No. 01-1015

In The
Supreme Court of the United States

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V. SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. AND VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

AMICUS CURIAE BRIEF OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read *in pari materi* with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act?

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AMICUS CURIAE BRIEF OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF RESPONDENTS

The undersigned, professors of intellectual property law at law schools throughout the United States, respectfully submit this Brief as Amicus Curiae in support of Respondents.[1]

INTEREST OF THE AMICUS CURIAE

Amicus curiae are professors of intellectual property law at law schools throughout the United States. We have no financial interest in the outcome of the case. We have a professional interest in seeing that intellectual property law develops in ways that best promote its purposes. We submit this brief to emphasize the policies behind dilution law, and to point out the troubling consequences of an actual dilution standard for the development of legal doctrine.

SUMMARY OF ARGUMENT

The Federal Trademark Dilution Act (FTDA) serves the interests of both trademark owners and consumers. It is designed to prevent a particularly insidious form of

[1] Both parties have consented to the submission of this Brief through letters filed with the Clerk of the Court. Counsel of record authored this Brief in its entirety. The Berkeley Center for Law and Technology has underwritten the cost of printing and filing this brief, but itself takes no position on the merits of the case.

injury to the connection in the minds of consumers between a mark and the products it represents. The point of the FTDA was to prevent third parties from blurring the distinctive significance of a famous trademark by using it on noncompetitive goods. The FTDA can serve this purpose only if it is interpreted to cover likely dilution as well as proof of actual economic harm. The actual economic harm or actual dilution standard inherently requires courts to countenance injury to trademark owners and consumers, injury that can never be made whole under the statute. It also creates insurmountable problems of proof that will leave many actual injuries unremedied. And it provides no relief whatever in cases where the significance of the mark is truly being "whittled away" by many different uses. In short, the actual dilution standard would weaken the FTDA beyond the point of recognition, rendering it practically worthless.

The actual dilution standard is also inconsistent with clear Congressional intent in enacting the FTDA. Its application requires strained and sometimes silly readings of the statute. It also requires this Court to assume that Congress ignored everything the world knew about dilution law before 1995, and everything Congress itself said it was doing, and instead enacted a new law the likes of which has never been seen before.

Finally, the policy arguments that are sometimes raised against expanding the scope of trademark rights have no application here. The FTDA contains a number of limiting principles that, properly applied, will prevent trademark owners from overreaching. An actual dilution requirement is not one of those limiting principles.

This Court must construe the FTDA as it would any other statute. In applying the rules of statutory construction, we urge the court to take into account the strong policy arguments in favor of construing the statute as Congress clearly intended it to be construed: as providing effective relief to owners of famous marks against uses likely to dilute the significance of those marks.

I. The FTDA Serves Important Policy Interests

The FTDA serves important policy interests. Trademark law itself serves two important interests. First, it protects consumers against confusion by preventing companies from using any mark or symbol confusingly similar to the trademark of another. Second, it encourages companies to invest in making products of high quality by ensuring that consumers will associate those high-quality goods with their maker, and preventing unscrupulous competitors from "passing off" inferior goods. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995) (trademark law serves dual role of reducing consumer costs and encouraging the production of quality products).

Trademark dilution law serves the same set of purposes, but in a different way. Dilution law arose as a reaction to the use of certain famous trademarks by third parties who wanted to take advantage of the uniqueness of those marks in order to sell unrelated goods. The canonical case involved a defendant sued by the Eastman Kodak Company for selling bicycles under the "Kodak" brand. *See Eastman Photographic Materials Co. v. Kodak Cycle Co.*, 15 [British] R.P.C. 105 (1898). Consumers were not likely to believe that the film company was selling bicycles; they were not "confused" in the classic sense. But both the

Eastman Kodak Co. and consumers were still harmed by the defendant's use. The Kodak brand, which once was unique, was now shared among two different companies. Further, there was no reason to believe that the deterioration of the brand would stop there. If a company could sell bicycles under the Kodak name, surely another could sell pizza, another gloves, and still another desks. No longer could one refer to "Kodak" without more; some context was necessary to distinguish the film company from the bicycle company. Indeed, over time the name might become so common that its importance as an identifier would diminish. The trademark owner would lose the uniqueness of its brand name, and consumers would lose a powerful tool for distinguishing among products and companies.

Congress passed the FTDA to prevent just such abuses. It emphasized the gradual nature of dilution: "Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995) (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972). Indeed, the primary cause of action for dilution – dilution based on "blurring" – is inherently difficult to quantify. It is a gradual, collective injury to the interests of both trademark owners and consumers. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection,* 40 Harv. L. Rev. 813, 825 (1927) (dilution is the "gradual whittling away or dispersion of the identity" of a mark). But the harm caused by dilution is no less real for being difficult to quantify, or because it occurs in a gradual series of steps rather than a giant leap.

II. An Actual Dilution Standard Defeats the Purpose of the FTDA

Requiring proof of actual dilution or actual economic harm before permitting the owner of a famous trademark to obtain relief would undermine the purposes of the FTDA. It would effectively gut the statute, since most dilution would never be remedied under such a standard. An actual dilution standard is also at odds with what we know of Congress' intent in passing the statute.

A. An Actual Dilution Standard Would Preclude Effective Relief for Dilution

1. The Actual Economic Harm Standard Requires the Courts to Countenance Injury to Mark Owners and Consumers

Under the actual dilution standard as articulated by the Fourth and Fifth Circuits, *see Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999); *Westchester Media v. PRL USA Holdings*, 214 F.3d 658 (5th Cir. 2000), no cause of action arises under the FTDA until the owner of a famous trademark has already suffered "actual, consummated harm." *Ringling Bros.*, 170 F.3d at 464. Because the relevant harm under the FTDA is the dilution of the distinctiveness of the plaintiff's mark, these Circuits have effectively required that the significance of the famous mark already have been blurred in the minds of consumers before offering relief. This approach has two implications, both radically counterintuitive. First, it suggests that a defendant must actually be established in the marketplace before it can be sued. A company that announces its intention to sell Kodak pianos nationwide must be permitted to do so, even if all parties involved

agree that the use will dilute the famous Kodak mark. Only after the company's use actually weakens Kodak's mark will it be permitted to sue under the FTDA. There is nothing to be gained by such an approach.

Second, the actual economic harm approach requires courts to wait until trademark owners and consumers have lost the very value the statute aims to protect before invoking the statute. This is a curious reading of a statute under any circumstances. In the context of dilution it is particularly problematic. For the value of fame and particularly uniqueness is precisely that consumers associate a mark with only one thing – the company and its products. Once that value is lost – once the trademark owner has been "actually harmed" by having the significance of its mark blurred – it will not be regained. Once consumers blur the significance of a mark in their minds, it is hard to see how a court order will render the mark unique or unblurred again. It may be that no amount of effort would restore the trademark to its prior position.

2. The Statute Provides No Remedy For the Harm the Actual Dilution Approach Would Countenance

As noted in the prior section, the actual dilution approach requires trademark owners and consumers to suffer injury that could have been prevented before invoking the FTDA.[2] But the problem is worse than that. The

[2] As this Court said in refusing to construe the Copyright Act's fair use provision to require proof of actual economic harm,

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harm that the actual dilution approach requires will never be remedied. The FTDA provides only for injunctive relief in most cases. 15 U.S.C. § 1125(c)(2) provides that "the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." Only in these limited circumstances does the FTDA permit a cause of action for monetary remedy and the destruction of infringing goods. Even then, the award of monetary relief and destruction is discretionary with the court. *Id*. As a result, in a large number of cases even trademark owners that prove dilution will only be able to stop further dilution, not do anything about the dilution that has already occurred.

The fact that the statute is limited to injunctive relief in most cases belies the arguments for the actual dilution standard. Surely Congress didn't intend to require proof of damage and then refuse to compensate it. Such a reading would render the protections of the FTDA hollow indeed. It would also strain the equity powers of the courts. The natural role of injunctive relief is to prevent harm, not to try to undo harm once it has occurred. *Cf. Swift & Co. v. United States*, 276 U.S. 311, 326 (1928) (injunctions are

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> Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.

Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984).

designed to prevent future wrongs). The proposed requirement of actual economic harm would turn this principle on its head, precluding injunctions designed to stop dilution and permitting only injunctions designed to "close the barn door" long after the horse is gone.

3. Actual Economic Harm Will Be Virtually Impossible to Prove

The previous sections have demonstrated that even if the trademark owner can prove actual economic harm, requiring it to do so will render the supposed protections of the FTDA ineffective. But evidentiary concerns compound the problem. Actual dilution will be exceedingly difficult to prove. Fame itself is a nebulous concept, as demonstrated by the complex, open-ended, multi-factor test in the statute, 15 U.S.C. § 1125(c)(1)(A)-(H), and the difficulties the courts have had in determining fame. *See, e.g.,* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 Yale L.J. 1687, 1698-99 (1999); Lori Krafte-Jacobs, Comment, *Judicial Interpretation of the Federal Trademark Dilution Act of 1995,* 66 U. Cin. L. Rev. 659, 690 (1998) (reporting on this confusion). Quantifying reductions in distinctiveness will prove even harder. As the Restatement (Third) of Unfair Competition § 25 notes, proof of dilution normally must rely on inferences because "[d]irect evidence of a dilution of distinctiveness is seldom available."[3]

[3] An additional problem is that the actual dilution approach is circular. One of the factors bearing on fame is the number of competing uses of a mark; a mark is more likely to be famous if it is unique than if many different companies share the same mark. *See* 15 U.S.C.

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Surveys won't necessarily help. First, it is not clear how to design a survey that measures dilution at all. As the Restatement explains, blurring is "a phenomenon not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior." *Id*. Demonstrating that a mark is being blurred requires a time comparison: the trademark owner must show that the mark is less distinctive now than it was before the blurring. But how can a consumer survey go back in time to make that comparison? Will trademark owners have to constantly survey their consumers, testing the fame of their marks and casting about for someone to sue whenever that fame declines? The difficulties inherent in proving actual economic harm will mean that in many cases, even those who have suffered such harm will be unable to take advantage of the anemic remedies the actual dilution approach would permit.

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§ 1125(c)(1)(G) (use of mark by third parties one factor relevant to fame); 4 J. Thomas McCarthy, Trademarks and Unfair Competition § 24:92, at 24-173 ("A mark that is merely one in a crowd of similar marks will not usually be famous."). Under the actual dilution approach, a trademark owner with a unique, famous mark must permit other uses of its mark until it can show that the distinctiveness of its own mark has been blurred. But by then, the mark may not count as famous, both because it is no longer unique and because its distinctive significance has been whittled away. The result is a vicious circle for trademark owners.

4. The Actual Dilution Approach Gives No Relief Where the Harm is Caused By Multiple Defendants

A final problem with the actual dilution approach arises when more than one party makes use of a famous trademark. Under the actual dilution approach, the trademark owner is entitled to injunctive relief only if it can prove that a particular use causes actual economic harm to the mark. This standard presupposes that the measurable harm was caused by a single defendant. But if many different parties make dilutive use of the same mark, even if the trademark owner can prove that it has been harmed it may be impossible to demonstrate that any one of those uses was the cause of the harm. Nor will this be an unusual case. Indeed, the very essence of "whittling away" the value of a mark is not harm caused by a single defendant, but the aggregate harm caused by many different acts of dilution. It would be ironic indeed if the FTDA were interpreted to exclude from its ambit the canonical case of dilution.

5. Conclusion

The actual economic harm requirement has extremely troubling policy implications. It renders the FTDA a hollow and useless thing, incapable of being used to protect trademark owners and consumers against the very acts that it was designed to prevent. The Court should not be inclined to favor this reading of the statute if there is any alternative.

B. The Likely Dilution Standard Is Consistent With Congressional Intent and the Normal Understanding of Dilution Laws

Congress prohibited commercial uses of a mark that "cause[] dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). But it is clear that Congress intended the owners of famous trademarks to be able to stop possible dilutive acts before they became widespread. The House Report provides that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995). The House Report did not suggest that these mark owners would have to demonstrate that they had already suffered actual economic harm. Rather, Congress seems to have assumed that the law it was passing would provide action against the kinds of uses it identified as examples, whether or not the trademark owners could prove actual economic harm.

Similarly, the statute provides that a trademark owner can obtain only injunctive relief against dilution "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2). While this provision was clearly intended to carve out a subset of cases in which the defendant's bad conduct justified stronger penalties, under the actual dilution interpretation it would do no such thing. Indeed, it is quite likely that some defendants act with an intent to trade on the owner's reputation – or an intent to cause dilution – even if the plaintiff cannot prove that actual economic harm resulted. It would be an odd reading of the statute for the basic remedy to cover less conduct than the enhanced remedies. Again, it is more likely that Congress assumed it was

enacting a statute that authorized the courts to enjoin conduct likely to dilute a famous mark.

Congress expressly stated that a federal dilution statute was "necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995). It worried that state statutes were inconsistent. *Id*. But the overwhelming majority of state statutes in force at that time all appeared to prevent conduct that is "likely to dilute" the distinctive significance of a trademark; at the time Congress passed the FTDA no state statute had been interpreted to impose a requirement of actual economic harm. *See, e.g.,* David Welkowitz, Trademark Dilution: Federal, State and International Law 17-21 (BNA Books 2002) (summarizing state antidilution statutes); Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789, 813-14 (1997) (describing the attributes of the various state statutes).[4] *See also* Restatement (Third) of Unfair Competition § 25 (1995) (restating the general state dilution law as requiring "[p]roof of a likelihood of dilution"). Congress did nothing to indicate that it was departing rather sharply from what all previous dilution statutes had required. It is more likely that Congress assumed that it was enacting a statute that, like the state statutes on which it was modeled, prevented commercial uses of a mark likely to dilute its distinctive significance.

[4] Since the passage of the FTDA, a number of states have changed their statute to track the language of the FTDA. *See* Welkowitz, *supra*.

Congress made it clear that it was enacting the FTDA in part because it believed the statute necessary to comply with United States obligations under the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPs") of the General Agreement on Tariffs and Trade, passed the year before. *See* H.R. Rep. 104-374, 104th Cong., 1st Sess. at 4 (1995) ("[E]nactment of this bill will be consistent with the terms of GATT and TRIPs," which "includes a provision designed to provide dilution protection to famous marks."). Indeed, Congress indicated its hope that enacting the FTDA would lead by example "assist[ing] the executive branch in its bilateral and multilateral negotiations with other countries to secure greater protection for the famous marks owned by U.S. companies." *Id*. Article 16(3) of TRIPs, which requires member countries to provide certain minimum protections for famous marks,[5] extends that required protection to include cases in which "the interests of the owner of the registered trademarks are likely to be damaged by such use." Enacting a statute that did not comply with the TRIPs requirement as Congress understood it and provided substantially weaker protection than that which Congress believed to be required by international treaties would hardly advance the goal either of consistency with TRIPs or of helping the United States "secure greater protection" abroad. Again, it is likely that Congress assumed it was doing what it said it was doing, not passing a

[5] Whether article 16(3) actually mandates protection against dilution is a matter of some dispute, and *amici* do not take any position on that issue. All that matters for purposes of this case is that Congress believed the FTDA was necessary to comply with article 16(3), and that article focuses on likely rather than actual injury.

statute that failed to achieve its stated aims in the international arena.

Finally, Congress modified the FTDA in 1999 to make it clear that the owner of a famous trademark could oppose another party's application for a trademark in the Patent and Trademark Office on the ground that the registration of that other party's trademark would dilute the opposer's mark. *See* Trademark Amendments Act of 1999, Pub. L. 106-43, 113 Stat. 218 (August 5, 1999). This amendment is flatly inconsistent with the actual dilution standard. By allowing the owners of famous trademarks to oppose *applications* for trademarks that would dilute the famous mark, even before the mark being applied for was used in commerce, Congress clearly permitted trademark owners to stop possible dilution before it began. And since one purpose of the 1999 Amendments was to permit the Trademark Trial and Appeal Board (TTAB) to "give guidance to litigants and the Trademark Bar, through precedent, with respect to such issues as . . . what constitutes dilution . . . ," H.R. Rep. No. 106-250 at 6, 106th Cong., 1st Sess. (1999), it only makes sense to conclude that Congress believed the FTDA and the Trademark Amendments Act standards to be identical. Reading the FTDA to require actual economic harm would put the two statutes at odds, making any guidance the TTAB might provide worse than useless.

It is of course possible to construe a statute to reach an outcome that Congress clearly did not intend. But this Court should be wary of doing so, particularly when the evidence of Congressional intent is so plain and the proposed reading of the statute such a radical departure from all past precedent. Like the policy concerns with the actual dilution reading, Congressional intent counsels that

the Court look long and hard for support for the "likelihood of dilution" reading.

III. A Likely Dilution Standard Will Not Render the FTDA Too Powerful

The Fourth Circuit adopted the actual dilution standard in part out of concerns that the FTDA might be read to create a "property right in gross" precluding any uses of a famous mark without permission. *Ringling Bros.,* 170 F.3d at 454. Commentators (including the author of this brief) have similarly worried about the risks of overbroad dilution protection. Lemley, *supra*, at 1698-99, 1710-13; Howard J. Shire, *Dilution Versus Deception – Are State Antidilution Laws an Appropriate Alternative to the Law of Infringement?,* 77 Trademark Rep. 273, 296 (1987); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 Seton Hall Legis. J. 433, 447-49 (1994). Outside the dilution context, this Court has expressed concern of late about granting too much power to trademark owners. *See, e.g., Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000) (reading product configuration protection narrowly so that consumers would "not be deprived of the benefits of competition" in designs); *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 34-35 (2001) (reading functionality doctrine to prevent the Lanham Act from being used to "reward manufacturers for their innovation").

While the courts should be careful to limit the scope of the FTDA to true cases of dilution of a famous mark, creating an actual dilution standard is not the right way to impose such limits. The FTDA has a number of limits built

into it to prevent dilution law from expanding beyond its proper scope. Only famous marks are eligible for dilution protection, and the fame requirement is properly read to be relatively strict. *See, e.g., Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999). The definition of dilution does not include noncommercial uses, *see* 15 U.S.C. § 1125(c)(1), and the statute includes express defenses for comparative advertising and news reporting. 15 U.S.C. § 1125(c)(4). To graft an "actual dilution" standard onto the statute in an effort to limit its reach would limit dilution in the wrong ways. It would prevent effective relief against real cases of dilution, while doing nothing to bolster the fame requirement or address the legitimate concerns of comparative advertisers, the news media or noncommercial users. If the courts are to cabin abuses of the FTDA, they should do it by limiting dilution protection to truly famous marks, by properly interpreting the tarnishment requirement, and by insisting on proof of commercial use of a mark. This Court should not adopt a reading of the statute that prevents it from being applied where dilution truly is likely. Doing so throws the baby out with the bath water.

CONCLUSION

We urge this Court to reject the requirement of actual economic harm and to affirm the judgment below.

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