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Kristen Hopkins

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## A & H SPORTSWEAR, INC. V. VICTORIA'S SECRET STORES, INC.

166 F.3d 197 (3<sup>rd</sup> Cir.(Pa))

### INTRODUCTION

A & H Sportswear, Inc. (“A&H”) brought suit against Victoria’s Secret Stores, Inc. (“VS”) alleging trademark infringement for defendant’s use of “The Miracle Bra” trademark on its swimwear.<sup>1</sup> A&H is a swimwear manufacturer best known for its “Miraclesuit,” a swimsuit designed to slenderize and shape the figure. The United States District Court for the Eastern District of Pennsylvania found there was no infringement when defendant used “The Miracle Bra” mark on its lingerie, but found for the plaintiff with respect to the defendant’s use of the mark on swimwear.<sup>2</sup> The District Court ordered the defendant to pay past and future royalty fees to A&H and to publish a disclaimer when marketing “The Miracle Bra” swimwear.<sup>3</sup> VS appealed the judgment and alleged an abuse of discretion. The United States Court of Appeals for the Third Circuit reviewed *en banc*, and held that trademark infringement must be analyzed under the likelihood of confusion standard promulgated by the Lanham Trademark Act.<sup>4</sup> A lesser standard is not acceptable as a matter of law. As such, the remedies of royalty fees and damages are likely inappropriate on remand.<sup>5</sup>

### FACTS

A&H, a closely held Pennsylvania corporation, was issued a trademark on its “Miraclesuit” on October 27, 1992.<sup>6</sup> The suit was made from a patented fabric and designed to “control” the hips and

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1. A&H Sportswear, Inc.; Mainstream Swimsuits, Inc. v. Victoria’s Secret Stores, Inc.; Victoria’s Secret Catalogue, Inc., 166 F.3d 197 (3<sup>rd</sup> Cir. (Pa)).

2. *Id* at 199.

3. *Id*.

4. 15 U.S.C. § 1114(1).

5. A&H Sportswear, 166 F.3d at 209.

6. *Id* at 199.

waist of the wearer.<sup>7</sup> The suit was marketed as affording the wearer a slimmer appearance through its slenderizing design. A&H chose the name "Miraclesuit" because it was "unique, dynamic, exciting, and memorable."<sup>8</sup> The suit was widely marketed and discussed in the media, and even sold for a brief time in the VS catalogue. However, A&H dissolved the relationship when VS failed to identify the "Miraclesuit" by its proper trademark.<sup>9</sup>

VS is the nation's top well-known retailer of lingerie and sells its products by catalogues and in stores throughout the country. The mail order business circulates over 300 million catalogues each year and contains a wide array of merchandise, including swimwear.<sup>10</sup> In 1992, VS began marketing a cleavage-enhancing bra designed to accentuate the wearer's bust with removable pads and underwire support. The bra appeared in VS stores in August 1993 and in the VS catalogue in February 1994.<sup>11</sup> The company claims it sought a name for the new product that encompassed a "fresh, flirtatious, and fun attitude." VS chose "The Miracle Bra" when a model tried the new bra on and exclaimed, "Wow, this is a miracle!"<sup>12</sup> VS was issued a registration for "The Miracle Bra" mark on August 9, 1994 and although the bra has generated over \$132 million in sales, A&H did not contest the use of the mark on appellants' lingerie.<sup>13</sup>

In 1995, however, VS began to expand the use of the mark to swimwear. "The Miracle Bra" swimsuit was initially introduced as a push-up bikini in select stores, and eventually expanded to one-piece suits marketed in both stores and the VS catalogue.<sup>14</sup> VS applied for a registration of "The Miracle Bra" mark for its swimsuit in August 1994 and did not conduct a separate trademark

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7. *Id.*

8. *Id.* at 200.

9. *Id.*

10. A&H Sportswear, 166 F.3d at 200.

11. *Id.*

12. *Id.*

13. *Id.*

14. *Id.*

search of the mark as it applied to swimwear.<sup>15</sup> VS's registration was rejected by the Patent and Trademark Office in February 1995 on the basis of A&H's prior registration of the the "Miraclesuit."<sup>16</sup>

A&H brought this suit in December 1994 alleging trademark infringement of its "Miraclesuit," seeking a preliminary injunction and damages. The District Court had a two-week bench trial on the merits and found that no likelihood of confusion existed between the "Miraclesuit" and "The Miracle Bra" as it applied to lingerie.<sup>17</sup> However, the District Court did find a "possibility of confusion" between the two marks as applied to swimwear.<sup>18</sup> The Court explained that under applicable law, "where a party moved into the territory of an established concer, the 'likelihood of confusion' standard should be lowered to a 'possibility of confusion'" test.<sup>19</sup> The District Court also conducted a two-day bench trial on damages but was without precedent as to a remedy because of its reliance on the possibility of confusion standard.<sup>20</sup> As such, the Court resorted to an equitable remedy prevalent in patent law, and awarded royalties on past and future net sales of "The Miracle Bra" swimsuit. The Court also orderd VS to use the following disclaimer in conjunction with swimwear sales: "The Miracle Bra™ swimwear collection is exclusive to Victoria's Secret and is not associated with Miraclesuit™ by Swimshaper™."<sup>21</sup> VS's appeal is based on the propriety of the District Court's adoption of the lower "possibility of confusion" standard.

#### LEGAL ANALYSIS

This appeal was reviewed by the Third Circuit *en banc*. The Appellate Court began its analysis by establishing that, although the confusion between the two marks is a factual matter subject to

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15. A&H Sportswear, 166 F.3d at 201.

16. *Id.*

17. *Id.*

18. *Id.*

19. A&H Sportswear, 926 F.Supp. at 1265.

20. A&H Sportswear, 166 F.3d at 201.

21. *Id.*

review for clear error, the standard to be applied is a matter of law and subject to plenary review.<sup>22</sup>

A. THE LANHAM ACT

In *McLean v. Fleming*,<sup>23</sup> the United States Supreme Court articulated the need to avoid consumer confusion as one of the central concerns motivating trademark law. This concern is embodied in the Lanham Act as the “likelihood of confusion” standard for trademark infringement. Section 32(1) of the Act provides in pertinent part:

“Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; ... shall be liable in a civil action by the registrant....<sup>24</sup>

Hence, owners of valid and protectable marks such as A&H must show the defendant has used a confusingly similar mark.<sup>25</sup> This language is also used with respect to unfair competition claims under section 43(a) of the Lanham Act.<sup>26</sup> The District Court, however, did not rely on this statutory language but invoked the lower possibility of confusion standard based on its interpretation of Third Circuit precedent relating to industry newcomers. Under this analysis, because VS was a newcomer to the swimwear industry, a lower standard for confusion as to the source of goods governed A&H’s infringement claim.<sup>27</sup>

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22. *Id.* at 202.

23. 92 U.S. 245, 251, 25 L.Ed. 828 (1877).

24. 15 U.S.C. § 1114(1) (emphasis added).

25. A&H Sportswear, 166 F.3d at 202.

26. *Id.*

27. *Id.* at 203.

The Appellate Court reviewed its opinions in *Country Floors, Inc. v. Partnership of Gepner and Ford*,<sup>28</sup> *Merchant & Evans, Inc. v. Roosevelt Building Products Co.*,<sup>29</sup> and *Versa Products Co.*<sup>30</sup> In order to clarify any previous use of a possibility of confusion standard for industry newcomers. The Court explained that although this line of cases did reference a lower standard where industry newcomers posed a greater risk of consumer confusion as to the source of goods, the standard was only justifiable in conjunction with other factors such as product configurations.<sup>31</sup> Although the Appellate Court viewed the lower court's interpretation of precedent as reasonable, it ultimately rejected the adoption of any other standard than the conventional likelihood of confusion test. The Court cited both the statutory language of the Lanham Act and the unanimous adherence to this standard in other circuits as the basis for overturning the District Court for the application of the appropriate likelihood of confusion analysis, and held it should survey the totality of the circumstances surrounding the particular case.<sup>32</sup>

### *B. REMEDY*

The Appellate Court vacated the remedy for A&H as it was based on the finding of the possibility of confusion. The Court did, however, offer some guidelines for available remedies should a likelihood of confusion be found on remand.<sup>33</sup> Injunctive and monetary relief are the statutory remedies for trademark infringement under the Lanham Act.<sup>34</sup> The Court refrained from commenting on injunctive relief because this issue would not arise unless there was a finding of harm on remand. However, the Court supported VS's objections to A&H's royalty award on the grounds that such awards are generally reserved for patent cases and that

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28. 930 F.2d 1065 (3<sup>rd</sup> Cir. 1991).

29. 963 F.2d 843 (3<sup>rd</sup> Cir. 1993).

30. 50 F.3d at 200.

31. A&H Sportswear, 166 F.3d at 200.

32. *Id.* at 206.

33. *Id.* at 207.

34. *Id.*

neither court held that VS had acted in bad faith.<sup>35</sup> Furthermore, the result of the District Court was illogical in that it required payment of past and future royalties but allowed continued use of the disputed mark. Such an order had the effect of imposing a license not requested or negotiated by the parties.<sup>36</sup>

#### CONCLUSION

The Court remanded the finding of trademark infringement by VS as it was based on a possibility of confusion standard as to the source of goods. The Court relied on the statutory language of the Lanham Act as well as the strength of uniform precedent across the circuits to clarify the standard for trademark infringement as a matter of law. Moreover, the Court removed any confusion stemming from the Third Circuit's precedent that advocated the lower possibility of confusion standard for market newcomers.

*Kristen Hopkins*

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35. *Id* at 208.

36. A&H Sportswear, 166 F.3d at 208.