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INTELLECTUAL PROPERTY LAW

The Supreme Court considers the Federal Trademark Dilution Act in a case that will set a U.S. standard

by Brian E. Banner

On Tuesday, November 12, 2002, arguments were presented to the Supreme Court addressing the issue of whether evidence of actual economic harm or likelihood of dilution alone is required to be proved for liability to attach under the 1996 Federal Trademark Dilution Act, 15 U.S.C. § 1125(c), (FTDA or "the Act"). This case came to the high court when the Sixth Circuit affirmed the district court's entry of summary judgment under the Act against the Moseleys in holding that the "Victor's Little Secret" mark, used by the Moseleys in their rural lingerie and adult toy business, both blurred and tarnished the famous "Victoria's Secret" lingerie mark and constituted trademark dilution under the Act, without any showing of economic harm. The Fourth Circuit had interpreted the Act in 1999 to require proof of actual economic loss. Moseley appealed finding fault with the Circuit's analysis of the "dilution" question, and in order to reconcile the conflict between the circuits, the Supreme Court granted certiorari.

Petitioner Moseley's attorney, James Higgins, argued that some component of economic harm is required under the FTDA for liability to attach. He was asked hypothetical questions from several Justices during the presentation of his arguments. One Justice asked whether a new insecticide bearing the slogan, "Where there's life, there's bugs", [a play on the federally registered Anheuser-Busch beer slogan, "WHERE THERE'S LIFE . . . THERE'S BUD"] would be liable under the FTDA, if Anheuser-Busch sued but presented no evidence at trial of actual economic harm? Mr. Higgins responded that to hold the junior entity liable, Anheuser-Busch would have to prove up some "economic component" in its dilution claim. He stopped short of requiring hard proof of economic harm in that situation but argued for the introduction of survey

evidence. Some questions suggested that the statute was clear and additional survey evidence was not required. One Justice asked, “What does the Petitioner want the Supreme Court to do in this case?” The unasked question seemed to be, “should this case be sent back to the Court of Appeals with directions to require proof of some economic harm?” What appeared clear to this observer was that Mr. Higgins was not completely satisfied with the statute as written but he probably would be happy to have the case sent back to the Sixth Circuit with directions to require some type of economic harm.

Deputy Solicitor General Lawrence Wallace, who argued for the United States commented that, “Mere mental association between two products is not, in itself, trademark dilution”. He said the harm has to be that, “consumers are diminished in their capacity to recognize the mark”. In other words, to this observer he seemed to argue that evidence of present economic harm does not need to be proved to win a dilution claim under the FTDA.

Walter Dellinger for the respondent argued that economic harm is not what the Congress envisioned when it passed the FTDA. In his view, owners of very famous marks should not have to wait for measurable economic harm [to arise] before they can take action against infringers and diluters under the FTDA. He postulated that if his client, Victoria’s Secret did not stop the Moseleys there would be hundreds of other copycats using similar names springing up throughout the United States. One can conclude from the oral arguments that the Justices were not pleased with the way the Congress crafted the FTDA. The high court’s opinion will issue before June 2003.

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