

COMMITTEE 201

Doris Estelle Long, Chair

FEDERAL TRADEMARK LEGISLATION

Scope of Committee: Pending federal legislation relating to the trademark laws or affecting trademark rights that does not relate to the work of another committee as herein outlined. The committee also studies and makes recommendations for suggested revisions of the existing United States trademark laws subject to correlation with the work of other committees.

Subject 1. Overview of Federal Trademark Legislation

The past year has been a relatively active one in the area of federal trademark legislation. Perhaps the most notable achievement to date was the enactment of the Trademark Law Treaty Implementation Act (Pub. Law. No. 105-330) on October 30, 1998. This Act amended the Lanham (Federal Trademark) Act to comply with the requirements of the Trademark Law Treaty which had been ratified by the US Senate in June 1998.

Briefly, the TLT Implementation Act revised application, use affidavit and renewal applications to comply with Trademark Law Treaty differing verification and minimal filing requirements. Under the revised laws, in applications verification will only be required for the applicant's use or intention to use the mark. Similarly, use declarations will no longer be required as part of the renewal application. However, a verified declaration of continued use or excusable non-use will be required in the year preceding the tenth anniversary of the registration.

The Act also makes other procedural amendments to the Lanham Act, including increasing the Commissioner's ability to revive abandoned applications. Although under current law, the Commissioner is limited to reviving applications only on a showing of "unavoidable delay," under the new amendments the Commissioner may also revive an application was the delay in responding to an office action, or filing a Statement of Use or request for extension to time to file such Statement was "unintentional."

In addition to the treaty implementation provisions, functionality has been added as a new defense against infringement under Section 33(b) of the Lanham Act. Additional amendments provide that marks that are "wholly functional" are not capable of registration on either the Principle or Supplemental Register. This amendment resolves problems raised by cases such as *Shakespeare Co. v. Silstar Corp. of America*, 9 F.3d 1091, 28 USPQ2d 1765 (4th Cir. 1993), and is in accordance with the following resolution adopted by the IPL Section last year:

The Trademark Law Treaty Implementation Act also amended Section 14 of the Lanham Act, 15 U.S.C. Section 1064, to prohibit the owner of a certification mark from producing or marketing products to which the mark is applied. The amendment clarifies that certification marks may be used in advertising without risking cancellation so long as the registrant itself does not produce the certified goods to which its mark is applied.

Finally, the Implementation Act also required the US Patent and Trademark Office to conduct a study regarding the registrability of the official insignia of federally and state recognized Native American tribes.

SUBCOMMITTEE A Jeffrey M. Samuels

Subject 2. PROPOSED FEDERAL TRADE DRESS PROTECTION ACT

NO PROPOSED RESOLUTIONS

Past Action:

Resolution 420 (Passed 1997 AR 106-R201-1):

Section supports in principle amendments to section 14(3) and 33(b) of the Lanham Act, 15 U.S.C. §§ 1064(3) and 115(b)(1994), to ensure that “functionality” is recognized as a valid ground for the cancellation “at any time” of a federal trademark registration and that functionality remains a defense against the “conclusive” evidentiary presumptions attaching to a federally registered mark, the right to use which has become “incontestable” under section 15 of the Act, 15 U.S.C. §1065 (1994).

Discussion. As reported above, the enactment of the Trademark Law Treaty Implementation Act amended Section 33(b) of the Lanham Act, 15 U.S.C. §1115(b), to add functionality as a defense to infringement of an incontestable mark. It also amended Section 14, 15 U.S.C. §1115, to permit the use of functionality as a ground for cancellation of a registered mark. It further amended Section 2 of the Lanham Act, 15 U.S. C. § to prohibit the registration of a mark that is “wholly functional.” The Act also makes it clear that not even evidence of acquired distinctiveness may be used to support registration of a mark which is “wholly functional.” These amendments are in accordance with last year’s subcommittee actions and with the above listed resolution.

SUBCOMMITTEE B Jonathon Jennings

Subject 3. PROPOSED FEDERAL RIGHT OF PUBLICITY STATUTE

PROPOSED RESOLUTION 201-1

RESOLVED, that the Section of Intellectual Property law supports in principle the establishment of a federal right of publicity that would assure uniform protection against the unauthorized use of an individual’s identity for commercial purposes.

PROPOSED RESOLUTION 201-2

RESOLVED, that the Section of Intellectual Property Law supports the enactment of the proposed right of publicity statute set forth below, and any other right of publicity statute that reflects the same principles and standards.

Past Action. None.

PROPOSED RIGHT OF PUBLICITY ACT OF ABA COMMITTEE 201,
RIGHT OF PUBLICITY SUBCOMMITTEE

§ 1. Short title. This Act may be cited as the Right of Publicity Act.

§ 2. Definitions. As used in this Act:

"Commercial purpose" means the public use or holding out of an individual's identity (i) on or in connection with the offering for sale or sale of a product, merchandise, goods, or services in interstate commerce; (ii) for purposes of advertising or promoting products, merchandise, goods, or services in interstate commerce; or (iii) for the purpose of fundraising in interstate commerce.

"Identity" means any attribute of an individual that serves to identify that individual to an ordinary, reasonable viewer or listener, including but not limited to (i) name, (ii) signature, (iii) photograph, (iv) image, (v) likeness, or (vi) voice.

"Individual" means a living or deceased natural person, regardless of whether the identity of that individual has been used for a commercial purpose during the individual's lifetime.

"Juristic person" means a partnership, trust, estate, corporation, unincorporated association, or other organization capable of suing and being sued in a court of law.

"Name" means the actual name or other name by which an individual is known that is intended to identify that individual.

"Person" means a natural or juristic person.

"Work of Fine Art" means a limited edition of 200 copies or fewer of each of the following that are consecutively numbered and bear the signature or other identifying marks of the author: (i) a visual rendition including, but not limited to, a painting, drawing, sculpture, mosaic, videotape, or photograph; (ii) a work of calligraphy; (iii) a work of graphic art including, but not limited to, an etching, lithograph, serigraph, or offset print; (iv) a craft work in materials including, but not limited to, clay, textile, fiber, wood, metal, plastic, or glass; or (v) a work in mixed media including, but not limited to, a collage, assemblage, or work consisting of any combination of items (i) through (iv).

§ 3. Recognition of right of publicity. The right to control and to choose whether and how to use an individual's identity for commercial purposes is recognized as each individual's right of publicity.

§ 4. Transferability, descendibility, and divisibility. The rights under this Act are property rights that are freely transferrable in whole or in part to any person either by written transfer, including but not limited to wills and trusts, or by intestate succession only to an individual's spouse, parents, children, and grandchildren, under the procedures of the law of the State of the individual's domicile at the time of that individual's death. The rights under this Act are not subject to levy or attachment and may not be the subject of a security interest. Nothing in this Section limits the ability of any party to levy, attach, or obtain a security interest in the proceeds of the rights under this Act or the proceeds of the exercise of those rights.

§ 5. Enforcement of rights and remedies.

(a) The rights and remedies set forth in this Act may be exercised and enforced by:

(1) an individual or his or her authorized representative;

(2) a person to whom the recognized rights have been transferred by written transfer under Section 4 of this Act; or

(3) after the death of an individual who has not transferred the recognized rights by written transfer under this Act, any person or persons who possesses an interest in those rights.

(b) Each person described in paragraph (3) of subsection (a) shall make a proportional accounting to, and shall act at all times in good faith with respect to, any other person in whom the rights being enforced have vested.

§ 6. Termination of rights of deceased individual. The rights set forth in this Act terminate if:

(a) a deceased individual has not transferred his or her rights in writing under Section 4 of this Act; and

(b) the individual has no living spouse, parents, children or grandchildren.

§ 7. Limitations regarding use of an individual's identity.

(a) A person may not use an individual's identity for commercial purposes during the individual's lifetime without having obtained previous written consent from the appropriate person or persons specified in Section 5 of this Act or their authorized representative.

(b) If an individual's death occurs after the effective date of this Act, a person may not use that individual's identity for commercial purposes for 50 years after the date of the individual's death without having obtained previous written consent from the appropriate person or persons specified in Section 5 of this Act.

§ 8. Applicability.

(a) This Act applies to acts or events that take place after the effective date of this Act.

(b) This Act does not apply to the following:

(1) use of an individual's identity in an attempt to portray, describe, or impersonate that individual in a live performance, an original work of fine art, play, book, article, musical work, film, radio, television, or other audio, visual, or audio-visual work; provided that the performance, work, play, book, article, or film does not constitute in and of itself a commercial advertisement for a product, merchandise, goods, or services;

(2) use of an individual's identity for non-commercial purposes, including any news, public affairs, or sports broadcast or account, or any political campaign,

(3) use of an individual's name in truthfully identifying the person as the author of a particular work or program or the performer in a particular performance;

(4) promotional materials, advertisements, or commercial announcements for a use described under paragraph (1), (2), or (3) of this subsection; or

(5) use of photographs, videotapes, and images by a person, firm, or corporation practicing the profession of photography ("professional photographer") to exhibit in or about the professional photographer's place of business or portfolio, specimens of the professional photographer's work, unless the exhibition is continued by the professional photographer after written notice objecting to the exhibition has been given by the individual portrayed.

§ 9. Violations, monetary relief. A person who violates Section 7 of this Act may be liable for the following:

(a) Actual damages caused by the unauthorized use of a living individual's identity or for actual damages caused by the unauthorized use of a deceased individual's identity if a valid claim has been filed by the plaintiff pursuant to Section 13 of this Act before the unauthorized use began or within three months of the date of the individual's death; and

(b) Profits derived from the unauthorized use of a living individual's identity or for profits derived from the unauthorized use of a deceased individual's identity if a valid claim has been filed by the plaintiff pursuant to Section 13 of this Act before the unauthorized use began or within three months of the date of the individual's death.

§ 10. Establishment of profits. In establishing profits under Section 9 (b) of this Act:

(a) the plaintiff is required to prove the damages or gross revenue attributable to the unauthorized use; and

(b) the defendant is required to prove properly deductible expenses.

§ 11. Injunctive relief. The court may issue such temporary restraining orders, preliminary injunctions, and permanent injunctions as may be appropriate under this Act.

§ 12. Attorneys' fees; costs. The court may award to the prevailing party reasonable attorneys' fees, costs, and expenses relating to an action under this Act except that in the case of a deceased individual such attorneys' fees shall be available to the plaintiff only if the plaintiff had filed a valid claim under Section 13 of this Act prior to the defendant's unauthorized use of the deceased individual's identity or within three months of the date of the individual's death.

§ 13. Any individual claiming to be a successor-in-interest to the rights of a deceased individual pursuant to Section 4 of this Act or a licensee thereof may register that claim with the United States Patent and Trademark Office on a form prescribed by the Commissioner of Patents and Trademarks for a fee of \$100. The form shall be verified and shall include the name and date of death of the deceased individual, the name and address of the claimant, the basis of the claim, and the rights claimed. The records of this claim may be destroyed by the United States Patent and Trademark Office 50 years after the date of death of the deceased individual. All such claims shall be available to the public for review.

§ 14. Rights and remedies. The rights and remedies provided for in this Act are meant to extend nationwide. To the extent that the right of publicity and remedies governed by this Act are in conflict with or are equivalent to or are exceeded by the common law and statutes of any State, those State laws and statutes are preempted as of the effective date of this Act. This Act does not affect an individual's common law or statutory rights of publicity or remedies under State law as they existed before the effective date of this Act. The rights and remedies provided under this Act are supplemental to any other rights and remedies provided by common law or statute other than those specifically preempted in this Act.

SUBCOMMITTEE C Fred W. Hathaway and James L. Bikoff

Subject 4. TRADEMARK ANTI-COUNTERFEITING

NO PROPOSED RESOLUTION

Past Action. None.

I. Legislation

Two important intellectual property protection developments occurred in late September 1998. First, the U.S. Customs Service ("Customs") issued final regulations that implement two legislative changes in the Anticounterfeiting Consumer Protection Act of 1996 ("ACPA"). The following final regulations issued on September 25, 1998:

(1) Customs will routinely destroy counterfeit products that it seizes unless there is no public safety risk and the trademark owner agrees to another disposition of the counterfeit products; and

(2) Customs has the authority to impose civil fines on persons involved in the importation of merchandise bearing a counterfeit U.S. trademark. 63 Fed. Register 51,296 (Sept. 25, 1998). The interim regulations, which were essentially the same can be found at 62 Federal Register 61,231 (Nov. 17, 1997).

The second development was the failure of the House of Representatives to provide the two-thirds vote needed to suspend the rules and pass H.R. 3891, the Trademark Anticounterfeiting Act of 1998 ("TAC" or the "Bill). H.R. 3891 would have provided civil and criminal remedies for the alteration or removal of product identification codes from goods and packaging. 144 Cong. Rec. H9110 (Sept. 28, 1998).

A. The Anticounterfeiting Consumer Protection Act (ACPA)

Congress enacted the ACPA because it found that counterfeit products cause U.S. businesses annual losses of an estimated \$200 billion worldwide. ACPA strengthens the remedies against counterfeiting in four ways. First, it increases criminal penalties for counterfeiting and makes trafficking in counterfeit goods or services an offense under the Racketeer Influenced and Corrupt Organizations ("RICO") Act and it increases imprisonment terms, criminal fines, and asset forfeitures against those involved in criminal counterfeiting enterprises.

Second, it increases the involvement of all levels of law enforcement and expands their power to seize counterfeit merchandise and the tools of the counterfeit trade. Third, the ACPA makes it more difficult for seized goods to reenter U.S. commerce. Fourth, it provides additional civil penalties and remedies against counterfeiters.

1 . Disposition By Customs Of Seized Counterfeits

Section 9 of the ACPA makes the destruction of forfeited counterfeit merchandise the general rule in order to prevent the return of counterfeit merchandise to the importer who could redistribute the counterfeit goods in other countries. However, the trademark owner has the option, so long as the counterfeit products do not pose any public safety risk, to permit the disposition of the seized merchandise. To exercise this option, the trademark owner must give Customs written consent. In that case, Customs may dispose of the merchandise, after obliteration of the trademark where feasible by:

- (1) delivery to any Federal, State, or local government agency that Customs determines has shown a need for the merchandise;
- (2) give the goods to any charitable institution that Customs decides has demonstrated a need for the goods; or

(3) sale of the goods at public auction after 90 days since forfeiture if no need for the merchandise has been established by either of the above approaches. 19 C.F.R. § 133.52.

2. Civil Penalties

Section 10 of ACPA adds a provision for civil fines on persons involved in the importation of counterfeit products that is in addition to any civil or criminal remedies or sanctions authorized by law. For the first seizure, the penalty can be an amount up to the value of the merchandise as if it were authentic, based on the manufacturer's suggested retail price ("MSRP"). For later seizures, Customs can impose fines up to twice the value of the merchandise as if it were genuine, based on the MSRP. 19 C.F.R. § 133.25.

The rationale for the civil fines is to provide a deterrent to counterfeiting in cases in which a criminal case is not possible due to lack of resources. Moreover, it makes penalties related to imported counterfeit products at least as stringent as the penalties applied to counterfeit products made in the United States.

B.. The Trademark Anticounterfeiting Act Of 1998 (TAC)

H.R. 3891, introduced in May of 1998 by Congressman Goodlatte (R-Va.), would have added a new Section 43A to the Lanham Act, entitled "Unauthorized Modifications of Product Identification Codes." In the introduction statement, Cong. Goodlatte stated that product codes play a critical role in consumer safety and are essential to product recalls by the Food and Drug Administration and the Consumer Product Safety Commission. He also noted that product codes are often used by law enforcement officials to conduct criminal investigations, such as the investigation of the bombing of Pan Am Flight 103 over Lockerbie, Scotland. Finally, he stated that manufacturers have limited rights to prevent the removal of product codes by others to divert products to unauthorized retailers or to place false codes on counterfeit products.

1. The Rationale For The TAC

The purpose of the TAC is to safeguard the ability of manufacturers to control the use of their products by protecting the integrity of their product identification codes contained in their product packaging. The House Judiciary Committee Report on the TAC, House Rept. 105-650, noted that product packaging has both a commercial and a safety purpose. As an example of a commercial purpose, the Committee posited a manufacturer that sold its products in green bottles in Latin America at a lower price than the manufacturer's blue bottles that are sold in the United States. In that situation, the manufacturer would want to prevent the products in blue bottles from being diverted to the United States as it would undermine the manufacturer's ability to sell its U.S. products in green bottles at higher prices than the blue bottles. Absent a substantive difference between the two products, this is classic gray market situation.

Regarding safety, the Committee pointed out that products coded as perishable include expiration dates. The removal of the codes for expiration dates could cause consumers to purchase products after their expiration dates which might lead to illness or death.

Also, as noted, product codes are used by law enforcement officials to conduct criminal investigations.

The Committee stated that some diverters work with organized retail thieves and counterfeiters. The counterfeiters 'salt' a diverter's inventory with counterfeit goods and then, if the inventory is seized argue that it never intended to defraud consumers. Diverters also may use counterfeiters to manipulate the product code and, occasionally, to counterfeit the product codes.

2. The Provisions Of TAC

The Bill, as reported to the House of Representatives, would have made it a federal crime to alter or remove product identification codes¹ on any goods or packaging sold in interstate or foreign commerce. In addition, the Bill would have made it in a violation to import, export, sell, distribute, or broker goods whose product codes had been altered.

Violators would be subject to fines and imprisonment of one to 20 years. The 20-year sentence would be imposed if a person acted with reckless disregard for the risk that another person will be placed in danger or death or bodily injury and under circumstances manifesting extreme indifference to such risk and serious injury or death resulted. In addition, the Bill would have provided for injunctions and the forfeiture of the goods.

3. Dissenting Views In The Judiciary Committee

Congressman (now Senator) Schumer (D-NY) dissented in the Committee Report. He argued that the Bill would have a substantial negative impact on the U.S. economy by precluding millions of dollars in legitimate discount sales by prohibiting discounters from accessing and selling discounted products.

He stated that the Bill does not prohibit or discourage the manufacture, sale or distribution of counterfeit goods, nor does it punish the creation and use of phony product identification codes. Instead, Cong. Schumer said that the true effect would be limit the distribution of gray market goods.

¹ Product identification code is defined as:

" (A) includes any number, letter, symbol, marking, date (including an expiration date), code, software, or other technology that is affixed to or embedded in any good, by which the manufacturer of the good may trace the good back to a particular production lot or batch or date of removal, or otherwise identify the source of the good, the date of manufacture, the date of expiration, or other comparable critical data; and

(B) does not include copyright management information conveyed in connection with copies or phonorecords of a copyrighted work or any performance or display of a copyrighted work." Section 43A.(a)(4).

4. Disposition Of H.R. 3891.

On June 4, 1998, the House of Subcommittee on Courts and Intellectual Property amended the Bill by limiting criminal remedies to willful, rather than knowing violations. Additional amendments were added at a later date to protect those who unknowingly had violated any provision in the Bill, the "innocent infringer" exception, which reportedly was made at the request of a major discount retailer.

The Bill was brought to the floor of the House of Representatives on a motion to suspend the rules and pass it without amendment which requires a two-thirds vote. The Bill failed by a vote of 245 to 167, less than the necessary two-thirds majority. Most Democrats voted against the Bill.

The House debate showed that a substantial reason for the failure of the Bill to obtain the necessary two-thirds vote is the divisiveness of the gray market issue. To Cong. Conyers (D-MI), the ranking minority member of the Judiciary Committee, the Bill constitutes an attack on the gray market and discounters that sell gray market products. He argued that there are ample anticounterfeiting laws as well as Federal food, drug and cosmetic laws to address the issues raised by the Bill.

Similarly, Cong. Forbes (D-NY) argued that the Bill would stop legal sales by discount retailers, a multibillion dollar industry. He argued that the Bill would result in U.S. consumers being required to pay hundreds of millions more to foreign manufacturers. Cong. Forbes viewed the Bill as an attempt by manufacturers to practice resale price maintenance in disguise.

In contrast, the proponents of the Bill argued that the Bill would: (1) protect the ability of manufacturers to implement successful product recalls for safety reasons, (2) strengthen the tools of law enforcement and (3) provide consumers with improved safety from tampered with or counterfeit goods.

The colloquy on the Floor also indicated that the reasons for the failure of the motion to suspend may have included the lack of notice to the Democrats regarding bringing up the Bill and that the amendments to the Bill had been worked out without the participation of Democrats.

C. CONCLUSION

The Anticounterfeiting Consumer Protection Act of 1996 amendments to the Customs statutes will improve the protection of U.S. trademarks by (1) requiring Customs to destroy counterfeit products that it seizes, absent the agreement of the trademark owner and (2) providing Customs with the ability to levy civil penalties on persons involved in the importation of counterfeit products.

The proposed Trademark Anticounterfeiting Act of 1998 which would impose criminal remedies for the alteration or removal of product identification codes from products and

packaging is likely to be on the agenda in the 106th Congress. The contentious debate over the suspension of the rules to allow passage of the Bill late in the session shows the continuing rancor caused by consideration of issues that involve the gray market.

II. Court Decisions That May Raise Legislative Issues

As has been noted by commentators, the definition of a "counterfeit mark" in both the civil and criminal statutes requires that the mark be used on or in connection with the same goods or services that are identified in the federal registration for the mark. (See 15 U.S. C. § 1116 and 18 U. S. C. § 2320.) The U. S. District Court for the Eastern District of Pennsylvania addressed that issue in the context of an Internet website that used the trademarks of Playboy Enterprises. *Playboy Enterprises, Inc. v. Universal Tel-A-Talk, Inc.*, 1998 WL 288423, 1998 LEXIS 8231 (E.D.Pa. 1998). The defendants reproduced three of Playboy's federally registered marks on their "hard core" website and provided an unsolicited link to the Playboy website where the genuine marks resided.

However, in all but one instance, none of the defendants' activities regarding these marks fit under the scope of Playboy's federal registrations. The registrations covered the operation of nightclubs; clothing, jewelry, sunglasses, etc.; and a monthly magazine. With respect to the magazine, the court recognized that an Internet website could comprise an electronic version of a publication. (However, in dismissing without prejudice Playboy's motion for leave to allege a count of counterfeiting, the court noted that Playboy had not expressly alleged that its Internet website contained electronic versions of its magazine.) Playboy then amended its counterfeiting count accordingly and prevailed but only as to the two registrations that covered the magazine and only because of defendants' website link to Playboy's website.

The Fifth Circuit remanded a case for further examination as to whether the definition of "counterfeit" extended to the use of genuine ROLEX watch labels on non-genuine watch parts and on once genuine new and used ROLEX watches which the defendant had "enhanced" or repaired with non-genuine parts. *Rolux Watch US,4, Inc. v. Meece*, 158 F.3d 816 (5th, Cir. 1998). The decision raised three issues: whether non-genuine goods with genuine ROLEX labels could be considered counterfeit under the statutory definition (after an initial hesitation, the Fifth Circuit suggested that this issue should be answered affirmatively); whether genuine watches

with some non-genuine parts are counterfeit goods; and whether non-genuine watch parts themselves are counterfeit goods.

These two cases raise the issue of whether the statutory definitions of a counterfeit mark should be reexamined by Congress and possibly expanded to cover some goods and services not literally within the scope of the identification of goods or services in the plaintiff's registration. Such an amendment might better serve the purpose of the statutes. The intentional use by a pirate of another's readily recognized mark on a closely related or even collateral product that the trademark owner has not yet extended its product line to may not be any less harmful to the public or the trademark owner than the same use on another product that does happen to be within the literal scope of the registration. The intent of defendants would typically seem to be the same in both situations; namely, to deceive the public to the fullest extent possible and palm off its goods as those of the trademark owner.

Finally, one 1998 district court decision raised the potential for a conflict among the Sixth and Fourth Circuits as to whether a "holdover franchisee" is a counterfeit user. In *Hospitality International, Inc. v. Mahtani*, 1998 LEXIS 16445 (M.D.N.C. 1998) the district court found that a holdover Scottish Inns franchisee was using a counterfeit mark from the moment that its franchise to provide lodging services under that mark was terminated. In 1997, the Sixth Circuit found that a holdover franchisee of an outdoor deck business was not a counterfeit user. *U.S. Structures, Inc. v. J.P. Structures, Inc.*, 130 F.3d 1185 (6 th Cir. 1997). Whether this will become anything significant or merit further examination in the context of legislation remains to be seen.

SUBCOMMITTEE D Doris Estelle Long

Subject 5: MISCELLANEOUS FEDERAL TRADEMARK LEGISLATION

RESOLUTIONS

PROPOSED RESOLUTION 201-3

RESOLVED, that the Intellectual Property Law Section supports in principle amending Section 1052 of the Lanham Act, to deny registration to a mark where such mark would cause dilution of a famous mark in violation of Section 43(c) of the Lanham Act. 15 U.S.C. §1125(c), provided, however, that such mark shall only be refused registration where dilution is established pursuant to an opposition proceeding or a cancellation proceeding initiated by an interested third party pursuant to Sections 13 and 14 of the Lanham Act, 15 U.S.C. §§1063 \$ 1064.

PROPOSED RESOLUTION 201-4

RESOLVED, further, that the Section of Intellectual Property Law opposes in principle any amendment which would require or allow the US Patent and Trademark Office to deny registration on the grounds of dilution or likely dilution sua sponte or as part of an ex parte proceeding before the Office.

Discussion.

This subcommittee operated as a "quick response" team on legislation introduced into Congress that did not fall within the scope of the other subcommittees. In accordance with this role, the subcommittee prepared and assisted in the filing of initial comments to the US Patent and Trademark Office regarding the protection to be extended Native American tribal insignias. It also examined proposed legislation regarding amendment of the Lanham Act to the cancellation and opposition of registration of marks on the basis on the basis of dilution.

A. Protection for Tribal Insignias

On December 29, 1998, the US Patent and Trademark Office ("USPTO") published Notice in the Federal Register seeking input regarding the scope of a statutorily required study (pursuant to The Trademark Law Implementation Treaty, Public Law No. 105 - 330) regarding the registration of official insignia of federally and/or state recognized Native American tribes. In its notice, the USPTO requested comments regarding the following three issues:

1. How Best to Conduct the Study
2. Where Public Hearings Should be Held
3. Who Should be Consulted During the Study Process.

This subcommittee assisted in the filing of comments with the PTO which contained the following recommendations:

How Best to Conduct the Study:

Given the importance of the topic of the study to be undertaken -- the potential addition of another category of marks under Section 2 of the Lanham Act for which registration and, presumably protection, would be denied -- the USPTO should seek the broadest participation of the members of the public most likely to be affected. To obtain this participation, the USPTO should conduct public hearings on the issues raised by such additional grounds for denial of protection. It should also seek written comments by those who are unable to participate in such public hearings.

Where the Public Hearings Should be Held:

The hearings should be conducted both in Washington, D.C. and in selected sites through-out the United States so that all interested parties may provide their input before the study is finalized.

Who Should be Consulted During the Study Process:

The ultimate recommendations of the study will have a direct impact on the scope of protection afforded Native American tribal symbols and "insignias" (however, those terms are ultimately defined). Regardless of the ultimate outcome of the study, it is imperative that the USPTO receive input through-out the process from those members of the public which may be most directly affected by the issue of protection of tribal insignia, through denial of registration under a new category under Section 2. As a non-partisan organization, which represents the interests of trademark owners, users, and practitioners in this field, the IPL Section should be consulted. Through its Division II and its Federal Trademark Legislation Committee, the Section already has the resources established to be able to assist the USPTO in conducting this significant study by providing input from one segment of the population directly affected by its decisions -- the lawyers who represent the interests of trademark owners and users.

The IPL Section limited its initial comments to the issues identified in the December 29 Federal Register Notice and reserved the right to additional comments at appropriate times regarding additional issues raised by such a study, including, without limitation, the definition of "Native American tribal insignia," fair use, and treatment of currently registered "insignia." Studies regarding the issues are on-going and proposals should be prepared shortly, as well as a more completely developed analysis of the issues raised by the prohibition of registration of insignias of Native American tribes.

B. Dilution as a Grounds for Challenging Registration

PROPOSED RESOLUTION 201-3

RESOLVED, that the Intellectual Property Law Section supports in principle amending Section 1052 of the Lanham Act, to deny registration to a mark where such mark would cause dilution of a famous mark in violation of Section 43(c) of the Lanham Act. 15 U.S.C. §1125(c), provided, however, that such mark shall only be refused registration where dilution is established pursuant to an opposition proceeding or a cancellation proceeding initiated by an interested third party pursuant to Sections 13 and 14 of the Lanham Act, 15 U.S.C. §§1063 § 1064.

PROPOSED RESOLUTION 201-4

RESOLVED, further, that the Section of Intellectual Property Law opposes in principle any amendment which would require or allow the US Patent and Trademark Office to deny registration on the grounds of dilution or likely dilution sua sponte or as part of an ex parte proceeding before the Office.

Past Action.

Since the early 1990's, the Section has passed numerous resolutions supporting the concept in principle of dilution protection. Among the pertinent resolutions are 1991

AR136-R201-3 (supporting in principle treating a federal registration as a bar to state dilution claims) and 1994 AR222-R205-1(A) (favoring passage of a federal dilution statute). No resolutions have dealt precisely with the issue presented regarding ability to prohibit registration based on dilution claims.

Discussion.

INTA has developed and is circulating a proposal to amend the Lanham (Federal Trademark) Act to recognize dilution as a ground for refusal to register a mark and for cancellation of an existing registration. The proposed amendments are set forth below:

To amend 15 U.S.C. § 1052 ("Section 2") to include a new subsection g:

Consists of or comprises a mark which when used would cause dilution in violation of Section 43(c) of this Act [15 U.S.C. s 1125]- provided however that such mark shall only be refused registration where dilution, or in the case of an application filed under Section I (b) of this Act [15 U.S.C. s 1051(b)] likelihood of dilution, is established pursuant to an opposition proceeding initiated under Section 13 of this Act [15 U.S.C. s 1063] or a cancellation proceeding initiated under Section 14 of this Act [15 U.S.C. §1064].

Amendment to 15 U.S.C. §1091 ("Section 23") (revision underlined below)

... All marks capable of distinguishing applicant's goods or services and not registrable on the Principal Register- herein provided, except those declared to be unregistrable under subsections (a), (b), (c), (d), (e),(3), and (g) of Section 2 of this Act

....

The Federal Trademark Dilution Act (the "FTDA") went into effect on January 16, 1996. The FTDA added a new Section 43(c), 15 U.S.C. §1125(c), to the Lanham Act. Section 43(c) granted the owners of a "famous" mark the right to obtain an injunction (and, in the case of willful dilution, money damages) for the "commercial use" of a mark or trade name that begins "after the [complainant's] mark has become famous" so long as such commercial use "causes dilution of the distinctive quality of the [complainant's] mark." 15 U.S.C. §1125(c). The

statute defines “dilution” as the "lessening of the capacity [of the mark] to distinguish goods and services." *Id.* Courts have interpreting this language as including both blurring and tarnishment. *See, e.g., Hormel Foods Corp. v. Jim Henson Products, Inc.*, 73 F.3d 497 (2d Cir. 1996).

Section 43(c) specifically recognizes that the Federal Trademark Dilution Act does *not* preempt state dilution statutes or common law causes of action. It does, however, acknowledge that once a mark receives a federal registration on the Principle Register of the U.S. Patent and Trademark Office, no state dilution statute or common law cause of action can be used to prohibit the use of such federally registered mark on the grounds of dilution. To the contrary such registration serves as a complete bar to any such protection. 15 U.S.C. 1125(c)(3).

Despite the relationship between dilution, federal registration and state dilution causes of action, Section 2 of the Lanham Act, 15 U.S.C. §1052 (governing the bases for refusing registration) was not amended by the FTDA. The failure to include dilution as a basis for refusing registration was used to support the Trademark Trial and Appeal Board’s decision in *Babson Bros. Co. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996) to deny opposer’s motion to add dilution as a grounds for denial of registration. The failure to permit opposition and cancellation proceedings on the grounds of federal dilution has presented the unfortunate conundrum of the US Patent and Trademark Office (USPTO) granting registrations to marks that dilute other federally registered famous marks. Worse, since the presence of a federal registration may be used as a factor in deciding whether dilution has occurred under Section 43(c), the presence of a federal registration may serve to deny a famous mark owner relief against dilution.

There is no question that the addition of dilution as a grounds for opposition or cancellation will increase the administrative burden on the USPTO. Such additional burden is

increased by the lack of clear guidance from the courts regarding the tests to apply to establish (a) whether a mark qualifies as “famous” under the statute, and therefore qualified to be protected against dilution of its distinctive nature; and (b) whether dilution has occurred. Thus, for example, some early cases under the FTDA examined likelihood of confusion factors to decide whether dilution had occurred, despite the fact that Section 43(c) specifically states that likelihood of confusion is *not* required to be granted relief. *See, e.g., Clinique Laboratories Inc. v. DEP Corp.*, 945 S. Fupp. 547 (S.D.N.Y. 1996). Although the Second Circuit’s recent decision in *L.P. Lund Trading ApS Inc. v. Kohler Co.*, 1st Cir. No. 98-1334 and 98-1492 (12/22/98), rejecting the use of these factors (often referred to as “Sweet factors”) is a welcome development, it demonstrates that the statute is still relatively new and that case law in this area is far from decided.

In light of the lack of clear guidance from the courts regarding the tests to be used to determine fame and dilution, guidance from the TTAB and, perhaps ultimately, the Federal Circuit Court of Appeals regarding their interpretations of this statute would be helpful. Since dilution does not form a basis for denial of registration, however, the courts do not currently have this expertise available. Amending the Lanham Act to permit challenges on the basis of dilution to the registration (in opposition proceedings) or continued registration (in cancellation proceedings) would permit these additional avenues of assistance in giving meaning to this important federal statute, and would be a significant by-product of the proposed amendment.

Although the assistance of the TTAB would be useful in defining the parameters of fame and dilution, such assistance should not be purchased at the price of overwhelming the USPTO, including its examiners with an additional grounds for which registration must be refused during

ex parte proceedings, particularly when those grounds have been so inadequately established. While it may be preferable in the future to amend Section 2, 15 U.S.C. §1053, to include dilution as a grounds for ex parte refusals to register, until the content of dilution is more clearly established, such amendment should not be countenanced. Consequently, while the Section supports amending the Lanham Act to allow the owners of famous marks to challenge the registration or continued registration of marks which they consider diluting, it opposes requiring the USPTO to examine marks for dilution sua sponte, as part of their ex parte examination procedures.