TRADEMARK DILUTION REVISION ACT OF 2005

HEARING
BEFORE THE
SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY
OF THE
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HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS
FIRST SESSION
ON
H.R. 683
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TRADEMARK DILUTION REVISION ACT
OF 2005

THURSDAY, FEBRUARY 17, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, THE INTERNET,
AND INTELLECTUAL PROPERTY,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:38 a.m., in Room 2141, Rayburn House Office Building, Hon. Lamar S. Smith (Chair of the Subcommittee) presiding.

Mr. SMITH. The Subcommittee on the Courts, the Internet, and Intellectual Property will come to order.

Let me make a couple of announcements at the outset. First, I want to thank everyone for coming a little earlier than we expected. Originally, this Committee was set for 10:00, but because of the Judiciary Committee and Members being on the House floor for the class action bill, we are having to meet a little bit early. And, in fact, the class action bill's rule is expected to come up at 10:20. I don't expect it to be a problem, but just so you know, we are facing a little bit of a deadline when it comes to time. I still think we will be able to accommodate all Members and their questions and be finished by 10:20 or 10:30.

Unfortunately, Professor Lemley, who is one of our witnesses, was not able to be contacted about the time change, so don't be surprised when he walks in and is a little bit surprised at 10:00, but we still expect to hear his testimony. We don't know where he is staying and haven’t been able to make contact with him.

This is our first hearing of the year and it is an important subject and I appreciate the interest of those who are in attendance in the audience as well as the Members who are here, too.

Let me say at the outset what I think watchers of this Subcommittee already know, and that is that we intend to be just as active this year as we have been the last 2 years, which is to say that every week we are in session and there is no conflict with the full Judiciary Committee, we hope to have a hearing or a markup. Two weeks from now, for example, when we are back in session, we are scheduled to mark up four bills at that point. I have handed out to Members the schedule for the month of March and we will be on course and have an active Subcommittee during that time, as well.

I am going to recognize myself for an opening statement, then the Ranking Member, and then we will proceed to hear from the witnesses.
The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public, including the source, quality, and good will of a product or service. Unfortunately, there are those in both commercial and non-commercial settings who would seize upon the popularity of a trademark for their own purposes and at the expense of their rightful owner and the public.

Dilution refers to conduct that lessens the distinctiveness and value of a mark. This conduct can debase the value of a famous mark and mislead the consuming public.

The Supreme Court’s decision in the Mosley case, which largely focused on the standard of harm in dilution suits, compelled our Subcommittee last spring to review the FTDA and a Committee Print to amend it. The contents of the bill before us, H.R. 683, were largely culled from that Committee Print.

For the most part, I do not believe the bill breaks new precedential ground. Rather, H.R. 683 represents a clarification of what Congress meant when it passed the dilution statute almost a decade ago.

Enactment of this bill is a necessary need because it will eliminate confusion on key dilution issues that have increased litigation and resulted in uncertainty among the regional circuits. The primary components of H.R. 683 include the following.

Subject to the principles of equity, the owner of a famous, distinctive mark is entitled to an injunction against any person who commences use in commerce as a source designation of that person’s goods or services, a mark that is likely to cause dilution by blurring or tarnishment.

A mark may only be famous if it is widely recognized by the general consuming public in the United States as a source designation of the goods or services of the mark’s owner. In determining whether a mark is famous, a court is permitted to consider all relevant factors, in addition to prescribed conditions set forth in the print, including the duration, extent, and geographic reach of advertising and publicity of the mark.

H.R. 683 defines dilution by blurring as association arising from the similarity between a source designation and a famous mark that impairs its distinctiveness. Again, a court is permitted to consider all relevant factors in determining the presence of blurring. Specific factors that provide guidance in this regard include the degree of similarity between the source designation and the famous mark, the degree of inherent or acquired distinctiveness of the famous mark, and the degree of recognition of the famous mark.

H.R. 683 further defines dilution by tarnishment as association between a source designation and a famous mark arising from their similarity that harms the reputation of the famous mark.

The bill enumerates specific defenses to a dilution action: Fair use and comparative commercial advertising or promotion to identify the competing goods, non-commercial use of source designation, and all forms of news reporting and news commentary.

Finally, the owner of a famous mark is only entitled to injunctive relief under H.R. 683 unless, in an action based on dilution by blurring, the defendant willfully intended to trade on the famous mark’s recognition, or in an action based on dilution by
tarnishment, the defendant willfully intended to trade on the famous mark’s reputation. In either case, the owner may also seek damages, costs, and attorneys’ fees, as well as destruction of the infringing articles under separate Lanham Act provisions.

As a practical matter, H.R. 683 represents a tweak to the Committee Print from last year, which was largely based on the existing dilution statute.

That concludes my opening statement and I will recognize the gentleman from California, Mr. Berman, for his.

Mr. BERMAN. Thank you very much, Mr. Chairman. Since this is the first hearing of the Subcommittee this year and you once again at least outlined a daunting agenda, a hearing or a markup every week that we are in session, I want to tell you that notwithstanding that, I am really pleased to be back here and working with you. I do think we have accomplished a great deal under your leadership. We had some disappointments generated by the other body near the end of the session, but still accomplished a lot.

I would like to introduce two new Members of the Subcommittee, Bill Delahunt, who is not on the Subcommittee this year, but two new Members on the Subcommittee. They are wonderful Members from California. They are not wonderful because they are from California, they are wonderful and happen to come from California, both great Members of the full Committee and of the House and good friends of mine, Adam Schiff of California and Linda Sánchez of California. I would note that they are new Members and they are also the only Members here at this particular hearing from our side of the aisle. That is not to say that familiarity with the Subcommittee breeds contempt. [Laughter.]

In any event, I do look forward to working with you.

We are here today to discuss H.R. 683, the “Trademark Dilution Revision Act of 2005.” I think the starting point for any dilution hearing is to understand the fundamental rationale behind the Federal Trademark Dilution Act and what the purpose of trademark law is generally.

This isn’t a typical intellectual property right. It doesn’t emanate from the Constitution. It is just simply a construct of Congressional legislation. Its primary motivation and rationale rests on a policy not of protecting a property right, but of protecting consumers from mistake and deception.

This is very different. That is trademark law. Now we are talking about this anti-dilution of trademark legislation. The goal of that is to protect only the most famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it. Dilution is a concern when an unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular. Anti-dilution laws, therefore, are really about protecting a property right, the actual trademark.

If one of these marks causes confusion, then it is a trademark violation because it—and it hurts consumers. Here, we are talking about things to protect a property right.

This is very different than the treatment of copyrights or patents, where we do so only for a limited period of time for the purpose of promoting innovation and creativity. In the case of anti-di-
tion laws, there is a potential to create a right in perpetuity for the trademark which may merely result in protecting the owner's economic interest. It was, therefore, initially intended for dilution to be used sparingly as an extraordinary remedy, one that required a significant showing of fame. However, now it seems as though dilution is used frequently as an alternative pleading in trademark litigation. Are we allowing the removal of far too many words from our vocabulary?

One of our goals is to maintain the proper balance between fair competition and free competition. Therefore, I would like to take the opportunity at this hearing to further explore what consumer interests are met with the passage of this bill. I would like to address the change in the standard of dilution from actual to likelihood of dilution.

I agree that if we were to maintain an actual dilution standard, as the Supreme Court held in the Victoria's Secret case, a number of difficult issues arise, including how one proves actual dilution without demonstrating lost profits. That is very difficult to do in these situations. The classic view of dilution by blurring is that the injury caused by dilution is the gradual diminution or whittling away at the value of the famous mark, or as those who have been victims of dilution describe, death by a thousand cuts, where significant injury is caused by the cumulative effect of many small acts of dilution.

So those are—I mean, I understand the motivation to go to likelihood of dilution, both to deal with the damages problem and to prevent that death by a thousand cuts.

The bill suggests that the solution is to amend the standard from actual to likelihood of dilution. I appreciate the expressed need to impose a more lenient standard, as I indicated. The likelihood of dilution standard would no longer unfairly require the senior user to wait until injury occurs before bringing suit, and I think the Chairman is right. This is probably the standard Congress had initially intended.

But I am not convinced at this point that a likelihood of dilution standard, when combined with the other amendments in the bill, does not create an aura of over-protection. Is there a standard that lies somewhere between likelihood of dilution and actual dilution?

I suppose this issue may seem unimportant to many who are not entrepreneurs, but just the other day, I became aware of how pervasive the issue of dilution is. The Rock and Roll Hall of Fame has sued the Jewish Rock and Roll Hall of Fame for trademark dilution. The question really in this kind of a case is, in this new standard, would it extend the scope of trademark protection to marks that, like Rock and Roll Hall of Fame, merely describe the general nature of a product or service rather than a particular name or a particular geography?

I am concerned about, perhaps most of all in terms of these issues, how this bill will affect first amendment and free speech issues. At the last hearing, the ACLU voiced concerns about the possibility that critics could be stifled by the threat of an injunction for mere likelihood of tarnishment. They were concerned with the balance between the rights of trademark holders and the first amendment.
I am interested into delving into these issues and particularly to see whether these concerns are addressed in H.R. 683 and I look forward to hearing from the witnesses and working with the Chairman as we evaluate the Trademark Dilution Revision Act and any changes recommended at today's hearing and I yield back, Mr. Chairman.

Mr. SMITH. Thank you, Mr. Berman.

It is customary for the full Committee as well as Subcommittees of the Judiciary Committee to swear in witnesses before they testify, so if you all would stand and raise your right hand, I will do that now.

Do you swear that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. GUNDELFINGER. I do.
Mr. LEMLEY. I do.
Mr. BARBER. I do.
Mr. JOHNSON. I do.

Mr. SMITH. Thank you. Our first witness is Anne Gundelfinger, President and Chairperson of the International Trademark Association. In addition to her duties at INTA, Ms. Gundelfinger serves as the Associate General Counsel and Director for Trademarks and Brands in Corporate Marketing Legal Affairs at Intel Corporation. Importantly for our purpose today, she was a member of INTA's Select Committee on the Trademark Dilution Act between 2003 and 2004. Ms. Gundelfinger is a graduate of the University of Virginia and the Boston University School of Law.

Our next witness is William G. Barber, a partner in the Austin branch of Fulbright and Jaworski, where he specializes in trademark and competition litigation as well as domain name protection. He will be testifying on behalf of the American Intellectual Property Law Association. He is a double graduate of the University of Texas, perhaps the best public university in the country, with degrees in chemical engineering and law.

Our next witness is Mark Lemley, Professor of Law and Faculty Scholar at Stanford and the director of that University's program in law, science, and technology. In addition to teaching intellectual property, computer, and Internet law and antitrust at Stanford, Professor Lemley is the author of six books, all in multiple editions, and more than 50 law-related articles.

Professor Lemley, I know we did not reach you to tell you about the time change, but thank you for being here. You came early and it turned out to work well.

Mr. LEMLEY. It did.

Mr. SMITH. Professor Lemley received his undergraduate degree from Stanford and his law degree from Berkeley.

Our final witness is Marvin Johnson, who testified at last year's hearing on dilution. He serves as Legislative Counsel for the American Civil Liberties Union, where he focuses on first amendment issues. Before relocating to Washington, Mr. Johnson worked as Executive Director of the ACLU chapter in his native Wyoming. Mr. Johnson earned his B.S. and J.D. degrees from the University of Wyoming.
We have written statements from you all, and without objection, your entire statements will be made a part of the record and we will look forward to your testimony today.

Ms. Gundelfinger, we will begin with you.

**TESTIMONY OF ANNE GUNDELFINGER, PRESIDENT, INTERNATIONAL TRADEMARK ASSOCIATION**

Ms. GUNDELFINGER. Thank you, Mr. Chairman. Good morning. I am pleased to be here today as President of the International Trademark Association to offer support for H.R. 683, the “Trademark Dilution Revision Act of 2005.” INDA is the largest trademark organization in the world and we thank you for your leadership on brand protection issues.

INDA supports your bill because it fixes serious problems that have developed under the current law. Under the bill, dilution protection will be narrower, clearer, and more focused on the specific harm of dilution while providing owners of famous marks with a provable cause of action and protecting free speech. It strikes the right balance.

The Federal Trademark Dilution Act of 1995, or the FTDA, was intended to stop at its incipiency the whittling away of the distinctiveness of a famous mark resulting from third-party uses on unrelated goods and services. Famous trademarks represent an enormous investment on the part of their owners and they deliver clear commercial messages to consumers who rely on them to make efficient purchasing decisions.

Today, trademark dilution law in the United States is in need of repair. Nine years and hundreds of cases after the FTDA was enacted, virtually everyone—courts, litigants, commentators alike—agree that the law is a mess. While the statute has provided some measure of relief to owners of famous marks, we have split decisions on even the most basic dilution-related questions, a near-complete lack of agreement or guidance on what it takes to prove dilution. In particular, the Supreme Court’s holding in the Mosley case requiring proof of actual dilution has undermined the incipiency concept that is the heart of dilution protection.

As a result, America’s law to protect famous marks is now ambiguous, at best, and at worst, ineffective. This means more costly litigation, forum shopping, inconsistent application of the law, and greater risk to the ability of famous marks to function effectively as strong brands for their owners and for American consumers.

Your bill, Mr. Chairman, brings order and clarity to dilution law. First, the bill provides a clear definition for what constitutes a famous mark, namely a mark that is widely recognized by the general consuming public of the United States. This language narrows and strengthens the fame requirement. Dilution protection was never meant for the average trademark. It was intended to provide extraordinary protection for extraordinary marks.

Second, the bill protects famous marks from both blurring and tarnishment, thereby continuing the tarnishment protection that our jurisprudence has long recognized and rejecting the dicta in the Mosley opinion questioning whether tarnishment is covered by the law.
Third, the bill adopts a likelihood of dilution standard rather than an actual dilution standard. This is essential. The actual dilution standard makes a dilution case simply unprovable as a practical matter and undercuts the incipiency concept that is at the heart of dilution protection.

Fourth, the bill defines dilution as association between the famous mark and the junior mark that impairs the distinctiveness of the famous mark. The bill then provides a carefully crafted set of factors to assist a court in determining whether a famous mark’s distinctiveness is likely to be impaired. INTA believes this is the right approach. The factors make it very clear indeed that a plaintiff must show impairment of the famous mark’s overall distinctiveness in the marketplace, taking into account not only its inherent distinctiveness, but also its degree of recognition and the degree of substantially exclusive use.

Finally, I would like to speak to the manner in which the legislation addresses free speech concerns. INTA believes that the existing statutory defenses to a dilution claim and the safeguards offered by the first amendment have generally protected defendants from overly broad application of the statute. However, it is an exceptionally muddy and difficult area of law with a lot of inconsistency and uncertainty.

Accordingly, we agree with the approach taken in the bill, which provides more explicit language to provide support to the appropriate balance between trademark rights and free speech concerns, and therefore creates a more certain environment for famous mark owners to protect their intellectual property.

The bill requires the defendant be using the challenged mark as a designation of source for its own goods or services. Designation of source is an accepted term of art in trademark law and it makes it very clear that both nominative and descriptive fair uses of famous marks, as well as parodies and satires, are not actionable, even if the brand owner doesn’t like them. Further, we do not believe that designation of source inappropriately increases the burden on the plaintiffs. In the vast majority of cases, whether a defendant is using as a designation of source will be self-evident.

In sum, INTA believes that your bill, Mr. Chairman, takes us where we need to go. It strikes the right balance and we urge its adoption and look forward to working with you to make that happen. Thank you.

Mr. SMITH. Thank you very much.

PREPARED STATEMENT OF ANNE GUNDELFINGER

I. INTRODUCTION

Good morning, Mr. Chairman. My name is Anne Gundelfinger. I am associate general counsel and director for trademarks & brands and corporate marketing legal affairs at Intel Corporation. I serve as president of the International Trademark Association (INTA). As do all INTA officers, board members and committee members, I serve INTA on a voluntary basis.

INTA supports your bill, Mr. Chairman, H.R. 683, the Trademark Dilution Revision Act of 2005. We are grateful for your leadership. INTA agrees that adoption of this legislation will provide a narrower, clearer, and more focused statute that addresses the specific harm of dilution, while providing owners of famous marks a provable cause of action. At the same time, the legislation protects free speech. Our position is based on a comprehensive study of dilution law that was undertaken by
INTA is a 127-year-old not-for-profit organization comprised of over 4,500 members. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes manufacturers, service providers, and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. INTA has a long history of making recommendations to the Congress in connection with federal trademark legislation, including: the Trademark Law Revision Act of 1988, the Anticybersquatting Consumer Protection Act of 1999, the Trademark Law Treaty, the Madrid Protocol Implementation Act, and most recently the Fraudulent Online Identity Sanctions Act.

II. DILUTION AND THE HISTORY OF THE FTDA

The Federal Trademark Dilution Act (FTDA) became law on January 16, 1996. INTA was a leading proponent of its passage. We felt that a federal statute for enhancing protection of famous marks from dilution was needed because famous marks “foster a lasting psychological grip on the public consciousness,” have a value that is “incalculable,” and possess an “unseen but dynamic pull” on consumers. Famous marks “are the voices of American assurance, the best America has to offer, and carry a certain sense of history.”

Because of their qualities, famous marks are the marks most “susceptible to irreversible injury from promiscuous use.” In particular, extremely well-known marks generate copying; third parties adopt such marks for their own goods and services much more frequently, not necessarily to deceive, but rather for the positive associations that such marks carry. A classic example of conduct that would constitute dilution, as used by Frank I. Schechter in his 1927 seminal article on trademark dilution, would be KODAK for bathtubs and cakes. The injury that occurs is the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods.”

Accordingly, the FTDA does not rely upon the standard test of infringement, that is, the likelihood of confusion, deception, or mistake. Rather, the FTDA provides equitable relief to the owner of a famous mark against another person’s commercial use of a mark or trade name that lessens the “distinctive quality of the [famous] mark,” regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.

The statute also sets forth criteria that a court should consider in determining whether a mark is famous; establishes an injunction as the primary form of relief; and provides statutory defenses to a dilution claim.

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10 Id.
11 Id.
13 Supra note 9 at 465.
15 Id. at 342.
17 Id. at § 1127.
18 Id. at § 1125(c)(1)(A)–(H).
19 Id. at § 1125(c)(1).
20 Id. at § 1125(c)(4)(A)–(C).
The owners of famous trademarks are indeed grateful for the protection that the FTDA has provided for their intellectual property. The FTDA has provided some measure of relief and has put others on notice that adoption of famous marks as their own is impermissible. But now, more than nine years after passage of the FTDA, a Supreme Court decision interpreting the statute, and numerous lower court decisions that demonstrate division on key dilution-related concepts, trademark owners believe it necessary to step back and evaluate America’s trademark dilution law. Our evaluation has revealed the following:

(1) A Problematic Standard for Proving Dilution. First and foremost, dilution, as a practical matter is very difficult to prove under the current statute. Congress has provided relief to remedy the harm of dilution, and the Supreme Court has interpreted it in a manner that makes it at best ambiguous and at worst nearly impossible to establish. The requirement imposed by the Supreme Court in the Moseley decision that “actual dilution” be proved would seem to require a showing that measurable dilutive harm has occurred, i.e., that the mark has been measurably impaired. However, such a standard is completely at odds with Congress’ intent—to prevent dilution at its incipiency, before measurable damage to the mark has occurred. By the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective.

(2) Division On What Constitutes a Famous Mark. While Congress explicitly limited the scope of the FTDA’s protection to “famous” trademarks, the statute does not define “fame.” Instead, there are eight nonexclusive factors that a court may consider when determining a trademark’s fame. As a result, courts are hopelessly split on what constitutes a famous mark. Courts in six of the twelve federal circuits, for example, have adopted a niche market theory of fame, which allows owners to protect trademarks from dilution if they can prove fame in a particular consumer market or localized area, even if the market or area is quite small and not widely known to consumers. In contrast, courts in three other circuits have specifically rejected niche market fame, instead requiring that a mark be well-known in a broad geographic area or market. Courts in the remaining three circuits have not yet addressed whether niche fame is sufficient to support a dilution claim.

(3) A Split on Whether to Protect Famous Marks with Acquired Distinctiveness. At least one court has specifically reserved protection under the FTDA only for those famous marks that are inherently distinctive, namely marks that are coined, arbitrary or suggestive, e.g., KODAK, and has held that marks that were initially descriptive but have acquired distinctiveness or “secondary meaning” simply do not qualify (no matter how well-known they are). The majority of courts, in contrast, have held that a famous mark that has acquired distinctiveness through many years

22The Supreme Court did allow that measurable harm may not need to be proved by direct evidence in cases where the junior mark is “identical” to the senior mark, but expressly refused to elaborate on what proof would be required. Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 at 1124.
23H.R. Rep. No. 104–374, supra note 8 (“[The dilution] provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark . . . . [D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”) (citation omitted).
26First, Tenth and Federal Circuits.
27TCP/IP Holding Co. v. Haar Commun., Inc., 244 F.3d 88, 95 (2d Cir. 2001).
of extensive sales, advertising and/or promotion, is also worthy of protection against dilution.28

(4) A Question on Whether Tarnishment Is Covered Under the FTDA.

Tarnishment,32 long recognized as dilution, has long been regarded by trademark scholars as one of the “two different dimensions” of dilution.29 And, in fact, the legislative history for the FTDA specifically states that the statute covers tarnishment.30 However, in the Moseley decision, the Supreme Court in dicta questioned whether dilution by tarnishment is actionable. This comment was based on the statutory language “dilution of the distinctive quality of the famous mark,” which, in the view of the court, might not go to injury to the reputation of a famous mark, the underlying concept of dilution by tarnishment.31

As the examples above demonstrate, dilution law in the United States is moving in every direction except the one that it needs to—forward. Of even greater concern is the Supreme Court’s holding on the requirements for proving a dilution claim. All the while, famous marks and their value both to consumers and their owners remain at risk from blurring and tarnishment, and third parties have little guidance regarding what marks they can safely adopt without risk of dilution liability. The lack of clarity in the law and the splits in the various circuits are resulting in forum shopping and unnecessarily costly lawsuits. For these reasons a revision of dilution law is needed.

IV. H.R. 683 PROVIDES FOR A CLEAR, WELL-DEFINED DIRECTION FOR DECIDING DILUTION CASES

H.R. 683 builds on the lessons we have learned and puts dilution law on the right path. Like the existing FTDA, it recognizes that famous marks require special protection because of the “abundant good will and consumer loyalty”32 they inspire and because they are the targets of copying and promiscuous use. But, unlike the current statute, the legislation makes sure that dilution will not be treated as a just another claim to be added to a lawsuit. Instead, as I noted earlier, with the passage of H.R. 683, America’s trademark dilution law will be narrower, clearer, and more focused on addressing the specific harm of dilution, while providing owners of famous marks a provable cause of action, and protecting free speech. To explain why INTA believes his to be the case, I have divided our analysis of the bill into four sections: “Qualifications for Protection,” “Blurring and Tarnishment,” “Safeguarding Free Speech,” and “Relief and Preemption.”

A. Qualifications for Protection

1. Standard for Fame

H.R. 683 correctly remedies the judicial schism identified above on what is meant when we use the phrase “famous mark.” It is explicitly and necessarily narrow in scope. The proposed definition protects only those marks that are “widely recognized by the consuming public of the United States.” This new, clear standard will ensure that the broad protections against dilution provided for in the statute are available only to a limited group of marks that are genuinely famous and for which promiscuous use would be most damaging.33

Under the proposed standard, marks that are famous in a niche product or service market or that are recognized only in a limited geographic region will not qualify

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30 H.R. Rep. No. 104–374, supra note 8 (“The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.”).

31 Moseley v. V Secret Catalogue, Inc., 123 S. Ct. 1115 at 1124 (citing 15 U.S.C. § 1125(c)(1)). Also, trademark professionals had previously raised the same concern. See, e.g., Miles J. Alexander, “Dilution Basics,” Law and Contemporary Problems, reprinted and delivered at the INTA Dilution and Famous Marks Forum, March 5–6, 1997, 15. (“The definition of dilution in the federal statute does not specifically mention such a negative association [with the famous brand].”).

32 Gilson, supra note 29, § 5A.01[4][a], at 5A–10 (July 2004).

33 §(a) dilution injunction . . . will generally sweep across broad vistas of the economy.” Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 905 (9th Cir. 2002).
for federal dilution protection. For localized famous marks, state dilution laws can afford adequate protection of the senior user’s mark; for marks used only in narrow industries and known only to narrow ranges of consumers, infringement and unfair competition laws, such as section 43(a) of the Lanham Act, will provide appropriate protection.

2. Factors for Determining Fame

The current FTDA fame factors that a court may consider are, but are not limited to:

(A) the degree of inherent or acquired distinctiveness of the mark;
(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
(C) the duration and extent of advertising and publicity of the mark;
(D) the geographical extent of the trading area in which the mark is used;
(E) the channels of trade for the goods or services with which the mark is used;
(F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark’s owner and the person against whom the injunction is sought;
(G) the nature and extent of use of the same or similar marks by third parties; and
(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

H.R. 683 proposes that the existing fame factors be simplified and replaced with non-exclusive factors that are more narrowly focused on identifying marks that are “widely recognized by the general consuming public of the United States.” These factors are:

(A) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;
(B) the amount, volume, and geographic extent of sales of goods or services offered under the mark; and
(C) the extent of actual recognition of the mark.

We agree with these proposed changes. The first and second factors reflect traditional concepts of marketplace recognition that courts have applied for decades in determining fame, and they incorporate some of the existing factors. The third factor, “the extent of actual recognition of the mark,” is meant to incorporate survey evidence, market research such as brand awareness studies, and unsolicited media coverage, and other evidence of actual recognition.

Some of the factors contained in the current statutory test are omitted from H.R. 683. This is acceptable since they are already accounted for in the definition itself, or are, in our view, not relevant to the issue of fame. For example, since the proposed definition of fame specifies that the mark must be “widely recognized by the general consuming public of the United States,” the current factors dealing with the geographic extent of use and recognition in the junior user’s trading area and channels of trade are no longer necessary. Because the mere existence of a registration is really not relevant at all to the question of fame, we agree that it should be omitted as well.

H.R. 683 also correctly resolves the split in the circuits identified above as to whether marks with acquired distinctiveness can be protected against dilution. The bill makes clear that marks with acquired distinctiveness can be protected. We agree that a mark with acquired distinctiveness should be worthy of protection against dilution, as long as the other prerequisites for dilution protection can be met.

B. Blurring and Tarnishment

In INTA’s opinion, famous marks should be expressly protected by statute from the likelihood that they will be either blurred or tarnished. H.R. 683 is clear on what constitutes a likelihood of dilution by blurring and what constitutes likelihood of dilution by tarnishment.

35 See text accompanying supra note 28.
1. The Incipient Nature of Dilution

As noted above, the Supreme Court ruled, "the text (of the PTDA) unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."\(^{36}\) In particular, the court cited Section 43(c)(1) of the Lanham Act, which provides that "the owner of a famous mark" is entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "causes dilution of the distinctive quality of the famous mark."\(^{37}\) The court did, however, hold that proof of actual dilution does not require a showing of the economic consequences of dilution, such as lost sales or revenues.\(^{38}\) Unfortunately, the court provided little guidance on how one might prove actual dilution.

INTA submits that a dilution cause of action should not require hard proof of actual damage to the mark. This approach, which the Supreme Court appears to have adopted based on the language of the existing PTDA, does not account for the need to prevent dilution at its incipiency, the core concept underlying the dilution remedy and the express intent of Congress in enacting the PTDA.\(^{39}\) In the opinion of INTA, the owner of a famous mark should be able to obtain an injunction against the first offending use because even the first use begins the process of dilution, regardless of whether that use has yet resulted in provable damage to the mark. Because dilution is a process by which the value of a famous mark is diminished over time, either by one user or multiple users, the owner of the famous mark should not be required to wait until the harm has advanced so far that the damage is already done.

Moreover, if the owner of a famous mark must wait years to challenge the multiple uses that have entered the marketplace in the interim, the defendants in those cases will be poorly served as well. Junior users will have invested in the diluting marks over the course of time, placing their accrued goodwill in great jeopardy. And, given the great hardship that a junior user could suffer as a result of delay in challenging such a mark, a court could apply the laches defense, effectively eviscerating the protections of the dilution statute. The present FTDA, as interpreted by the Supreme Court, thus presents the plaintiff with a Catch 22: sue too early and lose because the harm is not yet provable, or sue too late and lose on laches grounds.

Finally, we also note that the Lanham Act does not require a showing of actual confusion to support infringement; a plaintiff does not need to show actual confusion or lost sales. Likewise, famous marks should not need to show an actual damage to the mark before qualifying for dilution protection.

H.R. 683 expressly establishes the right standard for proving a dilution claim—

a likelihood of dilution standard. A likelihood of dilution standard is the most practical way to express the incipient nature of dilution in a manner a court will understand; that is, that the junior use is likely to cause dilution (whether by blurring or by tarnishment) if allowed to continue unchecked.

2. Dilution by Blurring

H.R. 683 proposes a new statutory approach to addressing a claim of likelihood of dilution by blurring. The bill would require the owner of a famous mark to prove a likelihood of association between its mark and the junior mark, arising from the similarity of the marks, which would impair the distinctiveness of the famous mark. Under this test, not just any mental association will suffice—it must be an association that arises from the similarity or identity of the two marks, as opposed to an association that arises because of product similarities or competition between the owners of the two marks, or for some other reason. Moreover, it is association that is likely to impair the distinctiveness of the famous mark in the marketplace.

INTA supports this test. In particular, we agree that likely impairment of a famous mark's distinctiveness should be the measure used by courts in blurring cases. Courts have long understood that the principal harm caused by dilution by blurring is the whittling away of a mark’s distinctiveness.

In this context, we refer not merely to the degree of inherent distinctiveness, but rather its overall distinctiveness in the marketplace. A mark must have distinctiveness in the marketplace in order to be capable of being diluted. This marketplace distinctiveness arises from the mark’s degree of inherent distinctiveness, its degree of fame, and the degree to which it has been substantially exclusively used, all of


\(^{37}\) Id. commenting on the ruling of the Fourth Circuit in Ringling Bros.—Barnum & Bailey Combined Shows, Incorporated v. Utah Division of Travel Development, 170 F.3d 449 (4th Cir.1999).

\(^{38}\) Id. n. 8 ("The dilution provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark... . (D)ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.") (citation omitted).

\(^{39}\) H.R. Rep. No. 104-374, supra note 8 ("[The dilution] provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark... . (D)ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.") (citation omitted).
which contribute to its association with a single source and/or particular brand attributes. The more the famous mark is inherently distinctive and the more the famous mark is used exclusively, the more likely it will be diluted or “blurred” by use of an identical or similar mark. This is because continued use of the junior mark will necessarily impair, over time, the famous mark’s association with the mark owner and/or the various brand attributes that the mark owner has built up in the mark. This is the essence of blurring.

Let us take Intel’s PENTIUM mark as an example. (I use PENTIUM as an example not to promote it here as a famous mark, but rather because I do not presume to borrow another company’s mark for this example.) Assume that PENTIUM, one of Intel’s premium brands for microprocessors, is a mark that is “widely recognized by the general consuming public of the United States.” Intel is in the computer industry, and the PENTIUM brand has brand attributes that include cutting-edge technology, premium performance, and integrity. If a third party were to adopt the PENTIUM mark for real estate brokerage services or sportswear, not only would the singular association between Intel and its PENTIUM brand be lost over time, but its brand attributes would be blurred and dampened by the brand attributes of the decidedly un-high-tech brokerage services and/or sportswear?consumers would learn over time to distinguish between the different PENTIUM brands, their sources, and their brand attributes. In short, dilution would be highly likely, even if the impairment to the PENTIUM mark takes years to manifest. As noted earlier, the point is to stop the impairment before the damage is done.

On the other hand, if a famous mark has little or no inherent distinctiveness and is commonly used by numerous companies such that consumers have learned to understand that the mark is associated with multiple companies and multiple brand attributes, e.g., AMERICAN, then it is unlikely that the famous mark will be blurred by yet another use. This is precisely because consumers have already learned to distinguish between the multiple marks and their brand attributes.

INTA did consider whether the standard for blurring should be impairment of “uniqueness” or “singularity,” particularly given that the ultimate harm that occurs when a mark is blurred could arguably be described, as least in part, as impairing the singularity of the mark’s association with a single source. However, INTA believes this approach is flawed for several reasons.

- First, the damage done by blurring is not merely the impairment of the famous mark’s singular association with its source. There is also the impairment of the famous mark’s association with particular brand attributes.
- Second, proving impairment of a famous mark’s association with a single source would raise the same sorts of proof problems that we have under today’s standard—the harm is not measurable until long after the damage has been done.
- Third, neither “singularity” nor “uniqueness” have any established meaning in trademark jurisprudence and could be subject to serious misinterpretation. In particular, courts might require the famous mark to be literally unique or singular. If a mark must be unique or singular in order to be blurred, courts may end up finding that a mark must be a coined term to qualify for protection, or they may find that any evidence of third party use, no matter how localized or de minimus, will prevent a finding of dilution.

INTA believes that the best means of expressing what needs to be proved by a plaintiff in a blurring case is an impairment of the distinctiveness of the mark. “Distinctiveness” is well-understood in the trademark jurisprudence, and any other formulation would be subject to dangerous misinterpretation. Mr. Chairman, your bill takes the right approach here.

3. Blurring Factors

INTA believes that factors would assist courts in determining whether there is likely to be an impairment of the distinctiveness of the famous mark, and accordingly agree with H.R. 683’s list of non-exclusive factors. Without factors, we are likely to end up with even more judicial division and inconsistency.46 Those circuit courts that have provided lists of factors for the district courts in their circuits have come up with wildly divergent lists, highlighting the need for greater national consistency in the application of factors for a determination of dilution. For example, the Seventh Circuit has held that only two factors are relevant to a finding of blurring—the similarity of the marks and the renown of the famous mark, Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 466 (7th Cir. 2000)—whereas the Second Circuit has held that, among the relevant factors are the degree of distinctiveness of the senior mark; the similarity of the marks; the proximity of

46 Those circuit courts that have provided lists of factors for the district courts in their circuits have come up with wildly divergent lists, highlighting the need for greater national consistency in the application of factors for a determination of dilution. For example, the Seventh Circuit has held that only two factors are relevant to a finding of blurring—the similarity of the marks and the renown of the famous mark, Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 466 (7th Cir. 2000)—whereas the Second Circuit has held that, among the relevant factors are the degree of distinctiveness of the senior mark; the similarity of the marks; the proximity of
the products and likelihood of bridging the gap; the interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products; the sophistication of consumers; the existence of any actual confusion; the adjectival or referential quality of the junior use; the potential harm to the junior user and the existence of undue delay by the senior user; and the effect of the senior user’s prior laxity in protecting the mark. 

Nabisco Inc. v. PF Brands Inc., 191 F.3d 208 (2d Cir. 1999).

4. Dilution by Tarnishment

In light of the ambiguity created by the Supreme Court’s dicta in the Moseley decision, INTA believes that it is important to expressly state in a revised federal dilution statute that tarnishment is within the scope of the law. Other than in cases that implicate free speech interests (discussed below), owners of famous trademarks should be able to protect their significant investment against negative associations.
For example, Coca-Cola Co. should not have to have its reputation tarnished by the sale of powdered candy, designed to look like cocaine, in bottles that copy the famous undulating shape of Coca-Cola soda bottles.41 H.R. 683 would make explicit what is implicit in the current statute: courts should find liability for tarnishment if a junior use were likely to harm the reputation of the famous mark. This standard is used in state dilution statutes and most courts have capably adjudicated claims of tarnishment under this standard. We therefore support its inclusion.

C. Safeguarding Free Speech

When it adopted the FTDA in 1996, Congress did not want the statute to extend so far as to hinder legitimate First Amendment activity. Thus, Section 43(c)(4) of the Lanham Act was added to address such First Amendment concerns. Although the First Amendment obviously trumps a dilution claim, Section 43(c)(4) expressly lists specific activity that shall not be actionable as a claim for dilution:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

As expected, courts have used these defenses and the protections offered by the First Amendment to protect defendants from a broad application of the dilution laws.42 Nevertheless, we agree with the approach taken in H.R.683, which provides more explicit language to support this trend in the case law and further assists judges by making clear which types of uses are not meant to be covered by the revised dilution statute. The bill expressly states that, as an essential element of the cause of action for dilution, whether for dilution by blurring or dilution by tarnishment, the plaintiff must demonstrate that the defendant is using the challenged mark or name as a “designation of source” for the defendant’s own goods or services.

“Designation of source” is an accepted term of art in trademark law that is easily understandable even outside the context of brand protection. The provision in H.R. 683 simply requires that, in order for a dilution case to proceed, the plaintiff must show that the defendant is using the challenged mark as a mark or name for his own company, goods, or services. This formulation is not only consistent with the theoretical underpinnings of dilution law—to prevent the use of the same mark on different goods or services in ways that would whittle away at the distinctiveness of the famous mark or tarnish the famous mark’s reputation—but also makes it clear that referential and other types of uses of famous marks, even if offensive or annoying, do not “dilute” the mark, though they may give rise to other causes of action (such as infringement, false advertising or unfair competition). Again, this supports the notion that dilution is meant to be a special remedy for only a narrow class of famous marks, and against only a narrow class of uses that are likely to impair the distinctiveness or harm the reputation of the famous mark, thereby decreasing the power of the brand.

42 See, e.g., Mattel, Inc. v. MCA Records, Inc., 28 F. Supp. 2d 1120 (C.D. Cal. 1998), aff’d 296 F.3d 894, 905 (9th Cir. 2002) (The defendant’s song “Barbie Girl” was intended to satirize the famous doll. The court found the use to fall outside commercial use and noted in dicta that “the fact that defendant’s product makes a profit or is successful . . . does not affect the protections afforded to it by the First Amendment.”) Id. at 1154 n.54. See also, Charles Atlas, Ltd. v. DC Comics, 112 F. Supp. 2d 350 (S.D.N.Y. 2000) (The defendant created a comic vignette in one of its regular series of comics similar to that used for years by plaintiff in its advertisements. Although the dilution claim was dismissed because the statute of limitations had run out, the court noted that the claim would have failed anyway because the defendant’s comic strip was protected under the First Amendment, as the use was not to advance a competing product, but instead as part of a storyline used to convey an idea through an artistic work. The court also noted that the defendant’s strip included parody-like elements.)
A requirement of defendant’s use as a designation of source will protect descriptive fair uses and nominative fair uses from falling within the ambit of the revised statute. For example, a defendant using a famous mark to refer to the trademark owner’s goods in comparative advertising, or a newspaper using the famous mark to refer to the mark owner’s goods for purposes of news reporting or commentary, would not qualify as use as a designation of source for the defendant’s own goods or services, and therefore would not be covered by the statute at all. Moreover, the requirement of use as a designation of source for the junior user’s own goods or services should protect all legitimate parody and satire, even if that parody and satire appears in a commercial context (e.g., a parody of a famous trademark in a magazine or song). Uses of trademarks as a designation of source for a defendant’s own goods or services in salacious or other tarnishing contexts, however, could be enjoined.

Some have questioned whether the “designation of source” requirement narrows protection against dilution too much or imposes too great a burden of proof on plaintiffs. While INTA certainly supports ample protection for famous trademarks and a cause of action that is reasonably provable, we do not feel that the “designation of source” requirement significantly impedes protection or proof.

- On the first point, the vast majority of cases that are removed from coverage by the “designation of source” requirement, would not be winnable in any event because the vast majority of uses that are not as a “designation of source” would be defensible as nominative or descriptive fair uses. Defensible parodies, defensible non-commercial uses, or otherwise defensible free speech. To the extent that the “designation of source” requirement creates difficulties in proving a cybersquatting case, the plaintiff has a clear remedy under the Anticybersquatting Consumer Protection Act of 1999.

- On the second point, we do not think making “designation of source” part of the plaintiff’s prima facie case inappropriately increases the burden on the

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43 Descriptive fair use (or classic fair use) is the use of a normal English word in its normal English meaning to describe one’s own product or service. E.g., Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co., 125 F.3d 38 (2d Cir. 1997) (phrase “seal it with a kiss!” used in the advertising was a fair use notwithstanding plaintiff’s registered mark SEAL IT WITH A KISS for lip gloss); Citrus Group, Inc. v. Cadbury Bev., Inc., 781 F. Supp. 386 (D. MD. 1991) (advertisement using phrase “your main squeeze” for soft drinks was fair use notwithstanding plaintiff’s registered mark MAIN SQUEEZE for fruit juice drinks); Wonder Labs, Inc. v. Procter & Gamble Co., 729 F. Supp. 1058, 1062-64 (S.D.N.Y. 1990) (phrase “Dentist’s Choice” in toothpaste advertising is a fair use notwithstanding plaintiff’s trademark DENTIST’S CHOICE for toothbrushes).

44 Nominative fair use is when the alleged infringer uses the plaintiff’s mark to refer to the plaintiff or the plaintiff’s goods. It generally applies (a) where the mark is reasonably needed to identify the mark owner’s goods or services, (b) where the use is not more than is needed to identify the mark owner’s goods or services, and (c) where there is no implication of endorsement. See, e.g., New Kids on the Block v. News Am. Publ., Inc., 971 F.2d 302 (9th Cir. 1992).

45 E.g., Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co., 125 F.3d 38 (2d Cir. 1997) (descriptive fair use) and New Kids on the Block v. News Am. Publ., Inc., 971 F.2d 302 (9th Cir. 1992) (nominative fair use).


The clear social commentary in the defendants’ portrayals of famous marks in the following cases exempted the defendants from dilution liability: Mattel, Inc. v. Walking Mountain Prod., 353 F.3d 792 (9th Cir. 2003) (artist’s photographs depicting Barbie dolls being attacked by vintage kitchen appliances were social commentary on the Barbie image of beauty); Mattel, Inc. v. MCA Records, Inc., 28 F. Supp. 2d 1120 (1996) (song mocking the Barbie doll image and the plastic values she purportedly represented); and Dr. Seuss Enter. L.P. v. Penguin Book USA, Inc., 924 F. Supp. 1559 (S.D. Cal. 1996) (rhyming style of Dr. Seuss books used to convey author’s criticism of the murder trial of O.J. Simpson).


plaintiff. Again, in the vast majority of cases, proving that the defendant is using as a designation of source will be easy, a simple matter of assertion. As noted above, “designation of source” is a well-understood term of art in trademark jurisprudence, and moreover is clear on its face—it’s a trademark, service mark, name, logo or other device used to indicate the source of goods or services. In those rare cases where the use itself is ambiguous, the burden on the plaintiff will be a bit higher, but not inappropriately so.

In sum, the “designation of source” requirement will ensure that dilution protection is clear and focused on dilution harm, and is appropriately balanced against First Amendment considerations. INTA therefore supports its inclusion in a revised dilution statute.

D. Relief and Preemption

1. Relief

H.R. 683 would continue to rely on an injunction as the principal form of relief in a federal dilution claim. The bill would also allow for the plaintiff to continue to be entitled to remedies set forth in Sections 35(a) (profits, damages, and cost of the action) and 36 (destruction of goods bearing the registered mark) of the Lanham Act, subject to the discretion of the court and the principles of equity, if willful intent is proven. One change from the existing statute is that the bill does specify that in order to recover damages, willful intent to trade on the recognition of the famous mark must be proved for blurring claims, and willful intent to trade on the reputation of the famous mark must be proved for tarnishment claims.

Another, perhaps more noteworthy change from the existing statute, is that H.R. 683 expressly addresses the question of retroactive application of the law. Because the PTDA is silent on the issue of retroactivity, and legislative history does not address whether the statute is retroactive in nature, there is presently a divided opinion on whether the statute should be applied retroactively to acts commenced prior to its January 16, 1996 enactment.51 H.R. 683 corrects this oversight. The bill provides that only injunctive relief is available to the owner of a famous mark where a person has adopted and used a designation of source in commerce prior to the date of enactment of the bill.

INTA agrees with this approach. Conduct arising before the enactment of H.R. 683 should not be penalized with compensatory damages, which are available under the bill where the court finds that the dilution was “willful,” because damages are “quintessentially backward looking.”52 Injunctive relief, however, is a prospective remedy, and a plaintiff seeking such relief can look to the defendant’s ongoing conduct in order to determine whether an injunction is appropriate.53 We do stress our belief that a finding of prospective relief should still be contingent upon fairness and equity.

2. Preemption

INTA believes that a federal dilution statute should not preempt state dilution laws because preemption would adversely affect the availability of relief for intra-state and regional conduct to the extent permitted under state dilution laws. A valid federal registration should, however, be a complete bar to a state dilution claim. This is the current law under the PTDA and it would remain unchanged by H.R. 683. We agree.

V. CONCLUSION

Thank you, Mr. Chairman, for the opportunity to testify before the subcommittee. INTA looks forward to working with you to pass H.R. 683.

Mr. SMITH. Professor Lemley?

51 See, e.g., Viacom, Inc. v. Ingram Enterprises, Inc., 141 F.3d 886 (8th Cir. 1998) (holding that the PTDA can be applied to continuous, ongoing conduct that began before the enactment of the PTDA); Circuit City v. Stores, Inc. v. OfficeMax, Inc., 949 F. Supp. 409 (E.D. Va. 1996) (holding that the PTDA should not be applied retroactively because it would upset “settled expectations” and the vested property interests of the defendants).


53 See, Viacom, Inc. v. Ingram Enterprises, Inc., 141 F.3d 886 (8th Cir. 1998); see also, Fuente Cigar, Ltd. v. Opus One, 965 F. Supp. 1448 (M.D. Fla. 1997) (allowing anti-dilution claim against conduct occurring before the PTDA enactment, because awarding prospective relief does not constitute retroactive application).
Mr. LEMLEY. Mr. Chairman, thank you. My written remarks are in the record. I am not going to repeat them.

The important things I want to make clear are, first, that dilution is, in fact, a problem. It is not a pervasive problem for all trademark owners, but if you are an owner of a famous mark, you have a rather serious problem, and in my testimony, to give just one example, I have attached some of the problems that eBay faces, a list of 186 different something-bay-dot-coms providing some variant of specialized auction services in circumstances that probably aren’t confusing to consumers, but certainly dilute the significance, the uniqueness of the eBay mark.

There is also, though, a problem with abuses, as Representative Berman points out, the abuse by trademark owners both seeking to claim the protection of the dilution statute when they are not, in fact, actually the owners of famous marks, and the potential abuse, actual abuse in several cases, by trademark owners seeking to suppress commentary, criticism, or parody under the guise of free speech.

So the goal here, I think, has got to be to strike a balance between the interests of trademark owners and the interests of consumers, and I think that as a general matter, H.R. 683 strikes that balance correctly.

Two points I want to make. One is the importance of changing the actual dilution standard. I think this is critical, simply because of the remedial problems. The remedy, except in extraordinary cases, under the Federal Trademark Dilution Act is limited to injunctions, and the idea that you have to wait until you have suffered actual injury, even if you can find some way to prove it, and then be limited to an injunction against the conduct that has already caused that injury, as the court said in Victoria’s Secret, essentially says you have got to wait until the horse is gone, and then the only thing you can do is close the barn door. That makes no sense. So I think changing it to likely dilution, which is consistent with the trademark law standard of likelihood of confusion, makes sense.

I also want to emphasize, though, on the flip side the importance of the limitations that the bill puts in, first restricting it to truly famous marks, which I think is an important abuse, but even more important, restricting it to uses of a trademark in a designation of source. Now, I know Mr. Barber is going to talk about this and has a somewhat different view, but I want to emphasize the importance of this requirement as a protection for legitimate speech.

We have in the regular trademark law a designation of source requirement. It is a requirement sometimes known as trademark use. It is well established in the case law. And basically, what it says is people can use a trademark for a variety of purposes without fear of liability as long as they are not, in fact, using it as a brand. They can use the trademark in the newspaper. They can use it in comparative advertising. They can make fun of it. They can criticize it. And this bill would permit all of those uses because it would limit the application of dilution to circumstances in which the defendant actually uses the brand not to criticize, not to comment,
not as a fair use as a descriptive use in the Rock and Roll Hall of Fame case that Representative Berman mentioned, but as a brand specifically designed to trade on the good will of the trademark owner.

Now, the American Intellectual Property Law Association offers some objections to this designation of source requirement, but with respect, I think they are without merit. First, they say it is new, we have never had anything like this before, but I think that is just wrong. The trademark law already requires what the courts have called trademark use. It is phrased in slightly different terms in the statute, use on or in connection with goods or services, though that phraseology has actually proven a little bit confusing. The designation of source requirement, I think, is the right way to put it.

Second, he suggests we might have a problem with cyber squatting with domain names, but this body passed a law in 1999, the Anti-Cyber Squatting Consumer Protection Act, designed precisely to deal with that, and that law, coupled with an arbitration procedure, the Uniform Dispute Resolution Process, has actually dealt very effectively with the problems of cyber squatting.

Tarnishment, which is one of the areas that Mr. Barber identifies as a potential problem, I think is actually a tricky area in the law. Tarnishment is important to forbid, but sometimes trademark owners treat as tarnishment any statement about their trademark that they don't like, and I fear that Mr. Barber's examples in his testimony, in fact, involve protected speech and not trademark infringement. So, for example, if a dissatisfied consumer uses the phrase “Nike-sucks-dot-com” to set up a website in which they complain about Nike, that is a use of the trademark. It is a use of the trademark that the trademark owner doesn't like, but it is not a tarnishing use because you are not branding goods or services that are unwholesome with the Nike brand. You are, instead, simply using it in a way that the free speech law and the first amendment ought to permit.

So in sum, I think the bill strikes the proper balance, but it is important to recognize that that proper balance really is a delicate one, that you have got to protect consumers and speakers as well as trademark owners.

Mr. SMITH. Thank you, Professor Lemley.

[The prepared statement of Mr. Lemley follows:]

PREPARED STATEMENT OF MARK A. LEMLEY

Trademark dilution—uses of another's mark that blur or otherwise interfere with the ability of that mark to identify the source of goods—was outlawed by Congress in 1995. Dilution is a real, if not pervasive, problem. The owners of some famous trademarks must contend with a host of uses that may not confuse consumers, but that draw on consumer recognition of the famous mark in a way that makes it more difficult over time for consumers to associate the mark with a consistent brand image, ultimately raising consumer search costs. To take just one example, eBay, the well-known provider of online auctions, is faced with hundreds of companies and Web sites that use [Bay.com] to draw attention to their (often auction-related) services. Appendix 1* lists 186 such sites, ranging from “umbrellaBay.com” and “bargainBay.com” to “blingBay.com” and “OilBay.” This multitude of Bay.com uses blurs the uniqueness of the eBay mark. Of particular note are companies that

*Appendix 1 and Appendix 2 are not re-printed in this hearing but are on file at the Subcommittee on Courts, the Internet, and Intellectual Property.
use the Bay.com style for goods or services that consumers might consider offensive, such as “nazibay.com” (which sells Nazi memorabilia) and “xbay.com” (which offers pornographic videos). Appendix 2 attaches screen shots from several of these Web sites. Traditional trademark law will not prevent these uses unless consumers are confused—i.e., they actually believe eBay has provided or sponsored these sites. But even in the absence of such confusion, eBay’s brand image may be irrevocably harmed, either because the connection between Bay.com and the company is blurred in the minds of consumers who see these different sites, or because particular sites offend consumers who then associate the offensive material in their minds with the eBay brand.

The Federal Trademark Dilution Act of 1995 (FTDA) was designed to deal with these problems by providing a limited number of famous marks with protection not only against confusing uses, but also against non-confusing uses that affected consumer perceptions of their brands. After the passage of that law, however, overzealous trademark owners sought to expand it beyond its bounds. Some argued that even run-of-the-mill marks were sufficiently famous to qualify for trademark protection, persuading courts that such marks as Intermatic, TeleTech, Nailtiques and WaWa were sufficiently famous to be entitled to protection. Others applied the statute to marks that were famous only to a narrow “niche” of consumers, even if they were unknown to the world at large. Still others sought to apply the law to prohibit parody, criticism, and other legitimate uses of their marks by third parties, including political advertisements for candidates that used trademarks to make a point, Web sites that criticized a company with which a consumer had had a bad experience, and social commentary making fun of familiar consumer icons such as the Barbie doll.

Perhaps in response to these excesses, courts in several cases interpreted the statute so narrowly as to effectively foreclose any protection against dilution. Most important in this regard is the Supreme Court’s 2003 decision in V Secret Catalog v. Moseley, which interpreted the FTDA to apply only to cases in which the famous mark had actually been blurred. The V Secret decision also suggested that dilution by tarnishing the reputation of a mark might not be actionable under the FTDA at all, even though it has long been recognized as one of the two rationales for dilution. And the Second Circuit has held that the FTDA requires proof of inherent rather than acquired distinctiveness, meaning that descriptive marks like “McDonald’s” could never be entitled to protection against dilution, regardless of how famous they became.

Proof of actual harm turned out to be virtually impossible to obtain, even in cases in which the blurring effect seemed clear. For example, in Google v. Googlegear, the district court refused to find actual dilution of the famous Google mark by a company that used the “Google” mark to sell its own computing products, even though Google showed that Googlegear attracted most of its consumers to its site by using the Google mark, and that consumers who had a bad experience on that site blamed Google for that experience. Many other courts have rejected dilution claims out of hand in the wake of V Secret.

Neither the expansive reading proposed by trademark owners nor the restrictive reading ultimately adopted by the courts properly balances the competing interests of trademark owners, commentators, and consumers. Dilution is a real problem, one that should be addressed by Congress. At the same time, abuse of the law by trademark owners is also a real problem, one that can do serious damage to freedom of speech, to legitimate competition, and ultimately to consumers themselves.

H.R. 683 strikes the proper balance, limiting trademark dilution to truly famous marks and to truly diluting uses without setting an impossible burden of proof. In particular, four changes in the existing legal rules are worth highlighting:

- **HR 683** returns the law to the pre-V Secret standard of a likelihood of dilution. Given that dilution is a hard problem to quantify, and that the primary relief the bill provides is injunctive, this standard makes sense. Requiring actual dilution, as the law now does, not only creates problems of proof but prevents the courts from effectively remedying dilution once it has occurred.

- **HR 683** protects not only those famous marks that are inherently distinctive, but those that have acquired distinctiveness as well, provided they are now sufficiently famous. While the normal mark entitled to dilution protection will be unique, and therefore likely arbitrary or fanciful, there are certain descriptive marks (like “McDonald’s”) that are sufficiently famous as to be deserving of protection.

- **HR 683** strengthens the requirement of fame. By making it clear that the mark must be “widely recognized by the general consuming public of the United States,” the bill rejects the application of the law to so-called “niche”
fame among a few people or in a small part of the United States. This will help to curb the abuses of the FTDA that occurred in the 1990s by the owners of non-famous trademarks.

- HR 683 expressly adopts the requirement that the defendant use a mark as a "designation of source." This is a familiar requirement from traditional trademark law, where it is sometimes called the "trademark use" requirement. Adding it to the dilution statute provides an important safeguard against the use of the law to attack free speech or legitimate competition. Competitors, parodists, disgruntled consumers, the media and others will be free to use even famous trademarks to comment, criticize, discuss or make fun of the trademark owner, and to engage in legitimate comparisons between their products and the trademark owner's. Similarly, everyone will be able to use a trademark that also has a dictionary meaning (such as "visa") in its dictionary rather than its trademark sense. None of these uses seek to appropriate the famous mark as a brand for the defendant's own products. Only where the defendant uses the famous mark as a mark—as a means of identifying their own goods—are the risks of dilution present.

These changes address both the excesses of trademark owners and the overreaction of the courts. In my view, they properly strike the balance between over- and underprotection in this important area of law.

In evaluating HR 683, and in particular its impact on First Amendment rights, it is important to keep in mind a number of provisions of the FTDA it does not change. The FTDA already exempts comparative advertising, noncommercial use, news reporting and commentary from its ambit, and HR 683 would maintain those exemptions. The legislative history of the FTDA made it clear that the meaning of "commercial use" was established by long-standing caselaw interpreting the "commercial speech" doctrine in the First Amendment. Under these principles, only speech that proposes a commercial transaction, not any speech that may ultimately generate revenue, is commercial speech to which the dilution statute applies. Congress should reaffirm that history in reenacting identical language in HR 683. Further, existing defenses to trademark infringement, such as the doctrines of fair use and noncommercial use, presumably remain available to defendants under the new bill to the same extent they did under the FTDA. Again, legislative history making it clear that HR 683 does not eliminate or override those defenses would be useful in restraining aggressive interpretations of the statutory language and in preserving the important freedoms of speech, parody, criticism and commentary.

Mr. SMITH. Mr. Barber?

TESTIMONY OF WILLIAM G. BARBER, PARTNER, FULBRIGHT AND JAWORSKI, LLP, ON BEHALF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

Mr. BARBER. Mr. Chairman, Mr. Berman, and Members of the IP Subcommittee, the AIPLA agrees that the dilution statute should be amended and supports many aspects of H.R. 683. To stay within my allotted time today, I would like to focus on the main areas where we think the bill should be modified.

AIPLA hosted a meeting a few weeks ago with INTA and other major IP organizations to discuss this bill, and although we reached consensus on a number of aspects, we were unable to come to agreement on two key issues. The first I would put in the category of, "If it ain’t broke, don’t fix it," and the other one is in the opposite category of something that is broken and does need to be fixed.

One aspect of the current statute that we think has worked very well is how courts have accommodated first amendment and fair use principles. When the dilution statute was enacted in 1995, Congress inserted certain safeguards to protect legitimate free speech interests, first, by explicitly proscribing only commercial uses of another’s mark, and second, by setting forth three exclusions covering comparative advertising, non-commercial use, and all forms of
news reporting and news commentary. In addition, courts have had no trouble applying traditional defenses to dilution claims, such as nominative and descriptive fair use.

Despite these safeguards, H.R. 683 would add a new provision limiting dilution protection to situations where a person is using the allegedly diluting term, quote, “as a designation of source of that person’s goods or services.” This would be a completely new requirement in dilution jurisprudence. None of the dilution statutes in this country, going all the way back to the 1940’s, have ever included this limitation, and the potential consequences could be devastating for trademark owners. It would leave gaping holes in the statute’s coverage, precluding dilution claims against several types of damaging uses that have traditionally been actionable.

First, many highly tarnishing uses of a famous mark would be excluded. Examples of such uses are legion in the case law: Posters saying “Enjoy Cocaine” in Coca-Cola’s famous script logo; obscene depictions of the Pillsbury Dough Boy doing sexual acts in a magazine. This limitation will remove trademark owners’ most potent weapon to combat these types of abuses of their famous marks.

Second, use of a famous mark in a domain name would no longer be actionable as dilution unless the defendant is also using the mark to designate its own goods or services sold on the website, and yes, we do have a cyber squatting statute, but that requires a showing of bad faith. In many instances, there is no bad faith but there still is dilution in these domain name cases.

Third, misuses of a famous mark as a generic term, even by a competitor in commercial advertising, would no longer be actionable. As a result, trademark owners may be rendered powerless to prevent their marks from falling into the public domain. We recognize that such cases can raise first amendment and fair use issues, but those issues are more appropriately analyzed in the context of defenses. We believe it is inappropriate to categorically exempt all of these types of damaging uses from dilution protection. This limitation should be removed from H.R. 683 and modifications made to the “defenses” section to address first amendment issues as necessary.

Turning to our second major concern, we believe this is a great opportunity to fix a problem that has plagued dilution statutes for decades. The problem is a subtle but real one, the use of the term “distinctive” or “distinctiveness” in the dilution statutes. The term “distinctive” is a well-established term in trademark law that simply doesn’t fit dilution well. In trademark law, distinctiveness means the minimum source identifying capability that any mark must have to be protectable.

Since all protectable marks are distinctive, defining dilution by blurring as impairment of distinctiveness or distinctive quality gives courts virtually no guidance on what marks qualify for blurring protection and when they are blurred. This has led to significant confusion and even hostility in the courts toward the dilution doctrine.

Dilution by blurring is intended to protect marks that are not merely distinctive, but rather unique marks, like Kodak or Dupont. If someone opens a dry-cleaning business named “Kodak Cleaners,”
it impairs the mark’s uniqueness, not its distinctiveness in the traditional sense, that is, its inherent or acquired distinctiveness.

Accordingly, we believe the impairment of distinctiveness standard should be removed from H.R. 683 and that dilution by blurring should be defined as impairment of consumers’ association between the famous mark and a single source. That is the essence of dilution—the essence of blurring, excuse me.

We also believe it would be helpful to provide the list of factors suggested in our written statement to guide courts in determining whether this unique association is impaired in a particular case. This language represents a reasonable compromise between the proposals originally made by INTA and AIPLA on how to define dilution by blurring and would significantly improve dilution jurisprudence. Thank you.

Mr. Smith. Thank you, Mr. Barber.

[The prepared statement of Mr. Barber follows:]

PREPARED STATEMENT OF WILLIAM G. BARBER

Mr. Chairman:

I am pleased to have the opportunity to present the views of the American Intellectual Property Law Association (AIPLA) on the proposals to amend the federal trademark dilution act, and specifically the bill entitled the ‘Trademark Dilution Revision Act of 2005’ (H.R.683).

AIPLA is a national bar association of more than 16,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, and copyright law, as well as other fields of law affecting intellectual property.

SUMMARY

Sec. 2(1) of H.R. 683 would replace current Lanham Act Section 43(c) with a substantially revised version. The AIPLA agrees that Section 43(c) is in need of amendment and strongly supports H.R. 683, with two primary exceptions: first, the proposed restriction in Section 43(c)(1) to limit relief only to situations where a person uses the diluting mark ‘as a designation of source of the person’s goods or services’ is both unnecessary and inappropriate, and should be omitted; and second, the definition and factors for determining ‘dilution by blurring’ in Section 43(c)(2)(B) should be modified to properly focus on impairment of consumers’ association between the famous mark and a single source, as opposed to the mark’s ‘distinctiveness.’ We also suggest amending the defenses section, Section 43(c)(3), to more clearly accommodate First Amendment concerns.

BACKGROUND

AIPLA has long taken a leading role in efforts to improve this country’s intellectual property laws, including the law of trademarks. Indeed, this is the third time in the past few years that AIPLA has testified or submitted comments to this Subcommittee urging changes to the federal trademark dilution statute. On February 14, 2002, we testified in support of a proposal to modify the dilution statute to provide for a ‘likelihood of dilution’ standard. (See AIPLA testimony, Oversight Hearing on the Federal Trademark Dilution Act, February 14, 2002). Last year, on April 20, 2004, AIPLA submitted a letter to the Subcommittee addressing various aspects of the Committee Print made available for that hearing.

KEY IMPROVEMENTS EMBODIED IN H.R. 683

In our view, Mr. Chairman, H.R. 683 would make a number of key improvements to the dilution statute that we strongly endorse. First and foremost, as discussed above, it would amend the statute to provide relief where the trademark owner can show a ‘likelihood of dilution’ of its famous mark, thus relieving trademark owners of the unreasonable burden—in most cases virtually impossible to satisfy—of proving ‘actual dilution’ as required by the Supreme Court’s interpretation of the cur-

1 See Lanham Act Section 43(c), 15 U.S.C. § 1125(c) (‘FTDA’).
rent statute in Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 433 (2003). Second, it would clarify that famous marks lacking inherent distinctiveness but that have acquired distinctiveness through use (e.g., descriptive marks such as NEW YORK STOCK EXCHANGE) are potentially protectable against dilution, thus overruling an unfortunate line of decisions from the Second Circuit holding that such marks are categorically ineligible for dilution protection under the FTDA.2 Third, it would clarify that famous marks lacking distinctiveness through use (e.g., descriptive marks such as NEW YORK STOCK EXCHANGE) are potentially protectable against dilution, thus overruling decisions that have accorded dilution protection to marks acquired without intent to be widely recognized. Finally, it would define the term “famous” in such a manner that only marks that are “widely recognized by the general consuming public” would be eligible for protection, thus overruling decisions that have accorded dilution protection to marks known only in a “niche” market.

PROPOSED AMENDMENTS TO HR. 683

1. The “Designation of Source” Requirement Should Be Removed

As stated in our April 20, 2004 letter, AIPLA opposes any amendment to Section 43(d) that adds the limitation, “as a designation of source of the person’s goods or services.” We believe this limitation is severely overbroad, removing from the statute’s ambit several types of uses that traditionally have been subject to dilution relief. Moreover, we believe it is unnecessary. As we understand it, the proposed “designation of source” limitation was intended to prevent any descriptive or nominative fair use of a mark from being actionable, and also to respond to concerns that extending dilution protection to other, non-trademark uses would raise First Amendment issues. However, descriptive fair use and nominative fair use have never been actionable under the PTDA. See, e.g., ETW Corp. v. Jireh Publishing, Inc., 392 F.3d 915, 923 n.7 (6th Cir. 2003) (“purely descriptive” use of “Tiger Woods” mark on envelope and in narrative text for art print was fair use). Furthermore, fair use defenses and First Amendment issues would be more appropriately addressed in the defenses section of the bill, Section 43(c)(3). Although AIPLA does not believe that the courts previously have had any difficulty applying such defenses in dilution actions, we believe that an amendment to the defenses section (such as that suggested in 3 below) could adequately address any concerns other interested parties may have in ensuring that the PTDA is not misapplied. Likewise, courts have had no difficulty in reconciling the existing statute with protection of First Amendment rights, and AIPLA does not believe that a severe limitation on dilution protection such as that proposed is needed to enable them to continue doing so in appropriate situations.

If the “designation of source” limitation remains in the bill and becomes law, three important misuses of a famous mark would no longer be actionable: (1) domain name uses that do not fall under the Anti-Cybersquatting Consumer Protection Act; (2) tarnishing uses that are not “designation[s] of source for the [user’s] goods or services”; and (3) generic misuses.

(a) Domain Names

The Anti-Cybersquatting Consumer Protection Act (“ACPA”), Lanham Act Section 43(d), created a cause of action against anyone who, with a bad faith intent to profit from the mark, registers, traffics in, or uses a domain name that is identical or confusingly similar to a distinctive mark, or is identical or confusingly similar to or dilutive of a famous mark. See, e.g., Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc., 202 F.3d 489 (2d Cir. 2000). While that Act has proven to be a potent weapon against cybersquatters, there remain a substantial number of domain name cases where there is no bad faith or it cannot be proven, but there is still likelihood of confusion or dilution which warrants relief. See, e.g., PACCAR Inc. v. TeleScan Techs., L.L.C., 319 F.3d 243 (6th Cir. 2003) (confusion likely due to defendant’s incorporation of plaintiff’s trademarks into domain names for defendant’s websites which provided truck locator services); Harrods Ltd. v. Sixty Internet Domain Names, 302 F.3d 214, 227–232 (4th Cir. 2002) (concluding that a plaintiff in an in rem action under the ACPA “may, in appropriate circumstances, pursue infringement and dilution claims as well as bad faith registration claims,” and remanding for consideration of the non-bad faith domain names). As Professor McCarthy explains in his treatise, Trademarks and Unfair Competition §25.76 (4th ed. 2004):

The federal anti-dilution act can be violated by dilution of a famous mark by either blurring or tarnishment. If a domain name is used for a web site that

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3 537 U.S. at 432.
advertises the sale of goods or services and the domain name tarnishes a famous mark, it can be in violation of the federal anti-dilution act. Such was the case with the domain name “candyland.com” for a website showing sexually explicit pictures [Husbro, Inc. v. Internet Entertainment Group Ltd., 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996) (tarnishing CANDYLAND for children’s game)], the domain name “barbiesplaypen.com” for an adult entertainment website [Mattel, Inc. v. Internet Dimensions, Inc., 55 U.S.P.Q. 2d 1620 (S.D.N.Y. 2000) (tarnishing image of Mattel’s BARBIE products)], and the domain name “adultsrus.com” used on a site advertising the sale of adult sexual products [Toys “R” Us v. Akkouhi, 40 U.S.P.Q. 2d 1836 (N.D. Cal. 1996) (tarnishing Toys “R” Us for children’s toys)]. Similarly, if a domain name is used for a commercial web site and the domain name causes “blurring”, a junior user can be enjoined for using the infringing domain name. [TeleTech Customer Care Mgmt. (Cal.), Inc. v. Tele-Tech Co., 977 F.Supp. 1407 (C.D. Cal. 1997) (“teletech.com” for telecommunications engineering and installation services site blurred plaintiff’s TELETECH mark for customer care information services)]. See also Savin Corp. v. Savin Group, 2004 U.S. App. LEXIS 25479 at *26 (2d Cir. 2004) (remanded for consideration of the facts under the actual dilution standard as set forth in Moseley; “[w]here the senior and junior ‘Savin’ marks both are used in website addresses, the marks may be identical”, which may satisfy that standard); Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002 (9th Cir. 2004) (although defendant’s registration and use of nissan.com, based on his Nissan Computer Corp. company name, was not in bad faith, lower court held that it diluted plaintiff’s rights under FTDA in its NISSAN mark for automobiles); Harrods Ltd. v. Sixty Internet Domain Names, supra (plaintiff owned rights in “Harrods” for department store services in the U.K. and defendant owned the rights in Argentina; defendant was held liable under the ACPA for bad faith registrations of numerous “Harrods”-derivative domain names, but case remanded for consideration of six such non-bad faith “Argentina” domain names under infringement and dilution law); TCPIP Holding Co. v. Haar Commun., Inc., 2004 U.S. Dist. LEXIS 13543 (S.D.N.Y. 2004) (summary judgment granted; “[p]laintiff has demonstrated that its mark is famous and that Defendant’s domain name dilutes its mark by lessening its capacity to identify and distinguish Plaintiff’s goods and services”).

While in some domain name cases the ACPA will also apply, in others the bad faith element may be absent. The requirement that the use be “as a designation of source for the person’s goods or services” would eliminate FTDA relief for all diluting domain names; omitting this limiting language would permit the long-standing coverage of domain names under the FTDA to continue.

(b) Tarnishing Uses

In addition to precluding courts from granting FTDA relief in domain name tarnishment cases where bad faith is absent, the proposed “designation of source” limitation would have the same preclusive effect on other tarnishment cases where a defendant’s commercial use is not as a designation of source for its goods or services. This would eliminate an entire body of law in which courts have been granting relief for many years.

As explained by the Second Circuit, “The sine qua non of tarnishment is a finding that plaintiff’s mark will suffer negative associations through defendant’s use.” Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497 (2d Cir. 1996) (trademark SPAM tarnished by character name “Sp’aim” in a Muppets movie). Uses that are noncommercial or First Amendment-protected commentary or criticism will not create tarnishment liability. See, e.g. TMI, Inc. v. Maxwell, 368 F.3d 433, 434, 440 (5th Cir. 2004) (holding that “noncommercial gripe site” criticizing trademark owner did not violate FTDA or Texas dilution statute); L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 32–33 (1st Cir. 1987) (two page parody entitled “L.L. Bean’s Back-to-School Sex Catalog” within adult entertainment magazine constituted “an editorial or artistic, rather than a commercial, use of plaintiff’s mark” and created no dilution liability). However, where a commercial use crosses the line and causes likely damage to plaintiff’s mark, courts have granted dilution relief. Compare Anheuser-Busch, Inc. v. Balducci Pub’ns, 28 F.3d 769, 778 (8th Cir. 1994) (fake advertisement on back cover of defendant’s humor magazine advertising fictitious “Michelob Oily” product and suggesting plaintiff’s product was contaminated with oil violated state dilution law; such use of plaintiff’s mark “was not even remotely necessary to [defendant’s] goals of commenting on the Gasconade oil spill and water pollution generally,” and the placement on the back cover might cause viewers to “fail to appreciate [the ad’s] editorial purpose”); Dallas Cowboys Cheerleaders, Inc. v. Pussy Cat Cinema, Inc., 604 F.2d 2000 (2d Cir. 1979) (preliminarily enjoining under dilution law the distribution of adult movie featuring porn star wearing a

In Deere & Co. v. MTD Products, Inc., 41 F.3d 39 (2d Cir. 1994), a competitor of Deere in a TV ad promoting its product was found to have deliberately sought to damage consumer associations with Deere’s famous “Deere Logo.” It animated the logo and showed it as a tiny fleeing deer being terrorized by a little dog and the defendant’s Yardman lawn tractor. In granting dilution relief, the Second Circuit observed that “some alterations have the potential to so lessen the selling power of a distinctive mark that they are appropriately proscribed by a dilution statute. Dilution of this sort is more likely to be found when the alterations are made by a competitor with both an incentive to diminish the favorable attributes of the mark and an ample opportunity to promote its products in ways that make no significant alteration.” Id. at 45. It noted in particular that MTD was still free to run comparative advertisements. “MTD remains free to deliver its message of alleged product superiority there by thereby diluting Deere’s trademarks.” Id.

If this proposed limitation were accepted, it would eliminate the ability under the FTDA to stop this type of unfair competitive activity, and it would be open season for competitors to inflict commercial damage on well-known marks.

(c) Generic Misuses

The third type of use for which the proposed “designation of source” limitation would eliminate relief is generic misuse. A valuable trademark can become an unprotectable public domain generic term if the trademark owner fails to take action to prevent it. Exceptional commercial success can lead to the trademark being used to refer to a type of product rather than a brand. Examples where rights were lost include aspirin (even though it’s still a brand in, e.g., Canada and Europe), cel-lophane, dry ice, escalator, photostat, spandex, tarmac, yo-yo, and zipper.

The burden is on the trademark owner to prevent this from happening, and the means of doing so range from emphasizing brand significance and using educational advertising to stopping those who make competitive generic misuse. As explained in Illinois High School Ass’n v. GTE Vantage, Inc., 99 F.3d 244, 246 (7th Cir. 1996), “a serious trademark owner is assiduous in endeavoring to convince [misusers] to avoid using his trademark to denote anything other than the trademarked good or service.” As occurred in E.I. DuPont de Nemours & Co. v. Yoshida Intl, Inc., 393 F.Supp. 502, 507 (E.D.N.Y. 1975), those efforts typically include “extensive surveillance by [the owner’s] legal and advertising departments,” with misuses promptly responded to. Where the commercial use is sufficiently damaging, legal action may prove necessary. See, e.g., Selchow & Righter Co. v. McGraw Hill Book Co., 580 F.2d 25, 27 (2d Cir. 1978), where the court granted a preliminary injunction “at least in part” because defendant’s book entitled THE COMPLETE SCRABBLE DICTIONARY might render generic plaintiff’s mark SCRABBLE for a word game.

There can be no doubt that generic misuse diminishes the distinctiveness and impairs the association of a famous mark with a single source. Again, noncommercial misuses are not actionable under the FTDA, but uses in a commercial context should be. Restatement (Third) of Unfair Competition § 25, comment i. Many owners of famous trademarks have to fight this battle on a daily basis. Examples of such trademarks include Band-Aid, Chapstick, Coke, Dumpster, Formica, Frisbee, Google, Jacuzzi, Jeep, Jello, Kleenex, Lego, Plexiglas, Popsicle, Q-Tips, Rollerblade, Speedo, Styrofoam, Tabasco, Teflon, Tivo, Tylenol, Vaseline, Winey, Xerox, Zoom, and many others. Misuses of such marks obviously are not made to designate the source of defendant’s product. The proposed “designation of source” limitation therefore deprives trademark owners of the best and often the only legal remedy they have against such commercial misuses.

(d) Other Problems

The “designation of source” proposal creates other problems as well. It would in essence shift the burden on fair use to the plaintiff. Traditionally, the defendant asserting a fair use defense has the burden to prove that it is not using the challenged term as a mark (see Lanham Act Section 33(b)(4)), but this proposal would appear to require the plaintiff in a dilution case to prove that defendant is using a term as a mark. Moreover, unlike “trade name” or “mark,” the phrase “designation of source” is nowhere defined in the bill. The inclusion of such an undefined term will only lead to further confusion in the statute’s application.

Finally, it would create an illogical anomaly between trademark infringement law and trademark dilution law. There is no analogous “designation of source” requirement for establishing trademark infringement under the Lanham Act. See, e.g., Sections 32(1) and 43(a). Just as a non-trademark use can create a likelihood of confu
sion (and thus constitute trademark infringement), it can likewise create a likelihood of dilution. Either way, the trademark owner is damaged and should be provided relief.

2. The Definition and Factors for “Dilution by Blurring” Should Be Modified

To put into proper context AIPLA’s concerns regarding the definition and factors for determining “dilution by blurring” contained in H.R. 683, it is important to first review the historical underpinnings of the doctrine and understand what dilution by blurring is really all about.

The genesis of the dilution doctrine in this country is commonly traced back to an article by Professor Frank I. Schechter entitled, "The Rational Basis for Trademark Protection," 40 Harv. L. Rev. 813 (1927). Professor Schechter observed that the selling power of a mark depends largely on its “uniqueness and singularity.” 4 and therefore “the preservation of the uniqueness or individuality of the trademark is of paramount importance to its owner.” 5 Marks that are “actually unique and different from other marks” 6 should be given a broader degree of protection, Professor Schechter argued, because they would “gradually but surely lose [their] effectiveness” if others were to use such marks in connection with different classes of goods or services. He concluded that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.” 7

Professor Schechter offered several examples of marks appropriate for this type of protection, including ROLLS-ROYCE, AUNT JEMIMA’S, KODAK, and RITZ-CARLTON. 8 Similarly, the legislative history of the FTDA provides the following classic examples of diluting marks: DUPONT shoes, BUICK aspirin, and KODAK pianos. 9 Other examples cited in the case law include SCHLITZ varnish, BULOVA gowns, TYLENOL snowboards, NETSCAPE sex shops, and HARRY POTTER dry cleaners. 10 These examples well illustrate the types of marks appropriate for protection against dilution by blurring—they are all not only famous but also substantially unique. The vast majority of the consuming public no doubt associates each of these marks with one source and only one source. It follows, then, that permitting others to use such marks in connection with other products or services would blur the association in the public mind between the famous mark and its original source. This is the essence of dilution by blurring.

Section 43(c)(2)(B) in H.R. 683 defines “dilution by blurring” as “association arising from the similarity between a designation of source and a famous mark that impairs the distinctiveness of the famous mark.” The primary problem with this definition is its use of the term “distinctiveness.” “Distinctiveness” is a well-established term of art in trademark law, 11 denoting the minimal source-identifying capability necessary for protection of a mark. By definition, all protectable marks are “distinctive,” either through “inherent distinctiveness” or “acquired distinctiveness.” 12 This creates a confusing ambiguity in the statute: does “distinctiveness” as used in the definition of dilution by blurring mean this traditional distinctiveness, or does it mean something else?

If “distinctiveness” is intended to have its traditional trademark term of art meaning, then “impairment of distinctiveness” is a very poor definition for dilution by blurring. First, since all protectable marks have the minimal required level of distinctiveness, the definition gives courts virtually no guidance on which marks qualify for protection and which do not, and when they are diluted. Second, “distinctiveness” is simply the wrong term to use in this context, because diluting uses do not impair distinctiveness in the traditional sense. For example, the mark KODAK is a coined term and thus possesses the maximum degree of inherent distinctiveness on the traditional distinctiveness scale. 13 If someone

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1. 40 Harv. L. Rev. at 831.
2. Id. at 822.
3. Id. at 831.
4. Id. at 830.
5. Id. at 831.
6. Id.
8. See, e.g., Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002); Eli Lilly & Co. v. Natural Answers, Inc., 230 F.3d 456, 466 n.4 (7th Cir. 2000); Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621 (2d Cir. 1983).
11. Trademark law has traditionally categorized marks on a spectrum of distinctiveness that ranges from most distinctive to least distinctive as follows: (1) coined, fanciful, or arbitrary; (2) suggestive; (3) descriptive; and (4) generic. See, e.g., Abercrombie & Fitch Co. v. Hunting World, Continued
were to use KODAK for pianos, the original KODAK mark would be no less coined, even though it would clearly be diluted. Similarly, the mark NEW YORK STOCK EXCHANGE is descriptive but has acquired a tremendous amount of distinctiveness through long use and renown. If someone were to use NEW YORK STOCK EXCHANGE in connection with a casino, the mark would be no less well known for stock exchange services. What is impaired by these uses is the famous mark's uniqueness, not distinctiveness.

Use of the term "distinctiveness" in the definition is not only technically incorrect, it can lead to improper results. While essentially all famous marks are distinctive, they are not all unique. Consider as an example the famous computer mark APPLE. That mark is arbitrary in relation to computers, and thus ranks very high on the distinctiveness scale. However, it is not unique. There are also APPLE records, APPLE banks, APPLE leasing services, and many other businesses named APPLE. Therefore, permitting someone to open a new APPLE dry cleaners would not likely dilute the computer manufacturer's mark. But if a court were to try to apply the "impairment of distinctiveness" definition in H.R. 683 literally, it might be led to the opposite result due to the APPLE mark's high degree of inherent distinctiveness.

Unfortunately, use of this term of art in dilution statutes is not a new problem. It is a vestige of history that has been plaguing dilution law for decades. The early state dilution statutes, which were typically modeled after the 1964 Model State Trademark Bill, spoke in terms of "dilution of the distinctive quality" of a mark. Use of that phrase was then carried forward into the current version of the PTDA enacted in 1995, Lanham Act Section 43(c)(1). This language has long befuddled courts and created significant concerns about the dilution doctrine in general. See, e.g., Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 455 (4th Cir. 1999) (acknowledging "the sheer difficulty that courts have had in getting a firm handle on the basic concept of 'dilution' as cryptically expressed in the typical state statute in an elaborated reference to 'dilution of the distinctive quality of a mark'"); Jordache Enters., Inc. v. Hogg Wyld, Ltd., 828 F.2d 1482, 1498 (10th Cir. 1987) ("It has been widely observed that many courts have been hostile to state antidilution statutes.") As noted in the Restatement (Third) of Unfair Competition:

At first the courts applied the statutes reluctantly, if at all. . . . Some courts, and numerous commentators expressed fear that the uncertain limits of action would unduly expand the ability of trademark owners to monopolize language and inhibit free speech.15

The struggle to properly understand and apply dilution statutes continues today. In a recent article, Professor McCarthy (perhaps the leading commentator in the trademark field) stated, "No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created as much doctrinal puzzle- ment and judicial incomprehension as the concept of 'dilution' as a form of intrusion on a trademark. It is a daunting pedagogical challenge to explain even the basic theoretical concept of dilution to students, attorneys, and judges." J. Thomas McCarthy, "Proving a Trademark Has Been Diluted: Theories or Facts?," 41 Houston L. Rev. 713, 726 (2004).

Rather than remedy the long standing confusion stemming from use of the term "distinctive quality" in the dilution statutes to date, H.R. 683, if anything, exacerbates the problem, changing the term to merely "distinctiveness." AIPLA submits that it is time to remove the trademark term of art "distinctive(ness)" from the statutory definition and provide courts with much needed guidance on determining "dilution by blurring."16

AIPLA's original proposal to accomplish this goal was to define "dilution by blurring" as "impairment of the public's association of a famous and substantially unique mark exclusively with a single source." We believe this definition embodied two key improvements over the current language: (1) it made clear that only "sub-

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Inc., 537 F.2d 4, 9 (2d Cir. 1976). Marks in the first two categories are considered inherently distinctive, while descriptive marks must acquire distinctiveness before being protected.


16 Accord, David J. Kera and Theodore H. Davis, Jr., "The Fifty Fifth Year of Administration of the Lanham Act of 1946," 93 Trademark Rep. 197, 202 (1993). Describing the "Distinctiveness Conundrum," the authors state that "different terminology should be used to separate the type of 'distinctiveness' needed to obtain protection under dilution law. The term 'distinctiveness' should be reserved to describe only the threshold over which a symbol must pass to gain trademark protection. . . . The terms 'singularity' and 'uniqueness' should be employed to describe the threshold over which a mark must pass to be entitled to protection under dilution law. . . ."
substantially unique" marks are eligible for protection; and (2) it defined the harm in terms of impairment of association between the famous mark and a single source, rather than the mark's "distinctiveness.

Earlier this year, AIPLA hosted a meeting with other interested intellectual property law associations to discuss the differences among us on this and other aspects of the bill. In these discussions, concerns were raised as to whether courts would understand and properly apply the term "substantially unique.” Although AIPLA does not share those concerns, we suggested the following definition and factors as one possible way of bridging our differences:

(B)For purposes of paragraph (1), 'dilution by blurring' means impairment of the association between the famous mark and a single source. In determining whether use of a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including but not limited to the following:

(i) The strength of the association between the famous mark and a single source.
(ii) The degree of recognition of the famous mark.
(iii) The degree of inherent or acquired distinctiveness of the famous mark.
(iv) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
(v) The degree of similarity between the mark or trade name and the famous mark.
(vi) Whether the user of the mark or trade name intended to impair the association between the famous mark and a single source.
(vii) Any actual impairment of the association between the famous mark and a single source.

We believe this suggestion also properly focuses courts on the impairment of consumers' association between the famous mark and a single source (as opposed to the mark’s "distinctiveness"), and provides a list of appropriate factors relevant to determine the likelihood of dilution by blurring.18

3. Defenses

We believe that the First Amendment concerns that were expressed in the hearing before this Subcommittee last year arising in the context of use of a famous mark in connection with legitimate commentary, criticism, parody, etc., can be fully addressed either by amending the defense set forth in Section 43(c)(3)(A) in H.R. 683 as follows:

Fair use of a famous mark by another person, including for purposes of comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark. (New language underlined.) or by adding a new defense to Section 43(c)(3) as follows:

Use of a famous mark to comment on, criticize, or parody the owner of the famous mark or the goods or services in connection with which the famous mark is used.

CONCLUSION

We, again, commend you, Mr. Chairman, for your continuing leadership in striving to improve our intellectual property system. The AIPLA looks forward to working with you, the other Members of the Subcommittee, and your able staff to support you in any way we can.

17AIPLA’s proposal defined “substantially unique mark” as “a mark associated substantially exclusively with a single source. The extent of third party use may be considered in determining whether the mark is associated substantially exclusively with a single source; de minimis use of the mark will not preclude protection with regard to dilution by blurring.”

18Over the years, courts around the country have struggled to develop lists of factors to determine dilution. These judicial lists often conflict and include factors more relevant to infringement analysis (likelihood of confusion) than the separate harm of dilution. Compare, e.g., Toro Co. v. ToroHead, Inc., 61 U.S.P.Q.2d 1164, 1183 (TTAB 2001); Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 469 (7th Cir. 2000); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 217–21 (2d Cir. 1999); Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1035 (2d Cir. 1989) (J. Sweet, concurring). A uniform list of statutory factors would therefore be helpful.
Mr. SMITH. Mr. Johnson?

TESTIMONY OF MARVIN J. JOHNSON, LEGISLATIVE COUNSEL, AMERICAN CIVIL LIBERTIES UNION

Mr. JOHNSON. Thank you, Mr. Chairman, Ranking Member Berman, and Members of the Subcommittee I am pleased to appear before you today on behalf of the American Civil Liberties Union and its over 400,000 members across the United States to talk about H.R. 683, the “Trademark Dilution Revision Act of 2005.”

Now, in my written testimony, I discuss the dynamic tension between the first amendment and trademark law, and in my oral testimony, I would like to talk more about the problems posed by this bill, and time permitting, some possible solutions.

You may remember the “Joe Chemo” example in which Adbusters magazine used Joe Chemo as kind of a parody of the “Joe Camel” trademark that Camel cigarettes used. I think given the language that is in this particular bill about designation of source, the Adbusters ad may not be prohibited because it is not designating any particular source. But if you change the facts just slightly, then I think you can see why some of the problems exist with this bill that we are talking about.

First, assume that I have the rights to use Joe Chemo as a designation of source and I use him as a mascot for an anti-smoking campaign where I use Joe Chemo as the mascot on a website. Consider that also the Joe Camel is an active trademark of Camel cigarettes and is being used to promote their product. Now, in order to defray the costs of running the website, I go ahead and I put Joe Chemo on some t-shirts and I sell these t-shirts to defray the cost of the website and all of the money that I get goes back into the website.

Now, it is likely that H.R. 683 is going to prohibit that because Joe Camel, or Camel cigarettes, would be able to come in and argue that I am diluting their trademark by using Joe Chemo as the designation of source of my website and the t-shirts that I am selling. So the end result would be that the website, which could be a very effective anti-smoking website, could be shut down by arguing that I am diluting or blurring or tarnishing their trademark.

Now, under the likelihood of dilution, Camel cigarettes wouldn’t have to prove that I actually diluted the trademark, only that there is a likelihood of dilution, and to the extent that I am successful in this anti-smoking campaign, I may well have diluted their trademark. Now, by positing my success, however, Camel cigarettes is able to come in and argue that there is a likelihood of dilution and, therefore, they would be able to shut down the website.

Now, the dilution by tarnishment, when you couple this with the likelihood of dilution, you have a likelihood of tarnishment cause of action that comes about, and to the extent that any parody or criticism evokes unflattering thoughts about the owner’s product or service, it has resulted in tarnishment and it, therefore, can be enjoined. So you have got a situation where you have Joe Camel, a suave and debonair figure, promoting Camel cigarettes, versus Joe Chemo, a sickly, in-need-of-treatment camel, and therefore it can be an unflattering comparison.
H.R. 683 uses as a factor in some of its analysis whether the user of the junior mark intended to create an association with the famous mark. Now, isn’t that exactly what you do in a parody? Isn’t that exactly what I am doing here where I use Joe Chemo as a parody, essentially, of a famous mark? So I intend to have that type of association as part of a parody.

Do the exemptions in the current bill help me? Not really. It is not comparative advertising in its truest sense, and thus, I can’t rely upon that as a defense. Some courts have held that minimal use of—or minimal income through seeking donations and selling t-shirts makes it a commercial enterprise and, therefore, takes it out of the non-commercial use category. Third, this site is not normally one that would be considered news reporting or commentary, so that defense would be unavailing, as well.

So the exemptions really wouldn’t provide me much of a defense here. In fact, Camel under this bill may be entitled to additional remedies beyond an injunction because I willfully intended to trade on the recognition of the famous mark.

So what can be done? Well, one thing that can be done is to keep the law as it currently is and require actual dilution, but I think there are some problems with that, as well. But if you broaden the fair use provision to include all aspects of fair use, then I think you solve some of the problems. Also, if you require bad faith as an element of the blurring cause of action, then you tend to reach the type of harm that this bill is intended to reach.

There are some others that are in my written testimony, so I won’t go through all of those. But for the reasons stated in my written testimony and the analysis that you have heard today, I think there are some reservations about H.R. 683 as it currently exists, but we are certainly willing to work with the Committee to provide a bill that will be more protective of the first amendment.

Mr. SMITH. Thank you, Mr. Johnson.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF MARVIN J. JOHNSON

Chairman Smith, Ranking Member Berman and Members of the Subcommittee:

I am pleased to appear before you today on behalf of the American Civil Liberties Union and its more than 400,000 members, dedicated to preserving the principles of the Constitution and the Bill of Rights, to explain the ACLU’s views on H.R. 638, “The Trademark Dilution Revision Act of 2005.” This bill proposes to greatly expand the existing Act, making dilution actions easier for trademark holders while simultaneously diluting protections for free speech. We urge you to continue to require actual dilution in any cause of action, and to make some other amendments that will be more protective of free speech.

Trademark law provides an important tool for preventing confusion or deceptive marketing, but trademark laws should not be used as a pretext to stifle criticism, parody or legitimate competition when there is no reasonable likelihood of confusion and no actual dilution caused by use of the trademark.

This proposed bill is a significant expansion of the current dilution statute, and allows injunctions of speech in more instances. Dilution causes of action are problematic under the First Amendment because they allow commercial entities to secure injunctions prohibiting speech that is truthful and neither misleading or confusing. The basis of the injunction is that someone else other than the trademark holder used a word that is identical or similar to a trademark, and that the use might lessen the consuming public’s association of the term with the trademark. Congress initially drafted the Federal Trademark Dilution Act (“FTDA”) somewhat narrowly, requiring proof of actual dilution. This lessened the statute’s impact on First Amendment activity. The proposed revision, however, adopts a “likelihood of
dilution" standard, significantly easing the burden of proving "dilution," and increasing the danger to First Amendment activity.

We will first provide some background on the tension between trademarks and free speech, and then discuss specific problems with the proposed bill.

Background
Trademark law developed primarily to protect the interests of consumers to receive reliable information about goods and services. To accomplish this objective, the suppliers of these goods and services were granted limited rights to regulate the misleading use of their brands and associated symbols. The grant of these rights, however, has the potential to impinge upon the ability of the public to communicate and receive information. Purposeful limitations were therefore placed on the rights of the trademark holder to avoid this problem. One of those limitations was the doctrine of "confusion": trademark rights were only enforceable where another's use is likely to cause confusion. This standard alleviates the tension between the interests of consumers and the broader free speech interest of the public in general.

Courts and commentators have long recognized that trademark liability implicates the First Amendment. "Because the trademark law regulates the use of words, pictures, and other symbols, it can conflict with values protected by the First Amendment. The grant to one person of the exclusive right to use a set of words or symbols in trade can collide with the free speech of others." The Restatement (Third) of Unfair Competition noted in a comment that the "use of another's trademark, not as a means of identifying the user's own goods or services, but as in incident of speech directed at the trademark owner, ... raises serious free speech concerns." Noting the conflict between trademark law and free speech, the Fourth Circuit Court of Appeals stated in CPC International, Inc. v. Skippy Incorporated: It is important that trademarks not be "transformed from rights against unfair competition to rights to control language." Such a transformation would diminish our ability to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance. "Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark." Despite free speech concerns, Congress passed the FTDA in 1995 to provide protection from trademark dilution. "Dilution" is defined as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception." The FTDA provides, in part, that the owner of a famous mark is entitled to relief against another's commercial use in commerce of a mark, "if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." (Emphasis added.) Because of the "causes dilution" language, the Fourth and Fifth Circuits required there be actual proof of dilution. The First, Second, Sixth, and Seventh Circuits, however, adopted a "likelihood of dilution" standard, as they

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1 See 2 J. Thomas McCarthy, McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.02 (explaining that the limited, quasi-property right of trademark holders has extended from tort, rather than property law).
2 1 Pat. L. Fundamentals § 4.04 (2d ed.). Some commentators have opined that anti-dilution statutes are inherently antithetical to the First Amendment. See, e.g., Marla J. Kaplan, "Antidilution Statutes and the First Amendment," 21 Southwestern University Law Review 1139 (1992) (arguing that antidilution statutes violate the First Amendment because they prohibit commercial speech that does not mislead or deceive and because there is no substantial government interest to support them; also arguing that antidilution laws are not designed to protect the public, as was trademark law's historical purpose.)
3 Restatement (Third) of Unfair Competition § 25 cmt. i (1995). See, also, ACLU v. Miller, 977 F.Supp. 1228 (N.D. Ga. 1997) in which the court granted a preliminary injunction against a statute forbidding "any person... knowingly to transmit any data through a computer network... if such data uses any... trade name, registered trademark, logo, legal or official seal, or copyrighted symbol... which would falsely state or imply that such person... has permission or is legally authorized to use [it] for such purpose when such permission or authorization has not been obtained." The court found this provision overbroad, in that it prohibited speech protected by the First Amendment.
6 Ringling Brother-Barnum & Bailey Combines Shows, Inc. v. Utah Division of Travel Development, 170 F.3d 449 (4th Cir. 1999); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658 (5th Cir. 2000).
believed actual dilution would be impossible to prove. The Supreme Court settled the controversy in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), when it held that the statute required actual proof of dilution. H.R. 638 seeks to overturn *Moseley* by amending the statute to only require “likelihood of dilution.” While this makes it much easier for trademark holders to bring dilution actions, it also significantly decreases protection for activities protected under the First Amendment.

The government interest in protection of trademarks arises when the use of a trademark diminishes its distinctiveness. Trademarks are valuable as identifiers of the source of goods. To the degree this effect is hindered, the public is harmed. The use of a mark to identify the source of a product is central to dilution actions. Consider the example used in the original article in 1927 to justify dilution statutes, and the example used during debates on the FTDA in 1995: the use of the name Kodak on pianos. Where the use of a trademark leads to confusion as to the source and the example used during debates on the FTDA in 1995: the use of the name Kodak on pianos. Where the use of a trademark leads to confusion as to the source of the product, the government may have a “substantial interest” in preventing dilution. After all, slapping the brand name “Kodak” on a piano has little expressive purpose and could lead to consumer confusion.

Where, however, a trademark is used for parody, commentary, or criticism of a product or service, confusion is far less likely, and the government’s interest in protecting a trademark over free speech is minimal. As noted above, empowering trademark owners to quash criticism merely because it involves the use of a trademark transforms the trademark owner into a monitor of the spoken and written English language. Because the bill would require only a “likelihood of dilution,” instead of actual dilution, trademark holders will be able to stifle speech that is critical of their trademark.

To allow actions for “likelihood of dilution” would broaden dilution to permit injunctive relief against speech that is not confusing or deceptive and has not yet caused harm. Since dilution can occur either by blurring or tarnishment, this broadening would include the “likelihood of tarnishment.” Thus, under the “likelihood of dilution” standard, speech critical of a company could be enjoined, even if true, because it is likely to result in tarnishment.

The idea that trademark owners would use the FTDA to stifle criticism is far from a fanciful notion. It occurred in the Second Circuit, which had interpreted the FTDA to require only a “likelihood of dilution.”

In *WWF v. Bozell*, the World Wrestling Federation (WWF) sued individuals for defamation and dilution of the WWF mark. The defendants had embarked on a public relations campaign claiming that the WWF was in part responsible for the deaths of several children killed by teenage wrestling fans who claimed to be mimicking WWF wrestling moves. This speech clearly should have been protected speech under the First Amendment. The court, however, held that the public relations campaign qualified as “commercial use” as required by section 43(c) of the Lanham Act because defendants attempted to raise money for their cause (“commercial use”) and posted their statements on the Internet (“in commerce”). Thus, Bozell’s actions did not fit within the exemption for noncommercial use of a mark, and the defendants received no protection under the First Amendment. The court rejected defendants’ motion to dismiss. The court also rejected defendants’ claims that the First Amendment required dismissal.

It is important to note that, unlike defamation claims, a dilution claim permits the court to order preliminary injunctive relief. The anti-violence/anti-WWF campaign could be enjoined pending trial in order to protect WWF from the “likelihood” that the campaign would tarnish its mark.

In another case from the Second Circuit, *Scholastic Inc. v. Stouffer, 12* the author and publisher of the hugely popular Harry Potter books sought a declaratory judgment that it had not infringed on Stouffer’s copyrights or trademarks. Stouffer counterclaimed, alleging, among other things, dilution and defamation. The defamation claim was based on plaintiffs’ alleged portrayal of Stouffer as a “goldigger”
whose claims were “absurd,” “ridiculous” and “meritless.” 13 The court dismissed the claim “to the extent it asserts a claim for defamation, but declines to dismiss this claim to the extent it asserted a claim for dilution under federal or state law.” 14 Therefore, a dilution action was allowed to proceed even though the comments should have been protected as free speech.

Numerous other instances of using dilution claims to stifle speech have arisen, one of the most recent being Farmers Group, Inc. v. Guerrero, a case filed this year in the Federal District Court for the Eastern District of Washington. Here, Farmers Group is suing Guerrero for a gripe site he administers which is critical of Farmers. Because he used the Farmers logo and name on the site, Farmers is claiming, among other things, dilution of its trademark and service mark. Yet, if Guerrero did not use the Farmers name or logo, visitors to his site would be unlikely to determine that Farmers was the target of his ire, a fact probably not lost on Farmers.

The number of cases actually filed in which trademark dilution is used to stifle speech is, however, not a good indicator of the harm inflicted. Some operators of gripe sites, and other targets of trademark holders, simply give up after receiving a notice to cease and desist, rather than go to the expense of hiring an attorney and fighting. As Mr. Stimson from Kodak Corporation noted in last year’s hearing, the FTDA is a “powerful tool,” and it helps Kodak “in cease and desist letters to stop the dilution at very early stages.” Likewise, it can also stifle speech in its early stages.

By requiring only a “likelihood of dilution,” trademark holders will now have a more potent weapon to stifle speech that is critical or a parody of their trademark. Furthermore, unlike defamation law, under the FTDA a preliminary injunction may be granted, silencing the speaker until after a trial. Thus, on the speculation that a trademark may be diluted a speaker may be muzzled. In essence, trademark holders now have a monopoly on certain words, expressions and images.

We urge you to reject the “likelihood of dilution” standard and maintain the “actual dilution” language currently in the FTDA.

Because the bill would make dilution by tarnishment actionable, the bill would stifle free speech.

Specifically recognizing “tarnishment” as a cause of action opens the door to silencing critics of a trademark.

There are two commonly recognized forms of dilution: blurring and tarnishment. 15 “Blurring involves the gradual whittling away or dispersion of the identity and hold upon public mind of the mark or name by its use upon non-competing goods.” 16 “Tarnishment results when one party uses another’s mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the mark.” 17 The current FTDA applies to dilution by blurring, but does not make dilution by tarnishment actionable (although some courts have read it to include tarnishment). The proposed bill would explicitly make tarnishment actionable as well.

“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.” 18 Unfortunately, it also provides trademark holders with another cause of action to silence critics. Additionally, a broad application of tarnishment acts to chill commercial speech. 19 For example, in Deere v. MTD, the court found dilution by tarnishment where a competitor showed Deere’s trademark, a running deer, fleeing from the competitor’s tractor.

What the proposed bill fails to recognize is that trademarks have a huge impact on our shared culture. Trademarks have become essential to the communication about particular goods or services, often representing the most effective means by which to state one’s position. 20

By coupling the “likelihood of dilution” standard along with tarnishment, trademark holders can now argue their trademark is “likely to be tarnished” and possibly prevail, even though no tarnishment has actually occurred. Furthermore, the trade-
mark holder can obtain an injunction against the speech long before a trial is even held.

If tarnishment remains as a cause of action, the exemptions must make clear that fair use and free speech are fully protected, even if used in commercial speech. Furthermore, the definition of “tarnishment” in Section 2(c)(2)(C) should be changed. Currently, it defines tarnishment as “association arising from the similarity between a designation of source and a famous mark that harms the reputation of the famous mark.” The definition is too vague and would sweep into it parody and criticism. After all, if the criticism is successful, won’t it “harm” the mark? Tarnishment has traditionally been used where the mark is associated with illegal activity or sexual activity.21 “Harm” should be more specifically defined to make it clear what kind of harm is contemplated.

The bill inappropriately continues to rely on a distinction between “commercial” and “noncommercial” to determine that only “noncommercial” speech is protected. This strips protection from commercial speech, as well as speech that has only incidental commercial components.

The fact that the communication carries a commercial component should not automatically deprive the communication of First Amendment protection. In many cases, the commercial component is what makes the communication viable. “A social satire is no less effective or communicative if sold than if given away, and the costs of printing and distributing the message... can generally be recouped through sales of the item in question.”22 Furthermore, as even commercial speech is protected under the First Amendment, it makes little sense to deprive it of protection under the FTDA simply because it is commercial.

It is not always easy to determine what is and is not “commercial” speech. The United States Supreme Court has held that commercial speech is “speech proposing a commercial transaction.”23 Within those narrow confines, the definition may be sufficient. The question of what constitutes commercial speech however is far more nuanced, and bright lines are hard to find. For example, in Rubin v. Coors Brewing Co., 514 U.S. 476 (1995), the Court found that a statement of alcohol content on the label of a beer bottle constituted commercial speech. Likewise, the Court found commercial speech in statements on an attorney’s letterhead and business cards identifying him as a Certified Public Accountant and Certified Financial Planner.24

In Bolger, the United States Supreme Court was faced with a question of whether a federal law prohibiting the mailing of unsolicited advertisement for contraceptives violated the federal Constitution’s free speech provision as applied to certain mailings by a corporation that manufactured, sold, and distributed contraceptives. One category of the mailings in question consisted of informational pamphlets discussing the desirability and availability of prophylactics in general or the corporation’s products in particular. The Court noted that these pamphlets did not merely propose commercial transactions.25 While the parties conceded the pamphlets were advertisements, the Court did not find that fact alone sufficient to make them commercial speech, because paid advertisements are sometimes used to convey political or other messages unconnected to a product or service or commercial transaction.26 The Court concluded that a combination of three factors, all present in this case, provided strong support for characterizing the pamphlets as commercial speech. The three factors examined by the court were: (1) advertising format; (2) product references; and (3) commercial motivation.

Part of the difficulty in applying Bolger is that the Court rejected the notion that any one of the factors was sufficient by itself, but also declined to hold all of these factors in combination, or any one of them individually, was necessary to support characterizing certain speech as commercial.27 It is no wonder the Supreme Court

21 Unless the material is found to be “obscene,” sexual material is protected under the First Amendment. We therefore do not recommend defining sexual activity that is not obscene as tarnishment.
25 Bolger, supra. at 62.
26 Id.
27 Id. at 67, fn. 14, and 66, fn. 13.
in later decisions acknowledged that “ambiguities may exist at the margins of the category of commercial speech.”

When given an opportunity to more clearly define commercial speech in Nike v. Kasky, the U.S. Supreme Court dismissed the case as having improvidently granted certiorari. Several members of the Court specifically noted the difficulty of the questions presented. As a result, lower courts are left to flounder, and often take an overly broad view of what constitutes commercial speech.

Against this backdrop, and despite the fact that the Supreme Court has recognized that commercial speech enjoys First Amendment protection, the FTDA continues to rely upon a supposed bright-line distinction between fully protected and commercial speech, condemning any speech that is not “pure” (meaning it is not tainted with any commercial element). Reliance on this supposed “bright-line” distinction ignores the fact that effective speech is rarely “pure” in that it lacks some commercial component. Activist groups routinely seek donations on a web site to support their work, sell T-shirts, stickers and books, and possibly even allow advertising on the web site. Yet, under the FTDA, critical websites and parodies that generate incidental revenue could still be found to be “commercial” and therefore subject to an injunction. The result is a chilling of the expressive use of trademarks in speech that mixes traditionally understood free speech with commercial elements.

An example is Adbusters Media Foundation and its magazine, Adbusters. This publication features advertisement parodies, called “subvertisements,” which use trademarks and corporate logos to generate awareness about social and political issues. One issue featured “Joe Chemo,” a parody of the “Joe Camel” character used by Camel cigarettes, to raise awareness of the health issues surrounding smoking. These ads represent a type of important civic speech that is traditionally protected under the First Amendment. It makes critical commentary on the trademark holder, furthering the traditional goals of trademark law by informing the consumer about the goods and services they purchase. While the speech is predominantly civic in nature, the commercial element of selling the magazine could well mean that the trademark holder under the FTDA could silence its critical speech.

One could argue that H.R. 638 would not cover the “Joe Chemo” example because “Joe Chemo” does not function as a “designation of source.” While “designation of source” provides some narrowing of the application of the FTDA, it does not completely solve the problem. Consider this example: If “Joe Chemo” was used as the logo of an anti-smoking campaign web site, it may well function as a designation of source. And, if the web site sold “Joe Chemo” t-shirts to raise money for the anti-smoking campaign, the use of the logo may be considered “commercial.” Thus, the trademark holder for “Joe Camel” may well be able to use the FTDA as amended to silence such a web site.

Although Congress in adopting the FTDA, characterized the noncommercial use exception as adequate to accommodate First Amendment concerns, that assessment has proved to be unduly optimistic. Even courts that reach the right result often have to strain to protect free speech.

When faced with a trademark dilution claim for the parody song “Barbie Girl,” the Ninth Circuit Court of Appeals recognized that the song was entitled to protection under the First Amendment. It did not, however, fit neatly into the three exceptions noted in the FTDA: It was not comparative advertising, it was being sold for a commercial purpose, and it was not news reporting. In order to reach the correct result and deny the injunction, the court interpreted “noncommercial use” to refer to a use “that consists entirely of noncommercial, or fully constitutionally protected speech.” “If speech is not ‘purely commercial’—that is, if it does more than propose a commercial transaction—then it is entitled to full First Amendment protection.” While such a result is correct, and comports with the legislative history of the FTDA indicating an intent to protect parodies, this is a somewhat strained application of the statute.
definition, and certainly not followed by all courts. As noted above, in *Bozell*, a commercial purpose was found simply because Bozell sought donations over the Internet for his activities. Thus, the noncommercial use exception provides no consistent relief for those who engage in free speech activities.

We recommend amending the exemptions to drop the distinction between “commercial” and “noncommercial” speech and provide an exemption for any speech protected by the First Amendment.

Intent or bad faith should be an element of the blurring cause of action.

Section 2(c)(2)(B)(vi)

One of the factors in determining dilution by “blurring” is “whether the user of the designation of source intended to create an association with the famous mark.” In a parody, or criticism, the user of the mark obviously intends to create an association with the famous mark. The mere mental association is insufficient to support a blurring cause of action.34 The lack of an element of intent or bad faith would allow blurring to silence parody or criticism based merely on the intended association. We recommend that this factor encompass some form of bad faith or intent to harm (being specific about the type of harm contemplated).

Harm should also be incorporated as an element in the blurring cause of action.

Section 2(c)(2)(B)(vi) provides another factor in determining “blurring,” and likewise relies upon association without a concomitant harm. [“Any actual association between the designation of source and the famous mark.”] Once again, a parody or criticism, if successful, would meet this criterion.

We recommend that whatever harm this is intended to prevent be spelled out in more detail to avoid reliance on mere association as a factor in determining harm.

Section 2(c)(4)(B) would sweep in parodies and criticism.

Section 2(c)(4) provides for additional remedies (beyond an injunction) where the acts of the junior mark holder are intentional. Subsection B allows additional remedies in a tarnishment action where “the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark.” Once again, this is exactly what a parody or criticism does—it trades on the recognition of the famous mark. Thus, speech that should be protected under the First Amendment could be used to justify even more damages than just an injunction.

The fair use exemption should be expanded to encompass all fair uses.

Both the current and the proposed FTDA allow an exception for “fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.” There is no rational basis for limiting fair use in this manner. Fair use is a much broader concept, and it should apply to trademark dilution actions in all situations, not just comparative advertising.

Conclusion

By using trademark dilution as a claim, companies would have an additional potent weapon to silence their critics. Unlike defamation claims, the company need not demonstrate falsity or malice—only the “likelihood of tarnishment.” To the extent any critic is successful, companies may be able to establish that their trademark is “likely to be tarnished.” Preliminary injunctive relief would silence the critics pending trial, even though the company has proven no actual harm to its trademark, and the court has made no final ruling that the critic’s speech is unprotected.

As the FTDA expands, it alters the dynamic tension between trademark holders and free speech in favor of trademark holders. While enriching trademark holders, it dilutes free speech without any concomitant benefit to society. Furthermore, it places the trademark holder in the position of holding an indefinite monopoly in expressive subject matter, and obstructs the public’s ability to freely engage in a democratic dialogue.35

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34 Moseley, supra, at 433.
35 See *Cohen v. California*, 403 U.S. 15, 26 (1971) (recognizing that the elimination of particular words poses a substantial risk of suppressing ideas in the process).
Mr. SMITH. I am going to recognize the gentleman from California for his questions first, and then I will follow up after his line of questioning. Mr. Berman?

Mr. BERMAN. Thank you very much, Mr. Chairman.

Basically, I think we probably need a bill. We need to not wait until damage is done to do it, particularly since if the only real remedy here is closing the barn door, the injunction, you probably want to do it when— is it horses that are still in the barn? [Laughter.]

The Supreme Court case, I take it the proponents of the change think they need to, in effect, overcome that decision. Victor’s Little Secret is some store in a mall in Kentucky. Everybody who hears about it, I am sure, associates it with Victoria’s Secret, but I can’t imagine anyone who is confused by it. No one thinks they are going to Victoria’s Secret when they go there. What is the reason why Victoria’s Secret should be able to enjoin Victor’s Little Secret from using that name?

Mr. LEMLEY. Well, I think the answer is we are concerned not so much about one use by one little store in Kentucky, all right. We are concerned about what happens if—

Mr. BERMAN. Let us say Victor’s Little Secret is a national chain of adult novelties or whatever.

Mr. LEMLEY. Right, and then somebody else can use “Victor’s Big Secret” and someone else can use a variety of different things. The risk is that, over time, the association that consumers have between Victoria’s Secret, the mark, and the company and the products they provide now becomes not a unique association. I hear this name Victoria’s Secret and I immediately think of this company. Now, I have got to kind of sort through in my mind a bunch of different uses. This is especially true when the uses are identical, if there are five or six different Victoria’s Secrets, but it is even true if they are not identical.

Mr. BERMAN. United Airlines, United Van Lines, United Plumbing, United this, United that, I mean—

Mr. LEMLEY. No, that is right. There are certainly—and this is, I think, why it is important to limit the marks that are entitled to protection to marks that really are truly famous.

Mr. BERMAN. I think United Airlines is pretty famous.

Mr. LEMLEY. I think that is right, but I think if it is just the term “United,” we would say the term “United” is actually already dilute. You are not entitled to prevent a new United-something in a different field from coming around.

Mr. BERMAN. And Victoria’s Secret is entitled to protection from somebody—

Mr. LEMLEY. I think that is right because they have that uniqueness. There are some large—

Mr. BERMAN. But Victor’s Little Secret is as different from Victoria’s Secret as United Van Lines is from United Airlines.

Mr. LEMLEY. Maybe. I am not sure that is right, but even if it is right, I think the key is that if there was only one United in the world, all right, and everyone associated that term, “United,” with that particular company, that company would be harmed by having other people come in and use the term.
Mr. Berman. All right. Let us take Gallo. Gallo is a very famous wine maker. Now somebody wants to open up Gallo Shoes. Should Gallo Winery be able to enjoin Gallo Shoes from doing business?

Mr. Lemley. I think they should, and in fact, there is a case in the Ninth Circuit that enjoins the use of the term Gallo by someone whose name is Gallo for selling meats and cheese. The only exception, I think, would be where there is a——

Mr. Berman. This is Harry Gallo and he wants to start a shoe store.

Mr. Lemley. I think the answer is if, in fact, you have a truly famous mark, you are not entitled to make that use. So even names that people want to use for their own brand, if that name happens to be “McDonald” or “Kodak,” courts have shown a willingness to forbid the use of it because they want to protect the uniqueness of a mark that is, in fact, already in that special——

Mr. Berman. What about Harvey McDoogle who wants to start a little coffee shop?

Mr. Lemley. Well, on the theory that it is too close to McDonald’s? I think there are factual questions there. My guess is it is probably not diluting. It is not sufficiently close to McDonald’s, but I suppose that is something that we would want the courts to figure out.

Mr. Berman. Mr. Chairman, I guess my time is up, but if we have a chance for one more round——

Mr. Smith. We are not likely to have time because we are supposed to stop at 10:30, but if we do——

Mr. Berman. I thought 11 was when our bill came up.

Mr. Smith. I was just told by the full Committee 10:30.

In any case, Professor Lemley, I like your answers except that I always wince when I hear you cite the Ninth Circuit——[Laughter.]

—but we will take confirmation wherever we can find it.

Professor Lemley and Ms. Gundelfinger and also Mr. Barber, thank you for your strong support of the bill at hand. I know, Mr. Barber, you have a couple of suggestions, and what I want to do is ask Professor Lemley and Ms. Gundelfinger to respond to those two suggestions. Professor Lemley has already done so to a large extent, but if you have anything else to add, Professor Lemley, feel free to do so. We will start with Ms. Gundelfinger.

You may not have seen the testimony ahead of time, Ms. Gundelfinger, so let me read to you part of what Mr. Barber said. He said he strongly supports H.R. 683 and then he mentions these two exceptions. First, a proposed restriction in section 43(c)(1) to limit relief only to situations where a person uses the diluting mark as a designation of source for the person's goods or services is unnecessary and inappropriate and should be omitted. And second, the definition and factors for determining dilution by blurring in section 43(c)(2)(B) should be modified to properly focus on impairment of consumers' association between the famous mark and a single source as opposed to the mark's distinctiveness.

Would you comment on those changes that he would like to see made?

Ms. Gundelfinger. Of course. I will start with the distinctiveness issue. I actually think our differences at this point are really
very narrow. I think we are in agreement regarding what it is we are trying to protect and we just have some disagreement on what the right statutory language ought to be.

In my view, focusing only on single source association, first, it raises the same sorts of proof problems we have today. The harm is not measurable in expert survey or otherwise until long after the damage is done if a plaintiff is required to show there has been a disruption between the mark and its association with a single source.

Moreover, I think focusing on the association with a single source is misguided because it first ignores also the mark’s association with certain brand attributes. Every mark has a set of brand attributes, and once others start using that same mark on other goods and services, you are going to muddy the brand attributes of the famous mark.

And then finally, I think, I fear that if you were to use the language proposed by the AIPLA, some courts may interpret it something fairly close to a confusion standard. Requiring a showing of a disruption of the source, the source association, gets darn close to showing a likelihood of or actual confusion. So that is why I think it is the wrong language.

Now, going to your second point on the designation of source language, you know, I have been sitting here thinking. The AIPLA thinks the designation of source language is too loose and they predict catastrophe for trademark owners if we adopt it. The ACLU thinks it is not tight enough. I am a trademark owner. I represent trademark owners. I think it is an acceptable balance. It is an acceptable tradeoff that resolves the most important issues that are faced by trademark owners.

In order to get a judicially accepted, consistently enforced statute that is helpful in providing guidance to business decision makers, we are going to have to make a tradeoff here. I think the designation of source language makes the statute so much clearer. It gets us out of the muddy analyses that we have seen in a lot of the cases cited by the AIPLA. And it protects marks where they need protection most.

Mr. SMITH. Thank you. I happen to agree. I appreciate your testimony.

Professor Lemley, do you have anything to add to that, in the interest of time?

Mr. LEMLEY. Just one brief thing. Mr. Barber suggested dilution laws have never had anything like this. That is not exactly right. The Trademark Dilution Act used the rather inartful phrase, “commercial use in commerce” to describe what it was that would be diluting. The legislative history to that act suggests that the commercial use part of that term was, in fact, designed to bring in the commercial speech distinction, that is, to make illegal only speech that proposes a commercial transaction.

Now, that has not actually turned out to be terribly successful in the courts because the courts have not understood it, and so some people have said, well, if you make any money from a use and the use involves a trademark, that might be diluting.

I think the designation of source rule actually adopts what this body was trying to reach in 1995 in a clearer form.
Mr. SMITH. Thank you, Professor Lemley.

Mr. Johnson, Mr. Barber suggested on your concerns about freedom of speech amending the defense set forth to say fair use of a famous mark by another person, including for purposes of comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark. Would that help you out with your concerns on free speech, or not necessarily?

Mr. JOHNSON. Well, I think it helps a little bit in the sense that it essentially broadens fair use. I am not sure that we need anything after “fair use of a famous mark by another person,” necessarily, but by broadening fair use, I think it does help significantly address some of the concerns.

Mr. SMITH. Mr. Barber, you have been the source of a lot of these questions. Let me ask you very, very quickly, and Ms. Gundelfinger, do you think that this bill will have an adverse impact on the small business owner, the independent vendor, inventor? You know what I am talking about. Do you think any adverse consequences for that kind of an individual?

Mr. BARBER. No, I really don’t. This is a very narrow statute. It only applies to famous marks, and small business owners, you know, there is an infinite supply of marks that they can choose from. They don’t have to select somebody else’s famous mark.

Mr. SMITH. Thank you. Ms. Gundelfinger?

Ms. G UNDELFINGER. I would just note that, if anything, it helps small businesses because the legislation finally clearly defines what a famous mark is and it puts everyone on notice.

Mr. SMITH. Which is an improvement over the current statute.

Ms. GUNDELFINGER. Exactly.

Mr. SMITH. Okay. Thank you all very much.

The gentleman from California, Mr. Issa, is recognized for his questions.

Mr. ISSA. Thank you, Mr. Chairman.

Professor, I don’t think this came out in the earlier questioning, or I know it didn’t. If you had United Airlines, isn’t it almost 100 percent sure that United Airlines had to disclaim the word “United” when it got its mark?

Mr. LEMLEY. I think that is correct because there are so many other Uniteds out there.

Mr. ISSA. On the other hand, Victoria’s Secret, I would assume, didn’t have to give up either part of it in the process. In all likelihood, although there is a Victoria and there is a Queen Victoria, neither “Victoria” nor “Secret” is disclaimed, but “Victor’s Secret” falls right under exactly the kind of ripping off of trademarks that goes on that has been a problem. I think for every trademark owner. Am I missing something there, that likely there was no disclaimer there?

Mr. LEMLEY. No, I agree.

Mr. ISSA. Mr. Johnson, I was pleased to hear you say what you said because it appears as though this legislation does stop you from using the fame of a mark to disparage the mark, and that is what you think it will do.

Mr. JOHNSON. Well, to some extent, yes, I think it will, and I think the bill is much better crafted to solve some of the problems
that have existed before. My position is that it doesn’t solve all of the free speech issues, though.

Mr. Issa. But back to your free speech issue, what would be the benefit of using a sickly camel if this particular tobacco company—and I am not a supporter of tobacco companies, but no matter what it is, I don’t care if it is a NASCAR with a particular number of a particular—well, for example, Dale Earnhart’s number—what would be the reason you would use a particular car and a particular number if you wanted to disparage NASCAR if they hadn’t already made it famous? Isn’t there an absolute link that you are admitting when you are calling it a parody, but then you are denying when you say you disparage it?

Mr. Johnson. Well, that is my point, is that if you essentially say you cannot disparage something because it is a famous mark, then you are essentially limiting the speech that can be used about that particular famous mark. So the whole idea of using Joe Chemo is, again, because it has that link with Joe Camel and you are essentially showing the flip side of the suave and debonair Joe Camel to the sickly Joe Chemo, which you are pointing out is the actual result of the suave and debonair lifestyle of Joe Camel.

So I think the point is that if you are going to indulge in effective parody, you almost have to take on a famous mark under some—at least under some circumstances.

Mr. Issa. So your position is that you have to be able to rip off somebody’s mark in order to disparage cigarettes?

Mr. Johnson. Well——

Mr. Issa. Wait a second. Just hear me out, because I am absolutely in agreement with what you think this will do and I am absolutely in support of doing it. If you want to disparage cigarettes, and I encourage people to disparage cigarettes, picking the fame of a particular brand and the intellectual property that has been built up in this legal product is the only way you can disparage it? You can’t show a full-color picture of a diseased lung and use the words “cigarettes” and “tobacco,” which are not trademarks?

Mr. Johnson. Well, you can, but under the first amendment, the whole idea is that you should not be limited necessarily on the speech that you use. Now, when you use Joe Camel to essentially sell cigarettes to children, why should you then say, well, I am going to steer away from Joe Camel because it may offend this particular famous mark in showing what the end result is if you live the life style of Joe Camel.

Mr. Issa. Wouldn’t you agree that a registered trademark, a patent, a copyright, all are constitutional limitations on free speech?

Mr. Johnson. I think that they are to some extent constitutional limitations on free speech, yes. But the question becomes on can you remove something from the public discourse simply because it is a famous mark and I don’t believe that that is really what the Federal Trademark Dilution Act intended, because——

Mr. Issa. Mr. Johnson, my time is going to run out very quickly. I am only asking about the Constitution, not something that we flawed individuals did a decade ago. The Constitution and the first amendment are simultaneous events. They were thought out in concert. The rights to limit other people’s use and to charge for
those uses was anticipated in the Constitution and restricted at the same time as we were ensuring free speech.

If you are able to disparage a product by using its name so people understand what the product is, or using the description, on what basis do you have to go further and use the fame and the good will and the artistic genius that was created to support that product? Why do you have to use that in order to tear it down? Why do you have to use the intellectual property if you are able to accurately describe the product and disparage it in plain English, understandable? Why do you have to take that next step in order to use that intellectual property that the Constitution granted the individual?

Mr. JOHNSON. First of all, let me point out that, as Chairman Smith pointed out, trademark dilution is not something that is enshrined in the Constitution. This is purely a statutory creation.

Mr. ISSA. And again, I am staying off the statutory. I simply want you to answer the question as to original intent in the Constitution.

Mr. LEMLEY. Could I perhaps speak to that?

Mr. ISSA. Please.

Mr. SMITH. I have to tell you, the gentleman’s time has expired, and frankly, our Subcommittee’s time has virtually expired.

Mr. ISSA. But I would love to see it in writing, Mr. Chairman.

Mr. SMITH. And if you will respond to the gentleman from California’s question in writing at length, that would be appreciated.

Let me say I am going to try to squeeze in one question each from Mr. Schiff and Mr. Inglis just because of their patience and attendance, and I am sorry on your first hearing that that is the case, but with debate having begun on the floor and with our Committee rules, that is the most we can do right now. So the gentleman from California, Mr. Schiff, is recognized for a question.

Mr. SCHIFF. Thank you, Mr. Chairman, and I will keep it very quick.

I really wanted to just ask the three of you to comment on a hypothetical that Mr. Johnson raised. If I understand it correctly, Mr. Johnson, your thought was that in the Joe Chemo example, that barring the sale of t-shirts to support the website, the website itself would not run afoul of the dilution law as amended by this bill. However, it would be problematic if they sold t-shirts to support the website, which would keep the website operating.

Is that, for the three of you, your collective view of the impact of the bill, as well, that the ability to use the Joe Chemo image would not be prohibited by the amendments represented in this bill, but deriving some kind of a revenue of it would be?

I, I guess, feel a little bit differently about it than my colleague. You don’t have to use a trademark to disparage a product like tobacco, but sometimes it can be very effective for the reasons you point out, Mr. Johnson, that showing the flip side of Joe Camel can be a very kind of pointed way of making the point about tobacco.

So if the three of you could comment on how you see these changes affecting an issue like the one that was raised.

Mr. BARBER. I think I agree in principle with Mr. Johnson that that type of use of a famous mark is protected free speech. I think courts have been able to handle that just fine under basic first
amendment and fair use principles. However, if there is a concern there that it is unclear whether that type of parody is protected, the place to address that is in the defenses, and AIPLA has proposed a specific defense to address use of a famous mark to comment on, criticize, or parody the owner of the famous trademark or the trademark owner's goods or services.

Now, some parodies use a famous mark but are really parodying something completely different. The "Enjoy Cocaine" poster is an example where cocaine has nothing to do with Coca-Cola. So that is an abuse of the Coca-Cola mark to parody something that has nothing to do with the trademark owner, and that should not——

Mr. Schiff. Do you share his view that the derivation of the income, though, would make that practice vulnerable under this bill where it would not be vulnerable under existing law?

Mr. Barber. I think the derivation of the income makes it a closer case because then it is arguably a commercial use and arguably a designation of source. There would be some clarity.

Mr. Lemley. I actually think the designation of source provision in the bill solves this problem. It would not be illegal under the bill because you are not using Joe Chemo as a brand to attract people for the sale of goods. I think it would be a problem if we adopted Mr. Barber's proposal and got rid of the designation of source, and that is one of the reasons I think we should keep that in the bill.

Ms. Gundelfinger. And I will just say what he said.

Mr. Smith. Thank you, Mr. Schiff.

Mr. Schiff. Thank you.

Mr. Smith. The gentleman from South Carolina, Mr. Inglis.

Mr. Inglis. Thank you, Mr. Chairman.

I wonder if parody is always harmful to the famous brand. The maxim in Hollywood is, don't care what you say, just make sure to spell it right, or I don't care if you use my name, just spell it right. There is no such thing as bad publicity.

To some extent, we allow these famous brands to come into our consciousness and there is sort of a—they spend a great deal of money to create that, but we allow them into our lives and to our parlance. And so if you use them in parody, it is not always harmful, right? In fact, I can see a lot of cases where the use of the brands in "Saturday Night Live" or something like that actually helps the brand. The brand should be cheering when "Saturday Night Live" is doing a spoof about their stuff. Am I right or wrong?

Ms. Gundelfinger. You are right.

Mr. Lemley. Yes, absolutely right. Now, not all parodies, right? Trademark owners may object to some and may have good reason to dislike them, and I guess the only thing that we would suggest, I would suggest, and I think the bill accomplishes this, is to make sure that the trademark owner doesn't get the choice of whether or not to approve a particular parody.

Mr. Inglis. Does anybody else want to comment on that?

Mr. Barber. Well, I would agree with that, as well. Some parodies don't really harm the brands' reputation. Some parodies do and some parodies are not—some parodies are protected by the first amendment, some aren't. The "Enjoy Cocaine" example, again, that should not be protected free speech and it should be a violation of the dilution statute. That is classic tarnishment.
Ms. Gundelfinger. I believe that most trademark owners recognize that once they have a famous mark, their mark is a cultural icon, and they recognize that if they can’t take the heat, they ought to get out of the kitchen.
Mr. Inglis. That is a good point. Thank you, Mr. Chairman.
Mr. Smith. Thank you, Mr. Inglis.
Mr. Berman and I have a final quick question and that is this. What if we added as a defense for the free speech that if a famous mark was used for parody or criticism or commentary, if we added that as a defense, would that solve the problem or not? Or would that go too far or not far enough?
Mr. Barber. If I could address that——
Mr. Smith. Yes.
Mr. Barber.—that is exactly what AIPLA has proposed, but the designation of source requirement needs to come out.
Mr. Smith. Do you think we need to do that, Professor Lemley?
Mr. Lemley. I think if you keep designation of source in, it is probably redundant, although it wouldn’t do any harm to do it. It would probably be a good thing. I would not replace the designation of source requirement because I think there are uses of a mark that ought to be legitimate that wouldn’t necessarily fit in that particular defense.
Mr. Smith. Ms. Gundelfinger?
Ms. Gundelfinger. And I would only add that I agree that adding the defenses at this point with the designation of source language would be redundant. I would also caution against using the fair use language that we currently have in the Lanham Act because it is going to create a loop language-wise with the designation of source and the redundancy is going to confuse the courts.
Mr. Smith. Fair enough. Thank you all for your testimony. This has been very, very informative. I am sorry for the slightly truncated hearing today, but better this hearing than no hearing at all, which was the alternative. Thank you again.
We stand adjourned.
[Whereupon, at 10:42 a.m., the Subcommittee was adjourned.]
Mr. Chairman, thank you for scheduling this hearing to discuss H.R. 683, The Trademark Dilution Revision Act of 2005. It has been over nine years since the passage of the Federal Trademark Dilution Act, [FTDA] and sufficient time has passed to analyze the effects of the dilution act on trademark law.

The starting point for any dilution hearing is to understand the rationale for the Act. But even before that, we must delve into the purpose of trademark law. Trademark law is not a typical intellectual property right. It does not emanate from the Constitution but rather is a construct of Congressional legislation. The primary reason for traditional trademark law rests predominantly on a policy of protection of customers from mistake and deception.

This is very different from the purpose of anti-dilution legislation. The goal here is to protect only the very famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it. Therefore, dilution applies when an unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular. It appears then that with anti-dilution laws it is the property right, the actual trademark, which is first and foremost being protected.

This again is different than the treatment of copyrights or patents. While we do protect copyrights and patents, it is only for a limited time period for the purpose of promoting innovation. This is as opposed to anti-dilution laws, which has the potential to create a right in perpetuity for the trademark and merely protects one’s own economic interest. It was therefore initially intended for dilution to be used sparingly as an “extraordinary” remedy, one that required a significant showing of fame. However, now, it seems as if it is used frequently as an alternative pleading. Are we allowing the removal of far too many words from our vocabulary? One of our goals is to maintain the balance between fair competition and free competition to keep the economy working at a reasonable rate of efficiency and competitiveness. Therefore, I would like to take the opportunity at this hearing to further explore what consumer interests are met with passage of this bill.

In addition, I would like to address the change in the standard of dilution from “actual” to “likelihood” of dilution. I agree that if we were to maintain an actual dilution standard, as the Supreme Court held in the Victoria Secret case, a number of issues arise including how one would prove actual dilution without demonstrating lost profits. Furthermore, the classic view of dilution by blurring is that the injury caused by dilution is the gradual diminution or whittling away at the value of the famous mark, or as those who have been victims of dilution describe, death by a thousand cuts, where significant injury is caused by the cumulative effect not just one.

The bill suggests that the resolution is to amend the standard from actual to likelihood of dilution. I appreciate the expressed need to impose a more lenient standard. A “likelihood of dilution” standard would no longer unfairly require the senior user to wait until injury occurs before bringing suit. Furthermore, it seems as if that was the standard Congress had intended initially. However, I am not convinced that a likelihood of dilution standard combined with the other amendments in the bill do not create an aura of overprotectionism. Is there a standard which lies somewhere in between likelihood of dilution and actual dilution?

I suppose this issue may seem unimportant to many who are not entrepreneurs. However, just the other day I became aware of how pervasive the issue of dilution is. The Rock and Roll Hall of Fame has sued the Jewish Rock and Roll Hall of Fame
for trademark dilution. While I never contemplated admission to either Hall of Fame, I am concerned that this bill extends the scope of protection to something that merely describes its members and their trade especially when there are so many other Hall of Fames out there.

Finally, I am concerned how, if at all, this will effect first amendment and free speech issues. At the last hearing, the ACLU voiced concerns relating to stifling critics with the potential weapon of an injunction for mere likelihood of tarnishment. They were concerned with the balance between the rights of trademark holders and the first amendment. I am interested in delving into these issues to see whether these concerns are addressed in HR 683.

I look forward to hearing from the witnesses to discuss how the legislation would affect balance in the economic market, trademark litigation and free speech forums. I look forward to working with the Chairman to further evaluate the Trademark Dilution Revision Act and the changes recommended at the hearing today.

I yield back the balance of my time.
LETTER FROM MARVIN J. JOHNSON, LEGISLATIVE COUNSEL, AMERICAN CIVIL LIBERTIES UNION, IN RESPONSE TO QUESTION FROM REP. DARRELL ISSA

February 23, 2005

The Honorable Lamar Smith
Chairman, Subcommittee on Courts, the Internet, and Intellectual Property
Of the Committee on the Judiciary
Washington, DC 20515-6216


Dear Chairman Smith:

At the hearing on this matter on February 17, 2005, Rep. Issa asked a question to which he requested a written response. This letter is in response to his question.

To paraphrase, Rep. Issa’s question was: “Considering that the Constitution in granting patents and copyrights places limits on free speech, why should anyone be able to use a famous trademark to disparage a product or service?”

First of all, granting a monopoly to trademark holders would remove forever the ability to use those trademarks in commentary, criticism or parody. Patents, copyrights and free speech are provided for in the Constitution. Trademarks are purely a statutory creation. Patents and copyrights are granted protection for a limited time, while trademarks are not so limited. Granting a trademark holder a monopoly on the use of the trademark for all purposes would result in removing the trademark from public discourse in perpetuity.

Second, the most effective way to discuss a business or service is to refer to its trademark. Trademarks have great communicative value in our society. Granting to one person the exclusive right to use a set of words or symbols in trade can collide with the free speech rights of others who may seek to criticize, or parody the trademark or the trademark holder. Congress recognized this when it originally passed the Federal Trademark Dilution Act by providing exemptions intended to protect parody, commentary and criticism. While the exemptions proved less than adequate in practice to protect such expressions, Congress clearly intended to protect them.

Finally, and most importantly, granting such a monopoly would conflict with the First Amendment. The Supreme Court held that even disagreeable speech should not be prohibited in the free marketplace of ideas. In Cohen v. California, the Court recognized that removing certain words or phrases poses a substantial risk of suppressing ideas in the process. It is up to the speaker rather than the Government, to decide how to best to express her opinions.

Removing trademarks, even famous ones, from the public discourse would run afoul of the First Amendment.
Prohibiting the use of a famous mark for purposes of parody, commentary or criticism would prohibit, for example, the following item from The Onion:

The story is entitled “Miller Brewing Company Pressures Area Man to Drink Responsibly,” and has a dateline from Cheyenne, Wyoming. The story lampoons Miller Brewing Company’s advertisements encouraging everyone to drink responsibly. In the story, Miller Brewing Company actually sends a representative to Cheyenne, Wyoming to pressure Kevin Helvinski to drink responsibly. Such parodies are protected under the First Amendment, and would be far less effective if the author was unable to actually use the trademark name or symbol in making his point.

Congress clearly recognized the need to protect the right to use trademarks in parody, commentary and criticism when it originally passed the Federal Trademark Dilution Act. Some courts, however, have too narrowly construed the exemptions to provide that protection. For the reasons urged in our testimony, we recommend amending the FTDA to provide greater protection for First Amendment activity.

Sincerely,

[Signature]
Marvin J. Johnson
Legislative Counsel

Cc: Rep. Issa
LETTER FROM ALAN C. DREWSEN, EXECUTIVE DIRECTOR, INTERNATIONAL TRADEMARK ASSOCIATION (INTA), AND MICHAEL K. KIRK, EXECUTIVE DIRECTOR, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION (AIPLA)

February 28, 2005

The Honorable Lamar S. Smith
Chairman
Committee on the Judiciary
House of Representatives
Washington, DC 20515

The Honorable Howard Berman
Ranking Member
Committee on the Judiciary
House of Representatives
Washington, DC 20515

Dear Mr. Chairman and Ranking Member Berman,

We are writing on behalf of the International Trademark Association (INTA) and the American Intellectual Property Law Association (AIPLA) to communicate our support of proposed changes to H.R. 683, the "Trademark Dilution Improvement Act of 2005."

Following the hearing on this legislation on February 17, we were asked by your staffs to meet, along with a representative of the American Civil Liberties Union (ACLU), to address the concerns that had been raised at the hearing. This meeting was very constructive and resulted in the attached proposed amendments to H.R. 683 that both INTA and AIPLA can support. The crux of the amendments are (a) to delete the requirement that a person must use a famous mark as a "designation of source" for his or her own goods or services before that use can be actionable as a diluting use and (b) to significantly strengthen the fair use exclusion for the use of a famous mark for parody or criticism in response to the First Amendment concerns raised by the ACLU, including incorporation of the "designation of source" requirement into this defense. The fair use exclusion was further strengthened and clarified after the meeting in response to a request by the ACLU. A text of the proposed amendments agreed upon by INTA and AIPLA is attached. While we cannot speak for ACLU, it is clearly our understanding that they are in agreement also.

As you well know, H.R. 683 offers important and necessary improvements to the federal dilution statute. It will narrow and better focus dilution protection, providing famous mark owners a provable cause of action, while at the same time protecting free speech. Specifically, it would amend the statute to provide relief where the trademark owner can show a "likelihood of dilution" of its famous mark, thus relieving trademark owners of the unreasonable burden of proving "actual dilution" as required by the Supreme Court's interpretation of the current statute in Mosley v. V Secret Catalogue, Inc., 537 U.S. 418, 453 (2003). Second, it would clarify that famous marks lacking inherent distinctiveness but that have acquired distinctiveness through use are potentially protectable against dilution, thus overruling an unfortunate line of decisions from the
Second Circuit holding that such marks are categorically ineligible for dilution protection under the FTDA. Third, it would clarify that dilution by tarnishment is actionable under the statute, removing the doubt created on this issue by dicta in the Supreme Court’s Mosley decision. Fourth, it would define the term “famous” in such a manner that only marks that are “widely recognized by the general consuming public” would be eligible for protection, thus overturning decisions that have accorded dilution protection to marks known only in a “niche” market. And finally, as noted above, it provides strong fair use defenses protecting parody, criticism, commentary and comparative advertising.

We appreciate your willingness to consider our views on improving this significant piece of legislation. We would also like to recognize the hard work of your staffs, especially Blaine Merritt and Sharna Winers, who were instrumental in crafting such a balanced compromise. We stand ready to give assistance to the Committee in any manner which may be beneficial in making H.R. 683 become law.

Sincerely,

[Signatures]

Alan C. Drewsen
Executive Director
INTA

Michael K. Kirk
Executive Director
AIPLA

Attachment
Attachment

109th CONGRESS
1st Session
H. R. 683

To amend the Trademark Act of 1946 with respect to dilution by blurring or tarnishment.

IN THE HOUSE OF REPRESENTATIVES

February 9, 2005

Mr. SMITH of Texas introduced the following bill, which was referred to the Committee on the Judiciary.

A BILL

To amend the Trademark Act of 1946 with respect to dilution by blurring or tarnishment.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SECTION 1. SHORT TITLE.

(a) Short Title- This Act may be cited as the 'Trademark Dilution Revision Act of 2003'.

(b) References- Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. DILUTION BY BLURRING; DILUTION BY TARNISHMENT.

Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended--

(1) by striking subsection (c) and inserting the following:

(c) Dilution by Blurring; Dilution by Tarnishment-

(1) INJUNCTIVE RELIEF- 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 famous, commences use of a mark or trade name in commerce as a designation of source of the person's goods or services 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.
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'(2) DEFINITIONS- (A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(B) For purposes of paragraph (1), 'dilution by blurring' is association arising from the similarity between a designation of source mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a designation of source mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the designation of source mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the designation of source mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the designation of source mark or trade name and the famous mark.

(C) For purposes of paragraph (1), 'dilution by tarnishment' is association arising from the similarity between a designation of source mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) EXCLUSIONS- The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Fair use of a famous mark by another person, other than as a designation of source for the person's goods or services, including for purposes of identifying and parodying, criticizing, or commenting upon the famous mark owner or its goods or services.

(C) Noncommercial use of a designation of source.

(4) ADDITIONAL REMEDIES- In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 34, except that, if--

(A) the person against whom the injunction is sought did not use in commerce, prior to the enactment of the Trademark Dilution Act of 1995, the mark that is the basis of the action, and

(B) such use would result in dilution of the ability of the famous mark to function as a source indicator.
Revision Act of 2005, a mark or trade name that is likely to cause
dilution by blurring or dilution by tarnishment, as a designation of
source in commerce prior to the date of the enactment of the
Trademark Dilution Revision Act of 2005, and
'(B) in a claim arising under this subsection--
(i) by reason of dilution by blurring, the person against
whom the injunction is sought willfully intended to trade
on the recognition of the famous mark, or
(ii) by reason of dilution by tarnishment, the person
against whom the injunction is sought willfully intended to
trade on the reputation of the famous mark,
the owner of the famous mark shall also be entitled to the remedies set
forth in sections 35(a) and 36, subject to the discretion of the court and the
principles of equity.

(5) OWNERSHIP OF VALID REGISTRATION A COMPLETE BAR
TO ACTION- The ownership by a person of a valid registration under the
Act of March 3, 1881, or the Act of February 20, 1905, or on the principal
register under this Act shall be a complete bar to an action against that
person, with respect to that mark, that is brought by another person under
the common law or a statute of a State and that seeks to prevent dilution
by blurring or dilution by tarnishment, or that asserts any claim of actual
or likely damage or harm to the distinctiveness or reputation of a mark,
label, or form of advertisement; and
2 in subsection (d)(1)(B)(i)(IX), by striking '[c](1)' of section 43' and
inserting '[c].

SEC. 3. CONFORMING AMENDMENTS.

(a) Marks Registrable on the Principal Register- Section 2(f) of the Trademark
Act of 1946 (15 U.S.C. 1052(f)) is amended--
(1) by striking the last two sentences; and
(2) adding at the end the following: 'A mark which, when used as a
designation of source for the applicant's goods or services, would be likely
to cause dilution by blurring or dilution by tarnishment under section
43(c), may be refused registration only pursuant to a proceeding brought
under section 13. A registration for a mark which, when used as a
designation of source for the registrant's goods or services, would be likely
to cause dilution by blurring or dilution by tarnishment under section
43(c), may be canceled pursuant to a proceeding brought under either
section 14 or section 24.'

(b) Opposition- Section 13(a) of the Trademark Act of 1946 (15 U.S.C. 1063(a))
is amended in the first sentence by striking 'as a result of dilution' and inserting
'the registration of any mark which, when used as a designation of source for the
applicant's goods or services, would be likely to cause dilution by blurring or
tarnishment'.

(c) Cancellation- Section 14 of the Trademark Act of 1946 (15 U.S.C. 1064) is
amended, in the matter preceding paragraph (1)--
(1) by striking ', including as a result of dilution under section 43(c);' and
(2) inserting `(A) for which the constructive use date is after the date on
which the petitioner's mark became famous and which, when used as a
designation of source for the registrant's goods or services, would be likely
to cause dilution by blurring or dilution by tarnishment under section
43(c), or (B) on grounds other than dilution by blurring or dilution by
tarnishment' after 'February 20, 1989';
(d) Marks for the Supplemental Register: The second sentence of section 24 of
the Trademark Act of 1946 (15 U.S.C. 1092) is amended to read as follows:
Whenever any person believes that such person is or will be damaged by the
registration of a mark on the supplemental register-
`(1) for which the effective filing date is after the date on which such
person's mark became famous and which, when used as a designation of
source for the registrant's goods or services, would be likely to cause
dilution by blurring or dilution by tarnishment under section 43(c), or
(2) on grounds other than dilution by blurring or dilution by tarnishment,
such person may at any time, upon payment of the prescribed fee and the filing of
a petition stating the ground therefor, apply to the Director to cancel such
registration';
(e) Definitions- Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is
amended by striking the definition relating to 'dilution'.
March 2, 2005

The Honorable Lamar S. Smith
Chairman
Subcommittee on the Courts,
the Internet and Intellectual Property
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman and Ranking Member Berman,

We write to voice our support for H.R. 483, the “Trademark Dilution Improvement Act of 2005,” as amended by the proposed Chairman’s Amendment. This bill as amended would provide important and necessary improvements to the Federal trademark dilution statute to increase certainty for all parties involved in trademark disputes. The amended legislation would provide a provable cause of action to famous mark owners while protecting free speech.

The proposed amendments to H.R. 483 would: (a) delete the requirement that a person must use a famous mark as a “disguised source” before this use can be deemed a “diluting” use and (b) strengthen the fair use exemption for famous marks used in parody or commentary. This latter point responds to the First Amendment concerns raised by the ACLU.

IPA is a trade association for owners of patents, trademarks, copyrights and trade secrets and includes more than 100 large and mid-size companies and 250 small businesses, universities, inventors, authors, executives, law firms and attorneys. For more than thirty years, our association has served intellectual property owners in all industries and all fields of technology. Our companies file thousands of patent and trademark applications a year and employ more than 5.5 million people in the United States. We have been a longstanding advocate for effective protection of intellectual property and fervent supporter of legislative proposals to increase the certainty of rights and avoid undue litigation.

We thank you for your significant efforts to amend the trademark dilution statute and urge you to push this legislation forward in the coming weeks.

Sincerely,

J. Jeffrey Hawley
President

THE INTELLECTUAL PROPERTY OWNERS ASSOCIATION
1255 Twenty-Third Street, NW, Suite 200 • Washington, DC 20037-1774
T: 202.466.2296 • F: 202.466.2973 • E: info@ipr.org • W: www.ipr.org
Mr. Chairman and members of the Subcommittee:

Thank you for the opportunity to offer this statement on behalf of the American Bar Association and that Association’s Section of Intellectual Property Law. My name is Susan Barbieri Montgomery. I am a partner at Foley Hoag LLP, and I currently serve as Vice Chair of the ABA Section of Intellectual Property Law. The views I express supporting amendment of the Federal Trademark Dilution Act of 1995 (the “FTDA”) to provide that questions of trademark dilution should be resolved under the “likelihood of dilution” standard have been adopted as ABA policy by our Board of Governors, and therefore represent views of the Association. Views expressed on other issues regarding the FTDA have not been approved by the House of Delegates or Board of Governors of the Association. Those views are those of the Section of Intellectual Property Law (IP Law Section) alone.

This testimony supplements the testimony that Robert W. Sacoff, Immediate Past Chair of our IP Law Section presented to this subcommittee on April 22, 2004. As we mentioned last Spring, we applaud the Subcommittee for revisiting the FTDA to identify areas of possible amendment and improvement. The Subcommittee has asked the witnesses to consider a number of options for amendment to the FTDA as embodied in the H.R. 683, the “Trademark Dilution Revision Act of 2005,” as introduced by Chairman Smith on February 9. The IP Law Section has conferred and worked with other associations, namely the International Trademark Association (“INTA”), the American Intellectual Property Law Association (“AIPLA”), and the Intellectual Property Owners Association (“IPO”) (collectively “Associations”) in trying to arrive at common ground on recommended changes to the FTDA.

While the consultations among the Associations continues, the IP Law Section suggests that the Subcommittee focus its efforts on amendments to the FTDA that the Associations have agreed upon in principle and that are necessary to effectuate the changes necessitated by the U.S. Supreme Court’s decision in Moseley v. V Secret Catalogue, 537 U.S. 418 (2003). To this end, the IP Law Section currently is drafting an alternative set of suggested amendments to the FTDA that it believes will assist the Subcommittee in this effort.

EXECUTIVE SUMMARY

At the hearing on April 22, 2004, the IP Law Section testified that it was in favor of amending the FTDA in three ways made important by the Supreme Court’s Moseley decision: (1) creating a “likelihood of dilution” standard; (2) providing an express cause of action for dilution by tarnishment; and (3) extending dilution protection for non-inherently distinctive marks. The Associations agree in principle with the need to amend the FTDA in light of the Moseley decision to accomplish these three points. While the IP Law Section generally favors amendments to the FTDA that accomplish only these changes, it recognizes the concerns some organizations have raised before this Subcommittee about the scope of the fair use doctrine and First Amendment principles. Therefore, the IP Law Section would support amendments to the FTDA which serve simply to clarify the application of fair use principles and these defenses in a manner consistent with the original congressional intent behind the FTDA, while avoiding the introduction of new, unnecessary and confusing language such as “designation of source.” Overall, the IP Law Section favors amendments that will make these changes with as few revisions to the current statutory language as possible. This conservative approach will avoid the inevitable uncertainty and confusion caused by extensively changing the statutory language of the FTDA. This approach also reflects the IP Law Section’s view that there is no compelling need to significantly re-work the statutory language of the FTDA beyond addressing the issues raised in Moseley.

In regard to H.R. 683, the IP Law Section believes that the introduction of new language such as “designation of source,” creating factors to determine dilution by blurring, changing factors to consider a mark’s fame and curtailing the scope of the FTDA to a much smaller class of marks, not only are unnecessary to respond to the issues raised in Moseley but would confuse courts, consumers and trademark owners.

I. DRAFTING TO ADDRESS ONLY THE PROBLEMS RAISED BY MOSELEY AND CLARIFYING FIRST AMENDMENT/FAIR USE ISSUES

The decision in Moseley v. V Secret Catalogue created a need to amend the FTDA to effectuate what Congress originally intended. These changes include specifying
that: there should be a “likelihood of dilution” standard; dilution by tarnishment as well as dilution by blurring should be actionable; and marks that have acquired distinctiveness from use in the marketplace are eligible for dilution protection under the FTDA to the same extent as marks that are inherently distinctive. Several provisions of H.R. 683 go far beyond these stated goals. In particular, H.R. 683 contains language that narrows the scope of the FTDA and provides explanatory language for provisions that were not at issue in Moseley. To this extent, the bill would rewrite what Congress intended when it first adopted the FTDA. The IP Law Section does not agree that case law interpreting the FTDA since its adoption, beyond the issues raised by the Moseley decision, justifies these changes.

We respectfully submit that if the Subcommittee focused on the issues specifically addressed in Moseley, it would be understood by consumers, trademark owners and the courts as an attempt to bring the FTDA back into line with what Congress intended when it first adopted the statute. By taking a narrow and conservative approach to amending the FTDA, the meaning and consequences of the language changes will be much clearer. By contrast, by addressing issues that have no clear need for a legislative solution, H.R. 683 runs the risk of undermining over eight years of case law on the FTDA by introducing new and different terms and by changing the scope of the law. This type of wholesale change likely would cause confusion and uncertainty in the courts as they grapple with the meaning of the new language. The IP Law Section also sees no justification in the case law for altering the statute in such a dramatic manner.

While there are always aberrant cases under any statute, and some decisions interpreting the FTDA could be questioned, we believe that courts have not struggled in interpreting and applying the FTDA beyond the points addressed in Moseley, and will not have a difficult time interpreting the FTDA after Congress addresses these specific points. Certainly, a clarification of the application of fair use/First Amendment principles and certain defenses in a manner consistent with the original congressional intent also would address the concerns some have raised that the statute is unclear or that it provides trademark owners with rights that are too broad and unchecked.

II. PROBLEMATIC LANGUAGE IN H.R. 683

The IP Law Section has focused on several provisions of H.R. 683 that we believe go beyond not only what is necessary to respond to Moseley, but also what Congress intended in enacting the FTDA.

A. Designation of Source

H.R. 683 contains an amendment limiting the applicability of the FTDA to cases where the defendant is using the famous mark as a “designation of source.” We believe this proposed language is undesirable because:

(1) the proposed amendment of the FTDA to require use of the famous mark by a defendant as a “designation of source” would unduly limit the scope of the statute, while attempting to solve a problem that can be better addressed by simply clarifying the applicability and scope of fair use principles and certain defenses as discussed below;

(2) The phrase “designation of source” is not found in the Trademark Act and the introduction of this new term would immediately raise a definitional question as to whether it is something different from the existing statutory terms, namely, trademark, service mark, or designation of origin, and if so, how does it differ?

(3) Even if the definitional problem is solved, the proposed amendment would undesirably limit the scope of dilution protection and introduce a whole new defense, provoking arguments over the nature of a defendant’s use of the mark—whether defendant uses the famous mark as a “designation of source” or not—when the better focus for the court’s attention would be whether a fair use defense should apply in view of current case law; and,

(4) Certain types of uses (in addition to fair uses) would be undesirably and unnecessarily exempted from the statute. For example, use of a famous mark as a domain name and obscene uses seemingly would not qualify as designations of source and thus not fall within the statute’s scope. Use by a defendant of a famous mark as a generic term would seem to be quintessential dilution, yet would not fall within the statute.

Proponents of the use of the “designation of source” language have urged that its proposal will prevent “nominative” or “referential” fair uses as well as “legitimate parody and satire” from falling within the realm of the statute. However, the case
law does not indicate a problem in the area of nominative fair use, and the addition of “use as a designation of source” introduces other problems and potential for mischief without any assurance that it will adequately address the concerns about inconsistent decisions in the parody and fair use area.

**Fair Use Issues**

A review of fair use issues under the FTDA reveals that the use of “designation of source” language is not necessary to address First Amendment/fair use concerns. The FTDA added subsection (c) to §43 of the Lanham Act, providing a claim for dilution of the distinctiveness of a famous trademark. Subsection (c)(4) already provides that three uses of a famous trademark are not actionable:

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

The principal legislative history, the House Report on the FTDA, addresses these fair use exemptions in two places. In the “Background and Need for the Legislation,” the Report states:

The proposal adequately addresses legitimate First Amendment concerns espoused by the broadcasting industry and the media. The bill will not prohibit or threaten “noncommercial” expression, as that term has been defined by the courts. Nothing in this bill is intended to alter existing case law on the subject of what constitutes “commercial” speech. The bill includes specific language exempting from liability the “fair use” of a mark in the context of comparative commercial advertising or promotion as well as all forms of news reporting and news commentary. The latter provision which was added to H.R. 1295 as a result of an amendment offered by Congressman Moorhead that was adopted by the Committee, recognizes the heightened First Amendment protection afforded the news industry.


The House Report also addresses the fair use provision in the “Section-by-Section Analysis:"

A new Section 43(c)(4) sets forth various activities that would not be actionable. This section is designed to preclude the courts from enjoining speech that courts have recognized to be constitutionally protected. Section (4)(A) of the bill provides that the “fair use” of a famous mark for purposes of comparative advertising, for example, is not actionable. Section (4)(B) of the bill expressly incorporates the concept of “commercial” speech from the “commercial speech” doctrine, and proscribes dilution actions that seek to enjoin use of “famous” marks in “non-commercial” uses (such as consumer product reviews). Section (4)(C) expressly recognizes that the use of “famous” marks in the context of all forms of news reporting and news commentary is not actionable. Nothing in this section of the bill is intended to alter existing case law on the subject of what constitutes “commercial” speech.


Although the Senate committee did not issue a formal report, a section-by-section analysis was printed in the Congressional Record with the consent of the Senate with the text of the Senate bill and the remarks made by Senator Hatch when he introduced the Senate bill. That analysis provides:

A new Section 43(c)(4) sets forth various activities that would not be actionable. These activities include the use of a famous mark for purposes of comparative advertising, the noncommercial use of a famous mark, and the use of famous mark in the context of news reporting and news commentary. This section is consistent with existing case law. The cases recognize that the use of marks in certain forms of artistic and expressive speech is protected by the First Amendment.


In addition, Senator Hatch’s remarks addressed the fair use provision:

he proposal adequately addresses legitimate first amendment concerns espoused by the broadcasting industry and the media. The bill will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction. The
bill includes specific language exempting from liability the ‘fair use’ of a mark in the context of comparative advertising or promotion.


Senator Hatch’s remarks on the exemptions from liability were identical to the remarks made by Representative Moorhead on the exemptions from liability when he introduced the House bill, except that Representative Moorhead’s remarks included the following additional phrase at the end of the last sentence addressing fair use: “... and all forms of news reporting and news commentary.” 141 Cong. Rec. H14317–18, H14317 (Dec. 12, 1995) (statement of Sen. Moorhead).

Overall, the FTDA in Section 43(c)(4) acknowledges First Amendment interests by providing that: "Noncommercial use of a mark [and] all forms of news reporting and news commentary" are not actionable under the FTDA. In this context, “noncommercial” means speech that “does more than propose a commercial transaction.” Mattel, Inc., v. MCA Records, Inc., 296 F.3d 894, 906 (9th Cir. 2002). Mixed commercial/noncommercial speech is classified as noncommercial. Id. The First Amendment protects speech critical of a company or its practices from tarnishment claims, which arise under dilution law. Id. at 906–907. Finally, a defendant’s use of plaintiff’s mark for political speech may be viewed as noncommercial and hence exempt from the FTDA. MasterCard Int’l, Inc. v. Nader 2000 Primary committee, Inc., 2004 WL 434404 at *9 (S.D.N.Y. March 8, 2004).

The courts have not been troubled by the absence of an exemption from liability for “nomnixative” uses of trademarks in dilution actions and have applied the nomnixative fair use doctrine developed in infringement actions to dilution actions. Playboy Enter. v. Welles, 7 F. Supp. 2d 1098 (S.D. Cal. 1998), aff’d in part and rev’d in part, 279 F.3d 796 (9th Cir. 2002); Clark v. America Online, No. 98–5650, 2000 WL 3355712 (C.D. Cal. Nov. 30, 2000).

By contrast, the cases involving parody or satire require a close examination to determine the factors that have apparently led to the results in those cases, and, arguably, they have not been as broadly exempted from liability as one might have expected given the legislative history. Part of the reason is that the FTDA “explicitly incorporates the concept of ‘commercial’ speech from the ‘commercial speech’ doctrine” in First Amendment cases, as the House Report states. H.R. Rep. No. 104–734, at 4. Unfortunately, even though this exemption was not intended to alter existing case law on the subject of what constitutes “commercial” speech, the case law on the difference between “commercial” and “noncommercial” speech was not clear before the FTDA was passed. Accordingly, a great deal of analysis and discussion has been devoted to this distinction in dilution cases involving parody or satire and the results are not always consistent. Nonetheless, this development lends itself to a clarification of the scope of the fair use and not the use of a phrase, such as “designation of source,” which would have unintended consequences. Indeed, the analysis used by the Ninth Circuit Court of Appeals in Mattel, Inc., v. MCA Records, Inc., 296 F.3d 894, 906 (9th Cir. 2002)(J. Kozinski), in finding that a parody of BARBIE was not a violation under the FTDA, arguably provides a roadmap that courts may follow in applying the FTDA to parody and satire cases and the promise of consistency without the need for further legislative changes. cf., M. Cantwell, Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update, 94 Trademark Rep. 547, 579 (2004). Judge Leval, in discussing the Mattel case and the FTDA, stated: “It is important that courts take seriously their delegated duty to interpret the Act. They must follow Judge Kozinski’s bold model, employing ‘fair use’ limitations to protect free expression.” P. Leval, Trademark: Champion of Free Speech, 27 Colum. J.L. & Arts 187 (2004).

Clarifying the Application of Fair Use and Various Defenses Without Dramatic Change

The significant factors that have emerged in determining whether to apply the noncommercial use exemption have been summarized by one commentator:

(1) the nature of the parody or satire, that is, whether it involves (a) speech on a matter of public concern or (b) offensive or illicit subject matter (the so-called sleaze factor); (2) whether the plaintiff’s mark is directly targeted or used to lampoon a third party, that is, whether the use is (a) a parody or (b) a satire; and (3) whether the parody or satire appears (a) in traditional medium of expression, such as a magazine, movie, or song or (b) on a product.

M. Cantwell, Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update, 94 Trademark Rep. 547, 565 (2004). “It is rare for the defendant to prevail without being able to establish at least one of the ‘a’ categories, above.” Id. at 565.
Many courts have found that certain parodies or cases involving criticism of a plaintiff are beyond the scope of the FTDA, see, e.g., Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 906 (9th Cir. 2002); American Family Life Ins. Co. v. Hagan, 266 F. Supp. 2d 682 (N.D. Ohio 2002). Nonetheless, some in the trademark community apparently believe that a few questionable decisions have created a bad name for dilution actions. However, it should be recognized that any inconsistencies in the state of the law in parody and satire cases are not unique to dilution cases, and extend to infringement cases as well. M. Cantwell, Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update, 94 Trademark Rep. 547 (2004).

Finally, the specific language in the exemption section of Section 43(c) pertaining to fair use arguably is somewhat ambiguous. Although the House Report cites that comparative use as an “example” of fair use, House Report at 8, 1995 U.S.C.C.A.N. 1035, the statutory language of Section 43(c)(4)(A) on its face limits the fair use exemption in subparagraph (A) only to comparative advertising or promotion. Clarifying the FTDA so that the application of the fair use/First Amendment principles are clear to courts, the consumer public, and trademark owners would address the concerns some have raised about the scope and meaning of the statute. For example, the IP Law Section believes that amendments of the type proposed by AIPLA on this issue would clarify the application of fair use principles in the FTDA without a major change in the statutory language. See February 17, 2005, Statement of Bill Barber on behalf of the American Intellectual Property Law Association at pages 15–16.

In addition, the IP Law Section believes that an amendment to Section 43(c) to specify that certain defenses in Section 33(b) of the Lanham Act including the fair use provisions in Section 33(b)(4), also apply to dilution claims under the FTDA would help. In particular, Section 33(b)(4) provides “[t]hat the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business . . . or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin . . . .” 15 U.S.C. 1115(b)(4). This fair use defense protects “the right of society at large to use words or images in their primary descriptive sense.” KP Permanent v. Lasting Impression I, Inc., 125 S.Ct. 542, 551 (U.S. Supreme Court, 2004).

These types of amendments to clarify the application of the fair use doctrine and relevant defenses can be accomplished much less drastically than the use of “designation of source” in H.R. 683. Indeed, the Associations have exchanged proposals on such amendments to Section 43(c) and are continuing to discuss this point. In particular, the IP Law Section has circulated proposals for discussion by the Associations that would clarify the application of fair use and certain defenses in Section 35(b), without using the troublesome phrase “designation of source.” The IP Law section believes that while these amendments have the benefit of not changing the congressional intent behind the FTDA, they do address the concerns of those who believe that the status of the fair use doctrine and these defenses should be clarified.

B. Dilution By Blurring Factors


Over these years, federal courts, as well as state courts, have ruled on “dilution by blurring” under these state laws. See, e.g., Polaroid Corp v. Polaroid, Inc., 319 F.3d 830 (7th Cir. 1963). There is uniform recognition that the definition of “dilution” in the FTDA likewise clearly encompasses “dilution by blurring.” Thus, for over eight years, courts have also interpreted and applied the concept of “dilution by blurring” under the FTDA.

H.R. 683 would add six specifically enumerated factors to be considered in the determination of whether dilution by blurring has occurred. The IP Law Section does not favor such an amendment. Rather, we believe that there is no need to disturb the ongoing development of the concept of dilution by blurring through the case law. We agree with the Second Circuit in Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999), when it advocated a “cautious and gradual approach” to the development of factors to be considered in “dilution by blurring.” In enumerating 10 factors that it considered in Nabisco, the Second Circuit warned:

We make no suggestion that the factors that we have focused on exhaust the test of what is pertinent. New fact patterns will inevitably suggest additional pertinent factors. In short, we think no court should, at lease at this early
stage, make or confine itself to a closed list of factors pertinent to the analysis of rights under the new antidilution statute. 191 F.3d at 228.

Likewise, the IP Law Section believes that adding a specific set of factors to be considered in dilution by blurring, even if they are non-exclusive as in H.R. 683, will likely discourage the courts from considering other factors which may be appropriate under different scenarios and will unnecessarily disturb, and create uncertainty with, the decades of common law which has already been developed regarding this concept.

C. Factors For Determining Fame

The Federal Trademark Dilution Act currently enumerates eight non-exclusive factors that a court may consider in determining if a mark is “distinctive and famous” and, thus, eligible for protection under the Act. H.R. 683 suggests a different approach. Its terms require that, in order to be eligible for dilution protection, a mark must be “famous” and that a mark is famous “if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” H.R. 683 would also delete the current fame factors in the FTDA and provide that:

In determining whether a mark possesses the requisite degree of recognition, a court may consider all relevant factors, including but not limited to the following: (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark; [and] (iii) The extent of actual recognition of the mark.

The IP Law Section believes that any change in the currently enumerated fame factors may be interpreted by the courts as repudiation by Congress of their relevancy. The factors that would be deleted include “the degree of recognition of the mark in the trading areas and channels of trade of the mark’s owner and the person against whom the injunction is sought,” a factor relied upon by the courts in applying the concept of niche fame. As discussed below, we oppose any change to the FTDA either in support of or in opposition to the concept of niche fame because there is no consensus among trademark owners, courts, or practitioners on the issue.

In addition, the IP Law Section opposes any proposal to introduce new terms into the FTDA within the proposed factors indicating that for marks to be eligible for dilution protection they must be both “famous” and “substantially unique.” H.R. 683 does not contain this language, but the Associations recently have discussed such a proposal. The IP Law Section believes that the addition of a “substantially unique” requirement would render application of the FTDA even more unpredictable. This is because such a phrase appears nowhere else in the Lanham Act. Thus, because there is no track record of interpretation, the phrase is not subject to precise meaning.

D. Niche Fame

H.R. 683 would amend Section 43(c) to provide that a mark “is famous if it is widely recognized by the general consuming public of the United States.” This requirement, (and the three factors added to this section by H.R. 683 to determine whether a mark possesses the requisite degree of recognition discussed above), narrow the scope of the FTDA by denying protection to a variety of marks that currently are protected under the FTDA. In particular, this “widely recognized” language would exclude marks that have achieved fame in specific niche markets defined by industry, consumer group, price group or, to a lesser extent, geography. This change was not part of the original intent of the FTDA and is not necessary in light of Moseley.

As noted above, we do not support any changes either to bolster or eliminate coverage of marks that have achieved niche fame, because niche fame is an issue better left to the judiciary. There is no consensus in the trademark law community on how to address the issue of niche fame. Therefore, the IP Law Section urges the Subcommittee to reject the use of “widely recognized” as well as the three factors in proposed Section 43(c)(2)(A) of H.R. 683.

III. CONCLUSION

The Subcommittee’s effort to respond to the Moseley decision is a necessary undertaking, but one that the IP Law Section submits should not be used as an oppor-
tunity to change the original congressional intent behind the FTDA. Moseley presents a need for legislative changes to create a "likelihood of dilution" standard, provide an express cause of action for dilution by tarnishment, extend dilution protection for non-inherently distinctive marks, and clarify the application of the fair use doctrine and various defenses in actions alleging dilution. The Section of Intellectual Property Law recommends these amendments, and only these, to the Federal Trademark Dilution Act.