



VICTOR VICTORIA

By: Jim Astrachan

Last month the United States Supreme Court heard arguments in the trademark dilution case brought by Victoria's Secret against Victor's (Little] Secret, a one-store retailer of lingerie, videos and adult toys. Before the decision is handed down, I want to speculate on the outcome. Perhaps place a small wager.

With its ruling, the Court will interpret for the first time the federal anti-dilution statute added to the Lanham Act in 1995 as Section 1125 (c). The traditional trademark case involves a likelihood of confusion as to the source or affiliation, generally where there is competition between the two marks. The federal anti-dilution law, on the other hand, allows the owner of a famous mark, such as VICTORIA'S SECRET, to bring an action if another's use of an identical or substantially similar mark "causes "dilution.

The Lanham Act defines dilution as the lessening of the capacity of a famous mark to identify and distinguish between goods or services regardless of the presence or absence of likelihood of competition between the owners of two marks. The form of dilution made actionable by the federal statute is "blurring", a condition that occurs when the public becomes overexposed to a mark because of the acts of a junior user

(Victor). Overexposure results when the senior user's mark (Victoria's Secret) no longer is immediately identified with its source. Imagine Bayer clothes, Bayer cars, Bayer books and finally Bayer aspirin.

Many states, but not Maryland, have laws that prohibit dilution not only in the form of blurring but also tarnishment, an association between the famous mark and something scandalous or unpleasant. In states with anti-dilution laws a successful plaintiff in a dilution action need only show that defendant's use of its mark is "likely" to cause dilution. Many of these states have also decided that if dilution is likely to occur, irreparable harm is presumed and injunctive relief is available.

Enter the new federal law, which does not preempt state law. While federal law is uniform from state to state, the interpretations of the various federal circuits are not. Some circuits have interpreted the federal statute in a manner that makes it very difficult for any plaintiff to successfully bring a dilution action.

Our Fourth Circuit is one of those that have interpreted the statute in a way that puts a plaintiff seeking relief through its paces and then some. The Fourth Circuit dealt with the slogan THE GREATEST SNOW ON EARTH and would not find a violation of the federal dilution statute, primarily because the plaintiff, Ringling Brothers Circus, was unable to establish that economic harm had been caused by the state of Utah's use of the slogan to promote its ski areas.

The Fourth Circuit's analysis of the statute was cogent but imposed requirements that make dilution too hard to prove in almost every case. Likely more
99001.009 (24007)

difficult than Congress intended. This is because a plaintiff whose mark is allegedly diluted must submit evidence that it has suffered actual economic harm.

Perhaps the Court read this requirement into the statute because the statute contains the present tense "causes dilution" language. The Fourth Circuit extrapolated from this that the harm the statute intends to enjoin is to the mark's selling power, not its strength or distinctive nature. Loss of selling power is economic harm.

The Seventh Circuit also dealt with this Act and opined that the Fourth Circuit's interpretation holds plaintiffs "to an impossible level of proof." I hate to take sides, but I agree.

The Seventh Circuit sided with the Second Circuit which also rejected the Fourth Circuit's interpretation that the statute requires proof of economic harm before relief will be granted. The Second Circuit opined that by the time a plaintiff was able to marshal evidence of actual harm, the junior user might have the defense that the mark has already lost its distinctiveness due to the numerous marks that have copied it. In hindsight, I am doubtful that this argument is any stronger than that advanced by the Fourth Circuit. In *Victoria's Secret*, the Sixth Circuit sided with the Second and Seventh Circuits, and the Supreme Court agreed to hear the appeal due to the conflict in the Circuits. Victor, in its brief, argued that Congress, in adding 1125 (c) to the Lanham Act, dumped the "likelihood of dilution" standard applied by courts under state anti-dilution statutes. Victor added that the interpretation of the Act by the Second, Sixth and Seventh Circuits grants to Victoria's Secret a "patent on words."
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Victor claims that to meet its burden, Victoria must prove economic harm has occurred – that the Victor has caused Victoria's mark to lose its selling power.

Victoria disagreed, and claimed that the dilution law only requires a showing that defendant's use caused a lessening of VICTORIA'S SECRET's strength and distinctiveness; that it need not prove that actual economic harm has occurred.

The United States filed an amicus brief and straddled the fence while leaning in Victoria's direction. It argued that Victoria need not show that economic harm has occurred, but must show that Victor's use has already caused dilution. The government claims this can be proven by survey evidence. It is not surprising that the American Intellectual Property Law Association, an organization of trademark owners, sided with Victoria in its amicus brief.

Predictions are often worthless, and here's mine. The Supreme Court will take a middle of the road approach and find that Congress meant "cause" in the present tense and did not mean a "likelihood" of dilution. Congress will amend the Act if it does not like this result. At the same time, the Court will not require a plaintiff to prove that economic harm has occurred and will allow injunctive relief upon a finding of fact that a junior user's mark has caused a famous mark to lose its strength or distinctiveness. I bet two bits.

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