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# Demonstrating the Requisite Level of Proof for a Federal Trademark Dilution Claim: Establishing Actual Dilution Following *Moseley v. Victoria's Secret*

Michael J. Schwarz\*

## Introduction

In March of 2003, the Supreme Court decided *Moseley v. Victoria's Secret Catalogue, Inc.*<sup>1</sup> In *Moseley*, the Court was called upon to determine the level of proof required to establish a *prima facie* case of trademark dilution under the Federal Trademark Dilution Act (FTDA).<sup>2</sup> The Court held that the FTDA unequivocally requires "objective proof of actual injury" before the holder of a senior mark can fashion a successful federal claim of trademark dilution against a junior user.<sup>3</sup> As such, the *Moseley* decision overruled the "likelihood of dilution" standard used in several federal courts to establish a claim of dilution under the FTDA.<sup>4</sup>

Trademark dilution occurs where a third party uses a mark that is either identical or substantially similar to the original mark, thereby diminishing the distinctiveness of the original mark.<sup>5</sup> While *Moseley* established the test of dilution, the Court's decision "has created uncertainty as to how much evidence, [and] what type of evidence, [will] be enough [to prove

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

2. *Id.* at 421-22 ("The question we granted certiorari to decide is 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.").

3. *Id.* at 422, 433.

4. See, e.g., *Kellogg Co. v. Exxon Mobil Corp.*, 209 F.3d 562 (6th Cir. 2000), remanded to 192 F. Supp. 2d 790 (W.D. Tenn. 2001); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

5. Amy E. Pulliam, Note, *Raising the Bar Too High: Moseley v. V Secret Catalogue, Inc. and Relief Under the Federal Trademark Dilution Act*, 53 CATH. U. L. REV. 887, 889 (2004).

actual dilution].”<sup>6</sup> The purpose of this casenote is to examine the history of federal trademark dilution law, to analyze the impact of the *Moseley* decision on federal trademark dilution law, and finally, to critically examine the methods of proof used in post-*Moseley* courts to establish “actual dilution.” In so doing, this casenote attempts to provide a useful guide to practitioners, and their clients, who wish to present an adequate evidentiary showing of “actual dilution” to establish a dilution claim under the FTDA.

Part I of this article describes the purpose of a trademark and briefly addresses the historical development of federal trademark dilution law. Part II discusses the statutory authority for federal trademark dilution law, the Federal Trademark Dilution Act of 1995, and the requirements it places upon a party pursuing a federal dilution claim, as well as the types of dilution claims permitted under the Act. Part III reviews the Supreme Court case, *Moseley v. Victoria's Secret*, and its impact upon federal dilution law. Finally, Part IV examines several recent federal cases that have interpreted the *Moseley* decision. This section discusses the types of evidentiary showings that have been used to establish a federal dilution claim,<sup>7</sup> suggests several types of proof that may be relevant to establishing “actual dilution” in a post-*Moseley* court, and ultimately concludes that a wide variety of evidence should be used to establish “actual dilution.”

## Part I: The Function of a Trademark, and the History of Trademark Dilution Law in the United States

### A. *The Functions of a Trademark*

Trademarks are invaluable in modern society as companies rely heavily upon them to promote their goods and services and to develop brand loyalty.<sup>8</sup> Furthermore, trademarks are a means by which a senior mark holder can prevent other produc-

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6. Edward Vassallo & Tila Duhaime, *Supreme Court Tightens Trade Mark Law*, MANAGING INTELLECTUAL PROPERTY (May 2003), available at [http://www.fitzpatrickcella.com/images/pub\\_attachment/attachment122.pdf](http://www.fitzpatrickcella.com/images/pub_attachment/attachment122.pdf) at 3.

7. Conversely, this section notes several recent decisions where the courts found that a party's evidentiary showing was insufficient and incapable of establishing a dilution claim under the FTDA.

8. See Pulliam, *supra* note 5, at 887.

ers from tricking customers into purchasing a product under the mistaken belief that it is endorsed by the trademark owner.<sup>9</sup> A trademark is defined as “any word, name, symbol, device, or any combination thereof . . . used by a person . . . to identify and distinguish [their] goods . . . from those manufactured or sold by others and to indicate the source of the goods . . .”<sup>10</sup> As this broad definition suggests, a trademark serves several pertinent functions for its owner and for society in general.

Essentially, the purpose of a trademark is fourfold. First, a trademark serves an advertising function for the mark holder,<sup>11</sup> helping to promote and publicize goods and services offered by the senior mark holder. Second, a trademark serves an identification function<sup>12</sup> – “it is a device by which a consumer distinguishes among similar goods or services offered by more than one manufacturer.”<sup>13</sup> Third, a trademark serves a guarantee function because it assures purchasers of a certain degree of uniformity and quality.<sup>14</sup> Finally, it is through the identity and quality functions that a trademark performs its ultimate function – “stimulat[ing] further purchases by the consuming public.”<sup>15</sup> Due to the fact that trademarks serve so many valuable purposes, it is not difficult to understand why one individual,

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9. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir. 2002).

10. 15 U.S.C. § 1127 (2000).

11. Sidney A. Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265, 290 (1975). “A trademark . . . is a symbolic device that can be used in advertising. More specifically, the package that bears the trademark becomes an advertising medium itself . . .” *Id.*

12. 74 AM. JUR. 2D *Trademarks and Tradenames* § 1 (2001) [hereinafter *Trademarks and Tradenames*]; see also *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 921 (C.D. Ill. 2003) (“[T]rademarks serve as an identifier of the source of the products, goods or services in question.”).

13. *Trademarks and Tradenames*, *supra* note 12. “The consumer learns to recognize a particular trademark as a symbol of quality. It guarantees the public that the goods purchased today will be the same as the goods bearing the same trademark that were purchased yesterday.” Diamond, *supra* note 11, at 289. While “a trademark does not necessarily guarantee good quality . . . it does guarantee consistency.” *Id.*

14. *Trademarks and Tradenames*, *supra* note 12.

15. Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818 (1927). See also *Caterpillar Inc.*, 287 F. Supp. 2d at 921 (“A trademark can lead consumers to expect a certain level of quality in the product to which it is affixed, presumably increasing sales or awareness of the product. Conversely, when consumers purchase a subpar product bearing that trademark and are disappointed, they respond by devaluing that trademark.”).

Frank Schechter, appealed to the federal government in hopes of extending additional protections to these important marks.<sup>16</sup>

B. *The History of Trademark Law and the Development of Trademark Dilution*

Trademark dilution amounts to the reduction of a trademark's value when it is used by another entity to identify goods and services that are not traditionally associated with the senior mark.<sup>17</sup> The concept of dilution in the United States has been credited to Frank Schechter's 1927 law review article, *The Rational Basis of Trademark Protection*.<sup>18</sup> Schechter argued that the "real injury" caused by the use of "similar marks on non-competing goods" is "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."<sup>19</sup> Since the value of a trademark "lies in its selling power" and the selling power of a trademark "depends . . . upon its own uniqueness and singularity," Schechter concluded that "the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection."<sup>20</sup> As such, Schechter "advocated adopting law that would prevent 'dilution' of a trademark's uniqueness and . . . its selling power."<sup>21</sup>

Nearly 20 years after Schechter proposed his radical ideas regarding trademark dilution, Congress passed the Lanham Act of 1947.<sup>22</sup> The Lanham Act was one of the first attempts by the federal government to regulate the field of trademarks.<sup>23</sup> In passing the Act, Congress intended to:

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16. See generally Schechter, *supra* note 15.

17. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002) (Trademark dilution "refers to the 'whittling away of the value of a trademark' when [it is] used to identify different products.").

18. See *Moseley*, 537 U.S. at 429; *Kellogg Co. v. Exxon Mobil Corp.*, 192 F. Supp. 2d 790, 796 (W.D. Tenn. 2001).

19. Schechter, *supra* note 15, at 825.

20. *Id.* at 831.

21. *Exxon Mobil Corp.*, 192 F. Supp. 2d. at 796.

22. Jennifer Hemerly, *The "Secret" of Our Success: The Sixth Circuit Interprets the Proof Requirement Under the Federal Trademark Dilution Act in V Secret Catalogue v. Moseley*, 9 VILL. SPORTS & ENT. L.J. 321, 327 (2002).

23. Trademark regulation has more historic roots than the Lanham Act. The importance of trademarks can be traced back to the industrial revolution, where producers fought vigorously to protect their marks. See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protec-*

regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by state, or territorial legislation; to protect persons engaged in such commerce from unfair competition; to prevent fraud and deception in such commerce by use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, tradenames and unfair competition entered into between the United States and foreign nations.<sup>24</sup>

The Lanham Act extended protection to a senior trademark if the junior mark was “likely to cause confusion, or to cause mistake, or to deceive,”<sup>25</sup> and the junior user could be held liable by any party likely to be damaged by such an action.<sup>26</sup> Nevertheless, the Lanham Act, as originally drafted, could hardly be considered a bastion of federal trademark dilution law. To the contrary, the Lanham Act disregarded the concept of dilution proposed by Schechter, and instead employed a “consumer confusion” test that could be used to prove a claim of trademark infringement.<sup>27</sup>

Despite the fact that federal law failed to provide a cause of action for dilution, the theory of dilution began to find support at the state level.<sup>28</sup> Massachusetts was the first state to provide a cause of action for trademark dilution when it adopted its own dilution statute in 1947.<sup>29</sup> By late 1995, over half of the states

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tion, 58 U. Prrt. L. Rev. 789, 797 (1997). In essence, the forces of large scale production “drove a wedge” between producers of goods and the ultimate users of the products, and producers began to employ trademarks in order to differentiate their products from other goods sold in the market. *Id.* at 797-98. Nevertheless, Congress did not formally attempt to regulate trademarks until the 1870’s when it created the first federal trademark registration scheme which was ultimately held unconstitutional. *Id.* at 798. Nearly a decade later, Congress adopted a second, more limited, federal registration statute in 1881. *Id.* In 1905, Congress adopted the Trademark Act of 1905 which was yet another federal registration scheme that remained in effect until the passage of the Lanham Act in 1946. *Id.*

24. See 15 U.S.C. § 1127; *Superformance Int’l, Inc. v. Hartford Cas. Ins. Co.*, 332 F.3d 215, 222 (4th Cir. 2003).

25. Hemerly, *supra* note 22, at 327.

26. Susan Turcotte, *Caught in a Corporate Panty Raid: Moseley v. V Secret Catalogue, Inc.*, 40 Hous. L. Rev. 867, 875-76 (2003).

27. Hemerly, *supra* note 22, at 327.

28. *Id.* at 327-28.

29. *Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333, 1340 (Fed. Cir. 2003) (the statute “provid[ed] a cause of action for dilution ‘notwith-

had adopted some kind of dilution statute;<sup>30</sup> however, these statutes vary widely on the standards required for establishing dilution.<sup>31</sup> A large proportion of these state anti-dilution statutes required only a "likelihood of dilution" to establish a cause of action for trademark dilution.<sup>32</sup>

Since dilution statutes were being adopted at the state level rather than the national level, a "patchwork system" of incongruent anti-dilution statutes developed.<sup>33</sup> This system "made it difficult for companies to implement national brand management strategies and encouraged forum shopping for those state courts which offered the broadest protection" to trademark own-

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standing the absence of competition between the parties or the absence of confusion as to the source of goods or services.'").

30. Turcotte, *supra* note 26, at 876.

To date, approximately thirty-seven states have adopted anti-dilution laws. See ALA. CODE § 8-12-17 (2004); ALASKA STAT. § 45.50.180 (Michie 2003); ARIZ. REV. STAT. § 44-1448.01 (2004); ARK. CODE ANN. § 4-71-213 (Michie 2003); CAL. BUS. & PROF. CODE § 14330(a) (West 2004); CONN. GEN. STAT. § 35-11i(c) (2003); DEL. CODE ANN. tit. 6, § 3313 (2004); FLA. STAT. ANN. § 495.151 (West 2003); GA. CODE ANN. § 10-1-451(b) (2003); HAW. REV. STAT. § 482-32 (2003); IDAHO CODE § 48-513 (Michie 2004); 765 ILL. COMP. STAT. 1036/65 (2004); IOWA CODE § 548.113 (2003); KAN. STAT. ANN. § 81-214 (2003); LA. REV. STAT. ANN. § 51:223.1 (West 2004); ME. REV. STAT. ANN. tit. 10, § 1530 (West 2003); MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 2004); MINN. STAT. § 333.285 (2003); MISS. CODE ANN. § 75-25-25 (2004); MO. REV. STAT. § 417.061 (2004); MONT. CODE ANN. § 30-13-334 (2003); NEB. REV. STAT. § 87-140 (2003); NEV. REV. STAT. 600.435 (2004); N.H. REV. STAT. ANN. § 350-A:12 (2003); N.J. STAT. ANN. § 56:3-13.20 (West 2004); N.M. STAT. ANN. § 57-3B-15 (Michie 2004); N.Y. GEN. BUS. LAW § 360-1 (McKinney 2004); OR. REV. STAT. § 647.107 (2003); 54 PA. CONS. STAT. § 1124 (2004); R.I. GEN. LAWS § 6-2-12 (2004); S.C. CODE ANN. § 39-15-1165 (Law. Co-op. 2003); TENN. CODE ANN. § 47-25-513 (2004); TEX. BUS. & COM. CODE ANN. § 16.29 (Vernon 2004); UTAH CODE ANN. § 70-3a-403 (2004); WASH. REV. CODE § 19.77.160 (2004); W. VA. CODE § 47-2-13 (2003); WYO. STAT. ANN. § 40-1-115 (Michie 2003).

31. Turcotte, *supra* note 26, at 876.

The states which currently require only a likelihood of dilution include: Alabama, California, Delaware, Florida, Georgia, Louisiana, Maine, Massachusetts, Missouri, Montana, New Hampshire, New York, Oregon, Rhode Island, and Texas. SIEGRUN D. KANE, TRADEMARK LAW: A PRACTITIONER'S GUIDE § 9:2.1, at app. 20 (4th ed. 2003). The states which now follow the federal statute, and which require a showing of actual dilution, include: Alaska, Arizona, Arkansas, Connecticut, Hawaii, Idaho, Illinois, Iowa, Kansas, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, Nebraska, Pennsylvania, South Carolina, Tennessee, Utah, Washington, West Virginia, and Wyoming. See *id.*

32. Turcotte, *supra* note 26, at 876. See, e.g., MASS. GEN. LAWS ANN. ch. 110B, § 12; N.Y. GEN. BUS. LAW § 360-1; OR. REV. STAT. § 647.107; R.I. GEN. LAWS § 6-2-12.

33. Turcotte, *supra* note 26, at 878.

ers.<sup>34</sup> Congress sought to alleviate these problems by adopting a new law that could bring uniformity and consistency to the protection of trademarks.<sup>35</sup> As was stated in the House of Representative's Report Number 104-374:

Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in [the FTDA] against trademark dilution will bring uniformity and consistency to the protection of famous marks.<sup>36</sup>

Thus, a national standard was born when Congress drafted the Federal Trademark Dilution Act of 1995 (FTDA) to amend the Lanham Act.<sup>37</sup> Nearly 50 years after Schecter's initial proposal for establishing a national trademark dilution law, President Clinton signed the FTDA into effect on January 16, 1996.<sup>38</sup>

## Part II: The Federal Trademark Dilution Act of 1995

### A. *Highlighting the Operative Provisions of the FTDA*

The FTDA 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."<sup>39</sup> In determining whether a mark is distinctive and famous, a court may consider several factors, including the degree of inherent or acquired distinctiveness of the mark;<sup>40</sup> the duration and extent of use of the mark in connection with the goods or services with which the mark is used;<sup>41</sup> the duration and extent of advertising and publicity of the mark;<sup>42</sup> the geographical extent of the trading area

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34. *Id.*

35. *Id.* It should be noted that Congress attempted to amend the Lanham Act in 1988 to include a dilution provision, a provision known as the Trademark Law Revision Act of 1988; however, the amendment proved unsuccessful. See KANE, *supra* note 31, at § 9:2.1.

36. H.R. REP. NO. 104-374, at 3 (1995).

37. Turcotte, *supra* note 26, at 876; see also KANE, *supra* note 31, at § 9:3.2.

38. Turcotte, *supra* note 26, at 876.

39. 15 U.S.C. § 1127.

40. 15 U.S.C. § 1125(c)(1)(A) (2000).

41. 15 U.S.C. § 1125(c)(1)(B).

42. 15 U.S.C. § 1125(c)(1)(C).



in which the mark is used;<sup>43</sup> the channels of trade for the goods or services with which the mark is used;<sup>44</sup> the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;<sup>45</sup> the nature and extent of the use of the same or similar marks by third parties;<sup>46</sup> and finally, whether the mark has been registered.<sup>47</sup>

While it is integral for a senior mark holder to establish that its mark is famous in order to obtain relief under the FTDA, this is only one element of a federal trademark dilution claim.<sup>48</sup> To establish a *prima facie* case of trademark dilution under the FTDA, a plaintiff must also show that (1) their famous mark is inherently distinctive;<sup>49</sup> (2) the defendant has made commercial use of the senior mark in commerce;<sup>50</sup> (3) the defendant began using the junior mark after the senior mark became famous;<sup>51</sup> and (4) the defendant's use of the junior mark

43. 15 U.S.C. § 1125(c)(1)(D).

44. 15 U.S.C. § 1125(c)(1)(E).

45. 15 U.S.C. § 1125(c)(1)(F).

46. 15 U.S.C. § 1125(c)(1)(G).

47. 15 U.S.C. § 1125(c)(1)(H).

48. See *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998); 15 U.S.C. § 1125(c)(1) ("The owner of a famous mark shall be entitled . . . 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 . . .") (emphasis added). To determine whether a mark is famous, see *supra* notes 40 to 47.

49. *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 802 (6th Cir. 2004); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999); *Panavision Int'l, L.P.*, 141 F.3d at 1324; *Playtex Prods. v. Georgia-Pacific Inc.*, No. 02 Civ. 7848, 2003 WL 21939706 at \*4 (S.D.N.Y. Aug. 12, 2003). Notwithstanding, not all federal courts require a plaintiff to prove that their mark is inherently distinctive. See, e.g., *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 431 (M.D.N.C. 2003).

50. 15 U.S.C. § 1125(c)(1); *AutoZone, Inc.*, 373 F.3d at 802; *Panavision Int'l, L.P.*, 141 F.3d at 1324; *Playtex Prods.*, 2003 WL 21939706 at \*8.

Use in commerce is defined under 15 U.S.C. § 1127. The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. *Id.* A mark pertaining to goods is deemed to be used in commerce when: "(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce." 15 U.S.C. § 1127.

51. 15 U.S.C. § 1125(c)(1); *AutoZone, Inc.*, 373 F.3d 786; *Panavision Int'l, L.P.*, 141 F.3d at 1324; *Playtex Prods.*, 2003 WL 21939706 at \*8.

actually dilutes the distinctive quality of the senior mark by “diminishing the mark’s capacity to identify and distinguish goods and services.”<sup>52</sup>

Once a party establishes its *prima facie* case, the FTDA provides mechanisms for enforcing federal dilution claims against violators. As a general matter, the owner of a famous mark may bring a civil cause of action against an individual or a corporation whose use of a junior mark dilutes the distinctive quality of the senior mark.<sup>53</sup> The remedies provided for dilution include nationwide injunctive relief where a junior mark holder engages in commercial use of the senior mark in violation of the FTDA.<sup>54</sup> Where a party willfully dilutes a senior mark in violation of 15 U.S.C. § 1125(c)(1), the holder of the famous mark is not limited to injunctive relief; they may recover the profits acquired by the improper use of the senior mark, any damages sustained by the senior mark holder as a result of dilution, and the costs of the legal action against the junior mark holder.<sup>55</sup> Furthermore, treble damages and prejudgment interest may be awarded in limited instances.<sup>56</sup> Finally, the senior mark holder may demand the delivery and destruction of all materials used by the junior mark holder to dilute the distinctive quality of the famous mark.<sup>57</sup>

Even though the FTDA prohibits the commercial use of a senior mark by a junior mark holder, and provides remedies once improper usage of a famous mark has been demonstrated,

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52. 15 U.S.C. § 1125(c)(1); *AutoZone, Inc.*, 373 F.3d at 802; *Panavision Int’l, L.P.*, 141 F.3d at 1324; *Playtex Prods.*, 2003 WL 21939706 at \*8.

A mark pertains to services “when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.” 15 U.S.C. § 1127.

53. See *Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333, 1340 (Fed. Cir. 2003). Section 1125(c)(1) provides that: “[t]he 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.” 15 U.S.C. § 1125(c)(1).

54. 15 U.S.C. § 1125(c)(1).

55. 15 U.S.C. § 1125(c)(2); 15 U.S.C. § 1117(a) (2000 & Supp. 2002).

56. 15 U.S.C. § 1125(c)(2); 15 U.S.C. § 1117(b) (2000 & Supp. 2002).

57. 15 U.S.C. § 1125(c)(2); 15 U.S.C. § 1118 (2000).

the Act, in limited circumstances, permits a would-be violator to use a senior mark without violating the Act.<sup>58</sup> First, the FTDA permits the “fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.”<sup>59</sup> Second, the Act permits the noncommercial use of a mark,<sup>60</sup> such as use that is political in nature.<sup>61</sup> Finally, usage of a famous mark in all forms of news reporting and news commentary is not actionable under the FTDA.<sup>62</sup> The next logical step in this analysis is to examine the types of dilution claims that can be brought pursuant to the FTDA.

### B. *Types of Dilution Claims Permitted Under the FTDA*

As a practical matter, two forms of dilution are actionable under the FTDA, dilution by blurring or by tarnishment.<sup>63</sup> As

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58. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904 (9th Cir. 2002). (“There are uses that, though potentially dilutive, are nevertheless permitted” by the FTDA.); see generally J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:97 (4th ed. 2004) (discussing the FTDA’s statutory defenses).

59. 15 U.S.C. § 1125(c)(4)(A); *Mattel, Inc.*, 296 F.3d at 904.

60. 15 U.S.C. § 1125(c)(4)(B); see *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 880 (9th Cir. 1999) (“Commercial use under the Federal Trademark Dilution Act requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.”).

61. See, e.g., *MasterCard Int’l Inc. v. Nader 2000 Primary Comm., Inc.*, No. 00 Civ. 6068, 2004 WL 434404 (S.D.N.Y. Mar. 8, 2004). In this case, MasterCard brought a federal trademark dilution claim against Ralph Nader and his political committee. *Id.* at \*1. Since the Fall of 1997, MasterCard had commissioned a series of advertisements known as the “Priceless Advertisements.” *Id.* In this series, a voice would identify a series of goods and services and the approximate value of those goods and services. *Id.* At the end of a given advertisement, the commercial would identify some intangible thing that could not be purchased, and a voiceover or word would state: “Priceless. There are some things money can’t buy, for everything else there’s MasterCard.” *Id.* During Nader’s 2000 political campaign, Nader and his presidential committee used an advertisement which imitated the “Priceless Advertisements.” *Id.* MasterCard claimed that Nader’s use of the company’s series of “Priceless Advertisements” diluted the senior mark and violated the FTDA. *Id.* In dismissing Mastercard’s federal dilution claim, the court held that the use of a trademark, which was political in nature, was exempted from coverage by the FTDA. See *id.* at \*16.

62. 15 U.S.C. § 1125(c)(4)(C); *Mattel, Inc.*, 296 F.3d at 904.

63. See *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 801 (6th Cir. 2004); MCCARTHY, *supra* note 58, at § 24:67.

Historically, the courts also recognized a third form of dilution known as “cybersquatting.” MCCARTHY, *supra* note 58, at § 24:67. As the popularity of the

the House Judiciary Committee stated, "the purpose of [the FTDA] is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it."<sup>64</sup> The FTDA seeks to prevent dilution through tarnishment and blurring by "protecting the trademark owner from the erosion of the distinctiveness and prestige of a trademark caused by . . . a proliferation of borrowings, that . . . are so numerous as to deprive the mark of its distinctiveness and hence its impact."<sup>65</sup> The aim of this section is to highlight the differences between claims based upon a theory of tarnishment, and claims based upon a theory of blurring.

Dilution by blurring is considered the classic form of dilution envisioned by the original proponents of dilution law.<sup>66</sup>

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Internet increased, individuals began to reserve domain names consisting of the names or trademarks of certain well-known companies. *Id.* at § 24:69.1. Such individuals, known as cybersquatters, would then sell back the domain names to the corporations for a substantial price. *Id.* As this activity became more popular, the courts were called upon to expand the principles of dilution law to protect senior mark holders from "cybersquatting." *Id.* However, in 1999 Congress passed the Anti-Cybersquatting Act (ACPA) which made "cybersquatting" actionable under federal law. *Id.* In essence, the ACPA rendered dilution by "cybersquatting" obsolete. *Id.*

In *Ty Inc. v. Perryman*, 306 F.3d 509, 512 (7th Cir. 2002), Judge Posner hypothesized that dilution may take another form that is distinct from tarnishment or blurring. As Judge Posner stated, "there is a possible concern with situations in which, though there is neither blurring nor tarnishment, someone is still taking a free ride on the investment of the trademark owner in the trademark." *Id.* Posner suggested the following hypothetical to describe dilution based upon a "free ride" theory:

Suppose [there is an upscale restaurant named] "Tiffany" . . . [which] is located in Kuala Lumpur and though the people who patronize it . . . have heard of [another store, the] Tiffany jewelry store, none of them is ever going to buy anything there, so that the efficacy of the trademark as an identifier will not be impaired. If appropriation of Tiffany's aura is nevertheless forbidden by an expansive concept of dilution, the benefits of the jewelry store's investment in creating a famous name will be, as economists say, "internalized" - that is, Tiffany will realize the full benefits of the investment rather than sharing those benefits with others - and as a result the amount of investing in creating a prestigious name will rise.

*Id.* Nevertheless, Posner held that "this rationale for antidilution law has not yet been articulated in or even implied by the case law, although a few cases suggest that the concept of dilution is not exhausted by blurring and tarnishment." *Id.*

64. H.R. REP. NO. 104-374, at 2 (1995).

65. *AutoZone, Inc.*, 373 F.3d at 786; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466 (7th Cir. 2000).

66. MCCARTHY, *supra* note 58, at § 24:68.

Blurring occurs where "customers or prospective customers . . . see the plaintiff's mark used on a plethora of different goods and services."<sup>67</sup> Essentially, "[a] defendant uses or modifies the plaintiff's trademark to identify the defendant's goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product."<sup>68</sup> Common examples given to describe dilution through blurring are: Buick aspirin, Schlitz varnish, Kodak pianos, and DuPont shoes.<sup>69</sup>

"Blurring occurs primarily to marks that, through their high degree of distinctiveness or through their owner's extensive advertising, create a 'positive response that is associated exclusively with the goods or services of the trademark owner.'"<sup>70</sup> When a junior mark holder uses an identical or substantially similar mark on a different product, it causes consumers to create a new association with the original mark thereby harming the original mark holder.<sup>71</sup> "The original mark is blurred to the extent that this new association decreases the [original] mark's 'selling power.'"<sup>72</sup>

Similarly, the FTDA has been found to support a cause of action for tarnishment.<sup>73</sup> A trademark may be tarnished when

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67. *Hormel Foods Corp. v. Jim Henson Prods.*, 73 F.3d 497, 506 (2d Cir. 1996) (discussing blurring under New York law); MCCARTHY, *supra* note 58, at § 24:68 (As a result of blurring, "[c]ustomers or prospective customers will see the plaintiff's mark used by other persons to identify other sources on a plethora of different goods and services.").

68. *Hormel Foods Corp.*, 73 F.3d at 506.

69. *Mead Data Cent., Inc. v. Toyota Motor Sales, Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (discussing dilution through blurring pursuant to New York law); MCCARTHY, *supra* note 58, at § 24:68.

70. Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 305 (1998).

71. *See id.* at 305.

72. *Id.*

73. The problem with dilution by tarnishment is that there is some doubt, following the Court's decision in *Moseley*, that this kind of claim is supported by federal law. *See Vassallo & Duhaime, supra* note 6, at 4; *see also* 2 JEROME GILSON ET AL., TRADEMARK PROTECTION AND PRACTICE § 5A.01 (2004) (The decision in *Moseley* "cast[s] serious doubt on the viability of tarnishment claims under the Federal Trademark Dilution Act.").

Notwithstanding, several recent decisions indicate that a claim of tarnishment is still viable under the FTDA, despite the holding in *Moseley*. *See, e.g., Playboy Enters. v. Netscape Communications Corp.*, 354 F.3d 1020, 1033 (9th Cir. 2004) (reversing a grant of summary judgment where plaintiffs introduced evidence

it is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context."<sup>74</sup> As a result of tarnishment, "the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods."<sup>75</sup> Essentially, a product is tarnished where "it loses its ability to serve as a 'wholesome identifier' of the plaintiff's product."<sup>76</sup>

"A junior user tarnishes an original mark when it degrades the positive association of the senior user's mark, typically by marketing products that create negative impressions of the mark in the minds of consumers."<sup>77</sup> For example, the "ADULTS R US" domain name for an Internet site which sold adult sexual products was held to tarnish the "TOYS 'R' US" mark.<sup>78</sup> Similarly, "Garbage Pail Kids" cards tarnished the "Cabbage Patch Kids" mark by depicting dolls in rude, violent, and noxious settings.<sup>79</sup> Thus, "[d]ilution by 'tarnishing' occurs when a junior mark's similarity to a famous mark causes consumers mistak-

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tending to show the existence of dilution by tarnishment and by blurring); Wham-O, Inc. v. Paramount Pictures Corp., 286 F. Supp. 2d 1254, 1260-62 (N.D. Cal. 2003) (recognizing two types of trademark dilution, dilution by blurring and by tarnishment, but denying the plaintiff's motion for a temporary restraining order due to lack of evidence); Caterpillar Inc. v. Walt Disney Co., 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003) (recognizing that a claim for tarnishment exists under the Lanham Act as amended by the FTDA, but the plaintiff failed to present evidence to support its motion for a temporary restraining order); Perkins Sch. for the Blind v. Maxi-Aids, Inc., 274 F. Supp. 2d 319, 326 (E.D.N.Y. 2003) (holding that even though the plaintiff did not properly allege dilution by blurring, the plaintiff had sufficiently alleged an action for tarnishment); MasterCard Int'l Inc. v. Nader 2000 Primary Comm., Inc., No. 00 Civ. 6068, 2004 WL 434404 at \*6 (S.D.N.Y. Mar. 8, 2004). (holding that under both federal and New York law, dilution can involve either blurring or tarnishment). Similarly, at least one recent commentary has advocated the position that the FTDA encompasses a cause of action for tarnishment. See generally Layne T. Smith, *Tarnishment and the FTDA: Lessening the Capacity to Identify and Distinguish*, 2004 BYU L. REV. 825 (2004).

74. Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 507 (2d Cir. 1996) (citing Deere Co. v. MTD Prods., Inc., 41 F.3d 39, 43 (2d Cir. 1994)).

75. *Id.* at 507.

76. *Id.*

77. Bible, *supra* note 70, at 305.

78. Toys "R" Us, Inc. v. Akkaoui, No. C 96-3381, 1996 WL 772709 (N.D. Cal. Oct. 29, 1996).

79. Original Appalachian Artworks, Inc. v. Topps Chewing Gum, 642 F. Supp. 1032 (N.D. Ga. 1986).

only to associate the famous mark with the second user's inferior or offensive product."<sup>80</sup>

### Part III: Examining the Case of *Moseley v. Victoria's Secret*

#### A. *Moseley v. Victoria's Secret: The Factual Background*

In *Moseley v. Victoria's Secret Catalogue, Inc.*, the Supreme Court was called upon to decide the level of proof required to establish a dilution claim under the FTDA.<sup>81</sup> Prior to the Court's ruling several circuits were split on the issue. Some held that the FTDA required proof of "actual dilution,"<sup>82</sup> while others held that the lower standard of "likelihood of dilution" satisfied the statute.<sup>83</sup>

The Defendants in the case, Victor and Cathy Moseley, owned and operated a store named "Victor's Little Secret" in a small strip mall in Elizabethtown, Kentucky.<sup>84</sup> The store sold a wide variety of items including: romantic lighting, adult videos, adult novelties, and lingerie.<sup>85</sup> The Plaintiff, holder of the "Victoria's Secret" mark, owned and operated a national chain of approximately 750 stores which sold "moderately priced, high quality, [and] attractively designed lingerie."<sup>86</sup> This included multiple stores within a short driving distance of Elizabethtown, Kentucky.<sup>87</sup> In 1998, the Plaintiff's advertising expenditures were \$55 million, and its yearly sales were in excess of \$1.5 billion.<sup>88</sup> Further, the Plaintiff distributed 400 million copies of its catalog per year, including 39,000 in Elizabethtown.<sup>89</sup>

In February of 1998, an Army colonel received an advertisement which noted the grand opening of the Defendants' store (then named "Victor's Secret").<sup>90</sup> The colonel sent a copy of the

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80. *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998).

81. 537 U.S. 418 (2003).

82. *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999).

83. *See Kellogg Co. v. Exxon Mobil Corp.*, 209 F.3d 562 (6th Cir. 2000); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

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

85. *Id.* at 423.

86. *Id.* at 422.

87. *Id.* at 422-23.

88. *Id.* at 423.

89. *Moseley*, 537 U.S. at 423.

90. *Id.*

advertisement to the Plaintiff claiming that he “was offended by what he perceived to be an attempt to use a reputable company’s trademark to promote the sale of ‘unwholesome, tawdry merchandise.’”<sup>91</sup> After receiving the copy of the Defendants’ advertisement, the Plaintiff’s counsel sent a letter to the Defendants requesting that they change the name of their store.<sup>92</sup> The Plaintiff’s counsel contended that the Defendants’ use of the name “Victor’s Secret” for a store selling lingerie was likely to cause confusion with the Victoria’s Secret mark, and was likely to dilute the distinctiveness of the mark.<sup>93</sup>

In response to the request, the Defendants changed the name of their store to “Victor’s Little Secret” which did not satisfy the Plaintiff.<sup>94</sup> Subsequently, the Plaintiff filed suit in federal court alleging, *inter alia*, trademark dilution under the FTDA based upon the theories of tarnishment and blurring.<sup>95</sup> Specifically, the complaint alleged that the Defendant’s conduct was “likely to blur and erode the distinctiveness” and “tarnish the reputation” of the Victoria’s Secret” mark.<sup>96</sup>

Following discovery, both parties moved for summary judgment.<sup>97</sup> The parties submitted affidavits and deposition testimony describing the size of the Plaintiff’s business, the value of the Victoria’s Secret name, and the products sold at the respective stores.<sup>98</sup> Additionally, one of the Defendants stated in an affidavit that lingerie sales accounted for only five percent of the Defendant Company’s sales.<sup>99</sup> Nevertheless, no experts expressed an opinion on the impact of the Defendants’ use of the name “Victor’s Little Secret” on the value of the “Victoria’s Secret” mark.<sup>100</sup>

The district court granted summary judgment to the Plaintiff, finding that the Defendants’ mark had a tarnishing effect on the Plaintiff’s mark, but the court found that no blurring had

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91. *Id.*

92. *Id.*

93. *Id.*

94. *Moseley*, 537 U.S. at 423.

95. *Id.* at 423-24.

96. *Id.* at 424.

97. *Id.*

98. *Id.*

99. *Moseley*, 537 U.S. at 424.

100. *Id.* at 424-25.



occurred.<sup>101</sup> Accordingly, the district court enjoined the Defendants from using the "Victor's Little Secret" mark under a theory of tarnishment.<sup>102</sup> The case was appealed to the Sixth Circuit which affirmed the lower court's grant of summary judgment.<sup>103</sup> In so doing, the Sixth Circuit reaffirmed its recent determination that the "likelihood of dilution" standard was the proper test for establishing a trademark dilution claim under the FTDA.<sup>104</sup> The court held that "consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to the Moseley's adult-toy, gag gift, and lingerie shop . . . [which] is a classic instance of dilution by tarnishing and . . . by blurring."<sup>105</sup> The Defendants appealed the case to the Supreme Court which had the ultimate power to resolve the circuit split, and to determine "whether objective proof of actual injury to the economic value of a famous mark . . . is a requisite for relief under the FTDA."<sup>106</sup>

### B. *The Holding, Rationale, and Reasoning of the Court*

Ultimately, the Court held that contrary to the Sixth Circuit's decision, the text of the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."<sup>107</sup> The Court's holding was based upon a strict textual analysis of the FTDA. Section 1125(c)(1) of the FTDA states that the holder of a famous mark is "entitled to injunctive relief against another party's commercial use of that mark if the use 'causes dilution of the distinctive quality' of the famous mark."<sup>108</sup> Additionally, the Court noted that the term dilution is initially defined as an "actual 'lessening of the capacity' of the mark"<sup>109</sup> and the statute goes on to make a reference to a "likelihood of confusion, mistake, or deception" as a second caveat

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101. *Id.* at 425.

102. *Id.*

103. *Id.* In so doing, the court reinstated the Plaintiff's claim for dilution under a theory of blurring. *Id.*

104. *Moseley*, 537 U.S. at 425.

105. *Id.* at 427.

106. *Id.* at 422.

107. *Id.* at 433.

108. *Id.* at 432-33 (emphasis in original).

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

for dilution.<sup>110</sup> In the eyes of the Court, the fact that the “likelihood of confusion” caveat followed the actual lessening of capacity clause was significant because it indicated a congressional intent to require “actual dilution” in order to establish a claim under the FTDA.<sup>111</sup> By viewing these provisions in conjunction, the Court concluded that “actual dilution” is essential to establishing a dilution claim under the FTDA.<sup>112</sup>

Next, the Court highlighted the major shortcoming of the “likelihood of dilution” standard that had been used in certain jurisdictions. “[W]here the marks at issue are not identical, the mere fact that consumers mentally associate the junior mark with a famous mark is not sufficient to establish actionable dilution.”<sup>113</sup> The Court reasoned that “[m]ental association will not necessarily reduce the capacity of the [senior] mark to identify the goods of its owner, [which is] the statutory requirement for dilution under the FTDA.”<sup>114</sup> Neither blurring nor tarnishing are “a necessary consequence of mental association.”<sup>115</sup>

Finally, the Court applied the “actual dilution” standard to the particular facts of the case. According to the Court, the record established that the Army colonel, after seeing the advertisement letter, made a mental association between the “Victor’s Secret” and “Victoria’s Secret” marks.<sup>116</sup> Nevertheless, this association did not cause the colonel to form a different impression of “Victoria’s Secret.”<sup>117</sup> Thus, the record was devoid of any evidence indicating a “lessening of the capacity of the Victoria’s Secret mark to identify and distinguish” its goods or services.<sup>118</sup> While the colonel may have been offended by the ad,

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110. *Id.*

111. *See id.*

112. *Id.*

113. *Moseley*, 537 U.S. at 433. This holding is significant in that it creates the dichotomy of dilution cases. First, “[t]he clear implication of this holding is that where the marks *are* identical, the fact that consumers mentally associate the junior user’s mark with a famous mark is sufficient to establish actionable dilution.” MCCARTHY, *supra* note 58, at § 24:94.2. Second, “where the marks *are not* identical, the fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient evidence to prove actual dilution . . . .” *Id.*

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

115. *Id.* at 434.

116. *Id.*

117. *Id.*

118. *Id.*

this had no effect on his conception of "Victoria's Secret."<sup>119</sup> "His offense was directed entirely at the Petitioner [Defendants], not at [Plaintiff]."<sup>120</sup> Moreover, the Plaintiff's experts had "nothing to say about the impact of the [Defendants'] name on the strength of the [Plaintiff's] mark."<sup>121</sup> Thus, the Plaintiff had failed to establish "actual dilution," which required the Court to reverse the district court's grant of summary judgment.<sup>122</sup>

While the Court unanimously held that proof of "actual dilution" is necessary for a claim under the FTDA, it did not provide a definitive rule regarding the types of proof that will establish "actual dilution."<sup>123</sup> This was not the issue presented under the particular facts of the case.<sup>124</sup> Nevertheless, the Court's decision indicated a few potential means of establishing dilution. First, while the Court did not explicitly state that consumer surveys were an appropriate means of establishing "actual dilution," the Court's tacit approval of this method of proof can be inferred from the majority opinion.<sup>125</sup> Second, while the Court held that proof of actual loss or sales or profits is not necessary to establish a federal trademark dilution claim, the Court did not conclude that this kind of evidence could never serve as a proper method of proving "actual dilution."<sup>126</sup> Finally, the Court noted that any "direct evidence of dilution . . . will not be necessary if actual dilution can reasonably be proven through circumstantial evidence."<sup>127</sup>

### C. Justice Kennedy's Concurrence

While the Court may not have been presented with the situation of describing the appropriate methods of proving "actual dilution," the shortcoming of the Court's analysis was identified

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119. *Moseley*, 537 U.S. at 434.

120. *Id.* at 434.

121. *Id.*

122. *Id.*

123. See Vassallo & Duhaime, *supra* note 6, at 3.

124. Rather, the Court's inquiry was limited to whether the FTDA required objective proof of actual injury to the value of a senior mark. KANE, *supra* note 31, at § 9:1.2.

125. *Moseley*, 537 U.S. at 434.

126. *Id.* at 433.

127. *Id.* at 434. This is the case where the marks are identical. *Id.*

in Justice Kennedy's concurring opinion.<sup>128</sup> Justice Kennedy recognized that "[t]he remaining issue is what factors are to be considered to establish dilution."<sup>129</sup> However, instead of giving a clear description of the types of proof required for "actual dilution," Justice Kennedy wavers between discussing concepts sounding of "actual dilution" and espousing principles that sound strikingly similar to the "likelihood of dilution" standard.<sup>130</sup>

In considering whether dilution has been established, Justice Kennedy explained that "considerable attention should be given . . . to the word 'capacity' in the statutory phrase that defines dilution . . . ."<sup>131</sup> Justice Kennedy reasoned that "the word 'capacity' imports into the dilution inquiry both the present and the 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>132</sup> As such, he concluded that "[i]f a mark *will erode or lessen* 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, the elements of dilution may be established."<sup>133</sup>

Moreover, Justice Kennedy noted that "[d]iminishment of the mark's capacity can be shown by the *probable consequences* flowing from use or adoption of the competing mark."<sup>134</sup> This idea is consistent with the purpose of injunctive relief provided by the FTDA which "is to 'prevent future wrongs, although no right has yet been violated.'"<sup>135</sup> Accordingly, "[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>136</sup>

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128. *Id.* at 435. The court held that "the evidentiary showing required by the statute can be clarified on remand." *Id.*

129. *Id.*

130. See Turcotte, *supra* note 26, at 901.

131. *Moseley*, 537 U.S. at 435.

132. *Id.* (emphasis added).

133. *Id.* (emphasis added).

134. *Id.* (emphasis added).

135. *Id.* at 436 (citing *Swift & Co. v. United States*, 276 U.S. 311 (1928)).

136. *Moseley*, 537 U.S. at 436 (emphasis added).

While Justice Kennedy's concurrence attempts to highlight the factors that are to be considered in order to establish "actual dilution," it does little more than muddle the issue. Justice Kennedy's usage of phrases like "threatened," "probable consequences," "will be diminished," and "will erode or lessen" suggests a future harm that has not yet impacted the holders of senior marks (which is the apparent purpose of dilution law). Thus, the language of the concurrence sounds of the "likelihood of dilution" standard that was overruled by the majority opinion.

According to Justice Kennedy, if it is "probable" that the junior mark "will erode or lessen" the capacity of a senior mark to act as a unique identifier, the "threatened diminishment" posed by the junior mark should be actionable.<sup>137</sup> This position seems to afford more protection to holders of famous marks by providing the courts with a flexible means of addressing dilution. Thus, Justice Kennedy's position seems to directly contradict, or at least weaken, the "actual dilution" standard adopted by the majority. Accordingly, one must look to recent case law to see how the lower courts have applied the *Moseley* test of "actual dilution."

#### Part IV: Proving Actual Dilution in a Post-*Moseley* Court

##### A. *The Metamorphosis of the Actual Dilution Standard: Pre-Moseley and Beyond*

Proof of actual dilution "may make it more difficult for trademark owners to obtain Federal relief, but it ensures that trademark owners do not receive the windfall of such relief when they have not been harmed."<sup>138</sup> While a definite rationale exists for requiring "actual dilution," the Supreme Court's decision in *Moseley* did little to provide meaningful guidance as to the types of proof necessary to establish "actual dilution." Thus, parties seeking to secure a dilution claim under the FTDA are faced with the challenge of trying to determine the kinds of evi-

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137. See generally *id.* at 435-36.

138. *Kellogg Co. v. Exxon Mobil Corp.*, 192 F. Supp. 2d 790, 804 (W.D. Tenn. 2001); see also *Moseley*, 537 U.S. at 434 (noting that the difficulties of proof entailed in establishing actual dilution alone is not an acceptable reason for dispensing with the high proof requirement of the FTDA).

dence they must produce in order to establish a federal trademark dilution claim.<sup>139</sup>

The limited guidance provided by the majority opinion regarding the test of "actual dilution" was based upon a Fourth Circuit decision, which was the first circuit court to establish the type of evidence needed to prove "actual dilution" under the FTDA. In *Ringling Brothers, Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, the Fourth Circuit held that proof of actual economic loss, consumer surveys, and other pertinent circumstantial evidence are all relevant to establishing a federal dilution claim.<sup>140</sup> While the *Ringling Brothers* decision may provide some guidance to individuals seeking to establish a federal dilution claim, based upon the test of "actual dilution," the *Moseley* decision modified the Fourth Circuit's holding to some extent.<sup>141</sup> The purpose of this next section is to determine how courts treat the evidentiary requirements of the "actual dilution" standard, originally articulated in *Ringling Brothers*, as they have been modified by the *Moseley* decision. Furthermore, this section conveys the kinds of proof that can be used to establish "actual dilution" in a post-*Moseley* court.

### B. Proof of Actual Economic Loss

While the Fourth Circuit held that proof of an actual loss of revenue is sufficient to establish a claim under the FTDA,<sup>142</sup> the Supreme Court held that it is not a requirement to establishing a dilution claim.<sup>143</sup> Even though proof of lost revenue is not re-

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139. See Vassallo & Duhaime, *supra* note 6.

140. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 465 (4th Cir. 1999). Nevertheless, the Fourth Circuit found that relevant circumstantial evidence by itself was not enough to establish actual dilution, it would have to be used in conjunction with carefully constructed consumer surveys, proof of economic loss, and other types of evidence. See *id.* ("[R]elevant contextual factors such as the extent of the junior mark's exposure, the similarity of the marks, the firmness of the senior mark's hold, are of obvious relevance as indirect evidence that might complement other proof.").

141. In particular, the Court's decision seems to permit reliable circumstantial evidence, by itself, as a valid means of establishing "actual dilution." *Moseley*, 537 U.S. at 434. Additionally, the Court found the demonstration of lost profits or revenues is not required to establish a claim under the FTDA. *Id.* at 433.

142. *Ringling Bros.*, 170 F.3d at 465.

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

quired to demonstrate "actual dilution," intuitively this kind of proof would necessarily provide at least some evidence for establishing "actual dilution" under the FTDA.<sup>144</sup> Nevertheless, a plaintiff should be careful not to simply submit gross earning figures and expenses associated with their trademark in an attempt to prove dilution.<sup>145</sup> This fact was demonstrated by the *Moseley* decision, which found that gross earnings were not enough, by themselves, to demonstrate "actual dilution."<sup>146</sup>

A noted problem with using lost profits to demonstrate "actual dilution" is that it results in an after-the-fact remedy which will likely be disfavored by the holders of famous marks. As one court has explained, proving dilution through evidence of lost profits is inappropriate to plaintiffs for two reasons.<sup>147</sup> First, "[i]f the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior."<sup>148</sup> Second, "[e]ven if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark."<sup>149</sup> Despite the problems associated with this method of proof, actual economic loss should be given at least some weight in establishing a federal trademark dilution claim. It would seem nonsensical for a court to preclude a party from using proof of actual losses to prove

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144. If the senior mark holder can establish a causal link between their loss in revenue and the actions of junior mark holders, it would seem nonsensical to believe that such losses could not be used to help prove actual dilution. The requirements for definitively establishing this causal link are beyond the scope of this article, but it seems that proof of actual lost revenue, which can be reliably linked to the actions of a junior mark holder, can be used to establish dilution under the FTDA.

145. Christopher T. Micheletti & Dan Zoloth Dorfman, *Proving Dilution by Blurring: An Analysis of Dilution by Blurring Factors Under the Federal Trademark Dilution Act*, 92 TRADEMARK REP. 1345, 1378 (2002) ("A plaintiff cannot simply produce the defendant's sales figures and argue that dilution can be inferred from such evidence.").

146. See generally *Moseley*, 537 U.S. 418.

147. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999). While this was a pre-*Moseley* decision, the rationale seems appropriate today.

148. *Id.* at 224.

149. *Id.*

“actual dilution” if the losses are reliably linked to the junior marks use of the senior mark.<sup>150</sup>

### C. Consumer Surveys

Consumer surveys are another method of proof that can be used to establish “actual dilution” under the FTDA.<sup>151</sup> A consumer survey is a document prepared by an expert which “introduces ‘the actual responses of a group of [relevant consumers] whose perceptions are at issue in [a] case.’”<sup>152</sup> As such, survey evidence “provides a ‘more scientific means’ of demonstrating trademark dilution.”<sup>153</sup> Accordingly, a customer survey will most likely be “a plaintiff’s strongest and most persuasive evidence” in proving their federal trademark dilution claim.<sup>154</sup>

Notwithstanding, there are several problems associated with consumer surveys. First, they tend to be expensive and a nationwide general public survey can cost in excess of \$250,000.<sup>155</sup> Second, the scope of a valid consumer survey is difficult to tailor.<sup>156</sup> Third, it is hard to establish a sufficient mental association between the senior and junior mark, and the

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150. At least one scholar has been highly critical of the use of lost sales or profits to establish actual dilution, recognizing that it will be difficult for a plaintiff to establish a nexus between lost profits/sales and the junior mark holder’s use of a senior mark. See GILSON, *supra* note 73, at § 5A.01(7)(a). As Gilson notes, “[i]f proof of such an economic loss were required, a dilution plaintiff might be forced to show a loss of revenues for its own product lines and attempt to prove a causal relationship for that loss.” *Id.* Essentially, the tactic would be futile because the “owners of famous marks typically compete in enormously complex industries and a wide variety of factors contribute to their bottom line.” *Id.*

151. *Moseley*, 537 U.S. at 433; *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 465 (4th Cir. 1999) (“[C]onsumer survey[s] designed not just to demonstrate ‘mental association’ of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred.”). For a thorough discussion on creating consumer surveys, see Bible, *supra* note 70 (discussing several different methods of performing consumer surveys in order to establish actual dilution).

152. Bible, *supra* note 70, at 314-15.

153. *Id.* at 315.

154. *Id.* at 314.

155. Vassallo & Duhaime, *supra* note 6, at 2. However, such an extensive study will not always be necessary because a good survey should draw its respondents “from the universe of people who have or are likely to encounter the accused mark in the real world.” *Id.*

156. See, e.g., *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 628 (6th Cir. 2003).



survey can actually defeat a dilution claim if such an association is not demonstrated.<sup>157</sup>

At least one recent court decision helps highlight the challenges associated with consumer surveys. In *Kellogg Co. v. Toucan Golf, Inc.*, the defendant, a corporation, which manufactured promotional golf items, registered the words "Toucan Gold" with the Patent and Trademark Office (PTO) and used a logo with a toucan bird in connection with its products.<sup>158</sup> The plaintiff, Kellogg, brought a suit for trademark dilution, claiming that the use of the word mark and the toucan logo caused consumer confusion.<sup>159</sup> To support their claim, the plaintiff submitted two surveys as proof of dilution.<sup>160</sup> Nevertheless, the court found that the evidence failed to demonstrate that the defendant's use of its toucan marks negatively affected consumers' ability "to recognize that Toucan Sam represents only Fruit Loops."<sup>161</sup> One survey was performed in 1991, prior to when the defendant started its business.<sup>162</sup> The survey indicated that 94% of children recognized Toucan Sam and 81% of children related him to Fruit Loops.<sup>163</sup> A second survey was performed in 1997, after the defendant started its business, which indicated that 94% of adults recognized Toucan Sam.<sup>164</sup> The court found that the plaintiff's surveys were insufficient to show that any segment of the population recognized Toucan Sam as the "spokesbird" only for Fruit Loops in lesser numbers than before the time the defendant began using its toucan mark.<sup>165</sup> Thus, the plaintiff's offer of proof disproved its cause

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157. Where the survey does not demonstrate a sufficient mental association between the senior and junior mark, a claim of dilution is weakened. Micheletti & Dorfman, *supra* note 145, at 1392. Similarly, where a junior mark is well-known in a particular geographic area, and the senior user is no less well-known than elsewhere, then no actual dilution has occurred by blurring. *Id.*

158. *Toucan Golf*, 337 F.3d at 620-22.

159. *Id.* at 622.

160. *Id.* at 628.

161. *Id.*

162. *Id.*

163. *Toucan Golf*, 337 F.3d at 628.

164. *Id.*

165. *Id.*; but see *Wawa, Inc. v. Haaf*, Civ. A. No. 96-4313, 1996 WL 460083 (E.D. Pa. Aug. 7, 1996). In *Wawa, Inc.* the court found that a marketing survey of the local neighborhood which indicated that only twenty-nine percent of persons living in the area identified the junior mark with the senior mark was sufficient to

of action for trademark dilution, which is a potential danger when using a consumer survey.<sup>166</sup>

Despite the inherent problems associated with consumer surveys, they appear to be the most effective way to establish “actual dilution,” especially where the marks at issue are not identical.<sup>167</sup> One problem encountered by the Plaintiff in *Moseley* was its failure to demonstrate that the Defendants’ use of the senior mark affected the ultimate consumer’s impression of the Victoria’s Secret mark. How else does one establish such a change in impression absent a consumer study?

#### D. *Expert Testimony*<sup>168</sup>

The use of expert testimony is recognized as an appropriate method of proving one’s *prima facie* case of trademark dilution under the FTDA,<sup>169</sup> assuming that such testimony is helpful to resolving the issue of dilution. This method of proof has been recognized by multiple treatises in the field of federal trademark dilution,<sup>170</sup> and may take a number of forms. First, a marketing or advertising expert can testify that a senior mark will, as a matter of fact, lose its selling power as a result of the dilu-

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establish a dilution claim. *Id.* at \*2. The court eventually applied the likelihood of dilution standard to uphold the claim. *Id.* at \*3.

166. *Id.* at 616.

167. See McCARTHY, *supra* note 58, at § 24:94.2(2) (“The author suggests that . . . evidence of actual dilution damage in non-identical marks cases will often fall into two categories: expert testimony and survey evidence.”).

168. As a matter of evidentiary law, a plaintiff will have to satisfy the four prongs of the *Daubert* test, a prerequisite for establishing the admissibility of expert testimony in federal court. See, e.g., *NFL Props., Inc. v. Prostyle, Inc.*, 57 F. Supp. 2d 665 (E.D. Wis. 1999). Accordingly, the court must consider: “whether [the expert’s] ‘theory or technique . . . can be (and has been) tested’; whether it ‘has been subjected to peer review and publication’; whether there is a high ‘known or potential rate of error’ and whether there are ‘standards controlling the technique’s operation’; and whether the theory or technique enjoys ‘general acceptance’ within a ‘relevant scientific community.’” *Id.* at 668 (quoting *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 593-94 (1993)).

169. See *Moseley*, 537 U.S. 418, 434 (2003) (noting that the Plaintiff’s experts failed to say anything about the impact of the Defendant’s name on the strength of the Plaintiff’s mark).

170. See, e.g., McCARTHY, *supra* note 58, at § 24:94.2(2); KANE, *supra* note 31, at § 9:3.5(D).

tive use attributed to the junior user.<sup>171</sup> Second, a plaintiff may wish to employ a licensing expert to testify to the fact that brand extension opportunities of the senior mark are foreclosed by the junior use of the mark, which in turn decreases the value of the famous mark.<sup>172</sup> Third, a party skilled in the valuation of a trademark can opine to the fact that the net worth of the senior mark has been negatively impacted by the junior use.<sup>173</sup>

### E. *Other Circumstantial Evidence*

Under *Ringling Brothers*, circumstantial evidence served only a limited role; it could be used as indirect evidence that might complement other proof.<sup>174</sup> Thus, circumstantial evidence, by itself, was insufficient to establish actual harm.<sup>175</sup> It has been argued that this factor is superfluous, because once a party overcomes the “high hurdle” of presenting evidence in the form of a consumer survey or actual harm, contextual factors are of little use to the court’s analysis.<sup>176</sup> Nevertheless, the Supreme Court held that “actual dilution can reliably be proven through circumstantial evidence - the obvious case is one where the junior and senior marks are identical.”<sup>177</sup> A number of post-*Moseley* cases have addressed federal trademark dilution claims predicated on circumstantial evidence, typically relying upon the identical nature of the junior and senior marks as their frame of reference.<sup>178</sup>

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171. MCCARTHY, *supra* note 58, at § 24:94.2(2)(a); see KANE, *supra* note 31, at § 9:3.5(D) (the testimony of marketing experts can be used as evidence of actual dilution).

172. MCCARTHY, *supra* note 58, at § 24:94.2(2)(c).

173. *Id.*

174. In *Ringling Bros.*, the court stated that “relevant contextual factors such as the extent of the junior mark’s exposure, the similarity of the marks, the firmness of the senior mark’s hold, are of obvious relevance as indirect evidence that *might complement other proof.*” *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 465 (4th Cir. 1999) (emphasis added).

175. *Id.* at 465; see also Micheletti & Dorfman, *supra* note 145, at 1380.

176. Micheletti & Dorfman, *supra* note 145, at 1380.

177. *Moseley*, 537 U.S. at 434.

178. See, e.g., *Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, 299 F. Supp. 2d 892 (E.D. Wis. 2004); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D.N.C. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003); *Savin Corp. v. Savin Group*, No. 02 Civ. 9377, 2003 WL 22451731 (S.D.N.Y. Oct. 24, 2003); *Tommy Hilfiger Licensing, Inc. v. Goody’s Family Clothing, Inc.*, No. 1:00-CV-1934, 2003 WL 22331254 (N.D. Ga. May 3, 2003).

In *Pinehurst Inc. v. Wick*, the defendants were in the business of registering domain names and then selling these domain names back to companies who claimed the domain names as their mark.<sup>179</sup> The defendants registered the domain name “PinehurstResort.com.”<sup>180</sup> The plaintiff was the owner of the internationally famous Pinehurst Golf Resort and Pinehurst No. 2 Golf Course.<sup>181</sup> The plaintiff contacted the defendants and requested them to transfer the “Pinehurst” domain name over to it.<sup>182</sup> The defendants refused and the plaintiff brought suit alleging that the domain name was identical or confusingly similar to plaintiff’s Pinehurst mark.<sup>183</sup> The court held that the defendants diluted the plaintiff’s mark due to the identical or virtually identical character of their domain names to the plaintiff’s mark.<sup>184</sup> The court found “actual dilution” because “[a] consumer using the Internet will be unable to discern any appreciable difference between the [d]efendants’ domain names and [p]laintiff’s marks.”<sup>185</sup>

In *Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, the district court was faced with a trademark dilution claim where the marks were nearly identical.<sup>186</sup> The plaintiff, Lee Middleton Original Dolls (LMOD), manufactured dolls and sculpted the hands, faces, and feet of the dolls out of vinyl.<sup>187</sup> This unique feature made the LMOD dolls look and feel real, which increased their popularity with consumers.<sup>188</sup> In 2000, the LMOD put out a limited edition doll called the “Bright New World” or “Millennium Angel” doll.<sup>189</sup> In 2001, the defendant, Seymour Mann, manufactured the “My Special Angel Doll.”<sup>190</sup> This doll, like that of LMOD, was made of vinyl and both were referred to as angel dolls.<sup>191</sup> Based upon the apparent similar-

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179. *Pinehurst, Inc.*, 256 F. Supp. 2d at 426.

180. *Id.*

181. *Id.* at 425-26.

182. *Id.* at 426.

183. *Id.*

184. *Pinehurst, Inc.*, 256 F. Supp. 2d 432.

185. *Id.*

186. 299 F. Supp. 2d 892 (E.D. Wis. 2004).

187. *Id.* at 894.

188. *Id.*

189. *Id.*

190. *Id.*

191. *Lee Middleton Original Dolls, Inc.*, 299 F. Supp. 2d at 894.

ity of the dolls (*i.e.*, sculpted vinyl hands, feet, and heads), and the developing status of the evidentiary requirements for an FTDA claim, the court denied the defendant's request for summary judgment.<sup>192</sup> Rather, the court permitted the dilution claim to go to the jury due to the identical nature of the dolls, and to determine whether "actual dilution" had been established.<sup>193</sup>

Additionally, in *Scott Fetzer Co. v. Gehring*, the district court granted a dilution claim based upon the identical nature of the senior and junior marks.<sup>194</sup> The plaintiff was the owner of the "Kirby" trademark, which became famous through its distinctive sales network that was used to sell vacuum cleaners throughout the United States.<sup>195</sup> Nearly fifty years after the "Kirby" mark became famous, the defendant started his own business of selling and servicing "Kirby" vacuum cleaners.<sup>196</sup> After determining that the plaintiff had demonstrated all other elements of a trademark claim,<sup>197</sup> the court went on to decide whether the plaintiff had established "actual dilution."<sup>198</sup> When ruling on this issue, the court found that: (1) the defendant was selling the plaintiff's mark without authorization;<sup>199</sup> (2) the marks used by the defendant were *identical* to those owned by the plaintiff;<sup>200</sup> (3) the defendant was using the mark to sell products that were previously sold by plaintiff;<sup>201</sup> and (4) the defendant sold and repaired products and falsely advertised that his merchandise came with a one-year manufacturer's

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192. *Id.* at 903.

193. *Id.* at 903; *accord* Nike, Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) (where the court concluded that the defendant had diluted Nike's trademarks due to the identical or virtually identical character of the marks on the accused goods to the Nike trademarks).

194. 288 F. Supp. 2d 696 (E.D. Pa. 2003).

195. *Id.* at 702.

196. *Id.*

197. In the eyes of the court, the plaintiff had established the other elements of a dilution claim, namely: (1) that the plaintiff was the owner of a famous mark; (2) that the defendant made commercial use of the senior mark in interstate commerce; and (3) that the defendant's use of the plaintiff's mark began after the plaintiff's mark became famous. *Id.*

198. *Id.*

199. *Scott Fetzer Co.*, 288 F. Supp. 2d at 702.

200. *Id.* (emphasis added).

201. *Id.*

guarantee.<sup>202</sup> The court concluded that the totality of the circumstances put the parties in direct competition, and that the “likelihood for confusion by the general consuming public [was] great.”<sup>203</sup> As such, the plaintiff had successfully established actual harm and a claim of dilution under the FTDA.

Customer complaints are another form of circumstantial proof that can be used to establish “actual dilution.” In *Four Seasons Hotels & Resorts B.V. v. Consorcio Barr, S.A.*, the court held that the record reflected “evidence of actual harm to Four Seasons in the form of customers who complained that the [defendant’s] hotel ‘wasn’t a Four Seasons’ due to its substandard nature, incomplete construction[,] and inferior furnishings and finishings.”<sup>204</sup> The court held that these complaints constituted sufficient circumstantial evidence of actual harm in order to establish trademark dilution under the Lanham Act.<sup>205</sup> Thus, ordinary opinion testimony, like the customer complaints in *Four Seasons*, or perhaps direct customer testimony in the form of affidavits, may serve as a practical and relatively inexpensive method of proof to help practitioners establish a claim for trademark dilution under the FTDA.<sup>206</sup>

The use of circumstantial evidence is likely to play a critical role in proving “actual dilution” in the future. To date, demonstrating the identical nature of marks, and the use of customer complaints, have been the primary means of establishing “actual dilution” through circumstantial evidence. Nevertheless, the types of circumstantial evidence that will fulfill the requirement of “actual dilution” remains uncertain because “[t]he Court did not explain and no one seems to know what that ‘circumstantial evidence’ might be.”<sup>207</sup>

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202. *Id.*

203. *Id.* at 703.

204. 267 F. Supp. 2d 1268, 1332 (S.D. Fla. 2003).

205. *Id.*

206. *See, e.g., Four Seasons*, 267 F. Supp. 2d at 1332; *see also* KANE, *supra* note 31, at § 9:3.5(D) (“testimony of consumers [is] possible evidence of the impact of a defendant’s use on the consumer’s conception of the plaintiff’s mark.”). Nevertheless, a single customer complaint was found insufficient to establish “actual dilution.” *See, e.g., Moseley*, 537 U.S. 418.

207. *Ty Inc. v. Softbelly’s Inc.*, 353 F.3d 528, 536 (7th Cir. 2003).

F. *Other Potential Sources of Proof that May be Relevant to "Actual Dilution"*

The Second Circuit has developed a "nonexclusive" list of factors that can be used to establish dilution under a theory of blurring.<sup>208</sup> The ten factors used to determine whether dilution has, in fact, occurred are: (1) the degree of distinctiveness of the senior mark;<sup>209</sup> (2) similarity of the junior and senior marks;<sup>210</sup> (3) proximity of the products and the likelihood of bridging the gap;<sup>211</sup> (4) the interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;<sup>212</sup> (5) shared consumers and geographic limitations;<sup>213</sup> (6) consumer sophistication;<sup>214</sup> (7) actual confusion;<sup>215</sup>

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208. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

209. *Id.* at 217 ("[T]he degree of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use [has] a diluting effect. As the distinctiveness of the mark is the quality that the statute endeavors to protect, the more distinctiveness the mark possesses, the greater the interest to be protected. And conversely, the more the senior mark tends toward the weak, common, quality-claiming, or prominence-claiming type, the more strongly that weakness would argue against a finding of dilution, especially if the senior use is in a distinctly different field.").

210. *Id.* at 218 ("The degree of similarity of the junior mark to the senior is an obvious factor bearing on a finding of dilution.").

211. *Id.* at 219 ("The closer the junior user comes to the senior's area of commerce, the more likely it is that dilution will result from the use of a similar mark.").

212. *Id.* ("[T]here is a close interdependent relationship among these factors. The weaker any of the three factors may be, the stronger the others must be to make a case of dilution.").

213. *Nabisco, Inc.*, 191 F.3d at 220 ("Another relevant factor is the extent of overlap among consumers of the senior user's products and the junior user's products. This factor is meaningful because dilution requires that a mark become less distinctive to consumers. If the consumers who buy the products of the senior user never see the junior user's products or publicity, then those consumers will continue to perceive the senior user's mark as unique, notwithstanding the junior use. . . . If the senior user is famous, but only in a limited area, a junior use limited to a different geographic area may not alter the perceptions of the senior user's products.").

214. *Id.* ("Consumers who are highly familiar with the particular market segment are less likely to be confused by similar marks and may discern quite subtle distinctions. Conversely, unsophisticated customers lack this discrimination and are more vulnerable to the confusion, mistake and misassociations against which the trademark law protects.").

215. *Id.* at 221 ("[A]ctual confusion [can] be highly probative of dilution. Confusion lessens distinction. When consumers confuse the junior mark with the senior, blurring has occurred.").

(8) adjectival or referential quality of the junior use;<sup>216</sup> (9) harm to the junior user and delay by the senior user;<sup>217</sup> (10) and the effect of the senior's prior laxity in protecting the mark.<sup>218</sup> While the Court alluded to these factors in *Moseley*, their significance in the analysis of "actual dilution" remains to be tested.<sup>219</sup> Additionally, it has been argued that some of these factors have little, and potentially no, probative value on the establishment of "actual dilution."<sup>220</sup> Notwithstanding, a plaintiff may wish to use the Second Circuit's ten-factor test as a paradigm for constructing a dilution claim, placing greater emphasis on the relevant factors and using them as a means of establishing "actual dilution."

Alternatively, a litigant may wish to turn to other areas of trademark law for guidance. While the law of trade dress and infringement are distinct from dilution, and as a general matter, inapplicable to dilution law, attorneys may wish to look to these other areas of law as sources of ideas for the types of circumstantial evidence they may wish to use to establish a dilution claim. The types of circumstantial proof relevant to establishing confusion in trademark infringement and trade dress claims that may be relevant to establishing trademark dilution include: exclusivity, length and manner of use of the senior mark;<sup>221</sup> the geographical scope of the mark's use;<sup>222</sup> marketing channels used by the senior mark and junior;<sup>223</sup> the quality of defendant's product vis-à-vis the famous mark's prod-

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216. *Id.* ("The stronger the adjectival association between the junior use and the junior area of commerce, the less likelihood there is that the junior's use will dilute the strength of the senior's mark.").

217. *Id.* at 222 (In resolving this issue, the court inquires into "whether the senior user's effort to enjoin the junior use was made with reasonable promptness and whether the junior user will suffer harm resulting from any such delay.").

218. *Nabisco, Inc.*, 191 F.3d at 222.

219. KANE, *supra* note 31, at § 9:5.3. While the *Moseley* Court rejected the "likelihood of dilution" standard used by the Second Circuit, and other federal courts, the Court did not reject the ten factor test.

220. See MCCARTHY, *supra* note 58, at § 24:94.4. In this treatise, the author opines that the third, sixth, and seventh factors are either misunderstood dilution law, misapplied dilution law, or are not relevant to the "actual dilution" analysis. See *id.*

221. *Adidas-Salomon AG v. Target Corp.*, 228 F. Supp. 2d 1192 (D. Or. 2002) (discussing trade dress).

222. *Id.*

223. See *id.* at 1196.



ucts; and the sophistication of the buyers.<sup>224</sup> While confusion alone may be insufficient to establish dilution, it will aid in demonstrating that a junior mark decreases a senior mark's capacity to serve as a unique identifier. As such, it may have some bearing on proving "actual dilution."

Arguably, the ten factors espoused by the Second Circuit, and the types of circumstantial evidence used in trade dress and infringement claims, are relevant to the question of whether a junior mark has actually decreased the senior mark's capacity to serve as a unique identifier, and thus should be relevant to establishing "actual dilution." Notwithstanding an ultimate conclusion on relevancy, which is left up to the court, these types of circumstantial proof, when used alone, would be unlikely to establish "actual dilution." This is especially true where the marks are not identical. Therefore, these kinds of circumstantial evidence should be used in conjunction with other types of proof in order to establish a federal trademark dilution claim.<sup>225</sup>

#### G. *Types of Evidence That Have Failed to Establish Proof of Actual Dilution*

At least one post-*Moseley* court has held that mere allegations and offerings of proof which demonstrate that the junior mark is identical to the senior mark may not be sufficient to show "actual dilution."<sup>226</sup> In *Savin Corp. v. Savin Group*, the court held that despite difficulties in establishing additional proof, a party is not excused from presenting some other circumstantial evidence of "actual dilution" besides the identical nature of the junior mark.<sup>227</sup> Accordingly, a plaintiff would be advised to use other forms of circumstantial evidence in con-

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224. *Educ. Testing Serv. v. Touchstone Applied Sci. Assoc.*, 739 F. Supp. 847, 850 (S.D.N.Y. 1990) (discussing trademark infringement).

225. Such as expert testimony, survey evidence, customer complaints and opinion testimony.

226. *See, e.g., Savin Corp. v. Savin Group.*, No. 02 Civ.9377, 2003 WL 22451731 (S.D.N.Y. Oct. 24, 2003) (granting a motion for summary judgment against Plaintiffs' trademark dilution claim under the FTDA).

227. *Id.* at \*15. ("In the instant case, plaintiff offers no circumstantial evidence of any kind tending to show actual dilution other than the fact that the marks are identical. This is not sufficient. Hence, plaintiffs have failed to raise a material issue of fact with regard to an essential prong of the dilution test").

junction with the proof that the junior mark is either identical or substantially similar to the senior mark.<sup>228</sup>

Moreover, demonstrating the mere similarity of appearance in conjunction with proof of the senior mark's strength may not be enough to establish a dilution claim under the FTDA.<sup>229</sup> In *Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc.*, the plaintiff, Hilfiger, conceded that it had no direct evidence of dilution of its mark.<sup>230</sup> "Rather, Hilfiger argue[d] that evidence of the similarity of Goody's trim packaging to the Hilfiger mark, along with evidence of Goody's intent and the strength of Hilfiger's mark, [was] sufficient to sustain its dilution claim."<sup>231</sup> However, the court held that "the factors . . . Hilfiger encourage[d] the court to use in assessing actual dilution [were] identical to those employed by the court in the likelihood of confusion analysis."<sup>232</sup> Therefore, "actual dilution" had not been proven and the plaintiff failed to establish a claim as a matter of law.<sup>233</sup>

Even where a carefully crafted consumer survey demonstrates that members of the public associate the junior mark with the senior mark, the survey by itself may be unable to establish actionable dilution.<sup>234</sup> In *Gateway, Inc. v. Companion Products*, the Gateway Corporation brought a federal dilution claim and submitted a consumer survey supported by expert testimony as its primary means of establishing its action.<sup>235</sup> Ul-

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228. Notwithstanding the holding in *Savin Corp.*, there is ample authority indicating that the identical nature of senior and junior mark is sufficient circumstantial evidence of "actual dilution." See, e.g., *Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, 299 F. Supp. 2d 892 (E.D. Wis. 2004); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D.N.C. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003).

229. See, e.g., *Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc.*, No. 1:00-CV-1934, 2003 WL 22331254 (N.D. Ga. May 3, 2003).

230. *Id.* at \*41.

231. *Id.* at \*42.

232. *Id.*

233. *Id.* at \*43.

234. See, e.g., *Gateway, Inc. v. Companion Prods. Inc.*, No. Civ. 01-4096, 2003 U.S. Dist. LEXIS 21461 (D.S.D. Aug. 19, 2003). Gateway was a corporation selling a variety of computer related products, and as part of its national advertising campaign it uses black and white cows and spots as a symbol for the company. *Id.* at \*2-3. The defendant, CPI, sold plush stuffed animals called "stretch pets" that wrap around computer monitors, CPUs, or televisions. *Id.* at \*4. One of its top selling products is a black and white spotted cow called the "Cody Cow." *Id.*

235. See *id.* at \*64.

timately, the court concluded that Gateway's survey evidence was not sufficient to prove that the defendant's mark, labeled the "Cody Cow," actually dilutes the strength of its mark.<sup>236</sup> "Although the consumer survey demonstrates that a significant portion of the public associates Cody Cow with Gateway, it does not demonstrate actionable dilution."<sup>237</sup> Additionally, Gateway submitted no additional evidence to show that defendant's product actually lessened the strength of Gateway's mark.<sup>238</sup> As such, Gateway's evidence failed to demonstrate that the defendant's mark undermines customers' ability to identify and distinguish the Gateway mark.<sup>239</sup> Thus, a plaintiff should avoid submitting only a consumer survey to support their federal dilution claim.

Finally, certain factual circumstances, such as increased revenues, may actually demonstrate that the value of the senior mark has not been diminished by the junior mark's use of the senior mark in commerce.<sup>240</sup> In *Golden World Financial v. WMA Mortgage Services*, the plaintiff was a large holding company that held several trademarks known collectively as the "World Marks" (WORLD SAVINGS AND LOAN, WORLD, WORLD SAVINGS, WORLD'S 100% HOME LOAN, WORLD SAVINGS, WORLD'S ESCALATOR, AND WORLD MORTGAGE).<sup>241</sup> The WORLD MORTGAGE mark had been used since 1986 in connection with the plaintiff's mortgage services.<sup>242</sup> The defendant started its own mortgage service, and changed its name to World Lending Group in 2001.<sup>243</sup> A trademark search company found over 100 companies in the mortgage service industry used the term "World."<sup>244</sup> The plaintiff alleged that the defendant's marks (WORLD LENDING GROUP, WORLD LENDING, WORLD FINANCIAL GROUP, WORLD REALTY and WORLD LEADERSHIP GROUP) di-

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236. *Id.*

237. *Id.*

238. *Id.*

239. *Gateway Inc.*, 2003 U.S. Dist. LEXIS 21461 at \*64.

240. *See, e.g., Golden W. Fin. v. WMA Mortgage Servs.*, No. C 02-05727, 2003 WL 1343019 (N.D. Cal. March 13, 2003).

241. *Id.* at \*1.

242. *Id.*

243. *Id.*

244. *Id.*

luted the senior marks in violation of Section 1125(c).<sup>245</sup> The court held that there was no evidence to show that the defendant's use of the term "world" diluted plaintiff's business.<sup>246</sup> "To the contrary, plaintiffs boast[ed] nearly \$65 million in assets and in 2002, [the] plaintiff Golden West's profits were a record."<sup>247</sup> Thus, certain circumstantial evidence, such as proof of the senior mark's increased value, may actually be used to quash a federal dilution claim.<sup>248</sup> As a result, plaintiffs seeking to demonstrate the value of their mark should be careful not to place too much reliance upon this fact because it may eventually be used against them by the courts.

### Conclusion

With the law of trademark dilution in a relative state of flux, due to the fact that *Moseley* was decided fairly recently, a plaintiff should avoid reliance upon a single type of proof to establish their federal dilution claim. Rather, plaintiffs should attempt to present a wide variety of proof, including, but not limited to: demonstrating identicalness or near identicalness of the junior and senior marks;<sup>249</sup> presenting a number of individual customer statements, and other related opinion testimony, which convey that the junior marks use of the senior mark negatively impacted the customers' impressions of the senior mark; carefully tailored consumer surveys that note the changes in consumers' impressions of the senior mark after the junior mark begins using the senior mark in commerce; expert testimony regarding the junior mark's capacity to dilute the senior mark; and evidence which shows a causal link between lost profits and the use of the senior mark by the junior mark

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245. *Golden W. Fin.*, 2003 WL 1343019 at \*8.

246. *Id.*

247. *Id.*

248. *See, e.g., id.*

249. With limited exception, see *Savin Corp. v. Savin Group*, No. 02 Civ.9377, 2003 WL 22451731 (S.D.N.Y. Oct. 24, 2003), demonstrating that the senior and junior marks are identical or nearly identical amounts to conclusive evidence of "actual dilution." *See, e.g., Lee Middleton Original Dolls, Inc. v. Seymour Mann, Inc.*, 299 F. Supp. 2d 892 (E.D. Wis. 2004); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424 (M.D.N.C. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003).

holder.<sup>250</sup> Similarly, a party may wish to resort to the Second Circuit's ten dilution factors as a paradigm for fashioning their federal dilution claim. These factors should be used as supplemental proof that a junior mark's use of a famous mark inhibits the senior mark's capacity to serve as a unique identifier. Armed with a wide variety of evidence, plaintiffs will be more likely to succeed with their claim than if they relied particularly on one form of proof to establish "actual dilution."

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250. However, demonstrating lost profits is not a requirement under the *Moseley* decision. See *Moseley v. Victoria's Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003).