Moseley v. Secret Catalogue, Inc.: Redefining the Scope of the Federal Trademark Dilution Act

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The doctrine of trademark dilution traces its origin to a thesis by Frank I. Schechter,¹ who suggested that the contemporary trademark law would not provide sufficient protection to trademarks in the future.² He proposed to abandon the old model of legal trademark safeguards and recognized that "the preservation of the uniqueness of a trademark...constitute[s] the only rational basis for its protection."³ This protection came in the form of preventing "dilution" of the mark, which Schechter defined as depreciation of the "uniqueness" of the senior mark resulting from junior use of a substantially similar mark.⁴ Schechter's proposals drastically departed from the traditional legal doctrine protecting trademarks.⁵ Although trademark dilution protection

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² See Schechter, supra note 1, at 824 ("We have seen that the proper expansion of trademark law has been hampered by obsolete conceptions both as to the function of a trademark and as to the need for its protection."). Under the contemporary trademark law, preventing misuse of a mark was possible only when there was "actual confusion"; this was often too late because such misuse may have already substantially injured the mark owner. Id. at 825.

³ Id. at 831.

⁴ See id. at 825–26. The term "junior" refers to a subsequent user of a mark that diluted a famous mark and is usually the defendant in a dilution suit. Paul Edward Kim, Comment, Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm, 150 U. PA. L. REV. 719, 731 n.59 (2001). The term "senior" refers to the holder of the famous mark that is being diluted and usually denotes the plaintiff. Id.

⁵ See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 454 (4th Cir. 1999) ("This radical dilution proposal,
was never adopted exactly as Schechter envisioned it, Massachusetts passed the first antidilution statute in 1947. By the time the Federal Trademark Dilution Act (FTDA) was passed in 1995, twenty-five states had their own antidilution statutes. For the first time, the FTDA allowed a mark owner to bring a dilution action in federal court. In addition, the FTDA promised to provide much needed uniformity to the diverse landscape of antidilution jurisprudence that developed since its first codification. Unfortunately, the FTDA has sown confusion whose practical effect if fully adopted would be to create as the whole of trademark-protection law property rights in gross in suitably ‘unique’ marks, never has been legislatively adopted by any jurisdiction in anything approaching that extreme form.”

Id.

15 U.S.C. § 1125(c) (2000). The FTDA provides in pertinent part:

1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(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 used by the marks’ owner and the person against whom the injunction is sought;
(G) the nature and extent of use of the same or similar marks by third parties; and
(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Id.

[H.R. REP. NO. 104-374, at 3 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030 (”[A]pproximately 25 states have laws that prohibit trademark dilution.”); see also Ringling Bros., 170 F.3d at 454 (“Over the next fifty years, other states followed suit and by 1996, when the President signed the federal Act into law, around half of the states had done so.”).]

[H.R. REP. NO. 104-374, at 3 (“H.R. 1295 would add a new section 43(c) to the Lanham Act . . . to create a federal cause of action to protect famous marks from unauthorized users.”).]

[H.R. REP. NO. 104-374, at 3 (noting the discrepancy between the nationwide use of famous marks and the limited, “patch-quilt system of protection” provided by the states).]
and doubt among the courts of appeals, which has resulted in many varying interpretations and applications of the statute.\(^{11}\) Controversy has focused upon whether or not the plaintiff needs to show actual harm in order to demonstrate dilution of its mark.\(^{12}\) In 1999, Congress tried to alleviate the problem by passing the Trademark Amendments Act (TAA).\(^{13}\) Although the legislation attempted to silence the confused voices of the judiciary,\(^{14}\) the statute failed to resolve whether a showing of actual harm was necessary to state a claim.

Recently, the United States Supreme Court confronted the issue of actual harm in \textit{Moseley v. V Secret Catalogue, Inc.},\(^{15}\) on appeal from the Court of Appeals for the Sixth Circuit. Prior to \textit{Moseley}, the circuits were split. The Court of Appeals for the Fourth Circuit, in \textit{Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development},\(^{16}\) held that a plaintiff needed to demonstrate “actual economic harm to the famous mark’s economic value;”\(^{17}\) however, the Court of Appeals for the Second Circuit disagreed and held in \textit{Nabisco, Inc. v. PF Brands, Inc.}\(^{18}\) that actual harm was not a

\(^{11}\) See, e.g., Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 215 (2d Cir. 1999) (requiring the plaintiff to show, in addition to the other necessary elements, that the mark is distinctive), overruled in part by Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 (2003); Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998) (requiring the plaintiff to prove four elements: “(1) the mark is famous; (2) the defendant is making a commercial use of the mark in commerce; (3) the defendant’s use began after the mark became famous; and (4) the defendant’s use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services”).

\(^{12}\) Compare \textit{Ringling Bros.}, 170 F.3d at 461 (construing the causation requirement embedded in the FTDA to demand a more stringent standard than “likelihood of dilution” and requiring the plaintiff to show actual harm as a result of the dilution), with \textit{Nabisco}, 191 F.3d at 223–25 (criticizing the Fourth Circuit’s literal reading of FTDA in \textit{Ringling Bros.} and opting for the “likelihood of dilution” standard).

\(^{13}\) See H.R. REP. NO. 106-250, at 4 (1999), reprinted in 1996 U.S.C.C.A.N. 1029, 1030 (“H.R. 1565 makes significant improvements in trademark law . . . [It] provides holders of famous marks with a right to oppose or seek cancellation of a mark that would cause dilution . . . [It] seeks to clarify that in passing the Dilution Act, Congress did intend to allow for injunctive relief and/or damages against a defendant . . . .”).

\(^{14}\) See H.R. REP. NO. 106-250, at 5 (“Since the enactment of the Dilution Act, federal courts have grappled with how to apply the statute.”).

\(^{15}\) 123 S. Ct. 1115 (2003).

\(^{16}\) 170 F.3d 449 (4th Cir. 1999).

\(^{17}\) Id. at 461.

\(^{18}\) 191 F.3d 208 (2d Cir. 1999), overruled in part by Moseley v. V Secret
requirement.\textsuperscript{19} The Sixth Circuit, in \textit{V Secret Catalogue, Inc. v. Moseley},\textsuperscript{20} followed the Second Circuit and its decision in \textit{Nabisco}.\textsuperscript{21} The Sixth Circuit held that the plaintiff did not need to show actual harm and decided the case in favor of \textit{V Secret} by applying a more lax standard.\textsuperscript{22} In \textit{Moseley v. V Secret Catalogue, Inc.},\textsuperscript{23} the Supreme Court reversed the decision of the Sixth Circuit and held that the FTDA required actual harm.\textsuperscript{24} The importance and historical significance of \textit{Moseley} lie in the fact that the case finally resolved the doctrine of the federal antidilution legislation after almost five years of diverging views among the circuits.

In 1998, the defendant in \textit{Moseley} opened a store called "Victor's Secret" in Elizabeth Town, Kentucky, and began selling a variety of goods, such as lingerie, adult videos, and novelties.\textsuperscript{25} One of the plaintiffs, however, \textit{V Secret Catalogue, Inc.} owned the "Victoria's Secret" mark, which was registered in 1981.\textsuperscript{26} \textit{V Secret Catalogue, Inc.} licensed this mark to its subsidiaries who sold women's lingerie, clothing, and other accessories under that mark\textsuperscript{27} through a variety of trade channels and spent over fifty-five million dollars on marketing every year.\textsuperscript{28} The plaintiffs also operated over 750 stores, distributed over 400 million copies of its catalogue each year, and sold its products over the Internet.\textsuperscript{29} In the local area surrounding the defendant's store, the plaintiffs distributed 39,000 copies of its catalogue yearly.

\textsuperscript{19} \textit{Id.} at 223 (rejecting the plaintiff's argument that proof of dilution under the FTDA requires proof of an "actual, consummated harm" as established by the Fourth Circuit (quoting \textit{Ringling Bros.}, 170 F.3d at 464)).
\textsuperscript{20} 259 F.3d 464 (6th Cir. 2001), rev'd, 123 S. Ct. 1115 (2003).
\textsuperscript{21} See \textit{id.} at 476 ("In such a case, proving actual harm would be extremely difficult ... and proof would be limited to the sorts of consumer surveys .... We think that both these factors weigh in favor of adopting the Second Circuit's test.").
\textsuperscript{22} See \textit{id.} at 476–77 (expounding on the nonexclusive ten factor dilution-determining approach of the Second Circuit (citing \textit{Nabisco}, 191 F.3d at 217–22)).
\textsuperscript{23} 123 S. Ct. 1115, 1125 (2003).
\textsuperscript{24} See \textit{id.} at 1124 (concluding that the FTDA "unambiguously require[d] a showing of actual dilution, rather than a likelihood of dilution").
\textsuperscript{25} Petitioners' Brief on the Merits at 3–4, \textit{Moseley v. V Secret Catalogue, Inc.}, 123 S. Ct. 1115 (2003) (No. 01-1015); see also \textit{V Secret Catalogue, Inc.}, 259 F.3d at 466.
\textsuperscript{26} \textit{V Secret Catalogue, Inc.}, 259 F.3d at 466.
\textsuperscript{27} See \textit{id.} The other plaintiffs were Victoria's Secret Catalogue, LLC and Victoria's Secret Stores, Inc. \textit{Id.}
\textsuperscript{28} \textit{Id.}
\textsuperscript{29} \textit{Id.}
and owned and operated two stores.\textsuperscript{30} Even the defendants conceded that the plaintiff's mark was extremely well known and famous.\textsuperscript{31} After the plaintiffs found out about the opening of "Victor's Secret," they sent a cease-and-desist letter to the defendants.\textsuperscript{32} Upon the receipt of the letter, the defendants changed the name of their store to "Victor's Little Secret," but the plaintiffs were unsatisfied with the defendant's actions and brought suit in a federal district court.\textsuperscript{33} The plaintiffs claimed federal trademark infringement, unfair competition under section 43(a) of the Trademark Act, violation of the FTDA, and common law trademark infringement and unfair competition.\textsuperscript{34} The district court granted summary judgment in favor of the defendants except on the claim based on the FTDA; the Sixth Circuit reviewed only this claim.\textsuperscript{35} The Supreme Court granted certiorari.\textsuperscript{36}

Writing for the unanimous court, Justice Stevens first summarized the decision of the Sixth Circuit.\textsuperscript{37} The Sixth Circuit used the preliminary elements of dilution that it earlier adopted from \textit{Nabisco} in its own recent decision, \textit{Kellogg Co. v. Exxon Corp.}\textsuperscript{38} The court supported the idea that one element of trademark dilution was the distinctiveness of the mark and stated that "[t]he degree of distinctiveness of a mark governs in

\begin{itemize}
  \item Id.
  \item Id. at 471 ("In this case, the Moseleys do not challenge the fact that the Victoria's Secret mark is famous . . . .").
  \item Id. at 466–67; Petitioner's Brief on the Merits at 4, Moseley (No. 01-1015). Defendant's advertisement in a U.S. Army paper had been faxed to the plaintiff by a JAG officer. Id.
  \item V Secret Catalogue, Inc., 259 F.3d at 467; Petitioner's Brief on the Merits at 4, Moseley (No. 01-1015) ("After receipt of that letter, the Moseleys changed their business name to VICTOR'S LITTLE SECRET and added a design, a pair of lips with an index finger pressed thereagainst, as if to say 'shhh.'").
  \item V Secret Catalogue, Inc., 259 F.3d at 467.
  \item See id.
  \item 209 F.3d 562, 557 (6th Cir. 2000); see also V Secret Catalogue, Inc., 259 F.3d at 468–69; Nabisco, 191 F.3d at 215; infra Part I.B (describing in detail the reasoning of the Nabisco decision and the importance of distinctiveness in the dilution analysis under the FTDA). In order to establish a dilution claim, the Nabisco test required the plaintiff to show that (1) the senior mark was famous, (2) it was distinctive, (3) the junior use was a commercial use in commerce, (4) such use began after the senior mark has become famous, and (5) it caused dilution of the distinctive quality of the senior mark. V Secret Catalogue, Inc., 259 F.3d at 468–69 (citing Kellogg, 209 F.3d at 577).
\end{itemize}
part the breadth of the protection it can command.” The court held that the Victoria's Secret mark is “arbitrary and fanciful” because nothing about the Victoria's Secret mark “automatically conjures thoughts of women's underwear.” Since the mark was “arbitrary and fanciful,” it enjoyed the highest level on the distinctiveness hierarchy and, as a result, deserved the highest level of trademark protection.

The Sixth Circuit resolved the main issue, which was whether it should align itself “with either the Ringling Brothers or the Nabisco line of cases” and require the plaintiff to show actual harm or only the likelihood of dilution. After summarizing the seminal cases, the Sixth Circuit adopted the Nabisco test and required the plaintiff to show only an “inference of likely harm to the senior mark instead of requiring actual proof.” The court relied on the legislative history of the FTDA for support. Following Nabisco, the Sixth Circuit concluded

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39 V Secret Catalogue, 259 F.3d at 469 (quoting Nabisco, 191 F.3d at 215). The Nabisco court described in great detail the levels of a mark's distinctiveness and their effect on the protection that the mark deserves:

At the low end are generic words—words that name the species or object to which the mark applies. These are totally without distinctiveness and are ineligible for protection... One rung up the ladder are “descriptive” marks—those that describe the product or its attributes or claims. These also have little distinctiveness and accordingly are ineligible for protection... The next higher rung belongs to “suggestive” marks... They are more distinctive than descriptive marks, and thus are accorded trademark rights... They are given less protection than is reserved for more distinctive marks—those that are “arbitrary” or “fanciful.”

Nabisco, 191 F.3d at 215-16 (quoting Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 11 (2d Cir. 1976)).

40 V Secret Catalogue, Inc., 259 F.3d at 470.

41 See id. at 469-70.

42 See id. at 472.

43 Id. at 476. This is true, “[d]espite the Fourth Circuit's somewhat persuasive arguments.” Id. at 475.

44 See id. The court quoted the House Report for the FTDA, which defined dilution as:

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

Id. (quoting H.R. REP. NO. 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032) (emphasis added). From that excerpt, the Sixth Circuit concluded that the House Report demonstrated Congress's reasons for enacting the FTDA. Id. at 475. First, the court reasoned that Congress's use of “potency” of the mark necessarily "demonstrate[d] an understanding that the right to be protected [was] in a mark's
that the case at hand was "a classic instance of dilution by tarnishing . . . and by blurring."\textsuperscript{45}

On appeal, the Supreme Court briefly retraced the evolution of trademark dilution jurisprudence from its humble beginnings as a branch of traditional infringement law to the present complexities of the FTDA.\textsuperscript{46} The Court relied on the legislative history to demonstrate that Congress intended to include the actual-harm standard in the FTDA.\textsuperscript{47} The Court then compared the state statutes with the FTDA and concluded that the "text unambiguously require[d] a showing of actual dilution, rather than a likelihood of dilution."\textsuperscript{48} Justice Stevens further supported that conclusion by referring to the definition section of the FTDA.\textsuperscript{49} In deciding what types of proof would be available to a plaintiff demonstrating actual dilution, the Court criticized the Fourth Circuit's suggestion of using revenue reports to demonstrate actual economic loss.\textsuperscript{50} Instead, the Supreme Court noted that, while proof of mere mental association was

\textsuperscript{45} Id. at 477. Dilution by tarnishment "occurs when a famous mark is improperly associated with an inferior or offensive product or service." Panavision Int'l v. Topeppen, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998) (citing Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows, Corp., 937 F. Supp. 204, 209 (S.D.N.Y. 1996)). Dilution by blurring "occurs when a defendant uses a plaintiff's trademark to identify the defendant's goods or services, creating the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product." Id. at 1326 n.7 (citing THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:68, at 24-111 (4th ed. 1997)).


\textsuperscript{47} See id. at 1123 ("[T]he purpose of [the FTDA] 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." (quoting H.R. REP. NO. 104-374, at 1029 (1995), \textit{reprinted in} 1995 U.S.C.C.A.N. 1029, 1029)).

\textsuperscript{48} See id. at 1124. The state statutes included the "likelihood of harm" standard, while the FTDA would grant relief only in cases where the use of the senior mark "cause[d] dilution." Id. (emphasis omitted) (citing 15 U.S.C. § 1125(c)(1) (2000)).

\textsuperscript{49} See 15 U.S.C. § 1127 (2000). This section 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 (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." Id. (emphasis added). The Court stated that "[t]he contrast between the initial reference to an actual 'lessening of the capacity' of the mark, and the later reference to a 'likelihood of confusion, mistake, or deception' in the second caveat confirms the conclusion that actual dilution must be established." Moseley, 123 S. Ct. at 1124.

\textsuperscript{50} Moseley, 123 S. Ct. at 1124.
insufficient, "other means" such as consumer surveys could be used. Therefore, since the plaintiffs failed to demonstrate actual harm according to the new standard, the Court reversed the Sixth Circuit and remanded the case for further proceedings.

Part I of this Note describes the changing landscape of decisions regarding the FTDA among the circuits, as well as other jurisdictions, prior to the Supreme Court's decision in the Moseley case. In Part II, this Note discusses a number of additional fortifications for the holding in Moseley. Specifically, this Note analyzes the legislative histories of the FTDA and the TAA, as well as various policy considerations that support the inclusion of actual harm into the dilution analysis. This Note also discusses the availability of administrative proceedings before the Trademark Trial and Appeal Board (TTAB), which the senior mark holder may use to adjudicate its dilution claim, and the effect of these proceedings on the actual-harm standard. Finally, this Note examines various methods of proving actual harm.

I. DIVERGENCE OF THE DILUTION ANALYSIS IN THE RINGLING BROTHERS AND NABISCO DECISIONS

In Ringling Brothers, the Fourth Circuit held that a plaintiff must show actual dilution in order to prevail in a trademark dilution claim under the FTDA. The Second Circuit refused to follow the actual-dilution standard imposed in Ringling Brothers and instead decided that the proper standard should be likelihood of dilution. The Sixth Circuit's opinion in V Secret Catalogue may be characterized as a recompilation of these two decisions by its sister courts. Because the Supreme Court

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51 Id. at 1125.
52 Id. The Supreme Court was dissatisfied with the plaintiff's proof because it "had nothing to say about the impact of [the defendant's] name on the strength of [the plaintiff's] mark." Id.
55 V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 471 (6th Cir. 2001), rev'd, 123 S. Ct. 1115 (2003) ("The leading cases are Ringling Brothers, in which the Fourth Circuit held that a plaintiff must provide evidence of actual, present injury to the famous mark, and Nabisco, in which the Second Circuit explicitly rejected the Fourth Circuit's more stringent approach.") (citation omitted).
essentially adopted the analysis of the Fourth Circuit in _Ringling Brothers_\(^{56}\) and reversed the Sixth Circuit's holding in _V Secret Catalogue_, a decision primarily buttressed by _Nabisco_,\(^{57}\) a detailed discussion of those cases and their progeny will provide a better insight into the reasoning of the Supreme Court in _Moseley_.\(^{58}\)

A. Ringling Brothers and the Actual-Harm Standard

Ringling Brothers began advertising its circus as "The Greatest Show on Earth" in 1872.\(^{59}\) In 1962, the Utah Division of Travel Development ("Utah") began using a trademark "The Greatest Snow on Earth" to promote Utah's burgeoning winter tourism industry.\(^{60}\) Both marks were federally registered, Ringling Brothers' mark in 1961 and Utah's mark in 1997.\(^{61}\) In 1996 Ringling Brothers sued Utah for injunctive and monetary relief, claiming dilution under the FTDA. The district court rejected Ringling Brothers' offer of proof, which consisted of a viewer survey, and found for Utah. Ringling Brothers appealed, challenging the district court's interpretation of dilution, which required that the plaintiff show actual harm.\(^{62}\)

Although the Fourth Circuit did not agree with "every particular" of the district court's interpretation of dilution, it agreed with "its basic points."\(^{63}\) The court began its reasoning by examining the evolution of the trademark dilution law.\(^{64}\)

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\(^{56}\) See _Moseley_, 123 S. Ct. at 1124–25.

\(^{57}\) See _V Secret Catalogue, Inc._, 259 F.3d at 474–76.

\(^{58}\) See, e.g., _Eli Lilly & Co. v. Natural Answers, Inc._, 233 F.3d 456, 468 (7th Cir. 2000) (adopting the Second Circuit's interpretation of FTDA definition of dilution); _Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C._, 212 F.3d 157, 168–69 (3d Cir. 2000) (siding with the Second Circuit's position); _Westchester Media v. PRL USA Holdings, Inc._, 214 F.3d 658, 670 (5th Cir. 2000) ("[W]e endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute."); _Cable News Network, L.P. v. CNNEWS.COM_, 177 F. Supp. 2d 506, 521 (E.D. Va. 2001) (adopting the Fourth Circuit's requirement of actual harm, while disagreeing with its appellate court's decision in _Nabisco_).

\(^{59}\) _Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev._, 170 F.3d 449, 451 (4th Cir. 1999).

\(^{60}\) Id.

\(^{61}\) Id. at 451–52.

\(^{62}\) Id. at 452.

\(^{63}\) Id. at 453.

\(^{64}\) Id. ("The concept of trademark 'dilution'... is commonly traced (though there were exploratory judicial antecedents) to Frank I. Schechter." (citing _RESTATEMENT (THIRD) OF UNFAIR COMPETITION_ § 25 cmt. b. (1995)); _see also supra_
Additionally, the court described the various states' antidilution statutes, particularly the interpretation of those statutes by their respective state courts. Based on that analysis, the court concluded that "the most significant feature of the state antidilution statutes has been their requirement that only a 'likelihood of dilution' rather than actual dilution need [to] be proved." The court also concluded that the FTDA's definition of dilution as the "lessening of the capacity of a famous mark to identify and distinguish goods or services" directly referred to the "selling power" and hence not the "distinctiveness" of the mark. Comparing the states' method of dilution protection to the FTDA provisions, the Fourth Circuit held that the FTDA's definition of dilution consisted of the following elements: "(1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) actual harm to the senior marks' economic value as a product-identifying and advertising agent." Applying this actual-harm standard to Ringling Brothers' evidence, the court concluded that a consumer survey, which merely aims to demonstrate "instinctive mental association" of the two marks, is insufficient to show dilution. The Fourth Circuit suggested the types of evidence that might be used to show such an ethereal concept as dilution. The court conceded that, while evidence of actual economic loss is the most probative, a plaintiff will have the hardest time obtaining such evidence. The Fourth Circuit examined other alternatives for the plaintiff, such as a "skillfully constructed consumer survey designed . . . to demonstrate . . . consumer impressions from which actual harm and cause might rationally be inferred."
Finally, the court included a non-exclusive list of factors that might be indirectly relevant to showing dilution, such as the "junior mark's exposure, the similarity of the marks, [and] the firmness of the senior mark's hold."\(^{73}\)

A number of other jurisdictions followed the Fourth Circuit's standard of actual harm.\(^{74}\) For example, in *Cable News Network, L.P. v. CNNEWS.COM*, the Virginia district court concluded there was no dilution when the plaintiff failed to provide evidence, such as proof of actual loss of revenues, which *Ringling Brothers* suggested was among that most probative of actual harm.\(^{75}\) Likewise, in *Westchester Media v. PRL USA Holdings, Inc.*, the Court of Appeals for the Fifth Circuit endorsed the actual-harm standard\(^{76}\) by distinguishing the FTDA from various state statutes.\(^{77}\) The court also criticized the Second Circuit's decision in *Nabisco* for failing to follow the plain meaning of the FTDA.\(^{78}\) The Fifth Circuit concluded: "[I]n the absence of any authority stating that Congress intended a 'likelihood of dilution' standard for the FTDA, [the court] may not depart from the plain meaning of the statute."\(^{79}\)

B. *Nabisco and the Likelihood of Dilution Standard*

In *Nabisco*, the defendant, Pepperidge Farm, marketed "Goldfish" crackers beginning in 1962 and subsequently obtained numerous trademark registrations for the name and appearance of the crackers.\(^{80}\) In 1998, Nabisco entered into a joint promotion with Nickelodeon Television Network to market crackers in the
shape of characters of a "CatDog" cartoon.\textsuperscript{81} Some of the crackers were in the shape of a fish closely resembling the Pepperidge Farm Goldfish. After Pepperidge Farm requested that Nabisco cease and desist marketing the CatDog crackers, Nabisco filed a complaint seeking a declaratory judgment that Nabisco did not violate any of Pepperidge Farm's trademark rights.\textsuperscript{82} In response, Pepperidge Farm filed a counterclaim alleging dilution under the FTDA.\textsuperscript{83} The district court ruled in favor of the defendant, applying the likelihood of dilution standard.\textsuperscript{84} The court held that the Goldfish mark was "protectable under the antidilution... statutes"; Nabisco appealed.\textsuperscript{85}

The Second Circuit interpreted the FTDA to include distinctiveness as one of the five elements of dilution.\textsuperscript{86} The court reasoned that distinctiveness "is a characteristic quite different from fame" and "places marks on a ladder reflecting their inherent strength or weakness."\textsuperscript{87} According to that analysis, a famous mark might be totally indistinctive and hence not fit within the protection scheme of the FTDA.\textsuperscript{88} The court concluded that the Goldfish mark was distinctive enough to fulfill that requirement.\textsuperscript{89}

In order to determine if dilution occurred, the district court applied a six-factor test that Judge Sweet established in his concurring opinion in \textit{Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.}\textsuperscript{90} The Second Circuit rejected the \textit{Mead Data} test\textsuperscript{91} and instead adopted a longer, but a similar list of factors:

\begin{itemize}
\item \textsuperscript{81} \textit{Id.} at 213.
\item \textsuperscript{82} \textit{Id.}
\item \textsuperscript{83} \textit{Nabisco, Inc. v. PF Brands, Inc.}, 50 F. Supp. 2d 188, 194 (S.D.N.Y. 1999), \textit{aff'd}, 191 F.3d 208 (2d Cir. 1999).
\item \textsuperscript{84} \textit{Nabisco}, 191 F.3d at 214.
\item \textsuperscript{85} \textit{Id.}
\item \textsuperscript{86} \textit{Id.} at 215.
\item \textsuperscript{87} \textit{Id.}
\item \textsuperscript{88} \textit{Id.} at 216 ("A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the anti-dilution statute seeks to protect.").
\item \textsuperscript{89} \textit{Id.} ("[T]he Pepperidge Farm Goldfish mark is... reasonably distinctive—certainly sufficiently so to qualify for the statute's protection.").
\item \textsuperscript{90} \textit{Id.} in \textit{Mead Data Central, Inc.}, 875 F.2d 1026 (2d Cir. 1989), Judge Sweet set forth six factors to be considered in determining dilution: (1) similarity of the marks (2) similarity of products, (3) sophistication of consumers, (4) predatory intent, (5) renown of the senior mark, and (6) renown of the junior mark. \textit{Id.} at 1035–39 (Sweet, J., concurring).
\item \textsuperscript{91} \textit{Nabisco}, 191 F.3d at 227–28 ("[I]n our view, the \textit{Mead Data} list, at least as
(1) distinctiveness; (2) similarity of the marks; (3) proximity of the products; (4) interrelationship among the distinctiveness, similarity, and proximity; (5) shared consumers and geographic limitations; (6) sophistication of consumers; (7) actual confusion; (8) referential quality of the junior use; (9) harm to the junior user and delay by the senior user; and (10) the effect of the senior's prior failure to protect its mark.92 The Nabisco court described the list of factors as "nonexclusive" and suggested that the courts should develop additional factors "gradually over time" depending on the facts of each particular case.93 In applying those factors to the case at hand, the Second Circuit concentrated on the distinctiveness of the Goldfish mark, the degree of similarity between the two marks, the close proximity of the two products, and the low level of consumer sophistication.94 As a result of that analysis, the court concluded that the defendant demonstrated that "Nabisco's commercial use of its goldfish shape will dilute the distinctiveness of Pepperidge Farm's . . . mark."95

The Second Circuit criticized the requirement of proof of actual harm in Ringling Brothers.96 The court surmised that the types of proof that the Fourth Circuit proposed, such as revenue reports or consumer surveys, would be unreliable.97 The court reasoned that the causation between dilution and diminished revenues would be tentative and the senior mark holder could easily manipulate consumer surveys.98 Also, the court disagreed with the Fourth Circuit's interpretation of the FTDA.99 While the court admitted that a literal reading of the statute would yield the result reached in Ringling Brothers, it reasoned that

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92 Id. at 217–22. The Second Circuit placed tremendous importance on distinctiveness in the dilution analysis since it is not only a statutory element but also one of the factors used to determine if dilution occurred. Id. at 217–18 ("In our view, distinctiveness plays a dual role.").
93 Id. at 217.
94 Id. at 222.
95 Id.
96 Id. at 223.
97 Id. at 223–24; see also infra Part II.C.
98 Nabisco, 191 F.3d at 224.
99 Id.
such a reading contradicted the intent of the statute. Under the actual-harm standard, the senior user would not be adequately compensated and the junior user would not be able to seek declaratory relief until the injury occurs.

Other circuits have followed the Nabisco decision and rejected the Fourth Circuit's standard of actual harm. In Eli Lilly & Co. v. Natural Answers, Inc., the Court of Appeals for the Seventh Circuit found that the Fourth Circuit's standard of actual proof imposed "an impossible level of proof." Consequently, the court held that the likelihood of dilution standard adequately tracks the "causes dilution" language of the FTDA, although the Seventh Circuit dismissed several Nabisco factors in a cursory fashion. Additionally, the Third Circuit, in Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., applied the Nabisco factors to find dilution. The court "consider[ed] the dilution analysis in Nabisco helpful" and did not evaluate whether the defendant actually harmed the plaintiff's mark. It adopted the likelihood of dilution standard by affirming the district court's decision, which used a similar standard.

100 Id. ("In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute."). The Second Circuit believed that the FTDA drafters intended to grant broad protection to senior mark holders. If an actual-harm standard was adopted, the senior mark holder's ability to bring a suit under the FTDA would be severely limited. This is counterintuitive to the purpose of the legislation. Id. at 224-25.

101 Id. ("[W]e read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred.").


103 233 F.3d 456 (7th Cir. 2000).

104 Id. at 468.

105 Id. ("It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible.").

106 See id. at 468-69 (deciding to examine only two factors).

107 212 F.3d 157 (3d Cir. 2000).

108 Id. at 168-69.

109 Id. at 168.

110 See id. at 169 (agreeing with the district court that actual injury and irreparable harm need not always be present simultaneously).

111 See id. at 168-69 (restating the district court's holding that the plaintiff sufficiently demonstrated the "likelihood that [defendant's] use of [its mark] lessens the capacity of [the plaintiff's mark] to identify and distinguish [the plaintiff's]
II. INTERPRETATION OF DILUTION AS DEFINED IN THE FTDA, ITS LEGISLATIVE HISTORY, AND THE UNDERLYING POLICY CONSIDERATIONS

There are additional compelling reasons that would further support the Supreme Court's holding in Moseley, such as various portions of the legislative history of the FTDA and the TAA. The Court did not touch on the role of TTAB proceedings in the standards used in the FTDA. Furthermore, while the Supreme Court rejected the view of the Fourth Circuit, allowing evidence in the form of actual economic loss, the Court did not define any cogent "means of demonstrating actual dilution."  

A. The Meaning and Intent of the Federal Dilution Legislation

The Supreme Court, by interpreting the statute, concluded that an actual-harm standard was appropriate. The Court, however, did not criticize the Sixth Circuit's erroneous interpretation of the statute, which specifically identified the distinctiveness of the mark as a premier reason for adopting the likelihood of dilution standard. In V Secret Catalogue, the Sixth Circuit attempted to contrast the rights granted to a senior user through the distinctiveness of a mark with the user's "property right[s] in gross." This distinction is impractical since a protection scheme based on distinctiveness of a senior mark would grant the senior mark holder unlimited rights. Although Schechter envisioned such protection in his revolutionary article on trademark dilution, even the Sixth Circuit did not adopt it. The Sixth Circuit conceded that
“property right[s] in gross” would extend the reach of the dilution analysis beyond rational limitations. Thus, if Congress intended to adopt such an overarching measure, it would make that intent perfectly clear. Such intent is missing from the statute, and the mere presence of the word “distinctiveness” in the text is an example of inaccurate legislative drafting. Therefore, it appears that, although the FTDA intended to provide a broad remedy for trademark dilution, the statute did not advocate a measure that would adopt a broad standard of likelihood of dilution.

The actual dilution standard is also supported by the legislative history of the FTDA and the TAA. In 1995, when Congress passed the FTDA, it noted that twenty-five of the states had “laws that prohibit[ed] trademark dilution.” Thus, Congress was aware of the nuances of the dilution theory, specifically the state remedies and standards, and as a result, it chose to exclude the “likelihood” standard from the statute.

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120 V Secret Catalogue, Inc., 259 F.3d at 475-76 (defining distinctiveness as failing to reach the “property right in gross”).

121 See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 459 (4th Cir. 1999) (“[W]e simply cannot believe that, as a general proposition, Congress could have intended, without making its intention to do so perfectly clear to create property rights in gross . . . .”).

122 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:91, at 24-158.5—24-158.6 (4th ed. 2003) (stating that the FTDA’s repetition of “distinctiveness” was included as a result of accidental failure to delete the word which was an old requirement in trademark registration). McCarthy’s treatise also dismissed “distinctiveness” as a synonym for “fame.” Id. at 24-158.6 to 24-161.


125 See Kim, supra note 4, at 753 n.207 (finding that the FTDA was modeled on state legislation). But see Petitioners’ Brief on the Merits at 24, Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 (2003) (No. 01-1015) (“Congress intended the FTDA to stand on its own, apart from the state dilution laws . . . . For this reason, the FTDA must be construed independently from court decisions interpreting pre-FTDA state dilution statutes.”).

The legislative history of the TAA discloses an even clearer statement of Congressional intent to exclude the likelihood of dilution standard. Congress was fully aware of the Fourth Circuit's decision in Ringling Brothers, yet the TAA is devoid of any amendments that would instruct the judiciary of Congressional disapproval. "Generally, when Congress enacts a statute that has been interpreted by the courts, it is 'presumed to be aware of... judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.' Therefore, by omission, the TAA does not support adoption of the likelihood of dilution as the proper standard.

The legislative history of the TAA is replete with examples that demonstrate Congressional intent to exclude the likelihood of dilution standard, but the Supreme Court only considered the legislative history of the FTDA.

B. Availability of Administrative Proceedings in Trademark Protection and Their Effect on the Dilution Standards

The majority of this Note has discussed the ability of a senior user to seek legal protection for its federally registered mark in the federal courts. Another option for a senior user is to initiate an administrative proceeding before the TTAB. Of particular concern is the senior user's option of bringing either an opposition or a cancellation proceeding before the TTAB.

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128 See 145 CONG. REC. S7, 454 (daily ed. June 22, 1999) (statement of Sen. Hatch) ("At least one circuit has held that likelihood of dilution is not enough, the trademark owner must prove actual dilution.").


131 See H.R. REP. NO. 106-250, at 2-3 (summarizing the amendments and the known controversies but not discussing the actual harm or the likelihood of dilution standards).

132 See supra note 48 and accompanying text.

133 See MCCARTHY, supra note 122, at 20-99 (4th ed. 1998)

An opposition proceeding allows the senior user to block the registration of a junior user's mark, while a cancellation proceeding provides the senior user with an opportunity to cancel a federally registered junior user's mark within a limited time period. The standard that the TTAB used to evaluate these proceedings is "likelihood of confusion" based on the factors established in In re E. I. Du Pont de Nemours & Co. That standard seems to conflict with the FTDA, which stated that "'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 . . . likelihood of confusion." Nevertheless, the TAA amended the pertinent sections of the federal trademark law and added dilution as a type of damage for which a senior user may commence either an opposition or a cancellation proceeding.

135 See 15 U.S.C. § 1063(a) (2000) ("Any person who believes that he would be damaged by the registration of a mark upon the principal register . . . may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor.").

136 See 15 U.S.C. § 1064 ("A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged.").

137 476 F.2d 1357, 1361(1973). The United States Court of Customs and Patent Appeals Reports, renamed to the United States Court of Appeals for the Federal Circuit in 1983, stated that the following factors are among those that should be evaluated when determining likelihood of confusion:

(1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression. (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use. (3) The similarity or dissimilarity of established, likely-to-continue trade channels. (4) The conditions under which and buyers to whom sales are made, i.e., "impulse" vs. careful, sophisticated purchasing. (5) The fame of the prior mark (sales, advertising, length of use). (6) The number and nature of similar marks in use on similar goods. (7) The nature and extent of any actual confusion. (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.

Id. at 1361–62.


139 See 15 U.S.C. § 1063(a) ("Any person who believes that he would be damaged . . . as a result of dilution under section 1125(c) . . . ") (emphasis added); 15 U.S.C. § 1064 ("A petition to cancel a registration of a mark . . . may . . . be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 1125(c) . . . ") (emphasis added).
There are a number of factors that support the inclusion of "likelihood of dilution" standard in opposition and cancellation proceedings. First, the practical purposes of these proceedings demand a standard that allows the arbiter to determine whether the junior user's likelihood of harming the senior user in the future and not whether the junior user has already brought actual harm. A mark that is in the process of being registered, or has only been registered for a short time, cannot cause actual economic harm because it simply has not been used in the marketplace. Second, the legislative history of the TAA clearly indicates that when Congress included dilution in the list of allowable damages for opposition and cancellation proceedings, it intended to provide the senior user with the option of preventing any future harm that might be caused by dilution.\textsuperscript{140} The House Report on the TAA described the purpose of the statute's amendments as "provid[ing] certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark."\textsuperscript{141} Consequently, a less strict standard, likelihood of dilution, is appropriate for use in proceedings before the TTAB.

The use of a more stringent standard, actual harm, in the federal courts is supported by the availability of a more lenient administrative forum that provides a more flexible weapon against the junior user. Unlike in an administrative proceeding before the TTAB where the future damage is merely speculative, in a regular trademark dilution trial, the senior user has already suffered the harm; therefore, the senior user should demonstrate actual harm before the court grants any relief. Furthermore, the TAA has brought about multiple amendments that grant the senior user the option of preventing marks that have a potential to dilute its mark from being registered.\textsuperscript{142} A failure by the senior user to exercise that option should not be rewarded by a grant of the availability of lenient standards in all available

\textsuperscript{140} See H.R. REP. NO. 106-250 (1999), reprinted in 1999 U.S.C.C.A.N. 218; see also Orwick, supra note 127, at 1178–80 (describing the language, the legislative history, and the policy reasons as supporting the use of likelihood of dilution standard during opposition and cancellation proceedings).

\textsuperscript{141} H.R. REP. NO. 106-250, at 5–6.

therefore, the courts trying FTDA cases should use an actual-harm standard, unlike the TTAB, which should use a more lax standard.

C. Methods of Proving Actual Harm

In *V Secret Catalogue*, the Sixth Circuit contended that proof of actual harm is nearly impossible to obtain and, as a result, such a standard is impractical. In addition, the Fourth Circuit stated in *Ringling Brothers* that "[i]mpossibility or near impossibility of proving [elements of actual harm] does not support their judicial presumption." Conversely, the *Ringling Brothers* court suggested that proof of actual harm might come in the form of revenue reports, which demonstrate economic loss, or a "skillfully constructed consumer survey." Although the Supreme Court has rejected the portion of the *Ringling Brothers* opinion that recommended the use of revenue reports, it did not address the issue of what types of proof the plaintiffs should use in demonstrating actual harm.

In *Nabisco*, the Second Circuit criticized both types of proof proposed by the Fourth Circuit: the revenue reports and consumer surveys. The court found that the revenue reports have two major flaws. First, the actual loss suffered by the senior user may be impossible to show "no matter how obvious it was that the junior use diluted the distinctiveness of the senior." Second, if the senior user could demonstrate such loss, the connection between the dilution of the mark and the economic loss would be extremely tentative. The Second Circuit also dismissed surveys as “expensive, time-consuming

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143 See Orwick, *supra* note 127, at 1182 ("[S]enior users that are able to initiate administrative proceedings before the TTAB but fail to do so should be subject to a more stringent standard.").
146 *Id.* at 465.
149 *Id.*
150 *Id.*
151 *Id.* at 224.
and not immune to manipulation.” The Supreme Court rejected that view and stated that “[w]hatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.”

Both the Second Circuit and the Supreme Court doubted the viability of revenue reports in proving actual harm; however, a number of jurisdictions and scholars have proposed a variety of ways to use revenue reports. A revenue report that demonstrates actual harm would focus on the time period when the junior user first misappropriated the senior mark. The report would include the revenue figures of both the junior and the senior users. If the report disclosed “a gradual shift in revenue” from the senior user to the junior user during the time period when the junior user began using the mark in dispute, then there is a showing of dilution of a senior mark. Thus, the senior user might be able to show actual economic loss that was caused by dilution of its mark.

A consumer survey may be more relevant in proving actual harm because the causation of the dilution is more apparent in such a survey than in a revenue report. The Ringling Brothers court suggested that such a survey would not only need to demonstrate “mental association” of the marks at issue but it would also need to show “consumer impressions from which actual harm and cause might rationally be inferred.”

152 Id.
154 See, e.g., Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 465 (4th Cir. 1999) (proposing certain types of proof that could be used to show actual harm, although the court conceded that such proof is difficult to obtain).
155 See Kim, supra note 4, at 749–50.
157 See Seitz, supra note 156, at 155–56.
158 Ringling Bros., 170 F.3d at 465; see also Patrick M. Bible, Defining and Quantifying Dilution Under the Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution, 70 U. Colo. L. Rev. 295, 312–13 (1999) (describing how to construct a consumer survey that would demonstrate that dilution has occurred and that it was caused by the junior mark holder's continual abuse of the senior holder's mark).
159 Ringling Bros., 170 F.3d at 465 (“An effective survey, then, must establish not only that consumers associate the mark with both parties, but also that some
surveys would obtain responses from two pools of consumers. A first pool would consist of consumers who have been exposed only to the senior mark, and a second pool would be composed of consumers who have come in contact with both of the marks. The survey would then compare the recognition and association of the marks by the consumers from both pools. Thus the party presenting the survey as proof could use the survey to demonstrate the causal connection between dilution of the senior mark and actual economic loss. In Moseley, the Supreme Court did not fully explore the options that a well-constructed consumer survey provides. The Court merely decided that the evidence used by the plaintiffs was insufficient to support summary judgment because "[t]here [was] a complete absence of evidence of any lessening of the capacity of the [plaintiffs'] mark to identify and distinguish goods or services sold in [plaintiffs'] stores or advertised in its catalogues."  

CONCLUSION  

Based on the legislative history of the FTDA and the TAA, it is clear that Congress did not intend to make the likelihood of dilution the standard for evaluating dilution in the federal arena of trademark protection. Additionally, an administrative forum is available where a more lenient standard can be used to adjudicate dilution claims. The existence of such forums dictates that the trial courts should use a stricter standard of actual harm. Furthermore, proof of actual harm is not an impossible undertaking; as demonstrated in this Note, there are various alternatives for achieving that goal.