

NO SECRETS ALLOWED: THE SUPREME COURT HOLDS  
THAT THE FEDERAL TRADEMARK DILUTION ACT  
REQUIRES PROOF OF ACTUAL DILUTION IN *MOSELEY v.*  
*V SECRET CATALOGUE, INC.*

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I. INTRODUCTION

In *Moseley v. V Secret Catalogue, Inc.*,<sup>1</sup> the Supreme Court ruled that proof of actual harm to the value of a famous trademark is required in order to obtain relief under the Federal Trademark Dilution Act (“FTDA”).<sup>2</sup> The decision marked the Court’s first analysis of the 1995 Act, which was designed “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.”<sup>3</sup> The ruling resolved a split between the Fourth Circuit and the Second Circuit as to whether a subjective likelihood of harm standard should apply to FTDA claims. Because the Court did not address how the owner of a famous mark should go about demonstrating dilution,<sup>4</sup> this issue will continue to be at the forefront of trademark law. After examining the factual background of the case in Part II, Parts III and IV will analyze the holdings of the district court and of the court of appeals. Part V will detail the Supreme Court’s decision and its implications.

II. FACTUAL AND PROCEDURAL BACKGROUND

Petitioners Victor and Cathy Moseley were the proprietors of “Victor’s Little Secret,” a retail store located in a strip mall in Elizabethtown, Kentucky. Originally named “Victor’s Secret,” the store opened on February 12, 1998. It sold “men’s and women’s lingerie, adult videos, sex toys and ‘adult’ novelties.”<sup>5</sup> The Moseleys claimed that they

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1. 537 U.S. 418 (2003).

2. *Id.* See 15 U.S.C. § 1125(c) (2003).

3. *Moseley*, 537 U.S. at 431 (quoting H.R. REP. NO. 104-374, at 1029 (1995)).

4. For the seminal discussion of trademark dilution, see Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

5. *V Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d (BNA) 1092, 1093 (W.D. Ky. 2000) (Simpson, C.J.).

were unaware of Victoria's Secret until they received a letter from its counsel on February 25, 1998, requesting that they cease and desist from using the name Victor's Secret. They subsequently changed the store's name to "Victor's Little Secret."

Respondents ("Victoria's Secret") were affiliated corporations that own the Victoria's Secret trademark and operate over 750 retail stores as well as an Internet Web site that sells Victoria's Secret products. Two of these stores were located in Louisville, Kentucky, within 60 miles of Victor's Little Secret. Victoria's Secret sells "moderately priced, high quality, attractively designed lingerie sold in a store setting designed to look like a wom[a]n's bedroom."<sup>6</sup> Its product line includes "lingerie, women's undergarments and nightwear, robes, caftans and kimonos, slippers, sachets, lingerie bags, hanging bags, candles, soaps, cosmetic brushes, atomizers, bath products and fragrances."<sup>7</sup> The company's 1998 advertising budget was \$55 million. Each year, Victoria's Secret distributes 400 million catalogs—39,000 in Elizabethtown alone.

An advertisement announcing the grand opening of Victor's Secret was disseminated on a military base in Fort Knox, Kentucky.<sup>8</sup> An army colonel who was forwarded a copy of the ad sent a copy to the Moseleys, stating that he was offended at what he perceived to be an attempt to use a "reputable company's trademark to promote the sale of 'unwholesome, tawdry merchandise.'"<sup>9</sup> Although the Moseleys changed the name of the store in response to the letter from Victoria's Secret requesting "immediate discontinuance of the use of the name 'and any variations thereof,'" Victoria's Secret was unsatisfied with this change.<sup>10</sup> Victoria's Secret then filed suit in federal district court.

### III. THE FEDERAL DISTRICT COURT DECISION

Victoria's Secret originally filed suit in the United States District Court for the Western District of Kentucky for trademark infringement and unfair competition pursuant to the Lanham Act<sup>11</sup> and the FTDA, as well as unfair competition under Kentucky common law.<sup>12</sup> Both plaintiff and defendant filed motions for summary judgment.<sup>13</sup> In evaluating Victoria's Secret's claims of federal infringement, the district court relied on factors set forth by the Sixth Circuit<sup>14</sup> to determine whether a likelihood of confusion existed, including:

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6. *Moseley*, 537 U.S. at 422-23 (citations omitted).  
7. *Id.* at 425 n.3 (citations omitted).  
8. *Id.* at 423.  
9. *Id.*  
10. *Id.*  
11. 15 U.S.C. § 1051 *et seq.* (2003).  
12. *Moseley*, 54 U.S.P.Q.2d (BNA) at 1093.  
13. *Id.*  
14. *See Frisch's Rest., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982).

1. strength of the plaintiff's mark
2. relatedness of the goods or services
3. similarity of the marks
4. evidence of actual confusion
5. marketing channels used
6. likely degree of purchaser care and sophistication
7. intent of the defendant in selecting the mark
8. likelihood of expansion of the product lines using the mark.<sup>15</sup>

The court held that, when taken as a whole, these factors did not establish a likelihood of confusion.<sup>16</sup> In addition, in granting defendant's motion for summary judgment on plaintiff's federal infringement claims, U.S. District Judge Charles R. Simpson III found the lack of any evidence of actual confusion between the two marks to be a "particularly strong indicator that confusion between the marks is unlikely."<sup>17</sup> Further, because it found that no likelihood of confusion existed as a matter of law, the court granted Victoria's Secret's motion for summary judgment on its federal unfair competition claims and its state law claim.<sup>18</sup>

In evaluating the FTDA claim, the court next considered whether defendant's use of the mark diluted the Victoria's Secret mark. Judge Simpson applied the four-factor test articulated by the Ninth Circuit in *Panavision International, L.P. v. Toeppen*,<sup>19</sup> which requires consideration of whether: (1) the mark is famous; (2) the defendant is making commercial use of its mark in commerce; (3) the defendant's use of its mark came after the plaintiff's mark became famous; and (4) the defendant's use of its mark dilutes the quality of the plaintiff's mark.<sup>20</sup> Because the first three factors were clearly met given the facts of the case, the court focused primarily on the fourth factor.<sup>21</sup> Given defendant's original store name of "Victor's Secret" and the subsequent addition of "Little" to the store's signage, Judge Simpson held that there was a sufficient similarity between the two marks to cause dilution.<sup>22</sup> Further, the district court found defendant's mark to have a tarnishing effect on the Victoria's Secret mark given the "more risqué quality" of its product line.<sup>23</sup> However, the court did not find that any blurring had

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15. *Moseley*, 54 U.S.P.Q.2d (BNA) at 1093.

16. *Id.* at 1094.

17. *Id.* at 1095.

18. *Id.*

19. 141 F.3d 1316 (9th Cir. 1998).

20. *Id.* at 1324; *Moseley*, 54 U.S.P.Q.2d (BNA) at 1096.

21. *Moseley*, 54 U.S.P.Q.2d (BNA) at 1096.

22. *Id.*

23. *Id.*

occurred.<sup>24</sup> Defendant ultimately was enjoined from using “Victor’s Secret” or “Victor’s Little Secret.”<sup>25</sup>

#### IV. THE DECISION OF THE SIXTH CIRCUIT COURT OF APPEALS

On appeal, defendant argued that the district court’s dilution analysis was flawed in light of the Second Circuit’s holding in *Nabisco, Inc. v. PF Brands, Inc.*,<sup>26</sup> and that it failed to require proof of actual economic loss, as dictated by the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*.<sup>27</sup> The United States Court of Appeals for the Sixth Circuit affirmed Judge Simpson’s decision, holding that the lower court’s dilution analysis was proper, and that proof of actual economic harm was not required.<sup>28</sup>

Noting that varying interpretations of the FTDA have prevailed in different circuits, the Sixth Circuit recognized that it previously had adopted the *Nabisco* test<sup>29</sup> for dilution in its decision in *Kellogg Co. v. Exxon Corp.*<sup>30</sup> Instead of the *Nabisco* test, the district court had applied the *Panavision* test,<sup>31</sup> which, although substantially similar to the *Nabisco* test, does not require the plaintiff to show that a mark is distinctive.<sup>32</sup> Indeed, on appeal, the plaintiff argued that the Victoria’s Secret mark was not distinctive.<sup>33</sup> However, considering the mark in its totality, the court concluded that Victoria’s Secret was arbitrary and fanciful, and thus, deserving of a high level of trademark protection.<sup>34</sup> The court believed that although the district court had applied a test other than the *Nabisco* test, it would have reached the same conclusion: that Victoria’s Secret had met the requirements of a dilution claim.<sup>35</sup>

Observing that it had not previously analyzed a dilution claim under the FTDA, the Sixth Circuit went on to review the lower court’s dilution analysis.<sup>36</sup> In doing so, it identified a circuit split on whether a plaintiff must prove “actual, present injury to its mark” in order to have a valid federal dilution claim.<sup>37</sup> The Fourth Circuit has required such injury,

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24. *Id.*

25. *Id.*

26. 191 F.3d 208 (2d Cir. 1999).

27. 170 F.3d 449, 460 (4th Cir. 1999).

28. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 477 (6th Cir. 2001) (Daughtrey, J.), *reh’g en banc denied*, Oct. 4, 2001.

29. *Nabisco*, 191 F.3d at 215.

30. 209 F.3d 562, 577 (6th Cir. 2000).

31. *See supra* notes 19–21 and accompanying text.

32. *Moseley*, 259 F.3d at 469.

33. *Id.* at 470.

34. *Id.*

35. *Id.* at 470–71.

36. *Id.* at 471.

37. *Id.*

while the Second Circuit has rejected this approach.<sup>38</sup> In addition, the Fifth Circuit has adopted the Fourth Circuit's requirement of an actual harm standard.<sup>39</sup> Comparing the Fourth Circuit's approach in *Ringling Bros.* with the Second Circuit's test in *Nabisco*, the Sixth Circuit determined that the "*Nabisco* test both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA."<sup>40</sup> Thus, the court rejected the actual harm requirement of *Ringling Bros.*:

[R]equiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.<sup>41</sup>

The court instead allowed "an inference of likely harm to the senior mark" rather than requiring actual proof.<sup>42</sup> Inquiring whether "a consumer would link a store called 'Victor's Little Secret' that sold women's lingerie with the more famous Victoria's Secret," Circuit Judge Martha Craig Daughtrey had "little doubt that the average consumer would make just such an association."<sup>43</sup> She concluded that customers "who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop."<sup>44</sup> In short, the court found that this situation was "a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)."<sup>45</sup>

## V. THE SUPREME COURT'S DECISION

The Supreme Court granted the petition for a writ of certiorari<sup>46</sup> to resolve the issue of whether "objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective 'likelihood of dilution' standard) is a requisite for relief under the FTDA."<sup>47</sup> Justice Stevens wrote the opinion for a unanimous Court with regard to Parts I, II and IV.<sup>48</sup> Chief Justice Rehnquist and Justices O'Connor, Kennedy, Souter, Thomas, and

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38. See *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). Cf. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

39. See *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

40. *Moseley*, 259 F.3d at 475.

41. *Id.* at 476.

42. *Id.*

43. *Id.* at 477.

44. *Id.*

45. *Id.*

46. *Moseley v. V Secret Catalogue, Inc.*, 535 U.S. 985 (2002).

47. *Moseley*, 537 U.S. at 422.

48. *Id.* at 420.

Breyer joined Justice Stevens' opinion with regard to Part III,<sup>49</sup> which discussed the legislative intent of the FTDA.<sup>50</sup> In addition, Justice Kennedy filed a concurring opinion.<sup>51</sup> The Supreme Court ultimately reversed the holding of the Sixth Circuit and remanded the case for further proceedings.<sup>52</sup>

In analyzing the basis of the district court's holding and of the affirmation by the court of appeals, the Court noted that "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."<sup>53</sup> The majority also focused on the specific statutory language of 15 U.S.C. § 1125(c), which allows the owner of a famous mark to seek relief if another's use of the mark "causes dilution of the distinctive quality" of the famous mark.<sup>54</sup>

Accordingly, the Court held that the statute "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."<sup>55</sup> Examining the statutory definition of dilution in § 1127,<sup>56</sup> the Court believed that "actual dilution must be established."<sup>57</sup> Furthermore, Justice Stevens observed that "the consequences of dilution, such as an actual loss of sales or profits" need not be proved.<sup>58</sup> Mere mental association between a junior user's mark and a famous mark is not enough to show dilution. The court found "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."<sup>59</sup> Although the Court recognized the "difficulties of proof" in showing dilution, it did not deem them "an acceptable reason for dispensing with proof of an essential element of a statutory violation."<sup>60</sup>

In his concurring opinion, Justice Kennedy focused on the term "capacity" in the statutory definition of dilution.<sup>61</sup> He observed that "'capacity' imports into the dilution inquiry both the present and the

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49. *Id.*

50. *See id.* at 430-31.

51. *Id.* at 435.

52. *Id.* at 434.

53. *Id.* at 432.

54. *Id.*; 15 U.S.C. § 1125(c) (2003).

55. *Moseley*, 537 U.S. at 433.

56. The definition is as follows: "The term '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 – (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 (2003).

57. *Moseley*, 537 U.S. at 433.

58. *Id.*

59. *Id.* at 434.

60. *Id.*

61. *Id.* at 435; 15 U.S.C. § 1127 (2003).

potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be diminished could suffice to show dilution.”<sup>62</sup> Thus, if the junior mark “lessen[s] the power of the famous mark to give customers the assurance of quality and the full satisfaction they have in knowing they have purchased goods bearing the famous mark, . . . dilution may be established.”<sup>63</sup> Kennedy suggested that the “probable consequences” of the use of the competing junior mark can demonstrate diminishment of the famous mark’s capacity.<sup>64</sup> He also noted that “[a] holder of a famous mark threatened with diminishment of the mark’s capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.”<sup>65</sup> In short, although the majority found insufficient evidence in the record to support summary judgment on the dilution claim,<sup>66</sup> Justice Kennedy believed that Victoria’s Secret may be able to obtain injunctive relief if it could demonstrate blurring or tarnishment on remand.<sup>67</sup>

## VI. CONCLUSION

The decision in *Moseley v. V Secret Catalogue, Inc.*, is the Supreme Court’s first interpretation of the FTDA. The Court held that proof of actual dilution is necessary to support a claim under the statute.<sup>68</sup> It therefore agreed with the Fourth Circuit’s decision in *Ringling Bros.*, which had concluded that where the marks are not identical, mere mental association between a junior mark and a famous mark is insufficient to prove actionable dilution.<sup>69</sup> Such association does not “necessarily reduce the capacity of the famous mark to identify the goods of its owner” as required by the FTDA to show dilution.<sup>70</sup> The Stevens majority disagreed with the Fourth Circuit’s suggestion that the consequences of dilution, such as actual losses in sales or profits, must be demonstrated.<sup>71</sup> Although Justice Stevens recognized that providing such proof of dilution may be difficult, the Court’s decision did not suggest how the owner of a famous mark may best go about accomplishing this task.<sup>72</sup> To the extent that Victoria’s Secret is able to present sufficient evidence of blurring or tarnishment on remand, the

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62. *Moseley*, 537 U.S. at 435-36 (Kennedy, J., concurring).

63. *Id.* at 435.

64. *Id.*

65. *Id.* at 436.

66. *Id.* at 435.

67. *Id.* at 436.

68. *Id.* at 435.

69. *Id.* at 433.

70. *Id.*

71. *Id.*

72. *Id.* at 434.

company may be able to obtain injunctive relief against Victor's Little Secret.<sup>73</sup>

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73. *Id.* at 436.