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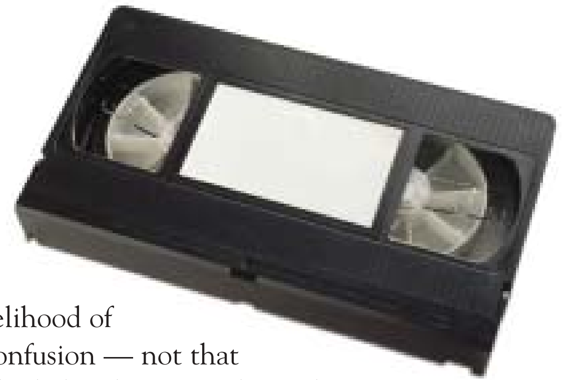
The Supreme Court Looks at Trademark Dilution



A recent landmark decision by the U.S. Supreme Court roiled the waters of trademark law. The case settles a conflict between the federal circuits by determining the proper interpretation of the federal trademark dilution statute.

THE SECRET

In *Moseley v. V. Secret Catalogue, Inc.*, the plaintiff was a large nationwide lingerie retailer which widely advertised under the famous "Victoria's Secret" trademark. The defendant was a single ma-and-pa store located in a strip mall in a small town in Kentucky. It sold adult videos and novelties as well as lingerie. The proprietors of this little enterprise, Victor and Cathy Moseley, at first elected to call their store "Victor's Secret." After Victoria's Secret objected, they changed the name to "Victor's Little Secret." But that didn't satisfy the complainant, so Victoria went ahead and sued Victor for trademark infringement and dilution.

The trial court dismissed Victoria's claim for trademark infringement. Why? Because Victoria failed to prove that the similarity between the trademarks "Victor's Little Secret" and "Victoria's Secret" was likely to cause the public to confuse the two parties' businesses or products. But the trial court's decision on trademark dilution went in favor of Victoria. (See "Defining Dilution" at right.) The trial court ruled that tarnishing was the type of dilution that was likely to occur, in view of the nature of some of the products sold by the defendants.

POSITIVE APPEAL

On appeal, the 6th Circuit Federal Court of Appeals affirmed this decision, and along the way it resolved a debate as to the proper interpretation of federal dilution law. By way of background, where conventional trademark infringement is involved, it has long been the rule in state and federal law that a plaintiff need show only a likelihood of trade identity confusion — not that such confusion had already occurred. No damages for lost sales could be recovered without proof of actual trade diversion, but an injunction could be obtained before actual harm occurred, to prevent the likelihood of confusion from materializing. The barn door could be locked before the horse was stolen.

Defining Dilution

Unlike trademark infringement, dilution has nothing to do with trade identity *confusion.* Instead, it involves blurring or tarnishing the plaintiff's trademark so as to reduce its value as a marketing tool. Classic examples of blurring are such hypothetical usages as "DuPont" shoes, "Buick" aspirin, and "Kodak" pianos. Such usages would adversely affect the uniqueness of the famous DuPont, Buick and Kodak trademarks, even though the public might not be confused into thinking that these famous marks' owners were affiliated with products such as shoes, aspirin and pianos.

Tarnishing is a similar effect, but it occurs when the defendant's product produces some shameful or distasteful association with the plaintiff's trademark. An example of tarnishing might be "Bugweiser" for an insecticide, which could diminish the value of the Budweiser beer trademark.

Similarly, under the first dilution laws (those enacted by the states), the plaintiff had to show only a likelihood that blurring or tarnishment would occur in the future — not that it had already occurred. Some years later, when a federal dilution law was finally enacted, some courts interpreted it similarly to the state statutes, requiring only a likelihood of dilution.

But in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development* — dealing with a claim that Utah's use on license plates of the phrase "greatest snow on earth" was likely to dilute the famous circus slogan "greatest show on earth" — the 4th Circuit Federal Court of Appeals held that under federal dilution law the plaintiff had to show that *actual* dilution had already occurred. Merely showing there was a likelihood that dilution would occur in the future wasn't enough. As a result, the circus lost that case.

In the Victoria's Secret case, however, the 6th Circuit took the opposite position. It affirmed the trial court's decision in favor of Victoria, despite the lack of any proof that any actual dilution had occurred. The Moseleys appealed the 6th Circuit's decision favoring Victoria's Secret on the dilution issue, and the Supreme Court took up the case to resolve the conflict between the circuits. Since the courts have always been more or less hostile to the dilution concept, the result was not easily predictable.

FINAL DEFEAT

First the Supreme Court noted that the Federal Trademark Dilution Act provides that a famous mark's owner is entitled to injunctive relief against another's commercial use of a mark or trade name if that use "causes" (not "is likely to cause") dilution of the famous mark's distinctive quality. So the Supreme Court ruled that the act unambiguously requires a showing of *actual* dilution, rather than a *likelihood* of dilution.

In addition, the Court looked specifically at the act's definition of dilution itself. It provides: The word "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the famous mark's owner and other parties, or likelihood of confusion, mistake or deception.

In the Court's opinion, the contrast between the initial reference to a "lessening of the capacity" of the mark, unqualified by any notion of likelihood, and the later reference to a "likelihood of confusion," confirmed its conclusion that actual dilution was required. Thus the Supreme Court agreed with the 4th Circuit, and reversed Victoria's victory. Where federal dilution law is concerned, it is now clear that the barn door cannot be locked until after the horse is stolen.

PROVING DILUTION

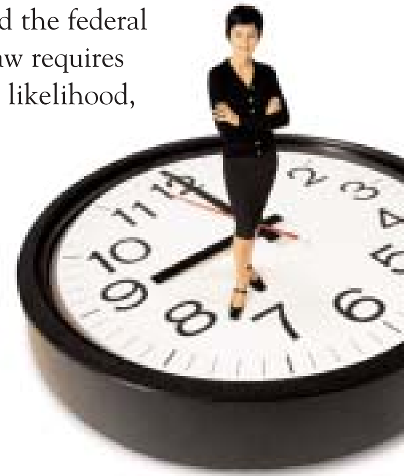
However, the Supreme Court disagreed with the 4th Circuit in one respect. The latter court had held not only that actual dilution must be shown, but also that the consequences of dilution, such as an actual loss of sales or profits, must be proved. But the Supreme Court expressly disavowed that interpretation.

But that raises the question: How else can a dilution plaintiff show actual harm? The Supreme Court itself noted that supporters of the "likelihood of dilution" interpretation fear that consumer surveys and other ways of demonstrating actual dilution are expensive and often unreliable. But the Court offered only slim encouragement to dilution plaintiffs wondering how to prove their cases. It remarked that direct evidence of dilution such as consumer surveys wouldn't be necessary if actual dilution can reliably be proven through circumstantial evidence — the obvious case being where the marks are identical.

But what if such direct evidence isn't available? Too bad, said the Court. Whatever difficulties of proof are entailed, it isn't an acceptable reason for dispensing with proof of an essential element of a statutory violation.

NOW YOU KNOW

So the Supreme Court has settled the federal circuit courts' conflict. Federal law requires actual dilution rather than just a likelihood, no matter what the cost.



The Constitutionality of Copyright Term Extensions

A recent Supreme Court decision, *Eldred v. Ashcroft,* could have upset the whole applecart in copyright law — but didn't. The case attacked the constitutionality of the latest enactment extending the term of all copyrights by an additional 20 years. This enactment applied not only to future copyright grants, but also to existing copyrights.

THE ATTACK

The plaintiffs were various companies whose products or services build on copyrighted works that have gone into the public domain. The defendant was the U.S. Attorney General. The plaintiffs chose not to attack the act's validity as it applies to future copyrights, but only as it applies to copyrights in effect at the time of the law's enactment.

The plaintiffs' argument was two-pronged. They first argued that the term extension act violated the U.S. Constitution's Patent and Copyright Clause. This clause authorizes Congress to adopt patent and copyright laws, but stipulates that patent and copyright protection may last only for "limited times." The second prong argued that the term extension act violated the First Amendment's free speech clause by imposing an impermissible burden on the copyrighted works' use. But both these arguments were rejected by the trial court, by the District of Columbia Court of Appeals and finally by the Supreme Court.

THE PATENT AND COPYRIGHT CLAUSE

With respect to the Patent and Copyright Clause, the plaintiffs argued that the clause authorizes patent and copyright grants for only the limited purpose of promoting the advancement of human knowledge. Such a purpose could justify the grant of an extended term to only future copyright grants, because existing copyrighted works couldn't logically constitute an additional advancement over what they had already contributed.

But in its majority opinion the Supreme Court said, "A page of history is worth a volume of logic." Previous extensions of the copyright term all conform to a congressional practice of granting existing copyrights the benefit of term

extensions along with future copyrights, so that all copyrights are governed evenhandedly under the same regime. Therefore, an existing copyrighted work's author could reasonably anticipate being included in any subsequent term extension, and he or she could consider that possibility part of the incentive to create that work.

Further, the majority reasoned that, by not imposing a specific term duration, the Constitution left it up to Congress's discretion to decide on a duration. Thus Congress's discretion was unfettered — so long as it exercised that discretion rationally. The Court was unwilling to find the latest enactment irrational.

Minority Persuasions

Two Supreme Court justices wrote persuasive dissenting opinions regarding the constitutionality of copyright term extensions. Justice Stevens argued that ex post facto extensions of copyrights result in a gratuitous transfer of wealth from the public to authors, publishers and their successors. These retroactive extensions arguably don't serve either of the purposes of the Patent and Copyright Clause. To Justice Stevens, the reason for increasing the inducement to create something new simply doesn't apply to an already-created work. The public is entitled to rely on access to copyrighted works at the date of expiration that was specified when the copyright was granted. Authors, on the other hand, have no equitable claim to increased compensation for doing nothing more.

As for the possibility of an unlimited series of term extensions, he pointed out that, because of the last two copyright term extensions enacted by Congress, only one year's worth of creative work — that copyrighted in 1923 — fell into the public domain during the last 80 years. But to Justice Stevens, public access is the overriding purpose of the constitutional provision, and ex post facto extensions of existing copyrights, unsupported by any consideration of the public interest, frustrate the central purpose of the Patent and Copyright Clause. He urged that unless the clause is construed to embody a categorical rule prohibiting retroactive extensions, Congress could extend existing monopoly privileges ad infinitum under the majority's analysis.

Justice Breyer's dissenting opinion argued that, the older the work, the less likely it retains commercial value, and the more likely it will prove useful to the historian, artist or teacher. Also, the older the work, the more likely it is that the copyright holder is not the work's creator, but, more likely, a corporation or a great-grandchild whom the work's creator never knew. Plus, the costs of obtaining copyright permissions, now perhaps ranging in the millions of dollars, will multiply as the number of affected copyright holders increases from several hundred thousand to several million.

Thus, he believes the term extension lacked the constitutionally necessary rational support because the benefits it bestows are private, not public; it seriously threatens to undermine the expressive values embodied in the Copyright Clause; and it cannot find justification in any significant clause-related objective.

One rational factor the Court noted was a Congressional desire to match the latest copyright term in the European Union, so as not to disadvantage American authors seeking copyright protection in Europe (where the duration of such protection is dependent on term reciprocity).

The Court also rejected the argument that a series of term extensions would be the practical equivalent of an unlimited term, which all agreed must be unconstitutional. The Court explained that this case dealt with only this particular term extension — not with any that had gone before or might come later.

FREE SPEECH

As for the First Amendment, the Court again looked at history. It noted that the very first federal copyright act (adopted in 1790) treated existing and future copyrights alike. In addition, the Constitution's First Amendment and Patent and Copyright Clause were adopted nearly contemporaneously, indicating that the founding fathers saw no inconsistency between freedom of speech and the exercise of Congressional discretion to adjust the term of existing copyrights.

The court also repeated a well-known argument that the fair use doctrine, together with the idea-expression dichotomy, insulates copyright laws (whether applied to existing or future works) from any interference with freedom of speech. The fair use doctrine exempts limited scholarly use from infringement liability. The idea-expression dichotomy puts ideas outside copyright protection's scope altogether, limiting protection to the author's particular expression of those ideas.

20 MORE YEARS

In spite of persuasive arguments found in the dissenting opinions (see "Minority Persuasions" on page 5), the attack on the extension of the copyright term failed. Both existing and future copyright grants will now enjoy an additional 20 years of protection without violating the U.S. Constitution.

Is Spraying The Same as Dipping?

How To Interpret Patent Claims

In a utility patent, the invention is defined by one or more relatively brief verbal compositions referred to as "claims." To infringe a patent claim, an accused device or method must have all the features or steps recited in that claim. If the claim requires any feature or step that the accused device or method doesn't have, the claim isn't literally infringed. Theoretically, this provides an objective method of determining infringement.

But claim language is subject to various interpretations, which can lead to patent infringement controversies. Determining patent infringement is a word game — but the stakes are much higher than Scrabble. For example, is "spraying" the same as "dipping"? Don't answer just yet.

SPRAYING OR DIPPING?

Shen Wei Inc. obtained a patent on:

- A disposable medical examination glove having a coating of skin lotion on the inside, and
- A method of making the gloves.

The patent claims all required that the lotion coating be applied to the glove's surface by "dipping

What Is the Doctrine of Equivalents?

Under the doctrine of equivalents, courts sometimes find infringement where none literally exists. If the accused device or method — though not identical to the one defined by the claims — is sufficiently similar, then courts will consider it infringing because it is "equivalent" to the claimed invention.

But equivalency is subject to a major limitation: Some concessions as to the scope of the claims, which a patentee may make during patent application prosecution in the Patent and Trademark Office (PTO), can "estop" or preclude a patentee from claiming a broader scope of protection after the patent issues. This is known as "prosecution history estoppel."

the glove into" liquid lotion. Shen Wei sued its competitor, Kimberly-Clark Corp. (K-C), for patent infringement, even though K-C employed a spray process for coating its gloves. Shen Wei argued literal infringement — or at least infringement under the doctrine of equivalents. (See "What Is the Doctrine of Equivalents?" above.)

Conceivably, the term "dipping" was entitled to a broader than normal interpretation for purposes of literal infringement.

The court disagreed with Shen Wei. It found that the ordinary meaning of the word "dipping" wouldn't encompass spraying. But it acknowledged that a patentee can use words in a special sense if careful to explain the meaning. The Shen Wei patent did specifically mention spraying as one acceptable method of making lotion-coated gloves. Thus, conceivably, the term "dipping" was entitled to a broader than normal interpretation for purposes of literal infringement.

But the court rejected this argument because, during prosecution in the Patent and Trademark Office (PTO), the examiner cited a "prior art" reference showing that spray coating a lotion on gloves was old. The examiner suggested distinguishing the claims from this prior art by limiting them to "dipping." The patentee then adopted this suggestion by adding that word to the claims, which resulted in the patent's allowance. Thus the word "dipping" in the issued patent was clearly intended to exclude spraying. Otherwise, the patent would have been denied.

But K-C wasn't home yet. It still had the doctrine of equivalents to hurdle. Nevertheless, the fact that the patentee limited the claims for the express purpose of distinguishing the spraying reference created a prosecution history estoppel precluding use of the doctrine of equivalents from "recapturing" a scope of protection broad enough to include spraying. The court ruled that when the original application once embraced a purported equivalent, but the patentee narrowed the claims to obtain the patent or to protect its validity, the patentee couldn't thereafter assert those surrendered equivalents.

NO INFRINGEMENT

Thus, K-C didn't infringe, either literally or under the doctrine of equivalents. The word "dipping" not only didn't encompass spraying in its ordinary sense, but also didn't do so in the special sense required by the patent's prosecution history.

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