Congress adopted.”

Justice Breyer also returned to the First Amendment and asked whether the Sixth Circuit’s broader dilution

standard would “tie up free speech in lawsuits like mad.” The respondent assured Justice Breyer that it should not, as Congress granted fair use safe harbors for the First Amendment. Unconvinced, Justice Breyer raised another worrisome predictability issue, remarking that “fair use to me spell lawyers, lawsuits, uncertainty and confusion.”

The Bush administration and the U.S. Patent and Trademark Office, although taking the middle ground, largely supported the Moseleys’ position. Deputy Solicitor General Lawrence G. Wallace, speaking on behalf of the United States, argued that dilution under the FTDA did require evidence that “consumers [were] diminished in their capacity to recognize the [famous] mark.” Further, dilution could be proved, for example, through consumer surveys.

Of all the justice’s comments, perhaps Justice Ginsberg best pinned-down the elusive dilution standard when she posited that dilution is measured not from “[w]hen you see Victor’s Secret, [because] of course you’re going to think of Victoria’s, but what counts is, when you think of Victoria’s Secret, do you think of Victor’s?” The government steadfastly agreed, further stating that the Sixth Circuit’s requirement that “mere mental association of the two marks by consumers automatically results in dilution” expanded the FTDA too far. Instead, Wallace pointed to the Fourth Circuit’s standard, saying that Utah’s slogan, “the greatest *snow* on earth,” did not dilute Ringling Brothers’ slogan, “the greatest *show* on earth,” because Ringling Brothers suffered no harm, as consumers realized the trademarks refer to different products and services.

During a brief rebuttal, the respondent argued that the choice faced by the Court was between two standards interpreting the FTDA. The Moseleys’ standard is based on the actual statutory language and on measurable consumer perception. Victoria’s Secret’s standard, he argued, is grounded on academic theory which is way ahead of the law, and focuses on semantic similarity, and a presumption that dilution follows from that.

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