No. 01-1015

IN THE

Supreme Court of the United States

VICTOR MOSELEY, *et al.*,
Petitioners,

v.

V SECRET CATALOGUE, INC., *et al.*,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

BRIEF FOR *AMICUS CURIAE* THE INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF THE RESPONDENT

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QUESTION PRESENTED

What is required to establish that the use in commerce of a mark or trade name "causes dilution of the distinctive quality of [a famous] mark," in order to find liability under the Federal Trademark Dilution Act (the "FTDA" or the "Act")?

TABLE OF CONTENTS

TABLE OF AUTHORITIES

CASES

STATUTES

OTHER AUTHORITIES

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INTEREST OF *AMICUS CURIAE*

Amicus Intellectual Property Owners Association (IPO) is a nonprofit, national organization of nearly 100 large and midsize companies and more than 200 small businesses, universities, inventors, authors, executives, and attorneys who own or are interested in patents, trademarks, copyrights, and other intellectual property rights. Founded in 1972, IPO represents the interests of all owners of intellectual property. The members of IPO's Board of Directors are listed in the appendix.[1]

[1] This brief was not authored in whole or in part by counsel for either party. No person or entity, other than *amicus* Intellectual Property

IPO and its members have a strong interest in this case because it represents the Supreme Court's first opportunity to review and interpret the FTDA. Federal trademark dilution is an important new tool that assists trademark owners in protecting the distinctiveness, value, and usefulness of their marks. The appellate courts evaluating dilution cases have come to vastly different conclusions regarding the statute's scope, meaning, and purpose. Hence, the Court's choice in this case between the very different interpretations will set the tone for this statute's future application, determine its relevance to trademark owners, and provide a guide to those selecting new trade names and trademarks. IPO submits this *amicus* brief to present its view on how the statute should be properly interpreted.

INTRODUCTION

Relief under the FTDA should not hinge on whether the owner of a famous and distinctive trademark can prove tangible economic loss or harm at the hands of an unauthorized user. Such a requirement would impose a daunting standard that could be rarely met and is not supported by the statutory language. The incalculable value of famous and distinctive trademarks eligible for protection under the FTDA lies in their singular uniqueness. Dilution occurs, and should be enjoined, whenever a famous and distinctive mark (or colorable imitation), as defined by the statute, is commercially used without authorization. Whether or not an unauthorized use inflicts direct and provable economic loss, it inherently impairs the mark and damages its intrinsic value. It does so by lessening or "blurring" the mark's capacity to carry out the central trademark function of identifying a single and unique source of goods or services.

Owners Association, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief. The Parties have consented to the filing of this brief *amicus curiae*.

The very first commercial use of a famous mark by an unauthorized third party erodes the famous mark by making it less unique. Such erosion inflicts an injury on the trademark owner far more pernicious than mere loss of sales or other economic injury. Furthermore, allowing the diluting mark to remain in use invites others to feast on a famous mark's tremendous value by employing similar uses for their own benefit at the expense of the originator. Through such incremental blurring, a mark that was once unique and famous devolves into the commonplace.

The FTDA was intended to prevent just such progressive impairment of the intrinsic value of famous and distinctive trademarks. The Act's remedy, accordingly, should apply without regard to whether direct economic harm can be shown.

SUMMARY OF THE ARGUMENT

The FTDA provides a new and unique federal cause of action that applies whenever the commercial use of a mark lessens the capacity or ability of a famous and distinctive mark to serve as a unique identifier of source or lessens its distinctive quality. The right of relief under the Act does not require proof of actual economic harm to the trademark owner. Rather, the Act focuses on the harm to a mark's intrinsic capacity or ability to distinguish goods or services, which does not necessarily translate into provable economic harm to the mark's valuation. Harm of this nature can be proven through a variety of methods, such as proof of contextual factors, circumstantial evidence, or anecdotal evidence. In some instances, proof of dilution merely requires proof that the mark used by the defendant is so similar to the plaintiff's famous mark, that it calls the plaintiff's mark to mind and creates an association. In other words, commercial activity associating the famous mark with something other than the right holder, *ipso facto* dilutes the mark's distinctive nature.

ARGUMENT

In 1995, Congress created a new and different federal cause of action when it passed the Federal Trademark Dilution Act, which became law on January 16, 1996. The FTDA's purpose, as shown in its legislative history, was "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of likelihood of confusion." H.R. Rep. No. 104-374, at 2 (1995), *reprinted in* 1995 U.S.C.C.A.N. at 1029.

This Act represents a clear departure from the traditional trademark-infringement analysis, which is based on a likelihood of confusion, deception, or mistake. *Id.* at 3, 1995 U.S.C.C.A.N. at 1030. Rather, the new dilution statute was intended to apply "when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." *Id.* As examples of actions that would dilute famous marks, the legislative history stated that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.*

I. ACTUAL ECONOMIC HARM IS NOT REQUIRED TO PROVE DILUTION

As this Court has noted, "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985). The "language employed by Congress" reads:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another

> person's commercial use in commerce of a mark or trade name, if such use . . . causes dilution of the distinctive quality of the mark.

15 U.S.C. § 1125(c)(1). The Act further defines "dilution" as

> the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—
>
> (1) competition between the owner of the famous mark and other parties, or
>
> (2) likelihood of confusion, mistake, or deception.

15 U.S.C. § 1127.

Nothing in this statutory text indicates that the capacity or ability of a mark to identify and distinguish goods and services is not lessened until proof of a tangible, economic harm is available. To the contrary, the Act provides that the owner of a famous mark *shall* be entitled to an injunction of a third party's commercial use of a mark if the use causes dilution of the mark's *distinctive quality*—not its economic value. Furthermore, dilution occurs when the capacity of a famous mark to distinguish the goods or services it identifies is lessened. That is all a trademark owner need prove under the Act. A trademark is an intangible asset, and it is logical that damage to it could be intangible as well. Indeed, the Act specifically contemplates that a noncompeting use of the famous mark can dilute its distinctive quality. 15 U.S.C. § 1127. If two products do not directly compete with one another, it is not likely that the dilutive use will siphon sales away from the trademark holder, leading to direct financial harm. Yet the statute clearly contemplates that such a use can in fact dilute the strength and significance of a famous mark.

Even the Fourth Circuit, which first advanced the argument that proof of actual harm was required, conceded that the requirement "does not leap fully and immediately from the statutory text." *Ringling Bros.-Barnum & Bailey Combined*

Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 453, (4th Cir. 1999), *cert. denied*, 528 U.S. 923 (1999). Thus, the statutory language itself does not support a claim that proof of actual injury to the economic value of the famous mark preconditions any and all relief under the Federal Trademark Dilution Act.

Petitioners (and some commentators) have suggested that, unless proof of actual economic harm is read into the FTDA, it would create a "right in gross" or lead to some kind of "patent on words," unlimited in time, that will harm competition and violate the First Amendment of the Constitution. But such suggestion is misplaced. Under the statutory scheme, dilution protection requires a three-step process. The first step determines whether a mark even qualifies for dilution protection, by focusing on the *consumers' perception* of the mark as a famous and unique indicator of goods and services. If the trademark owner cannot prove that the mark is famous and distinctive to the consuming public, then the mark is not entitled to protection under the statute. 15 U.S.C. § 1125(c)(1). Thus dilution protection exists only so long as a mark is "famous and distinctive" in the minds of the consuming public.

The second step determines whether the use is in fact dilutive of the famous mark, while the third step applies certain statutory exemptions designed to protect the fair use of the famous mark and First Amendment concerns. 15 U.S.C. § 1125(c)(1), (3). *See also, Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902-07 (9th Cir. 2002) (finding use of the famous BARBIE trademark in the song "Barbie Girl" dilutive because it caused consumers to associate two different products with the mark (the doll and the song), but protected by the statutory exception for noncommercial (i.e. constitutionally protected) use.) This fundamental tying of dilution protection to consumer perception and the specific exceptions for fair use and constitutionally protected speech limit the scope of protection afforded by the FTDA. As clearly seen in the *Mattel* case, a trademark owner cannot control every use of the mark by third parties. The FTDA does not create a "patent on words," but simply protects a famous trademark by preventing third parties from riding on its coat-tails, instead of making their own way. Thus, the statutory scheme set forth by Congress, taken as whole, balances the protection of consumers, competition, trademark owners, and free speech—without requiring proof of an economic injury.

II. A "LIKELIHOOD" OF DILUTION IS NOT SUFFICIENT

Some appellate courts appear to advocate that a "likelihood" of dilution is all that is necessary to receive relief under the FTDA. *Eli Lilly & Co. v. Natural Answers*, 233 F.3d 456 (7th Cir. 2000); *V Secret Catalogue v. Moseley*, 259 F.3d 464, 474-76 (6th Cir. 2001). This suggestion should be rejected as well. The statutory language is unambiguous—the mark's use must "cause dilution." 15 U.S.C. § 1125 (c)(1). But this language does not suggest that causation can only be proven through an economic calculation or an empirical measurement rather than from common sense, an understanding of the natural consequences of an action, or other types of logical proof or market evaluations.

Use of the term "likelihood" of dilution in the above decisions is really an unfortunate choice of words. In both cases, the circuit courts correctly understood and applied the concept of "dilution" per se. *Eli Lilly* recognized that "[d]ilution by blurring, the injury at issue here, occurs when consumers 'see the plaintiff's mark used on a plethora of different goods and services,' . . . 'raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product.'" 233 F.3d at 466 (quoting *Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996), which quotes 3 *McCarthy on Trademarks and*

Unfair Competition § 24.13[1][a][i] (3d ed. 1995))). Similarly, the Sixth Circuit understood that unauthorized commercial use of a famous mark causes actual dilution when it concluded that "[t]his, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)." *V Secret Catalogue*, 259 F.3d at 477.

But in describing the new concept of dilution, these courts clung to the familiar by using the language of trademark infringement. This unfortunate choice of words is not unusual in dilution analyses. See Kathleen B. McCabe, Note, *Dilution-by-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 Fordham L. Rev. 1827, 1850-54 (2000) (discussing how "[c]ourts frequently decide dilution claims using the language of infringement standards, resulting in a miscommunication of the court's analysis of the law"). However, the courts' use of the words "likelihood of"—the flagship words of infringement analysis—does not necessarily suggest that their underlying analysis was incorrect. Indeed, in each case, dilution of the famous mark was actually present and occurring. The courts simply used circumstantial and contextual factors rather than proof of tangible economic harm to determine whether or not the alleged activity caused dilution of the famous mark. *See Nabisco v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) ("If a junior user began to market Buick aspirin or Schlitz shellac, we see no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys. Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. 'Contextual factors' have long been used to establish infringement. We see no reason why they should not be used to prove dilution.").

III. CONGRESS CLEARLY STATED THAT DILUTION MAY BE PROVEN IN A NUMBER OF WAYS

Dilution is a concept that courts have struggled with since it was first described, because it differs significantly from traditional trademark analysis. But once one accepts that dilution provokes the need for a different remedy, and was enacted to guard against a different harm, the concept becomes quite simple.

In adopting the dilution statute, Congress accepted the proposition that, absent some mitigating or equitable factors, the actual and inevitable result of a third party's use of a famous mark on different goods or services *is* the lessening of that mark's capacity to serve as a unique identifier of source. This approach to the proof of dilution is shown by several statements made throughout the legislative history. First, the legislative history noted that passage of the FTDA "would ... create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the good will and established renown of such marks *and, thereby*, dilute their distinctive quality." See H.R. Rep. No. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (emphasis added). The legislative history went on to note that "[t]he concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who would appropriate the mark for their own gain." *Id.*

This interpretation is reinforced by the legislative history's listing of "DUPONT shoes, BUICK aspirin, and KODAK pianos" as actual examples of dilutive uses. *Id.* Indeed, the language used in the report—that "DUPONT shoes, BUICK aspirin, and KODAK pianos *would be actionable* under this legislation," underscores Congress's acceptance of the proposition that the third party's unauthorized commercial use of a mark itself blurs, and thus dilutes, the distinctive quality of the mark. *Id.* (emphasis added.) These examples were not listed as ones that might be actionable if the trademark owner could prove actual economic harm; they were listed as examples of dilution itself.

Furthermore, Congress provided for injunctive relief, which is intended to prevent irreparable harm, if the unauthorized use of a famous mark causes dilution of its distinctive quality. 15 U.S.C. § 1125(c)(1). Requiring proof of actual economic harm is inconsistent with Congress's intent when it selected injunctive relief as the primary remedy.

Finally, the legislative history's clearest explanation of dilution comes from its quotation of *Mortellito v. Nina of California, Inc.*, which stated:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

335 F. Supp. 1288, 1296 (S.D.N.Y 1972). These explanations of dilution make clear that proof of immediate and quantifiable harm is not required to establish that an unauthorized use of a famous mark causes dilution. Rather, dilution occurs when a set of facts takes place, namely, the commercial use of a mark by another, which lessens the ability of a famous mark to serve as a unique identifier of source. Indeed, dilution of a mark's "distinctive quality" is diminished immediately upon commercial use by an unrelated third party—regardless of how imperceptible or seemingly inconsequential the initial effect may be.

CONCLUSION

The plain language of the statute's text, the legislative history (which reflects Congress's intent), and the underlying rationale for dilution all clearly show that proof of actual economic harm to the famous mark is not required to prove dilution. Rather, dilution occurs, and may be enjoined, whenever a third party commercially uses a famous and distinctive mark (or colorable imitation) without authorization.

For the reasons set forth above, *amicus curiae* Intellectual Property Owners Association respectfully requests that the Court affirm the judgment of the Court of Appeals.

Respectfully submitted,

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