VICTORIA'S SECRET SUFFERS TRADEMARK SET-BACK

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On March 4, 2003, the United States Supreme Court issued a landmark decision in the trademark battle between "Victor's Little Secret" and "Victoria's Secret". Victor Mosely and Cathy Mosely, dba Victor's Little Secret v. V Secret Catalogue, Inc., No. 01-1015 (U.S.). To resolve conflicting caselaw among the Circuits, the Court's decision clarified that the Federal Trademark Dilution Act (15 U.S.C. §§ 1125(c)(1), 1127) requires *actual* dilution rather than likelihood of dilution. The Court then reversed a summary judgment order and remanded the case on account of insufficient evidence that "Victor's Little Secret" actually diluted the "Victoria's Secret" trademark.

The Court's decision bears several important lessons. First, it highlights the difference between trademark infringement and trademark dilution causes of action. Second, it teaches that a trademark owner must submit some evidence of actual dilution, although the consequences of that dilution do not have to be proved. Third, it ensures that the parties and courts will continue to struggle with the concept of trademark dilution as they seek to define what constitutes "sufficient" evidence of dilution.

The case stemmed from Victor and Cathy Moseley's operation of an adult novelty store named "Victor's Secret" in Elizabethtown, Kentucky. Victoria's Secret learned of the store and, fearing that the "Victor's Secret" name might confuse consumers and/or tarnish Victoria Secret's image, asked the Moseleys to halt use of that name. The Moseleys changed the store's name to "Victor's Little Secret", but Victoria's Secret remained unsatisfied. It filed a suit in District Court against the Moseleys and asserted claims of trademark infringement, unfair competition and trademark dilution.

Finding no likelihood of consumer confusion, the District Court granted summary judgment for the Moseleys on the claims of trademark infringement and unfair competition. However, it granted summary judgment for Victoria's Secret on its claim of trademark dilution under the Federal Trademark Dilution Act. The Moseleys appealed the dilution ruling, but the 6th U.S. Circuit Court of Appeals affirmed. The Moseleys then appealed to the U.S. Supreme Court and won a reversal.

The U.S. Supreme Court began its discussion by noting that trademark infringement laws are designed to protect consumers. The primary goal is to prevent consumers from being misled or mistaken about the source or sponsorship (and hence the quality or other expected characteristics) of a product or service. Accordingly, the standard test for trademark infringement is whether the use of the competing trademarks results in a likelihood of confusion.

In contrast, the Court explained, trademark dilution laws are designed to protect trademark owners. The focus is on preserving the uniqueness of a trademark so that the strength of the trademark (its ability to serve as a unique source-identifier) is not diluted by another party's use of a trademark.

The Court then noted that although the trademark infringement statutes repeatedly refer to a "likelihood" of harm rather than to a completed harm, the Federal Trademark Dilution Act does not. The Act instead provides that the owner of a famous trademark is entitled to injunctive relief against another party's use of a trademark if that use "causes dilution of the distinctive quality". 15 U.S.C. § 1125(c)(1).

Furthermore, 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-- (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127. Although the term "likelihood" was mentioned in the definition, it was not made part of the definition of dilution.

The Court took all of these distinctions to mean that the Act "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution." Accordingly, to prove dilution, a trademark owner must submit evidence demonstrating an *actual* lessening of the trademark's capacity to identify and distinguish goods or services, not merely the *likelihood* of such lessening.

Turning to the record in the case, the Court found that there was a "complete absence of evidence of any lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs." There was evidence that a consumer had received a Victor's Secret advertisement, and that the consumer was offended by the ad and thought of the similarity to the name "Victoria's Secret" (so much so that he forwarded the ad to Victoria Secret's attention). However, there was no evidence that the consumer had changed his perception of Victoria's Secret; the consumer's offense was directed entirely at Victor's Secret, and there was no evidence of any impact on the Victoria's Secret trademark.

Similarly, although Victoria's Secret submitted an affidavit by a marketing expert who explained the strength and value of the Victoria's Secret trademark, the Court noted that "[n]either he, nor any other witness, expressed any opinion concerning the impact, if any, of [the Moseleys'] use of the name 'Victor's Little Secret' on that value." Having found no such evidence, the Court reversed the summary judgment of trademark dilution.

The Court's reversal confirms that, in regard to non-identical marks, a trademark owner cannot satisfy the dilution test by showing only that consumers mentally associate the trademarks at issue. "[S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner," the Court explained. Instead, the trademark owner must show that the diluting trademark causes consumers to change their impression of the owner's trademark. For example, the Court emphasized that although the complaining consumer saw the advertisement for "Victor's Secret" and mentally associated it with Victoria's Secret, he did not form any different opinion or impression of Victoria's Secret as a result of that association.

The Court's language, however, suggests that the standard may be different when the case involves identical trademarks. Specifically, the Court stated 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" (emphasis added). The Court thereby implied that when someone uses a trademark that is identical to a famous trademark, actual dilution may be proved simply by demonstrating that consumers mentally associate those trademarks.

Unfortunately, the Court did not specify how much evidence was required to demonstrate actual dilution. Whether having to prove both a mental association and a change in consumer perception in the case of non-identical trademarks, or having to prove only a mental association in the case of identical trademarks, the evidentiary showing required was left to the District Court on remand.

Therefore, parties and courts will continue to struggle with one of the most difficult, and expensive, aspects of trademark litigation – how much evidence is sufficient, and how such evidence is obtained. Traditionally, parties have had to employ costly consumer surveys to establish the requisite consumer perceptions, associations and changes thereto. Even with thorough and well-designed surveys, there often is debate over the sufficiency of the surveys' scope/coverage.

The Court recognized concerns that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, but it stated that such factors "are not an acceptable reason for dispensing with proof of an essential element of a statutory violation." The Court also explained that in certain situations, direct evidence of dilution (e.g., consumer surveys) might 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." Thus the Court again suggests a less stringent standard for cases involving identical trademarks.

The Court also clarified that its holding does not require a trademark owner to prove actual loss. Although a trademark owner must demonstrate actual dilution, it does not also need to demonstrate that the actual dilution results in actual loss of sales or profits. In other words, the owner must prove that the other party's use of a trademark causes consumers to change their impression of the owner's trademark, but the owner need not prove the adverse consequences of that the changed impression.

Furthering the idea that actual consequences are not required, Justice Kennedy's concurring opinion suggested that a trademark owner can obtain injunctive relief by proving dilution through the *probable* consequences flowing from use of the competing trademark. Noting that the role of injunctive relief is to "prevent future wrong, although no right has yet been violated," Justice Kennedy emphasized that an owner of a famous trademark, threatened with diminishment of the trademark's capacity to serve its trademark purpose, should be able to obtain injunctive relief against such dilution rather than having to wait until the damage is done.

It should be noted that this U.S. Supreme Court decision is one of the first in recent years to take a restrictive approach with respect to trademarks. While the Court has generally been quite liberal in evaluating trademark rights, this decision is instead based primarily on a literal reading of the statute. It will be interesting to see if this trend continues, particularly as many people perceive trademark owners to be acquiring increasingly broader rights through principles like trademark dilution.