

# Who Says Trademark Law Can't be Sexy?

By Bruce Talbot Margulies<sup>1</sup>

## Introduction

*V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734; 208 U.S. Dist. LEXIS 40713 reads like fodder for a good miniseries: testimony from a whistleblowing army colonel, the U.S. Supreme Court considering the distinction between “sexy” and “sexually explicit”, an alluring change in trademark law<sup>2</sup>, and the sale of goods such as lingerie and sex toys. The defendant Moseleys, a husband and wife, owned and operated a store named Victor’s Secret, an “adult-toy, gag gift, and lingerie shop”<sup>3</sup> in Elizabethtown Kentucky, roughly 60 miles from Louisville. During the district court trial in 1998, the Moseleys claimed they had never heard of Victoria’s Secret<sup>4</sup>, despite the plaintiff’s reported \$55 million in advertising expenses that year.<sup>5</sup>

## Procedural History

The United States District Court for the Western District of Kentucky granted summary judgment for the Moseleys on claims of trademark infringement and unfair competition.<sup>6</sup> Victoria’s Secret was granted summary judgment on a claim of trademark dilution under the Federal Trademark Dilution Act (FTDA) because of tarnishment:

The court granted summary judgment in favor of V Secret on the FTDA claim, finding that the marks were substantially similar for purposes of the dilution claim and that the Moseleys' marks had a tarnishing effect upon the VICTORIA'S SECRET mark. The court noted that "[i]ncluded in the inventory sold by the

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<sup>2</sup>Poetic license.

<sup>3</sup>*Moseley*, 123 S.Ct. At 1125.

<sup>4</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 747; 208 U.S. Dist. LEXIS 40713 at \*35.

<sup>5</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 736; 208 U.S. Dist. LEXIS 40713 at \*3.

<sup>6</sup> *V Secret Catalogue v. Moseley*, 54 U.S.P.Q.2D (BNA) 1092, 2000 U.S. Dist. LEXIS 5215.

Moseleys, in addition to lingerie, are adult videos as well as sex toys and other 'adult novelties.' Courts have frequently enjoined the "tarnishment" of a mark through association with unsavory goods, persons, or services.' *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 777 (8th Cir. 1994)." February 9, 2000 Memorandum Opinion, p. 9 (DN 38). The court ordered the Moseleys to refrain from using the "Victor's Secret" and "Victor's Little Secret" marks.<sup>7</sup>

The Court of Appeals for the Sixth Circuit affirmed, holding that the VICTORIA'S SECRET mark was distinctive; and that actual dilution was not required. The United States Supreme Court granted certiorari to consider a split of authority regarding actual dilution. On March 4, 2003, the Supreme Court reversed the Court of Appeals and held that actual dilution was required under the FTDA. The case was remanded to the Court of Appeals and it sat for four years before being remanded to the district court on July 16, 2007.

### **Enactment of the Trademark Dilution Revision Act**

During the four year hiatus, effective October 6, 2006, the United States Congress enacted the Trademark Dilution Revision Act of 2006 ("TDRA"), Pub.L.No. 109-312, 120 Stat. 1730 (2006)(codified at 15 U.S.C. § 1125(c)). The district court on remand noted: "Of import in this case is that the TDRA eliminated the requirement of actual dilution enunciated by the Supreme Court in the 2003 *Moseley* decision."<sup>8</sup>

There was speculation that the *Moseley* case was the reason for the enactment of the TDRA, which lowered the standard for proving dilution from actual dilution to likelihood of dilution.<sup>9</sup>

The TDRA provides:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become

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<sup>7</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 736, 737; 208 U.S. Dist. LEXIS 40713 at \*4, \*5.

<sup>8</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 737, 738; 208 U.S. Dist. LEXIS 40713 at \*7.

<sup>9</sup> *Louis Vuitton Malletier v. Haute Diggity Dog, LLC*, 507 F.3d 252, 264, n. 2 (4th Cir. 2007).

famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.<sup>10</sup>

### **The Issue on Remand**

The Moseleys asserted that applying the TDRA instead of the FTDA would be retroactive. The district court disagreed that its application of the TDRA was retroactive and disregarded the U.S. Supreme Court's holding under the old law, stating: "As the FTDA has now been superseded by the TDRA, and the new law applies to pending claims, the findings concerning the FTDA and actual dilution fall away."<sup>11</sup>

On remand, the district court threw out the previous holding under the FTDA:

While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, 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. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors.<sup>12</sup>

The district court conducted a new analysis (with updated evidence)<sup>13</sup> of the dilution claim under the TDRA, specifically:

In order to establish entitlement to injunctive relief, V Secret must show that (1) its mark is famous; (2) its mark is distinctive; (3) the Moseleys began using the mark after V Secret's mark became famous; and (4) the Moseleys' use of their

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<sup>10</sup>15 U.S.C. § 1125(c)(1).

<sup>11</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 739; 208 U.S. Dist. LEXIS 40713 at \*12, \*13.

<sup>12</sup>*V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 477 (6th Cir. 2001).

<sup>13</sup>In 1998, Victoria's stated sales were in excess of \$1.5 billion. In 2006, Victoria's stated sales were in excess of \$4.9 billion.

mark is likely to cause dilution of V Secret's mark by blurring or by tarnishment of the mark.<sup>14</sup>

The only element in question was (4), which is analyzed below.

### **Analysis of Dilution by Blurring**

Among the relevant factors in determining dilution by blurring under the TDRA, the following were not in dispute: the degree of similarity of the marks, the distinctiveness of the famous mark<sup>15</sup>, substantially exclusive use of the mark, and recognition of the mark.

Regarding the element “intent to associate with famous mark”, there was little dispute, but the district court’s holding in 2000 is notable:

The Moseleys assert that their selection of "Victor's Secret" for the name of their store was a complete coincidence. They claim that they had never seen a Victoria's Secret catalogue or a Victoria's Secret advertisement prior to opening their store. Their explanation for the selection of the name "Victor's Secret" is that Victor Moseley wanted to keep the opening of his store quiet while working for a previous employer -- thus, it was "Victor's Secret."

The notable similarity between the two marks alone is enough to call into question Defendants' explanation, but Victoria's Secret also submits further evidence to rebut the Moseleys' claims. Mr. Moseley testified in his deposition that he was unemployed prior to opening his store. This not only tends to refute his explanation for the name "Victor's Secret," but seriously damages his credibility.<sup>16</sup>

In addition, the district court held that there was “actual association” between the marks:

The Supreme Court noted that the army colonel who saw the advertisement for Victor's Secret's grand opening did readily make the mental association with

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<sup>14</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 742; 208 U.S. Dist. LEXIS 40713 at \*21.

<sup>15</sup>The Sixth Circuit held that the combination of “Victoria’s” and “secret” had no relation to women’s underwear, therefore the mark was arbitrary and fanciful. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 470 (6th Cir. 2001).

<sup>16</sup>*V Secret Catalogue, Inc.*, 2000 U.S. Dist. LEXIS 5215, 2000 WL 370525 at \*4.

"Victoria's Secret," but he was not actually misled as to the ownership of the Moseleys' store, nor was his esteem of V Secret's business diminished. Rather, he was offended that the Moseleys would attempt to use a variant of the VICTORIA'S SECRET mark in such a fashion. Thus, we answer the question as to actual association as did the Supreme Court and conclude that there was proof, albeit one testimonial, of actual association.<sup>17</sup>

The district court went on to emphasize that despite the single testimonial, the evidence of actual association was very compelling.

Therefore, the district court found all of the blurring factors in favor of Victoria's Secret, including intent by the defendant to create the association. However, the district court held that the army colonel (the only instance submitted as evidence) *associated* Victor's Secret with Victoria's Secret, but in the mind of the army colonel, Victor's Secret did not *blur* the distinctiveness of Victoria's Secret. The district court said: "The offended colonel wrote to V Secret not to say "stop selling sex toys," but rather to alert them that their mark was being associated with an establishment selling such items in derogation of their name. Thus we have evidence not of blurring, but of tarnishment."<sup>18</sup>

### **Analysis of Dilution by Tarnishment**

The TDRA provides: "'dilution by tarnishment' is an 'association arising from the similarity between a mark...and a famous mark that harms the reputation of the famous mark.'"<sup>19</sup>

See also: "Dilution by tarnishment 'generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product.'"<sup>20</sup>

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<sup>17</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 748; 208 U.S. Dist. LEXIS 40713 at \*37, \*38.

<sup>18</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 749; 208 U.S. Dist. LEXIS 40713 at \*40.

<sup>19</sup> 15 U.S.C. § 1125(c)(2)(C).

<sup>20</sup> *Diane Von Furstenberg Studio v. Snyder*, 2007 U.S. Dist. LEXIS 66633, 2007 WL 2688184 (E.D.Va. Sept. 10, 2007) at \*4, quoting, *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 43 (2d Cir. 1994).

Applying these standards, the district court did find a likelihood of dilution by tarnishment:

The army colonel's offended reaction to the use of "Victor's Secret," what he clearly believed to be a bastardization of the VICTORIA'S SECRET mark, for the promotion of "unwholesome, tawdry merchandise," suggests the likelihood that the reputation and standing of the VICTORIA'S SECRET mark would be tarnished. In the words of the Deere & Co. case, the reputation of the famous mark would be "reduced" in the eyes of consumers as "a wholesome identifier" of the Victoria's Secret brand. Id. V Secret has stated that it scrupulously avoids sexually explicit goods while cultivating a "sexy and playful" image. The line between "sexy and playful" and sexually explicit in the world of women's lingerie purveyors is one which V Secret seeks to maintain in order to preserve its image as a "well-respected retailer of high-quality women's lingerie." Kriss Decl., P98. The use of the remarkably similar "Victor's Secret" or "Victor's Little Secret" in connection with the sale of intimate lingerie along with sex toys and adult videos tarnishes the reputation of the VICTORIA'S SECRET mark.<sup>21</sup>

### **Impact of Victoria's Secret**

In the wake of the TDRA, a junior mark is not likely to dilute a famous and distinctive mark merely by causing an association in the minds of the consumer. However, if the junior mark tarnishes a famous and distinctive mark, there is a likelihood of dilution. In evaluating tarnishment, the difference can be as scant as one person's distinction between (1) playful and sexy merchandise; and (2) goods that are sexually explicit.

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<sup>21</sup> *V Secret Catalogue, Inc., et al. v. Moseley*, 558 F. Supp. 2d 734, 750; 208 U.S. Dist. LEXIS 40713 at \*43, \*44.