THE UNITED STATES TRADEMARK ASSOCIATION TRADEMARK REVIEW COMMISSION REPORT AND RECOMMENDATIONS TO USTA PRESIDENT AND BOARD OF DIRECTORSn*

I. INTRODUCTION

A. Summary

The Trademark Review Commission of The United States Trademark Association, contemporaneously with the forty--first anniversary of the Lanham Act,n1 presents its final Report and Recommendations. The Report is the product of two years of Commission review, analysis, and debate of the policies and components of the trademark system.

We urge the President and Board of Directors to approve our Report and to initiate proposed legislation. In doing so USTA would continue its long history of contributions to the legislative process, and further activate its leadership role in the betterment of the trademark system of the United States.

B. Previous Review

We are not aware of any other comprehensive review of the trademark system in the last quarter century. The effort most closely approximating that of the Commission began in 1948. Representatives of USTA and some twenty--five other legal and trade associations concerned with trademarks were formed into a committee to study the new Act and recommend changes. The study resulted in a series of bills which never became law, in 1951 (S. 1957), 1953 (S. 2540), 1955 (S. 215), and 1959 (S. 2429). In 1962, with the approval and support of USTA, Congress finally enacted H.R. 4333, correcting typographical errors, clarifying certain sections, and effecting desirable changes in both substance and procedure. Subsequent amendments to the Act, however, resulted not from overall review of the type the Commission undertook, but from specific needs.

C. The Lanham Act Years

A comprehensive review of the trademark system begins with history. The first federal trademark act was passed in 1870, and subsequent acts were passed in 1881, 1905, 1920, and 1946. Before the 1946 Lanham Act the trademark system and relevant decisional law were largely undeveloped. But the Lanham Act brought significant incentives to register. And with post--war economic, technological and communications growth came an explosion of trademark activity.

New products, trademarks, and registrations proliferated. Over the years trademark disputes became commonplace. Businesses, realizing the value of their marks, became protection minded and litigation--oriented. Even today, despite a settlement rate of well over ninety--five percent, there is a torrent of at least several hundred reported court and administrative trademark decisions each year. With a few noteworthy exceptions, the courts and the Patent and Trademark Office have correctly applied the Act while balancing the competing interests involved. Trademark rights have been protected and the public interest in freedom from confusion and deception has, for the most part, been served. Fair competition, the goal of a free market economy, remains robust.

The trademark community took new doctrines introduced by the Act in stride. Courts and lawyers faced incontestability and constructive notice squarely, applying them in diverse situations. And the

related companies doctrine preserved quality control and operated well during the unforeseen surge of franchising and trademark licensing in the 1960s and 1970s.

The Lanham Act included a little--noticed section which ultimately became a cynosure. In the 1970s the courts transformed the section into a potent, far--reaching, commercial Bill of Rights for the honest businessman. Section 43(a)n2 has now reached almost towering stature as a weapon to combat unregistered trademark and trade dress infringement and many other types of unfair competition. As a result, the doctrine of Erie Railroad Co. v. Tompkins,n3 that there is no federal common law, has virtually no remaining effect on unfair competition law. Today, under the rubric of Section 43(a), there is in every way but name only a federal common law of the major branches of the law of unfair competition.

Federal trademark registration, Section 43(a), and the engulfing sweep of interstate commerce have given the law and policy of trademarks a strongly federal cast. The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts. We see no likely change in this situation.

The Act has proved serviceable. Representative Lanham and his colleagues did their job well, and there has been no noticeable pressure for wholesale trademark law revision. On those few occasions when the trademark community raised its voice on particular problems, Congress responded favorably.

The Commission was generally satisfied with the overall operation of the Act. Instead of suggesting a sweeping overhaul we preferred to address only specific problems. Near the top of the list were the increased frustrations of clearing new trademarks, and the charade of making token interstate use of a mark for purposes of filing an application.

A review of the principal amendments will place our recommendations in historical context. In 1958 Congress approved and the President signed into law H.R. 8826, establishing the Trademark Trial and Appeal Board. The amendment abolished initial decisions by the Examiner of Interferences with appeals to the Commissioner of Patents. And recruiting Board members gained important flexibility when Congress changed the law (H.R. 4273) in 1980 to allow hiring from outside the PTO. Since its formation the Board has unquestionably become a trademark system mainstay, known for its prompt, sensible, and scholarly decisions. Its decisions enjoy a high affirmance rate, are accorded considerable weight in the federal courts, and occasionally make a significant impact.n4

Trademarks received a long--overdue boost in status in 1975 when Congress (H.R. 7599) changed "Patent Office" to "Patent and Trademark Office." Since the Office had been known by its old name since at least 1836, this was truly an historic step. Congress believed that "Patent Office" was misleading, in light of the Office’s responsibility for administering both patents and trademarks. But Congress also gave express recognition to the importance of trademarks, both because of the interest of the public in trademark protection and because of the economic importance of trademarks. In the accompanying Report (93--1399) the Senate Committee observed that "It has been said that the value of trademarks registered in the Patent Office exceeds that of existing patents."

For the Act's first thirty years there was only one series of changes which might be termed substantive. Even so, the most lasting effect was inadvertent. In 1962 Congress approved H.R. 4333, in order to make a number of corrections and other minor changes in the Act. The bill also changed the basic infringement provision, Section 32(1)(a), deleting the following bracketed words:
Any person who shall, without the consent of the registrant--
(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake, or to deceive [purchasers as to

the source of origin of such goods or services] ...shall be liable in a civil action by the registrant for the remedies hereinafter provided.

The change was explained, innocently enough, as parallel to a similar change being made in Section 2(d). That section, in turn, provided that a mark could not be registered if it so resembled a previously registered or used mark as to be likely "to cause confusion or mistake or to deceive purchasers." The bill deleted "purchasers" to make it clear that the provision related to potential as well as to actual purchasers.

However, a number of courts have viewed the deletion as evidence of Congressional intent to broaden the test for likelihood of confusion. Now, they say, the Act is designed to prohibit confusion of any kind, not merely of purchasers or customers nor as to source of origin.n5

In recent times court decisions have often prompted Lanham Act amendments, the first occurring in 1975 (H.R. 8981). The Supreme Court had held, in Fleischmann Distillery Corp. v. Maier Brewing Co.,n6 that the Act did not authorize an award of attorney's fees to the prevailing party in an infringement action. Aligning the Act with the patent and copyright statutes, Congress changed Section 35 to allow the award of fees in "exceptional" cases. The bill also provided an automatic thirty--day extension of time to file an opposition, and eliminated the need to specify "reasons of appeal" in appeals to the then Court of Customs and Patent Appeals.

In the Century 21 amendment, adding Section 39(a) to the Act, Congress responded directly to Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Commission.n7 A state commission had ordered franchised real estate brokers to display their names at least as prominently as the trade names and logos of their franchisors, and the courts had upheld the regulation. The bill (H.R. 5154), supported by USTA, pointedly reminded the states and the trademark community of the constitutional concept of federal supremacy. It prohibited states or state agencies from requiring the alteration of a registered trademark or requiring associated trademarks or trade names to be used in a manner which differed from the form of the mark as registered.

Congress passed the Trademark Clarification Act of 1984n8 to nullify the effect of Anti--Monopoly, Inc. v. General Mills Fun Group, Inc.n9 The court had held that in determining if a trademark was or was not generic the purchaser's motivation in buying the product was the crucial test. This tortured version of the more traditional test for genericness led the court to hold that the famous MONOPOLY trademark was generic and hence unprotectible. As a result, trademark community clamor rose until it became deafening. Then Congress, relying in part on a USTA Amicus Curiae brief,n10 restored the trademark law traditional test: genericness is determined by the primary significance of the term to the purchasing public, not purchaser motivation.

Congress made a number of other important changes in 1984 (H.R. 6260), authorizing the Commissioner to raise fees substantially in order to make the Trademark Operation of the PTO self sustaining. The bill also provided that oppositions and cancellation petitions no longer had to be verified, and required a statement of use "in commerce" to be made in a Section 8 affidavit.

The most extensive amendment by far has been the Trademark Counterfeiting Act of 1984 (H.R. 6071),n11 which resulted from the combined action of numerous groups and individuals. The generally acclaimed bill established a variety of procedures to allow trademark owners more effectively to combat the growing tide of counterfeiting. The remedies ranged from civil actions, with virtually mandatory awards of treble damages and attorney's fees, to criminal actions, with individual fines up to $250,000 dollars and prison terms up to five years, and company fines up to one million dollars. Against this historical backdrop USTA set the machinery which led to the formation of the Trademark Review Commission in motion.

II. COMMISSION FORMATION

In mid--1984, with the fortieth anniversary of the Lanham Act two years away, USTA recognized the need to establish a Special Committee for a comprehensive review of the current trademark system. The time had come to see if the system could be improved.

On September 28, 1984 USTA President Dolores K. Hanna appointed Guy M. Blynn and William A. Finkelstein, Vice Presidents, leaders of the review study project. She requested them to consider whether a new committee should be formed and, if so, to suggest its structure and objectives. By the following March they recommended the formation of a Special Committee, as provided for under the Bylaws, which would be termed a Commission. The three of them as a planning group then defined the Commission objectives, developed a program and timetable, and determined the composition of the Commission. The group, with Robin Rolfe, USTA Executive Director, and Jerome Gilson, nominee for Reporter, chose a diverse national group of experienced trademark practitioners from corporations, private practice and academia. By May 21, 1985 the planning group concluded its plan for the Commission structure, schedule, charter, membership, and proposed topics.

A. Membership

The Commission consisted of fifteen regular members and fourteen associate members of the Association: .In addition, Mrs. Hanna appointed the following as Senior Advisors to the Commission: Saul Lefkowitz Julius R. cLunsford, Jr. Beverly W. Pattishall Nathaniel G. Sims Leslie D. Taggart

B. Charter

On July 5, 1985, the thirty--ninth anniversary of the Lanham Act, the Commission adopted a Charter containing the following objectives:
TRC will evaluate the Trademark Act of 1946 (the Lanham Act) as amended, state laws affecting trademarks, rules and regulations of administrative agencies, particularly the Patent and Trademark Office, and case law from the federal and state courts and administrative agencies, such as the Patent and Trademark Office and the International Trade Commission.

The Commission shall conduct a study to determine if the trademark system is effective to:
1) Fulfill the objectives of the Trademark Act of 1946 as set forth at the time of its enactment; 2) Accommodate present day business and commercial practices and realities; 3) Implement the public policy objectives of the United States; 4) Further the principles and objectives of the trademark concept and an optimal trademark system; and 5) Adapt to potential future changes in business practices and commercial relationships.

The Commission shall submit its report to the USTA President and the Board of Directors. If the study indicates that changes in the trademark system are appropriate, the Commission shall make recommendations and assist in drafting proposed revision legislation.

III. COMMISSION ACTIVITIES

A. Commission Questionnaire

The Commission members first completed an exhaustive questionnaire. The questionnaire, ranging from general to specific, was designed to elicit member concerns, suggestions and ideas concerning the trademark system. The members wrote extensive and insightful comments, which took ninety--two pages to summarize. Although they held a wide variety of viewpoints, the members expressed considerable agreement on the topics they felt the Commission should address.

B. Commission Committees and Meetings

At its first full meeting September 27, 1985 in Chicago, the Commission approved its procedures and tentative timetable, chose topics to study, and appointed the following Committees:

Intent--To--Use Committee Vito T. Giordano, Chairperson Walter David Ganus Jeremiah D. McAuliffe Albert Robin Robert L. Shafter

Section 43(a) Committee Marie V. Driscoll, Chairperson Donald W. Canady Gerard E. Murphy Louis T. Pirkey

Dilution Committee Henry W. Leeds, Chairperson Anne S. Jordan Peter F. Nolan Alfred M. Marks

Registration and Incontestability Committee Richard M. Berman, Chairperson Miles J. Alexander Catherine F. McCarthy Professor J. Thomas McCarthy Richard A. Wallen

Trademark Definitions Committee John J. Cummins, Chairperson Melville Owen Garo A. Partoyan

Housekeeping Committee Laurence R. Hefter, Chairperson Bert A. Collison Ronald S. Kareken David B. Miller (retired)

The Committee structure has been the backbone of the Commission. During their first six months the Committees functioned autonomously, studying, analyzing and deliberating the various assigned topics.

They then prepared preliminary written reports for discussion by the full Commission in a second Chicago meeting, on March 19, 1986. Yet another meeting was held in conjunction with the San Diego Annual Meeting on June 1, 1986. At the same Annual Meeting the Commission presented a program on its goals and progress. Then, on June 20--21, 1986, in Schaumburg, Illinois, the Commission held an extremely challenging and intensive working session, debating the Committee positions and reports.

The Committees then revised and prepared final reports for further scrutiny and debate in Chicago January 16--17, 1987, and an important phase of the project was completed. The Commission also held a meeting in conjunction with the USTA Annual Meeting in Boston on April 26, 1987, and presented a program to a capacity USTA audience on the following day. It held its last meeting, to review and approve the final Report, in Chicago, July 17, 1987.

Between meetings Commission members met, corresponded, consulted with others, drafted and revised reports, and conferred at length. They also prepared and circulated numerous questionnaires, both within the Commission and on occasion to the full membership of the Association. Views of numerous other persons were also solicited, expressed and considered.

The essence of Commission deliberations was active discussion and interchange. Members took nothing for granted, and repeatedly challenged existing practices, principles, and each other. More than once a seemingly intractable position was softened, then changed. Finally, after numerous votes, came overall agreement on the substance of the Report.

IV. TRADEMARK COMMUNITY INVOLVEMENT

The Commission believes that fundamental changes in the Lanham Act cannot be accomplished without the support of the intellectual property law community. Accordingly, from the very beginning the Commission has brought its activities to the attention of many bar and trade associations. These included the American Bar Association, American Intellectual Property Law Association, California

Bar Association, Illinois State Bar Association, Pharmaceutical Manufacturers Association, and The New York Patent, Trademark and Copyright Law Association, Inc., to name a few. These contacts generated considerable interest in the work of the Commission, and led to a number of Commission member speaking engagements. In turn, the various groups expressed their views to the appropriate Committees of the Commission. The American Bar Association Patent, Trademark and Copyright Section has appointed an ad hoc committee to work with the Commission. The Commission also expects to solicit further view s of these various associations and groups when the Board of Directors approves a final report.

The Commission has not overlooked individuals in its effort to achieve broad exposure. In November 1986 the Association held roundtables, discussion sessions with smaller groups, in some twelve cities across the country. They attracted some one--hundred sixty--five individuals, and the moderators reported lively discussions of several of the key topics being considered by the Commission. We have also repeatedly encouraged individuals and groups to express their views to the Commission.

V. COMMISSION DETERMINATIONS

Pursuant to its Charter the Commission has made a number of determinations.
First, the Lanham Act continues to fulfill the statutory objectives set forth at the time of enactment. These objectives appeared in Senate Report No. 1333 (May 14, 1946), in which the Committee on Patents recommended that H.R. 1654 be passed:
The purpose underlying any trade--mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade--mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well--established rule of law protecting both the public and the trademark owner. It is succinctly stated by Mr. Justice Frankfurter in Mishawaka Rubber and Woolen Company v. S.S. Kresge Company, decided on May 4, 1942:
The protection of trade--marks is the law's recognition of the psychological function of symbols.
In our view these purposes are amply served in the ebb and flow of trademark decisions. There is no apparent danger that the courts will lose sight of them. If anything, trademark protection is becoming more readily available, and the purposes are even more honored today than they were four decades ago.

Second, the Act satisfactorily accommodates present day business and commercial practices and realities, with limited exceptions. It adapted to the licensing and franchising industries, and it provided adequate legal guidance for the recent surge of corporate name changes, acquisitions, and mergers. However, there are a number of areas where improvement is needed. For example, the Act has not kept pace with the increasing need for intent--to--use legislation, and we are recommending a significant change as a result. Similarly, we believe that the law of trademark security interest requires overhaul, that concrete steps should be taken to eliminate deadwood trademarks from the register, and that Congress should adopt a federal dilution law. All of these, and other changes we are recommending, would better serve present day commercial needs.

Third, the Act appears to implement effectively the public policy objectives of the United States. It protects the rights of trademark owners and the rights of the public, promotes the maintenance and improvement of quality in both goods and services, and stimulates innovation in marketing and advertising. It also fosters healthy competition in at least two ways. It preserves good will and investment in product quality and promotion, and reduces the distortions of competition which would result from purchases based on confusion or deception and from the unjust enrichment of unfair competitors.

Fourth, the Act also furthers the principles and objectives of the trademark concept and an optimal trademark system. In its application it continues to allow trademarks to function in a way which is both

socially and economically desirable. Trademarks denote a particular standard of quality, distinguish competing goods, symbolize good will, operate as advertising tools, enhance fair competition, motivate consumers to purchase, insure that consumers get the products they want, and facilitate the establishment of a standard of acceptable business conduct.

Fifth, the Act appears to be adaptable to future business and commercial changes. We see no imminent major business or commercial changes, however, which would suggest current alterations.

We see no reason to propose any changes in state trademark laws. Essentially, the dual federal--state system operates well, with minimum conflict. As long as federal law continues to be preeminent, the goal of national uniformity of trademark law will be substantially met.

We considered the need to change the rules and regulations of administrative agencies, such as the PTO and the International Trade Commission. We concluded that any revisions which may become desirable as a result of our proposed changes to the Act should be considered apart from this Report.

VI. ACKNOWLEDGMENTS

The Commission is grateful to numerous groups, firms, and individuals for their assistance. A few deserve special mention. John McDonald meticulously took minutes of the Commission meetings. Robin Rolfe and her staff handled meeting arrangements and communications flawlessly. Michelle Millas assiduously organized and typed almost all of the questionnaires, response summaries and numerous draft reports, and monitored our "legislative history." Many USTA member corporations and law firms from which TRC members were selected were especially generous.

The Commission appreciates the interest of Commissioner of Patents and Trademarks Donald J. Quigg and Assistant Commissioner for External Affairs Michael K. Kirk in its work, and the time they spent in meeting with Commission representatives.

The Commission is very grateful to Assistant Commissioner for Trademarks Margaret M. Laurence and the personnel of the PTO for their cooperation. They were available for many hours of meetings with us, and provided invaluable suggestions.

The Commission is also indebted to two distinguished members of the academic community. Professor Robert B. McKay, former Dean of the New York University School of Law and an authority on constitutional law, analyzed our intent--to--use proposal and provided his opinion on the question of whether it would survive an attack on constitutional grounds. Professor Richard E. Speidel, of the Northwestern University School of Law, an authority on security interests and the Uniform Commercial Code, reviewed our manuscript and made helpful suggestions on the subject of security interests in trademarks.

VII. COMMISSION RECOMMENDATIONS

The following recommendations are a synthesis of the final Committee reports as modified and adopted during discussions by the full Commission. The Commission also created its own version of "legislative history." This documentation, consisting of ques--tionnaires, drafts, minutes of meetings, correspondence and reports, is not included in the Report.

Commission votes dictated our recommendations. In all cases at least a majority of those present voted in favor, and in many cases there were no opposing votes. Although there were many separately held views, and some disagreement on specific points, we unanimously offer this Report.
We emphasize that suggested statutory language in the Report is illustrative only. In many instances we could not agree on specific language, and we had no time for comprehensive drafting. However, we

decided that many of the proposed amendments would be better understood if put in the form of statutory language. We are not committed to any such language, and we made no attempt to determine the effect of proposed amendments on other sections of the Act.

A. Intent--To--Use

1. Introduction

a. Background of Intent--To--Use Proposals

The Commission's study of this topic is not a new undertaking. The Act of 1870, our first trademark statute, permitted applications based on use or intention to use. The Act was held unconstitutional chiefly because it did not require use or proposed use in commerce.n12

Intent--to--use legislation was subsequently proposed in 1925 (H.R. 6248) and 1938 (H.R. 9041) but dropped. In the 1960s, several bar groups supported the Dirksen and related intent--to--use bills requiring use before registration. This movement dissipated in the early 1970s when interest shifted to the widely debated Trademark Registration Treaty permitting, inter alia, intent--to--use applications, with use within three years after registration. The United States signed it in 1973 but never ratified it.n13

Interest in intent--to--use was strongly revived by the Board's controversial Crocker decision in October 1984, permitting Section 44 applicants not to allege use anywhere or to file specimens.n14 Our recommendations would stand absent Crocker, for they address a deficiency in our system long predating that decision.

b. The Commission's Study

The Commission's study proceeded internally and externally. Internally, we read law; reviewed prior legislative proposals, including TRT and its draft implementing legislation; and considered the many articles for and against intent--to--use, largely collected in The Trademark Reporter(R).n15 We also exchanged position papers, employed questionnaires, and debated and analyzed the proposals recommended or rejected herein.

Externally, the Commission interviewed trademark counsel for diverse American companies on token use practices and lead times needed to introduce new products. We had discussions with other bar groups, notably the Trademark and Trade Name Protection Committee of the AIPLA and the Trademark Committee of the Pharmaceutical Manufacturers Association. We received written opinions from trademark experts in Canada, the United Kingdom and West Germany on the strengths and weaknesses of their systems. We talked to officials of the Canadian Trade Marks Office. In September 1986, we also met informally on this subject with the Assistant Commissioner for Trademarks and a small group from the PTO.

2. Commission Recommendations

We recommend that the United States adopt a dual system permitting applications on the principal register to be based either on use in commerce, or on a bona fide intention to use in commerce, with registration issuing only after a declaration of actual use with specimens has been filed and approved.

We recommend that our proposed intent--to--use system work as follows (items B, C, F, I, J, and K would apply to use--based applications as well):

(A) All applications not based on use----including Section 44 applications----would have to state a bona fide intention to use the mark in commerce for specific goods or services. A drawing would be required.

(B) Full examination of the application by an Examining Attorney would take place before publication.

(C) Publication would appear in the Official Gazette for opposition purposes only once.

(D) After the application cleared the Official Gazette or survived an opposition, the PTO would mail a Notice of Allowance to applicant.

(E) (1) Applicant would have six months from the Notice of Allowance to commence use in commerce and to file a declaration of such use (if it had not yet done so), with specimens, for goods or services

identified in the application. All items of goods or services for which use had not been made would be deleted from the application. These requirements would not apply to Section 44 applicants.
(2) The six--month period would be extended by the Commissioner for additional periods of six months each, on the filing of verified statements of continued bona fide intention to use the mark in commerce and the payment of appropriate fees, for a total of no more than four years from the date of the Notice of Allowance.
(F) We propose to amend the Section 45 definition of trademark use in commerce as follows: The term "used in commerce" means such use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.
(G) The declaration of use and supporting specimens would be examined by an Examining Attorney to determine if
(a) the declarant is the applicant, (b) the mark corresponds to the drawing, (c) the goods or services are identified in the application, and (d) the mark displayed on the specimens functions as a trademark or service mark.
(H) The required declaration of use could be based on use by applicant's related company, or licensee. But the application would not be assignable, except to a successor of applicant's business or the portion thereof to which the proposed mark pertained, until the declaration of use had been filed by the original applicant.
(I) The filing date of all applications----whether based on intent--to--use or use----would constitute constructive usen16 nationwide in effect against anyone that did not antedate applicant's filing with (1) actual use, or (2) a filing date, or (3) a Section 44(d) priority date based on a foreign application. This benefit would be conditioned upon registration on the principal register.
(J) Constructive notice under Section 22 would date from registration, as it does now.
(K) The registration would date from its grant as it does now, and would cover only those goods or services specified in the declaration of use.
(L) Unless its priority was based on actual use, an intent--to--use party alleging likelihood of confusion could not obtain a final judgment from the Board sustaining an opposition or cancellation petition, or from a court granting injunctive relief, until it had commenced use and obtained registration on the principal register.n17
(M) An intent--to--use applicant could not file to register on the supplemental register.
We discuss each of these recommendations and related points commencing at infra VII. A. 7., Explanation of Intent--To--Use System.

3. Sections of Act Requiring Amendment
The foregoing recommendations would require amendments to at least Sections 1, 2(d), 3, 4, 10, 12(a), 26, 30, 33, 44 and 45 of the Lanham Act.

4. Policy Supporting Intent--To--Use System
It would not subvert our system to suspend the principle "no trade----no trademark" to permit an intent--to--use application, with use required before registration:
(A) A pre--filing use standard is unrealistic. It is the requirement in our trademark law that most perplexes American business. Bringing a brand to market is costly in time, effort and money. To make one incur such costs before some assurance it may register or retain the brand is logistically perverse. This is the main reason for token use applications. To the extent they are being filed and upheld, we now have, in effect, an intent--to--use system.n18
(B) (1) Token use should be discouraged. It delays filings; it is contrived; it is commercially invisible; it perpetuates dead marks clogging the register; and it creates legal uncertainty.
(2) Our proposed intent--to--use system and revised definition of use should significantly reduce token use made merely to establish or maintain a trademark right.
(C) Intent--to--use would increase certainty. Though it would not remove the hazard of objection from an unknown prior user, there would be earlier public disclosure of potential conflicts. Filings, and their citation in search reports, would be accelerated. This would afford more lead time to negotiate to resolve a potential controversy or to select another mark before product launch.

(D) An intent--to--use system would significantly lessen the disparity between our pre--filing requirements for domesticn19 and Section 44 applicants. That pre--filing disparity would disappear if, as we recommend, Section 44 applicants were required to allege a bona fide intention to use in commerce.

5. Policy Supporting Requirement of Use Before Registration

We think it essential that an American intent--to--use system require, before registration, use attested to by declaration and specimens (except for Section 44 applications):

(A) That requirement would confirm the importance of use in the American system.

(B) It would deter registration of marks not intended for commercial use, since a declaration of such use and specimens would be required shortly before registration would issue. It would thus lessen the risk of proliferation.n20

(C) It would permit the rejection of applications on grounds disclosed by the declaration of use or specimens, and prevent invalid registrations from issuing undetected.

(D) It would not weaken the deterrent effect of Section 38 affording damages for fraudulent registrations, as a post--registration use requirement might do.

(E) A system requiring use before registration would withstand an attack on constitutionality better than a system that does not. However, we think either would be deemed constitutional, particularly in view of the broad judicial expansion of the commerce clause.n21

The principal advantage of post--registration use statutes is that they afford exceptionally long lead times to commence use. In some countries the trademark owner has up to five years from grant of registration (West Germany). However, their weakness lies in issuing registrations to applicants that might never use their marks. Such a system would put competitors on long hold, speculating whether use would ultimately occur and wondering what goods or services were involved.

Shorter periods with extensions are preferable. Our proposed system would require use within six months after the application is allowed or survives an opposition. Extensions of six months could be granted on verified statements of continued bona fide intention to use and payment of appropriate fees, with a cut--off date four years from Notice of Allowance. This requirement,n22 will allow liberal lead time for product introduction and yet discourage extended nonuse.

We recognize that a post--registration use system would give American applicants full parity with Section 44 applicants. Although our proposed system would not do so, it would dispense with use before filing and require Section 44 applicants to allege a bona fide intention to use, thus narrowing the disparity heightened by Crocker. Parity did not exist even before Crocker: applications based on foreign applications or registrations merely had to allege use "somewhere." It is unwise to adopt what we believe to be a less satisfactory system merely to achieve full parity.

6. Proposed Amended Definition of Use in Commerce

The present Section 45 definition of use in commerce encourages token use and the warehousing of marks, by requiring only that the labeled product be "sold or transported in commerce." We therefore recommend adding the italicized language:

For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith. The term "used in commerce" means such use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.

We drafted this amendment to permit flexibility, and realize that it will require judicial interpretation. Although the amendment is general, it excludes sham trademark use and the unrealistic limited volume

or single--product shipments now being made for purposes of establishing pre--application use. It would effectively nullify Fort Howard Paper Co. v. Kimberly--Clark Corp.,n23 and its progeny.
The proposal contemplates commercial use of the type which is common to a particular industry. However, it should also be construed to encompass various genuine but less traditional trademark uses such as those made in small--area test markets, infrequent sales of very expensive products, or ongoing shipments of a new drug to clinical investigators from a company awaiting FDA approval.n24
Under our proposed definition, rights in a trademark or its registration would not be lost if use of the mark were interrupted due to special circumstances excusing nonuse, absent an intent to abandon. The amended definition must be considered in connection with (1) Sections 8 and 9 permitting an affidavit of use and application for renewal to show such special circumstances, and (2) Section 45 requiring an "intent not to resume" use as an element of abandonment.

While we also considered amending the use definition to make advertisements or promotional material acceptable specimens of trademark use, we decided against this recommendation chiefly for these reasons:
(A) It would be of little help for pre--filing purposes. Most companies could not feasibly advertise or promote a product on a non--token basis until shortly before or at market introduction.
(B) It would permit registration of short--lived advertising slogans with resultant register clogging.
(C) There is already considerable relaxation of the affixation requirement in Section 45, which allows trademark use on "displays associated" with the goods. For example, use on restaurant menus is acceptable.n25 (We are recommending that the affixation requirement be relaxed in the case of products shipped in bulk in containers such as tank cars.)n26
(D) There is no way to establish any meaningful yardstick as to the required amount of advertising or promotion. Would a single advertisement suffice? In what type of publication? What would be the requisite circulation?

Our proposed intent--to--use system and revised definition of use would largely remove the present incongruity permitting trademark registration based on a token label but not on a national advertisement.

7. Explanation of Intent--To--Use System
We explain below the essential elements of our proposed intent--to--use system.

a. The Application
Applicant must state "a bona fide intention to use the mark in commerce" for each product or service identified in the appli--cation. By "bona fide," we mean no mere hope, but an intention that is firm though it may be contingent on the outcome of an event----e.g., product testing or market research. The term "bona fide" should be expressly stated in the statute to make clear such intent must be genuine. The same requirement would apply to Section 44 applications.n27
The application would identify each proposed product or service with specificity at least sufficient to permit third parties to evaluate potentially conflicting claims. The identification could be clarified or narrowed, but not broadened, in the subsequent declaration of use or registration.
A drawing would continue to be required.

b. Constructive Usen28 Accorded Filing Date
The filing of an application (based on intent--to--use or actual use) would constitute nationwide constructive use against all entities which did not antedate that filing with (a) actual use, or (b) a filing date, or (c) a Section 44(d) priority date based on a foreign application.
Constructive use is essential for an intent--to--use application. Without it, the application would be an easy target for pirates, vulnerable also to priority claims of anyone else whose use began after applicant's filing date but before applicant's use. This would strongly discourage filing of intent--to--use applications and also defeat our objective of reducing uncertainty.

Making constructive use nationwide in effect against subsequent users (without filing priority) would prevent them from claiming common law priority in their own territories. Constructive use would thus reduce geographical fragmentation of trademark rights.n29 It would also essentially provide what Section 44 applicants now receive (except for the claim of priority relating back to the filing date of the foreign application).n30 These benefits would be a further incentive to register.

The same nationwide constructive use should also be given to applications based on actual use.n31 It would be anomalous and unfair to allow a party to assert priority of use in its own territory against a senior--user applicant with priority of actual use in another area, but not against an intent--to--use applicant with priority based solely on a filing date and not on actual use anywhere. This would penalize and discourage pre--filing commercial use by prospective applicants.

Constructive use would also provide a strong incentive to search the PTO records prior to adopting a new trademark. Although searching is not mandatory at present, a business would be taking a Russian roulette legal risk if it expended money on a new mark without a search. Constructive use would encourage the filing of applications and searching of the register, both desirable policy objectives. The filing of an intent--to--use or use--based application could not constitute nationwide constructive use against anyone who used a mark before the filing date. According a filing date nationwide constructive use is policy--justified as against a subsequent user who either knew of, or could have searched, applicant's earlier trademark claim. A prior user, of course, cannot initially know of a later--filed application. It would thus be inequitable to permit that application to freeze the prior user's right to territorial expansion. Questions of priority and territorial rights involving prior users should continue to be decided as under current law.

Nationwide constructive use accorded the filing date would be conditioned on registration. If registration did not issue, all priority and territorial issues would be decided under current law.

c. Examples

The following examples illustrate the operation of this proposal:

(1) P files an intent--to--use application on June 1, 1988 to register the mark BRAVO for cheese. D commences use of the mark BRAVO for yogurt November 1, 1988. P begins shipping BRAVO cheese in commercial quantities to its brokers and retail accounts in several states on February 1, 1989. In an injunction action by P against D, P prevails, provided:

(a) P's application is allowed, (b) P files a declaration of use within six months after Notice of Allowance or during an extension thereof, (c) a principal register registration issues to P, and (d) P proves that the public in D's locale is likely to be confused by D's use of BRAVO on yogurt.

(2) D makes actual use of the BRAVO mark for yogurt on April 1, 1988. P files an intent--to--use application on June 1, 1988 to register the BRAVO mark for cheese. P begins commercial shipments of BRAVO cheese on February 1, 1989. In an action by P against D based on P's later acquired principal register registration, D prevails in the area where it has established rights, subject to P's concurrent use rights and ability to prove likelihood of confusion. Neither P's actual use (February 1, 1989) nor its constructive use (June 1, 1988) is prior to D's actual use (April 1, 1988).

(3) P files an intent--to--use application on June 1, 1988 to register the mark BRAVO for cheese. P's application is allowed, P files a timely declaration of use based on commercial quantity shipments, and P obtains a principal register registration of BRAVO on December 1, 1989. D commences actual use of the BRAVO mark on yogurt on January 1, 1990, with constructive notice of P's registration under Section 22. In an injunction action by P against D, P prevails if P is able to prove that the public in D's locale is likely to be confused by D's use of BRAVO on yogurt. P established prior constructive and actual use, and D had constructive notice of P's rights when he began using the mark.

d. Pre--Publication Examination

The application would be fully examined before publication. Absence of specimens should not materially affect examination on issues of confusing similarity or descriptiveness.

Other grounds for rejection would not be detected without specimens, e.g., subject matter not constituting a trademark or service mark, or marks differing materially from the drawing. But these grounds would turn up in the Examiner's subsequent review of the declaration of use with specimens, before registration.

An intent--to--use application could be cited against a later--filed conflicting application, which would then be suspended pending the outcome of the first application. This would conform to the PTO's present practice.
Applicant could respond to a rejection and seek review by appeal to the Board or petition to the Commissioner, as now.

e. Publication in Official Gazette
Publication would take place as now. We considered but rejected "quickie" publication solely for notice purposes (after a nonsubstantive routine examination), followed by full examination and a second publication for opposition purposes. We think this a burdensome and delaying procedure that is unnecessary since adequate notice may readily be obtained from a trademark search.

f. Opposition and Cancellation Proceedings
Oppositions against intent--to--use applications would be filed within thirty days of publication or an extended period, as now. We considered but rejected either not instituting the opposition or suspending it until after the declaration of use was filed. These procedures would avoid the expense of opposing a proposed mark that may never be used. But they would defeat our objective of reducing uncertainty before applicant's investment in commencing commercial use. Moreover, a party that does not intend to make commercial use is not likely to incur the substantial expense of defending an opposition to conclusion.

An intent--to--use applicant could (1) successfully oppose a later--filed application without priority of actual use, or
(2) cancel a registration based on a later--filed application without such priority.n32 A decision would be rendered, but if the intent--to--use applicant won, entry of judgment would be suspended until it obtained registration (because its prior constructive use would be contingent on such registration). Judgment would not be suspended where the opposition/petition was based on descriptiveness or any other Section 2(e) ground, provided that opposer/petitioner had standing to assert such grounds, i.e., a sufficient interest in using the term in issue in the future. This would conform with current law.n33
For example, P files an intent--to--use application on June 1, 1988 to register the mark BRAVO for cheese. D commences use of the mark BRAVO for yogurt in interstate commerce November 1, 1988, and on December 1, 1988 files an application based on use. The PTO issues a Notice of Allowance on P's application June 1, 1989. D's application is published for opposition December 1, 1989, and P files an opposition. The case proceeds, and is ripe for decision February 1, 1991. If D wins, judgment is entered immediately. If P wins, entry of judgment is suspended pending issuance of P's registration. P obtains extensions (of the six--month statutory use period) for three and one--half years from June 1, 1989, the date of the Notice of Allowance. Immediately before June 1, 1993, P overcomes its production problems, makes commercial volume shipments of BRAVO cheese, and files a declaration of use. P's registration issues November 1, 1993. The suspension is lifted and P prevails.
Prosecution of these proceedings before one or both of the parties commences use should not significantly affect their determination. As to oppositions, the Board has consistently held the controlling factors to be the mark, goods, and channels of trade disclosed in the opposed application, not what applicant may actually be using or doing in the market place. Many oppositions are now decided without testimony from applicant and with little or no help from its labels. The same factors would apply to an intent--to--use petitioner for cancellation before it commenced use. However, our proposal to amend Section 18 to allow the Board to limit descriptions based on market place realityn34 could also apply to intent--to--use marks if testimony about the intended use results in a factual determination that the goods or services description is stated too broadly.

g. Notice of Allowance and Use Periods
After the application clears the Official Gazette or survives an opposition, the PTO would mail a Notice of Allowance to applicant advising that within six months use must be made and a declaration of use with specimens filed for registration to issue.n35 Applicant could obtain six--month extensions up to four years from the Notice of Allowance. If no declaration of use were filed within the four--year period the application would be deemed abandoned.

The Commission realizes that the lead times businesses need to introduce new products or services vary greatly. Our interviews with trademark counsel from diverse companies and our internal discussions indicated that four years from Notice of Allowance would be ample if not lenient.n36 Providing for a longer period, or for no cutoff date, would encourage delay in commencing use of a mark or in reaching a decision not to use it. This would prejudice third parties who are forestalled from using or registering a conflicting mark because of a pending intent--to--use application with a prior filing date.

While some have argued that a four--year use period is too long, we believe that it will maximize product lead time flexibility and, in general, benefit the business community. The requirement of time extension requests every six months (accompanied by renewed intent--to--use verified statements and the payment of appropriate fees) should deter those with no serious intent to use. The verified statements and payments will eliminate the need for, and avoid the PTO administrative burden of, showings of good or exceptional cause as a condition of obtaining extensions.

h. Declaration of Use and Its Examination
The declaration of use would (1) state the dates of first use and first use in commerce, (2) specify those goods or services identified in the application for which the mark had been used in commerce, and (3) be accompanied by specimens showing such use. The PTO examination would be limited chiefly to the issues whether (1) declarant is the applicant, (2) the mark is as shown in the drawing, (3) the goods or services specified in the declaration are identified in the application, and (4) the mark functions as a trademark or service mark. Applicant could respond to a rejection, and, where appropriate, seek review by appeal to the Board or petition to the Commissioner.

i. Effective Date of Registration and Constructive Notice
Registration would date from its grant and would cover only those goods or services specified in the declaration of use. Section 8 affidavits and renewals would be due as they are now. Registration would continue to constitute Section 22 constructive notice of the trademark owner's claim. It would not be appropriate for constructive notice to antedate registration, for the application may never issue to registration.

Furthermore, our present law should not be changed unless it is necessary to make intent--to--use work or can be justified by compelling policy considerations. That is why we recommend that the filing date constitute constructive use; without that change, an intent--to--use applicant's claim would be jeopardized.

No such necessity or policy consideration dictates that constructive notice antedate registration. By virtue of its constructive use, an intent--to--use applicant would have a superior right over anyone adopting a mark after applicant's filing date. And because of the importance of constructive use, many junior users will conduct searches and have actual notice of applicant's claim. If the junior user is genuinely innocent, courts should continue to be free to consider that fact in balancing the equities.

j. Injunctive Relief Conditional on Actual Use
An intent--to--use applicant should not be entitled to injunctive relief until it commences use. Without such use, applicant could not establish likelihood of confusion in the market place.n37

Further, without use, applicant would not obtain the registration upon which its constructive date of use is contingent. Applicant could then not assert priority over a use commenced before applicant's use but after its filing date.

k. Licenses and Assignments

An intent--to--use applicant should be permitted to license its proposed mark before use. A licensee's use would inure to the benefit of applicant and support applicant's declaration of use. This would be consistent with the prevailing view: a mark may validly be licensed before it is used.n38

By contrast, assignment of an intent--to--use application should not be permitted before use. To permit such assignments

(1) would conflict with the principle that a mark may validly be assigned only with some business or good will, and (2) would encourage trafficking in marks. But assignments before use should be permitted as part of a transfer of an intent--to--use applicant's business or the portion thereof to which the proposed mark pertains.

l. The Supplemental Register

Under existing law, an intent--to--use applicant could not apply to register on the supplemental register because he cannot meet the one--year lawful use requirement of Section 23.n39 Even if the one--year requirement is abolished, however, we recommend against permitting such intent--to--use filings. These designations do not function as marks or become protectible until they acquire distinctiveness through use.

Transfer of an intent--to--use application from the principal register to the supplemental register would be possible after the mark had been used. But it would not be appropriate for applicant's filing date to constitute constructive use, since registration on the supplemental register affords no prima facie evidence of a right to use. Thus, applicant's priority would be based on its date of first actual use.

8. Section 44 Applications and Intent--To--Use

Section 44 applications should be required to allege a bona fide intent to use the mark in commerce. This modest requirement is consistent with our treaty obligations. Moreover, Section 44 applications now imply an intention to use, for their registrations may be canceled because of abandonment due to nonuse for two consecutive years after registration.n40

To permit registration without an intention to use is to encourage registration of reserve or defensive marks. Eliminating this practice should be fundamental to our adoption of a new system.

However, we recommend against requiring pre--registration use in commerce for Section 44 applications, because this could violate our treaty obligations. We also recommend against reviving the pre--Crocker requirement of use "somewhere" plus specimens before registration. Although the Crocker principle could be overturned in a future court proceeding, such use is impracticable and legally irrelevant in any event, irrespective of our treaty obligations. Furthermore, the latter recommendation (1) would make our intent--to--use proposal seem a response to Crocker, though it is not, and (2) might lead to diversionary debate over Crocker and our treaty obligations, thus delaying action on our proposal.

9. Balancing Equities Under Intent--To--Use

Some have cautioned that under an intent--to--use system our courts would adjudicate inflexibly on paper--world rules rather than real--world considerations. We do not agree. Equity has been the core of our trademark jurisprudence for over a century. Courts would not likely discard it for a paper--world approach if we adopt intent--to--use with use before registration:

(A) Plaintiffs could not realistically argue likelihood of confusion until they had commenced actual commercial use. Courts would then look to the market place and assess, as they do now, the familiar Polaroid factors set forth by the Second Circuit Court of Appealsn41 or similar factors considered by other circuits.

(B) The central issues of distinctiveness and likelihood of confusion are real--world, fact--intensive issues, as are the other Polaroid factors. They each militate against inflexible or abstract determinations.
(C) On the issue of priority, some flexibility would be lost but some certainty would be gained by according constructive use to an applicant's filing date. Priority is a threshold fact issue for which we need more certainty of resolution. But this would not take equity out of an infringement suit. A plaintiff asserting constructive use would not be assured victory; it would still have to establish a protectible interest and likelihood of confusion in defendant's territory to prevail.
(D) Furthermore, courts have refused to make "calendar priority" based on commercial use determinative if doing so would cause inequity.n42

It is unlikely that courts would react differently with constructive use.
If an innocent user were to be enjoined due, in part, to an applicant's earlier filing date, this would be policy--justified. The user could have discovered the prior application in a search report before commencing use, whereas, prior to filing, the applicant could not have learned of the subsequent use. Moreover, granting an injunction to an applicant that publicly disclosed its mark by filing before another's use would be consistent with the "policy of encouraging prompt registration of marks by rewarding those who first seek registration under the Lanham Act."n43

10. Constitutionality of Intent--To--Use
Professor Robert B. McKay, New York University School of Law, reviewed and analyzed the Intent--To--Use Committee Report in light of applicable principles of constitutional law. He concluded, without reservation, that the proposed intent--to--use amendment would be constitutional. Indeed, he went so far as to state that the amendment would satisfy the most rigorous constitutional inquiry.
He based his conclusions on two factors. First, the amendment has a valid and substantial relationship to commerce. Second, it would ease present burdens on the flow of commerce. He felt that there was no doubt that the requirement of use in interstate commerce prior to the issuance of a registration would make the amendment valid. Similarly, he found the justifications persuasive and the changes highly desirable. He also noted that prior Supreme Court authority extended the commerce clause reach very far indeed.n44
Professor McKay also emphasized the following points:
(1) Rational legislation based on the commerce clause is presumed valid,n45 and the presumption of validity is one of the strongest of all constitutional presumptions.
(2) The objective of the amendment is exceedingly rational in its intent to improve the flow of commerce and to lessen the present burdens on commerce.
(3) Registration and regulation of trademarks are particularly appropriate for single national rule. The states can have only the most attenuated interest in trademark legislation.
(4) Earlier intent--to--use proposals encountered constitutional difficulties because they featured allowance of registration before actual use. The amendment eliminates these risks.
(5) The few doubts expressed about the reach of the commerce power relate to issues of federalism and the Tenth Amendment.n46 Those doubts are inapplicable here.

11. Conclusion
The Commission's intent--to--use proposal is not a panacea. But it addresses a serious flaw in our registration process, and should be of incremental value for our entire system. The objections voiced against intent--to--use, though worthy of consideration, concern problems that are speculative and seem manageable. The deficiencies in our present system are real and will persist as long as we retain our pre--filing use requirement. The risk/reward ratio strongly suggests that the United States adopt intent--to--use with use before registration.

B. Deadwood

1. Introduction

The volume of abandoned or inactive marks ("deadwood") on the PTO register poses a serious problem for the business community. These marks impair the utility of the register by needlessly discouraging the use of marks which are actually and legally available. To the extent that this occurs, the registration system cannot foster a healthy economy and stimulate commercial progress.
In order to reduce deadwood on the register, the Commission recommends that the term of a federal registration be reduced from twenty years to ten years. Further, we believe that deadwood would ultimately be reduced by adopting the Section 45 definition of "use in commerce" as suggested in the Intent--To--Use recommendation.n47 This would require a greater showing of actual commercial use than is presently required. This level of commercial use would be required for Section 8 and renewal affidavits with respect to every product and service set forth in the registration. Without such a statement, those products and services would be stricken from the registration. Subject to these changes, the Section 8 affidavit would continue to be required only during the initial registration term.n48

2. The Deadwood Problem and Proposal
The number of trademark registrations is reduced as registrants fail to file Section 8 affidavits in the sixth year, fail to renew their registrations, or voluntarily cancel their registrations. A registration can also be canceled in an inter partes case or a civil action on various other grounds, including the abandonment of the registered mark.
This system is far from perfect. Ideally, the records of the PTO would reflect all of the marks actually in use in the market place. At a minimum, this would facilitate more thorough and reliable trademark searching. However, since trademark registration is not compulsory, nor does the Commission believe that it should be, the register does not accurately reflect the market place situation. Both active unregistered marks and inactive registered marks distort the picture. The registration system does not affect the former, except by providing incentives to register, but it does and should to a greater extent affect the latter. There are over a half million active registrations which one could consider in clearing a new mark, and a significant percentage cover inactive marks.

The Commission made a rough analysis of marks registered from 1966 to 1985 in an attempt to measure the amount of deadwood on the register. We concluded that approximately twenty-three percent of the active registrations over six years old are deadwood, and that approximately fifty--eight percent of these would be removed sooner than would otherwise be the case by reducing the registration term to ten years.n49 In addition, the Commission conducted a survey of United States members of the USTA to measure the degree of concern relating to this issue, and to evaluate various alternatives to resolve the problem. A large majority concluded that the amount of trademark deadwood on the register constituted a major problem.

The Commission considered recommending a proceeding similar to that available under Section 44 of the Canadian Trade Marks Act. Canadian Section 44 provides that the Registrar may at any time, upon the written request of any party after three years from the date of registration, give notice to the registrant that he must furnish evidence of use of the mark or reasons for nonuse for each of the goods covered by the registration. Failure to furnish evidence of use or a satisfactory reason for nonuse may result in cancellation of the registration in whole or in part. Many respondents to the USTA survey favored this alternative. However, we reviewed this procedure with Canadian practitioners and representatives of United States law firms and companies with Canadian Section 44 experience, and concluded that the time required to complete a Canadian Section 44 proceeding was often not significantly shorter than a cancellation proceeding in the United States. Furthermore, the Commission concluded that the PTO as presently constituted could not expeditiously handle such a procedure. Certain respondents to the USTA survey opposed reducing the registration term to ten years primarily because of the increased cost to registrants of renewing twice as often. Consequently, the Commission recommends that along with the reduction of the registration term the renewal fee be reduced.

The change of the registration term to ten years would also make the term of a registration more consistent with that now used by many other countries. With a ten--year term, the United States would be in a better position to participate in any international registration treaty should it choose to do so. The Commission believes that the foregoing recommendation would, in time, significantly reduce the amount of deadwood. It would not affect those rare situations where nonuse is only temporary or, if lengthy, is excusable because of business reasons unrelated to an intent not to resume use. It can only make trademark owners aware that the use requirement has taken on new importance, and that trademark warehousing is no longer permissible. This could only have a salutary influence on the system.

C. Attributes of Federal Registration

1. Introduction

The Commission recommends changing Sections 7(b), 33(a), and 33(b) to clarify the evidentiary benefits accorded federal registrations.

2. Clarification of Prima Facie Evidence Provisions

Sections 7(b), 33(a), and 33(b) of the Lanham Act provide overlapping evidentiary benefits for a principal register registration. Section 7(b) provides that a certificate of registration "shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce." A somewhat similar provision, but one employing different language, appears in Section 33(a): a registration "shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce." By contrast, Section 33(b) provides that an incontestable registration "shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce."

In Suggested Amendment to Lanham Act Section 33(b),n50 we recommend that Section 33(b) be amended to provide that a registration "shall be conclusive evidence of the validity of the registered mark and of the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce." The Commission recommends incorporating corresponding evidentiary benefits into Sections 7(b) and 33(a). This would clarify the general understanding of the prima facie evidentiary benefits which are presently available, and make Sections 7(b) and 33(a) consistent.

3. Suggested Amendments to Lanham Act Sections 7(b) and 33(a)

At present, Section 7(b) reads as follows:

Existing Section 7(b): A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

To implement the foregoing proposal, the Commission recommends the following new version of Section 7(b):

Proposed Section 7(b): A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

At present, Section 33(a) reads as follows:

Existing Section 33(a): Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing

party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.
To further implement the above proposal, the Commission recommends the following new version of Section 33(a):
Proposed Section 33(a): Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration, subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

4. Constructive Notice
Under Section 22 the issuance of a principal register registration is constructive notice of registrant's claim of ownership of the mark. We questioned whether constructive notice should run from the date of publication of the mark for opposition or even from the filing date of the application for registration. The Commission concluded that, in light of the intent--to--use recommendation that the application filing date establish nationwide constructive use,n51 there was no basis for changing the constructive notice provision. Constructive use would fix the applicant's priority rights, subject to the later issuance of a principal register registration. By contrast, constructive notice would take effect only on issuance, and would be applied in a court action in a determination of whether the junior user acted in good faith or whether his use would be subject to being enjoined when the registrant's use expanded to his area.

D. Supplemental and Other Registers

1. Introduction
The Commission does not recommend any additional registers. It has not identified any specific or serious problems that would be remedied by the creation of additional registers. To the extent that any additional registers would be useful, we believe that the attendant administrative and other problems would outweigh any significant benefits.
The Commission recommends that the supplemental register be retained, but recommends that the one--year use requirement be abolished. It also recommends that a supplemental register registration not be deemed an admission that the mark has not attained secondary meaning.

2. Additional Registers
The Commission considered the establishment of a Claim Register in the PTO. Under this proposal members of the public could file a claim of right or interest in a specific trademark for particular goods or services, whether or not they had actually used the mark. The claim would be recorded without examination to give notice of the claimant's intention to use, or use of, the mark, and to provide aid in searching. Attention would have to be given to the significance, if any, of notice of such record to a party searching the register. It would also be necessary to establish a procedure for removing marks from such a register, as well as to determine whether a mark that has remained on such a register for a specific period of time had any legal significance. Such a register could not be permitted to deter third parties permanently from adopting a similar or identical mark. On balance, the Commission recommends against establishing such a register. An intent--to--use system would be a far better means of providing such notice.

The Commission considered a Strong Mark Register in the PTO for a special category of distinctive marks that could not be appropriated by other users, even for unrelated goods or services. Establishment of such a register would, in effect, create a federal cause of action for dilution. A number of methods could be used to determine whether a mark has the requisite strength or dis--tinctiveness for registration on such a register. One approach would be to require a showing that a substantial majority

of the relevant public, e.g., seventy--five percent, associates the mark with the registrant or its goods or services. In the end, however, the Commission felt that it was preferable to treat the entire topic of dilution separately rather than to erect it on the foundation of a separate register.
The Commission also considered, but rejected, a Licensed Mark Register.

3. Abolition of Supplemental Register?
The Commission concludes that the supplemental register should be retained. Although the need is not as great as it once was, the register still facilitates the ability of American businesses to obtain trademark registrations in foreign countries. It also provides an important vehicle for owners of marks capable of distinguishing to put the world on notice of their rights. A supplemental register registration will appear in a search report and can block registration of a confusingly similar mark to a third party.n52 It also allows the registrant to employ the symbol(R) on goods, a significant advantage to any trademark owner, and allows the registrant to establish federal jurisdiction in an infringement action. In addition, a body of statutory and decisional law on supplemental register registrations provides considerable guidance and certainty that would be impossible to duplicate if the register is eliminated or replaced.

The supplemental register was established to facilitate obtaining trademark registrations in foreign countries by United States businesses. Article 6 of the Paris Convention entitled the owner of a trademark registration issued by a signatory country to register the mark in all other Convention countries. Article 6 also provided that each country could require proof of domestic registration as a prerequisite to issuing a foreign registration. In the past, as a means of obtaining a foreign registration, many American companies obtained a supplemental register registration if they were unable to obtain a registration on the principal register. Yet almost fifteen years ago a commentator noted that the role of the supplemental register in obtaining foreign trademark or service mark registrations was declining.n53 Foreign subsidiaries had become available to obtain foreign registrations, and various other factors led to the decline. Nevertheless, the Commission believes that the supplemental register continues to facilitate foreign registration and to offer other benefits as well.

4. Suggested Amendments to Act
The Commission recommends that Section 23 be amended to provide that neither the filing of an application nor registration on the supplemental register constitutes an admission that the mark has not acquired secondary meaning. This proposed amendment would codify the holding in California Cooler, Inc. v. Loretto Winery, Ltd.,n54 that a supplemental register registrant is not barred from establishing secondary meaning against an alleged infringer using the mark at the time of registration.
The Commission also recommends that the presently required one--year period of use prior to filing an application for registration on the supplemental register be eliminated. This would facilitate both registration on the supplemental register and obtaining foreign registrations. Although Section 23 currently provides that the one--year use requirement can be waived upon a showing that a domestic registration is required to obtain a foreign registration, the Commission believes that complete elimination of this requirement is preferable. Furthermore, elimination would have no effect, either broadening or narrowing, on the underlying rights of the registrant. Use for less than a year would not rule out that the mark was "capable of distinguishing," and the mark could even be the subject of secondary meaning proof under the California Cooler doctrine.

5. Retention of (R) Symbol
The Commission considered a different type of notice symbol for supplemental register marks. Such registrations are not entitled to the benefits of constructive notice, prima facie right to exclusive use, incontestability, and the means to stop the importation of infringing products. However, the Lanham Act is designed to provide a national system of registered marks for searching purposes and to encourage the marking of products with some type of registration symbol.

Eliminating the use of the (R) symbol for supplemental register registrations, or adopting a different symbol, would be counterproductive and confusing to trademark owners and the public. The symbol is designed to notify the public of federal registration. Members of the public can then inspect the PTO records to determine whether the registration is principal or supplemental and whether it has any limitations. Moreover, whether or not the supplemental register registrant is permitted to use the (R) symbol, the same difficult question of what constitutes "good faith" is present in an infringement action. Knowledge of a prior user's mark, whether unregistered or registered on the supplemental register, will weigh against the junior user. Accordingly, the Commission does not recommend that the Lanham Act be amended to prohibit owners of supplemental register registrations from using the (R) symbol. Such a change would not create any significant benefits and would only serve to conceal information from the public.

E. Incontestability

1. Introduction

The Commission reviewed the incontestability provisions and decided to recommend certain changes. The provisions are ambiguous, and the courts have interpreted them inconsistently.

2. Clarification

The incontestability language of the Lanham Act requires clarification. Section 33(b) states that the registration "shall be conclusive evidence of the registrant's exclusive right to use the registered mark." Read literally, this would mean that if a defendant's mark is very similar and is used on the same goods as those in the registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion. But this is inconsistent with Section 32(1)(a), which defines infringement as use which "is likely to cause confusion, or to cause mistake, or to deceive."

Some courts have noted in passing that incontestable status does not relieve the registrant of proving infringement, or likelihood of confusion.n55 The Commission believes that any doubt on this fundamental point should be eliminated. Trademark infringement cannot be proved without likelihood of confusion, there being no trademark rights in gross or in the abstract. There is no evidence that the draftsmen of the Act intended otherwise.

It should be made clear that "incontestability" accomplishes three things. First, it should state that the registrant's continued right to use the registered mark on goods specified in the Section 15 affidavit should be "incontestable," subject to the specified exceptions. Section 15 now specifies the "right of the registrant to use" and Section 33(b) specifies the registrant's "exclusive right to use," incorporating Section 15 by reference. Second, it should state that the validity of the registrant's mark as registered and as used on the goods specified in the Section 15 affidavit should be "incontestable," subject to the specified challenges to validity. Parts of the Supreme Court's 1985 opinion in Park 'N Fly support the view that incontestability relates only to validity, while other parts of the opinion are equivocal.n56 Third, it should state that the registrant's ownership of the mark is "incontestable," subject to the specified defenses and defects.

3. Availability of Equitable Defenses

In the view of the Commission, equitable defenses (such as laches, estoppel, acquiescence, and unclean hands) should be available as against an incontestable registration under the present provisions of Sections 34 and 35. These sections provide that courts have the power to grant injunctions "according to the principles of equity" and the power to award profits and damages "subject to the principles of equity." However, the courts are divided on the question of whether these defenses, because they are not enumerated under Section 33(b), are foreclosed in an action brought on an incontestable registration.n57 The Supreme Court in the 1985 Park 'N Fly decision expressly declined to address the question.

The question was expressly discussed in Hearings in 1941, but the discussions were inconclusive. Mr. Robertson observed that the Section 19 provision for equitable principles applying to "inter partes proceedings" applied only to cases in the PTO. On the other hand, Mr. Rogers felt that expressly extending equitable defenses to court actions involving incontestable registrations was "quite unnecessary," and "that it might very well be left to the courts."n58

The Commission recommends that this uncertainty be ended. We propose expressly allowing equitable defenses in such actions. The courts in trademark cases have both inherent equitable power and the express power under Section 34 to grant injunctions "according to the principles of equity." Equity is the cornerstone of trademark jurisprudence. Trademark owners seek injunctions in virtually every trademark case, and they depend heavily on equitable remedies to protect their interests. Equitable defenses are as much a part of the injunctive process as irreparable harm and the inadequacy of legal remedies.n59 Without them the owner of an incontestable registration would be able to delay bringing an action for many years with no excuse, while a defendant builds up his business under his mark, and prevail. This potentially harsh and unjust result, which would not occur with a contestable registration since equitable defenses are expressly preserved in Section 33(a), is unwarranted.

4. Suggested Amendment to Lanham Act Section 33(b)

The introductory clause of Section 33(b) presently reads as follows:

Existing Section 33(b): If the right to use the registered mark has become incontestable under section [15]of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section [15]subject to any conditions or limitations stated therein except when one of the following defenses or defects is established: ...

[list of seven "defenses or defects" follows]

To implement the above two proposals, the Commission recommends a substantial modification of Section 33(b):

Proposed Section 33(b): To the extent that the right to use the registered mark has become incontestable under section 15 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to use of the registered mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15 or, if fewer in number, the renewal application filed under the provisions of section 9, subject to any conditions or limitations stated in the certificate or in such affidavit or renewal application. Such conclusive evidence of the exclusive right to use shall be subject to proof of infringement as defined in section 32 hereof, and shall be subject to the following defenses or defects:

...

[8] That the equitable principles, including laches, estoppel, and acquiescence, where applicable may be considered and applied.

5. Remarks

The suggested language of the introductory clause of Section 33(b) is modeled after present Section 7(b), relating to prima facie evidence. Thus, the recommended revision provides for conclusive evidence of the validity of the mark, of the registration thereof, of the registrant's ownership of the mark and of the registrant's exclusive right to use the mark.

The Commission considered including in the Section 33(b) list all of the exceptions to incontestability which are found in other sections of the Act and which are presently incorporated by reference in Section 33(b). These exceptions are found in Sections 2(a), 2(b), 2(c), 4, 14(c), 14(e), and 15. We do not propose this change, however, because it would entail a wholesale rewriting of large portions of the Act. Thus, we suggest retaining the existing "defenses or defects" structure.

The recommended amending language uses the introductory phrase "To the extent that the right to use the registered mark has become incontestable under section 15 of this title," rather than the present language. This reflects the consensus that Section 33(b) does in fact incorporate Section 15 limitations

by reference. And, in turn, Section 15 incorporates several other sections of the Lanham Act by reference.

As discussed above, the amending language provides that the conclusive evidence of the "exclusive right to use" is subject to proof of likelihood of confusion as required by Section 32. This clarifies the meaning of the phrase "exclusive right to use."
The amending language also provides that the conclusive evidence of the "exclusive right to use" is subject to equitable defenses. Thus, such defenses could be asserted against an incontestable registration. The suggested language incorporates this subject as new subsection 8 under the enumerated defenses or defects. The language tracks but is broader than Section 19, which applies to inter partes cases, in order to include unclean hands and possibly other equitable defenses not encompassed by laches, estoppel and acquiescence.
We also believe that the Section 33(b) enumerated defenses to an action for infringement of an incontestable registration should be expressly made applicable in actions for infringement of a registration which is not incontestable. Any implication that they are not is incorrect, in light of both Section 33(a) and the decisions holding that marks with no incontestable status are a fortiori subject to the same defenses.n60

F. Trademark Definitions

1. Introduction
The Commission reviewed and analyzed the Section 45 definitions and determined that certain revisions are appropriate. The Commission believes that some of the definitions are unclear, anachronistic, or not in keeping with preferable judicial interpretation.

2. Recommendations
The Commission recommends the following changes, with the current definition stated at the outset:

a. "Applicant, Registrant"
The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.
The view has been expressed that "legal representatives, predecessors, successors and assigns" is unnecessary, and that either the definition be deleted or one or more of the references be deleted. While agreeing that these references are superfluous at best, the Commission concluded that the definition should not be changed or eliminated. No known problems have resulted from the present terminology.

b. "Related Company"
The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.
The requirement that control be legitimate resulted from the Justice Department's concern for "the dangers inherent in broadly sanctioning trademark licensing without regard to dangers to the economy." It "was intended to mean control in compliance with the federal antitrust laws."n61 The Commission considers "legitimately" superfluous since such control inherently must be in compliance with all appropriate laws. We see no need to include it in the definition of "related company." However, we nonetheless believe that the word should be retained in Section 5 to avoid raising any inference that use or control can be illegitimate.n62

The apparent anomaly of a "related company" controlling the registrant or applicant as to the nature and quality of the goods or services has been discussed in trademark treatises.n63 The view has been expressed that such a situation does not and cannot normally exist and, therefore, the words "controls or" should be deleted from the definition. The Commission agrees with the concern expressed but not with the conclusion. For example, a wholly owned subsidiary can own a trademark and license its use

to its parent company. Obviously, the license can be drawn so that the subsidiary "controls" the nature and quality of the goods/services. At the same time, it is abundantly clear that the parent company controls the subsidiary in all respects.
To address this problem, and to streamline the language, the Commission recommends that the definition be revised as follows:
The term "related company" means any person whose use of a mark is controlled by the owner of the mark in respect to the nature and quality of the goods or services on or in connection with which the mark is used.

c. "Trade Name, Commercial Name"
The terms "trade name" and "commercial name" include individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations; the names of titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or other organizations engaged in trade or commerce and capable of suing and being sued in a court of law.
The Commission opposes registration of trade names, on a separate register or otherwise, when they are not used on or in connection with the goods or services (in which case they can be registered if used as trademarks or service marks). Accordingly, no revision in this regard is warranted.
As to the definition itself, the Commission believes it is replete with redundancies and excess verbiage. Since the Section 45 definition of "person" is so all--encompassing, the trade name definition should be revised to read as follows:
The terms "trade name" and "commercial name" mean any name used by a person to identify his business or vocation.

d. "Trademark"
The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.
The Commission determined that the terms "symbol, or device" should not be deleted or narrowed to preclude registration of such things as a color, shape, smell, sound, or configuration which functions as a mark. The Commission does not intend to limit in any way the subject matter which historically has qualified as a trademark or service mark.
The Commission recommends that "person" be substituted for "manufacturer or merchant." The latter is too narrow, in light of contemporary marketing practices such as licensing and other distribution arrangements. "Person" is, by definition, virtually all encompassing. It includes any juristic or natural person "entitled to a benefit or privilege or rendered liable" under the Act, and also includes any "organization capable of suing or being sued in a court of law."
The Commission believes that a trademark functions correctly if it distinguishes one's goods "from those of others." The Commission feels the definition is somewhat narrow and should be clarified by substituting "of" for "manufactured or sold by." The other person might be distributing products manufactured by someone else and by means other than a sale, such as by barter or by distributing free samples or products for charitable purposes.
The Commission also believes that the function of a trademark to "identify and distinguish" the goods includes or implies such other attributes as standards of quality, reputation, and good will. It is unnecessary to list these other attributes. The function of a trademark to indicate source should remain part of the definition because it describes an attribute which may not necessarily be included within the words "identify and distinguish."
The Commission agreed that a trademark should be used "on or in connection with the goods," and that independent use (e.g., in advertising only) is not sufficient. Changing the law to allow use in advertising alone to establish trademark rights would be an unwise, radical departure from existing law.

We are, however, recommending a relaxation of the affixation requirement in the case of bulk goods where affixation is impracticable.n64

The Commission also proposes to change the definitions of the various kinds of marks to reflect its intent--to--use recommendation. Accordingly, we propose the phrase "used or intended to be used" in each.

We therefore recommend that the definition be revised to read:

The term "trademark" means any word, name, symbol, or device or any combination thereof used or intended to be used by a person to identify and distinguish his goods, including a unique product, from those of others and to indicate the source of the goods, even if that source is unknown.

e. "Service Mark"

The term "service mark" means a mark used in the sale or advertising of services to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The Commission did not believe any changes should be made in this definition, other than conforming it to that of "trademark." Accordingly, and assuming that the above--recommended definition of "trademark" is accepted, the Commission recommends that the definition of "service mark" be revised as follows:

The term "service mark" means any word, name, symbol or device or any combination thereof used or intended to be used to identify and distinguish the services of one person, including a unique service, from those of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

f. "Certification Mark"

The term "certification mark" means a mark used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such goods or services or that the work or labor on the goods or services was performed by a member of a union or other organization.

The Commission considered including "appellation of origin" in this definition. It agreed that the term means "the geographical name of a country, region or locality which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographical area, including natural and human factors."n65 However, it believes that the meaning is already encompassed by the definition of "certification mark."

For uniformity, however, the Commission believes the "certification mark" definition should correspond to that of "trademark":

The term "certification mark" means any word, name, symbol or device or any combination thereof used or intended to be used by a person other than its owner to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such person's goods or services or that the work or labor on such goods or services was performed by members of a union or other organization.

g. "Collective Mark"

The term "collective mark" means a trademark or service mark used by the members of a cooperative, an association or other collective group or organization and includes marks used to indicate membership in a union, an association or other organization.

While there is a question regarding the need to maintain a separate category for such marks, which are inherently either trademarks or service marks, the Commission concludes that there is no cogent reason to eliminate the definition. Additionally, it is the Commission's view that the present definition is adequate and should be retained, subject to adding "or intended to be used" after "used." While the distinction between collective and certification marks is frequently misunderstood, resulting in the

mistaken belief that the owner of a collective mark cannot use the mark in connection with the owner's own goods or services,n66 that confusion is not created by the definition.

h. "Abandonment of Mark"
A mark shall be deemed to be "abandoned"
(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.
(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

The Commission discussed whether abandonment should be replaced by an objective use--nonuse test, and whether adequate use should be linked expressly to factors such as the nature of the product, the nature of the market, the sale of other products in the market, and the nature of the registrant's business. It concluded that the current system based on intent, combined with an objective two year nonuse period constituting prima facie abandonment, works well and should be retained with two changes. "Use" should be defined in keeping with the intent--to--use concept,n67 and "evidence of" should be inserted after "prima facie" to clarify the meaning and to make the language consistent with Sections 7(b) and 33(a). Accordingly, the Commission recommends changing subparagraph (a) of the definition as follows:
A mark shall be deemed to be "abandoned"
(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. Use, as referred to in this subparagraph, means use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.
In drafting a bill incorporating the various Commission proposals it may be advisable to employ a single definition of "use" in Section 45 so that it applies throughout the Act. If this were done the definition would not appear separately in subparagraph (a).
Additionally, assuming the addition of "generic name" as discussed below, the Commission recommends that subparagraph (b) be changed to read as follows:
A mark shall be deemed to be "abandoned"
...
(b) When any course of conduct of the registrant or applicant, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services or otherwise lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

i. "Common Descriptive Name"
"Generic name," which does not appear in the Act, is a synonym for "common descriptive name," which appears in Sections 14(c) and 15(4).n68 As stated by the United States Supreme Court, "[m]arks that constitute a common descriptive name are referred to as generic. A generic term is one that refers to the genus of which the particular product is a species."n69
In the modern vocabulary of trademark law there is no question that "common descriptive name" is archaic. Court decisions, speeches, the literature in the field, and everyday conversation underscore the linguistic change. It is time to modernize and clarify the language of the Act in this regard. We therefore recommend that "generic name" be substituted for "common descriptive name" in Sections 14(c) and 15(4).n70 We make no attempt to define "generic term." The courts have already done it.

G. Section 43(a)

1. Introduction
Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely

interpreted to create, in essence, a federal law of unfair competition. While it has spawned occasional maverick decisions, the section now provides relief against infringement of unregistered trademarks, unfair competition arising from the copying of trade dress and certain configurations of goods, false advertising claims concerning the properties of the claimant's goods, and, in a recent controversial decision, violation of one's right of publicity.n71 It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age. Why, one might ask, would anyone want to change it?

The Commission was reluctant to recommend any change at all. However, to prevent judicial back--tracking and in light of the recommendations for change to other sections of the Act, the Commission believes it advisable to conform the language of Section 43(a) to the expanded scope of protection applied by the courts. Our proposal would also cover one or two additional changes, and would make it clear that we encourage the courts to give our amended section the same innovative interpretation they have given the original.

The Commission studied four principal areas in which changes in Section 43(a) were proposed:

(A) standing to raise Section 43(a) claims, or the question of who has a sufficient interest to be entitled to relief under the section;

(B) whether relief is available for false representations about a plaintiff's product;

(C) whether the remedies for infringement of a federally registered mark should be available for Section 43(a) claims; and

(D) whether the section should be amended to provide a cause of action for disparagement or tarnishment of a trademark.

The Commission recommends no change in the standing provision. Although the court decisions are less than harmonious, there is little problem with respect to the standing of a competitor, and competitors are plaintiffs in the great bulk of Section 43(a) cases. However, the Commission recommends that misrepresentations about another's products be made actionable, that registered trademark infringement remedies be expressly made available in Section 43(a) actions, and that the section be amended to protect trademarks from disparagement and tarnishment.

2. Standing

"[A]ny person who believes that he is or is likely to be damaged by the use of [a] false description or representation" has standing to seek relief under Section 43(a). Generally, there is no issue of standing. Disputes usually arise in a commercial setting, and the cases are brought by companies whose interests are clear.

The problems have arisen when others, whose commercial interests seem attenuated, have sued. The circuits have disagreed on this point. For example, in Colligan v. Activities Club of New York, Ltd.,n72 the court held that consumers lack standing to bring an action under Section 43(a), since Congress intended to create a limited unfair competition remedy "virtually without regard for the interests of consumers generally and almost certainly without any consideration of consumer rights of action in particular."n73 On the other hand, in Thorn v. Reliance Van Co.,n74 the court rejected the Colligan reasoning and held that an investor in a motor carrier could bring an action under the section against a competitor of the motor carrier for false advertising. The court applied what it termed a "plain meaning interpretation" of Section 43(a).

Other decisions on standing reflect comparable discord. There has been inconclusive litigation as to whether licensees can sue under Section 43(a) for infringement of the licensed trademark.n75 And the standing of a trade association to sue under the section on behalf of its members is still not settled.n76

In the end the Commission decided that attempting to draft standing limitations for inclusion in Section 43(a) would be both risky and problematic. No doubt there are many categories of noncommercial litigants who could make a persuasive standing case. A court should be able to make a determination with all the facts before it. If standing is to be addressed it should be done only after comprehensive study and possibly hearings to allow various interested groups to state their positions. This effort is beyond the scope of the Commission's activites.

3. Misrepresentations About a Plaintiff's Product

Section 43(a) makes actionable the "use in connection with any goods or services ... any false description or representation, including words or other symbols tending falsely to describe or represent the same." On its face the section makes no distinction as to false representations concerning (1) the defendant's goods, (2) the plaintiff's goods, or (3) a comparison of the plaintiff's and defendant's goods. It does not cover some goods or some false descriptions. It covers any. Indeed, the language appears to be a model of drafting clarity, with no need to resort to murky legislative history for explanation. Who could possibly disagree?

The Seventh Circuit Court of Appeals, for one. In Bernard Food Industries v. Dietene Co.n77 Dietene issued a comparison sheet which represented that the Bernard custard mix was inferior in flavor, texture, nutrition and cost. In addition, the sheet stated that "Delmar [Dietene] Quick Egg Custard is superior to Bernard custard in all major respects."n78 Bernard brought a false advertising claim under Section 43(a) and prevailed in the district court. The court of appeals reversed, however, holding that there is no cause of action under Section 43(a) where a defendant makes disparaging misrepresentations only as to the plaintiff's products.n79

The court attempted to justify its tortured interpretation by relying on an analysis from Samson Crane Co. v. Union National Sales, Inc.n80 Samson Crane reasoned that because the ACt dealt primarily with trademarks, Section 43(a) should be limited to false representations of substantially the same economic nature as trademark infringement. Since trademark infringement can only be accomplished by a defendant with respect to its own products, the argument went, false representations about the plaintiff's products should not be actionable.

One searches the language of the section and legislative history in vain for such a limitation. And virtually none of the false advertising cases in the years following Bernard Food employs the trademark--like liability rationale.n81 Yet Bernard Food, requiring that the plaintiff prove misrepresentations as to the advertiser's [defendant's] own goods, has been followed by many courts.n82 Surprisingly, very few courts have criticized it. The district court in Skil stands out, although it was obligated to follow Bernard Food. In a footnote it stated as follows:

[I]t does not seem logical to distinguish between a false statement about the plaintiff's product and a false statement about the defendant's product in a case where the particular statement is contained in comparison advertising by the defendant, such that in the first instance the plaintiff does not have a cause of action whereas in the latter he does. Rather, it would seem that in comparison advertising, a false statement by the defendant about plaintiff's product would have the same detrimental effect as a false statement about defendant's product. I.e., it would tend to mislead the buying public concerning the relative merits and qualities of the products, thereby inducing the purchase of a possibly inferior product.n83

As a matter of logic and public policy, as well as of the plain meaning of Section 43(a), the Commission agrees. Section 43(a) is a broadly remedial section which extends deeply into false advertising. It is difficult to justify on policy grounds denying protection to a manufacturer whose business is being injured by clearly false and disparaging representations about its products. It is even more difficult to justify the public deception and disruption of fair competition which would almost certainly result.

We recommend that the Act be amended to provide that false descriptions and representations as to a plaintiff's products are also actionable. We realize that taking Section 43(a) at face value in this way impinges on state laws of trade libel and product disparagement.n84 We are also concerned about the frequently trivial false advertising cases which are flooding the federal courts, and do not wish to aggravate the problem. However, on balance, we strongly believe that such an amendment serves the national policy of promoting fair competition.

4. Remedies for Violation of Section 43(a)

The Lanham Act contains no specific remedy for a violation of Section 43(a), which does not require ownership of a trademark registration. The remedy provisions contained in Sections 34, 35 and 36 seem unavailable to the Section 43(a) plaintiff, since they apply only where there is a "violation of any

right of the registrant of a mark registered in the Patent and Trademark Office." Section 35 is also made expressly subject to Section 29, which provides that "in any suit for infringement under this chapter by ... a registrant failing to give ... notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."
Some argue that the purpose of this combined approach was to require that a party seeking damages under Section 35 both owned an infringed registration and gave the appropriate notice of registration. Without these, the argument goes, no monetary relief should be awarded----only an injunction. Often cited as support is Burndy Corp. v. Teledyne Industries.n85 Although the issue of whether Section 35 may apply to Section 43(a) claims was not addressed in the court of appeals, the district court rejected the notion that the remedies under Section 35 so applied. It stated: "It is inappropriate and unfounded to infer an intent on the part of Congress to extend the remedies when the statutory language is explicit and contrary to any such intent."n86
Legislative history supports a narrow interpretation of Section 35. Prior to 1905, an infringer was only "liable to an action on the case for damages" and remedies previously available at law and in equity.n87 The Trade--Mark Act of 1905,n88 provided for the first time for the trebling of actual damages in appropriate cases.n89 The House Report,n90 explained that one of the "main objects" of the bill was to provide additional recovery for the infringement of a "registered trade--mark."n91 The prerequisites for recovery of profits for infringement, namely: (1) registration and (2) notice of registration, and the reasoning underlying the right to such recovery, were expressly carried forward from the prior acts into Section 35.
While some courts have previously assumed that Section 35 profits and damages recoveries were applicable in Section 43(a) actions, only recently have courts squarely confronted the issue. First in Metric & Multistandard Components Corp. v. Metric's, Inc.,n92 and then in Rickard v. Auto Publisher, Inc.,n93 two cases involving infringement of unregistered marks, the Eighth and Eleventh Circuits have, despite plain meaning to the contrary, specifically concluded that the Section 35 remedies do apply. In Rickard, the court examined the question in some detail, and determined that neither the statutory language nor the legislative history was dispositive. Ultimately it held that the purposes of the Act and the intent of Congress were best served by the availability of Section 35 remedies in Section 43(a) actions. The Ninth Circuit has now followed suit.n94
Allowability of attorneys' fees has had a more checkered career. The Seventh and Third Circuit Courts of Appeals, in Blau Plumbing, Inc. v. S.O.S. Fix--it, Inc.,n95 and Standard Terry Mills, Inc. v. Shen Mfg. Co.,n96 recently questioned whether attorney's fees were available under Section 35 in a Section 43(a) action. The Third Circuit expressed "doubts whether we should rectify Congress's oversight and hold that attorney's fees are available in this case."n97 However, it refrained from deciding the issue because the district court did not abuse its discretion in denying fees.n98
Other circuits have not directly considered the question. Moreover, a full and complete examination of the legislative histories of the prior statutes is lacking in the reported cases. Obvious anomalies exist, and there is great uncertainty as to the future state of the law. To eliminate the uncertainty we recommend that Sections 34(a), 35(a) and 36, the relief provisions of the Act, not require ownership of a registration. Such a clarification would be in keeping with the Eighth, Ninth and Eleventh Circuit holdings, and effectuate the policies of the Act.
We recommend the approach taken in the 1977 McClellan billn99 with respect to Section 34:
(a) The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right [of the registrant of a mark registered in the Patent and Trademark Office] protected under this chapter.
Section 34(c) would also be revised to require that court clerks give notice to the Commissioner only of actions involving registered marks.
Section 35, by contrast, creates a dichotomy because recovery of profits, damages and costs are presently subject to the provisions of Sections 29 and 32. The rights of a Section 43(a) claimant under Section 35(a), based on rights which do not involve a registration, would be unaffected by these provisos under our recommendation. The provisos apply to registrants giving notice of their registrations and to innocent infringers of registered marks, not to Section 43(a) claimants. Although a

registrant is thus under a handicap, being deprived of profits or damages under Section 29 for failure to give notice under certain circumstances, we see no reason to place a Section 43(a) claimant under a comparable handicap. Notice of registration under Section 29 is not required in an injunction action under Section 43(a), and it is not required in a claim for attorneys' fees under Section 35.n100 Moreover, registrants almost always plead a Section 43(a) count, and could rely on this count for Section 35 relief without the Section 29 handicap.

Accordingly, we recommend a change in Section 35(a) as follows:

(a) When a violation of any right [of the registrant of a mark registered in the Patent and Trademark Office] protected under this chapter shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 of this chapter, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

We also recommend modifying Section 36 along the same lines, to make it clear that destruction orders are available in Section 43(a) actions.

5. Trademark Disparagement and Tarnishment

Trademark owners have increasingly been subjected to uses of their trademarks by others which ridicule, parody, insult, or defame. The ENJOY COCAINE imitation of the Coca--Cola slogan,n101 the "L.L. Beam's Back--To--School--Sex--Catalog,"n102 and the slogan MUTANT OF OMAHA with a logo resembling Mutual of Omaha's Indianhead logon103 are but a few examples. Many of these are merely tasteless and a few amuse, but a number of them cross the legal line and become injurious to the trademark owner. Unsavory (or worse) associations can be highly detrimental to a trademark owner's good will and reputation, causing loss of consumer loyalty and trade.

The courts have been unable to develop a clear basis for deciding which of these are actionable and what law is being violated. In general, those which tend to amuse or parody, and are not likely to confuse, are not actionable.n104 Those which are disgusting, vulgar, and no laughing matter often are. Trademark infringement and dilution laws are two possible grounds for relief, but often they do not fit conceptually. The problem is compounded by the crosscurrent of First Amendment rights of free speech.n105 The Commission believes that a separate ground for relief will aid the courts in dealing with these situations.

We are unable to draw a bright line between those uses which are actionable and those which are not. The fact situations are often bizarre and the outcome is dictated by a court's eye--of--the--beholder reaction and sense of humor (or lack thereof). The courts will continue to make these subjective judgments on a case--by--case basis.

However, a separate legal basis for relief will remove the need to apply legal doctrines which do not fit. We propose adding a new Section 43(a)(3) specifically to cover disparagement and tarnishment. In appropriate cases the courts will be able to grant relief in the absence of likelihood of confusion and in the absence of true dilution. Although tarnishment can dilute trademark distinctiveness, the typical injury is less dilution than injury to reputation.

Disparagement and tarnishment are overlapping but not synonymous concepts. Disparagement would encompass the more extreme uses, and tarnishment the less extreme but still actionable uses.

The constitutionality of such a provision will almost certainly be tested, but we believe it would be upheld under the authority which holds that neither infringing trademarks nor false advertising are subject to First Amendment protection.n106

6. Statutory Revision

We propose the following, adapted from the McClellan bill, as a replacement of the present Section 43(a):

Any person who, in commerce, shall use in connection with any goods or services, or any container for goods, any word, term, symbol, or device, or who shall engage in any act, trade practice, or course of conduct, which:

(1) is likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of such person with another, or as to the origin, sponsorship, or approval of his goods, services, or commercial activities by another; or
(2) by use of a false designation of origin or of a false or misleading description or representation, or by omission of material information, misrepresents the nature, characteristics, or qualities of his or another person's goods, services, commercial activities, or their geographic origin; or
(3) is likely to disparage or tarnish the mark of another;
shall be liable in a civil action by any person who believes that he is or is likely to be damaged in his business or profession by said action.
The relief provided for by this section shall be in addition to and shall not affect those remedies otherwise available under this Act, under the common law, or pursuant to the statutes of any state or of the United States. Nothing in this section shall be construed to preempt the jurisdiction of any state to grant relief in cases of unfair competition.
We have not provided a cause of action for misappropriation of trade secrets, which was part of the McClellan bill. We have also not provided a cause of action for violation of one's right of publicity. There is on--going debate about the nature of that right, and we believe it best to leave the subject to case--by--case development. We also omitted a cause of action based simply on "unfair competition," believing that it would have been entirely too broad and unworkable.
In drafting the foregoing language the Commission in no way intended to limit the continuously expanding scope of Section 43(a) as developed in forty years of decisions. We trust we have left unlimited room for the courts to expand even further this vigorous section.

H. Protection of Titles

1. Introduction
Titles of books, plays, motion pictures, and songs fall within a special branch of intellectual property law. While they are not ordinarily registrable as trademarks they do enjoy legal protection under certain circumstances.
Protection is available under both state law and Section 43(a), but the question is whether protection of titles for individual works of authorship should be specifically included in the Act. The Commission concluded that no such specific grant should be made.

2. Background
Titles of individual works have traditionally been denied protection as trademarks under both federal and state law on the ground that such titles are merely descriptive of the words for which they act as titles.n107 Indeed, registration of such a title as a trademark under the Act has been refused on this ground.n108 Although the 1984 revised definition of "trademark" in Section 45 may permit registration of a title for a "unique" or individual product such as a book, there are currently no court decisions in point.
On the other hand, titles of a series of books, magazines, and television programs may be registered as trademarks and service marks. They are no longer descriptive of just one work but identify the producer of the works as well as the series itself.n109 Registration may also be obtained for the title of a single work under Section 2(f), provided the owner can show that the title has acquired secondary meaning. This has the unfortunate consequence, however, of denying trademark protection for a title during its most popular period. Finally, a title may be registered on the supplemental register. In general, however, a title to an individual work may not be registered as a trademark under the Act.
Those who seek to protect a title of an individual work have used the law of unfair competition as it exists under state common or statutory law,n110 or under Section 43(a). Most such laws require the plaintiff who wishes to enforce title rights to prove with substantial evidence that the title has acquired secondary meaning.n111 The courts have, however, described what they mean by secondary meaning in a number of ways, to the point where there is less than total uniformity.n112
Producers of motion pictures for the theatrical market have established a voluntary agency to register titles and to provide a forum for arbitrating disputes over conflicts. Each producer agrees contractually

to be bound----to a large extent-- to the decisions of the title agency, which is operated under the aegis of the Motion Picture Association of America in New York City. This system, which is open to all producers willing to pay the comparatively nominal fees involved, provides a certainty that is not available under state law and the Act.
While there is a fair amount of uncertainty in the predictability of title protection cases, especially in light of the required proof of secondary meaning, the law seems (whether consciously or not) to have created a balance between the interests of the title owner and the other members of the creative community who want the freedom to use titles to describe their disparate works. As the records of the United States Copyright Office will attest, there are many, many works of authorship that use identical or conflicting titles, even though the authors of those works are different. This has been the case for many years, seemingly causing little turmoil or confusion in the public's mind. Where the title has become famous through use or pre--release publicity, the Lanham Act and state laws of unfair competition appear to provide adequate, albeit not necessarily complete, protection for the title owner and the public. Given the above history, the Act, although not designed that way, seems to satisfy the current needs of users of titles and that of society's to avoid consumer confusion, and thus does not in our opinion require amending on the issue of title protection.

I. Security Interests in Trademarks

1. Introduction
With the escalating activity in mergers, acquisitions and leveraged buy--outs, there is a critical need for certainty in obtaining security interests in trademarks. The Commission has analyzed two areas: (1) the nature of the interest, that is what rights a secured party obtains in a debtor's trademarks, and (2) the mechanics of obtaining and enforcing a security interest, such as where filings should be made and how to effect foreclosure.

2. Background
To ensure that collateral is available to a creditor in the event of a debtor's default, a creditor (perhaps unknowingly) is likely to seek protection through means that are not only unnecessary to protect its rights adequately, but which may also endanger or impair the debtor's valuable trademark rights. An example of this is a creditor who takes an assignment of the trademark and then licenses it back to the debtor. In Haymaker Sports, Inc. v. Turian,n113 such an assignment with a license back was held to have invalidated the trademark rights assigned to the creditor. If the creditor in that case had taken a conventional security interest, rights to the mark would have been preserved. Nonetheless, many creditors are willing to put trademark rights at risk under the misapprehension that their position has been improved.

Clarification is also necessary because the PTO itself has difficulty in handling security interest filings. For example, the PTO may require a trademark owner to clarify ownership when a renewal is made after a security interest has been filed. Thus, the PTO seems to treat this type of filing as an assignment even though title has not, in fact, changed hands. In addition, courts are often asked to resolve the ambiguity which currently exists over how a trademark security interest is obtained, especially where no one filing has clearly preempted the others.n114
The current Trademark Rules of Practice provide for the recordal of assignments as well as "[o] ther instruments which may relate to such marks... in the discretion of the Commissioner."n115 Section 502 of the Trademark Manual of Examining Procedure further indicates that such instruments, other than assignments, can be recorded. Thus, while the law seems clearly to provide for the recordal of documents such as those used to grant a creditor a security interest in one's trademarks, it is silent as to what effect, if any, the recordal has in establishing a creditor's rights.

3. Commission Recommendation
The Commission proposes an amendment to the Lanham Act to provide specifically for the granting of security interests in trademarks, under the following conditions:

(A) A security interest in a federally registered trademark can only be obtained by filing in the PTO.
(B) Since under Section 10 a trademark cannot be assigned without good will, a security interest should be granted in both the trademark and the good will which accompanies the trademark. Thus, on foreclosure of a security interest in a trademark (i.e., its being taken over by a creditor), the applicable good will of the business would accompany the transfer.
(C) The holder of a security interest would have basically two rights: (1) the right to foreclose on the mark and accompanying good will associated with the trademark (when a financial institution is the creditor, this is really the right to require the debtor to assign to a buyer obtained by the creditor), and (2) the right to proceeds from the sale of the mark.

These changes do not represent a major departure from current practice. Rather, they would clarify the nature of a security interest in trademarks and the attributes of such an interest.

4. The Nature of the Security Interest
In theory, a security interest in a trademark resembles a security interest in other forms of property. For example, a security interest is, in general terms, the interest a lender has in a car when the lender has loaned money to the car buyer to make the pruchase. It is also the interest a mortgagee has after loaning money to a real estate buyer. Thus, the holder of the security interest does not have a present right to use the property purchased with the loaned money. It is in this way that a security interest differs from an assignment which conveys title immediately to the creditor. Instead, a security interest gives a creditor the right to take action against the property on the occurrence of certain events (eg, the borrower's failing to make payments on his/her debt) which are usually spelled out in a loan document or security agreement. If the debt is paid off prior to the occurrence of any of the stipulated events, the creditor will never own, use or otherwise exercise rights to the property. On the occurrence of such an event, however, the creditor can look to the property which is subject to the security interest for satisfaction of the debt. Other creditors who do not have security interests cannot look to specific property and, in some cases, have no assets at all with which unpaid debts can be satisfied.
Security interests in personal property can be obtained (created) in a number of ways. In some cases, such rights arise automatically. An example is the lien a repairman often has when he has performed work on property, such as a car.n116 In other cases, creditors have to make a filing to create such an interest. This is exemplified by the recording of a security interest in a car, although many variations exist.

5. Creating a Security Interest
The procedure which must be followed to create a security interest differs with the type of property. It is stipulated by either state or federal statute or common--law. The most frequently invoked statutory scheme is Article 9 of the Uniform Commercial Code which has been adopted in differing forms by forty--nine states. It governs security interests in most personal property, including intangible property, unless preempted by federal law.
UCC Section 9--104 states that "[t] his article does not apply (a) to a security interest subject to any statute of the United States, to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property." UCC Section 9--302(a) states "(3) [t] he filing of a financing statement otherwise required by this Article is not necessary or effective to perfect a security interest in property subject to (a) a statute or treaty of the United States which provides for a national or international registration or a national or international certificate of title or which specifies a place of filing different from that specified in this Article for filing of the security interest." Security interests in copyrights are subject to such preemption.n117 Reading these two sections together, however, courts have failed to find similar preemption in relation to federally registered trademarks since neither the Trademark Rules of Practice nor the Lanham Act specifically provides for filing security interests in the PTO.n118 As a result, security interests in federally registered trademarks are governed by Article 9, the terms of which may vary from state to state, and can exist without any filing in the PTO.

The original purpose of Article 9 was to simplify and lend certainty to the manner in which security interests were obtained in personal property.n119 Thus, creditors could follow a specific filing procedure and be assured that the goods subject to the security interest would be available to them to the exclusion of all other creditors to offset a debtor's obligation if the debtor defaulted. In relation to tangible assets, the goal of increased certainty in the law has in large part been met. In relation to trademarks, however, this goal cannot be achieved without amending the Lanham Act and the Trademark Rules.

The reasons for this are many. Trademarks differ from other types of personal property, title to which can pass unrestricted when a debtor fails to pay a creditor. Under Section 10 trademarks, on the other hand, cannot be transferred without the accompanying good will. Trademark rights are intangible. Except for registration documents, they do not have a tangible presence evidencing ownership. As a result, trademarks cannot simply be repossessed by a creditor and sold like other types of property if a debtor defaults. Thus, foreclosure by taking possession of the property, without judicial intervention as contemplated by Article 9, is not feasible.

These differences raise substantial questions under Article 9. In particular, security interest filings in relation to "general intangibles," which include trademarks, are made at the state level. Nonetheless, if a debtor has federally registered trademarks which are also covered by state registrations, would another creditor attempting to determine whether the debtor had already given a security interest to someone else have to search all states to determine what other security interests had been given? Since federal law provides a system for registering trademarks, it is only logical that rights which might affect the registered owner's interest be reflected on that register. In addition, greater certainty is gained by requiring that filings be made in the PTO. A filing pursuant to Article 9 might recite that the creditor was taking a security interest in all of the debtor's trademarks without specifying the actual marks. Even the agreement giving rise to the security interest (e.g. the loan documents) might be equally vague. Thus, sound reasons exist to require filing in the PTO in relation to each specific mark in which a security interest is being granted as the exclusive means of obtaining a security interest in federally registered trademarks.

Such a filing scheme must be mandatory. To provide that security interests can be granted in federally registered trade--marks and then make filing in the PTO voluntary, lends no certainty to creditors. This is, in effect, the current status of the law (i.e., filing pursuant to Article 9 is required to prevent third parties from acquiring conflicting or superior rights). Therefore, to ensure that the effect of filing in the PTO is to give the first creditor to file rights superior to all subsequent creditors, the filing must be mandatory and the statute must expressly give this effect to the filing. Article 9 has the same effect at the state/local level. If the requisite filing is not made, a creditor does not, generally speaking, have rights to the property superior to other creditors.

The establishment of such a requirement will not be disruptive to the scheme of Article 9. Article 9 would still apply to common--law rights and state registered trademarks if no federal registration had been obtained. And since a filing requirement currently exists under Article 9, the only change for creditors is the place of the filing. By failing to file in the PTO, a creditor would be in the same position as if it failed to comply with the requirements of Article 9. To the extent federal rights are not completely preemptive of state or common--law rights, the federal filing should expressly preempt any other filings which might give rise to conflicting interests among creditors.

In addition to the certainty Article 9 brought to the law of secured interests, it changed prior laws by allowing a creditor to assert its rights to the property covered by the security interest by engaging in "self help" on a debtor's default.n120 Thus, on a debtor's default, a creditor can take possession of the property subject to the security interest and sell it to satisfy the debtor's obligation to the creditor. With trademarks, a creditor could, of course, achieve the same effect by having the debtor execute an assignment on default or by having the debtor grant the creditor a power of attorney to sign such an assignment on the debtor's behalf. Alternatively, the creditor could obtain an executed assignment from the debtor which would be filed only on the debtor's default.

Although each of these alternatives has advantages for a creditor, a creditor must be careful to avoid an assignment which would invalidate the marks. This could occur if a debtor was in default and a creditor took title to the marks, even though the debtor was still conducting its business and, therefore, retained

the good will. With other types of property which might be the subject of a security interest, of course, the nature of the assignment procedure is not a concern. Because of the requirement that trademark assignments be accompanied by good will, however, any change to the Lanham Act and the accompanying rules should strike a balance between this requirement and the ability of creditors to foreclose on secured property without judicial proceedings.

6. Proposed Statutory Framework

Despite the shortcomings of using Article 9 as the means of obtaining a security interest in federally registered trademarks, analogizing to Article 9 is very helpful in establishing a filing procedure for the PTO and in analyzing the nature of a creditor's interest.

There are basically four areas in which security interests are regulated by Article 9: creation, perfection, priority in relation to third parties, and enforcement. The federal legislation we are proposing would preempt Article 9 only in relation to perfection (by stipulating the PTO as the place for filing) and enforcement (on default, a mark could be temporarily assigned to a creditor not otherwise engaged in the debtor's business, or it could be conventionally assigned). Based on the foregoing, the Commission proposes the following:

a. Creation

A security interest is created when a debtor expressly grants a creditor such an interest, regardless of whether the creditor has loaned money to allow the debtor to purchase the mark or for some other reason. A security interest subject to this proposed amendment can only be taken in a federally registered mark or application based on intent--to--use. With respect to an application based on use in commerce, the appropriate filing (until registration issues) would be pursuant to Article 9 to ensure that a creditor has priority over other creditors in the common law rights in the mark. Thus, prior to registration, security interests in trademarks used in commerce would continue to be governed by Article 9. A creditor could, of course, file notice of a security interest in the PTO in relation to a pending application. The filing would not, however, have the same effect as one made pursuant to Article 9 for the reason stated above.

b. Perfection

This refers to the steps necessary to effect a valid security interest as between the secured creditor and third parties (e.g., purchasers). The steps are, basically, an agreement, value exchanged, and filing. On completion of the requisite steps, a security interest is said to be perfected. We recommend that notice of a security interest be filed in the PTO within ten (10) days of the interest being granted; once filed, it would give a creditor rights which would be superior to any other creditors who subsequently filed in the PTO. The PTO will have to expedite its handling of these filings so that they fulfill the function of putting other creditors on notice of the interest.

Although a federal registration might be supported by some common--law rights which are broader than those existing under the federal registration, it is not unreasonable that the federal law preempt any Article 9 filings.

c. Priority

This relates to the rights of the secured party in relation to other creditors, secured and unsecured, as well as to purchasers. The first party to file in the PTO in relation to a registered trade--mark would have priority over subsequently filed interests. An Article 9 filing made prior to a registration issuing for a particular mark would have priority over a subsequent PTO filing, if a PTO filing was made by the first secured party within four (4) months of issuance of the federal registration (priority in relation to third parties would run from the date of the Article 9 filing). This parallels the UCC requirement for other types of property which "move" from one jurisdiction to another.n121

d. Enforcement

This gives the creditor the right to sell the mark and accompanying good will on the debtor's default. It is accomplished by the debtor assigning the mark to the creditor's buyer. Alternatively, a creditor could

take title to the mark and accompanying good will and use the mark itself. On foreclosure, the creditor's buyer or the creditor if it is using the marks, would have the right to treat any other entity (including the same or other creditors) as an infringer if labels or other materials bearing the mark were used in a manner not authorized by the buyer. If a creditor does not immediately have a buyer on the debtor's default and/or otherwise deems it advisable to transfer title from the debtor after the occurrence of an event of default, the statute should provide that the creditor can take title without invalidating the mark(s), provided that the assignment from the creditor to a buyer is accompanied by good will as required by Section 10, as that requirement has been further interpreted by the courts.n122 In addition, a creditor should be careful to avoid abandonment of a mark (as defined in Section 45) by assigning rights to a mark for closely related products to different entities. Since the occurrence of an abandonment will always be a question of fact, however, and since the concept of "associated marks" has not been incorporated into the Lanham Act, it does not appear necessary to restrict by statute how trademark rights as they relate to different products can be assigned. Similarly, it does not appear necessary to require a creditor to take a security interest in all related marks.

7. Proposed Statute

Specifically, we propose the amendment of Section 10 as follows:

(A) A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent and Trademark Office within three (3) months after the date thereof or prior to such subsequent purchase.

(B) A security interest can be obtained in a federally registered trademark and will be superior to any interest subsequently granted to a third party, provided that:

(1) The party being granted the security interest also obtains a security interest in the goodwill of the business which accompanies the trademark; and

(2) Notice of such interest is filed in the Patent and Trademark Office within ten (10) days of being granted; and

(3) The mark is not subject to a valid, prior perfected security interest. (An example of such a prior perfected interest would be where a creditor makes a state filing covering the mark before an application for federal registration has been filed and then subsequently files in the PTO within four (4) months of registration issuing, as provided by statute.)

(C) A party which has been granted a security interest in a federally registered trademark may, after default by the party granting the security interest, require the debtor to assign the trademark to:

(1) A transferee who is also being assigned the goodwill symbolized by the trademark; or

(2) The party holding the security interest, even though such party does not engage in the business to which the mark relates, provided that the secured party either engages in the business to which the trademark relates or holds the mark only for the purpose of subsequently transferring it along with the goodwill relating to the mark and that such subsequent transfer occurs prior to the dissipation of the goodwill.

(D) The security interest in a trademark obtained pursuant to this section will extend to consideration received upon the sale, exchange, collection or other disposition of the trademark for ten (10) days after receipt of the consideration by the transferor and will then lapse unless a financing statement or other document is filed as required by appropriate state law.

(E) In any such assignment or grant of a security interest it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments and grants of security interests shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment or grant of a security interest and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. The Commissioner shall maintain in the Patent and Trademark Office a separate register for documents described in this section which are submitted for recording hereunder.

(F) An assignee or secured party not domiciled in the United States shall be subject to and comply with the provisions of section 1(d) hereof.

This proposed amendment is somewhat complex and raises a number of issues which will no doubt draw comment from both trademark and commercial law practitioners. Although we recommend covering security interests in an amendment of this type, it would be possible to formulate a simpler approach: amend the statute in general terms and add the mechanics to the Trademark Rules of Practice. This approach could take the form of the following addition to Section 10:

The Commissioner shall establish and maintain a register for the recording of any document which affects the title to, or any interest in, any federally registered trademark or application therefore. The Commissioner shall also record under the system provided for in this section any release, cancellation, discharge, or satisfaction relating to any conveyance or other instrument recorded under said system. Any assignment, security interest or other interest in a trademark shall be void as against any subsequent purchaser or other entity being granted an interest for a valuable consideration without notice, unless recorded in the Patent and Trademark Office within three (3) months after the date thereof, prior to such subsequent purchase in the case of an assignment, or within ten (10) days of the grant of any other type of interest.

J. Trademark Licensing

1. Merchandising Marks and Quality Control

The Commission considered whether the practicalities of quality control in collateral products trademark licensing (or the licensing of "merchandising" rights) made it appropriate to change the applicability of quality control standards. The Commission was mindful of the explosive growth in such licensing and the proliferation of different types of products under "merchandising" marks, such as HERSHEY overalls, HARLEY--DAVIDSON beach towels, DR PEPPER refrigerators, and COCA--COLA wearing apparel. Colleges and universities have also mounted the licensing bandwagon, and licensed FIGHTING IRISH merchandise is commonplace in South Bend.

The Commission recognizes that it is difficult for a trademark licensor in this context to provide meaningful quality control during the license term. For example, there is no reason to believe that a college licensing administrator would have the technical expertise to review and pass judgment on the quality of wearing apparel, wastebaskets, and ceramic mugs bearing the likeness of the football team mascot. Often, one assumes, there is no supervision or testing unless there are consumer complaints, noticeable deterioration in quality, or product liability claims.

The commercial realities, it has been argued, should give way to a less stringent standard where the role of the trademark is less that of a quality indicator and more of a way for the purchaser to show product or school loyalty or affiliation. Several authors have commented on the adoption of a different standard in this situation.n123

The Commission considered reducing the risk of abandonment of a licensed trademark in a merchandising license arrangement, after the licensor had set quality standards and approved samples. Under the proposal there could be no abandonment from the licensor's failure to police quality, to inspect the licensed goods production facilities, or otherwise to control the nature and quality of the licensed goods, provided that the original quality is not reduced and the public is not damaged or deceived. In effect, the licensor would not be responsible for continuing supervision of the licensee's activities, so long as the licensee maintained the original standards of quality. This approach would have reduced the licensor's exposure from its lack of policing expertise without harming the public. After considerable discussion and debate, the Commission decided that the public interest in avoiding deception in the licensing context was a very sensitive issue and that statutory relaxation of the quality control requirements was not appropriate.

2. Licensee First Use

The Commission was mindful of early authority suggesting that licensee first use of a trademark would not ordinarily vest trademark ownership rights in the licensor.n124 On the other hand, Trademark Rule 2.38(a),n125 states that first use by a related company inures to the benefit of the licensor--applicant.n126 In order to remove any doubt, and without questioning the validity of trademark rights hertofore established through licensee first use, the Commission recommends an appropriate amendment to the Act. The amendment would expressly authorize related company first use to inure to the benefit of the licensor--applicant, so as to unmistakably make it the "owner of a trademark used in commerce" within Section 1.

K. Housekeeping

1. Introduction

The Commission reviewed dozens of suggested changes in the Act and the trademark rules. After a lengthy sifting process, it determined that only a few such suggestions should be adopted as recommendations.

2. Proposed Section 2(d)

We propose amending Section 2(d) to permit a concurrent use proceeding when the junior user's lawful use commences prior to the registration date of the senior user rather than the filing date of the senior user's application.

Section 2(d) presently permits a concurrent use proceeding to be instituted only if the junior user commences lawful use of his mark prior to the filing date of the application or registration of the senior user. The section is ambiguous in referring to the filing date of the registration, but it appears to be interpreted as referring to the filing date of the application leading to the registration.n127 As such, the rule appears to be inconsistent with Section 22, which provides that registration of a mark on the principal register shall be constructive notice of the registrant's claim of ownership. Furthermore, a court can order the issuance of a concurrent use registration even though the junior user's date of first use is subsequent to the senior user's filing date. Rather than forcing an applicant to institute court proceedings, Section 2(d) should be amended to permit the institution of a concurrent use proceeding when the junior user's use commenced in good faith before constructive notice becomes effective, namely before the senior user's registration date.

We also propose amending Section 2(d) by adding the following provision:

Use prior to any filing date of a pending application or registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant.

The change is designed to correct the anomaly whereby a concurrent use registration cannot be issued to a party whose first use of a mark occurred after the filing date of another user's application, even if the parties enter into an agreement establishing their respective rights. The Commission supports the proposed statutory amendment because it would encourage the settlement of disputes over geographical trademark rights, rather than forcing the parties into litigation.

3. Proposed Section 2(f)

We propose amending Section 2(f) by deleting the following bracketed portion and inserting the italicized portions:

Section 2(f): Except as expressly excluded in paragraphs (a)--(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods or services in commerce. The Commissioner may accept as prima facie evidence that the mark has become distinctive, as applied to the applicant's goods or services in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years next preceding [the date of the filing of the application for its registration] an offer of proof by the applicant.

Presently Section 2(f) allows the Commissioner to accept as prima facie evidence that a mark has become distinctive proof of substantially exclusive and continuous use of the mark by the applicant in

commerce for the five years next preceding the date of the filing of the application. There is no reason to limit the offer of proof to five years of continuous use next preceding the filing date. An offer of proof should be acceptable by the Commissioner if the mark has been used for five consecutive years next preceding the date that the offer of proof is made. This would permit the applicant to utilize the application pendency period as part of the five--year period, avoiding delay and the possible expense of refiling the application.
The second amendment to Section 2(f), the insertion of "or ervices," conforms the section to the practive.

4. Proposed Section 4
The term "certification mark" is defined under Section 45 as a mark used by one or more persons "other than the owner of the mark" to certify various characteristics of goods or services. These marks and collective marks are registrable under Section 4. However, Section 4 is confusing in providing that both types of marks "when registered ... shall be entitled to the protection provided in this chapter in the case of trade--marks, except when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used." Since the exception was obviously intended to apply only to certification marks, we propose adding immediately after "except" the phrase "in the case of certification marks."

5. Proposed Section 14(c)
We propose amending Section 14(c) by deleting "an article or substance" and substituting therefor "the goods or services, or a portion thereof, for which it was registered." Section 14(c) now provides that a cancellation proceeding may be brought "at any time if the registered mark becomes the common descriptive name of an article or substance." The current language of the statute is not technically correct, because the registration should be canceled for genericness only if the registered mark is generic for the specific goods in the registration. We also propose adding a sentence at the end of subsection (c): "If the registered mark becomes the generic namen128 for less than all of the goods or services in the registration, the registration may be cancelled only in part." It should be canceled in its totality only if the mark is generic for all such goods or services. Section 18 should be clarified to make it consistent with Section 37 in this regard.n129 We include proposed language of Section 18 as shown below.
There is nothing in Section 14(c) that permits the filing of a cancellation petition if a registered service mark becomes the generic name of the service.n130 The Commission's recommendation would permit the filing of a cancellation petition at any time if the registered mark becomes the generic name of the goods or services, and makes clear that this includes the goods or services, or any portion thereof, for which the mark was registered.

6. Proposed Section 18
Current law puts the Board in a straightjacket, bound by the goods and services descriptions in the relevant applications and registrations. For example, it must assume that "men's shirts" covers all types of shirts sold through all conceivable trade channels, even though they may be made of heavy duty wool and sold only in certain regions in mining company outlets as protective clothing for coal miners.n131 Not surprisingly, the Board often decides the likelihood of confusion issue on hypothetical, not real world, grounds.
The Commission believes that perpetuating this artificial environment is undesirable. Actual product and trade channel differences are highly relevant and often determinative in court proceedings. The Board should be able to consider them as well, and to modify a description if it would avoid likelihood of confusion. The Board could thus delete "men's shirts" and substitute "protective woolen shirts for coal miners," while deciding that confusion is unlikely with respect to a similar mark used on tee shirts sold at rock concerts.
We also believe the Board should have statutory authority to determine trademark ownership rights where they are at variance with the register. For example, in an inter partes case the Board should be able to find that a cancellation petitioner is the true owner of the registration, such as by the imposition

of a constructive trust, and to correct the register accordingly. At present it is necessary for the petitioner to file a court action to obtain this relief. We therefore propose adding "or rectify with respect to the register" to Section 18.
The Commission thus proposes the following amendment of Section 18:
In such proceedings the Commissioner may refuse to register the opposed mark, may cancel the registration, in whole or in part, or modify the application or registration by limiting the identification of the goods or services, or otherwise restrict or rectify with respect to the register the registration of a registered mark, or may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings; provided, that in the case of the registration of any mark based on concurrent use, the Commissioner shall determine and fix the conditions and limitations provided for in subsection (d) of section 2 of this chapter.

7. Proposed Section 21(b)(3)
We propose amending Section 21(b)(3) by deleting the bracketed portion and inserting the italicized portion in the first sentence as set forth below.
Section 21(b)(3): In all cases where there is no adverse party, a copy of the complaint shall be served on the Commissioner[;] and, unless otherwise directed by the court, all the expenses of the proceedings shall be paid by the party bringing them, whether the final decision is in his favor or not.

Section 21(b)(3) presently provides that in the case of ex parte appeals to the court, all expenses of the proceedings shall be paid by the party bringing the appeal, even if that party prevails. This leaves the possibility for abuse by the PTO in incurring expenses in connection with appellate proceedings, since all expenses would have to be paid by the appellant. For example, the Office could decide to conduct expensive surveys to determine whether confusion is likely or whether a term is merely descriptive or generic. The Commission's proposal gives discretion to the court to refrain from charging all expenses to the appellant. Not only will this permit the court to make an appropriate allotment of expenses, it also will cause the PTO to consider seriously the need for incurring certain expenses.

8. Proposed Section 45
The trademark affixation requirement taxes the ingenuity of trademark lawyers when they confront bulk shipments of grain, oil, chemicals, or the like, in railroad cars, ships, aircraft, or vehicles. Often they devise some contrived although technically correct solution such as taping a paper label to a tank car. In order to accommodate this situation, we propose the following italicized modification to the Section 45 "use in commerce" explanation:
For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable then on documents associated with the goods or their sale, and the goods are sold or transported in commerce... Examples of such associated documents would be title or shipping documents, invoices, bills of sale, instructional materials, and sales brochures.

L. Dilution

1. Introduction
For many years USTA encouraged the states to adopt dilution laws. In 1964 the USTA Board of Directors added a dilution provision to the Model State Trademark Bill, which it had previously prepared for the National Association of Secretaries of State. The addition strongly influenced an increasing number of states to adopt dilution laws. At last count there were twenty--three, most of which patterned their statutes after the Model Bill:
Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground

for injunctive relief notwith--standing the absence of competition between the parties or the absence of confusion as to the source of goods or services.n132
Over the last forty years dilution protection has been fitful. The courts have awarded injunctive relief solely on dilution grounds, absent likely confusion, in just a handful of cases.n133 And the courts have frequently been influenced by reputational factors, e.g., tarnishment of good will, which are unrelated to the classical Schechter concept of dilution.n134 The decisions have been inconsistent, the reasoning often illogical. In our view, the current state of protection from dilution, and the number of states without dilution laws, create a trademark protection vacuum in the United States. We believe that a limited category of trademarks, those which are truly famous and registered, are deserving of national protection from dilution. Famous marks are most likely to be harmed by reduced distinctiveness. They are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use. Although they are occasionally protected on likelihood of confusion grounds, we are convinced they deserve dilution protection which is both effective and predictable. We therefore urge the adoption of a highly selective federal dilution statute, augmenting but not preempting state dilution laws, extending protection to famous marks registered on the principal register.n135 We envision the courts adopting a more enthusiastic view of our proposed statute than they have of the state dilution laws.
The Commission's position flows from the Frankfurter observation in Mishawaka that: "The protection of trade--marks is the law's recognition of the psychological function of symbols."n136 A well--known trademark is a powerful advertising tool and source identification. It can fasten a lasting psychological grip on the public consciousness, generating consumer loyalty and good will. Once established, this commercial magnetism builds and retains markets and fosters competitive vigor. The value of well--known brand names is incalculable; they can bring an immense premium in the price of a corporate acquisition. The unseen but dynamic pull of a famous mark, the essence of many a successful business, should be accorded maximum legal protection.

We propose adding a narrowly drawn dilution section to the Lanham Act, protecting only registered marks which have become famous throughout a substantial part of the United States. Our proposal is consistent with national trademark policy, and carries with it no apparent social or economic detriment.

2. Background
Commission Senior Advisor Beverly W. Pattishall has long championed more effective enforcement of the dilution laws.n137 He maintains that dilution protection is justified by the law of trespass, a form of defense against a legal wrong which is damaging to an incorporeal property right. His view is aligned with Schechter's, i.e., that the extraordinarily valuable "commercial magnetism"n138 inherent in distinctive trademarks must be protected from commercial incursion. Without protection against dilution, valuable rights can only be eroded and, ultimately, lost.
We concur in the need for greater protection from dilution for famous registered marks. We also believe that several positive decisions on dilution laws in recent years make the adoption of a federal law timely. A decade ago the climate would not have been as conducive to this change.
The idea of a federal dilution statute recently gained ground as a result of a development from an unexpected source: the United States Supreme Court. The Court held that, under the Amateur Sports Act of 1978,n139 the United States Olympic Committee had exclusive rights in the word OLYMPIC without regard to whether use of the word was likely to cause confusion. The Court stated that Congress "could determine that unauthorized uses, even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks." For support it quoted Schechter.n140 In relying on orthodox dilution doctrine, the Court recognized the desirability of dilution protection where the mark in question had attained commercial magnetism through decades of use.
We do not share the concerns that dilution protection leads to monopolization of language. Third parties have an infinite number of trademark choices available. Confining dilution protection to famous trademarks will have little or no impact on other businesses. All new entrants need do is compete fairly using marks which cause neither likelihood of confusion nor dilution. This will not be a handicap.

The Commission considered whether the availability of federal dilution protection to only "famous" registered marks violates the due process clause of the Fifth Amendment. We see no serious problem. The Supreme Court has consistently held that "a legislative classification must be sustained if the classification itself is rationally related to a legitimate governmental interest."n141
Limiting the availability of dilution protection to those registered marks which are "famous" bears a rational relationship to several legitimate trademark protection interests. The proposed section (1) protects only those registered marks which are most likely to be adversely affected by dilution, (2) makes the availability of dilution protection nationally uniform and predictable, (3) merely adds another attribute of federal registration to existing attributes, such as constructive notice and incontestability, and (4) creates a desirable and further incentive to register trademarks used in commerce.

3. Possible Preemption
The Commission considered at length a recommendation which would have preempted the state dilution laws to the extent constitutionally permissible, but ultimately rejected it. Some felt that national trademark law uniformity and reducing the risk of local challenge to expansion under a new mark would have justified it. In the end the Commission saw no compelling policy justifications for extinguishing state law dilution rights. State trademark law and policy should be honored, so long as it does not conflict with federal. If it does, as one court has found with respect to the Iowa dilution statute, the courts can determine that federal law preempts.n142 They can also determine that a nationwide injunction under a state dilution law would constitute a burden on commerce.n143
The Commission does, however, recommend a provision making a federal registration a complete defense to an action under a state dilution law. This approach would accord registrants additional security in expansion situations while not unduly restricting the operation of state law. It would also effectuate Congressional intent under Section 45 "to protect registered marks used in ... commerce from interference by State, or territorial legislation."

4. A Federal Dilution Act
The Commission has drafted and proposes a new Section 43(c) with accompanying definition.n144 We reiterate that our proposed statutory language is not intended as a final Commission recommendation. Its sole purpose is to provide an example which incorporates one or more principles we espouse, and to stimulate discussion. With this caveat, we set forth the following language, accompanied by explanatory comments.

a. Section 43(c)----Protection of Famous Registered Marks From Dilution
(1) The registrant of a famous mark registered under the Acts of 1881 or 1905 or on the principal register shall be entitled, subject to the principles of equity, to an injunction against another's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but 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 and services;
(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 registrant's mark is used;
(f) the degree of recognition of the registrant's mark in its and in the other's trading areas and channles of trade; and
(g) the nature and extent of use of the same or similar mark by third parties.
(2) Remedies. The registrant shall be entitled only to injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant's reputation or to cause dilution of the registrant's mark. If such willful intent is proven, the registrant 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.
(3) Federal Registration Defense in Dilution Actions. The ownership of a valid registration under the Acts of 1881 or 1905 or on the principal register shall be a complete bar to an action brought by another person, under the common law or statute of a state, seeking to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

Section 45. Definitions
Dilution.
The term "dilution" means the lessening of the capacity of registrant's mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake or deception.
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b. In General
The Commission believes that, to be entitled to relief under new Section 43(c), a famous mark should be in substantially exclusive use and be well known throughout a substantial portion of the United States.
The requirement of trademark fame reflects the view of the Commission that dilution protection should be confined to marks which are both distinctive, as established by federal registration at a minimum, and famous, as established by separate evidence. The same type of evidence which is traditionally used to prove distinctiveness can be used to prove fame. Although the registrant is not required to prove distinctiveness apart from the import of its registration, any additional evidence of distinctiveness will ordinarily be entitled to substantial weight.
We expect the courts to define "famous mark" on a case--by--case basis. The enumerated factors are designed to guide the court. No one factor is controlling, and a court may consider factors which are not listed.

c. Fame Factors
The first factor, inherent or acquired distinctiveness, makes it clear that enhanced distinctiveness and fame can be acquired regardless of the original nature of the mark. A mark cannot be inherently famous but it can be inherently distinctive. On the other hand, it is unlikely that a mark could be famous and not be distinctive.n145 Both factors have a bearing on the scope of protection from dilution.
The duration and extent of use and advertising of the mark are also relevant to both distinctiveness and fame. Generally a famous mark will have been in use for some time, but there is nothing to prevent a mark from becoming famous overnight through widespread publicity and advertising.
The geographical fame of the mark must extend throughout a substantial portion of the United States. The exact parameters of how much is substantial should be left to a case--by--case analysis, depending on the type of goods or services and their channels of distribution.
By considering the degree to which the registered mark is famous to purchasers in both the registrant's and later user's lines of commerce, a court may be more likely to grant protection where there is a reasonable probability that the later user adopted its mark with knowledge of the fame of the registered mark. Where the products of both parties are sold to the general public, the factor is probably present even though the products are so unrelated that confusion is unlikely. Thus, dilution could occur if the same mark was used on running shoes and chewing gum. However, it may not occur if the mark were used on microbiological chem--icals sold to research laboratories, on the one hand, and fish oil sold only to the food processing trade, on the other.
Dilution is possible with respect to one purchaser universe but not another. For example, if a mark is famous at the industrial level but not at the consumer level, protection may be appropriate at the industrial level but not at the consumer level.
The court may fairly infer that a mark is or should be well known to a substantial portion of the relevant purchasers of the goods or services, based on the available evidence. We did not employ the terms "majority" or "substantial majority" because we believed they would impair flexibility. We also

did not employ the term "appreciable number" from the many decisions holding that likelihood of confusion must be established with respect to an appreciable number of ordinary prudent purchasers.n146 Under these decisions the threshold is quite low. We believe that a higher standard should be employed to gauge the fame of a trademark eligible for this extraordinary remedy.
The registrant need not actually prove that the requisite number of purchasers throughout a substantial portion of the United States have knowledge of the registrant's mark, where such knowledge can be fairly inferred from the facts of record. The move channels of trade in which the registrant's goods or services move, the broader should be the scope of protection from dilution afforded the mark.
Third party uses of the same or similar marks are relevant in determining the fame and distinctiveness of the mark, since the mark must be in substantially exclusive use. If a mark is in widespread use, it may not be famous for the goods or services of one business. On the other hand, isolated use of the mark by a third party in a remote geographic area, even for the same or similar goods or services, should not defeat protection from dilution.
The provision differentiates dilution from infringement by applying regardless of the presence or absence of competition between the parties or of the likelihood of confusion, mistake, or deception. This language is borrowed from the Model Bill.
The basic remedy afforded by the provision is an injunction. However, if the registrant can prove that the later user willfully intended to trade on the registrant's reputation in the mark for the purpose of causing the dilution of the owner's mark, the registrant would potentially be entitled to the remedies provided in Section 35(a) (damages, profits, and attorneys' fees in exceptional cases) and Section 36 (destruction of infringing labels, plates, etc.).
We considered whether a registrant entitled to dilution relief by way of injunction would be able to prove the requisite damage under Sections 13 and 14 to sustain an opposition or cancellation proceeding. On the one hand, it would be illogical to provide for injunctive relief but not the ability to prevent or cancel a diluting registration. On the other, extending the Board's jurisdiction to an entirely new category of claims with attendant adminstrative problems, expense and uncertainty, should not be undertaken lightly. On balance, we believe the courts should make the determination of "damage" here, based on all of the factors, as they have in the past.
A registrant need not elect between alleging infringement under Section 32 and alleging dilution under Section 43(c). Both could be alleged alternatively in the same complaint. If the court found no likelihood of confusion, because of the differences in the goods or the absence of competition, it could still find dilution.
If the later user adopts its mark before the registrant'mark becomes famous, the court should not enjoin the later user's use on dilution grounds. This result would correspond to the present rule on secondary meaning marks.n147
We do not intend the dilution provision to inhibit the use of the registrant's mark by a competitor in a comparative or informational manner. It should not be used to discourage otherwise lawful comparative advertising.

d. Federal Registration Defense
Trademark owners require the assurance that once they have obtained federal registration, they are generally free to market their goods or services throughout the United States, subject only to prior rights in a confusingly similar mark. To achieve this result, and to encourage federal registration of marks used in commerce, the provision makes ownership of a federal registration a complete defense to a dilution action under a state statute or common law.

VIII. CONCLUSION

The Commission is available to discuss or amplify its recommendations, and to furnish background information from its "legislative history."

If the Board decides to initiate steps leading to proposed legislation, we suggest the creation of a Legislative Task Force. The Task Force could work directly with the Board or it could work independently. A minimum of several months would be required for the drafting stage.

The Commission members are grateful for the opportunity to have served on the Commission during the past two years. The work was enlightening and challenging, the discussions spirited, and the meetings never dull. We will long remember the camaraderie and the sense of dedication.

Dolores K. Hanna, Chairperson
John C. McDonald, Vice
Chairperson
Jerome Gilson, Reporter
Arthur J. Greenbaum,
Associate Reporter
August 21, 1987

IX. TABLE OF AUTHORITIESn*

A. Cases

B. Lanham Act Sections

C. Constitution, Other Statutes and Rules

D. Bills, Hearings and Reports

E. Articles

F. Treatises

FOOTNOTES:

(n1) Footnote *. This Report and Recommendations was submitted to USTA President and Board of Directors on August

21, 1987 for their consideration at the September 13, 1987 Board of Directors meeting. The Board adopted this Report in its entirety.

(n2) Footnote 1. The statute was enacted on July 5, 1946, to become effective one year later. Public Law 79--489, Chapter 540; 60 Stat 427; 15 USC §§ 1051--1127.

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(n3) Footnote 2. References to "Section" apply to sections of the Lanham Act, as amended, unless otherwise indicated. 15 USC §§ 1051--1127 (1987). Use of brackets denotes deleted material and use of italics denotes added material.
(n4) Footnote 3. 304 US 64, 58 S Ct 817, 82 L Ed 1188 (1938).
(n5) Footnote 4. See Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ 909 (TTAB 1984).
(n6) Footnote 5. See, eg, Marathon Mfg. Co. v. Enerlite Products Corp., 767 F2d 214, 221, 226 USPQ 836, 840 (CA 5 1985) (per curiam); Syntex Laboratories, Inc. v. Norwich Pharmacal Co., 437 F2d 566, 568, 169 USPQ 1, 2 (CA 1 1971).
(n7) Footnote 6. 386 US 714, 717--21, 87 S Ct 1404, 18 L Ed2d 475, 153 USPQ 432 (1967).
(n8) Footnote 7. 448 F Supp 1237 (D Nev 1978), affd 440 US 941, 99 S Ct 1415, 59 L Ed2d 630 (1979). See also, USTA Amicus Brief, 69 TMR 273 (1979).
(n9) Footnote 8. 15 USC §§ 1064(c) and 1127. Public Law 98--620.
(n10) Footnote 9. 611 F2d 296, 204 USPQ 978 (CA 9 1979), and 684 F2d 1316, 216 USPQ 588 (CA 9 1982).
(n11) Footnote 10. See 72 TMR 549 (1982).
(n12) Footnote 11. 15 USC §§ 1116(d). Public Law 98--473.
(n13) Footnote 12. Trade--Mark Cases, 100 US 82, 96--97, 25 L Ed 550 (1879).
(n14) Footnote 13. Opposition in the United States to TRT was not restricted to its intent--to--use with use after registration provisions. Much concern was also expressed (1) that filing applications worldwide under TRT would cause proliferation in the United States, and (2) that our then heavily backlogged PTO might have difficulty meeting the TRT time limitations for examination and disposal of applications.
(n15) Footnote 14. Supra note 4.
(n16) Footnote 15. Volumes 53 (1963) and 63 (1973).
(n17) Footnote 16. This term is defined at infra note 28.
(n18) Footnote 17. A Section 44 applicant relying on a prior filing date and alleging likelihood of confusion could
successfully oppose or petition to cancel without commencing use, provided it had obtained a registration.
(n19) Footnote 18. However, certain businesses may not be able to make prefiling token use. Hotels are unable to apply to register service marks until they open for business. Token shipments of heavy equipment may not be feasible. And the requirements of Environment Protection Agency and other regulatory agencies may long preclude or inhibit even an experimental use until agency approval is obtained.
(n20) Footnote 19. There is no disparity when a domestic applicant qualifies for registration under Section 44. See In re International Barrier Corp., 231 USPQ 310 (TTAB 1986).
(n21) Footnote 20. Without a pre--registration use requirement, an applicant who on filing intended to use its mark might later decide not to market the brand but still let the application issue to registration.

(n22) Footnote 21. See infra VII. A. 10., Constitutionality of Intent--To--Use. This section summarizes the opinion of Professor Robert B. McKay.
The Commission reached the same conclusion. We do not believe that the Supreme Court's decision in Trade--Mark Cases, supra note 12, is controlling. The trademark portion of the Act of July 8, 1870 was held unconstitutional because it did not require that a registrant "be engaged in the kind of commerce which Congress is authorized to regulate." Id at

97. Under our proposed amended Lanham Act, registration would issue only after use in commerce, and the constructive use accorded filing would be conditioned upon registration. See, eg, Heart of Atlanta Motel, Inc. v. United States, 379 US 241, 85 S Ct 348, 13 L Ed2d 258 (1964).
(n23) Footnote 22. Further discussed at infra VII. A. 6. g., Notice of Allowance and Use Periods.
(n24) Footnote 23. 390 F2d 1015, 1017, 157 USPQ 55, 56--57 (CCPA 1968), cert denied 393 US 831, 159 USPQ 799 (1968).
(n25) Footnote 24. Though small--scale, such shipments are generally made on a relatively continuous basis to doctors who will ultimately prescribe the drug, if approved. Concurrently, the trademark may also be used to identify the drug in articles in pharmaceutical and other publications.
(n26) Footnote 25. In re Marriott Corp., 459 F2d 525, 527, 173 USPQ 799, 800 (CCPA 1972).
(n27) Footnote 26. See infra VII. K. 8., Proposed Section 45.
(n28) Footnote 27. As discussed in infra VII. A. 8., Section 44 Applications and Intent--To--Use.
(n29) Footnote 28. "Constructive use" means that which establishes a priority date with the same legal effect as the earliest actual use of a trademark at common law. The constructive use term and concept appear in SCM Corp. v. Langis Foods Ltd., 539 F2d 196, 199--201, 190 USPQ 288, 291--93 (CADC 1976), and In re ETA Systems Inc., 2 USPQ2d 1367, 1370 (TTAB 1987).
(n30) Footnote 29. Under current law, good faith junior users may assert priority of use in any remote territory occupied by them before the date of the senior user's registration. Eg, Burger King of Florida, Inc. v. Hoots, 403 F2d 904, 907, 159 USPQ 706, 709 (CA 7 1968).
(n31) Footnote 30. See SCM Corp. v. Langis Foods Ltd., supra note 28 at 199--201, 190 USPQ at 291--99, and American Petrofina, Inc. v. Brown, 391 F Supp 757, 758, 184 USPQ 483, 484 (ED NC 1974), suggesting nationwide protection for such applicants from the date of filing.
(n32) Footnote 31. Such applicants could rely on their prior date of actual use (be it local or regional) as well as their date of nationwide constructive use.
(n33) Footnote 32. Other than an application with a Section 44(d) claim of priority antedating the filing date of applicant--opposer or applicant--petitioner.
(n34) Footnote 33. Golomb v. Wadsworth, 592 F2d 1184, 201 USPQ 200, 201 (CCPA 1979), cert denied 203 USPQ 651 (1979).
(n35) Footnote 34. See infra VII. K. 6., Proposed Section 18.

(n36) Footnote 35. At the current PTO processing rate, and assuming no oppositions were filed, use would thus be required about one year after filing, or about eighteen months thereafter if (as often occurs) the application were rejected once by the Examiner before publication. If one six--month extension of the use period were obtained, those periods would enlarge to eighteen months or twenty--four months, respectively.
(n37) Footnote 36. In the drug industry it may take several years to obtain FDA approval to market a drug. But we understand that it should not be difficult to commence shipments under the mark to clinical investigators within our suggested four--year period. Such shipments should constitute use in the normal course of trade, commensurate with the circumstances, within the meaning of our suggested new definition of use in commerce.
(n38) Footnote 37. This is the basis for the decisions withholding from a prior user--registrant injunctive relief against a junior user in a remote area until the prior user enters it or proves a present likelihood of entry. Pizzeria Uno Corp. v. Temple, 747 F2d 1522, 1536, 224 USPQ 185, 194--95 (CA 4 1984); John R. Thompson Co. v. Holloway, 366 F2d 108, 114, 150 USPQ 728, 732--33 (CA 5 1966); Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F2d 358, 364, 121 USPQ 430, 434 (CA 2 1959).
(n39) Footnote 38. Warner Bros. Inc. v. Road Runner Car Wash, Inc., 189 USPQ 430, 431 (TTAB 1975) (citing cases).
(n40) Footnote 39. At infra VII. D. 4., Suggested Amendments to Act, we recommend abolishing this one year use requirement. However, at least initial use would still be required for supplemental register registration.

(n41) Footnote 40. Oromeccanica, Inc. v. Ottmar Botzenhardt GmbH & Co., 223 USPQ 59, 63 (TTAB 1983).
(n42) Footnote 41. These include distinctiveness of the prior mark, similarities between the marks, proximity of the products and trade channels, sophistication of purchasers, likelihood of confusion, evidence of actual confusion, and defendant's good or bad faith. Polaroid Corp. v. Polarad Electronics Corp., 287 F2d 492, 495, 128 USPQ 411, 413 (CA 2 1961), cert denied 368 US 820, 131 USPQ 499 (1961).
(n43) Footnote 42. Eg, Chandon Champagne Corp. v. San Marino Wine Corp., 335 F2d 531, 534, 142 USPQ 239, 242 (CA 2 1964).
(n44) Footnote 43. Weiner King, Inc. v. Wiener King Corp., 615 F2d 512, 523, 204 USPQ 820, 830 (CCPA 1980).
(n45) Footnote 44. Heart of Atlanta Motel Inc. v. United States, supra note 21; Katzenbach v. McClung, 379 US 294, 85 S Ct 377, 13 L Ed2d 290 (1964); Martino v. Michigan Window Cleaning Co., 327 US 173, 66 S Ct 379, 90 L Ed 603 (1946); Kirschbaum Co. v. Walling, 316 US 517, 62 S Ct 1116, 86 L Ed 1638 (1942); Wickard v. Filburn, 317 US 111, 63 S Ct 82, 87 L Ed 122 (1942); United States v. Darby, 312 US 100, 61 S Ct 451, 85 L Ed 609 (1941).
(n46) Footnote 45. Hodel v. Virginia Surface Mining & Reclamation Assn., 452 US 264, 323--24, 101 S Ct 2352, 69 L Ed2d 1 (1981). See also Federal Energy Regulatory Commission v. Mississippi, 456 US 742, 753--54, 102 S Ct 2126, 72 L Ed2d 532 (1982); Perez v. United States, 402 US 146, 91 S Ct 1357, 28 L Ed2d 686 (1971).
(n47) Footnote 46. Garica v. San Antonio Metropolitan Transit Authority, 469 US 528, 537--47, 105 S Ct 1005, 83 L Ed2d 1016 (1985) (overruling National League of Cities v.

Usery, 426 US 833, 96 S Ct 2465, 49 L Ed2d 245 (1976)). See Martha A. Field, Garcia v. San Antonio Metropolitan Transit Authority: The Demise of a Misguided Doctrine, 99 Harvard Law Review 84, 118 (November, 1985).
(n48) Footnote 47. See supra VII. A. 6., Proposed Amended Definition of Use in Commerce.
(n49) Footnote 48. At the hearings on H.R. 9041 before the Subcommittee on Trade--Marks of the House Committee on Patents, 75th Cong, 3d Sess 142--43 (1938), Representative Lanham, Mr. Rogers, and Commissioner Coe agreed that to eliminate deadwood a registrant should be required to file a use affidavit every five years. The requirement was never adopted.
(n50) Footnote 49. These estimates are based on PTO registration and cancellation data, together with certain projections.
(n51) Footnote 50. See infra VII. E. 4.
(n52) Footnote 51. See supra VII. A. 7. b., Constructive Use Accorded Filing Date.
(n53) Footnote 52. In re Clorox Co., 578 F2d 305, 306--08, 198 USPQ 337, 339--40 (CCPA 1978).
(n54) Footnote 53. L. Smejda, The Supplemental Register: Does It Fulfill Its Function Internationally and Domestically?, 62 TMR 285 (1972).
(n55) Footnote 54. 774 F2d 1451, 1454, 227 USPQ 808, 809--10 (CA 9 1985).
(n56) Footnote 55. See, eg, Lindy Pen Co. v. Bic Pen Corp., 725 F2d 1240, 1247, 226 USPQ 17, 22 (CA 9 1984), cert denied 105 S Ct 955, 226 USPQ 23 (1985) ("There can be no liability for trademark infringement, even where a mark has attained incontestable status, in the absence of likelihood of confusion."); Weil Ceramics & Glass Inc. v. Dash, 618 F Supp 700, 703, 227 USPQ 737, 738 (D NJ 1985) (Section 33(b) does not create an independent cause of action which would relieve registrant of the obligation to prove likely confusion).
(n57) Footnote 56. Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 US 189, 194--205, 105 S Ct 65 8, 83 L Ed2d 582, 224 USPQ 327, 329--34, 75 TMR 136 (1985).
(n58) Footnote 57. Compare, eg, United States Jaycees v. Chicago Junior Assn. of Commerce and Industry, 505 F Supp 998, 1001, 212 USPQ 708, 711 (ND Ill 1981), with Cuban Cigar Brands N.V. v. Upmann International, Inc., 457 F Supp 1090, 1101, 199 USPQ 193, 202 (SDNY 1978), affd w/o pub opin 607 F2d 999 (CA 2 1979). See Note, Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation, 66 Minnesota Law Review 1067 (July 1982), reprinted 75 TMR 158 (1985).
The Eighth Circuit recently emphasized that such defenses are available in an action based on an incontestable

registration: "We do not believe that the limitations in §§ 1115(b) relating to the validity or ownership of a mark also limit the discretion of the court to give equitable relief appropriate to the circumstances of each case. To do so would indeed make injunctive relief a ministerial act ...and wipe away the discretion which is inherent in the equitable power." United States Jaycees v. Cedar Rapids Jaycees, 794 F2d 379, 382, 230 USPQ 340, 342 (CA 8 1986).
(n59) Footnote 58. See transcript of 1941 Hearing at 4 J. Gilson, Trademark Protection and Practice, §§ 33, 33--50 to--51 (1986).

(n60) Footnote 59. See Beacon Theatres, Inc. v. Westover, 359 US 500, 506--07, 79 S Ct 948, 3 L Ed 988 (1959).
(n61) Footnote 60. Eg, Forstmann Woolen Co. v. Murray Sices Corp., 10 FRD 367, 370, 86 USPQ 209, 210 (SDNY 1950).
(n62) Footnote 61. 1 J.T. McCarthy, Trademark and Unfair Competition, § 18:16(C) at 840 (2d ed 1986). (n63) Footnote 62. Section 5 refers to a mark which "may be used legitimately by related companies." In our view this
language extends the legitimacy requirement to the control over the use of the mark by the trademark owner. (n64) Footnote 63. 1 Gilson, supra note 58, § 6.01(5) at 6--10.2 (1987); 1 McCarthy, supra note 61, § 18:16(B) at 839. (n65) Footnote 64. See infra VII. K. 8., Proposed Section 45. (n66) Footnote 65. Paul B. Morofsky, Notes From Other Nations, 59 TMR 43, 51 (1969). (n67) Footnote 66. See infra VII. K. 4., Proposed Section 4. (n68) Footnote 67. See supra VII. A. 6., Proposed Amended Definition of Use in Commerce. (n69) Footnote 68. 1 McCarthy, supra note 61, § 12:18(A) at 573. (n70) Footnote 69. Park 'N Fly, supra note 56 at 195, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ at 329, 75 TMR at 138. (n71) Footnote 70. The Seventh Circuit created considerable confusion by holding that the adjective "light" /"lite" in
describing beer was a common descriptive term and unprotectible, but that the adjective "tasty" /"tas--tee" describing salad dressing was a merely descriptive term and protectible on proof of secondary meaning. Miller Brewing Co. v. G. Heileman Brewing Co., 561 F2d 75, 80, 195 USPQ 281, 285 (CA 7 1977), cert denied 434 US 1025, 196 USPQ 592 (1978); Henri's Food Products Inc. v. Tasty Snacks Inc., 817 F2d 1303, 1306, 2 USPQ2d 1856, 1858 (CA 7 1987). Our proposal would tend to eliminate this confusing terminology.
(n72) Footnote 71. Allen v. National Video, Inc., 610 F Supp 612, 625--31, 225 USPQ 483, 490--96 (SDNY 1985).(n73) Footnote 72. 442 F2d 686, 170 USPQ 113 (CA 2 1971), cert denied 404 US 1004, 172 USPQ 97 (1971).(n74) Footnote 73. Id at 692, 172 USPQ at 116--17 (footnote omitted).(n75) Footnote 74. 736 F2d 929, 931--33, 222 USPQ 775, 777--78 (CA 3 1984).(n76) Footnote 75. Quabaug Rubber Co. v. Fabiano shoe Co., 567 F2d 154, 160, 195 USPQ 689, 692--93 (CA 1 1977);
DEP Corp. v. Interstate Cigar Co., 622 F2d 621, 622--24, 206 USPQ 673, 674--75 (CA 2 1980); Traditional Living, Inc.
v. Energy Log Homes, Inc., 464 F Supp 1024, 1026, 202 USPQ 703, 704 (ND Ala 1978).
(n77) Footnote 76. See Camel Hair and Cashmere Institute of America v. Associated Dry Goods Corp., 799 F2d 6,
10--11, 231 USPQ 39, 42--43 (CA 1 1986). (n78) Footnote 77. 415 F2d 1279, 163 USPQ 264 (CA 7 1969), cert denied 397 US 912, 164 USPQ 481 (1970). (n79) Footnote 78. Id at 1283, 163 USPQ at 266. (n80) Footnote 79. Id at 1283--84, 163 USPQ at 267. (n81) Footnote 80. 87 F Supp 218, 221--22, 83 USPQ 507, 509--10 (D Mass 1949), affd 180 F2d 896, 96 USPQ 454
(CA 1 1950) (per curiam). (n82) Footnote 81. See 1 Gilson, supra note 58, § 7.02(2) (1987). (n83) Footnote 82. See eg, Borden, Inc. v. Kraft, Inc., 224 USPQ 811, 818 (ND Ill 1984); Skil Corp. v. Rockwell

International Corp., 375 F Supp 777, 782--83, 183 USPQ 157, 160 (ND Ill 1974); Fur Information and Fashion Council, Inc. v. E.F. Timme & Son, Inc., 501 F2d 1048, 1051,

183 USPQ 129, 131 (CA 2 1974), cert denied 419 US 1022, 183 USPQ 641 (1974); Universal Athletic Sales Co. v. American Gym Recreational & Athletic Equipment Corp., 397 F Supp 1063, 1073, 187 USPQ 104, 111 (WD Pa 1975), vactd 546 F2d 530, 192 USPQ 193 (CA 3 1976), cert denied 430 US 984, 197 USPQ 783 (1977).
(n84) Footnote 83. Skil, id at 782 fn 10, 183 USPQ at 160 (citation omitted). See also Schroeder v. Lotito, 577 F Supp 708, 720--21, 221 USPQ 822, 823 (D RI 1983), affd per curiam 747 F2d 801, 224 USPQ 97 (CA 1 1984) (criticizing Samson Crane).
(n85) Footnote 84. See Restatement (Second) of Torts § 623A (1966), dealing with liability for the publication of injurious falsehoods.
(n86) Footnote 85. 584 F Supp 656, 223 USPQ 650 (D Conn 1984), affd 748 F2d 767, 224 USPQ 106 (CA 2 1984).
(n87) Footnote 86. Id at 668, 228 USPQ at 658.
(n88) Footnote 87. Trade--Mark Act of March 3, 1881, §§ 7 and 10.
(n89) Footnote 88. 15 USC §§ 81--108.
(n90) Footnote 89. Id § 16, 15 USC§ 96.
(n91) Footnote 90. H.R. Rep. No. 3147, 58th Cong, 3d Sess 6 (1904).
(n92) Footnote 91. The Report justified the possibility of increased damages as follows: It has seemed to your committee proper that the Government, which has made provision for the registration of trade--marks, should accord to the owners thereof, who have complied with the terms of the statute, full and complete redress for violation of their rights. By another section of the bill provision is made for designating registered trade--marks by printing under the trade--mark the fact that it is registered, as is done in cases of patents, so that any person who imitates or counterfeits a trade--mark will do so with notice and should therefore be held to a strict accountability for the fraud committed. H.R. Rep. No. 3147, 58th Cong, 3d Sess 9 (1904).(n93) Footnote 92. 635 F2d 710, 715, 209 USPQ 97, 102 (CA 8 1980).(n94) Footnote 93. 735 F2d 450, 453--58, 222 USPQ 808, 810--15 (CA 11 1984).(n95) Footnote 94. U--Haul International, Inc. v. Jartran, Inc., 793 F2d 1034, 1041--42, 230 USPQ 343, 348--49 (CA
9 1986); Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F2d 1001, 227 USPQ 598, (CA 9 1985), cert denied 106 S Ct 802 (1986).
(n96) Footnote 95. 781 F2d 604, 228 USPQ 519 (CA 7 1986).
(n97) Footnote 96. 803 F2d 778, 231 USPQ 555 (CA 3 1986).
(n98) Footnote 97. Id at 782, 231 USPQ at 559.
(n99) Footnote 98. See Yeshiva University v. New England Educational Institute, Inc., 631 F Supp 146, 147, 229 USPQ 849, 850 (SDNY 1986) (fees allowable under Section 35 in Section 43(a) actions).
(n100) Footnote 99. S. 1416, 95th Cong, 1st Sess (1977).
(n101) Footnote 100. Schroeder v. Lotito, supra note 83, 747 F2d at 802, 224 USPQ at 97--98.
(n102) Footnote 101. Coca--Cola Co. v. Gemini Rising, Inc., 346 F Supp 1183, 175 USPQ 56 (EDNY 1972).
(n103) Footnote 102. L.L. Bean Inc. v. Drake Publishers Inc., 811 F2d 26, 1 USPQ2d 1753 (CA 1 1987).
(n104) Footnote 103. Mutual of Omaha Insurance Co. v. Novak, 775 F2d 247, 227 USPQ 801 (CA 8 1985).

(n105) Footnote 104. Universal City Studios, Inc. v. Nintendo Co., 746 F2d 112, 120, 223 USPQ 1000, 1006 (CA 2 1984) (DONKEY KONG); Jordache Enterprises, Inc. v. Hogg Wyld Ltd., 625 F Supp 48, 57--58, 227 USPQ 794, 799--800 (D NM 1985) (LARDACHE jeans for overweight women).

(n106) Footnote 105. L.L. Bean Inc. v. Drake Publishers Inc., supra note 102.
(n107) Footnote 106. Eg, Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F2d 200, 206, 203 USPQ 161, 165--66 (CA 2 1979); Warner--Lambert Co. v. Federal Trade Commission, 562 F2d 749, 758 (CADC 1977), cert denied 435 US 950 (1978). But see L.L. Bean Inc. v. Drake Publishers Inc., supra note 102 at 31--34, 1 USPQ2d at 1757--
59. (n108) Footnote 107. Eg, Colvig v. KSFO, 224 Cal App2d 357, 36 Cal Rptr 701, 140 USPQ 680, 685 (Calif Dt Ct App
1964).
(n109) Footnote 108. Eg, In re Pilon, 195 USPQ 178, 179 (TTAB 1977).
(n110) Footnote 109. Eg, HMH Publishing Co. v. Hale, 156 F Supp 594, 595, 115 USPQ 351, 352 (ND Calif 1957);
B & I Publishing Co. v. Ace Magazines, Inc., 86 USPQ 183 (NY Sup Ct 1950).
(n111) Footnote 110. Eg, Leeds Music Ltd. v. Robin, 358 F Supp 650, 660, 179 USPQ 413, 420 (SD Ohio 1973); Gordon v. Warner Bros. Pictures, Inc., 269 Cal App2d 31, 74 Cal Rptr 499, 161 USPQ 316, 318 (Calif Dt Ct App 1969); Warner Bros. Pictures, Inc. v. Majestic Pictures Corp., 70 F2d 310, 311, 21 USPQ 405, 406--07 (CA 2 1934).
(n112) Footnote 111. Eg, Hospital for Sick Children v. Melody Fare Dinner Theatre, 516 F Supp 67, 73, 209 USPQ 749, 754 (ED Va 1980); Dawn Associates v. Links, 203 USPQ 831, 835 (ND Ill 1978).
(n113) Footnote 112. See Orion Pictures Co. v. Dell Publishing Co., 471 F Supp 392, 202 USPQ 819, 823 (SDNY 1979); Brandon v. Regents of the University of California, 441 F Supp 1086, 1091, 196 USPQ 163, 167 (D Mass 1977);
Kirkland v. National Broadcasting Co., 425 F Supp 1111, 1115, 198 USPQ 560, 563 (ED Pa 1976).
(n114) Footnote 113. 581 F2d 257, 261, 198 USPQ 610, 613 (CCPA 1978).
(n115) Footnote 114. Roman Cleanser Co. v. National Acceptance Co. of America, 43 BR 940, 225 USPQ 140, 141--
49 (Bankr Ct ED Mich 1984), affd on other grounds 802 F2d 207, 231 USPQ 301 (CA 6 1986).
(n116) Footnote 115. 37 CFR § 2.185 (1986).
(n117) Footnote 116. Cal Civ Code, Chapter 6.5, § 3068 (1974).
(n118) Footnote 117. IC, P.F. Coogan, W.E. Hogan and D.F. Vagts, Secure Transactions Under the UCC, Bender's
Uniform Commercial Code Service, 25A.05, at 25A--40 (1986).
(n119) Footnote 118. Supra note 114, 225 USPQ at 143--45.
(n120) Footnote 119. Supra note 117 at 2.13.
(n121) Footnote 120. See UCC §§ 9--503 and 9--504.
(n122) Footnote 121. UCC § 9--103(2)(b).
(n123) Footnote 122. Reconstruction Finance Corp. v. J.G. Menihan Corp., 22 F Supp 180, 182, 37 USPQ 323, 325 (WDNY 1938) (sale to lender to foreclose on security did

not automatically invalidate trademarks); Avon Shoe Co. v. David Crystal, Inc., 171 F Supp 293, 301, 121 USPQ 397, 403 (SDNY 1959), affd 279 F2d 607, 125 USPQ 607 (CA 2 1960), cert denied 364 US 909, 127 USPQ 555 (1960) (transfer of mark must be acc ompanied by some business with which mark is used).
(n124) Footnote 123. William M. Borchard and Richard M. Osman, Trademark Sublicensing and Quality Control, 70 TMR 99 (1980); W.J. Keating, Promotional Trademark Licensing: A Concept Whose Time Has Come, 89 Dickinson Law Review 363 (Winter 1985).
(n125) Footnote 124. See, eg, In re C.B. Donald Co., 122 USPQ 401, 402--03 (TTAB 1959), on reconsid 122 USPQ 535 (TTAB 1959). (n126) Footnote 125. 37 CFR § 2.38(a). (n127) Footnote 126. See also Turner v. HMH Publishing Co., 380 F2d 224, 229, 154 USPQ 330, 333--34 (CA 5 1967), cert denied 389 US 1006, 156 USPQ 720 (1967).
(n128) Footnote 127. TMEP § 1207.04.

(n129) Footnote 128. The Commission recommends that "generic name" be substituted for "common descriptive name" in Sections 14(c) and 15(4). See supra VII.F.2.i., Common Descriptive Name.
(n130) Footnote 129. See Dresser Industries, Inc.v. Heraeus Engelhard Vacuum, Inc., 267 F Supp 963, 975, 152 USPQ 743, 753 (WD Pa 1967), affd 395 F2d 457, 158 USPQ 65 (CA 3 1968), cert denied 393 US 934, 159 USPQ 799 (1968).
(n131) Footnote 130. See Eastern Air Lines, Inc.v. New York Air Lines, Inc., 559 F Supp 1270, 218 USPQ 71 (SDNY 1983) ("air--shuttle" generic).
(n132) Footnote 131. See Daniel L. Skoler, Trademark Identification----Much Ado About Something?, 76 TMR 224, 237--39 (1986).
(n133) Footnote 132. The following states have adopted the Model Bill: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, Oregon, Pennsylvania, Rhode Island and Tennessee.
The statutes are generally identical, except in Florida, Georgia and Illinois, where they also prohibit the dilution of "labels and forms of advertisement."
Actually, dilution laws go back to the time of the Lanham Act. In 1947 Massachusetts became the first state to adopt such a statute, twenty years after the seminal article by Frank Schechter lamenting "the gradual whittling away or dispersion of the identity and hold upon the public mind of [a] mark or name by its use upon noncompeting goods." Frank
I. Schechter, The Rational Basis of Trademark Protection, 40 Harvard Law Review 813 (1927); 22 TM Bull 139 (1927), reprinted in 60 TMR 334 (1970).
(n134) Footnote 133. See, eg, Hyatt Corp. v. Hyatt Legal Services, 736 F2d 1153, 222 USPQ 669 (CA 7 1984); Instrumentalist Co. v. Marine Corps League, 509 F Supp 323, 340, 210 USPQ 841 (ND Ill 1981), supplemental opinion 212 USPQ 555, 558--59 (ND Ill 1981), affd 694 F2d 145, 216 USPQ 951 (CA 7 1982).
(n135) Footnote 134. See, eg, Community Federal Savings & Loan Assn. v. Orondorff, 678 F2d 1034, 1035, 215 USPQ 26, 27 (CA 11 1982); Pillsbury Co. v. Milky Way Productions, Inc., 215 USPQ 124, 135 (ND Ga 1981); General Electric Co. v. Alumpa Coal Co., 205 USPQ 1036, 1036--37 (D Mass 1979). The Commission believes that trademark tarnishment and disparagement are a separate form of legal wrong, and

recommends amending Section 43(a) to deal with them. See supra VII. G. 5., Trademark Disparagement and Tarnishment.
(n136) Footnote 135. See Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., supra note 56 at 193, 105SCt658, 83L Ed2d 582, 224 USPQ at 329, 75 TMR at 138: "Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them.' "
(n137) Footnote 136. Mishawaka Rubber & Woolen Company v. S.S. Kresge Company, 316 US 203, 205, 62 S Ct 1022, 86 L Ed 1381, 53 USPQ 323, 324--25 (1942).
(n138) Footnote 137. Beverly W. Pattishall: Dawning Acceptance of the Dilution Rationale for Trademark--Trade Identity Protection, 74 TMR 289 (1984); The Dilution Rationale for Trade--Mark Identity Protection, Its Progress and Prospects, 71 Northwestern University Law Review 618 (1977), reprinted in 67 TMR 607 (1977); The U.S.A. Courts and the Prevention of Unfair Competition, 53 TMR 599, 620 and 930 (1963); and The Case for Anti--Dilution Trademark Statutes, 43 TMR 887 (1953). For an opposing viewpoint by a distinguished lawyer and professor, see Milton W. Handler, Are the State Antidilution Laws Compatible With the National Protection of Trademarks?, 75 TMR 269 (1985).
(n139) Footnote 138. Mishawaka Rubber & Woolen Company v. S.S. Kresge Company, supra note 136 at 205, 62 S Ct 1022, 86 L Ed 1381, 53 USPQ at 324--25.
(n140) Footnote 139. 36 USC §§ 371--396.
(n141) Footnote 140. San Francisco Arts & Athletics, Inc. v. United States Olympic Committee, US----, 55 USLW 5061, 5065, 3 USPQ2d 1145, 1153, 77 TMR 350 (1987).
(n142) Footnote 141. United States Dept. of Agriculture v. Moreno, 413 US 528, 533, 93 S Ct 2821, 37 L Ed2d 782 (1973).
(n143) Footnote 142. United States Jaycees v. Commodities Magazine Inc., 2 USPQ2d 1119, 1126 (ND Ia 1987).

(n144) Footnote 143. Hyatt Corp. v. Hyatt Legal Services, 610 F Supp 381, 382--83 (ND Ill 1985).
(n145) Footnote 144. Another version appears in Cyd B. Wolf, Trademark Dilution: The Need for Reform, 74 TMR 311, 322 (1984).
(n146) Footnote 145. Some courts equate fame with distinctiveness. In Riverhead Paints Plus Inc. v. PPG Industries, F Supp----, 2 USPQ2d 2035, 2038--39 (EDNY 1987), the court mentioned KODAK, XEROX, EXXON and COKE as examples of distinctive marks, and DUPONT for shoes, BUICK for aspirin, SCHLITZ for varnish, DODAK for pianos, and BULOVA for gowns as examples of diluting marks. It held that the plaintiff's mark, a fanciful P logo used on paint sold through two retail stores, did not have "such distinctive quality" and thus was not entitled to dilution protection.
(n147) Footnote 146. See, eg, Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F2d 538, 542, 110 USPQ 462, 465 (CA 2 1956).
(n148) Footnote 147. See eg, Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F2d 1225, 1231, 200 USPQ 421, 427 (CA 3 1978).
(n149) Footnote *. References are to pages.