

## What Does *Moseley* Mean?

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In 1995, Congress passed the Federal Trademark Dilution Act. And ever since, courts have struggled to determine what elements are required to prove a federal dilution claim.

There was much anticipation leading up to the Supreme Court's March 4 opinion in *Moseley v. V Secret Catalogue Inc.* From judges to lawyers to trademark owners, there was hope that the high court would provide further interpretation of the FTDA and resolve many of the disputes between the circuit courts.

Unfortunately, the Court left unanswered significant questions. It has perhaps clarified some issues (e.g., the split in the circuits as to whether actual economic harm must be proved in a dilution case; and whether actual dilution, not just a likelihood of dilution, must be shown). But many basic questions concerning the FTDA and how to move forward in light of the Court's decision remain. Most crucially, the Court has still left unclear how, exactly, a trademark owner can bring a successful dilution claim in light of *Moseley*.

In *Moseley*, the Court reversed and remanded the lower court's summary judgment finding that the mark "Victor's Little Secret," for an adult novelty store, diluted the famous "Victoria's Secret" mark for lingerie. The Court based its decision on the grounds that Victoria's Secret was required to show actual dilution, not merely a likelihood of dilution, in order to prove a claim of dilution under the FTDA.

### SO WHAT NOW?

Dilution claims can be brought under both federal and state statutes. As such, perhaps, *Moseley*'s legacy will be an increased reliance on state law when bringing a dilution claim.

This reliance will be due in large part to the distinctions that can be drawn between state and federal dilution law. More than half of all the states have adopted anti-dilution statutes based, more or less, on the 1964 U.S. Trademark Association's Model State Trademark Bill. That model provides, in part, "*Likelihood of injury* to business reputation or of dilution of the distinctive

quality of a mark registered under this Act" is sufficient to support a claim of dilution (emphasis added). This is a more permissive standard than the "actual dilution" that the Supreme Court has said is required under the FTDA.

Further, the FTDA provides that only the owner of a famous mark is entitled to bring a dilution claim, and may only bring such a claim if the defendant's use of the famous mark began after the mark became famous. The FTDA also provides a list of eight factors that courts may consider in determining whether a mark is "distinctive and famous." However, unlike the FTDA, many state statutes only require that there be dilution of the "distinctive quality of a mark." That is, there is no requirement that the mark be famous.

Additionally, the FTDA specifically defines dilution as the "lessening of the capacity of a famous mark to identify and distinguish goods or services." It is this definition of dilution that Justice Anthony Kennedy focuses on in his concurring opinion in *Moseley*. Specifically, Justice Kennedy notes that "considerable attention should be given, in my view, to the word 'capacity' in the statutory phrase that defines dilution." According to Kennedy, in order to establish dilution under the FTDA, the trademark owner must show a diminished "present and . . . potential power of the famous mark to identify and distinguish goods."

In contrast, many state statutes do not contain language defining dilution. Accordingly, the evidentiary burden for showing dilution in state dilution claims may be less rigorous.

Finally, *Moseley* suggests that the FTDA only addresses dilution by blurring (that is, dilution of the distinctive quality of a mark) and not by tarnishment (that is, injury to business reputation). The Court's opinion by Justice John Paul Stevens states, "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." As such, it is important in cases relying heavily on dilution by tarnishment to focus on the relevant state statute, as *Moseley* suggests that such an action may not be contemplated by the FTDA.

In light of these various distinctions between federal and state dilution claims, it is important to consider including state-based

anti-dilution claims in addition to federal claims, and to therefore consider which states have adopted their own anti-dilution statutes.

### MOSELEY'S BURDEN

Generally speaking, *Moseley* has raised the evidentiary bar for proving dilution under the FTDA. In at least some circumstances, though, the decision may be interpreted, at least in some jurisdictions, as actually making it easier for plaintiffs to prove dilution. Specifically, prior to the *Moseley* decision, the U.S. Courts of Appeals for the 4th and 5th Circuits required proof of actual harm. However, the Supreme Court's recent decision has made it evident that actual harm is not required in establishing dilution. This point is further reaffirmed in Justice Kennedy's concurring opinion, in which he reiterates that injunctive relief is available under the FTDA, and that a trademark holder is not required to wait until there is actual damage in order to institute an action.

Additionally, the Supreme Court identified at least one context in which proof of dilution can be easily proffered, i.e., in a case where the accused mark is identical to the famous mark. What remains to be seen is whether this exception could be easily circumvented by use that contains minute variations on what would otherwise be an identical mark.

Putting these points aside, however, *Moseley* has arguably made proving dilution in other jurisdictions more difficult than before. Specifically, the Court's decision has made it clear that actual dilution, not just a likelihood of dilution, is required under the FTDA.

Although the Court does not engage in an extensive discussion of what constitutes actual dilution, it does suggest that circumstantial evidence alone may be sufficient to prove actual dilution. The Court also makes it clear that consumer surveys are not required to show dilution, although it does intimate that such surveys are capable of (or at least can be helpful in) showing actual dilution.

The Court also holds that a consumer's mental association alone of "the junior user's mark with a famous mark is not sufficient to establish actionable dilution." The Court does not clearly distinguish between "mental association" and the blurring of the distinctive quality of a mark that occurs in a traditional dilution scenario. (However, it does say that although a consumer may be reminded of a famous mark upon viewing the junior user's mark, the consumer may not necessarily associate the

junior user's mark with the famous mark or associate the famous mark less strongly or exclusively with the goods and/or services used in connection with the famous mark.) As such, it appears that the Court has left it largely to the lower courts to determine what constitutes evidence of actual dilution.

### SEARCH FOR GUIDANCE

Although it is difficult to predict how *Moseley* will be interpreted, it is helpful to consider the factors previously used by lower courts, as well as the criticisms of those factors. For example, many of the tests utilized by various courts for determining dilution have been criticized as merely repeating a likelihood-of-confusion analysis. On the other hand, the Supreme Court specifically criticized the 4th Circuit's approach for its requirement of actual economic harm.

When considering the factors used by various courts in assessing federal dilution claims in light of these criticisms, there still remain a number of factors that courts may continue to rely on. For example, it is likely that courts will continue to rely on the fame and distinctiveness of the senior user's mark, the similarity of the marks, consumer surveys, the junior user's exposure, the senior mark's hold, and predatory intent when assessing a dilution claim under the FTDA.

Although the *Moseley* decision itself was a victory for the petitioners on a legal burden-of-proof standard, the real "victory" may still lie ahead as the case is remanded to the lower court. It is undisputed that the respondent's mark for Victoria's Secret is famous. Further, the junior user's mark for "Victor's Little Secret" is highly similar, but obviously not identical, to the Victoria's Secret mark. As such, it would not immediately fall into the category of dilution cases identified by the Supreme Court where circumstantial evidence, such as identical marks, would possibly be evidence of actual dilution.

Rather, the outcome of the case will likely be determined by whether Victoria's Secret can proffer sufficient evidence (e.g., survey, expert testimony, etc.) to prove actual dilution. Thus, it may be the lower court case on remand that begins a discussion which provides more detailed guidance than the Supreme Court has provided in *Moseley*.

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