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

BRIEF FOR RESPONDENTS

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STATEMENT OF THE CASE

This case arises from the efforts of respondents V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Direct, LLC (collectively "Victoria's Secret") to protect the distinctiveness of the VICTORIA'S SECRET mark,[1] which has become famous and strong through enormous sales, extensive promotion, advertising, and investment over the course of twenty years. Attempting to ride the coattails of respondents' success in creating a unique and powerful mark with great selling power, petitioners used the mark VICTOR'S SECRET – which they quickly changed to VICTOR'S LITTLE SECRET – to advertise and sell "adult" products, including sex toys and pornography, as well as lingerie. The sole question presented here is whether the Federal Trademark Dilution Act of 1995 ("FTDA"), 15 U.S.C. § 1125(c), requires respondents to prove they have already suffered economic harm from petitioners' use of the similar mark before obtaining an injunction against its further use. As both courts below correctly held, the answer is no.

1. Statutory Framework

The FTDA provides that 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 begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). Thus, to obtain an injunction barring the use of another mark, a senior mark holder must prove that (1) its mark is "famous," and (2) the

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[1] Respondents are "related companies" under 15 U.S.C. § 1127. Joint Appendix ("JA") 135. Respondent V Secret Catalogue, Inc. is the record owner of the VICTORIA's SECRET mark, and licenses respondents Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC, to use that mark. Pet. App. 3a-4a.

commercial use of another mark introduced into commerce after the senior mark became famous, "causes dilution of the distinctive quality of the [senior] mark." *Id.* To establish that commercial use of a junior mark "causes dilution" of a mark's "distinctive qualities," the senior mark holder must prove only that it causes a "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. But the Act also creates a safe harbor for certain fair uses, designating comparative advertising, non-commercial use of a mark, and news reporting and commentary as not "actionable" dilution. 15 U.S.C. § 1125(c)(4).

A mark owner who proves actionable dilution is entitled only to prospective injunctive relief for non-willful dilution. 15 U.S.C. § 1125(c)(2). Damages are available only to those who prove willful dilution. *See id.* (owner proving willful dilution may seek "remedies set forth in sections 1117(a) and 1118 of this title") & *id.* § 1117(a) (allowing award of defendant's profits, damages, and costs).

2. Factual Background

a. In October 1977, the first VICTORIA'S SECRET store opened in Palo Alto, California. Joint Appendix ("JA") 167. In January 1981, the owners of that store registered the VICTORIA'S SECRET trademark with the U.S. Patent and Trademark Office ("PTO"). JA 166. The Limited, Inc., respondents' parent corporation, acquired the original Victoria's Secret business and its trademark in 1982. JA 167. At that time, the acquired company operated three retail stores in northern California and a small mail order business. *Id.*

Since this acquisition, Victoria's Secret has created a familiar image for its brand and promoted it vigorously around the country. The VICTORIA'S SECRET line consists of high quality, moderately priced, and attractive products, including women's lingerie, sleepwear, robes, apparel, accessories, fragrances, cosmetics, and bath products. JA 167-68. As of 1998, Victoria's Secret was operating more than 750 retail stores and annually distributing more than 400 million mail order catalogues throughout the United States. *Id.* Victoria's Secret also sells merchandise through its website at www.victoriassecret.com. JA 168.

Respondents have devoted considerable resources to advertising and promoting their products and retail services using the VICTORIA'S SECRET mark. Between 1989 and 1998, respondent Victoria's Secret Stores increased its expenditures in these areas each year, spending more than $170 million on advertising and promotion, including more than $55 million in 1998 alone. JA 170. Between 1994 and 1998, respondent Victoria's Secret Direct's promotional and advertising expenses increased every year, and exceeded $1 billion over the entire period. JA 180. Respondents' efforts included national print advertisements and television commercials, JA 169-70, and an annual fashion show that could be viewed through a "webcast," JA 179. Nearly two million people watched the 1999 Victoria's Secret Fashion Show live at its website. JA 179-80.

Respondents' promotional efforts have yielded tangible results. A 1998 survey ranked VICTORIA'S SECRET among the ten most famous brands in the apparel industry. Pet. App. 30a; JA 142-43. Between 1989 and 1998, Victoria's Secret Stores's annual sales grew from $418 million to more than $1.5 billion, exceeding $1 billion every year from 1994 to 1998. JA 168-69. Sales from VICTORIA'S SECRET catalogues grew from more than $342 million in 1992 to more than $759 million in 1998. JA 178.

b. Respondents operate two VICTORIA'S SECRET stores in Louisville, Kentucky; one has been open since 1985 and the other since 1992. JA 169. Victoria's Secret also distributes mail order catalogues throughout the state. In 1998, it distributed more than 3.5 million VICTORIA'S SECRET catalogues in Kentucky; 39,000 of these catalogues arrived in Elizabethtown. JA 178. Between 1994 and 1998, Kentucky residents purchased nearly $30 million worth of merchandise from Victoria's Secret Direct. JA 178. During this period, the combined retail sales of the two VICTORIA'S SECRET stores in Kentucky exceeded $21 million. JA 169.

On February 8, 1998, petitioners Victor and Cathy Moseley (the "Moseleys") opened a store called "Victor's Secret" in a strip mall in Elizabethtown, Kentucky. Pet. App. 4a. Victor's Secret sold a variety of items, including women's and men's lingerie, adult videos, sex toys and "adult novelties." *Id.* The store includes an area Mr. Moseley called an "adult section," JA 46, where petitioners sell "[a]nything [they] feel might be extremely offensive to the general public." JA 49. Before bringing items from this adult section to the cash register, customers must place them into unmarked brown paper bags. JA 50. Using VICTOR'S SECRET, the Moseleys advertised the store's opening with flyers, advertisements in local newspapers, and on the radio. JA 58, 60.

Scarcely a week later, on February 16, 1998, respondents received a letter from Colonel John Baker, Staff Judge Advocate for the U.S. Army Center, and a resident of Fort Knox, Kentucky, who had seen a newspaper advertisement for "Victor's Secret." JA 184-85. Colonel Baker sent respondents a copy of the advertisement because he was "personally offended by [petitioners'] use of a bona fide, reputable company's trademark to promote [their] unwholesome, tawdry merchandise." JA 210. On February 25, 1998, respondents' counsel sent the Moseleys a letter requesting that they cease and desist from use of the name "Victor's Secret." Pet. App. 30a. The Moseleys subsequently changed the name of their store to "Victor's Little Secret." *Id.* In the store's print advertisements, signage, and logo, the word "Little" is significantly smaller than "Victor's Secret," inserted between the other two words by an editor's caret, JA 186, explicitly representing "Little" as a less consequential afterthought to "Victor's Secret."

3. Proceedings Below

a. On June 22, 1998, respondents filed this action in the United States District Court for the Western District of Kentucky, alleging that the Moseleys' use of VICTOR'S LITTLE SECRET constituted infringement under the Lanham Act, 15 U.S.C. § 1051 *et seq.*, dilution under the FTDA, and unfair competition under Kentucky law. Pet. App. 29a. After discovery, the Moseleys sought summary judgment on all counts, and Victoria's Secret filed a cross-motion for summary judgment on the FTDA claims. *Id.*

In addition to the background facts set forth above, the record before the district court on summary judgment included the following undisputed facts, taken from the Moseleys' deposition testimony. Before opening his store, Mr. Moseley knew of VICTORIA'S SECRET and the fact that it sold lingerie. JA 76. Mrs. Moseley was also familiar with VICTORIA'S SECRET, and had visited a VICTORIA'S SECRET store. JA 82. When considering names for their store, the Moseleys discussed the possibility of calling it, among other things, "Adult Toys Are Us." JA 78. The Moseleys were familiar with the retail chain "Toys R Us." *Id.* After the Moseleys opened their store, before the filing of this action, customers and others noted that their store's name is similar to VICTORIA'S SECRET. JA 78-79.

b. The district court granted petitioners summary judgment on respondents' claims of trademark infringement and unfair competition, which both require proof of a "likelihood of confusion." The court held that respondents' had failed to prove such a likelihood. Given the overlap in factors relevant to infringement and dilution, in reaching its infringement determination the court reviewed evidence and made findings essential to its dilution analysis. First, the court noted the Moseleys' concession that the VICTORIA'S SECRET mark is "strong," Pet. App. 33a, and further noted that petitioners had identified only 14 marks around the nation that were "very similar" to VICTORIA'S SECRET, most of which had been "canceled or abandoned." *Id.* at 32a. Second, the district court rejected the Moseleys' contention that their merchandise is "very different than Victoria's Secret's merchandise." *Id.* at 33a. Noting that "women's lingerie takes up much of [the Moseleys'] retail space," the district court found that the products sold by the parties "are not completely unrelated," and assumed that they are "in direct competition." *Id.* Third, the district court found that "[o]n a side-by-side comparison, the two marks in question bear a large degree of similarity." Pet. App. 34a. But, fourth, the court found actual consumer confusion unlikely because "Victoria's Secret's stores are generally in upscale malls, with signage that is professionally done," while "Victor's Little Secret is in a strip mall with handwritten signs advertising 'Pagers for Sale' in the window," *id.*; because purchasers of lingerie tend to exercise care in their purchases; and because Victoria's Secret had not presented affirmative evidence of actual confusion among consumers, *id.* at 34a-35a. Fifth, the court found that "Victoria's Secret and Victor's Little Secret use the same marketing channels," for both sell products in the retail market, using radio and newspaper advertising. *Id.* at 35a. Sixth, on the question of the intent underlying the selection of their mark, the district court expressed serious doubt that petitioners had chosen VICTOR'S LITTLE SECRET with no intent to cause confusion. *Id.* at 35a-36a. After observing that the Moseleys explained their choice by claiming that any similarity was a "complete coincidence" and that Mr. Moseley "wanted to keep the opening of the store quiet while working for a previous employer," *id.*, the district court held that the "notable similarity between the two marks alone is enough to call into question [their] explanation." *Id.* at 36a. The district court also noted that

Mr. Moseley's testimony that he was unemployed when he was selecting the name of the store "not only tends to refute his explanation for the name 'Victor's Secret,' but seriously damages his credibility." *Id.* The court found no evidence that the Moseleys intended to expand their business. *Id.*

Accordingly, relying principally on the absence of evidence of actual confusion, the asserted sophistication of consumers of lingerie, and the differences in the nature of the parties' retail operations, the court found no likelihood of confusion, and granted petitioners summary judgment on the infringement and unfair competition claims. On the dilution claim – which required no finding of likely confusion – the court reached the opposite result, granting summary judgment for respondents.

After noting that the Moseleys did not contest the fame of the VICTORIA'S SECRET mark and emphasizing its own finding that the mark is "strong and worthy of protection," the district court found no dispute that the Moseleys were using their mark in commerce and that their use began after VICTORIA'S SECRET became a famous mark. *Id.* at 38a. As a result, the district court had only to consider whether the Moseleys' use of their mark "*dilutes* the quality of [respondents'] mark." *Id.* (emphasis added).

Conducting this analysis, the district court recognized that dilution may occur through tarnishment or blurring, and that a showing of either form of dilution requires that the junior mark be "sufficiently similar" to the senior mark. *Id.* at 38a-39a. The district court found that VICTORIA'S SECRET and VICTOR'S LITTLE SECRET are "substantially similar for purposes of [the] dilution claim." *Id.* at 39a. As the Moseleys sell "adult videos as well as sex toys and other 'adult novelties," the district found that their mark "dilutes [Respondents'] mark because of its tarnishing effect upon the Victoria's Secret mark." *Id.* Accordingly, the district court enjoined the Moseleys from using their mark "on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark." *Id.*

c. Petitioners appealed from the entry of summary judgment on the dilution claim, and the Sixth Circuit affirmed. First, the court held that the VICTORIA'S SECRET mark is highly distinctive and ranks "with those that are 'arbitrary and fanciful' and therefore deserving of the highest level of trademark protection." Pet. App. 13a. Because the Moseleys contested neither the fame of the VICTORIA'S SECRET mark nor the fact that they began using their mark after VICTORIA'S SECRET became famous, the court of appeals then turned to the question "whether their mark dilutes that of Victoria's Secret." *Id.*

After setting itself the task of determining "which factors will be taken into account in determining if dilution of a mark has occurred," *id.* at 15a, the court rejected the argument that respondents had to show that the use of VICTOR'S LITTLE SECRET had caused actual economic harm to their famous mark in order to establish dilution. Instead, the court of appeals held that the FTDA authorizes injunctive relief only *after* dilution has occurred, but "*before* dilution has actually caused economic harm to the senior mark." *Id.* at 24a (emphasis in original).

In determining that dilution "has, in fact, occurred" here, the court of appeals reviewed the record in light of the "non-exclusive list" of factors discussed by Judge Leval in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217-22 (2d Cir. 1999): distinctiveness, similarity of the marks, "proximity of the products and likelihood of bridging the gap;" "interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;" "shared consumers and geographic limitations;" "sophistication of consumers;" actual confusion; "adjectival or referential quality of the junior use;" "harm to the junior user and delay by the senior user;" and the "effect of [the] senior's prior laxity in protecting the mark." Pet. App. 25a-26a.

Applying these factors, the court of appeals found that the VICTORIA'S SECRET mark is "quite distinctive" because it "bears little logical relation" to women's lingerie, the goods that it principally identifies. Pet. App. 26a. It therefore deemed the mark "deserving of a high degree of trademark protection." *Id.* The Sixth Circuit then found that the "two marks in question are highly similar" and "semantically almost identical.'" *Id.* The court of appeals noted that the font used in the Moseleys' mark and the size and placement of the word "Little" made "the marks graphically similar as well." *Id.* As a result of these factors, the court had "little doubt" that a "consumer would link a store called 'Victor's Little Secret' that sold women's lingerie with the more famous Victoria's Secret." Pet App. 26a-27a. Because it found 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 Moseleys' adult-toy, gag gift, and lingerie shop," the court of appeals concluded that this case presented 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)." Pet. App. 27a.

SUMMARY OF ARGUMENT

This case presents a single question of statutory interpretation – whether the FTDA "requires objective proof of actual injury to the economic value of a famous mark." Pet. Br. i. The plain language of the statute answers that question with a decisive no. That text speaks nowhere of economic harm. Rather, it requires only that the owner of a famous mark establish that the defendant's use of a mark causes present lessening of the famous mark's capacity to distinguish – that is, its strength and distinctiveness. The structure, background, and purposes of the FTDA confirm its plain meaning, and lead inevitably to the conclusion that proof of dilution does not encompass economic injury. The judgment should be affirmed.

I. The essence of a trademark is distinctiveness. A designation qualifies for protection as a mark only if it has the power to distinguish its owner's products or services from others by calling to mind an association with the owner's reputation. The greater a mark's distinctiveness, the more power it has to evoke its owner's product and reputation. The distinctiveness of the mark, in other words, is essential to its selling power, and to the extent of its protection.

Trademark law traditionally protected the distinctiveness of trademarks only if the competing use of another mark on similar products was likely to cause confusion. But a 1927 law review article by Frank Schecter led to the recognition that the use of a mark by a noncompetitor, on different products, with no likelihood of confusion, could still lessen distinctiveness by undermining the mark's strength and uniqueness. Schecter warned that such uses, even in the absence of confusion, would cause the "gradual whittling away" of the preexisting mark's distinctiveness and, ultimately, the selling power created by that distinctiveness.

To account for and prevent that gradual injury, many states enacted statutes barring trademark "dilution." Courts applied those statutes in two related but distinct circumstances: where the use of a junior mark "tarnished" a preexisting mark by causing a negative association with the senior mark, and where the association created by the junior use "blurred" the uniqueness of the senior mark. Both forms of dilution recognize that unauthorized uses of a trademark, "even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks." *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 539 (1987). Because the very point of the state statutes was to prevent the ultimate loss in commercial value by preventing that "lessening [of] distinctiveness" up front, none of those statutes required proof of lost commercial value to obtain relief against the use of a dilutive junior mark. Congress enacted the FTDA to protect famous marks from the same lessening in distinctiveness addressed by the state statutes.

II. The sole question presented is whether the FTDA "requires objective proof of actual injury to the economic value of the famous mark" as a "precondition" for relief against a junior mark. Pet. Br. i. It plainly does not. The statute authorizes relief if a junior mark "causes dilution of *the distinctive quality* of the [senior] mark." 15 U.S.C. § 1125(c)(1) (emphasis added). The FTDA defines "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods and services." *Id.* § 1127. Dilution, in other words, is not the lessening of the actual "selling power" or "economic value" of the mark, as petitioners would have it, but a lessening of the capacity of the mark to be distinctive. This definition is consistent both with the plain language of the statute, which makes no reference to actual economic harm, and with the background of dilution law and its recognized purpose of protecting economic value by protecting against the gradual lessening of distinctiveness. The introduction of an economic harm requirement would flatly contradict that essential purpose. It would also be inconsistent with the statute's incorporation of "principles of equity" and its broader remedial structure, which authorizes only forward-looking injunctive relief for non-wilfull dilution. It is implausible that Congress would have forced the owners of famous marks to endure the lessening of their marks' distinctiveness until they could prove economic harm, and then barred them from recovering damages for that injury in most cases. Indeed, such a result would be absurd in the context of dilution, for equitable relief cannot undo the lessening in distinctiveness that has already occurred by the time economic harm can be established in court. Once a mark has been tarnished in consumers' minds by a negative association – with a porn shop, for example – the mental association, and therefore the dilution injury, is effectively permanent. Only an injunction at the very outset of the lessening can avoid that problem.

Petitioners' extra-textual arguments do not justify a different result. Their characterizations of the FTDA as creating perpetual monopoly rights, or as creating rights in gross, are demonstrably incorrect, and do not even suggest how a requirement of demonstrable economic harm would resolve the asserted problem. Their suggestion that the First Amendment compels an economic harm requirement is also meritless: this case involves an injurious commercial use, not use of a mark in news commentary or parody. This Court has already held that the First Amendment does not bar application of dilution law in the former circumstance. *San Francisco Arts*, 483 U.S. at 535. Finally, practice before the PTO and litigation under state statutes amply demonstrate that courts can administer the FTDA without an economic harm requirement.

III. The court below properly held that petitioners' use of VICTOR'S LITTLE SECRET to sell "adult" films and sex toys alongside lingerie tarnished and blurred respondents' famous mark, thereby lessening its distinctiveness and causing present "dilution." In reaching this conclusion, the court relied on a range of evidence, including the particular distinctiveness of respondents' mark, its uniqueness and widespread familiarity among consumers, the substantial similarity between the marks, the nature of the uses of the two marks in commerce, and, most important, the negative association created by petitioners' use of a similar mark to sell lewd sex toys and other pornographic material. The dilution finding is unassailable, and the judgment should be affirmed.

IV. Although the Solicitor General agrees that the FTDA does not require a showing of actual economic harm, he suggests that this Court should set aside the judgment below for three *other* reasons. First, he claims that the court below did not clearly require a finding of present, as opposed to future, dilution. But the court plainly required a finding of present dilution, defined as a lessening of the capacity of the famous mark to distinguish. Second, the Solicitor General argues that the court below found dilution solely on the basis of semantic similarity between the marks sufficient to cause mental association. This too is incorrect; the court explicitly found dilution on the basis of *numerous* contextual factors. Finally, on the mistaken premise that the court found dilution on the basis of mere similarity, the Solicitor General suggests that a consumer survey is needed to supplement the record. The suggestion is not only inappropriate (the petitioners do not raise anything like it at all) and misplaced (given the sufficiency of the record evidence), it is also questionable on its own terms, for the value of consumer surveys already has been subject to question.

ARGUMENT

The court of appeals found that petitioners' use in commerce of the VICTOR'S LITTLE SECRET mark causes dilution of the VICTORIA'S SECRET mark. Pet. App. 15a, 25a. The court based that conclusion on a series of contextual factors designed to illuminate whether use of the junior mark causes a "lessening of the capacity" of a famous mark "to distinguish goods and services" by diluting its "distinctive qualities." 15 U.S.C. §§ 1125(c), 1127. The court concluded that the mental association conjured by the similarity of the two marks, given the particular features and uses of the marks – especially the tawdry image invoked in the mind of any consumer familiar with the lewd products sold under the VICTOR'S LITTLE SECRET mark – both tarnishes and blurs the VICTORIA'S SECRET mark, and thus dilutes the distinctive qualities respondents had established. The court did not, however, demand proof that the diminution in the distinctive qualities of respondents' mark had already caused actual economic harm to the mark. That decision was correct: nothing in the text, structure or purpose of the statute requires such proof. To the contrary, the entire point of the FTDA is to allow a mark holder to stop the use of a dilutive junior mark *before* its dilutive effect spreads and inflicts demonstrable, and typically irrevocable, economic harms.

I. THE FTDA CODIFIES WELL-ESTABLISHED PRINCIPLES OF DILUTION LAW, DESIGNED TO PROTECT INVESTMENTS IN AND VALUE OF FAMOUS TRADEMARKS.

Though petitioners profess to center their argument for economic harm on the statutory text, they never point to any textual language stating or even suggesting that proof of actual economic harm is required to establish dilution. *See infra* at 32. In fact, their argument rests on a deeply flawed characterization of the background and goals of dilution law in general and the FTDA in particular.

A. Background – Distinctiveness and Dilution

1. Distinctiveness has always been the essential quality of a trademark. Under the Lanham Act, a mark is entitled to registration and protection only if it can identify and distinguish the goods and services of one party from those of another; that is, only if the mark is distinctive. *See* 15 U.S.C. §§ 1052, 1127. As this Court has explained, trademark protection turns on a mark's distinctiveness: "An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 770 (1992); *see also* Restatement (Third) of Unfair Competition § 13, cmt. a (1995) ("Restatement") ("[A] designation is protectible as a trademark . . . only if [it] is 'distinctive.'").

The law divides marks into categories of "generally increasing distinctiveness," describing them as "(1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful." *Two Pesos*, 505 U.S. at 768 (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (Friendly, J.)). The latter three categories are "inherently distinctive," and thus subject to automatic protection; "generic" marks, which merely "refe[r] to the genus of which the particular product is a species," receive no protection. *Two Pesos*, 505 U.S. at 768-69 (internal quotation marks omitted). Descriptive marks are entitled to protection only if they have acquired secondary meaning (*i.e.*, "acquired distinctiveness"). *Id.* at 769.

A mark's distinctiveness determines not only its entitlement to trademark protection, but also the extent of the protection that it receives. Because the "distinctiveness or 'strength' of a mark measures its capacity to indicate the source of the goods or services with which it is used," a "strong" mark with "a high degree of distinctiveness" is "protected against the use of similar marks on a wider range of goods or services than are 'weak' designations that have less distinctiveness or market recognition." Restatement § 21 cmt. i; *see also* 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:73 ("McCarthy") (noting that "the more distinctive, unique, and well-known the mark, the deeper the impression it creates upon the public's consciousness and the greater the scope of protection to which it is entitled").

The law also recognizes that a mark loses its distinctiveness when others use identical or similar marks. *See* Restatement § 15 cmt. c. As Professor McCarthy has explained, a "mark that is hemmed in on all sides by similar marks on similar goods cannot be very 'distinctive.'" 2 McCarthy § 11:83. Thus, a defendant in trademark litigation can demonstrate that the plaintiff's mark is weak, and therefore entitled to limited protection, by showing third-party use of similar marks. *Id.* § 11:88. By definition, then, a trademark that stands alone, with no third-party uses, is more distinctive than a mark reproduced and imitated by others, and thus more capable of being protected by the courts.

Trademark owners have an affirmative duty to police and protect the distinctiveness of their marks. Indeed, the "law imposes upon trademark owners the duty to be pro-active and to police the relevant market for infringers." *Id.* § 11:91. When a "trademark owner is quiescent and tolerates the encroachment of infringers, it will find that its trademark asset has 'eroded' and 'shrunken' because the strength of the mark as a distinctive and distinguishing symbol has been diminished by the presence of similar marks." *Id.*

2. Federal trademark law protects the distinctiveness of trademarks through two closely related concepts: infringement and dilution.

a. Trademark "infringement" occurs from the unauthorized use of a trademark likely to cause confusion among consumers. Since its enactment in 1946, the Lanham Act, 15 U.S.C. § 1051 *et seq.*, has sought to protect the interests of both consumers and trademark owners. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995). By barring the use of marks likely to cause confusion, the infringement action protects consumers by "reduc[ing] the costs of shopping and making purchasing decisions." *Id.* at 163-64 (citation and internal quotation marks omitted). By preventing competitors from marketing their goods under the same or a confusingly similar mark, an action for infringement protects the trademark owner, by assuring the "producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Id.* at 164; *see also* Restatement § 1 cmt. e ("The recognition of rights in trademarks also serves to protect and encourage investments in good will by insuring the trademark owner an opportunity to capture the benefits of a favorable reputation created through expenditures on qualities, service, and promotion.").

In enacting the Lanham Act, Congress acknowledged these twin goals: "One is to protect the public so that it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product that it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats." S. Rep. No. 79-1333, at 1, *reprinted in* 1946 U.S.C.C.A.N. 1274. These two purposes overlap, for as this Court has observed, "trademarks desirably promote competition and the maintenance of product quality." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985).

b. Trademark "dilution" law arose from the recognition that that the infringement action's focus on the likelihood of customer confusion does not adequately protect the interests of trademark owners. In 1927, Professor Frank Schechter published an influential article arguing that the owner of a "coined," "arbitrary," or "distinctive" mark – the strongest types of trademarks – suffers an essential trademark injury when another party uses its mark, *even in the absence of competition or confusion. See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927) ("Schechter"). This article, frequently credited with introducing the concept of dilution to the United States, *see, e.g.*, Restatement § 25 cmt. b, began with the premise that the central purpose of a trademark is to call up in the consumer's mind an association with the mark and other similarly marked products the consumer has previously identified as satisfactory. Schechter, *supra*, at 818. That consistent association with the mark helps to "stimulate further purchases by the consuming public," *id.*, thus creating "selling power" in the mark, *id.* at 831. The extent of the mark's "selling power" depends on the mark's "uniqueness and singularity," which is "vitiated or impaired" by the use of the mark "upon either related or non-related goods." *Id.* The trademark injury unrecognized by the confusion-based infringement action, Schechter argued, occurs gradually when repeated, individually nonconfusing uses over time erode a mark's uniqueness, and thus the consistency and strength of its singular association with its owner. Limiting trademark remedies to cases of confusion, he cautioned, would allow junior users to apply unique and distinctive marks to unrelated items, over time eroding and ultimately destroying the uniqueness of those marks, "despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising." *Id.* at 830. Schechter described this harm as the "gradual whittling away or dispersion of the identity and hold upon the public mind." *Id.* at 825.

B. State Dilution Statutes

1. Despite the emerging recognition of the need for protection against trademark dilution as well as infringement,[2] when Congress enacted the Lanham Act in 1946, it did not include provisions prohibiting dilution. In the absence of federal legislation to address this problem, many states, beginning with Massachusetts in 1947, enacted laws authorizing injunctive relief against the use of marks that could reduce the distinctiveness of senior marks. By 1995, at least 25 states had passed dilution statutes. *See* Restatement § 25

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[2] In the years following Schechter's article, though courts formally continued to define the trademark action in terms of infringement causing consumer confusion, they also began to expand their analyses to account for the independent value a unique mark confers on its owner. *See, e.g.*, *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (Hand, J.); *Tiffany & Co. v. Tiffany Prods., Inc.*, 264 N.Y.S. 459 (Sup. Ct.), *aff'd*, 237 A.D. 801 (N.Y. App. Div. 1932), *aff'd*, 188 N.E. 30 (N.Y. 1933).

statutory note. Most of these states derived their dilution statutes from Section 12 of the Model State Trademark Bill ("MTSB"), promulgated by the United States Trademark Association ("USTA") in 1964, which provides: "Likelihood of injury to business reputation or of the dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods." MTSB § 12 (USTA 1964), *reprinted in* International Trademark Association, State Trademark and Unfair Competition Law 1-9 (1994).

2. Some state courts were initially reluctant to depart from analyses predicated on consumer "confusion" despite the plain language of the state statutes. *See* 2 Jerome Gilson, *Trademark Protection & Practice* § 5.12[1][b], at 5-229 (Dec. 2001) ("Gilson"). The courts, however, came to accept Schechter's insight that that even without confusion, the gradual loss of a mark's distinctiveness inexorably erodes the strength of the association between the mark and the reputation it seeks to evoke, slowly undermining the value of the mark. The common metaphor courts invoked was one of disease, cancer, or infection, which at first may not be painful or even identifiable, but if left unchecked will spread and ultimately inflict serious injury. *See, e.g., Allied Maint. Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1162 (N.Y. 1977) (describing dilution as a "cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name"); *Ameritech, Inc. v. Am. Info. Techs, Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) (dilution is a "gradual diminution in the mark's distinctiveness, effectiveness, and, hence, value"); *Polaroid Corp. v. Polaroid, Inc.*, 319 F.3d 830, 836 (7th Cir. 1963) ("[D]ilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark.") (citation and internal quotation marks omitted); *Mortellito v. Nina, Inc.*, 335 F. Supp. 1288, 1296

(S.D.N.Y. 1972) (same). The cases reflect the "classic view" that "the injury caused by dilution is the gradual diminution or whittling away of the value of the famous mark by blurring uses by others." 4 McCarthy § 24-94.

Courts applying state laws also came to recognize that dilution can take two forms: "blurring" and "tarnishment." Restatement § 25 cmt. c. Dilution by "blurring" occurs when the use of a similar mark or marks reduces the "stimulant effect" of a trademark's uniqueness and distinctiveness. *Id.* When a mark is "associated exclusively with the goods or services" of a single owner, subsequent uses of the mark or similar marks in connection with other products create a "dissonance" that reduces the distinctiveness and selling power of the original mark. *Id.* As Professor McCarthy has explained, dilution by blurring occurs when a party uses a formerly unique mark to identify a different product and, although there is no confusion as to the source, the "ability of the senior user's mark to serve as a unique identifier of [its] goods and services is weakened because the relevant public now also associates that designation with a new and different source." 4 McCarthy § 24:70.[3]

Dilution by "tarnishment" occurs when the use of a similar mark links a famous mark with something "inherently negative or unsavory," thereby "tarnishing" the image of the famous mark. Restatement § 25 cmt. c. By creating a negative mental association of this kind, the junior use disrupts the positive feelings associated with the senior mark, and substitutes a negative association, thereby reducing its effectiveness. Claims of dilution by tarnishment – when the de-

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[3] Judge Kozinksi recently provided a helpful example: if a manufacturer began to market "Tylenol snowboards," dilution would result because "[e]ven if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one." *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002).

fendant has used a senior mark "in an unwholesome or degrading context" – have had "relatively consistent success." 4 McCarthy § 24-104. "[A]lthough conceptually distinct," dilution by blurring and tarnishment "both undermine the selling power of a mark." Restatement § 25 cmt. c.

C. The Enactment Of The FTDA

The FTDA emerged from this background. By the time of its enactment, state legislatures, courts, and commentators had come to understand that the value of trademarks derives from their distinctiveness. As this Court itself observed in 1987, unauthorized uses of a trademark, "even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks." *San Francisco Arts*, 483 U.S. at 539. This Court also recognized the emergence of a general consensus that the value of such trademarks could suffer gradual erosion through the use of similar or identical marks, even without consumer confusion. *See id.* ("one injury to the trademark owner" is "'the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name' by nonconfusing uses" (quoting Schechter, *supra*, at 825)). These considerations generated momentum for federal legislation protecting "famous" trademarks from dilution.

1. After an initial legislative effort failed in 1987, Congress returned to the problem in 1995, driven by concerns that differences among the state dilution statutes, and the reluctance of state courts to enter nationwide injunctions to enforce them, were leading to uneven commercial protections. *See* H.R. Rep. No. 104-374, at 3 (1995) ("House Report"). The bill's sponsors and many of its supporters explicitly credited Schechter with first identifying the problem the bill sought to address.[4] Consistent with the classic view

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[4] *See Madrid Protocol Implementation Act and Federal Trademark Dilution Act of 1995: Hearing on H.R. 1270 and 1295 Before the Sub-*

of dilution, the House Report notes that 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, even in the absence of a likelihood of confusion." *Id.* at 2. The House Report also recognizes that dilution is a gradual, progressive process, rather than a discrete injury that occurs at a single moment in time. Quoting the *Mortellito* case, the House Report describes "dilution" as "an infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark." *Id.* at 3.

2. The FTDA became law in January 1996. As the foregoing discussion makes clear, the FTDA's protection against dilution was not a radical concept. Rather, the FTDA grew out of a long history and responded to particular needs by providing targeted protection for especially valuable "famous" trademarks. The legal system had recognized long ago that the distinctiveness of such marks creates value, and that the distinctiveness – and hence *ultimately* the value – of a mark can be gradually "whittled away" by the use of the same or similar marks even in circumstances that risk no consumer confusion.[5] In the FTDA, Congress responded by

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comm. on Courts and Intellectual Property of the House Comm. on the Judiciary, 104th Cong., at 2 (1995) (statement of Rep. Moorhead, sponsor of House bill); *id.* at 124 (statement of Thomas E. Smith, Chair, Intellectual Property Section, American Bar Association), *id.* at 161 (statement of Jonathan E. Moskin, Partner, Pennie & Edmonds), *id.* at 208-09 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association); *see also* 141 Cong. Rec. H14317 (daily ed. Dec. 12, 1995) (statement Rep. Moorhead); 141 Cong. Rec. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch).

[5] Petitioners suggest that trademark dilution laws protect only the interests of mark owners and not those of the consuming public. Pet. Br. 12-13. That is incorrect: there is little doubt that protection against dilution confers broader economic benefits. *See* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & Econ. 265, 306-09 (1987) (discussing economic benefits of dilution law).

creating a nationwide mechanism to stop such dilution before its economic damage is done.

II. THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL ECONOMIC HARM AS AN ELEMENT OF DILUTION.

The only question on which this Court granted certiorari is whether the FTDA "requires objective proof of actual injury to the economic value of the famous mark" as a "precondition" for relief. Pet. Br. i. The statute plainly does not. Consistent with its background and purposes, the FTDA authorizes relief whenever a junior mark causes a lessening of the distinctiveness of the senior mark. As dilution law has long recognized, the economic harm that such a lessening inflicts upon a famous mark occurs gradually, over time, as one use piled on top of another whittles away the distinctiveness, and hence value, of the famous mark. The point of the FTDA, like the state statutes that predate it, is to stop the process at its inception, when dilution first occurs, *before* it inflicts identifiable and irreversible economic damage.

A. Nothing In The Text, History, Structure, Or Purposes Of The FTDA Supports An Actual Economic Harm Requirement.

In interpreting a federal statute, this Court begins with the plain language, *see Robinson* v. *Shell Oil Co.,* 519 U.S. 337, 340 (1997), and also examines the broader context and goals of the statute. *See Crandon v. United States*, 494 U.S. 152, 158 (1990) ("[W]e look not only to the particular statutory language, but to the design of the statute as a whole and to its object and policy"). These factors makes clear that the FTDA does not require proof of actual economic injury. Indeed, to read the FTDA as including such a requirement would violate the cardinal principle that a statute should be construed to advance its basic purpose and to avoid absurd results. *See Trans Alaska Pipeline Rate Cases*, 436 U.S. 631, 643 (1978).

1. The plain text of the FTDA requires nothing more than proof that use of a junior mark "causes *dilution of the distinctive quality* of the [senior] mark." 15 U.S.C. § 1125(c)(1) (emphasis added). The injury expressly identified in that text is no more than reduction of the mark's "distinctive quality" – not of the mark's "selling power" or "economic value" or "market value." The statutory definition of "dilution" further confirms the point: "dilution" is not defined as loss in selling power or in market value, but as the mere "lessening of the capacity of a famous mark *to identify and distinguish* goods or services." *Id.* § 1127 (emphasis added). The statutory phrase "to identify and distinguish goods or services," is taken from the Lanham Act's definition of a trademark, *see* 15 U.S.C. § 1127, where it specifies distinctiveness as the core characteristic of words entitled to trademark protection. Thus, what the FTDA protects from "lessening" can be "summed up in a single word: distinctiveness." 2 Gilson § 5.12[1][c][i], at 5-232. Dilution under the statute occurs, in other words, as soon as a junior use causes any lessening of the senior mark's distinctiveness, not when the use causes a lessening of the mark's identifiable economic value. As the House Report that accompanied the FTDA put it, the FTDA applies the moment "the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3; *see* 2 Gilson § 5.12[1][c][i], at 5-232 ("If the allegedly diluting trademark lessens the distinctiveness of the famous mark, on the face of it there is a violation of [the FTDA]"). As discussed above, associations with unwholesome products and other third-party uses by definition diminish a mark's distinctiveness, causing the dilution injury before any economic harm results.

This understanding flows naturally from every word of the FTDA's operative language. An injunction is available, "subject to principles of equity," as soon as the junior use "causes dilution," namely the "lessening" of the famous mark's "capacity to distinguish goods and services." One after the other, these words refute any notion that the statute requires economic harm. First, as discussed below, *see infra* at 29-30, the choice of injunctive relief and the invocation of equitable principles indicate that the owner of a famous mark may obtain relief before experiencing actual economic harm. Second, the use of the gerund "lessening" – rather than a noun such as "loss" or "reduction," or a verb such as "lessens" or "lessened" – reinforces the point that dilution is not just an end-result loss of all distinctiveness, but also a gradual process of diminution, unfolding over time. Third, the word "capacity" denotes the "ability," "power," "possibility," or "potential" for the mark to be distinctive.[6] Thus, the word "capacity" makes clear, at a minimum, that the use of any junior mark that diminishes the distinguishing *power* of the famous mark immediately "causes dilution" of that mark's distinctive quality, even if the financial effects of that lost power are not yet demonstrable.[7] At every turn of the statutory phrase, the FTDA emphasizes that the owner of a famous mark is entitled to injunctive relief to prevent eco-

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[6] *See* 1 *The New Shorter Oxford English Dictionary* (1993) (defining "capacity" as "[a]n ability, power, or propensity for some specified purpose, activity, or experience; a susceptibility, a possibility"); *American Heritage Dictionary of the American Language* (4th ed. 2000) ("ability to perform or produce; capability"; and "[i]nnate potential for growth, development, or accomplishment; faculty"); *Webster's Revised Unabridged Dictionary* (1996) ("[a]bility; power pertaining to, or resulting from, the possession of strength, wealth, or talent; possibility of being or of doing").

[7] Professor McCarthy argues that the use of the word "capacity," builds a standard of "likely dilution" "right into the definition of what causes dilution." 4 McCarthy § 24-90; *see also* Brief *Amicus Curiae* of the American Bar Association, at 5 (arguing, in light of dictionary definition of "capacity," that "the concept of potentiality, and thus of futurity, is inherent in the term "dilution" under the FTDA). Whether or not one accepts this view, it makes clear that "capacity" is fundamentally inconsistent with a requirement of actual economic harm.

nomic harm that will occur down the road, and need not wait until it can prove such economic harm has already occurred.

Notably, the Solicitor General, speaking for the PTO, fully agrees that the FTDA contains no "requirement that a plaintiff establish economic harm in order to qualify for relief." U.S. Br. 25. What the "text of the FTDA" requires is "proof that junior use causes a lessening in the capacity of the famous mark to distinguish good and services; it does not require a finding that such lessening results in economic harm to the owner of the famous mark." *Id.* "In particular," the Solicitor General emphasizes, "there is no requirement that a dilution plaintiff establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to fall." *Id.*

2. As discussed in Part I, Congress enacted the FTDA with the express purpose of codifying Schechter's insight, also reflected in the state dilution statutes, that trademark law must account for – and prevent up front – the injury that occurs gradually, over time, as a famous mark loses its unique association with the reputation its owner has sought to foster. To impose a requirement, absent from the text of the statute, that the necessary "lessening" of distinctiveness be established only through evidence of actual economic harm to the famous mark, would frustrate that congressional purpose.

Congress enacted the FTDA in express recognition of the view that dilution is "an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374 (quoting *Mortellito*, 335 F. Supp. at 1296). Consistent with that view, the House Report lists "DUPONT shoes, BUICK aspirin, and KODAK pianos" as trademark uses that "would be actionable under this legislation," without any mention of the need to demonstrate economic injury. *Id.* But the point is not that Congress had no concern for economic injury at all. Quite to the contrary, Congress, in accordance with Schechter's insight, *presumed* that dilution would ultimately result in economic harm. *See* U.S. Br. 25 ("Congress expected that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time."). The purpose of the FTDA is to allow the owners of famous, distinctive marks to prevent that harm before it occurs, by stopping dilution as soon as it begins.

Requiring FTDA plaintiffs to wait until the "infection" has spread far enough to cause demonstrable economic injury would frustrate this fundamental purpose. Dilution law has always recognized the difficulty of proving identifiable economic damage in the early stages, when the disease has only set in. To change the metaphor, the injury is like "being stung by a hundred bees," where the "significant injury is caused by the cumulative effect, not just by one." 4 McCarthy § 24:94; *see also Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484 (7th Cir. 1988) (noting that the "very nature of dilution, insidiously gnawing away at the value of a mark, makes the injury 'remarkably difficult to convert into damages'") (citation omitted). And even down the road, after the junior use – or repeated similar junior uses – has actually reduced the value of the mark, it remains impossible in many cases to prove in court the causal connection between any one junior use and the senior mark's lost value. On one hand, if the senior user can generate profits even as the uniqueness of its mark decreases, it may "never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior." *Nabisco*, 191 F.3d at 223-24. On the other hand, even if the senior user can demonstrate diminished revenue, "it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark." *Id.* at 224. An economic injury requirement thus would ensure not only that most dilutive uses could not be stopped until they have cut deep into the senior mark's distinctiveness, but also that many dilutive marks would never be enjoined at all.[8] It is hard to imagine Congress would have included in the statute a requirement that leads to results so contrary to the statute's fundamental goal.

3. The basic remedial structure of the FTDA further confirms that Congress intended to allow the owners of famous, distinctive marks to stop diluting junior uses before the onset of identifiable economic harm. The FTDA provides relief to the victims of non-willful dilution *only* in the form of forward-looking injunctive relief – that is, a senior mark holder cannot recover damages – and only subject to "principles of equity." 15 U.S.C. § 1125(c)(2).

a. The absence of a damage remedy for non-willful dilution indicates that Congress did not mean to require mark owners to prove economic damages. In ordinary cases, the owners of famous marks will be entitled only to injunctions, and not to compensation. If such owners have no remedy until after they have experienced economic harm, and yet the available remedies would not redress that harm in most instances, then the statute would require trademark owners to sit by and suffer losses that are by definition non-

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[8] Trademark law also recognizes the difficulty inherent in proving damages caused by infringement. *See* Restatement § 36 cmt. b ("In a competitive market, proof of loss resulting from the wrongful conduct of a particular competitor is often difficult. The plaintiff's sales are subject to a variety of forces, including business cycles, shifts in consumer demand, and the legitimate marketing strategies of competitors."). For this reason, economic harm is not an element of a claim of trademark infringement or unfair competition under the Lanham Act. *See, e.g.*, 5 McCarthy § 30:2 ("In trademark and unfair competition matters, the controlling legal standard for the remedy of an injunction is not whether the plaintiff can prove that actual damage has occurred to its good will and reputation."). It makes no more sense to graft such a requirement onto the dilution claim.

compensable. It is implausible to infer that Congress would have intended such a result.

b. More generally, the "principles of equity" that govern the available remedies indicate strongly that proof of actual economic harm is unnecessary. First, principles of equity traditionally permit relief *before* any actual economic injury has yet been inflicted. It is well established that an "injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928); *see United States v. Oregon State Med. Soc'y*, 343 U.S. 326, 333 (1952) ("sole function of an action for injunction is to forestall future violations"); *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) ("The purpose of an injunction is to prevent future violations . . . and, of course, it can be utilized even without a showing of past wrongs."). Because the basic purpose of injunctive relief is to prevent harm before it happens, it would make little sense to require plaintiffs to wait until after the effects of the dilution have manifested themselves in the form of demonstrable economic harm. To be sure, a plaintiff must show that there has already been a statutory injury – *i.e.*, the beginning of the loss of distinctiveness. But neither the statute nor traditional equity practice requires a showing of past or present *economic* injury to issue an injunction to prevent the future economic injury that flows from the loss of distinctiveness. With this background, it is implausible that Congress would have made economic injury a condition for injunctive relief.

Second, if FTDA plaintiffs must wait until there is demonstrable economic harm, the same "principles of equity" that traditionally allow a remedy prior to economic injury might actually bar courts from providing relief in many circumstances. Given the nature of dilution, it might take years for such loss to materialize, and even longer for the senior mark holder to accumulate evidence of the loss adequate to sustain a claim in court. Any junior user – indeed countless junior users – could lawfully use similar marks all that time. By the time the senior user suffers identifiable injury, junior users may have invested considerable resources in developing their marks.[9] Under those circumstances, a court following "principles of equity" may be reluctant to enter injunctive relief "unwinding" all of the junior users' investments, even upon a showing of economic injury.[10]

Third, and perhaps most important, an injunction would in many cases be a patently insufficient remedy for the erosion in distinctiveness that has finally led to identifiable economic injury. It may be impossible for a court to undo the loss in distinctiveness that has already occurred – to unring the bell, as it were. As we have seen, the point of dilution law is to protect against the loss of a mark's power to create a singular association in the mind of a potential consumer between the mark and the mark holder's goods and services. Once that association has been altered in the mind of a consumer, it cannot easily be restored. If a mark has been di-

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[9] It is no answer to suggest that the damages remedy for willful dilution would prevent others from using dilutive marks while the senior user waits to suffer economic injury. On the one hand, the senior user may never be able to prove that the junior use was willful; on the other hand, the junior user may honestly have believed in good faith that the mark was not dilutive. The statute avoids all these problems by allowing the parties to resolve the matter up front, before the dilution spreads.

[10] There is also a related, substantive problem with allowing a junior user to continue its uses until the famous mark holder can establish economic harm: it risks depriving the holder of the "fame" required to seek relief under the FTDA. In determining whether a mark is "famous," and therefore entitled to protection under the FTDA, courts consider, among other factors, the "nature and extent of the use of same or similar marks by third parties." 15 U.S.C. § 1125(c)(1)(G). A mark is more likely to achieve the necessary fame if it is unique. *See* 4 McCarthy § 24:92 ("A mark that is merely one in a crowd of similar marks will not usually be famous."). By the time that a mark owner can demonstrate actual economic harm, third-party uses may have proliferated so much that the original mark is no longer "famous" and entitled to FTDA protection.

luted by tarnishing to the point of economic injury, a court cannot simply enjoin the consumers who now have a distasteful association with the mark to alter that association. *See, e.g.*, *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) (enjoining a pornographic film involving use of uniform similar to that of the Dallas Cowboys Cheerleaders: "it is hard to believe that anyone who had seen defendant's sexually depraved film could ever thereafter disassociate it from plaintiff's cheerleaders"); Robert C. Denicola, *Trademarks As Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 203 ("affixing of undesirable associations to the trademark, once done, cannot be undone by further speech").

Thus, for example, if a nationwide chain of pornography stores opened under the name VICTOR'S LITTLE SECRET, surely respondents would not have to await actual economic injury before halting the use of the mark. For if they were required to wait, a court could not then "unmake" the tarnishing effects of such a use on the VICTORIA'S SECRET mark. At the same time, if just one pornography store of that name opened in a small town in a Kentucky, and the lack of demonstrable economic injury denied respondents injunctive relief, nothing in the law could stop the same or similarly named stores – VICTOR'S SPECIAL SECRET, VICTOR'S HIDDEN SECRET, and the like – from spreading nationwide, one market at a time, until economic damage is done. When all of that lessening of the VICTORIA'S SECRET mark's distinctiveness finally results in demonstrable economic injury, courts might or might not exercise their equitable powers to enjoin those uses. What is certain, however, is that even if they did, the tarnishment injury would be impossible to undo. For all of these reasons, the law allows – indeed compels – respondents to act promptly to halt the use of a mark like VICTOR'S LITTLE SECRET, that creates a tawdry association with respondent's mark, regardless of the size of the market in which it is first used or the number of customers that it can initially reach.

B. Petitioners' "Textual" Arguments For An Economic Harm Requirement Are Meritless

There is no reading of the FTDA that locates an economic harm requirement anywhere in the statutory text.

1. Petitioners' only textual argument is that the FTDA permits injunctive relief when a mark "causes dilution," in contrast both to the Lanham Act infringement standard – which authorizes relief for marks "likely to cause confusion," 15 U.S.C. §§ 1114, 1125(a) – and to the pre-FTDA state dilution statutes – which typically authorize relief when a mark is "*likely* to cause dilution," *supra* at 19. Pet. Br. 22-26; U.S. Br. 13-14. Petitioners contend that the omission of the word "likely" and the use of the present tense verb "causes" means that a mark holder must prove that dilution is *already* occurring to obtain relief.

This is all quite true. It is also transparently question-begging. The question here is not whether the FTDA requires proof that *dilution* is already occurring – it plainly does, as we have shown. The question is whether the FTDA requires proof that *economic harm* is already occurring – it plainly does not, as we have also shown. All agree, in other words, that the FTDA requires proof of present "dilution." But petitioners indicate nothing in the statute to show that dilution necessarily encompasses proof of already realized economic harm. As demonstrated above, such a requirement contradicts the text, structure, and purposes of the Act. Petitioners have no response.

2. The Fourth Circuit in *Ringling Brothers* suggested a further textual basis for an economic injury requirement. That argument asserts that the FTDA's use of the phrase to "distinguish goods and services" must mean that the FTDA seeks to protect "selling power," rather than merely "distinct-

iveness as such." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Utah Div. of Travel. Dev.*, 170 F.3d 449, 458 (4th Cir. 1999).

While this argument at least attempts to locate an economic injury requirement in the statutory text, the attempt is still a demonstrable failure. On its face the statutory phrase "to identify and distinguish goods and services" does not define the power of the mark to "sell" goods, but merely to "identify and distinguish" them. As already noted, the phrase "identify and distinguish" refers simply to the distinctiveness of the mark. 2 Gilson § 5.12[1][c][I], at 5-232. What the Act intends to protect directly, in other words, *is* "distinctiveness as such" – its singular association in the public perception. But that hardly means selling power is irrelevant. As shown above, the central premise of the FTDA, like all dilution law before it, is that one can protect a mark's selling power adequately only by protecting its distinctiveness and uniqueness. *See supra* at 17-18. Congress presumed that, unchecked, the lessening of "distinctiveness as such" would ultimately diminish selling power. In this sense the term "dilution" has always done "double duty" by describing both an end harm – the loss of selling power – and the process of lessening distinctiveness that causes it. The plain text of the FTDA makes clear that the statute aims to prevent the former by allowing courts to stop the latter.

C. Petitioners' Extra-Textual Arguments For An Economic Requirement Are Meritless

Though they criticize the court below for allegedly interpreting the FTDA in light of policy, rather than its plain text, petitioners themselves rely heavily on various extra-textual arguments to support the imposition of an actual economic harm standard. At the end of the day, these policy arguments boil down to a basic disagreement with Congress' decision to enact the FTDA. They provide no support for an actual economic harm requirement.[11]

1. *This Case Raises No First Amendment Concerns*

Petitioners argue that an actual economic injury requirement is necessary to avoid an "'excessive restriction' on First Amendment rights." Pet. Br. 31 (quoting *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 564 (1980)); *see also id.* at 30 (FTDA "must be interpreted and applied in a manner sensitive to First Amendment concerns"). This argument is meritless.

To begin with, petitioners do not actually argue that that the First Amendment bars application of an FTDA remedy to the facts of this case. Rather, petitioners invoke the canon of constitutional doubt to suggest that because barring use of their dilutive mark without actual economic harm could raise First Amendment concerns, the Court should read the statute to require proof of such harm. Petitioners are wrong.

The only speech-related question *this case* even arguably presents is whether application of the FTDA to the *commercial use* of a mark that causes *actual dilution* – *i.e.*, actual loss of distinguishing capacity – raises any First Amendment concerns. This Court has already answered that question squarely in the negative. In *San Francisco Arts*, 483 U.S. at 537, the Court held that the First Amendment neither pre-

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[11] Petitioners also argue that a statement in the legislative history of the Trademark Amendments Act of 1999 supports the imposition of an actual economic harm requirement. *See* Pet. Br. at 28 ("The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and has caused actual dilution of a famous mark . . . .") (quoting H.R. Rep. No. 106-250, at 5 (1999)). Even if the history of a later-enacted statute were relevant, *but cf. Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 839 (1988), the quotation only establishes that there must be "actual dilution," not that such dilution must include demonstrable economic harm.

vents Congress from prohibiting more than confusing uses of trademarks, nor restricts its power to "determine that unauthorized uses, even if not confusing, nevertheless may harm [the senior user] by lessening the distinctiveness and thus the commercial value of the mark." The courts below held that petitioner's commercial use[12] of their mark has caused a lessening of the distinctiveness of respondents' famous mark, from which economic harm is likely to follow. *San Francisco Arts* makes clear that the First Amendment imposes no bar to relief under those circumstances.[13]

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[12] Petitioners have never claimed that they used VICTOR'S LITTLE SECRET for noncommercial purposes – as part of a parody, satire, or political or social commentary, for example.

[13] Nor is there, in fact, a compelling argument that the FTDA raises serious First Amendment concerns on its face. The statute explicitly exempts from its scope all "noncommercial uses," 15 U.S.C. § 1125(c)(4)(B), and even then it applies *only* to those commercial uses that diminish distinctiveness of *famous marks*. It further exempts "comparative advertising," § 1125(c)(4)(A), and "news reporting and commentary," § 1125(c)(4)(C). It is thus very narrowly tailored to the government's interest in barring only particular commercial uses that cause diminished distinctiveness (and thus eventual economic harm), well exceeding the intermediate-scrutiny requirements applied to commercial speech regulations. *See Central Hudson*, 447 U.S. at 560-61 (no First Amendment violation where commercial speech restriction tailored to legitimate state interest). In fact, Congress crafted the exemption for noncommercial uses to ensure that courts apply the FTDA only in circumstances permissible under this Court's "commercial speech" precedents. *See* H.R. Rep. No. 104-374, at 4 ("The bill will not prohibit or threaten noncommercial expression, as that term has been defined by the courts"); 141 Cong. Rec. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (FTDA will not "threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not part of a commercial transaction"); *Mattel*, 296 F.3d at 905-06 (reviewing legislative history of noncommercial use exception). The courts have done exactly that. *See, e.g., id.* at 907 (use of "Barbie" trademark as parody/social commentary in a song falls within noncommercial use exception); *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 338-39 (S.D.N.Y. 2000) (comic book story as protected parody).

Petitioners' First Amendment argument comes to this: the Court should read an economic harm requirement into the statute because fewer dilution claims would succeed, permitting more dilutive speech, and the First Amendment favors more speech rather than less. In fact, the FTDA is narrowly drawn to allow a remedy for a very limited category of harmful commercial speech, with safe harbors built in to limit the amount of affected commercial speech even more. The economic harm requirement petitioners suggest would be nothing more than an additional, nontextual, arbitrary limitation on the category. The logic for adding the requirement – *viz.*, the statute should cover as little speech as possible – would justify *any* limitation at all on the scope of the FTDA, and petitioners make no effort to explain why an economic harm requirement is the one way to do it. More dilutive commercial "speech" would be allowed if, for example, the Court allowed relief only against confusing marks; or only after the mark has been in commerce for 18 months; or only where the plaintiff has more than 100 employees; or only where the defendant sells products and not services. But such arbitrary, speech-protecting limitations on the dilution action have no statutory foundation. Neither does an economic harm requirement.

2. *The Absence of an Actual Economic Harm Standard Does Not Render the Statutory Scheme Unworkable*

Petitioners also suggest that unless this Court limits the application of the FTDA to cases in which the plaintiff can prove present economic harm to its famous mark, the statutory scheme will remain vague and unworkable, inviting "the mischief of subjective jurisprudence." Pet. Br. 31. This concern is entirely unfounded.

As the government points out, *see* U.S. Br. 21, the Lanham Act explicitly requires the PTO to make judgments, in the registration context, about the likelihood of future dilution, with no reference whatsoever to present economic injury. *See* 15 U.S.C. § 1052(f) (authorizing the PTO to refuse or cancel the registration of a mark "which when used would cause dilution"). Congress contemplated at least that the PTO would assess evidence relating to dilution even before any actual use of the mark, and thus before economic injury could occur. As Congress evidently expected, the PTO undertakes this analysis by reviewing evidence and applying factors drawn from the Restatement and cases applying state dilution statutes. U.S. Br. 21. Nobody contends that such PTO proceedings are standardless or unworkable.

Nor have petitioners demonstrated that courts to date have been unable to apply dilution standards or similar principles coherently. As discussed below, to determine whether a junior use causes dilution under the FTDA, courts have examined a range of factors, including the strength, fame, and distinctiveness of the senior mark, the similarity between the marks, the nature of the junior use, and so on. These factors are no more or less complicated than the factors considered by courts in determining whether or not plaintiffs have shown a likelihood of confusion in actions alleging trademark infringement. *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). For decades, courts have successfully administered the likelihood of confusion test and the state dilution statutes, neither of which require economic injury. There is no basis to suggest that the FTDA's dilution standard has proved or will prove any less workable, and no reason to graft onto the statute an actual economic harm requirement that is absent from its text.

3. Petitioners' Arguments about the Breadth and Duration of Rights Under the FTDA Are Meritless.

Finally, petitioners raise several nebulous concerns about the breadth and duration of the rights under the FTDA. They variously suggest that the FTDA "vastly expands" the rights of trademark owners, Pet. Br. 18, that it conflicts with the "limited Times" requirement of the Copyright Clause, U.S.

Constitution., article I, section 8, clause 8, Pet. Br. 19-20; and that it creates the prospect of trademark "rights in gross." *Id.* at 20, 45. In essence, petitioners argue that the FTDA creates rights that are horizontally overbroad (by protecting too many trademark rights) and vertically overbroad (by protecting those rights for too long). Petitioners are wrong on both counts. But even if their policy objections were correct, they would not provide any support for petitioners' position.

Petitioners themselves do not even attempt to explain how their complaints, even if true, would compel an economic harm requirement, as opposed to any other arbitrary limitation on the scope of the FTDA. They simply level vague policy objections against the scope of the FTDA as if the very existence of such complaints justifies or suuports the conclusion that the statute requires proof of economic harm. But the fact that petitioners argue that Congress *could* have drafted a more limited statute hardly establishes that it actually did so, and certainly gives this Court no basis for imposing whatever limiting feature they may suggest.

Petitioners repeatedly suggest that the FTDA creates rights broader than those available under copyrights and patents, without providing the temporal limits required by the Copyright Clause. This argument is fundamentally ill-conceived. As petitioners must acknowledge, a trademark is neither a patent nor a copyright. Trademark law flows from the Commerce Clause, and is not subject to the limits of the Copyright Clause, which literally does not apply to trademarks. To be sure, the FTDA did expand trademark rights; its very purpose was to add protection that the infringement action did not provide. But this expansion served an important policy that this Court, Congress, state legislatures, and influential commentators have all endorsed.

Moreover, the FTDA's expanded protection is by no means unbounded. Significantly, it applies only to the narrow category of those marks that are both famous and distinctive, as opposed to the millions of copyrights and hundreds of thousands of patents subject to their respective bodies of law. Furthermore, the use of a similar mark is actionable only if it is a "commercial use in commerce," and occurs after the senior mark became famous, and does not fall within the statutory safe harbor. Petitioners' suggestion that the FTDA locks up all rights in a mark is thus simply incorrect.[14] Similarly, rights under the FTDA are not "unlimited as to time." Pet. Br. at 20. Rights protected by the FTDA endure no longer than any other trademark right protected by the Lanham Act (including the infringement action petitioners applaud[15]): only so long as the trademark owner uses the mark in commerce. In one respect, FTDA rights are even more fragile, for they endure only as long as a mark remains famous.

III. THE RECORD EVIDENCE AMPLY SUPPORTS THE FINDING OF PRESENT DILUTION.

A plaintiff under the FTDA need not establish actual economic harm as a "precondition" for injunctive relief. Rather, the owner of a famous mark need only show that a defendant's use of its junior mark causes a present "lessening" of the famous mark's "capacity to distinguish goods and

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[14] Petitioners' claim that the FTDA creates right "in gross" simply misapprehends the meaning of the phrase. The traditional prohibition against rights in gross simply requires a trademark to be appurtenant to a going concern; that is, an trademark owner must use the mark only in connection with a business. Schechter, *supra*, at 822. It is not a free-standing claim to property in the mark, as copyright would be. The FTDA obviously does not alter the traditional rule that mark holder may only enforce rights in connection with a going concern.

[15] Indeed, petitioners' argument concerning the temporal reach of the FTDA would apply with equal force to the infringement remedy under the Lanham Act. Thus petitioners are essentially asking this Court to rewrite or revoke the Lanham Act. This is a classic argument that proves too much.

services" – that is, its distinctiveness and strength. Thus, any junior use that lessens the distinctiveness of a famous mark causes present dilution and may be enjoined. Having considered a range of relevant factors, the court below properly found that the use of VICTOR'S LITTLE SECRET caused precisely such a lessening of the distinctiveness of VICTORIA'S SECRET by tarnishing and blurring it. Not only is proof of economic harm legally unnecessary, on this record it would have been superfluous. The judgment should be affirmed in all respects.

The court of appeals held that consumers would associate the highly distinctive VICTORIA'S SECRET mark with "sex toys and lewd coffee mugs" and the like – products Mr. Moseley himself described as "extremely offensive to the general public," JA 49 – thus "tarnishing" the mark by the tawdry association. Pet. App. 27a. It also held consumers exposed to both VICTORIA'S SECRET and VICTOR'S LITTLE SECRET would associate the national chain with "a single, unauthorized establishment," thereby "blurring" the distinctiveness of a mark that previously called to mind only respondents' national chain of stores. *Id.*

Although the last paragraph of the court's opinion stating its bottom-line dilution conclusion is less explicit than its earlier discussion, the body of the opinion makes clear that the court considered other factors relevant to the dilution inquiry – indeed, the very factors the Solicitor General says courts *should* consider in determining the existence of dilution. U.S. Br. 21 (suggesting that courts should consider "factors such as whether the junior mark is 'essentially the same' as the famous mark, the 'renown' of the famous mark, and 'whether target customers are likely to associate two different products with the mark, even if they are not confused as to the different origins of these products.") (quoting *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d (BNA 1164, 1183 (TTAB 2001)). Thus, when the court found the marks to be "similar," it did not find only that they were remotely similar, or just similar enough to create some association. It found that the marks are "highly similar," "semantically almost identical," and "graphically similar as well." Pet. App. 26a. Though mere linguistic similarity alone may not warrant an inference of dilution, an increasing degree of similarity creates increasingly strong support for the inference.

The court also considered the relative renown of the mark, and the intensity of its distinctiveness. U.S. Br 21. These factors are also relevant to the dilution inquiry. As the court below put it, the degree of a mark's distinctiveness "has a considerable bearing on the question whether a junior mark will have a diluting effect." Pet. App. 12a n.2 (quoting *Nabisco*, 191 F.3d at 217). Because it stands out in the marketplace and invokes exclusive associations, a truly unique and famous mark is more susceptible to dilution than a mark in broader use. *See* Restatement § 25 cmt. f ("A very distinctive mark is thus more likely to suffer dilution of distinctiveness than is a less distinctive mark."). For example, though McDONALD'S may be a famous mark for fast food, it is not inherently distinctive and is already used in many different trademark and service mark contexts, from garages to barber shops to opticians. As a result, an additional use in an unrelated area will scarcely lessen its capacity to distinguish. The relative degree of fame also matters: when a mark is truly famous, it is all but certain that persons who encounter the junior mark will already be aware of the senior, famous mark. *See* 2 Gilson, § 5.12[1][f][v][A], at 5-259 ("[T]he more well-known a mark, the more likely a junior mark is to blur that mark's capacity to distinguish goods and services because more consumers will be familiar with the senior mark.").

The court observed that VICTORIA'S SECRET is a particularly famous, unique, and highly distinctive mark, one that is "arbitrary and fanciful," Pet. App. 12a-13a, 26a, therefore highly distinctive, and thus "deserving of a high degree of trademark protection." Pet. App. 26a. Though petitioners' concession that Victoria's Secret's mark was famous obviated the need for extensive analysis or findings on this point, respondents showed the fame and uniqueness of that mark to be unassailable under the "fame" factors set forth in 15 U.S.C. § 1125(c)(1). The undisputed facts showed that over the past 20 years, Victoria's Secret has invested hundreds of millions of dollars in advertising and promoting its mark throughout the United States, and that it has become one of the ten most famous apparel brands in the United States. Pet. App. 30a. Petitioners introduced no evidence of "use of same or similar marks by third parties." 15 U.S.C. § 1125(c)(1)(G). This record established that VICTORIA'S SECRET is an exceptionally strong, distinctive and famous mark, and that it faces no significant third party use.[16] As a result, the court could be sure that the Kentucky residents who visited Victor's Little Secret or encountered its advertising were already familiar with Victoria's Secret, and had already formed strong associations with its mark.

The record shows that the parties operate in the same geographic area, and that both advertise on radio and in newspapers. *See* Pet. App. 4a; JA 58. Such evidence establishes that petitioners' mark necessarily reached respondents' customers. *See* Restatement § 25; *Nabisco*, 191 F.3d at 221; U.S. Br. 21. The evidence also made clear that petitioners use their mark to sell lingerie and other goods that are similar, if not of like quality, to Victoria's Secret's products. Pet. App. 4a. The substantial proximity of the products makes it more reasonable to infer that consumers, even if not confused as to the origin of the respective goods, will associate

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[16] As noted above, *see supra* at 6, the Moseleys identified only 14 similar marks nationwide, and Victoria's Secret established that registrations for those marks had been denied or cancelled. Pet. App. 32a.

the marks. *Cf.* 4 McCarthy 24:92 ("[I]f the ordinary prospective purchaser, upon encountering the junior user's mark . . . is, because of the context, not likely even to think of the famous mark, then dilution by blurring cannot occur."). Finally, the record showed that the Moseleys knew of VICTORIA'S SECRET when they chose their mark, and that their customers and friends actually made a connection between their mark and VICTORIA'S SECRET. JA 78-79.

In sum, the dilution finding rested on numerous factors generally accepted as probative of dilution, including the widespread consumer familiarity with the VICTORIA'S SECRET mark, the intensity of that mark's association with a particular product, and the tawdry nature of the new association created by use of petitioners' mark. The court below held that those contextual factors, illuminating the *extent* and *quality* of the association created by the marks' semantic similarity, established "a classic instance of dilution" by both tarnishing and blurring the distinctiveness of the VICTORIA'S SECRET mark among those familiar with both marks. Pet. App. 27a. The FTDA requires no more.

IV. THE SOLICITOR GENERAL'S SEPARATE CHALLENGES TO THE JUDGMENT BELOW ARE NOT PROPERLY PRESENTED HERE, AND ARE WITHOUT MERIT IN ANY EVENT.

On the sole question petitioners actually present – whether there must be "objective proof of actual injury to the economic value of the famous mark" – the Solicitor General explicitly and unequivocally agrees with respondents, and with the judgment below. However, the Solicitor General nominally sides with petitioners, for he believes the judgment below is subject to question on quite different grounds. The Solicitor General's challenges to the opinion below rest on arguments that petitioner has not raised. To resolve these issues, this Court would have to make conclusive legal judgments on issues not briefed by the parties, not considered by the courts in this case, and not developed by other courts during the FTDA's short existence. The Solicitor General's arguments, presented here for the first time, are unpersuasive. This Court should not consider them.

A. The Court Found That Dilution Had Occurred.

The Solicitor General's most implausible suggestion is that remand is in order because it "is unclear whether the court of appeals required proof that some dilution had already occurred as a predicate for relief, or whether it premised its finding of a violation on a likelihood of future dilution." U.S. Br. 26. The opinion of the court of appeals reflects no such ambiguity. At the outset, the court of appeals posed the question "whether [petitioners'] mark *dilutes* that of Victoria's Secret." Pet. App. 13a (emphasis added). The court then framed its analysis by asking "which factors will be taken into account in determining *if dilution of a mark has occurred.*" *Id.* 15a (emphasis added). The court later set forth and considered a list of factors "used to determine if dilution *has, in fact, occurred.*" *Id.* 25a (emphasis added). There is simply no ambiguity in the court's conclusion that the FTDA requires a finding of present dilution.

B. The Court Found Dilution On The Basis Of More Than Just Semantic Similarity Sufficient To Create A Mental Association

The Solicitor General next asserts that the court of appeals' dilution holding was "based merely on a determination that the 'Victor's Little Secret' is sufficiently similar to the 'Victoria's Secret' mark to cause consumers to mentally associate the two marks." U.S. Br. 27. The Solicitor General argues that this supposed aspect of the holding should be reversed, because "evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the FTDA." *Id.* For three reasons, this argument provides no basis for upsetting the judgment.

1. Petitioners did not raise or brief this argument for reversal. Here and in the Sixth Circuit, they have argued only that the judgment below was flawed because the court did not require proof of economic harm. Beyond that asserted omission, petitioners have suggested no deficiency in the court's assessment of the various factors that led to the finding of dilution here.

2. As demonstrated by the review of the record in Part III, *supra*, the Solicitor General's characterization of the Sixth Circuit's opinion is mistaken. The court below relied on substantial evidence relating to the various *other* factors that courts have deemed relevant to the dilution inquiry. In fact, the court made clear that in evaluating an FTDA claim, courts "must weigh" various considerations, ranging "from the inherent qualities of the marks themselves, to the behavior of the corporate entities in introducing a mark into commerce, to the highly practical and subjective considerations of the effect of the marks on the actual consumers who will consider them." Pet. App. 26a. Contrary to the premise of the Solicitor General's argument for reversal, the court decidedly did *not* determine that VICTOR'S LITTLE SECRET causes dilution of the VICTORIA'S SECRET mark merely because the linguistic similarity of the marks causes an acontextual mental association. In particular, the tarnishment holding reflects a conclusion that the association created under the circumstances is a particularly lewd and injurious one. The court's dilution holding, in other words, is plainly based on the court's appreciation of significant individual circumstances surrounding the two marks – not an "automatic[]" inference based on review of the words alone. U.S. Br. 27.

3. The Solicitor General's argument for reversal would require this Court to accept a legal proposition that is open to serious question. The Solicitor General's argument that similarity sufficient to create mental association does not

suffice to establish dilution, while not presented by the court's holding below, nevertheless is arguably incorrect.

The Solicitor General's discussion of the sufficiency of mental association appears to display a basic misunderstanding of the nature of dilution. For instance, his contention that "[a]s long as consumers view the two marks as distinct and associate" one mark "exclusively" with its product and the other mark "exclusively" with its product, "there is no basis for a finding of dilution," U.S. Br. 19, introduces an element of confusion analysis that is fundamentally inconsistent with the accepted understanding of dilution. The basic rationale of dilution is that the senior mark holder suffers injury *even if* consumers understand that two marks represent distinct products. *See* 4 McCarthy § 24:70 (explaining that dilution occurs even when consumers "perceive distinct sources and affiliation" because "the ability of the senior user's mark to serve as a unique identifier . . . is weakened because the relevant public now also associates that designation with a new and different source"). Thus, if a purveyor of pornography featuring milkmaids used the mark "Little Dairy Queen," consumers would understand that it had nothing to do with the famous fast-food chain, and that two separate companies were selling separate products. Nevertheless, the junior use would lessen the capacity of the "Dairy Queen" mark to distinguish goods and services, for where that mark originally called to mind only the food chain, it would thereafter create a second, negative association as well. In short, the bedrock principle of dilution is that the famous mark owner suffers injury whenever a junior mark creates an association with its famous and distinctive mark, regardless whether consumers are confused. The Solicitor General's argument for reversal ignores that principle.

C. The Court Should Not Remand Simply So The Parties Can Conduct Consumer Surveys

The previous section set forth the sufficiency of the record basis for the conclusion that VICTOR'S LITTLE SECRET lessens the capacity of VICTORIA'S SECRET to distinguish goods and services. The Solicitor General's misunderstanding of the evidentiary basis for that conclusion leads him to the view that certain additional evidence would be necessary to support the finding of dilution. Thus, the Solicitor General suggests that a consumer survey might be necessary to establish dilution in this case. U.S. Br. 22-24. Given the Solicitor General's explicit exclusion of PTO proceedings from his discussion of the importance of consumer surveys, the interest of the United States in the form and methods of proof in private dilution cases is less than clear. In any event, there is no basis for reaching beyond the question whether proof of economic harm is required and adding a consumer survey mandate to the statute.

First, there is no basis whatsoever for the suggestion that a consumer survey would be necessary to sustain the judgment below. Though a consumer survey might have been helpful evidence if the record reflected nothing more than similarity sufficient to cause mental association, the record is replete with evidence supporting many of the most important factors courts use to evaluate the existence of dilution. Even the Solicitor General concedes that "a consumer survey is not a necessary element of proof in all [dilution] cases," for "Congress did not direct that evidence supporting a dilution claim must take a particular form." U.S. Br. 24. To the contrary, the "relevant question is whether the use of a junior mark lessens the capacity of the famous mark to identify and distinguish goods and services, and a party is free to introduce any evidence that is relevant on that issue." *Id.* As already discussed, respondents introduced a evidence more than sufficient to support the conclusion that petitioners' mark causes dilution. Petitioners themselves have not complained in this court that the record lacks a consumer survey; what they object to is what they consider a lack of proven economic harm. Petitioners' objection is misplaced as a matter of law; the Solicitor General's wholly separate objection is, on this record, misplaced as a matter of fact.

Second, the need for surveys is open to serious question. Courts have noted that survey evidence is expensive, time-consuming, and subject to manipulation. *See Nabisco*, 191 F.3d at 224; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). In other contexts where the impact of words and symbols is at issue, the law does not require the use of surveys. For example, if a newspaper falsely writes that school principal John Jones physically abused his pupils, principal Jones would not need to introduce survey evidence in a libel action to show that readers identified him personally as the abuser, or that the article injured his reputation. In such a case, the trier of fact can draw the necessary inferences from the evidence before it, without the assistance of surveys. In the same way, a court sitting in equity is well equipped to review a range of evidence to determine whether dilution has occurred.

This is not to say that survey evidence never has a place in actions under the FTDA. Where the totality of the evidence does not fully support the inference that consumers associate a famous mark with an allegedly diluting mark, the plaintiff can seek to buttress its case with evidence showing such an association. Alternatively, if circumstantial factors point strongly towards an inference of dilution, the junior user might invoke survey evidence in an attempt to show that consumers are not drawing any association between the junior and senior marks. The point is that the role of a consumer survey will vary from case to case.

Third, because of the necessarily individualized role of survey evidence, this Court ought not announce a generalized rule about the propriety of consumer surveys in federal dilution cases, especially this early in the life of the FTDA. It is enough at this juncture for the Court to focus on the one clear problem that has arisen and divided the courts: the mistaken view of some that dilution claimants must prove actual economic injury. Beyond that, the role of consumer surveys – or any particular element or piece of evidence – should be left to the lower courts for further development in individual cases. Just as identification of the range of substantive factors relevant to the dilution inquiry is best left to the process of judicial development and application, which has only just begun, *see Nabisco*, 191 F.3d at 227, so too should the courts be allowed to continue to work out what kinds of evidence are the most probative under given circumstances. Consumer surveys sometimes will be important, sometimes crucial, and sometimes – as here – not necessary at all. If the role of consumer surveys becomes divisive enough to warrant this Court attention, it should grant certiorari in a case where other evidence of dilution is weak, and one of the parties actually contests the lack of a survey. Now is not that time, and this is not that case.

CONCLUSION

For the foregoing reasons, the judgment should be affirmed.

Respectfully submitted,

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