TRADEMARK LAW REVISION ACT OF 1988

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES, AND THE ADMINISTRATION OF JUSTICE

OF THE

COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

H.R. 4156

TRADEMARK LAW REVISION ACT OF 1988

SEPTEMBER 8, 1988

Serial No. 111

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TRADEMARK LAW REVISION ACT OF 1988

THURSDAY, SEPTEMBER 8, 1988

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES,
AND THE ADMINISTRATION OF JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, DC

The subcommittee met, pursuant to notice, at 10 a m , in room 2226, Rayburn House Office Building, Hon Robert W Kastenmeier (chairman of the subcommittee) presiding

Present Representatives Kastenmeier, Cardin, Moorhead, DeWine, Coble, and Slaughter

Staff present Virginia E Sloan, counsel, David W Beier, counsel, Thomas E Mooney, associate counsel, and Judith W Krivit, clerk

Mr KASTENMEIER The subcommittee will come to order

The gentleman from California

Mr MOORHEAD Mr Chairman, I ask unanimous consent that the subcommittee permit the meeting to be covered in whole or in part by television broadcast, radio broadcast, and/or still photography, pursuant to rule 5 of the committee rules

Mr KASTENMEIER Without objection, it is so ordered

Today the subcommittee will hear testimony on H R 4156, the Trademark Revision Act of 1988 This act was introduced by my colleague, Carlos Moorhead, the gentleman from California, and provides for the first major revision of the Lanham Act in many years

I am pleased to be able to hold this hearing on a bill that has really quite strong support in the trademark community and, of course, also in the other body, the United States Senate, which passed the companion bill, S 1883, several months ago

[A copy of H R 4156 follows]

I

100TH CONGRESS
2D SESSION

H. R. 4156

To amend the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes"

IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 1988

Mr MOORHEAD introduced the following bill, which was referred to the Committee on the Judiciary

---

A BILL

To amend the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes"

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trademark Law Revision Act of 1988"

SEC 2 For purposes of this Act, the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of cer-

tain international conventions, and for other purposes" shall be referred to as the "Trademark Act of 1946"

SEC 3 Section 1 of the Trademark Act of 1946 (15 U S C 1051) is amended by—

(1) inserting a section heading before section 1 to read as follows

"REQUIREMENTS FOR APPLYING TO REGISTER TRADEMARKS ON THE PRINCIPAL REGISTER",

(2) striking out "may register his" and inserting in lieu thereof "may apply to register his",

(3) redesignating paragraphs (1), (2), and (3) of subsection (a) as subparagraphs (A), (B), and (C), respectively,

(4) redesignating subsections (a), (b), and (c) as paragraphs (1), (2), and (3), respectively,

(5) inserting "(a)" after "SECTION 1 ",

(6) striking out "actually" in subparagraph (C), as redesignated herein, and

(7) adding at the end thereof the following

"(b) A person who has a bona fide intention to use a trademark in commerce may apply to register the trademark under this Act on the principal register hereby established

"(1) By filing in the Patent and Trademark Office—

"(A) a written application, in such form as may be prescribed by the Commissioner, verified

by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, applicant's bona fide intention to use the mark in commerce, the goods in connection with which the applicant has a bona fide intention to use the mark and the mode or manner in which the mark is intended to be used in connection with such goods, and including a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, is entitled to use the mark in commerce, and that no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive *Provided*, That in the case of every application seeking concurrent use the applicant shall state exceptions to his claim of exclusive use, in which he shall specify, to the extent of his knowledge, any use by others, the goods in connection with which and the areas

in which such use exists, the periods of such use, and the goods and area for which the applicant has a bona fide intention to use the mark in commerce and desires registration However, with the exception of applications filed pursuant to section 44 of this Act, no mark shall be registered until the applicant has met the requirements of section 13(b)(2) hereof, and

"(B) a drawing of the mark

"(2) By paying in the Patent and Trademark Office the filing fee

"(3) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner

"(c) At any time during examination of an application filed under subsection (b), an applicant who has made use of the mark in commerce may claim the benefits thereof for purposes of this Act, by amending his application to bring it into conformity with the requirements of subsection (a) "

SEC 4 Section 2 of the Trademark Act of 1946 (U S C 1052) is amended—

(1) by amending subsection (d) to read as follows

"(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark which is the subject of a previously filed pending appli-

5

cation, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this Act, or (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date, or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947 Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce In issuing concurrent

registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons,", and

(2) in subsection (f) by striking out "five years" through the end of the subsection and inserting in lieu thereof "five years next preceding an offer of proof by the applicant "

SEC 5 Section 3 of the Trademark Act of 1946 (15 U S C 1053) is amended by—

(1) striking out "used in commerce" in the first sentence, and

(2) striking out the second sentence

SEC 6 Section 4 of the Trademark Act of 1946 (15 U S C 1054) is amended by—

(1) striking out "origin used in commerce," and inserting in lieu thereof "origin,",

(2) striking out "except when" in the first sentence and inserting in lieu thereof "except in the case of certification marks when", and

(3) striking out the second sentence

SEC 7 Section 5 of the Trademark Act of 1946 (15 U S C 1055) is amended by adding at the end thereof the following "First use of a mark by a person, which use is controlled by the registrant or applicant for registration of the

mark in respect to the nature and quality of the goods or services, shall inure to the benefit of the registrant or applicant"

SEC 8 Section 6(b) of the Trademark Act of 1946 (15 U S C 1056(b)) is amended by striking out "(d)" and inserting in lieu thereof "(e)"

SEC 9 Section 7 of the Trademark Act of 1946 (15 U S C 1057) is amended by—

(1) amending subsection (b) to read as follows

"(b) A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and 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 certificate, subject to any conditions or limitations stated therein",

(2) redesignating subsections (c), (d), (e), (f), and (g) as subsections (d), (e), (f), (g), and (h), respectively, and

(3) inserting between subsection (b) and subsection (d), as redesignated herein, the following

"(c) Contingent on the registration of a mark on the principal register established herein, the filing of the application to register such mark shall constitute constructive use of

the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and, who prior to such filing—

"(1) has used the mark,

"(2) has filed an application to register the mark on the principal register and that application is pending or has resulted in registration of the mark on the principal register, or

"(3) has filed a foreign application to register the mark on the basis of which he has acquired a right of priority by the timely filing under section 44(d) of an application to register the mark on the principal register and that application is pending or has resulted in registration of the mark on the principal register "

SEC 10 Section 8(a) of the Trademark Act of 1946 (15 U S C 1058a) is amended by—

(1) striking out "twenty" and inserting in lieu thereof "ten", and

(2) striking out "showing that said mark is in use in commerce or showing that its" and inserting in lieu thereof "setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce and having attached there-

to a specimen or facsimile showing current use of the mark, or showing that any"

SEC 11 Section 9(a) of the Trademark Act of 1946 (15 U S C 1059(a)) is amended by striking out "twenty" and inserting in lieu thereof "ten".

SEC 12 Section 10 of the Trademark Act of 1946 (15 U S C 1060) is amended to read as follows

"ASSIGNMENT AND GRANT OF SECURITY INTEREST

"SEC 10 (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 However, no application to register a mark under section 1(b) shall be assignable prior to the filing of the verified statement of use under section 13(b)(2), except to a successor to the business of the applicant, or portion thereof, to which the mark pertains

"(b)(1) A security interest in a registered mark or a mark for which application to register has been filed may be obtained and will be superior to any interest subsequently granted to a third party, provided—

"(A) the party granted the security interest obtains a security interest in 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,

"(B) the mark is not subject to a valid, prior perfected security interest, and

"(C) notice of such interest is filed in the Patent and Trademark Office within ten days after being granted

"(2) A party granted a security interest in a registered mark or a mark for which application to register has been filed may, after default by the party granting the security interest, require the debtor to assign the mark to—

"(A) a transferee who is also being assigned that part of the goodwill of the business connected with the use of and symbolized by the mark, or

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

"(3) A security interest in a mark obtained pursuant to this section will extend to the consideration received upon the sale, exchange, collection or other disposition of the mark for ten 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

"(c) In any assignment of or grant of a security interest in a mark 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

"(d) Assignments and grants of security interest shall be by instruments in writing duly executed Acknowledgment shall be prima facie evidence of the execution of an assignment or a grant of a security interest and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution An assignment of or grant of a security interest in a mark 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 months after the date thereof or prior to such subsequent purchase in the case of an assignment, or within ten days after the grant of any security interest

"(e) A separate record of documents submitted for recording under this section shall be maintained in the Patent and Trademark Office Such record shall include any release, cancellation, discharge, or satisfaction relating to any conveyance or other instrument affecting title to or any interest

in a registered mark or a mark for which application to register has been filed

"(f) An assignee or holder of a security interest not domiciled in the United States shall be subject to and comply with the provisions of section 1(d) of this Act"

SEC 13 Section 12(a) of the Trademark Act of 1946 (15 U S C 1062a) is amended by striking out "to registration, the" and inserting in lieu thereof "to registration, or would be entitled to registration upon the acceptance of the statement of use prescribed in section 13(b)(2) of this Act, the"

SEC 14 Section 13 of the Trademark Act of 1946 (15 U S C 1063) is amended by—

(1) inserting "(a)" before "Any person", and

(2) adding at the end thereof the following

"(b) Unless registration is successfully opposed—

"(1) a mark entitled to registration on the principal register based on an application filed under section 1(a) or pursuant to section 44, shall be registered in the Patent and Trademark Office, and a certificate of registration issued, and notice of the registration shall be published in the Official Gazette of the Patent and Trademark Office, or

"(2) a notice of allowance shall be issued to the applicant if he applied for registration under section

1(b) Within six months following the date of the notice of allowance, the applicant must file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Commissioner and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of applicant's first use of the mark and the date of applicant's first use of the mark in commerce, those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce and the mode or manner in which the mark is used in connection with such goods or services Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, and a certificate of registration issued, for those goods or services recited in the statement of use for which the mark is entitled to registration and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office The notice shall specify the goods or services for which the mark is registered

"(A) The time for filing the statement of use shall be extended for an additional six-month period upon written request of the applicant prior to expiration of

the six-month period. Such request shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the notice of allowance on or in connection with which the applicant has a continued bona fide intention to use the mark in commerce Up to six further extensions of six months each shall be obtained when requested prior to the expiration of the extended period and accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the most recent extension for which the applicant has a continued bona fide intention to use the mark in commerce Each request for an extension shall be accompanied by payment of the prescribed fee

"(B) The Commissioner shall notify any applicant who files a statement of use of the acceptance or refusal thereof and, if a refusal, the reasons therefor An applicant may amend his statement of use and may seek review by the Commissioner of a final refusal

"(C) The failure to timely file a verified statement of use shall result in abandonment of the application"

SEC 15 Section 14(c) of the Trademark Act of 1946 (15 U S C 1064(c)) is amended to read as follows

"(c) at any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 for a registration hereunder, or contrary to similar prohibitory provisions of such prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services in connection with which it has been used, or"

SEC 16 Section 15(4) of the Trademark Act of 1946 (15 U S C 1065(4)) is amended by striking out "the common descriptive name" and inserting in lieu thereof "the generic name"

SEC 17 Section 18 of the Trademark Act of 1946 (15 U S C 1068) is amended by—

(1) striking out "or restrict" and inserting in lieu thereof "the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register",

(2) striking out "or" before "may refuse", and

(3) adding at the end thereof the following "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered"

SEC 18 Section 21 of the Trademark Act of 1946 (15 U S C 1071) is amended—

(1) in subsection (a), by striking out "section 21(b)" each place it appears and inserting in lieu thereof "subsection (b)",

(2) in subsection (a), by striking out "section 21(a)(2)" and inserting in lieu thereof "paragraph (2) of this subsection",

(3) in subsection (a)(4), by adding at the end thereof the following "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered ",

(4) in subsection (b), by striking out "section 21(a)" each place it appears and inserting in lieu thereof "subsection (a)",

(5) in subsection (b)(1), by adding at the end thereof the following "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered ", and

(6) in subsection (b)(3), by amending the first sentence of such paragraph to read as follows

"(3) In any case 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 proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not "

SEC 19 Section 23 of the Trademark Act of 1946 (15 U S C 1091) is amended by—

(1) inserting "(a)" before "In addition" in the first paragraph,

(2) inserting "(b)" before "Upon the" in the second paragraph,

(3) inserting "(c)" before "For the purposes" in the third paragraph,

(4) striking out "paragraphs (a)," in subsection (a), as designated herein, and inserting in lieu thereof "subsections (a),",

(5) striking out "have been in lawful use in commerce by the proprietor thereof, upon" in subsection (a), as designated herein, and inserting in lieu thereof "are in use in commerce by the owner thereof, on",

(6) striking out "for the year preceding the filing of the application" in subsection (a), as designated herein,

(7) inserting before "section 1" in subsection (a), as designated herein, the following "subsections (a) and (d) of",

(8) adding at the end of subsection (c), as designated herein, the following "The filing of an application to register a mark on the supplemental register, or registration of a mark thereon, shall not constitute an admission that the mark is not eligible for registration on the principal register established herein ", and

(9) striking out the last paragraph

SEC 20 Section 24 of the Trademark Act of 1946 (15 U S C 1092) is amended by—

(1) striking out "was not entitled to register the mark at the time of his application for registration thereof," and inserting in lieu thereof "is not entitled to registration,", and

(2) by adding at the end thereof the following "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered"

SEC 21 Section 26 of the Trademark Act of 1946 (15 U S C 1094) is amended by—

(1) inserting "1(b)," after "sections", and

(2) inserting "7(c)," after "7(b)"

SEC 22 Section 30 of the Trademark Act of 1946 (15 U S C 1112) is amended by striking out "goods and services upon or in connection with which he is actually using the mark" and inserting in lieu thereof "goods or services on or in connection with which he is using or he has a bona fide intention to use the mark in commerce"

SEC 23 Section 33(a) of the Trademark Act of 1946 (15 U S C 1115(a)) is amended by—

(1) inserting "the validity of the registered mark and of the registration thereof, of the registrant's own-

ership of the mark, and of the" after "prima facie evidence of",

(2) inserting "or in connection with" after "in commerce on", and

(3) inserting ", including those set forth in subsection (b)," after "or defect"

SEC 24 Section 33(b) of the Trademark Act of 1946 (15 U S C 1115(b)) is amended by—

(1) amending the matter in subsection (b) before paragraph (1) to read as follows

"(b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce Such conclusive evidence shall relate to the exclusive right to use the 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 hereof, subject to any conditions or limitations in the registration or in such affidavit or renewal application Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as de-

fined in section 32, and shall be subject to the following defenses or defects ", and

(2) adding at the end of the subsection, the following

"In addition, equitable principles, including laches, estoppel, and acquiescence, where applicable, may be considered and applied "

SEC 25 Section 34 of the Trademark Act of 1946 (15 U S C 1116) is amended—

(1) in subsection (a) by—

(A) striking out "of the registrant of a mark registered in the Patent and Trademark Office" and inserting in lieu thereof "protected under this Act", and

(B) adding at the end thereof the following "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered ", and

(2) in subsection (c) by striking out "proceeding arising" and inserting in lieu thereof "proceeding involving a mark registered"

SEC 26 Section 35(a) of the Trademark Act of 1946 (15 U S C 1117(a)) is amended by striking out "of the registrant of a mark registered in the Patent and Trademark

Office" and inserting in lieu thereof "protected under this Act"

SEC 27 Section 36 of the Trademark Act of 1946 (15 U S C 1118) is amended by—

(1) striking out "of the registrant of a mark registered in the Patent and Trademark Office" and inserting in lieu thereof "protected under this Act", and

(2) striking out "registered mark" and inserting in lieu thereof "mark"

SEC 28 Section 43(a) of the Trademark Act of 1946 (15 U S C 1125(a)) is amended to read as follows

"(a)(1) Any person who uses in commerce on or in connection with any goods or services, or any container for goods, any word, term, name, symbol, or device or any combination thereof, or who shall engage in any act, trade practice, or course of conduct, which—

"(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another, or to the origin, sponsorship, or approval of his goods, services, or commercial activities by another, or

"(B) 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

"(C) is likely to disparage or tarnish a mark used by 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 such action

"(2) The relief provided in this subsection shall be in addition to and shall not affect those remedies otherwise available under this Act, under common law, or pursuant to any statute of the United States *Provided*, That nothing in this subsection shall be construed so as to preempt the jurisdiction of any State to grant relief in cases of unfair competition"

SEC 29 Section 43 of the Trademark Act of 1946 (15 U S C 1125) is amended by adding at the end thereof the following new subsection

"(c)(1) The owner of a famous mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register established herein shall be entitled, subject to the principles of equity, to an injunction against another person'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 on or in connection with the goods or 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 mark is used,

"(F) the degree of recognition of the mark in its and in the other person's trading areas and channels of trade, and

"(G) the nature and extent of use of the same or similar marks by third parties

"(2) 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 hereof,

subject to the discretion of the court and the principles of equity

"(3) Ownership of a valid registration under the Act of 1881 or the Act of 1905 or on the principal register established herein 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"

SEC. 30. Section 44 of the Trademark Act of 1946 (15 U.S.C. 1126) is amended—

(1) by striking out "paragraph (b)" each place it appears and inserting in lieu thereof "subsection (b)",

(2) in subsection (d)(2) by striking out "but use in commerce need not be alleged" and inserting in lieu thereof "including a statement that the applicant has a bona fide intention to use the mark in commerce",

(3) in subsection (d)(3), by striking out "foreing" and inserting in lieu thereof "foreign",

(4) in subsection (e) by adding at the end thereof the following "The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration", and

(5) in subsection (f), by striking out "paragraphs (c), (d)," and inserting in lieu thereof "subsections (c), (d),"

SEC 31 Section 45 of the Trademark Act of 1946 (15 U S C 1127) is amended by—

(1) amending the paragraph defining "related company" to read 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 ",

(2) amending the paragraph defining "trade name" and "commercial name" to read as follows.

"The terms 'trade name' and 'commercial name' mean any name used by a person to identify his business or vocation ",

(3) amending the paragraph defining "trademark" to read as follows

"The term 'trademark' means any word, name, symbol, or device or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce and applies for registration on the principal register established by this Act, 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 ",

(4) amending the paragraph defining "service mark" to read as follows

"The term 'service mark' means any word, name, symbol, or device or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce and applies for registration on the principal register established by this Act, 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 ",

(5) amending the paragraph defining "certification mark" to read as follows

"The term 'certification mark' means any word, name, symbol, or device or any combination thereof used by a person other than its owner, or for which there is a bona fide intention for such use in commerce through the filing of an application for registration on the principal register established by this Act, to certify regional or other origin, material, mode of manufac-

ture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization ",

(6) amending the paragraph defining "collective mark" to read as follows

"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, or which such members have a bona fide intention to use in commerce and apply for registration on the principal register established by this Act, and includes marks indicating membership in a union, an association, or other organization ",

(7) amending the paragraph defining "mark" to read as follows

"The term 'mark' includes any trademark, service mark, collective mark, or certification mark ",

(8) amending the matter which appears between the paragraph defining "mark", and the paragraph defining "colorable imitation" to read as follows

"The term 'use in commerce' means use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark For purposes of this Act, a

mark shall be deemed to be in use in commerce (1) 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, and (2) 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

"A mark shall be deemed to be 'abandoned'—

"(1) 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' means use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark, or

"(2) when any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic

name for the goods or services or otherwise to lose its significance as a mark Purchaser motivation shall not be a test for determining abandonment under this subparagraph

"The term 'dilution' means the lessening of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition between the users of the mark, or (2) likelihood of confusion, mistake, or deception arising from that use "

The U S Trademark Commission, a private organization composed of trademark lawyers and others in the trademark community, deserves our thanks for its long and hard work in proposing the many important recommendations contained in this bill We are grateful to the USTA for its continued assistance to the committee in explaining and advocating its recommendations So I look forward to hearing this morning the testimony of its president

It is almost always the case that a bill of this magnitude will generate some controversy, and this bill is no exception Therefore, we will also hear testimony from a consumer advocate, a representative of advertising agencies, a law professor, and a trademark law practitioner All of them have some concerns about certain provisions of the bill, and we will certainly look forward to their testimony as well

The committee takes seriously its obligations to oversee the trademark laws It must represent not only the interests of the trademark owners but also those of the consumers of the products involved As in all areas of intellectual property, we must strive to achieve the appropriate balance between the private and the public interests So we are looking forward to the testimony

I would like to now yield to the gentleman from California, Mr Moorhead

[The statement of Mr Kastenmeier follows]

OPENING STATEMENT
THE HONORABLE ROBERT W. KASTENMEIER
ON
H.R. 4156 - TRADEMARK LAW REVISION ACT OF 1988
SEPTEMBER 8, 1988

TODAY THE SUBCOMMITTEE WILL HEAR TESTIMONY ON H R 4156, THE TRADEMARK REVISION ACT OF 1988 H R. 4156 WAS INTRODUCED BY MY COLLEAGUE, CARLOS MOORHEAD, AND PROVIDES FOR THE FIRST MAJOR REVISION OF THE LANHAM ACT IN MANY YEARS

I AM PLEASED TO BE ABLE TO HOLD THIS HEARING ON A BILL THAT HAS SUCH STRONG SUPPORT IN THE TRADEMARK COMMUNITY AND ALSO IN THE UNITED STATES SENATE, WHICH PASSED THE COMPANION BILL, S 1883, SEVERAL MONTHS AGO

THE UNITED STATES TRADEMARK COMMISSION, A PRIVATE ORGANIZATION COMPOSED OF TRADEMARK LAWYERS AND OTHERS IN THE TRADEMARK COMMUNITY, DESERVES OUR THANKS FOR ITS LONG AND HARD WORK IN PROPOSING THE MANY IMPORTANT RECOMMENDATIONS CONTAINED IN H R 4156 WE ARE GRATEFUL TO USTA FOR ITS CONTINUED ASSISTANCE TO THIS COMMITTEE IN EXPLAINING AND SUPPORTING ITS RECOMMENDATIONS I LOOK FORWARD THIS MORNING TO HEARING THE TESTIMONY OF ITS PRESIDENT

IT IS ALMOST ALWAYS THE CASE THAT A BILL OF THIS MAGNITUDE WILL GENERATE SOME CONTROVERSY H R 4156 IS NO EXCEPTION THEREFORE, WE WILL ALSO HEAR TESTIMONY TODAY FROM A CONSUMER ADVOCATE, A REPRESENTATIVE OF ADVERTISING AGENCIES, A LAW PROFESSOR, AND A TRADEMARK LAW PRACTITIONER ALL OF THEM HAVE CONCERNS ABOUT CERTAIN PROVISIONS IN THE BILL, AND WE LOOK FORWARD TO THEIR TESTIMONY AS WELL

THIS COMMITTEE TAKES SERIOUSLY ITS OBLIGATION TO OVERSEE THE

TRADEMARK LAWS. IT MUST REPRESENT NOT ONLY THE INTERESTS OF TRADEMARK OWNERS, BUT ALSO THOSE OF THE CONSUMERS OF THE PRODUCTS INVOLVED AS IN ALL AREAS OF INTELLECTUAL PROPERTY, WE MUST ALWAYS STRIVE TO ACHIEVE THE APPROPRIATE BALANCE BETWEEN THE PRIVATE AND THE PUBLIC INTEREST.

Mr MOORHEAD Thank you, Mr Chairman

I very much appreciate the scheduling of this hearing on H R 4156, the Trademark Law Revision Act of 1988 I introduced this legislation earlier this year with the cosponsorship of Ham Fish, Henry Hyde, Mike DeWine, Howard Coble, John Bryant, Barney Frank, Bill Hughes, Ed Feighan, Bill Dannemeyer, and Jim Sensenbrenner, along with 11 other Members of the House

To my knowledge, no organization is opposed to the trademark revision There are some things in the bill that they would like to have changed, but I don't know that they are opposed to the bill itself That is not to say that a couple of issues still may need to be clarified—for example, the tarnishment and disparagement issue or the omission of material information from advertisements issue These issues have been addressed by the Senate and, for the most part, worked out

This bill also has the very strong support of the business community and organized labor along with the Department of Commerce, the USTA, the Trademark and Copyright Section of ABA, and the AIPLA and IPO

I also want to thank the senior Senator from Arizona, Senator DeConcini, for the great job his subcommittee has done in processing this very important legislation I hope we can do as well over here

Mr Chairman, I ask unanimous consent that my much longer and more detailed statement can be entered into the record

Mr KASTENMEIER Without objection

[The statement of Mr Moorhead follows]

September 8, 1988

OPENING STATEMENT OF THE HONORABLE

CARLOS J. MOORHEAD

ON H.R. 4156

THE TRADEMARK LAW REVISION ACT OF 1988

Mr. Chairman

I very much appreciate the scheduling of this hearing on H.R. 4156, the Trademark Law Revision Act of 1988. I introduced this legislation early this year with the cosponsorship of Ham Fish, Henry Hyde, Mike DeWine, Howard Coble, John Bryant, Barney Frank, Bill Hughes, Ed Feighan, Bill Dannemeyer and Jim Sensenbrenner along with 11 other Members of the House

To my knowledge, no organization is opposed to this trademark revision. That's not to say that a couple of issues may still need to be clarified, for example, the tarnishment and disparagement issue or the omission of material information from advertisements issue. These issues have been addressed by the Senate and for the most part worked out.

This bill also has the very strong support of the business community and of organized labor, along with the Department of Commerce, U.S.T A., the Trademark and Copyright Section of the ABA, the AIPLA and IPO.

I also want to thank the Senior Senator of Arizona, Senator

DeConcini for the great job his Subcommittee did in processing this important legislation. I hope we can do as well over here--

Mr. Chairman, I ask unanimous consent that my written statement be made part of our hearing record.

September 8, 1988

STATEMENT OF THE HONORABLE
CARLOS J MOORHEAD
BEFORE THE SUBCOMMITTEE ON
COURTS, CIVIL LIBERTIES AND
THE ADMINISTRATION OF JUSTICE
ON H R 4156
MODERNIZATION OF U S TRADEMARK LAW

Mr Chairman, H R 4156 would modernize our country's 41-year-old trademark law, the Lanham Act. This legislation is comprehensive and it is significant Importantly, however, it does not depart from the principles and policies that have governed the use and protection of trademarks in the United States for over one hundred years

Today, a large U S corporation may spend hundreds of thousands, if not millions, of dollars to develop a new product and bring it to the marketplace. While the stake is not so large in dollar terms for a small business or individual entrepreneur, it is just as significant in relative terms because a small concern may have invested everything it has in developing, packaging and selling its one product Unfortunately, current U S. law makes this process unduly risky by introducing unnecessary uncertainty into what is already a very uncertain undertaking Moreover, U S trademark law favors foreign companies seeking to obtain and register trademark rights in the United States This legislation considerably reduces the risk of trade or service mark (both brand names and logos) selection and registration, addresses the inequity that gives foreign trademark owners an advantage and generally strengthens and improves our trademark system

The legislation puts American and foreign businesses on essentially the same footing when they apply to register trademarks in the United States It does this by allowing domestic applicants to file applications to register marks without first using these marks in commerce, they can base their applications on an intention to use the mark, rather than on actual use, as the law currently requires While the bill eases the application requirements for U S business, it increases them for foreign applicants Presently, foreign companies can file and obtain a U S trademark registration without first using the mark at all, anyplace They do not even have to state that they have an intention to use the mark in the United States If enacted, this legislation would require that they state such an intent

Permitting U S business to apply to register marks based on a bona fide intent-to-use the mark in commerce also decreases the uncertainty they face when introducing new products or services by giving them greater assurance that the mark they select will not conflict with one that is already being used by someone else When this happens, it can cost them a sizable investment of time, resources and money by forcing them to begin again the process of selecting and clearing a trade or service mark, designing and developing packaging, and preparing and planning advertising and promotional materials Even worse, it can lead them into a lawsuit

While the centerpiece of this legislation provides for a dual system permitting applications to register marks on the basis of intent-to-use as well as on actual use, the bill contains several other provisions which directly complement this proposal and further enhance U.S trademark law. These changes will benefit all aspects of the economy. They will enhance the ability of U.S. law to protect consumers from confusing the products they select. They will improve the competitiveness of industry by permitting it to operate more efficiently and with greater certainty. They will facilitate the entry of new companies, products and services into the marketplace by decreasing the number of unused marks that currently clog the register. And they will give the courts greater guidance in resolving trademark disputes and determining trademark rights.

In this regard, the bill will

--halve the term of a federal trademark registration from twenty to ten years and increase the requirements for maintaining a registration once it is obtained so that only those marks which are in use appear on the federal trademark register,

--eliminate the contrived, commercially-transparent practice of "token use" as a means of obtaining U S. trademark rights,

--prevent trading on the goodwill that has been built in particularly famous and distinctive marks by protecting those marks from use that would dilute their distinctiveness and possibly confuse consumers as to the sponsorship of the goods or services with which the mark is used

--promote fair competition by preventing companies from making misrepresentations about their competitor's products or services,

--protect trademarks from use by others that tarnishes or disparages the mark's reputation, and

--clarify certain provisions of the Act which have been interpreted differently by the courts thereby increasing the consistency with which trademark and unfair competition law will continue to evolve

It has been many years since Congress addressed trademark law in a comprehensive way This legislation, which is the product of over two years of study, analysis, debate and consensus-building among trademark owners and practitioners of all sizes, from all parts of the country and from all types of businesses and industries offers us just that opportunity

The provisions of companion legislation, already passed by the Senate and introduced by Senator DeConcini, and endorsed by The United States Trademark Association, under whose auspices the proposals contained in the legislation were developed, the Patent, Trademark and Copyright Section of the American Bar Associa-

tion, the American Intellectual Property Law Association, Intellectual Property Owners, Inc., the Cosmetic, Toiletry and Fragrance Association, the International Franchise Association, the Pharmaceutical Manufacturers Association, the U.S. Chamber of Commerce, several state and local bar associations and many large and small businesses. This cross-section of endorsements, which is steadily expanding, reflects the broad range of support this legislation enjoys. I urge my colleagues to support it as well

THE TRADEMARK LAW REVISION ACT
H.R. 4156 (Moorhead)

Summary of September 8 Statement

The United States Trademark Association (USTA) fully supports the Trademark Law Revision Act and urges its early enactment into law If passed this year, the Trademark Law Revision Act will represent a major accomplishment of the 100th Congress.

The Trademark Law Revision Act embodies amendments to the Lanham Act that reflect two and one half years of participation and consensus-building in the private sector Its enactment will

1 modernize the forty-one-year old Lanham Act, clarifying its provisions, removing inconsistencies, conforming it to judicial interpretation and updating it to reflect modern day commercial realities,

2 reduce the advantage foreign nationals currently enjoy in obtaining U S trademark rights,

3 reduce the geographic fragmentation of trademark rights,

4 encourage greater use of the trademark registration system,

5 improve and make the trademark system more equitable for all trademark owners whether they are small entrepreneurs or large corporations,

6 enhance the climate for investment by eliminating unnecessary and costly uncertainty for small and large companies in launching new products,

7 improve the reliability of the federal trademark registration system by removing from the register marks that are no longer in use,

8 create commercially-sound procedures for establishing trademark rights without altering the fundamental principles of U S trademark law,

9 promote fair competition by preventing others from trading on the goodwill that someone else has built in a truly famous and distinctive mark,

10 strengthen federal law against unfair competition;

11 provide the courts with a clearer basis for interpreting trademark and unfair competition law and for resolving trademark and unfair competition disputes; and

12 require no expenditure of tax dollars to implement.

Mr KASTENMEIER We do have a vote on, but in deference to the schedule of our first witness perhaps we can call him up anyway and see if we can conclude rather than holding him over, as we will need to do with some of the other witnesses, until after the roll call

I am very pleased to greet today the senior Senator from Arizona referred to by my colleague, who is the distinguished chairman of the Senate Subcommittee on Patents, Copyrights, and Trademarks, our counterpart He is the chief sponsor of S 1883, the counterpart trademark legislation We have worked very closely with Senator DeConcini on many, many issues We consider him a very good friend So I am delighted to greet Senator DeConcini this morning and look forward to his testimony

TESTIMONY OF THE HONORABLE DENNIS DeCONCINI, A SENATOR IN CONGRESS FROM THE STATE OF ARIZONA

Mr DECONCINI Mr Chairman, thank you, Mr Moorhead, thank you indeed

It has been a real professional pleasure as well as a personal pleasure to work with members of this subcommittee on many, many areas I would like to thank you, Mr Chairman, for scheduling these hearings, as Mr Moorhead pointed out, on this very important legislation that he introduced

S 1883 is a balanced bill that will assure the ability of the Lanham Act to keep pace with modern commercial realities and will promote the expansion of both domestic and international trade As we considered S 1883 in the Senate, we were faced with certain problems that required negotiation and compromise S 1883, as it passed the Senate, was of necessity changed from the way it was originally introduced The changes that were made represented our efforts to resolve the problems that were brought to our attention and to broaden the consensus of support

If my understanding is correct, the concerns with the Trademark Law Revision Act that will be presented by some of the witnesses at today's hearing are the issues that we addressed in the Senate For each we found a reasonable, workable solution I am confident that you, too, will do the same

Intellectual property has received a lot of attention in Congress, and rightfully so There is a greater awareness of intellectual property, the greatest that I have seen in the 12 years I have been serving here, and, Mr Chairman, you have been a leader in intellectual property reform I am pleased that we have been able to work so closely together

A much needed revision in the patent law to allow patent owners to sue for damages and injunction in Federal district court when someone imports into the U S a product made with their patented process has been signed by the President You and I had some differences over technical aspects of that legislation, but we were able to work out a compromise, as we have in the past

We also agreed—Berne Convention legislation was needed You and Mr Moorhead and your committee, adopted a compromise that would move us into the twentieth century and beyond I compliment you for that, Mr Chairman

Although we have had our differences in conferences between our staffs, we really have the greatest respect for this committee and the tremendous intensity and thoroughness with which you address issues It is a pleasure to work with you

This particular legislation enjoys a great deal of support Not only does it enjoy the support of the legal profession, the business community, and labor, it also represents a rare opportunity for Congress to act on a piece of legislation that will offer only benefits Throughout my involvement with the bill, I have heard of no opposition to its passage, however, I do understand that you have some people here that want to raise some questions regarding it

More often than not, we in Congress are called upon to act as mediators between different private sector and special interest groups, and, as a result, we are used to legislating on substantive issues only when there are controversies I would hate to see enactment of this legislation delayed because its supporters created a consensus before coming to Congress

I am confident that as you hear the isolated concerns of some of today's witnesses you will balance them against the most unprecedented and totally unqualified support of this legislation This is unique for a substantive bill of this type Its support ranges from small companies to large corporations and includes every industry segment It also enjoys the support of organized labor that certainly represents a strong consumer area

Within the legal community, it has been endorsed by the American Bar Association, the American Intellectual Property Law Association, and a variety of local bar groups It has the support of distinguished scholars across the country

When the Lanham Act was adopted in 1946, it represented a vision of the future Long before many of us in the policy sphere came to recognize the valuable role that service industries would play in our economy, it included language to specifically protect service trademarks It was adopted before franchising became so important in our society In addition, it was adopted before we had national television and before we had entered really the jet age

I hope that in the future we will be able to look back, as Claude Pepper who served as chairman of the Senate Patent Subcommittee at the time the Lanham Act was adopted must be looking back now, and say that we, the Members of the 100th Congress, played a part in assuring the continued viability of this important statue Trademarks are America's ambassadors of goodwill People all over the world see them For Americans traveling in a foreign country it is comforting to see America's recognizable trademarks We must take immediate action to protect these valuable properties I look forward to working with you and hope, Mr Chairman, that although there may only be a month left in the 100th Congress, that we might be able to see an opportunity where we could conference on this bill between the Senate and the House and once again demonstrate our ability to move major legislation

Thank you, Mr Chairman

[The statement of Mr DeConcini follows]

TESTIMONY OF

DENNIS DECONCINI
CHAIRMAN
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS
SENATE COMMITTEE ON THE JUDICIARY

ON
H R 4156, THE TRADEMARK LAW REVISION ACT OF 1988

BEFORE THE SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES
AND THE ADMINISTRATION OF JUSTICE
HOUSE COMMITTEE ON THE JUDICIARY

SEPTEMBER 8, 1988

Mr Chairman, and Members of the Subcommittee, I am pleased to appear before you today as chairman of the Senate Subcommittee on Patents, Copyrights and Trademarks and as sponsor of S 1883, the companion bill to H R 4156

First, I would like to thank you, Mr Chairman for scheduling this hearing and also to commend your ranking member, Mr Moorhead, for introducing trademark law reform legislation I look forward to working with both of you in resolving the differences between Mr Moorhead's bill and the Senate bill and sending this important legislation to the President

S 1883 is a balanced bill that will assure the ability of the Lanham Act to keep pace with modern commercial realities and will promote the expansion of both domestic and international trade As we considered S 1883 in the Senate, we were faced with certain problems that required negotiation and compromise S 1883, as it passed the Senate, was of necessity changed from the way that I had originally introduced it The changes that were made in S 1883 represented our efforts to resolve the problems that were brought to our attention and to broaden the consensus of support enjoyed by the legislation while still passing the fundamental and important provisions that were needed to modernize U S trademark law

If my understanding is correct, the concerns with the Trademark Law Revision Act that will be presented by some of the witnesses at today's hearing are the issues that we addressed in the Senate For each, we found reasonable, workable solutions

that were acceptable to all the parties involved I am confident that you, too, will meet with the same success as you move forward

Intellectual property has received a lot of attention this Congress and rightly so There is a greater awareness of intellectual property's role in America's global competitiveness as evidenced by the inclusion of intellectual property provisions in the trade bill recently signed by the President and by the inclusion of intellectual property in the GATT agreement negotiations

Mr Chairman, you have been a leader in intellectual property reform for over twenty years I am pleased that we have been able to work together this Congress to achieve several significant accomplishments A much needed revision to our patent law to allow patent owners to sue for damages and injunction in federal district court when someone uses, sells or imports into the U S a product made with their patented process has been signed by the President You and I had our differences over technical aspects of that legislation but we knew reform was needed and we reached a good compromise

We also agreed that it was time that the U S became a signatory to the Berne Convention and we are working together to achieve that significant objective I admired your legislative abilities as we considered the Berne conforming legislation because you realized that certain provisions in your original bill would result in no legislation being adopted and would prevent the U S from adhering to Berne In a very

statesmanlike way, you dropped the controversial provisions and proceeded with the needed legislation Sometimes such prudent pruning is necessary to achieve the desired result

I believe that passing trademark law reform would be a fitting cap to a Congress in which we have passed major patent reform and will pass major copyright reform I think that the 100th Congress could then be accurately described as the most significant one for intellectual property reform since Chairman Kastenmeier successfully passed the Copyright Reform Act of 1976

The Trademark Law Revision Act is a unique piece of legislation for a variety of reasons Not only does it enjoy the support of the legal profession, the business community and labor, it also represents a rare opportunity for Congress to act on a piece of legislation that will offer only benefits Throughout my involvment with this bill, I have heard of no opposition to its passage and even those who might wish to see certain aspects of it clarified have done so cautiously so as not to interfere with its consideration

More often than not, we in Congress are called upon to act as mediators between different private sector or special interest groups, and as a result we are used to legislating on substantive issues only when there is controversy I would hate to see enactment of this legislation delayed because its supporters created a consensus before coming to Congress

I am confident that as you hear the isolated concerns of some of today's witnesses, you will balance them against the almost unprecedented and totally unqualified support this legislation enjoys This is unique for a substantive bill of this type Its support ranges from small companies to large corporations and includes every industry segment It also enjoys the support of organized labor.

Within the legal community, it has been endorsed by the American Bar Association, the American Intellectual Property Law Association and a variety of state and local bar groups It counts among its advocates the authors of the three leading treatises on trademark and unfair competition law--Jerry Gilson, with whom my subcommittee has worked very closely, Tom McCarthy of UCLA, and Lew Altman who now edits the Callman Treatise This is an impressive group and may reflect one of the few times in history that so many lawyers -- representing diverse clients and interests -- have been able to agree on anything

When the Lanham Act was adopted in 1946, it represented a vision of the future Long before many of us in the policy sphere came to recognize the valuable role that service industries would play in our economy, it included language to specifically protect the trademarks used by those offering services It was adopted before franchising became an important means for making products and services available and offering individuals the opportunity to open their own businesses In

addition, it was adopted before we had national television and before we had entered the jet age And, despite these changes in our world, the Lanham Act has been able to keep pace.

I hope that in the future, we will be able to look back -- as Claude Pepper, who served as Chairman of the Senate Patent Subcommittee at the time the Lanham Act was adopted must be looking back now -- and say that we, the members of the 100th Congress, played a part in assuring the continued viability of this important statute Trademarks are America's ambassadors of good will People all over the world know America by its quality products and the words and symbols that represent those products For Americans traveling in a foreign country it is comforting to see America's recognizable trademarks in almost every conceivable place in the world We must take immediate action to protect these valuable properties I look forward to working with you in accomplishing this objective.

Mr KASTENMEIER We thank you, Senator DeConcini

I will say that it is our expectation and hope to move this legislation forward Even though we have not a lot of time left in the Congress, we certainly do have enough time, and it is on that premise that we are holding the hearing today I suspect we will go to markup before very long, next week or something like that, and we have every expectation that legislation of some sort will move forward

I have no questions

The gentleman from California, Mr Moorhead

Mr MOORHEAD We do have about 3 minutes left of the vote, and I very much want to thank you for the work you have done You have done an outstanding job If we get this legislation through, much, in fact most, of the credit will be on your shoulders

Mr DECONCINI I think there is plenty of credit, Mr Chairman and Mr Moorhead, for all of us to take I think you have a tremendous set of witnesses here on other sides of the issue that I know you will carefully consider but the U S Trademark Association and others have done a tremendous job, as you pointed out in your opening statement Don't let me keep you from your vote Thank you very, very much

Mr KASTENMEIER We thank you, and we look forward to working with you on this in the intervening weeks

The subcommittee stands in recess for 10 minutes

[Recess]

Mr KASTENMEIER The subcommittee will come to order We resume the hearings, and the chair is pleased to introduce Mr Kareken, president of the United States Trademark Association

As already mentioned, the Association has been of valuable assistance, I think, to the Congress by raising this issue and bringing its point of view with respect to the legislation to our attention

So, Mr Kareken, we would be pleased to have you testify, and you might introduce your colleagues

TESTIMONY OF RONALD S KAREKEN, PRESIDENT, UNITED STATES TRADEMARK ASSOCIATION, ACCOMPANIED BY DOLORES K HANNA, TRADEMARK COUNSEL, KRAFT, INC, GLENVIEW, IL, AND JEROME GILSON, ESQ, WILLIAN, BRINKS, OLDS, HOFER, GILSON AND LIONE, LTD., CHICAGO, IL

Mr KAREKEN Yes, thank you, Mr Chairman

Mr Chairman and members of the subcommittee, I am pleased to be here today as president of the United States Trademark Association My purpose is to express the Association's unqualified support for passage of the Trademark Law Revision Act As you indicated earlier, the legislation is the outgrowth of over two years of work by the USTA's Trademark Review Commission The Commission's report, which is included as an appendix to our written statement, which I ask to be in the record, is the product of study, debate, and consensus building by trademark owners, attorneys, Government and other experts Throughout the process, input from diverse public and private interests was encouraged

With me at the witness table are Dolores Hanna and Jerome Gilson Mrs Hanna has chaired the Trademark Review Commis-

sion and is trademark counsel to Kraft, Inc Mr Gilson served as the Commission's reporter and is the author of a leading treatise on trademark and unfair competition law He is a partner of the law firm of Willian, Brinks, Olds, Hofer, Gilson and Lione

The Trademark Law Revision Act is an important piece of legislation, the first overall revision of the Federal trademark statute in over 40 years USTA thanks you for scheduling this hearing and expresses appreciation to the sponsors and cosponsors in the Senate and the House, beginning with Senator DeConcini and Congressman Moorhead We also want to express gratitude to the other members of this committee who have given their support

Mr Chairman, trademarks are a lifeblood of the American economy They are important business assets, and they are important national assets They play a vital role in developing new markets for America's products and services They promote the availability of quality in goods and services, and they make competition and consumer choice possible

The Supreme Court recently said, "Because trademarks desirably promote competition and the maintenance of product quality, Congress determined a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them" For that reason, the law governing use and protection of trademarks must remain current and capable of dealing with modern commercial realities both in the United States and abroad Enactment of the Trademark Law Revision Act will ensure such a result

The bill does not pit competing interests against each other, neither is it a Republican bill nor a Democratic bill It is pro business, both small and large, pro labor, pro consumer, pro American, and, I might add, will make America more competitive Enactment will remove the advantage foreign trademark owners now enjoy when applying for U S trademark rights The commercial artifice known as token use will be eliminated Fair competition will be promoted Unnecessary and costly uncertainty will be eliminated from small and large companies in launching new products The Federal Trademark Register will be unclogged and thousands of marks made available for use, and greater use of the trademark registration system will be encouraged

More specifically, the Trademark Revision Act will permit applications to register marks based on bona fide intent to use the marks The specific approach in the bill is balanced, equitable, and has meaningful safeguards against abuse Mr Chairman, your own sponsorship of similar legislation in the 1970's helped lay the groundwork for such a system The act will reduce the term of Federal registration from 20 to 10 years It will increase the requirements that trademark owners must meet in order to create, maintain, and enforce their trademark rights The act will provide a centralized system for recordal of security interests in trademarks It will revise the Lanham Act to codify the interpretation now given by the courts and to prevent acts of unfair competition more effectively It will protect famous and distinctive marks from uses which misappropriate and trade upon the good will established by their owners Lastly, the act will remove many inconsistencies and deficiencies from the current Lanham Act

Equally important is what the Trademark Law Revision Act does not do First, as I have indicated, this is not special interest legislation, it is consensus legislation It does not seek to advantage individual parties in specific cases It has no hidden agendas Its singular purpose is to improve the Federal trademark system for business and consumers

Second, it is not a radical revision of U S law It upholds the principles that have governed U S trademark law for over 100 years That is, use in commerce is retained as the cornerstone for establishing U S trademark rights Protection of consumers from confusion and deception remains paramount, and flexibility for the courts to make proper determinations based on fairness and equity is preserved These principles are and must continue to be the core of U S trademark jurisprudence

Third, the Trademark Law Revision Act will not require the expenditure of tax dollars As this committee is aware, the U S trademark registration system is funded by user fees

In recognition of the bill's scope, purposes, and consensus nature, the Trademark Law Revision Act has gained extensive and broad support Among those who have indicated to the USTA their active support for passage are industry, labor, and bar associations, the U S Patent and Trademark Office, the Department of Commerce, and companies of all sizes I would request that the list of supporters which has been given to the committee be included in the report of this hearing

Mr KASTENMEIER Without objection, it will be done, and as well, without objection, your statement in its entirety will be made a part of the record

Mr KAREKEN Thank you, sir

Action in the Senate on companion S 1883, which, as you indicated, passed on May 13 by voice vote under unanimous consent, was bipartisan and nonpartisan During extensive review in the Senate subcommittee, issues of potential concern, including those mentioned earlier—material omissions, standing, and first amendment rights with respect to tarnishment and disparagement—all were resolved by amendment of S 1883 We strongly encourage the House to adopt the same amendments in order to reinforce the consensus and to ensure prompt passage

As a result of those changes, Mr Chairman, we believe there should be no need for further extensive deliberation on this matter substantively Over the last year, the contents of the bill have undergone thorough examination, and I express to you my willingness and the willingness of the USTA to work with you, the members of the subcommittee, and the full Judiciary Committee to assure quick enactment of this important legislation We agree that passage of the Trademark Law Revision Act this year will represent a significant accomplishment of the 100th Congress, an objective the USTA believes will be beneficial to all

Thank you, Mr Chairman

[The statement of Mr Kareken follows]

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THE TRADEMARK LAW REVISION ACT
H.R. 4156 (Moorhead)

STATEMENT
OF
THE UNITED STATES TRADEMARK ASSOCIATION

Subcommittee on Courts, Civil Liberties
and the Administration of Justice
Committee on the Judiciary
United States House of Representatives

September 8, 1988

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STATEMENT
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THE UNITED STATES TRADEMARK ASSOCIATION

Subcommittee on Courts, Civil Liberties
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September 8, 1988

Mr. Chairman, The United States Trademark Association (USTA) appreciates and welcomes the opportunity to testify in support of H R 4156, the Trademark Law Revision Act, and its early enactment into law It also expresses its appreciation to you for scheduling a hearing on this important legislation and to Mr. Moorhead for his introduction of the bill. USTA looks forward to working with you and the other members of the Committee so that the many benefits which passage of this legislation will provide will be realized as soon as possible

My name is Ronald S. Kareken and I presently serve as Chairman of the Board of Directors and President of USTA. I am employed by USTA member Eastman Kodak Company as Director, Trademark Legal Staff. I have been admitted to the New York, Virginia and District of Columbia Bars. Like all the officers, Board members, Committee chairpersons and Committee members of USTA, I serve on a voluntary basis.

USTA is a 110-year-old not-for-profit membership organization Since its founding in 1878, its membership has grown from twelve New York-based manufacturers to approximately 1900 members that are drawn from across the United States and about 80 countries

Membership in USTA is open to trademark owners and to those who serve trademark owners. Its members are corporations, advertising agencies, professional and trade associations, and law firms. USTA's membership crosses all industry lines, spanning a broad range of manufacturing, retail and service operations. Members include both small and large businesses and all sizes of general practice and intellectual property law firms. Equally important, USTA's members are both plaintiffs and defendants in disputes involving trademark rights. What this diverse group has

in common is a shared interest in trademarks and a recognition of the importance of trademarks to their owners and to consumers

USTA has five principal goals

- o to support and advance trademarks as an essential element of effective commerce throughout the world,
- o to protect the interests of the public in the use of trademarks,
- o to educate business, the press and the public to the importance of trademarks,
- o to play an active leadership role in matters of public policy concerning trademarks; and,
- o to provide a comprehensive range of services to its members that includes keeping them well-informed of current trademark developments and in touch with professional colleagues

I. Significance of The Trademark Law Revision Act

The Trademark Law Revision Act is significant both by virtue of the time and effort so many individuals and organizations independently and collectively contributed to developing the recommendations it reflects, and by its scope and purpose Although the legislation is not a panacea (no legislation can eliminate all trademark conflicts), it will vastly improve the U S trademark registration system and the ability of trademark and unfair competition law to protect the interests of the public (consumers) and trademark owners. It will also facilitate economic growth, free and fair competition, and international trade and competitiveness.

Scope and Purpose of the Legislation The Trademark Law Revision Act represents the first comprehensive revision of the Lanham Act (referred to herein as the Act or the Federal Trademark Statute) since it was adopted in 1946 It reflects changed commercial realities and current business practices, as well as the growing body of case law evolving out of the courts and the Patent and Trademark Office

Although the amendments the legislation proposes are numerous and some will have a significant impact on U S trademark law, they do not embody new or radical concepts A great many are of a technical nature, serving only to correct deficiencies and inconsistencies in the Lanham Act and to conform the Act to modern judicial interpretation. Importantly, these amendments both individually and as a whole preserve the Lanham Act's flexibility to deal with evolving marketplace realities and to resolve trademark conflicts based on principles of equity.

The Trademark Law Revision Act reinforces the purpose of the Lanham Act, as articulated in its legislative history:

> "The purpose underlying any trade-mark statute is two-fold 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 trade-mark 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 a well-established rule of law protecting both the public and the trade-mark 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 functions of symbols.'
>
> * * *
>
> "This bill, as any other proper legislation on trade-marks, has as its object the protection of trade-marks, securing to the owner the goodwill of his business and protecting the public against spurious and falsely marked goods The matter has been approached with the view of protecting trade-marks and making infringement and piracy unprofitable This can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trade-mark protection.
>
> * * *
>
> "Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other Trade-marks encourage the maintenance of quality by securing to the producer the benefit of good reputation which excellence creates. To protect trade-marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good-will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed " (House Report No 219, 79th Congress, First Session, February 26, 1945, pages 2-3, Senate Report No. 1333, 79th Congress, Second Session, May 14, 1946, pages 3-4)

The Trademark Law Revision Act also effectuates the definition of intent found in section 45 of the Lanham Act

"The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation, to protect persons engaged in such commerce against unfair competition, to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks, and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations "

Evolution of the Legislation The Trademark Law Revision Act is the product of over two years of study, analysis, debate and consensus-building by trademark owners, attorneys and other private sector experts In addition, it reflects extensive discussions with the Patent and Trademark Office

This review process was prompted by the trademark community's interest in assessing whether the Lanham Act was continuing to meet its stated purposes and objectives, as well as by concern about the increasing number of "piecemeal" Lanham Act amendments proposed in recent years

The study was conducted under the auspices of USTA, through its Trademark Review Commission (TRC), but it was not limited to considering only the views of the Commission's twenty-nine members Throughout the process, input from the diverse public and private interests served by the Lanham Act was sought In fact, hundreds of trademark owners and practitioners, over fifty organizations, government officials in the United States and from abroad, and eminent scholars in the fields of constitutional, commercial, trademark and unfair competition law contributed to the project

The TRC was chartered by USTA in 1985. Its responsibility was to study the U.S trademark system, including the Lanham Act, and consider whether the system might be improved There were no instructions or preconceptions about the conclusions that might or should be reached Indeed, the Trademark Review Commission would have fulfilled its objectives even if it recommended that the Act was in need of no change at all

The product of the TRC's work, the "Report and Recommendations on the United States Trademark System and the Lanham Act," was issued on August 21, 1987, and published in the September-October 1987 issue of The Trademark Reporter The Report, which was adopted in its entirety by the USTA Board of Directors, is the basis of The Trademark Law Revision Act and is included as an Appendix to this statement Although only those of the Report's findings which suggest the need to amend the Lanham Act are the

focus of today's hearing, it is significant that the Report concluded that, overall, the trademark system and the Lanham Act are operating quite well

Congressional Action. On November 19, 1987, Senator Dennis DeConcini (D-AZ), Chairman of the Subcommittee on Patents, Copyrights, and Trademarks of the Senate Judiciary Committee, introduced S. 1883 This legislation encompassed the Lanham Act changes recommended in the Report of the Trademark Review Commission and included several technical amendments proposed by Senate Legislative Counsel On March 15, 1988, the same day that the Senate Subcommittee on Patents, Copyrights, and Trademarks held its hearing on S. 1883, Representative Carlos Moorhead (R-CA), Ranking Minority Member of this Subcommittee, introduced identical legislation, H R. 4156, in the House of Representatives. H R 4156 presently enjoys 19 cosponsors, 11 of whom serve on the House Judiciary Committee.

Senate consideration of S. 1883 was notably bi-partisan and non-partisan and was marked by the almost total absence of controversy. The Senate hearing featured witnesses from the business, legal and association communities. Each of these witnesses gave their unqualified support for the legislation and urged its early enactment into law With Senators Charles Grassley (R-IA), Howell Heflin (D-AL) and Orrin Hatch (R-UT) as co-sponsors, the Subcommittee approved the bill with several amendments on April 13 Four weeks later, on May 12, the full Senate Judiciary Committee, having made several additional amendments, gave the bill its unanimous support, thus clearing the way for floor action The following day, May 13, the Senate passed S 1883 by voice vote under unaminous consent

Although the Senate made numerous amendments to the bill before adopting it on May 13, none of these amendments drastically alter the scope of the legislation. Largely, they clarify the intent of certain of its provisions, add conforming language and make countless technical revisions to further modernize the language of the Lanham Act. Although USTA does not fully concur with the necessity of certain of the changes the Senate made to S 1883, it believes that the amendments made to S 1883 are important because they reflect an even broader consensus than that enjoyed by the legislation as introduced. For this reason, USTA urges the House to consider and adopt the provisions of S 1883, as amended.

II. Provisions of the Trademark Law Revision Act

The Trademark Law Revision Act modernizes the Lanham Act by clarifying its provisions, removing inconsistencies, codifying its judicial interpretations and updating it to reflect modern day commercial realities Generally, it (i) improves the federal trademark registration system; (ii) offers further incentives for use of the system; and more specifically, it (iii) refines the definitions found in the Act, (iv) enhances the language of the

unfair competition section of the Act, section 43, and (v) provides for a system for obtaining and clarifying the nature of security interests in marks. Significantly, implementation of this legislation will not require the expenditure of tax dollars because the costs of the trademark registration system are borne by user fees paid to the U S. Patent and Trademark Office

A. Improvements in the Trademark Registration System

The Trademark Law Revision Act will improve the federal trademark registration system in two major respects First, by creating an intent-to-use application system, it will eliminate the requirement that U S. citizens and businesses, unlike their foreign counterparts, must use a mark in commerce before they can file an application to register it. Second, it will reduce the number of abandoned marks which presently clog the register and impair its integrity and usefulness In addition, the legislation contains several other provisions that will improve the efficiency and fairness of the registration process.

1 The Intent-to-Use Application System

The concept of use is so fundamental to U.S trademark law that it merits brief explanation. In the United States, use serves as the basis of trademark ownership rights Conversely, in many foreign countries, rights are determined by registration Thus, under current U S law, trademark rights arise when the mark has been used by affixing it to the product, its packaging, labels or hang tags and the product is sold or shipped in commerce Similarly, rights in service marks arise when the mark is used in connection with services that are performed or advertised in commerce, such as by opening a hotel or a restaurant.

The Lanham Act currently requires that a U S business or individual seeking to register a trademark in the United States must first make use of the mark in interstate commerce before applying for registration This pre-application use requirement (i) unfairly discriminates against U S. citizens, as compared to foreign citizens, (ii) imposes significant legal risks on the introduction of new products and services, (iii) gives rise to the practice of "token use," (iv) gives preference to certain industries, frequently disadvantaging small companies and individuals, and (v) burdens the trademark register with marks which are not actually used in normal commercial transactions.

The pre-application use requirement unfairly dicriminates against U S. citizens. Today, the United States and the Philippines are the only two countries which require use of a mark before an application for registration may be filed This disparity between U.S law and that of most other countries results in foreign applicants having an advantage over U S. applicants in obtaining trademark registration rights (existing interpretations of U.S treaty obligations, as reflected in section 44 of the

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Lanham Act, permit foreign applicants, relying upon a home country registration or application, to apply for and register a mark in the United States, notwithstanding that they have not used their marks anywhere in the world). Moreover, foreign applicants can obtain a filing priority in the United States corresponding to the date they file applications in their home countries. This means that while a U S applicant is required to use its mark before applying, foreign nationals can apply for and obtain U.S trademark rights without using a mark in the United States or anywhere

Although it is impossible to measure the extent to which Americans are disadvantaged by the current system, the frequency with which foreign nationals avail themselves of the preference given them in section 44 is noteworthy As of March 1, 1988, approximately seven percent, roughly 48,200, of the active applications and registrations in the U S Patent and Trademark Office claimed the benefits of section 44 In addition, since 1983, the PTO has issued over 17,700 section 44 registrations to foreigners

The pre-application use requirement imposes significant legal risks on the introduction of new products and services. Under the Lanham Act's pre-application use requirement, U S. businesses and individuals face unnecessary uncertainty. They simply have no assurance that after selecting and adopting a mark, and possibly making a sizable investment in product design, packaging, advertising and marketing, that use of the mark they have selected will not infringe the rights another person acquired through earlier use. In an age of national, if not global, marketing, this has a chilling effect on business investment This effect is not merely theoretical It exists at the day-to-day business level and can have a very costly impact on the marketing of a new product The cost of marketing a new product in the United States often exceeds $30 million for a large company and, on a more modest scale, can consume the lifesavings of an individual or small entrepreneur.

The pre-application use requirement has given rise to the practice of "token use " Partially in recognition of the difficulties companies face in launching new products and services, and the sizable investments that may be at stake, regardless of a company's or individual's resources, the courts have sanctioned the practice of "token use." Token use is a contrived and commercially-transparent practice, which may consist of making a mock shipment across state lines It is nothing more than a legal fiction, which when explained to a businessman, is greeted with an all-too familiar "I have to do what?" At the same time, token use is essential under current law because it (i) recognizes present day marketing costs and realities, and reduces some of the legal and economic risks associated with entering the marketplace; and, (ii) nominally achieves the threshold "use" required to apply for federal registration and the creation of trademark rights in advance of commercial use.

The pre-application use requirement gives preference to certain businesses and industries. Unfortunately, token use is not available to all businesses and industries For example, it is virtually impossible to make token use of a trademark on a large or expensive product such as an airplane The same is true for service industries (e g., hotels, restaurants, banks) prior to opening for business. Similarly, it is difficult for small businesses and individuals to avail themselves of token use because they frequently lack the resources or the technical knowledge to engage in the practice properly

The pre-application use requirement burdens the trademark register with marks that are not actually used in normal commercial transactions. Token use is also troublesome for another reason It allows companies to obtain registrations based on minimal use Often these companies change their marketing plans and subsequently do not make commercial use The result is that the trademark register is clogged with unused marks, making the clearance of new marks more difficult and discouraging the adoption and use of marks which should otherwise be available

An intent-to-use application system should be adopted. The Trademark Law Revision Act addresses the problems created by the United States pre-application use requirement and increases the integrity of the federal trademark registration system through the creation of a dual application system It gives all applicants the choice of applying to register marks on the principal register on the basis of pre-application use in commerce, as they do now but subject to actual rather than token use, or on the basis of a bona fide intention to use the mark in commerce

USTA strongly supports the intent-to-use application system proposed by the Trademark Law Revision Act as it provides a balanced, equitable system incorporating meaningful safeguards against abuse, without adversely affecting any common law rights And, because the proposal maintains the current standard that a mark must be used before it can be registered, USTA believes it is unlikely to face constitutional challenge or that it will add to the number of inactive marks that currently appear on the register.

In USTA's estimation, the key features of this intent-to-use application system are its application and registration procedures, its provision for "constructive use" priority, the additional requirements it imposes on foreign applicants who file under section 44, and the revised definition of "use in commerce." These features are found in amendments the Trademark Law Revision Act makes to sections 1, 7, 12(a), 13, 44(d), 44(e) and 45 of the Lanham Act.

Intent-to-Use Application Requirements. Section 1 of the Lanham Act presently sets forth the requirements for applying to register a mark on the basis of pre-application use The Trademark Law Revision Act amends it to add clearly distinguishable

provisions permitting the filing of applications based on a bona fide intention to use a mark in commerce

The proposed language, which would be contained in a new section 1(b) of the Act, requires applicants filing on the basis of intent-to-use to state their bona fide intention to use the mark in commerce on or in connection with every product or service specified in the application "Bona fide" is a recognized and accepted legal term, which will be read in the context of the the Lanham Act's definition of "use in commerce", which the legislation amends to require that use of a mark be "in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark."

Determining whether a company's intention is "bona fide" will depend upon myriad facts and circumstances that cannot be defined by mathematical formula or fully enumerated by statute. Such determinations must be left to the Trademark Trial and Appeal Board (TTAB) and the courts, which are singularly capable of weighing all the facts of a given case. To emphasize the importance of considering all the facts that may have a bearing on an applicant's ability to confirm its bona fide intent, however, the Senate amended S. 1883 to provide that an applicant's bona fide intent must "reflect the good faith circumstances relating to the intended use "

With the exception of those requirements which relate to use of the mark in commerce, other aspects of section 1(b) mirror the relevant language of the Lanham Act's current provisions relating to use-based applications, including the requirement that a drawing of the mark be provided.

Section 1(b) also includes language emphasizing that, with the exception of marks sought to be registered under section 44 of the Act, no mark applied for registration on the basis of intent-to-use will be registered until the applicant submits evidence that the mark is in use on or in connection with all the goods or services for which it qualifies for registration Inclusion of this statement, along with changing the language of section 1(a) which pertains to use-based applications to read "may <u>apply to</u> register," focuses attention on the fact that section 1 of the Act is an application section, not a registration section, and that the examination of an application by the PTO and its publication in the Official Gazette for opposition purposes are essential aspects of the registration process.

USTA does not perceive the proposed language of new section 1(c) to be substantive However, by providing that an intent-to-use applicant wishing to claim the benefits of use during prosecution of its application must amend its application to bring it into conformity with the requirements for use-based applications, the legislation makes certain other amendments to the Act more straightforward: Section 1(a) applications, when referenced,

mean those for which evidence of use has been submitted and section 1(b) applications, when referenced, mean those for which evidence of use has not been provided

Concurrent Use Applications Based on Intent-to-Use H R 4156, unlike the amended Senate bill, permits concurrent use applications based on intent-to-use During its deliberations, the Senate determined that such applications were inappropriate and deleted language permitting them from proposed section 1(b) of the Act.

Concurrent use registrations are intended to provide a means for giving statutory recognition to the rights of good faith common law users who have established trademark rights in different geographic areas However, under prevailing law, an intent-to-use applicant would not be in good faith if its mark were adopted with knowledge of the mark's prior use by another In addition, the Senate properly concluded that permitting an applicant who has not made use of a mark to claim concurrent use with another might result in businesses carving up the country for purposes of establishing trademark rights

USTA endorses the Senate's reasoning in this regard and agrees that concurrent use applications based on intent-to-use would defeat one of the fundamental objectives of the Lanham Act

Procedures for Examining Intent-to-Use Applications The only distinction between the Patent and Trademark Office's (PTO's) examination of use-based and intent-to-use applications will be that, for applications based on intent-to-use, the PTO initially will not be able to examine specimens or facsimiles of the mark as it is being used Although the absence of specimens will prevent the PTO from determining whether the application covers subject matter not constituting a trademark or service mark, whether the mark is being used as a mark and whether the mark as used differs materially from the drawing of the mark, their absence will not appreciably affect examination on numerous fundamental issues of registrability, such as those set forth in section 2 of the Act (e g, descriptiveness, geographic or surname significance, or confusing similarity)

It is vital that examination procedures for use-based and intent-to-use applications be uniform If separate or different procedures are established, consistency in examination practice will suffer And, for example, if an opposition proceeding could not be instituted or the application were suspended until use of the mark was initiated, the goal of reducing uncertainty before an applicant invests in commercial use of a mark would be defeated.

Use Required Prior to Registration. The Trademark Law Revision Act amends Section 13 of the Lanham Act to specifically provide for the registration of marks. Proposed section 13(b)(1) of the Lanham Act provides for the registration of marks based on

pre-application use in commerce or under section 44 of the Act. It does not change current law or practice

Section 13(b)(2) establishes new procedures which assure that applicants that have filed on the basis of intent-to-use meet the same requirements that use-based applicants meet when they initially file their applications It provides that if registration of the mark is not successfully opposed, the Patent and Trademark Office will issue a "notice of allowance" to the applicant This notice of allowance will set forth those goods or services for which the mark has been approved for registration.

Within six months from the date of the notice of allowance, the applicant is required to submit a "statement of use" verifying that the mark is in use in commerce and specifying those goods or services in the notice for which use has been made. Evidence of that use, i e , specimens or facsimiles, must be submitted On receipt, the PTO will examine the statement and the accompanying evidence and, if they are acceptable, it will register the mark and issue a certificate of registration covering only those goods or services for which the mark is actually entitled to registration. A notice identifying the goods or services for which the mark has been registered will be published in the Official Gazette

Although the language of section 13(b)(2) does not specify the nature of the examination of the statement of use, this review should be limited to issues that could not be considered during the examination process that preceded the mark's publication for opposition For example, whether (i) the person filing the statement of use is the applicant, (ii) the mark, as used, corresponds to the drawing that was submitted with the application, (iii) the goods or services for which the applicant has made use were identified in the application and not subsequently deleted, and (iv) the mark, as displayed by the specimens or facsimiles, functions as a mark Other issues of registrability will have been considered during initial examination of the application.

Section 13(b)(2) also allows for extensions of time for filing the statement of use These extensions, of six months each, will give the applicant up to a maximum of four years from the date of the notice of allowance to file its statement of use An applicant will be able to obtain only one six-month extension at a time, and to obtain each it will have to pay a presumably escalating fee and file a verified statement specifying those goods or services for which it continues to have a bona fide intention to use the mark in commerce.

Although some may consider four years an excessive length of time to file the statement of use, USTA supports this time frame because it recognizes the extent to which the lead times to introduce new products or services can vary from one industry to the next: (1) for certain industries six months or less may be the norm, and the applicant would have difficulty alleging a

serious, good faith intention for any length of time that greatly exceeded that norm, and (ii) for others, namely those with long research and development schedules, four years may be unavoidable In any event, the applicant will want to file the statement as soon as possible so that it can perfect its rights and avoid paying further fees

The balance of section 13(b)(2) relates to the PTO's acceptance or refusal of the statement of use and to abandonment of applications for which the statement of use is not filed H R 4156 presently provides that a refusal to accept the statement of use will be petitionable to the Commissioner only However, based on a recommendation by USTA and the PTO that the TTAB continue to decide those issues that it already addresses with respect to use-based applications, S 1883 was amended to eliminate this limitation USTA encourages the House to adopt this amendment as well

Constructive Use The Trademark Law Revision Act adds a new subsection (c) to section 7 of the Lanham Act to include an important new concept, "constructive use" priority. It provides that, subject to the mark being registered, the filing of an application will constitute nationwide priority of use against all parties except those antedating the date of the application with (i) use of the mark, (ii) an earlier application, or (iii) a claim of priority under section 44(d) of the Act

USTA strongly supports provision for constructive use priority in the Lanham Act Applicable to both use-based and intent-to-use applications, constructive use (i) is essential under an intent-to-use system, (ii) clarifies an important fact issue of trademark law, and (iii) further promotes the purposes of the Lanham Act

Nationwide constructive use priority is essential to intent-to-use applicants; without it, they will be easy targets for pirates and vulnerable to anyone initiating use after they file an application but before they begin to use the mark It is equally important to use-based applicants, without it, they will be penalized and pre-application use will be discouraged overall

Constructive use priority also addresses a threshold fact issue for which the law requires greater certainty. It will help reduce the geographic fragmentation of rights that regularly occurs under present law. Currently, an applicant who has made use in one area is at the mercy of an innocent, and possibly not so innocent, user who begins using the same or a similar mark in a remote area before the applicant obtains its registration. And, the applicant generally cannot prevent this use or later expand its use into the area of the second user

A situation such as this results in practical problems that undercut the purposes of the Lanham Act. The applicant is prohibited from expanding product distribution nationally even if it obtains federal registration, and is unable to benefit from the

nationwide rights federal registration is intended to provide. The second user's growth is also stifled because it is prevented from expanding its use of the mark into areas where it had no market presence at the time the first user obtains its registration Moreover, if it expands into new areas it may be forced to withdraw and sacrifice the goodwill it has established Consumers are affected because they may be exposed to the mark of both users and will be confused In every instance, these consequences are precisely what the Lanham Act was designed to avoid.

Constructive use also promotes the objectives of the Lanham Act in other ways. First, it encourages all persons to search the PTO's trademark records before adopting and investing in a new mark A person who initiates use of a mark subsequent to another person applying to register the mark could easily have learned of the application by searching the PTO's trademark records before it commenced use Conversely, prior to filing, the applicant could not possibly have learned of the subsequent use

Second, it offers a further incentive to register by granting conditional rights to those that publicly disclose their marks by applying for registration It does this by giving an applicant priority nationwide, as of the date the application is filed, subject to its obtaining registration on the principal register Thus, constructive use promotes the "policy of encouraging prompt registration of marks by rewarding those who first seek registration under the Lanham Act Weiner King, Inc. v Wiener King Corp., 615 F.2d 512, 523, 204 USPQ 820, 830 (CCPA 1980)

Importantly, however, constructive use will not discard equity, which is the core of U S trademark jurisprudence. Applicants asserting constructive use priority will not be assured victory, to prevail, they will still be required to establish both a protectible interest and likelihood of confusion. Furthermore, as courts have traditionally refused to make "calendar priority," based on actual commercial use, determinative of rights if doing so will cause inequity, they are unlikely to react differently with constructive use

Requirements for Foreign Applicants Through amendment of sections 44(d) and 44(e) of the Lanham Act, the Trademark Law Revision Act provides that foreign applicants filing on the basis of a home country registration or priority date will be required to state their bona fide intention to use the marks they are seeking to register in the United States This requirement, along with the legislation's provisions for an intent-to-use application system, will eliminate the preference U.S law presently gives foreign companies applying to register marks in the United States Although foreign applicants under section 44 will continue to be permitted to obtain registration of their marks before they initiate use, this right is not significant in practical terms due to the abandonment provisions of the Act, which require use of the mark within two years of registration

Definition of "Use in Commerce" Under the intent-to-use application system token use becomes unnecessary and inappropriate It is therefore important that the definition of "use in commerce" set forth in section 45 of the Act be strengthened to eliminate the practice. The Trademark Law Revision Act does this by adding the following new sentence to that definition:

> "The term 'use in commerce' means use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark "

Although this new language will be subject to judicial interpretation, it specifically contemplates actual commercial use common to a particular industry Nevertheless, the language is flexible enough 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 by a company awaiting FDA approval It also reflects the possibility that use may be interrupted due to special circumstances

In addition to eliminating token use, the new definition of "use in commerce" will help reduce the number of unused marks that presently clog the register Because it will apply to all aspects of the Lanham Act which reference use, it will govern (i) those applying for registration based on pre-application use, (ii) intent-to-use applicants filing the statement of use required under section 13(b)(2), (iii) registrants submitting the affidavit of use required during the sixth year of a registration, (iv) trademark owners seeking to renew existing registrations, and (v) determinations of whether a trademark owner has abandoned its mark for nonuse (To emphasize that this new definition of use applies throughout the Act, the Trademark Law Revision Act deletes words that might imply that there are different levels or types of use from various sections of the Lanham Act, e.g , "actually" in section 1.)

Intent-to-Use Conforming Amendments. The legislation's provision for the filing of applications based on intent-to-use, requires that conforming amendments be made to sections 3 and 4, section 6(b), section 10, sections 18, 21(a)(4), 21(b)(1), 24 and 34(a); section 23; sections 26 and 30; section 33(b)(5), as well as several of the definitions found in section 45 of the Act. These amendments reflect less significant, but nonetheless important, aspects of the proposed intent-to-use application system H.R 4156 also includes two conforming amendments to section 2(d) of the Act which were deleted from S 1883 when the Senate rejected language permitting concurrent use applications on the basis of intent-to-use

a. Sections 3 and 4 are amended to provide that applications to register service marks, collective marks and certifica-

tion marks, like trademarks, can be filed on the basis of intent-to-use This is accomplished by deleting the requirement that they must be "used in commerce "

b A technical amendment is made to section 6(b) to reflect the inclusion of new section 7(c), dealing with constructive use

c Section 10 is amended to provide that an intent-to-use application cannot be assigned, except to a successor to that portion of the applicant's business to which use of the mark applies, prior to the applicant filing its statement of use. This amendment is consistent with the principle that a mark cannot be assigned without the business or goodwill attached to its use In addition, it will discourage trafficking in marks and thereby represents an important safeguard against possible abuse of the intent-to-use system

d. Sections 18, 21(a)(4), 21(b)(1), 24 and 34(a), which deal with PTO decisions, court determinations and the availability of injunctive relief, are amended to prevent entry of final judgments in favor of those intent-to-use applicants alleging likelihood of confusion who cannot prevail without establishing constructive use priority Because consumer confusion cannot arise without use, final judgments in these cases will not be entered until the mark is used and registered To clarify that judgments will not be suspended on descriptiveness or any similar grounds, the Senate revised the language of these amendments and USTA urges that the House adopt this improved language as well

e Sections 23 through 27 of the Lanham Act make provision for the supplemental register. As marks applied for registration on the supplemental register do not become protectible until they acquire distinctiveness through use, the Trademark Law Revision Act amends sections 23 and 26 of the Act to provide that applicants for registration on the supplemental register will be prohibited from filing on the basis of intent-to-use and to emphasize that they will not obtain the benefits of constructive use priority.

f The legislation amends the classification section of the Act, section 30, to add reference to the fact that an applicant may apply to register a mark for any or all of the goods or services for which it has a bona fide intention to use the mark At the request of the PTO, the Senate further amended section 30 to give the Commissioner the flexibility to eliminate by regulation an applicant's current ability to file a single application to register a mark in more than one class These multi-class applications may become unworkable under the intent-to-use system and their elimination will not affect an applicant's rights or the costs of applying for registration

g. S 1883 amends section 33(b)(5) of the Act to clarify that the date a registered mark is applied for registration constitutes constructive use of the mark with legal effect compara-

ble to the earliest use of the mark at common law This important conforming amendment is not contained in H R 4156 and should be adopted by the House

h In Section 45 of the Act, trademarks, service marks, certification marks, and collective marks are presently defined only in terms of their having been used Each of these definitions is amended to provide that these terms encompass marks for which a person has filed an application for registration on the basis of intent-to-use

2 Reliability of the Federal Trademark Register

The second major focus of The Trademark Law Revision Act in terms of improving the federal trademark registration system is to amend the Lanham Act in order to increase the reliability of the federal trademark register The register is searched and relied upon by individuals and companies seeking to determine the availability of marks It is important, therefore, that it reflects a valid picture of the marks that are in use and the goods and services for which they are being used

Removal of "Deadwood" The Trademark Law Revision Act confronts the problem posed by the volume of abandoned or inactive marks ("deadwood") on the trademark register in three ways. USTA strongly supports these proposals because they will enlarge the pool of available marks and because they will improve the efficacy and integrity of the registration system overall

First, the legislation amends sections 8 and 9 of the Act to decrease the terms of trademark registrations and renewals from twenty to ten years In terms of impact on the "deadwood" problem, the Trademark Review Commission calculated that approximately 15 percent, or over 49,200, of the active registrations issued from 1966 to 1985 would lapse at the end of a ten year term Because reducing the term of registration will increase the frequency of renewals, and therefore the cost of maintaining a trademark registration, USTA urges that the fee for renewing a registration be decreased if this amendment is enacted

Second, the Trademark Law Revision Act imposes stricter requirements for maintaining a registration beyond its initial six years. Through amendment of section 8(a) of the Act, which provides for the filing of an affidavit of use during the sixth year of a registration's term, the legislation will require the owner of such a trademark registration to state that its mark is in use on or in connection with all the specified goods or services and will have to provide specimens or facsimiles evidencing that use Section 8 currently requires only that the registrant state that the mark is in use. The amended section 8 requirements parallel those that are presently required at the time a mark is renewed

Third, the revised definition of "use in commerce," which is discussed above and made possible by the legislation's provision

for the intent-to-use application system, will have a profound effect on deadwood (i) it will preclude the issuance of registrations based on token use and thereby reduce the number of registered marks for which commercial use has not been made, and (ii) it will increase the use requirements both for maintaining registrations at the time section 8 affidavits and renewal applications are filed and for defending marks against claims of abandonment Thus, the number of "warehoused" marks will also be decreased

Greater Flexibility for the TTAB The Trademark Law Revision Act amends section 18 of the Lanham Act to give the Trademark Trial and Appeal Board (TTAB) the authority (i) to modify the description of goods or services recited in an application or registration if doing so will avoid likelihood of confusion on the register, and (ii) to determine trademark ownership rights where they are at variance with the register. USTA suppports these changes because they will allow the TTAB to base trademark registration decisions on actual marketplace factors, rather than hypothetical considerations, and will permit the TTAB to resolve issues that would otherwise require a court proceeding

The first change will permit the TTAB to consider differences in trade channels and products that may not be evident from the goods or services description set forth in an application or registration The TRC Report offers the following example Presently, the TTAB must assume that the description "men's shirts" covers all types of shirts sold through all conceivable trade channels, even though these shirts may be made of heavy duty wool, are designed as protective clothing for coal miners and are sold only through mining company outlets. The proposed amendment will allow the TTAB to modify the description to read "protective woolen shirts for coal miners," and in all likelihood, to decide that confusion with a similar mark used on tee shirts sold at rock concerts is unlikely

The second change will give the TTAB authority to decide certain ownership rights that presently can be decided only by court action and to correct the register accordingly. To illustrate the effect of this amendment, the TRC Report offers the example of a person who, having acquired ownership of a mark through a constructive trust, would have to initiate a formal court proceeding in order to correct the trademark register

Cancellation of Registrations. The Trademark Law Revision Act amends section 14(c) of the Lanham Act in three ways: First, it eliminates the possibility that a registration might be canceled if the mark becomes the generic name of "an article or substance" for which the mark is not even registered, second, it provides that a petition to cancel the registration of a mark on the grounds that the mark has become a generic term may be confined to only those goods or services for which the mark has actually become generic; and third, it corrects a deficiency in the Act by providing that, like a trademark registration, a service mark registration may be canceled if the mark becomes a generic

term for the service for which the mark is registered USTA supports these amendments because they, like those discussed above, will help assure the integrity of the register

3 Other Improvements to the Registration System

Suspension of Applications. H.R 4156 includes an amendment to section 2(d) of the Act giving the PTO statutory authority for its practice of suspending prosecution of an application if the mark is the subject of a previously filed pending application This change, which was simply intended to codify existing PTO practice, was deleted from S 1883 by the Senate because it was unnecessary and would have had the unintended consequence of forcing the PTO to reject the later filed application USTA encourages the House to reject this proposed amendment to section 2(d) as well

Concurrent Use Registrations. In cases where a party applies to register a mark after another party has filed an application to register the same mark, the legislation amends section 2(d) to permit the Commissioner of Patents and Trademarks to issue a registration allowing the second party to use the mark concurrently with the first if the first party agrees to the issuance of the registration and the Commissioner finds that there will be no likelihood of confusion USTA supports this amendment because it will encourage the amicable settlement of disputes over geographic trademark rights and will avoid litigation

Secondary Meaning Certain marks (e g , trademarks that describe qualities of the products on which they are used) are not registrable unless the applicant submits proof that the mark has become distinctive of its goods or services (i.e , that the mark has acquired "secondary meaning") The Trademark Law Revision Act changes the time frame by which the Patent and Trademark Office gauges the acceptability of this proof (five years of substantially exclusive and continuous use) to base it on the date the offer of proof is made, rather than on the date the application for registration is filed USTA supports this amendment to section 2(f) of the Act because it will allow an applicant to benefit from the time its application is pending before the Patent and Trademark Office

Additional Registers Unnecessary language is eliminated from the Act by amending sections 3 and 4 to delete provision for separate registers for service marks and collective and certification marks These marks are presently registrable on both the principal and supplemental registers

Collective Marks The language of section 4 currently implies that the owner of a registered collective mark cannot make or sell the goods or perform the services on or in connection with which the mark is used USTA supports clarification of this

section to accurately reflect that, consistent with the definitions of both collective and certification marks, the noted limitation applies only to certification marks.

First Use by a Licensee The legislation codifies Trademark Rule 2 38(a) to expressly provide in section 5 that when first use of a mark is by a licensee that use will inure to the benefit of the applicant or registrant. Consistent with prevailing case law that a mark may be validly licensed before it is used, this provision will apply whether an applicant files on the basis of use or intent-to-use

Evidentiary Benefits of Registration For no apparent reason, the three evidentiary provisions of the Lanham Act read differently Section 7(b) provides that a certificate of registration is "prima facie evidence of the validity of the registration, of registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods and services specified in the certificate ." By contrast, section 33(a) states that registration is "prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration. " and section 33(b) states that an incontestable registration is "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 .section 15 ."

The Trademark Law Revision Act conforms the language of these three sections so that each provides that registration offers ". .evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services. "

Costs of Ex Parte Appeals. H R. 4156 amends section 21(b)(3) to give the courts discretion in charging all the expenses in appeals of ex parte decisions from the TTAB to the party who brings the appeal At the request of the PTO, the Senate revised the identical provision of S 1883 to impose a "reasonableness" standard. USTA sees little practical difference between these two approaches Both will permit the court to make an appropriate allocation of expenses and will assure that the PTO seriously considers the need for incurring certain expenses in ex parte appeals

The Supplemental Register The Trademark Law Revision Act eliminates (i) the requirement that a trademark owner must use a mark for one year before it can apply to register the mark on the supplemental register and (ii) any inference that application for or registration of a mark on the supplemental register constitutes an admission that the mark has not acquired secondary meaning USTA supports both of these changes.

Elimination of one year pre-application use requirement will facilitate both registration on the supplemental register and make it easier for U.S trademark owners to obtain foreign protection for their rights This change in the law is reflected in amendments the legislation makes to sections 23 and 24 of the Lanham Act

Eliminating any inference that a supplemental register application or registration constitutes an admission by the trademark owner that its mark has not acquired secondary meaning will codify the holding in California Cooler, Inc v. Loretto Winery, Ltd , 774 F2d 1451, 1454, 227 USPQ 808, 809-10 (CA 9 1985), that a supplemental registrant is not barred from establishing secondary meaning against an alleged infringer using the mark at the time of registration In H R 4156, this amendment is made to section 23 of the Act. As amended by the Senate, S. 1883 places this amendment in section 27 of the Act, where it seems to fit more logically

Incontestable Registrations The Trademark Law Revision Act revises section 33(b) of the Act to remove several ambiguities relating to incontestable registrations. Specifically, it makes clear that incontestability does not relieve a trademark owner from the burden of proving likelihood of confusion As the section currently reads, it could be interpreted to mean that infringement of an incontestable registration is automatic

The legislation also eliminates the present conflict between two lines of judicial authority by amending section 33(b) to expressly allow equitable defenses, such as laches, to be asserted in an action based on an incontestable registration These defenses should be specifically allowed Without them, the owner of an incontestable registration would prevail even if it delayed bringing an action for many years, without excuse, during which time a competitor would build up its business and its own goodwill

Lastly, the Trademark Law Revision Act codifies judicial decisions holding that the enumerated defenses to an action for infringement of an incontestable registration are equally applicable in actions for infringement of a mark which is not incontestable It does this by including in section 33(a) of the Act a reference to the defenses which are enumerated in section 33(b)

4 Benefits of Trademark Registration

Optimally, the federal trademark register should accurately reflect all marks that are used in commerce and a search of the PTO's records should alert all potential users to the possibility of conflicts Unfortunately, this is not the case One leading trademark search firm, in addition to searching the nearly 690,000 active registrations and applications at the PTO, searches 1.7 million abandoned marks, 586,000 state registrations, a

trade name data base containing over 8 million records, a data base of 880,000 unregistered common law marks, and various trade and telephone directories in preparing a search report

The Trademark Law Revision Act includes two important incentives that will further the purposes of the Lanham Act by promoting wider use of the trademark registration system The first is its provision for constructive use priority in the Lanham Act which, as discussed above, will be available to all applicants subject to their obtaining registration for their marks The second is discussed in section II C 2 of this statement It makes federal registration of a mark a complete defense to a claim of dilution under state or common law

B. Lanham Act Definitions

In addition to revising the definitions of "use in commerce," trademark," "service mark," "collective mark" and "certification mark" as discussed with respect to intent-to-use and adding a new definition of the term "dilution," the Trademark Law Revision Act proposes several other amendments to the Act's definitions. These amendments will modernize and clarify the meaning of the terms which are used throughout the Act and will make them more consistent with judicial interpretation USTA does not perceive any of the proposed modifications to be controversial

Related Company The legislation revises the definition of "related company" to eliminate the word "legitimately," which is unnecessary in light of the language of section 5 of the Act, and to remove the confusion it currently creates by stating that a related company can control the registrant or applicant as to the nature and quality of the goods or services.

Trade Name, Commercial Name The legislation revises the definition of "trade name, commercial name" to eliminate redundancies and excess verbiage As amended, the definition relies on the all-encompassing term "person," which is defined elsewhere in section 45 of the Act. This revision does not alter current law which precludes the registration of trade names when they are not used on or in connection with goods or services

Trademark Beyond revising the definition of "trademark" to conform it to the proposed intent-to-use application system, the Trademark Law Revision Act amends this definition to reflect contemporary marketing practices and to clarify a trademark's function of distinguishing the goods of one person from those of another. The revised language does not alter (i) the term's current inclusion, by implication, of attributes such as standards of quality, reputation, and goodwill, (ii) the requirement that a trademark must be used "on or in connection with goods", and, (iii) the subject matter which has historically qualified as a trademark or service mark.

Service Mark, Certification Mark and Collective Mark These definitions are amended only to conform them to the revised definition of trademark and to incorporate references to intent-to-use

Mark. The definition of "mark" is amended to reflect that marks can exist at common law or in intrastate use.

Use in Commerce Beyond amending the definition of "use in commerce" in accordance with the intent-to-use proposal, the legislation relaxes the affixation requirement in the particular case of goods sold in bulk It provides that use in commerce on products such as oil, chemicals, and grain, when shipped in railroad cars, ships, aircrafts, or other vehicles, can be established through the mark's use "on documents associated with the goods or their sale "

Abandonment of Mark The bill restates the new language added to the definition of "use in commerce" in the definition of "abandonment of mark" to deal with common law and strictly intrastate use of marks The definition is also revised to clarify its meaning and to be consistent with the other provisions of the Act by adding after "prima facie" the words "evidence of " The revised definition retains the current standard for abandonment, which requires intent, together with an objective two year nonuse period

Common Descriptive Name Although not defined in section 45 or elsewhere in the Act, the term "common descriptive name" is archaic and the Trademark Law Revision Act replaces it with "generic name" in sections 14(c) and 15(4) of the Act The term "generic name" also appears in the revised definition of "abandonment of mark "

C. Enhanced Unfair Competition Provisions

1 Section 43(a)

The language of section 43(a) of the Lanham Act, when enacted in 1946, was intended simply to address false designations of origin and false descriptions or representations a persen might make about its own products or services. Since then the courts have widely interpreted it to fill a gap in federal law by making it, in essence, a federal law of unfair competition In addition, as the courts have interpreted section 43(a) more broadly, they have simultaneously applied the remedies sections of the Lanham Act to cases brought under the section which do not involve federally registered marks

H R 4156 amends section 43(a) of the Lanham Act to conform it to the scope it has been given by the courts For example, it revises section 43(a) to include reference to acts which infringe unregistered marks and to encompass instances of false advertising statements involving misrepresentations an advertiser makes

about its own products In addition, it (i) makes misrepresentations about another person's products or services actionable (under present law, actions are limited to misrepresentations about one's own products or services), (ii) codifies existing case law which holds that misrepresentations resulting from omissions of material information are as actionable as those resulting from affirmative statements, and (iii) provides a specific cause of action to protect trademarks from injurious acts which disparage and tarnish their reputations Lastly, H R 4156 revises section 43(a) by specifically limiting standing under the section to those who are or are likely to be damaged in their business or profession

Misrepresentations about Another Person's Products or Services Although the Lanham Act is basically a trademark statute, the courts in the 1970s extended section 43(a) to broadly cover cases of unfair competition arising from instances of false advertising This is not unreasonable because trademark law is, in reality, a part of the broader law of unfair competition

Case law now provides that material factual misrepresentations which rise above mere puffery and which pertain to the advertiser's own products or services are ordinarily actionable as a "false description or representation " However, based on a 1969 Seventh Circuit the decision, Bernard Food Industries v Dietene Co , 415 F2d 1279, 163 USPQ 264 (7th Cir 1969), cert denied 397 US 912, 164 USPQ 481 (1970), the courts have refused to provide that misrepresentations about a competitor's products or services are similarly actionable under section 43(a)

This holding remains despite the clear language of the Act which currently provides that "use in connection with any goods or services. or any false description or representation, including words or symbols tending falsely to describe or represent the same" is actionable (emphasis added) The effect of this is illogical on both practical and public policy levels. Although trade libel and product disparagement are historically the exclusive purview of state courts, the national policy of deterring acts of unfair competition will be served if section 43(a) is amended, as proposed by H R 4156 and S 1883, to make clear that misrepresentations about another's products are actionable the same as misrepresentations about one's own. Such a change will also reflect the extent to which advertising today is national, if not global, in scope

Misrepresentations Based on Omissions of Material Information. H R 4156 specifically includes within the revised language of section 43(a) a provision which makes misrepresentations based on the omission of material information as actionable as affirmative misrepresentations. Although there is a significant body of case law holding that acts of material omission are actionable under section 43(a) if they misrepresent a product or service, the Senate concluded during its consideration of S 1883 that this area of the law is unsettled and should be permitted to evolve further Based on this reasoning, the Senate deleted the

reference to omissions of material information from S 1883 In doing so, however, it made clear that its action should not be interpreted as limiting or extending current case law on the subject USTA accepts this compromise.

Tarnishment and Disparagement H.R 4156 creates a separate ground for relief for trademark tarnishment and disparagement to deal with trademark uses which reach beyond parody and humor, to acts of ridicule and insult that can be highly detrimental to the goodwill and reputation of an established mark and can cause the loss of consumer loyalty and trade Tarnishment and disparagement represent palpable injuries to the goodwill a trademark owner has established in its mark However, existing grounds of relief, such as trademark infringement and dilution, often do not fit conceptually.

On the basis of First Amendment concerns, the Senate deleted this provision from section 43(a) As with its decision to delete language relating to material omissions, the Senate stated that case law in this area should be allowed to evolve

Although USTA recognizes that the line between that which amuses and that which harms cannot easily be drawn and that First Amendment issues may arise when use of a mark which disparages or tarnishes appears in a publication or in the form of social or political commentary or protest, it continues to support inclusion of a provision of this type in the Lanham Act It believes that if the constitutional concerns with such a provision can be resolved, trademark owners and the courts should be given a straightforward vehicle for obtaining and providing relief when it is appropriate

Standing Under Section 43(a) A third respect in which the proposed language of section 43(a) contained in H R 4156 differs from that which is included in S 1883 relates to standing H R 4156 specifically limits standing under the section to those who may be damaged in their business or profession. S 1883, however, retains the Lanham Act's current language on the question of standing so that this issue, too, can continue to evolve on a case-by-case basis USTA believes that a consensus on whether standing under section 43(a) should be expanded or restricted will be difficult to achieve and agrees with the Senate that for the time-being the matter should be left to the courts which are in a position to determine, based on the facts of each case, whether the plaintiff "is or is likely to be damaged by use of [a] false description or representation."

Remedies for Section 43(a) Violations. As written, the remedies sections of the Lanham Act, sections 34, 35 and 36, appear to apply only to violations of a registered trademark and do not specifically extend to violations under section 43(a) that do not involve a registered mark The courts increasingly are disregarding this apparent limitation. The Trademark Law Revision Act amends these sections to expressly provide that profits, damages,

and costs, as well as injunctive relief and destruction orders, do not require ownership of a registration

For example, Section 35(a) of the Act allows for the recovery of profits, damages and fees, but limits them to cases of infringement of a registered mark where the owner gives actual notice of the registration. Despite this, the Second, Sixth, Seventh, Eighth, Ninth, Tenth, and Eleventh Circuits have concluded otherwise and awarded monetary relief in actions under section 43(a) which do not involve a registered mark NuPulse Inc v. Schlueter Co., ___ F 2d ____, 1988 U S. App LEXIS 11078, (7th Cir 1988), Brunswick Corp v Spinit Reel Co., 832 F.2d 513, 4 USPQ2d 1497, 1507 (10th Cir 1987), Centaur Communications, Limited v. A/S/M Communications, Inc., 830 F 2d 1217, 1229, 4 USPQ2d 1541, 1550-51 (2d Cir. 1987); WSM, Inc. v. Wheeler Media Servs , Inc , 810 F 2d 113, 116, 1 USPQ2d 1641, 1643 (6th Cir 1987), U-Haul International, Inc. v Jartran, Inc , 793 F 2d 1034, 1041-42, 230 USPQ 343, 348-49 (9th Cir 1986); Transgo, Inc v AJAC Transmission Parts Corp., 768 F.2d 1001, 1025-1027, 227 USPQ 598, 611-612 (9th Cir. 1985) cert denied, 106 S.Ct 802 (1986); Co-Rect Products, Inc. v Marvyl Advertising Photography, Inc , 780 F 2d 1324, 1331, 228 USPQ 429, 433 (8th Cir 1985), Rickard v Auto Publishers, Inc , 735 F 2d 450, 453-58, 222 USPQ 808, 810-815 (11th Cir 1984), Metric and Multi-Standard Components Corp v Metric's Inc., 635 F 2d 710, 715, 209 USPQ 97, 102 (8th Cir 1980)

In one of the most recent of these decisions, Centaur Communications, the Second Circuit stated:

> "A number of other circuits have decided that section 35 extends to section 43(a) actions, despite the apparent limitations in its language . We think the Eleventh Circuit's extended discussion of this question in Rickard is compelling After a thorough exploration of the legislative history and the general purpose of the Lanham Act, Rickard concluded that Congress could not have intended to limit the relief afforded by section 35 only to cases involving registered trademarks Consequently, we hold, as have the majority of the circuits that have considered the question, that section 35 applies to section 43(a)."

On the specific issue of the recovery of fees, however, the Third Circuit has expressed "doubts whether we should rectify Congress's oversight and hold that attorney's fees are available. " Standard Terry Mills, Inc v Shen Mfg Co , 803 F 2d 778, 782, 231 USPQ 555, 559 (3rd Cir 1986)

In light of the development of section 43(a) to cover types of unfair competition that were not envisioned when the Lanham Act was written and to remove uncertainty and inconsistency, it is important that the Lanham Act's remedies be extended to actions under section 43(a) which do not involve a registered mark

2. Protection of Famous Marks from Dilution

The Trademark Law Revision Act adds a new section 43(c) to the Lanham Act which creates a highly selective federal cause of action which protects federally-registered marks that are truly famous from uses that trade upon their goodwill and exceptional renown and dilute their distinctive quality USTA urges its adoption because the absence of dilution protection creates a serious gap in the protection federal law provides trademarks and because it offers an important new incentive encouraging greater use of the federal registration system

The Dilution Concept The protection of marks from dilution is distinguished from the protection of marks from infringement Although infringement requires a showing of likelihood of confusion, deception or mistake, and the existence of competition between the parties, dilution does not Rather, dilution applies when use of a mark by a person other than its owner has the effect of destroying the public's perception that the mark signifies something unique, singular or particular As commented in one decision·

> "Dilution is an injury that differs materially from that arising out of the orthodox confusion Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark." Mortellito v. Nina of California, Inc., 335 F Supp 1288, 173 USPQ 346, 351 (SDNY 1972)

The concept of dilution focuses on the investment the trademark owner has made in the mark and on the commercial value of the mark itself, protecting both from those who would appropriate the mark for their own benefit. As stated by the Oregon Supreme Court in 1983

> "A mark may possess independent protectible value to the extent that it acquires advertising and selling power
>
> "In the context of dilution, the protectible quality of a mark has been defined as the mark's power to evoke images of the product, that is, its favorable associational value in the minds of consumers This attribute may be developed in a variety of ways long use, consistent superior quality instilling consumer satisfaction, extensive advertising....
>
> "In application the existence of the mark's distinctive quality must be proven by demonstrating what the mark signifies to the consuming public.. If the mark has come to signify plaintiff's product in the minds of a significant portion of consumers and if the mark evokes

> favorable images of plaintiff or its product it possesses the distinctive quality of advertising value -- consumer recognition, association and acceptance -- and will be entitled to protection from dilution." Wedgewood Homes, Inc v. Lund, 659 P2d 377, 380, 222 USPQ 446, 449 (Or Sup Ct 1983)(en banc).

The Trademark Law Revision Act represents a balanced approach to defining and addressing the problem of dilution by federal statute However, the concept is not new to the laws of other countries or to state law Internationally, many countries, by way of indirect protection, permit "defensive registrations" by the owners of well-known marks and waive any use that might be required to maintain such registrations

In the United States, Massachusetts adopted a dilution statute in 1947 (a year after enactment of the Lanham Act) and, since that time, twenty-two other states have followed suit For the most part, these state laws are identical and are patterned after language in the Model State Trademark 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, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services "

Foundation for the type of protection envisioned by the Trademark Law Revision Act also exists in federal law First, such a provision would be consistent with Congressional intent, as articulated by the Supreme Court in Park 'N Fly, Inc. v Dollar Park and Fly, Inc., 469 US 189, 193, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ 327, 329 (1985).

> "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 '"

Second, and more recently, the Supreme Court stated that Congress "could determine that unauthorized uses, even if not confusing, nevertheless may harm the [U.S. Olympic Committee] by lessening the distinctiveness and thus the commercial value of the marks " San Francisco Arts & Athletics, Inc v United States Olympic Committee, __ US __, 55 USLW 5061, 5065, 3 USPQ2d 1145, 1153

It is important, however, to distinguish the Court's decision in the Olympic case from the dilution provision proposed by the Trademark Law Revision Act. Whereas in the former the Court relied upon the special status Congress conferred on the word "Olympic" under the Amateur Sports Act of 1978, under the proposed Lanham Act provision, a mark would be protected from dilution only after a court considered factors such as the degree of

inherent or acquired distinctiveness of the mark and the nature and extent of use of the same or similar mark by other parties

Federal Dilution Protection The federal dilution provision contained in the Trademark Law Revision Act is narrowly drawn and will extend only to those federally registered marks which are both famous and distinctive It adds a new section 43(c) to the Lanham Act and a definition of "dilution" in section 45 of the Act

In new section 43(c) of the Lanham Act, the Trademark Law Revision Act sets forth the factors that a court will use in determining whether a mark qualifies for protection from dilution and whether its owner is entitled to the injunctive relief for which the section provides.

To assure that the provision is applicable to only those registered marks which are both distinctive and famous, the legislation identifies several key factors the courts must consider In addition to the mark's distinctiveness and its substantially exclusive use throughout a significant portion of the United States, which are noted above, they include (i) the duration and extent of use, advertising and publicity of the mark, (ii) the geographical extent of the trading area and the channels of trade in which the mark is used, and (iii) the degree of recognition of the mark As set forth in H.R 4156, the factors on which a court will premise its determination of whether a mark qualifies for protection from dilution are objective The Senate amended S. 1883 to set forth these factors in a quantitative sense

On a finding of dilution, the remedy provided by the Trademark Law Revision Act is injunctive relief, unless willful intent can be shown. If willfulness can be shown, the remedies set forth in sections 35(a) and 36 of the Act can be applied As with all aspects of trademark law, principles of equity are to be applied To provide specific assurance that the provision would not be used to prevent an individual from good faith uses of his or her own name or to prevent a person from using a geographic term, however, the Senate amended proposed section 43(c) to require the court to take such issues into account

Importantly, the dilution provision contained in the Trademark Law Revision Act will not preempt state dilution statutes They will continue to have jurisdiction to protect locally famous or distinctive marks.

The legislation specifically provides that a valid federal registration will be a complete defense to a claim of dilution under state or common law There are two reasons why a federal registration should be a bar to a state or common law claim of dilution. First, permitting a state to regulate the use of a federally-registered mark is inconsistent with the intent of the Lanham Act "to protect registered marks used in such commerce from interference by State, or territorial legislation " For

this reason, the rights afforded by federal registration should be controlling if there is a conflict with state dilution laws Second, making federal registration a defense to a state dilution action encourages the federal registration of marks and gives greater certainty to a federal registrant of its right to use the mark in commerce, without the possibility of attack based on a state claim In any case, one claiming a right under state dilution is not prevented, in appropriate circumstances, from petitioning to cancel a federal registration in order to remove the defense.

H R. 4156 defines dilution in section 45 of the Lanham Act as:

> "...the lessening of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition between the users of the mark, or (2) likelihood of confusion, mistake or deception arising from that use "

The Senate amended this definition by replacing the word "lessening' with "material reduction" in S 1883 in order to avoid actions based on de minimus uses of a famous mark.

D. Security Interests in Trademarks

The Trademark Law Revision Act establishes procedures for creating a centralized system for recording security interests in marks. It defines the nature of a security interest (i.e., what rights a secured party obtains in a debtor's trademarks) and clarifies the mechanics of enforcing an interest (i.e , where filings should be made and how to effect foreclosure) These provisions are contained in a new section 10(b) of the Lanham Act In general, they provide:

> 1 A security interest in a federally registered mark or a mark for which an application for registration is filed can only be obtained by filing in the Patent and Trademark Office.
>
> 2 Since a mark cannot be assigned without the goodwill associated with its use, a security interest will be granted in both the mark and the goodwill which accompanies the mark
>
> 3 The holder of a security interest will have (i) the right to foreclose on the mark and its accompanying goodwill and (ii) the right to proceeds from the sale of the mark

Background Article 9 of the Uniform Commercial Code, governs security interests in most personal property, including intangible property, and is intended to simplify and lend certainty to the manner in which such interests are obtained and perfected

However, it is not equipped to deal adequately with trademarks. The reasons for this are many and include the fact that trademarks, unlike other types of personal property, cannot pass unrestricted when a debtor fails to pay a creditor and that, except for registration documents, trademarks do not have a tangible presence evidencing ownership that can be repossessed

By making provision for security interests in the Lanham Act, the Trademark Law Revision Act achieves several important objectives First, it assures that collateral is available to a creditor in the event of a debtor's default by clarifying what is necessary to retain rights in the mark Second, it enunciates for the PTO and others the important distinction between security interests and assignments (where ownership rights are actually transferred) And, third, it resolves for the courts the ambiguity that exists over how a security interest is obtained, especially where no one filing has clearly preempted the others

Proposed Section 10(b). Proposed section 10(b) of the Lanham Act establishes that a security interest may be obtained only by filing in the Patent and Trademark Office and that an interest filed in accordance with the section's provisions will be superior to any subsequent interest if certain requirements are met As proposed by H R 4156, the Lanham Act's security interest provisions would extend to common law marks for which an application for registration filed on the basis of pre-application use of the mark in commerce has been filed Based on a concern expressed by the American Bankers Association that if an application to register a common law mark is withdrawn, the secured party would have no claim, the Senate exempted these marks during its consideration of S 1883.

Although the Senate limited S. 1883's security interest provisions to preclude their applicability to unregistered common law marks, it expanded its coverage to include security interests which are perfected prior to the effective date of the legislation The Senate viewed the exemption for these interests, which is presently found in H R. 4156, as undermining one of the very purposes of the section, namely creation of one central location for recording security interests in marks USTA agrees with the basis for this amendment and supports its adoption

The section provides that an interest must be acquired in both the mark and the goodwill of the business pertaining to use of the mark This is consistent with the longstanding principle that a mark cannot be assigned without the goodwill associated with and symbolized by use of the mark

In the event of default on the part of the debtor, the secured party will have the right (i) to require the trademark owner to assign the mark and its associated goodwill to another person; (ii) to retain rights to the mark so long as it engages in the business to which use of the mark relates or subsequently transfers the mark before the goodwill associated with the mark dissipates and (iii) to proceeds from the sale of the mark.

III. REVIEW OF SENATE AMENDMENTS

As discussed above, the Senate amended several of the provisions of S 1883 to include additional conforming amendments and to clarify their intent In addition, it inserted further amendments which correct technical deficiencies and inconsistencies in the Lanham Act's language and added provisions at the end of the bill to provide for transition and implementation of the legislation

In general, USTA agrees with the Senate amendments to the Trademark Law Revision Act and believes they should be actively considered by the House. Most importantly, the compromise reflected by certain of these amendments serves to broaden the consensus of support the legislation enjoys Notwithstanding this, however, USTA in certain instances prefers the language of the unamended House bill, H R. 4156

Principal Amendments to the Provisions of S 1883 With respect to the Trademark Law Revision Act's provisions for an intent-to-use application system, the Senate amended S 1883 (i) to add language relating to the good faith circumstances surrounding an applicant's bona fide intention to use a mark in commerce, (ii) to prohibit concurrent use applications filed on the basis of intent-to-use, (iii) to eliminate language which would have precluded appeals to the Trademark Trial and Appeal Board in instances where the PTO refuses to accept an intent-to-use applicant's statement of use; (iv) to clarify that final judgments in certain cases involving marks applied for registration on the basis of intent-to-use will not be deferred, (v) to give the Commissioner the flexibility to eliminate multi-class applications by regulation, and, (v) to reflect provision for constructive use priority in section 33(b)(5) of the Lanham Act

In the category of other improvements to the trademark registration system, the Senate amended S 1883 (i) to delete the revision to section 2(d) of the Act giving the Patent and Trademark Office statutory authority for its practice of suspending prosecution of an application if the mark is the subject of a previously filed pending application and (ii) to revise the legislation's provision amendment section 21 of the Act to impose a "reasonable" standard in the assessment of costs in appeals of ex parte decisions from the Trademark Trial and Appeal Board

With respect to the revised language of section 43(a) of the Lanham Act, the Senate amended S 1883 (i) to eliminate statutory provision for claims based on omissions of material information, (ii) to delete provision for a separate cause of action relating to actions which tarnish or disparage a mark, and, (iii) to reinstate the Lanham Act's current language with respect to standing under section 43(a). In making each of these amendments, however, the Senate expressly stated its intent that the law governing material omissions, trademark tarnishment and disparagement and standing should continue to evolve on a case-by-case basis.

The Senate amended S. 1883's dilution provisions (i) to require the courts to consider certain equitable principles when applying injunctive relief, (ii) to place greater emphasis on the factors a court must weigh in determining whether a mark qualifies for protection from dilution and to define those factors in quantitative rather than objective terms, and (iii) to revise the legislation's definition of dilution

Finally, it amended the legislation to exclude from its security interest provisions common law marks until such time as those marks are federally registered and to include within its coverage security interests that are perfected prior to the effective date of the legislation.

Additional Technical Amendments The additional technical amendments the Senate added to the Trademark Law Revision Act fall into three basic categories. None of these amendments should have any substantive effect on the meaning or interpretation of the Act

The first category are those which pertain to the Act's references to fees With passage of Public Law 96-517, trademark fees were removed from section 31 of the Lanham Act and since 1982 fees have been set by regulation When Public Law 96-517 was adopted, however, conforming amendments were not made throughout the Act and the result is that references to "fees prescribed herein" remain in several of the Act's sections. The Senate resolved this inconsistency by revising the Lanham Act's fee references to read "prescribed fee "

The second category of technical amendments are those which replace inconsistent references to the use of a mark so that all read "use on or in connection with the goods or services "

The third category of amendments are those which delete outdated, unnecessary provisions from the Act, remove redundant, confusing language or clarify the plain meaning of the Act's provisions

Transitional Provisions The Senate added two transitional provisions to S 1883 The first, a new section 51 of the Act, provides that the new ten-year term of registration will apply to all marks registered on or after the effective date of the legislation, regardless of when the application for registration may have been filed

The second transitional amendment provides that the amendments made by the legislation will become effective one year following enactment of the legislation. Although this may seem excessive, the Patent and Trademark Office will need this time to promulgate necessary rules and to modify its automated systems to accommodate the intent-to-use application system

IV. CONCLUSION

The Trademark Law Revision Act embodies worthy legislative proposals that reflect two and one half years of participation and consensus-building in the private sector Its enactment will

1. modernize the forty-one-year old Lanham Act, clarifying its provisions, removing inconsistencies, conforming it to judicial interpretation and updating it to reflect modern day commercial realities,

2 reduce the advantage foreign nationals currently enjoy in obtaining U S trademark rights;

3 reduce the geographic fragmentation of trademark rights,

4 encourage greater use of the trademark registration system,

5 improve and make the trademark system more equitable for all trademark owners, whether they are small entrepreneurs or large corporations,

6 enhance the climate for investment by eliminating unnecessary and costly uncertainty for small and large companies in launching new products,

7 improve the reliability of the federal trademark registration system by removing from the register marks that are no longer in use,

8. create commercially-sound procedures for establishing trademark rights without altering the fundamental principles of U S trademark law,

9. promote fair competition by preventing others from trading on the goodwill that someone else has built in a truly famous and distinctive mark;

10 strengthen federal law against unfair competition,

11 provide the courts with a clearer basis for interpreting trademark and unfair competition law and for resolving trademark and unfair competition disputes, and

12 require no expenditure of tax dollars to implement

It is not surprising that the Trademark Law Revision Act has garnered the support and endorsement of so many trade, business and labor organizations, companies; law firms, and individuals. Moreover, USTA has every reason to believe that this support will continue to grow and strengthen

Mr. Chairman, USTA is pleased to give this legislation its full support and welcomes the opportunity to work with you and

the members of the Subcommittee in securing its early enactment into law. If passed this year, enactment of the Trademark Law Revision Act will represent a major accomplishment of this Committee and the 100th Congress

Thank You.

Mr KASTENMEIER Thank you for that brief statement The statement of your association in its entirety, of course, is a much longer and more explicit statement, and that will be, as we have said, part of the record

There are several issues I would like to solicit your views about Looking at H R 4156 and attempting to distinguish between legitimate parodies or any other First Amendment protected activities, you suggest that the bill will actually clear this up or at least make an effort to mitigate this problem, but since the bill really makes a broader, more nationwide standard applicable, doesn't it really make it worse? In what respect does it help us with respect to distinguishing between parodies and other First Amendment protected activities and activities that may legitimately be limited by this legislation?

Mr KAREKEN Mr Chairman, I think the USTA in its deliberation held very strongly that some legislation in this area would be important and that it is possible to make a distinction between those things protected by first amendment rights and those things which are clearly the kind of infringement that ought to be dealt with

However, we do realize the concern that was expressed on the Senate side, and we fully concur for the purposes of getting passage of the bill that those provisions be deleted from the bill

Do you have any comments Mr Gilson?

Mr GILSON Mr Chairman, I would only add that the courts are dealing with the problem on a fairly continuous basis with essentially unpredictable results However, we feel that with the principles of equity which apply in trademark litigation, the best solution is to let the courts draw the line between protected and unprotected conduct and omit the subject from the bill We never intended to encroach on any kind of first amendment safeguards

Mr KASTENMEIER With respect to consumers, the Lanham Act itself is not very explicit about whether consumers have standing to sue for violations of section 43(a) The Senate has retained current law on this issue Considering that consumers are very often the primary victims of false advertising and other section 43(a) violations, shouldn't we explicitly give them standing?

Mr KAREKEN Congressman, during the deliberation there was, again, extensive review of the standing aspect, and we recognize that the Lanham Act does have considerable interest and it is important for the protection of the consumer interest

We believe that the bill over the last 40 years has been successful vis-a-vis unfair competition as has been developed under 43(a) and has adequately addressed the consumer issues through the process of trademark and unfair competition litigation under the act, and we felt it was difficult to highlight any one particular aspect of standing, and that is why we agreed that limiting it to business was appropriately deleted The standing issue should be addressed by the courts, and in appropriate circumstances we believe the court will take it up

Jerry, do you have anything to add?

Mr GILSON Mr Chairman, the Lanham Act is essentially a business tort statute It is not, by its background or its nature and scope, a consumer fraud statute Consumer fraud is adequately

dealt with under a variety of State laws, and we see no reason to touch that Consumers have adequate recourse to various regulatory agencies that will help them

Secondly, if you open up the question of standing and consider adding consumers as a class of potential plaintiffs under the Lanham Act, you risk omitting other classes of potential plaintiffs For example, stockholders may want to bring derivative actions on the basis of some perceived injury to their corporation, and trade associations may and do wish to pursue claims on behalf of their members This is an area that is best left for further development by the courts It should not be addressed piecemeal in this bill

Mr KASTENMEIER I can appreciate why you take that position, but, on the other hand, from our perspective, it would seem desirable while we have the opportunity for comprehensively dealing with trademark laws to be fairly explicit about things rather than to leave some of the murky issues to future litigation if it is intended that consumers or stockholders of other corporations might have derivative suits and not have standing Maybe that is what we ought to say Or if we think they should have standing, maybe we ought to say that

Mr GILSON Mr Chairman, right now the subject is not addressed at all in either the existing statute or the proposed amendment I would suggest for the committee's consideration that it might be possible to deal with this in a committee report Right now a court can look at the existing section and hold that a consumer does have standing The courts have not been eager to grasp that nettle to date, and I would suggest that they be allowed to decide consumer standing based on the circumstances of the particular case

Mr KASTENMEIER Not necessarily to be contentious about this, but the point is that if the Congress now takes the opportunity to rewrite the statute to clarify a series of issues, many of which have been in the courts, it would seem that we would be vulnerable to criticism that, given this opportunity, we have failed to address a series of issues, and the question is, why would we have failed when given the opportunity legislatively to deal with issues that will have to be left with the courts?

Mr KAREKEN Mr Chairman, your point is well taken During the study, and it was extensive study, in the past two years, literally hundreds of issues were considered, including the issue of standing, and I realize that this committee has not necessarily had an opportunity before now to consider that We have felt that the bill, all along, was a consensus bill, and a number of issues have been left out because no consensus out there in the country genuinely has developed for them

Now it has come up very recently, and we are prepared—but unfortunately not in the context of this particular legislation—we are prepared, hopefully after passage of this act, to work with you to develop issues of standing and be prepared to work with you on introducing further legislation that has the kind of consensus that this bill already has

Mr KASTENMEIER Well, thank you, Mr Kareken

I would like to yield to my colleague, the gentleman from California

Mr MOORHEAD Thank you

In his prepared statement, Professor Brown states that the whole operation, meaning the work of your Trademark Review Commission, is unavoidably tilted towards stronger protection for trademark owners I would like to give you the opportunity to respond to this statement

Mr KAREKEN Congressman, could I give the opportunity to Mrs Hanna to respond to that?

Ms HANNA And I would like to respond by making three points If there is such a result, it should not be considered a harmful result Such stronger protection does not have as a corollary the diminishing of the rights of other groups, such as consumers We believe that the proposed legislation will improve the trademark system itself, and such improvement will benefit all groups—consumers, the courts, as well as trademark owners

Secondly, the Trademark Review Commission which conducted the study that resulted in this proposed legislation reflects a diversity of membership It was not a group that had leanings towards trademark owners The membership reflected industries throughout the country, both small and large, geographically dispersed It included specialists in trademark law, such as law firms and members of academia

Third, in conducting its study, the Trademark Review Commission conferred with and solicited the comments, opinions, and advice of many diverse groups, not only trademark owners We solicited advice and comments from many trade and professional associates, we spoke to representatives of the U S Patent and Trademark Office and had discussions with Government officials in other countries and other members of academia We think that we had a wide spectrum of comments and we did not solicit only the comments of trademark owners We believe that if there is a tilt, it is towards improving the trademark system as a whole

Mr GILSON Congressman, may I make one brief addition to that comment? In a typical trademark infringement case, there is a plaintiff and there is a defendant When I started out in the practice of trademark and unfair competition law many years ago, I considered myself to be a plaintiff's lawyer My orientation was in strongly in favor of protection of trademark rights Since then, more often than not I have become involved in defending against trademark infringement claims, as do many members of the trademark bar That position requires an attack on the enforcement of trademark rights, and an attempt to present reasons in court why injunctive and other relief should not be granted

So I think that you will find in the background of this project a more balanced view, not a tilt But, as Mrs Hanna suggests, if there is a tilt we believe that it is consistent with the settled public policy in favor of strong trademark protection Weak or no protection is not appropriate

Mr MOORHEAD Professor Brown goes on to suggest that the revised language of section 43(a) contains none of the restraints on obtaining a registered mark found in section 2 of the Lanham Act If we are to adopt the proposed revision of section 43(a) and extend the act's remedies to all actions brought under the section, are we

inappropriately minimizing the distinction between registered and unregistered marks?

Mr KAREKEN Mr Gilson

Mr GILSON I submit, Congressman, that we are not There is a great distinction between the rights which the owner of a federally registered trademark has and those which the owner of an unregistered mark has A registration carries with it all of the statutory benefits, from constructive notice to prima facie evidence of the exclusive right to use A registration may also become eligible for incontestability, which is the highest form of registration protection we have

On the other hand, an unregistered trademark owner has none of those benefits That distinction would remain in the legislation as proposed

Mr KAREKEN We also believe, Mr Moorhead, that there is a long standing body of laws as reported in Mr Gilson's book on unfair competition that has those very same limitations and restraints in large part, especially as to unregistered trademarks that are in the act itself as to the provision on registration So we are not sure that that is a genuine issue

Mr MOORHEAD In your prepared statement, you comment that you do not necessarily agree with the necessity of all the amendments the Senate adopted in passing its bill, S 1883 Would you identify the amendments that you believe are not that necessary

Mr KAREKEN Yes, sir Rather than identify them specifically, if you will permit, they really are addressed to the more technical and specific wording changes—for example, to strengthen what "bona fide" means by adding some words around "bona fide" That is the kind of issue we were talking about

We recognize that the substantive concerns that were expressed on the Senate side, like tarnishment disparagement, like material omissions, et cetera—we agree with those We are only talking about the other, more technical changes, and we are quite prepared to accept every one of those with the understanding that a bill can be done this year

Mr MOORHEAD Have you run into any opposition to the provisions that have been added to the Senate bill of any kind, not just organized but individual lawyers that are complaining about the compromises that have been entered into?

Mr KAREKEN Frankly, Mr Moorhead, no, we haven't There may be some testimony later today of which we are not specifically aware, but in the context of all of the discussions we have had and the very large stack of letters that we have gotten, based on the changes that have been made after the Senate, we are frankly aware of no opposition in that direction, none stated

Mr MOORHEAD Would you expand on the issue of dilution What is it, and why is the Federal provision important?

Mr KAREKEN I would like Mr Gilson to expand on it, if it is acceptable, sir

Mr GILSON Mr Moorhead, defining "dilution" is one of those difficult things in the trademark area The provision is in the House bill would create a category of specially considered trademarks which are very, very prone to being harmed and the distinc-

tiveness eroded through promiscuous use of the mark by other businesses

Dilution is a concept that has been around in the trademark and unfair competition field for many decades Over 20 States have their own dilution laws A problem as we see it today is that the injury to a famous trademark is likely to be much greater today than it was when this concept began If there is a promiscuous use and a mark is used by others, it tends to destroy the advertising value of the mark, the ability to license it, and the scope of its protection in court

At the present time, a trademark owner entitled to dilution relief really is faced with filing separate dilution actions in the States which have such laws In the history of trademark legislation in this country, uniformity has been a much sought after goal A Federal dilution provision, which is much more narrowly crafted than the State laws, is far preferable and would enable a trademark owner who met the very, very rigid requirements to obtain national relief in one action

Mr MOORHEAD Would you give us, so that everyone will understand it, a specific example of how you dilute a trademark and kind of follow it through

Mr GILSON Yes In a recent decision which is mentioned in the report which we prepared, the court gave several examples One was the use of the "Buick" trademark for aspirin products Now we all know the Buick trademark in connection with motor vehicles It is a well-known mark The use of the Buick trademark on a product like an over-the-counter drug which was advertised to the automobile-purchasing public would tend to detract from the distinctiveness of the automobile trademark, and the impact over time would be severely damaging to the "Buick" trademark

One court defined "dilution" as an infection, it is not a sudden injury, it is something which, if permitted to occur over a period of time, can have quite serious results with respect to the protectability of the trademark

Mr MOORHEAD Would you say that the rules on dilution that the various States have, rely on the tradition of trademark infringement issues, or are they something that is basically statutory?

Mr GILSON They are something that is basically statutory There are a few States that have held that under their common law there is a dilution claim, but that is the exception rather than the rule The State statutes are really quite broad They have no limitation, they have no explicit factors of the type which the bill includes which must be considered

What we have here in the dilution section of the House bill is, as I say, a provision that became very narrow during the Senate deliberations The factors which are considered in a dilution action under the dilution provision are very, very much the same as would be considered in a straightforward infringement action, excepting that likely confusion would not need to be proved What would need to be proved would simply be a material reduction of the distinctiveness of a famous trademark

Mr MOORHEAD Thank you all very much

Mr KASTENMEIER The gentleman from Virginia, Mr Slaughter

Mr SLAUGHTER No questions, Mr Chairman

Mr KASTENMEIER The gentleman from Ohio, Mr DeWine

Mr DEWINE No questions, Mr Chairman

Mr KASTENMEIER If there are no questions, I think that is all we have for you, and we thank you very much for your contributions this morning

Mr KAREKEN Mr Chairman and Members, thank you very much for the opportunity to be here

Mr KASTENMEIER Next what the chair would like to do is invite four of our witnesses to come up as a panel Professor Ralph Brown, Mr Bruce Silverglade, Ms Roberta Jacobs-Meadway, and Ms Debra Goldstein

We are always pleased to hear from Professor Ralph Brown of the Yale University School of Law He has provided the subcommittee with invaluable assistance in past years, and I am sure his remarks today will be equally helpful In fact, they have already been alluded to in part We also look forward to hearing from Roberta Jacobs-Meadway, a practitioner in the field of trademark law who has written extensively about many issues, and Mr Silverglade, the director of legal affairs at the Center for Science in the Public Interest, and, of course, Debra Goldstein, senior vice president and associate general counsel of Ogilvy and Mather Advertising

I would like to call first on Professor Ralph Brown I know that Professor Brown may have certain time constraints a bit later

TESTIMONY OF RALPH BROWN, SCHOOL OF LAW, YALE UNIVERSITY, BRUCE SILVERGLADE, DIRECTOR OF LEGAL AFFAIRS, CENTER FOR SCIENCE IN THE PUBLIC INTEREST, ROBERTA JACOBS-MEADWAY, ESQ, PANITCH SCHWARZE JACOBS & NADEL, PHILADELPHIA, PA, AND DEBRA GOLDSTEIN, ESQ, SENIOR VICE PRESIDENT AND ASSOCIATE GENERAL COUNSEL, OGILVY & MATHER ADVERTISING, ON BEHALF OF THE AMERICAN ASSOCIATION OF ADVERTISING AGENCIES, ACCOMPANIED BY THOMAS J McGREW, ARNOLD & PORTER, WASHINGTON, DC

Mr BROWN Thank you, Mr Chairman Thank you, also, for accommodating my other obligations I hope to be able to stay with the panel as long as it lasts because I hope we will have some good interplay and questions after we give our summarized statements

In view of what has been said about the range of support for this bill, I really feel rather isolated and I am reminded—there was a childhood story, I remember, of a Swiss hero named Arnold Von Winkelrie who, when confronted with a phalanx of German spearbearers, flung himself on their spears and transfixed enough of them so that his supporters were able to get through and disrupt the other side

I don't think we are in quite that hostile a position today, far from it, but I am reminded a bit of that livid childhood story

Nevertheless, I shall persevere The chief message I want to convey to your subcommittee is that I agree that this legislation is of considerable importance, and I think it is being moved on through the legislative process without sufficient consideration I will return to that central point

My own comments in my statement—and indeed, I do not feel confident to speak to some of the more technical aspects of the bill—are entirely focused on what is being done to section 43 Now, as we all know, section 43(a), after a long adolescence, became a really dominant feature of the Lanham Act in opening the door to a great variety of actions for unfair competition with respect to unregistered marks It has had special application in the literary and entertainment fields where registration often isn't appropriate, but where parties do have unfair competition or passing off kinds of claims that 43(a) has been very helpful in resolving

As the Commission said of section 43(a), "It has definitely eliminated a gap in unfair competition law and its vitality is showing no signs of age Why, one might ask, would one want to change it?" That is the question I want to put to you also Why does one want to change it? The Commission couldn't resist the opportunity I think, to fix something that ain't broke It proceeded to recommend some very important changes in section 43, particularly section 43(a) and also a new section 43(c), the antidilution provision that Congressman Moorhead just referred to

I want very briefly to run through—what I think are the five significant changes that H R 4156 proposes in section 43, with the apology that my statement deals with only three of those proposed changes That is because I was working—I got forehanded about this—and I was working with the bill as it passed the Senate I must confess, I just didn't realize that Congressman Moorhead, in the bill introduced by him and his numerous and distinguished cosponsors, put back in two of the things the Senate had knocked out So I will just refer briefly to those two also as I go along

Now, the first change is the expansion of section 43(a) itself, which I refer to in my statement It goes on with a whole lot of new language We have a whole new subsection applicable to "any act, trade practice or course of conduct in commerce which is likely to cause confusion, mistake or to deceive" and then some more verbiage We really have, so far as I know, no significant explanation in the legislative history, of what all these new words mean, nor have we, I think, any explanation in the very able report of the Commission

Then we go into what was the heart of 43(a), which only had 27 important words, enjoining "a false designation of origin or any false and misleading description or representation " That was the heart of old 43(a) The bill goes on to expand that in two important respects One is an addition which was knocked out in the Senate, but is before you again and will be addressed by one of my colleagues here on the panel, and that is the question of whether the omission of a material fact should be appropriate ground for an action under 43(a)

I will not myself say much about that except that as with these other expansions of 43(a), I have considerable problem with developing a groundwork for an inclusion of something of this scope It opens the doors to a greatly enlarged volume of litigation It seems to me that before the Congress does that in this bill, your committee, and others concerned, ought to consider the fact that this area of omissions of material fact is already entrusted to three administrative agencies with special competence in their various fields

The SEC deals with that with respect to security laws, the Food and Drug Administration with respect to food and drug laws, and the FTC with the rest of the world of possibly false advertising

I am, myself, not at all certain that this ought to be opened up for general litigation, although I know Mr Silverglade is going to take a different position on that Anyway, it is not in the bill as it emerged from the Senate, but it is one of the problems before you

The next major change is—and this is in the Senate version—that the bill would cover not only a defendant's representations about his own product, but also, three little words, "or another person's"

Those three words convert what was essentially an unfair competition law into a law which also takes in the whole common law of disparagement and trade libel I question again whether the Congress is ready to make that much of a change without further inquiry and development as to what will happen as a result of it

The next change is another one that was knocked out in the Senate That is a really catch-all provision which would make actionable any "disparagement or tarnishment" of the trade symbol Now, disparagement takes us right back to the "or another person's" language, and makes this a statute which covers any kind of disparagement of another person's goods, which 43(a) does not do at present I think the Commission agrees with this view, or else why did they sponsor this language here? As for tarnishment, that spills over into the last of the major expansions of 43(a), the addition of the whole new antidilution provision, section 43(c)

I suppose if tarnishment means anything (it is a word you see kicked around occasionally in trademark cases) if it means anything, it means something that tends to cut down the public appreciation and regard for a mark In that respect, I have great difficulty distinguishing the notion of tarnishment from the antidilution concept

Now, as to antidilution, that is a very vague kind of thing The example that Mr Gilson gave was a very easy one, a person using the famous trademark Buick on some supposedly unrelated goods, such as medicine The law—the cases as they stand—takes care of that Even though the goods are not related, if it is thought that the use of the mark on another person's goods would create an impression of sponsorship, that General Motors was sponsoring these pills, then that is actionable now

What those of us who are concerned about the spread of this antidilution notion are worried about is that it could be used to hit all sorts of non-trademark uses of the mark, on the ground that their use in other contexts would tend to cut down on the exclusive monopoly value of the mark Thus, for example, if you had somebody saying in an approving way, that their product "is the Coca-Cola of dog biscuits," that might have been meant approvingly by the person who says it But the Coca-Cola Company, which takes umbrage very readily, I believe, might very well take umbrage at that and say, "Dog biscuits? We don't want our name associated with dog biscuits," and bring a lawsuit I didn't mean that as a silly example However, things that are advanced as examples of dilution often come pretty close to it in sensing silly

More seriously, the enactment of Federal antidilution legislation would, I think, deal a death blow to comparative advertising which, in my opinion has become a very important part of the advertising scene in the last 15 or 20 years

Advertisers used to be too polite to each other, but I think the consuming public has been greatly aided in recent years by the fact that an advertiser says, "My product is better than"—not just Brand X, but naming Brand X and saying why I think that is all of advantage to the consumer, yet I can perfectly well see cases being brought saying that naming the competing brand dilutes the distinctive value of that mark

Now, I do have to say, one of the several salutary changes that the Senate made was that in the definition section, they amended it to say that the use would have to have a material effect on the distinctive quality of the mark That is much better than the original language which would forbid any diluting effect

Well, that is a very quick run-through on those aspects of section 43 that I think seriously change its contours What it does is to give us a whole Federal law of unfair trade practices It goes way beyond the familiar bounds of unfair competition I think your committee and the Congress—you have to ask yourselves whether the time is ripe or whether the time will ever be ripe, and you can look ahead, for a complete federalization of this body of law

I know the bill takes pains to say that it is not intended to be preemptive in the sense of excluding State law, but in my judgment, it would have the effect of supplanting, of superseding State law in this whole area, not only of unfair competition, but of a great variety of unfair trade practices as well

Judge Noonan, that very able judge of the 9th Circuit, in one of the few recent cases that rejected the application of 43(a) to a claim of a misstatement—briefly, the plaintiff was complaining that his movie had a PG rating and it was being widely advertised as having an R rating, which I would have thought might have enhanced its attraction in some circles Anyway, he was complaining about that He said the false R rating was damaging the reception of his movie and he wanted relief under the Lanham Act

Judge Noonan said, "No, that's going too far " He pointed out, in a very good terse opinion, in 812 F 2d at 1213, cited in my statement, that the purpose clause of the Lanham Act says it is to protect persons engaged in commerce against unfair competition He says, as we all know, that the statute, as it now stands, is directed against unfair competition He said that "Broadening the Act from unfair competition to unfair trade is equivalent"—and now he—Judge Noonan uses the word "dilution," "is equivalent to the complete dilution of the concept of unfair competition "

Mr Chairman and committee members, this body of law has always been a significant part of the common law It is true that the Federal influences in it have been heavy and at times pervasive, but it still is State law There are State laws against disparagement There are State laws against dilution They have been applied very cautiously One of my questions is, is there something wrong with those State laws? Why do we need an all-encompassing Federal law on the subject?

I believe it is something you should think twice or three times about before the Congress passes a statute which makes all of that law pretty irrelevant in that the Federal standards here are so loose and so extensive that there wouldn't be much point in ever bringing a lawsuit again under the State laws on this subject

So I think this measure covers more than meets the eye It is more than just a rehabilitation or bringing up to date the Lanham Act Section 43(a) especially goes way beyond the classic contours of the law of trademarks and of unfair competition

Now, what has happened? You have had this bill introduced in the Senate, as I say in my statement, with one day of hearings in the Senate So far, no publication of those hearings, nor of any committee report I just heard corridor gossip this morning that a committee report is in process, but it hasn't appeared yet The committee report is now about to appear, we are told, after the bill passed the Senate by a voice vote with only a very brief colloquy on the floor Now it becomes before your very hard-worked and overworked committee You have only been able to schedule this one session on it I would urge everybody to go slow and try to get other views

The people from the Commission say, "Oh, we've got lots of views" They say, "We've got views from academic people" Well, so far as I can tell from their report, only two such and only as regards particular aspects of the bill There are other people out there whom I urged your counsel to get in touch with It was the middle of summer, they just didn't answer I would urge you, Mr Chairman, to use the weight of your position to ask some of the leading academic authorities on unfair competition what they think of some of these measures Ask them, please to put their minds to it and submit something for the record so that you will have, I hope, some other views They may turn out to be wholly approving, but who knows? It now appears that Ms Jacobs-Meadway and I are the only people in the whole United States of America who have qualms about this bill

I can't believe that is so and so I just urge, go slow

Thank you

[The statement of Mr Brown follows]

STATEMENT OF RALPH S BROWN, BALDWIN PROFESSOR OF LAW EMERITUS,
YALE LAW SCHOOL, VISITING PROFESSOR, NEW YORK LAW SCHOOL
ON H R 4156, TRADEMARK LAW REVISION ACT OF 1988
SUMMARY

This bill, sponsored by a Review Commission of The United States Trademark Association, expectably inflates the reach of The Lanham Act It should be closely scrutinized to see if it is faithful to the goals of unfair competition law, namely to prevent consumer deception and promote competition This the law now achieves by recognizing distinctive trade symbols and checking their deceptive imitation

The bill proposes an expansion of Section 43 of the Lanham Act, of major but ill-defined scope Section 43 (a), as it now reads, has been generously interpreted by the courts over the last 20 years

But the Commission is not satisfied It wants to add more sweeping language condemning "any act, trade practice, or course of conduct likely to cause confusion, or to cause mistake, or to deceive" and so on, with no stated limitations

Section 43(a) has always been directed to false descriptions or representations about a seller's own goods or services Now the drafters have inserted three little words "or another person's" goods or services This concededly swallows up the common-law tort of disparagement It extends the federal law of unfair competition to make it a law of unfair trade practices, without any showing that state law is inadequate

Similarly, the bill in section 43(c) creates a federal remedy against any dilution of the distinctive character of "famous" marks For one thing, this could stifle competitive advertising 23 states have anti-dilution statutes, but 27 do not feel such a need The courts have been caution in applying those statutes The need for an all-encompassing federal law is far from clear

This bill is the most thorough overhaul of the Lanham Act since its passage in 1946 It is being pushed through with very skimpy consideration It has had one day of hearings in the Senate, with, I am told, only one Senator in attendance for most of it So far, no publication of those hearings, nor of any Committee report A few minutes of colloquy on the Senate floor, followed by a voice vote Now this one session before your over-worked subcommittee

That is not enough for a measure of such importance

STATEMENT OF RALPH S. BROWN, BALDWIN PROFESSOR OF LAW EMERITUS, YALE LAW SCHOOL, VISITING PROFESSOR, NEW YORK LAW SCHOOL

Before the Subcommittee on Courts, Civil Liberties and the Administration of Justice
Committee on the Judiciary
on H R. 4156
Sept. 8, 1988

TRADEMARK LAW REVISION ACT OF 1988

My appearance before the Subcommitte aims to raise questions about certain parts of the trademark revision bill, and to express concern over the rapidity of its consideration

I do not purport to be an expert on the technical aspects of trademarks. But I have been deeply interested in questions of public policy regarding the proper scope of protection for trade symbols for upwards of 40 years, as is evidenced by the title of my first law review article: "Advertising and the Public Interest. Legal Protection of Trade Symbols", published in The Yale Law Journal in May 1948, vol 57, page 1165 My casebook on Copyright and Unfair Competition is now in its fourth edition. My current collaborator on the casebook, Professor Robert Denicola of the University of Nebraska (who bears no responsibility for anything in my testimony) is the Reporter for the American Law Institute's current Restatement of the Law of Unfair Competition I have the honor of serving on the Advisory Committee for that Restatement

It is with real diffidence that I challenge any of the recommendations of the distinguished Trademark Review Commission of the United States Trademark Association. They are authentic experts, several of them are esteemed colleagues on the Restatement Advisory Committee. But I think the Subcommittee should take account of where they come from.

The United States Trademark Association proclaims itself "An Organization for the Development and Protection of Trademarks" It is composed of companies that are vitally interested in protecting their trademarks. Fifteen "regular" members of the Review Commission were from such companies, fourteen, from law firms, were listed as "associate" members Of the fourteen, one, J Thomas McCarthy, is primarily a law teacher; but he is also described as "of counsel" to a law firm. There was no one on the Commission who stands outside the trademark-protecting community. I don't remotely question the devotion of the Commission to the public interest - as they view it, but the whole operation was unavoidably tilted toward stronger protection for trademark owners

In the neighboring topic of copyrights, copyright owners usually confront copyright users. What the former get, the latter have to pay for. Changes in the legal framework of copyright are usually the result of compromise. There is no comparable constituency to resist expansion of trademark protection. The public interest in checking immoderate expansion is protected by the Congress and by the courts. When changes in the Lanham Act of 1946 are called for, the Congress has a vital role to perform.

As an outsider, I initially approach the recommendations of such a Commission with a degree of skepticism. My skepticism stems from the observation that goods and services with heavily promoted trademarks tend to cost more than their more obscure counterparts. Expanding protection of trademarks facilitates monopolistic differentiation of products and services. The law should always keep in focus the primary function of trademarks to distinguish the goods of one seller from those of another, thus facilitating competitive markets, and minimizing confusion and deception.

Anything beyond this tends to impair competition

I know that these dogmatic assertions about the economics of trademarks and advertising will be challenged. There is continuing controversy among economists about the effect on prices, output, and entry of advertising expenditures I suggest only that you scan a few shelves in your supermarket, and note the price differences between heavily advertised brands and private or chain labels That popular brands command significant premiums reflects a willingness of buyers to pay them. They have a variety of psychological and objective support. Every seller is free to aim for this kind of preferred position in the market Practically no one, certainly not I, challenges the freedom to develop an effective trademark as a vital way of identifying a product or service

But the search for exclusive rights in a trademark can be pushed to extremes that hinder competitive opportunities When marketers try to claim exclusive rights in symbols that are (in the view of others) the generic name of a product, when exclusive rights are claimed in descriptive symbols that have not in fact become distinctive, when exclusive rights are claimed in common colors, or in configurations that serve functional purposes, the public interest is disserved

When such tactics are employed, the public is confused by the assertion of exclusive rights; the language is impoverished by the monopolization of terms that other sellers should be free to use, informative comparative advertising is inhibited, and competitive copying is unduly restrained.

Such overreaching is now constrained in important respects by the Lanham Act and by the courts You cannot register a mark that has not become distinctive; you cannot get any protection for a

generic mark Comparative advertising has of late been flourishing The courts (imperfectly in my view, see my article on Design Protection in 34 UCLA Law Review 1341 (1988)) do attempt to allow imitation of functional characteristics of designs

My fears that trademark promoters will try to press beyond the legitimate boundaries of protectable marks are heightened chiefly by the extensive amendments that the bill before you proposes to make to section 43(a). I will confine my substantive criticisms to that section

Section 43(a), as the Review Commission wrote "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, and, in a recent controversial decision, violation of one's right of publicity 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?" (p 427).

Why indeed? Little heed has been paid to Judge Rubin's tart observation in Chevron Chemical Co v. Voluntary Publishing Groups, 659 F. 2d 695, 701 (5th Cir 1981) He wrote that it was anomalous "for Congress to enact an entire statute, forty-five sections in length, to define and protect trademarks by federal law and then in a passing reference to enact as federal the entire common law of unregistered marks and unfair competition."

The heart of section 43(a) is only 27 words, which make actionable "a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same" That is all The USTA Commission has added a great many more words. To what end?

First, we have a whole new subsection, applicable to "any act, trade practice, or course of conduct in commerce which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another, or to the origin, sponsorship, or approval of his goods, services, or commercial activities by another "

Where does all this verbiage come from? What is it suppposed to mean? Note that it contains none of the restraints on obtaining a registered mark that is found in section 2 of the statute This is only the first of many instances on which, as I shall urge later, much richer legislative history is needed.

Then the new version goes on, adding "or", --not "and", but "or" -- to encompass the key words of existing 43(a), still further embroidered

"(b) by use of a false designation of origin or of a false or misleading description or representation, misrepresents the nature, characteristics, or qualities or his or another person's goods, services, commercial activities or their geographic origin "

Buried in the embroidery here are three little words that enormously expand the reach of the subsection: "or another person's" "goods, services", etc Misrepresentations thus become actionable if they relate to plaintiff's own product.

The prevailing view, as candidly stated by the Review Commission, is that 43(a) does not reach false statements about a competitor's product. With good reason, for the Commission is also candid in admitting that reading Section 43(a) in its way "impinges on state laws of trade libel and product disparagement." (Report, pp 429-30) It not only impinges on these state-law torts, it blankets them. The Commission generously denies any preemptive intention. Understandably, it does not want to have trademark plaintiffs miss any opportunity to invoke extravagantly generous state doctrines or remedies. But, by providing an unqualified federal cause of action for disparagement, it overrides any limitations on these common-law torts, and ignores the possibility that there may be First Amendment constraints on trade libels, in the wake of New York Times v. Sullivan, 376 U S. 254 (1964).

This flowering of Section 43 becomes even more effulgent when a new sec. 43(c) bursts into bloom (sec 43(b) is of no concern) Section 43(c) is a federal anti-dilution statute in favor of "famous marks", permitting an injunction against any use of such marks which will dilute their distinctive character

Now, there is already powerful protection for powerful marks Their protection is usually a state-law matter, unless the question is one of denying federal registration to a mark that comes too close to a famous registered mark (for an entertaining and disputable denial of such relief, see the very recent case of B V D Licensing Corp v Body Action Design, 846 F 2d 727 (Fed Cir. 1988) ("B.V D." could not stop the registration of "B.A.D.").

Twenty-three states, as the Commission tells us, have anti-dilution statutes; but, as the Report wistfully concedes, protection under them has been "fitful " So, the Commission not surprisingly wants a federal remedy, and has proposed one that is fairly carefully drawn -- if one thinks federal anti-dilution relief is called for.

Is there something backward about the courts in the 23 states with anti-dilution statutes, or about the courts and legislatures of

the 27 states without such statutes? Is it possible that anti-dilution laws are not a very good idea? Is it really the business of the Congress of the United States to confer special protection on "famous" marks, leaving less-than-famous marks to fend for themselves? Do the sponsors of Section 43(c) hope to put down the use of "famous marks" in parodies, in comparative advertising, in fair comment?

The tilt of these questions suggests my own preferences; but I cannot carry through a debate on dilution in the confines of this hearing. That leads me to my overall problem with this legislation -- the inadequate attention it is receiving.

In the short space of 25 years, the explosion of Section 43(a) has indeed gone far to create a federal law of unfair competition This bill extends and expands that trend

If it is enacted, I predict that state law will atrophy, it will have little or nothing to offer.

Is this Congress ready, and sufficiently informed, to take such a step? Other proposals of the Commission that may have merit relate to the registration of trademarks: a matter once thought to be the raison d'etre of federal law in this field This measure, however, will minimize differences between registered and unregistered marks* -- except that you can't be "famous" unless you're registered!

To be sure, there has long been tension between state and federal unfair competition law. The doctrines have historically been rooted in state law At the same time, their development has disproportionately flowed from the federal courts. This had occurred long before Section 43(a) The many actions on behalf of registered marks, the existence, before Erie v. Tompkins, of a general federal common law, and the preeminence in the field of federal judges, notably Judge Learned Hand, all these influences gave the subject a distinctly federal cast.

Meanwhile, national advertising, augmented by mergers and other forces of concentration, has brought about the domination of the big company with the big trademarks, on a national and indeed a global scale.

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*In passing I would note with disfavor the proposed extension to unregistered marks of all the remedies available to owners of registered marks, an extension pushed by the Commission and reflected in amendments to Sections 34, 35, and 36 It seems to me that a trademark that evades the long-established criteria for registration should not be given such first-class treatment

Conceivably, these big national players are entitled to protection by a uniform body of national law Still, both the propriety of such a transformation, and the content of that national law, deserve reflective consideration. Will middle-sized sellers, already harried by takeovers and threats of takeovers, have their interests adequately safeguarded if their massive rivals can drag them willy-nilly into the federal courts? In one of the few recent cases resisting the judicial expansion of Section 43(a), Halicki v United Artists, 812 F.2d 1213 9th Cir. 1987, Judge Noonan thoughtfully observed that it threatens to become "a federal statute creating a tort of misrepresentation". "Broadening the Act from unfair competition to unfair trade is equivalent to the complete dilution of the concept of unfair competition", 812 F 2d at 1214 Is the Congres sufficiently informed to take that leap in legislation?

I respectfully suggest that it is not I am aware of and wholly sympathetic to the over-full platter that gets put before this subcommittee; the same is I daresay true in the other body But I urge you to reflect on the skimpy consideration this measure — the most thorough overhaul of the Lanham Act since its passage in 1946 — has had. What does the record show?

One day of hearings in the Senate, with, I am told, only one Senator in attendance for most of it. So far, no publication of those hearings, nor of any Committee report. (I am glad to acknowledge that the Committee did make changes in the Commission proposals - and salutary ones.) A few minutes of colloquy on the Senate floor, followed by a voice vote. There was a telling recital, by the sponsor of the Senate bill, of the work that had gone into it -- "thousand of hours of work" he said," over the past 2 1/2 years". I do not doubt that for a moment; but I am equally confident that 99 and 44/100s percent of that work was done by and for the Review Commission. As I said at the beginning of this statement, I do not for a moment doubt the good faith and good intentions of that Commission; but I again invite you to look at its composition, and I urge you finally to try to get other views than those of trademark owners and their allies.

Mr KASTENMEIER Thank you, Professor Brown

Is there any part of the bill that you think is needed at this time?

Mr BROWN I think that an intent-to-use approach has real merit In her statement, Ms Jacobs-Meadway points out rather persuasively some flaws in the proposed procedure before you, but the whole present—well, I will just call it a racket—racket of multiple registrations and token use is an abuse of the whole system If an effective intent to use procedure could be worked out, that would put behind us the business of big companies putting in for dozens, scores, maybe hundreds, of marks that they have no real intention of using But I really don't feel competent to comment on the details of that

I do think that an intent-to-use provision might be desirable I am certainly in favor of the suggestion that clears out the deadwood by making you renew every 10 years I think that is a good provision I am sorry to see something in here which bolsters up the supplemental register, because I think the supplemental register is pretty useless anyway It just leads to a sort of misleading use of the R symbol by people who don't really have a trademark That is something else I am doubtful about I don't really want to go into that

Yes, there are lots of provisions here which I think may be meritorious, but I hesitate to go into them because I don't feel that I have the technical competence to do so

Mr KASTENMEIER Thank you At this point, I think we will go on to Mr Silverglade Mr Silverglade, we would like to hear from you, sir

Mr SILVERGLADE Good morning Bruce Silverglade from the Center for Science in the Public Interest

I would like to thank the entire subcommittee for providing us the opportunity to testify, and in particular for devoting time to the small but significant section of this legislation that deals with deceptive advertising

Since my organization was formed in 1971, we have been very concerned about the impact of deceptive advertising on the public health and welfare As we have all heard, section 43(a) of the Lanham Act does provide a cause of action to challenge false or misleading advertising

This section of the Act actually constitutes a vitally important portion of the framework for advertising regulation that exists in this country today because it is the only Federal law that creates a private right of action, that allows those who are injured by deceptive ads to go directly to court No other Federal statute accords a private right of action and very few State laws accord a private right of action

Now, there are two specific areas in H R 4156 that we are concerned about The first involves whether omissions of material information from advertising, as opposed to simple affirmative misstatements or false statements, constitute a cause of action under the statute We support the work of the United States Trademark Association's Review Commission which really looked at the existing case law in this and other fields and codified or restated the existing case law According to the USTA, omissions of material

facts have been recognized as a cause of action under the statute In fact, there are many cases like this One of the ones that comes to mind is the case where an advertiser promoted his product as favorably reviewed by Consumer Reports magazine, but conveniently left out the date of that article and a more recent article in the magazine had not been so praise-worthy of the advertiser's product

There are cases involving record albums where a musician's picture was put on the record album, a recent picture, and yet the songs on the album were very old songs that were recorded before the star became famous and the record album cover omitted this information

So there are many examples of this and the courts have long recognized this cause of action We really can't understand why the advertising community is now opposing it They certainly have learned to live with this It is really their own members who have brought these suits in Federal court and achieved the proper remedies from the judicial system

The concept of omissions of material information goes way back Congress recognized this 50 years ago in the Federal Trade Commission Act and the Food and Drug Administration Act and it is really not surprising that the Federal courts have also interpreted the Lanham Act as also providing for similar cause of action, as was in these other statutes, and so there is really nothing wrong or nothing new about codifying that at this time

Consumers really are no less injured by deceptive advertising arising from half truths than by blatantly false statements That is why we feel it is so important, as the USTA does also feel, to codify this provision

There is also one other matter that we are concerned about and it is a matter that the USTA Review Commission did not have an opportunity to take a look at, and that is whether consumers, as opposed to commercial competitors, have standing to bring cases under the Act As I mentioned, this is the only Act that accords a private right of action to anybody, but does that include consumers?

The USTA said it was beyond the scope of its Review Commission's activities to take a look at this and suggested hearings on this issue and we are very pleased that this subcommittee is holding this hearing

It is very important that consumers have standing First, I think that was Congress' original intent back in 1946 because the statute does say "Any persons who's injured" Unfortunately, an influential Court of Appeals in the 2nd Circuit interpreted those plain words, "any person," to exclude the individual consumer because they feared that there would be a flood of cases brought by consumers and that the courts really wouldn't be able to handle that

Whether that was true at the time of that decision, it is certainly not true now These cases are very expensive to bring They probably cost at least $25,000, if not $50,000 or more, to litigate this kind of case and consumers are not going to waltz into court on any light issues In fact, many seriously aggrieved consumers would probably not be able to afford to bring this type of case So

the original rationale of the courts for locking consumers out is really not applicable any longer

Consumers need standing under the Lanham Act now more than ever The traditional agencies consumers relied on for help in this area, the Federal Trade Commission, have really cut back their activity and this has occurred really over two decades During the Carter administration, for example, the Federal Trade Commission focused on rulemakings which attempted to set boundaries for advertising in whole particular areas, food advertising, drug advertising and so forth, and really ignored its traditional case-by-case adjudication function

Unfortunately, due to the change in the administrations and the bias against rulemaking, these regulations were never finalized Then, in the Reagan Administration, the FTC really steered away from aggressive enforcement of any sort It issued a policy statement redefining what it deemed to be a deceptive trade practice and most people agree that this narrowed the law, and the cases that have been brought involved outright fraud, but really cases against traditional misleading advertising have not brought That is, I think, the consensus of the advertising community as well as the consumer community

So, consumers have really been left without their traditional agencies that are active in this kind of area The business community has also recognized that the Federal Trade Commission isn't patrolling the marketplace and that is why the business community has increased its use of the Lanham Act and there has been a great increase in the number of deceptive advertising cases brought under the Lanham Act in recent years

But consumers haven't had this option, and I think it was the original intent of Congress that they do have the option and I hope that while the Trademark Association has not had an opportunity to include this issue in its report, that the subcommittee takes a look at this issue and gives consumers the rights that are appropriately theirs

That is all and I would be pleased to answer any questions

[The statement of Mr Silverglade follows]

TESTIMONY

on H R. 4156

THE TRADEMARK LAW REVISION ACT OF 1988

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
Bruce Silverglade, Legal Director,
and Charles Mitchell, Staff Attorney,

* * *

U. S House of Representatives
Washington, D C.

September 8, 1988

SUMMARY

CSPI is a non-profit, consumer advocacy organization We began operating in 1971, and are now supported by more than 110,000 members nationwide Since we began operations, we have been concerned about the impact of false and misleading advertising on the public health and welfare.

H.R. 4156 provides important opportunities to make Section 43(a) of the Lanham Act more effective by clarifying the effect of court decisions that have interpreted the current version of the law In particular, we support Section 28(a)(1)(B) in H R 4156 which codifies court decisions that have held that omissions of material facts in advertising constitute a cause of action under the Act Although this wording merely codifies existing law, the advertising industry is pushing for its removal. We urge the Subcommittee to reject such pressure

H.R 4156 also provides important opportunities to resolve disputes among the courts that have issued conflicting interpretations of the current version of the law In particular, courts have disagreed about the rights of consumers to bring actions under the Act. We believe that Section 28(a)(1)(c) in H R 4156 mistakenly resolves this dispute by limiting standing to sue to commercial competitors. This limitation is not in accord with the recommendations of the U S Trademark Association (USTA) Review Commission, and a similar restriction in the Senate version of this bill was dropped in committee We urge this Subcommittee to do the same.

Good afternoon. My name is Bruce Silverglade I am Legal Director of the Center for Science in the Public Interest Joining me today is Charles Mitchell who is a staff attorney with our office. We would like to thank the Subcommittee for providing us with the opportunity to testify on H.R. 4156, the Trademark Law Revision Act of 1988

CSPI is a non-profit, consumer advocacy organization We began operating in 1971, and are now supported by more than 110,000 members nationwide Since we began operations, we have been concerned about the impact of false and misleading advertising on the public health and welfare Our advocacy work includes identifying misleading ads, calling them to the public's attention, and formally petitioning regulatory agencies, such as the Federal Trade Commission, to take legal action against the perpetrator In recent years, we have also worked with state attorneys general, who have stopped more than a dozen deceptive major national advertising campaigns that we have brought to their attention

In the course of our work on deceptive advertising, we have become interested in Section 43(a) of the Trademark Act of 1946, also called the Lanham Act1, which provides a cause of action to challenge false or misleading representations in advertising. This section of the Lanham Act constitutes a vitally important portion of the framework of advertising regulation in this country today because it allows those injured by false or misleading advertising to seek a remedy directly in court No other federal

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1Codified at 15 U.S C §1125 (a)

statute, including the Federal Trade Commission Act2, accords such a private right of action Thus, there is no question that the Lanham Act plays a unique role

H R 4156 provides important opportunities to make Section 43(a) more effective by clarifying the effect of court decisions that have interpreted the current version of the law In particular, we support Section 28(a)(1)(B) in H R 4156 which codifies court decisions that have held that omissions of material facts in advertising constitute a cause of action under the Act Although this wording merely codifies existing law, the advertising industry is pushing for its removal We urge the Subcommittee to reject such pressure

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2Codified at 15 U S C. §§41-58

3The United States Trademark Association Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Reporter 375, 427-28

4S 1883, 100th Cong 2d Sess (1988).

Subcommittee to do the same

- STANDING TO SUE

We would first like to address the issue of standing to sue Section 43(a) of the Lanham Act currently states that a person who believes that he or she is, or is likely to be, damaged by the use of a false description or representation, which includes false and misleading advertising, may bring an action under the statute Unfortunately, some federal courts have ignored the plain wording of the statute and have held that only commercial competitors have standing to sue.5

The original version of the Senate bill mistakenly sided with these decisions and limited the right to sue to one who is damaged "in his business or profession " However, in committee, the Senate deleted this wording and preserved the status quo6. Yet, the status quo is not satisfactory, as many courts still misinterpret the plain language of Section 43(a) as prohibiting the consumer from bringing an action under the Act.

Thus, the Subcommittee should not only delete the words "in his business or profession" as the Senate did, but should also adopt a clarifying amendment that makes it clear that consumers do have a right to sue. This can be accomplished by adding after the words "any person," the words "including an individual consumer "

5See, e.g., Colligan v Activities Club of New York, Ltd , 442 F 2d 686 (2d Cir 1971) Cf. Arensen v Raymond Lee Organization, Inc 333 F. Supp 116 (C D. Cal. 1971).

6S 1883, §35 See 134 Cong Rec S5873 (daily ed. May 13, 1988)

This action would be consistent with the recommendations of the USTA Review Commission which stated:

> No doubt there are many categories of non-commercial litigants who could make a persuasive standing case A court should be able to make a determination with all facts before it 7

Consumers need standing under the Lanham Act to protect themselves from misleading advertising for several reasons First, during the past two decades, the Federal Trade Commission has gradually abandoned its traditional role of bringing cases to prohibit false and misleading advertising.8 In the mid 1970s, the FTC shifted its focus away from case-by-case enforcement actions to time consuming rule-making efforts aimed at defining more specifically those practices which violated the FTC Act The increased use of rule-making depleted the agency's resources that otherwise would have been available for actions against specific misleading advertisements. Unfortunately, most of the proposed rules were never adopted

In the 1980s, the FTC rejected the rule-making approach, but did not resume traditional case-by-case enforcement activities either. Instead, it issued a policy statement redefining the nature of deceptive trade practices that, in effect, limited FTC

7USTA Review Commission Report and Recommendations, supra n 3, at 428.

8Note, Consumer Standing to Sue for False and Misleading Advertising Under Section 43(a) of the Lanham Trademark Act, 17 Mem St U L Rev 417, 432-35 (1987)

enforcement to cases involving outright fraud 9 As a result, numerous instances of misleading advertising were ignored

The business community has recognized that it can no longer rely on the FTC to patrol the marketplace and hence has begun bypassing the agency by seeking a remedy directly in court under Section 43(a) of the Lanham Act Consumers, however, do not have this option in most jurisdictions and have been unable to seek remedies ensuring truthful and non-misleading information in advertising

Congress did not intend for the consumers' right of redress to rise and fall with the current trends in consumer protection regulation An injured consumer should be able to bring a private action on his own behalf, and should not depend on the FTC's fluctuating enforcement policies.

The need for a private right of action for consumers is even more apparent in light of the recent decline in voluntary self-regulation by the business community The National Advertising Division (NAD) of the Better Business Bureaus, which until recently had reviewed approximately 150 challenges to deceptive advertising per year, is now handling only about 90 such cases annually.

The broadcast standards offices of the major television networks, which in the past have reviewed consumer complaints regarding specific commercials, have suffered tremendous cutbacks

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9Letter from James C Miller III to Honorable John D Dingell (October 14, 1983), Appendix to Cliffdale Associates, Inc , et al , 103 F.T C 110, 174-184 (1984).

Approximately a year and a half ago, the staffs of these network offices were cut from one-third to one-half Additional slashes of this magnitude are planned for the near future. CBS has reportedly slashed its staff from 80 to 15, and by the end of the year NBC may have only three full-time reviewers of advertisements when in the past that network employed at least 20 such individuals10

Nor can consumers rely on state laws to challenge deceptive advertising Only twelve states have adopted some form of the Uniform Deceptive Trade Practices Act which provides consumers with a private right of action 11 Furthermore, such actions are effective only within the boundaries of the issuing state

Courts which have held that consumers do not have standing to sue under Section 43(a) have stressed their fear of opening the federal court system to a flood of consumer claims.12 Some commentators consider this the principal factor prompting courts to deny consumer standing However, it is unlikely that the minimally damaged consumer would bother to bring an action under Section 43(a) The expense of litigation, often $25,000 to $50,000 or more, will deter even some seriously defrauded consumers from bringing claims As a practical matter, only a few organized consumer organizations with sufficient funding, or the

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10"Network Censors are Relaxing their Grips," USA Today, p 3D, August 29, 1988

11Note, Consumer Standing, supra n. 8, at 436.

12See, e g , Colligan, supra n 5, 442 F 2d at 693.

rare class action attorney willing to bankroll complex litigation, will be able to bring such cases Thus, as a practical matter, it is very unlikely that the courts would be flooded with *Lanham* Act cases should Congress clarify that consumers have the right to bring an action under the Act

- OMISSIONS OF MATERIAL FACTS

The second matter we would like to discuss in some detail is whether omissions of material fact in advertising should create a cause of action under the Act

CSPI supports Section 28(a)(1)(B) in H.R 4156 which expressly provides that civil liability for false advertising under Section 43(a) of the Act may result from "omission of material information." The Senate committee deleted this provision because of concerns that "it could be misread,"13 but did not mean to "condone" deceptive advertising by "material omission."14 We urge the House to retain this provision which clearly and appropriately codifies well-established, sound judicial interpretations of the Act Any concerns that this provision may be misread should be remedied by clarifying report language, not by wholesale deletion of the provision from the bill itself.

The USTA Review Commission supports Section 28(a)(1)(B) The

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13 134 Cong Rec S5869 (daily ed May 13, 1988)(statement of Senator DeConcini) The committee was concerned that the provision could be misread "to require that all facts material to a consumer's decision to purchase a product or service be contained in each advertisement "

14Id.

Commission included this provision among proposed revisions to Section 43(a) that were intended "to prevent judicial back-tracking" and "to conform the language to the expanded scope of protection applied by the courts "15

Courts and leading commentators have long included failure to disclose material facts among the basis for false advertising liability under the current version of Section 43(a) 16 For example, one court held that Section 43(a) prohibits ads that touted a favorable review of the advertiser's product in Consumer Reports, but failed to disclose that the magazine's more recent review was less favorable 17 In several other cases, injunctions have been ordered against displaying a recent photo of a star singer on a record album cover without revealing that the songs on the album were all recorded years before he achieved stardom 18

15USTA Review Commission Report and Recommendations, supra, n 3, at 426.

16 American Rockwool, Inc. v Owens-Corning Fiberglas, 640 F.Supp 1411, 1440 (E D N.C 1986), U-Haul Intern., Inc v Jartran, Inc., 522 F Supp 1238, 1247 (D Ariz 1981), aff'd, 681 F.2d 1159 (9th Cir 1982), Bohsei Enterp. Co , U S.A. v. Porteous Fastener, 441 F Supp 162, 164-65 (C D. Cal 1977), Amana Refrigeration v. Consumers Union of U.S., Inc., 431 F.Supp 324, 325 (N.D Iowa 1977), Skil Corporation v. Rockwell International Corp , 375 F.Supp 777, 783 n.11 (N.D. Ill 1974), 1A R Callman, The Law of Unfair Competition, Trademarks and Monopolies 5-32 (1981), §5 04 See also Consumers Union of U.S v. General Signal Corp , 724 F 2d 1044, 1052 (2d Cir 1983)("The Lanham Act protects against distortion through selective excerpting.")

17 Amana Refrigeration, n. 16, supra

18 CBS Inc v Springboard Intern Records, 429 F.Supp 563 (S D N Y. 1976), CBS, Inc v Gusto Records, 403 F Supp 447 (M.D Tenn 1974); Rich v RCA Corporation, 390 F Supp 530 (S D N Y 1975)

Such cases belie previous assertions by counsel for the Association of National Advertisers that "courts have uniformly held that Section 43(a) does not apply to omissions "19 Nothing could be further from the truth.

Courts that have declined to find liability based on omissions have generally done so based on the particular facts, not as a matter of general principle. These decisions typically state only that the particular disclosure at issue was not called for under Section 43(a) because there was no evidence that consumers interpreted the ad to make the alleged misleading representation that the plaintiff claimed needed to be remedied by a disclosure 20 Even one court that viewed the lack of an express reference to material omissions in Section 43(a) to imply that the provision does not encompass them, acknowledged the record album cases and conceded that Section 43(a) liability does exist when the advertisement creates a false inference "that can only be

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19 Memorandum of March 13, 1988 from Thomas J. McGrew to Daniel L Jaffe, Senior Vice President of ANA, (attached to letter of March 14, 1988 from Mr Jaffe to Honorable Dennis DeConcini), at 1 (emphasis added).

20 See, e g , Ragold, Inc v Ferrero, U S A., Inc., 506 F Supp 117, 128 (N D Ill 1980)(no evidence suggested that viewers were misled), McNeilab, Inc v. American Home Products Corp , 501 F Supp 517, 532 modified on other grounds, 501 F Supp 540 (S D.N.Y 1980), (surveys showed very few people interpreted ad to communicate the alleged misleading message, failure to inform consumers of something is "not per se a misrepresentation actionable under section 43(a)") See also Alfred Dunhill Limited v Interstate Cigar Company, Inc , 499 F 2d 232, 238 (2d Cir 1974)(no Lanham Act relief for omission "under the circumstances of this case")

cured by a statement correcting that misapprehension "21

Thus, judicial interpretation of Section 43(a) has drawn clear lines on liability for failure to disclose facts These cases make it clear that only omission of facts that are intrinsically important given the nature and purpose of the product, or facts that are materially important given the express or implied representations that the advertiser has chosen to make, warrant liability There is no rason why the Subcommittee should not codify these sound judicial interpretations of the Act.

These interpretations also closely, and wisely, track the scope of liability that Congress provided for 50 years ago, in two analogous statutes the Federal Trade Commission Act (prohibiting deceptive advertising of foods, drugs, cosmetics, and medical devices) and the Federal Food, Drug, and Cosmetic Act (prohibiting deceptive labeling of the same). In determining whether an advertisement or label is misleading, both acts require an analysis of "the extent to which it [the ad or label] fails to reveal" facts that are material either "with respect to consequences which may result" from using the product, or "in light of representations" made by statement, word, design, or device.22

The advertisers concern that "omission of material

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21 Universal City Studios v. Sony Corp of America, 429 F.Supp. 407, 410 (C D Cal 1977)

22Section 15(a)(1) of the FTC Act as amended, codified at 15 U S.C. §55(a)(1), Section 201(n) of the FFD&C Act, codified at 21 U.S.C §321(n).

information" might be "misread" amounts to nothing more than a fear that federal courts cannot be trusted to interpret what is "material." This fear is completely unfounded in light of judicial interpretation of Section 43(a), plus a half-century of interpretation of the material omission provisions in the FTC Act and FFD&C Act, all readily available to any court which faces difficult or novel issues 23

Counsel for the Association of National Advertisers has also disingenuously claimed in the Senate that a "material omissions" standard could be "very difficult for the courts to administer."24 In fact, however, this very standard has been administered by the FTC for 50 years and the matter has not even been raised in the controversial and prolonged debate over reauthorizing the agency

Consumers and competitors are no less injured by deceptive advertising arising from half-truths than by blatant fraud or clever false innuendo An honest, efficient marketplace requires protection from all of these deceptive advertising techniques Expressly providing for liability based on "omission of material information" will serve this end by codifying numerous court decisions that soundly hold that Section 43(a) reaches the same range of deceptive practices as other statutes that prohibit false advertising and labeling. We strongly urge the Subcommittee to

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23 See 3 Trade Reg. Rep (CCH) §§ 7,545-7,561 (13th ed 1988); Food Drug Cosm L. Rep (CCH) §§ 4,019, 50,121, 70,115 (1984-85)

24 Memorandum of March 13, supra n 19 , at 2 & n. 3 (citing without explanation International Harvester Co , 104 F T C 949 (1984))

retain this provision

We wish to thank the Subcommittee for this opportunity to testify and would be pleased to answer any questions.

Mr KASTENMEIER Thank you, Mr Silverglade

I would like to now call on Ms Roberta Jacobs-Meadway

Ms JACOBS-MEADWAY Thank you, Mr Chairman, and thank you to the members of the committee for the opportunity to be heard

I believe my prepared statement is of record and I won't bother to repeat anything that I put in that statement

What we have here is a proposed revision to the Trademark Act that, in two very important respects, turns the entire trademark jurisprudence essentially on its head Those areas are the intent to use and the dilution provisions

The intent-to-use provision is creating rights based on the filing of an application Those rights become final once a registration issues after some use is made How much more extensive that use may be than a token use is unclear There is a lot that is left here for judicial determination afterwards

But as I read the bill that is presently before the House and the bill that was passed by the Senate, someone who files an application has the right to bring an action for trademark infringement without ever having used the mark As I read the bill that is presently before the House, you have a situation where a company may file multiple applications for the same proposed product and keep these applications pending for a period that may exceed six years You have a situation where the Trademark Office, which examines the applications that are filed, is left to examine an application in a vacuum

At the present time, when an application is examined, to determine whether it falls within the criteria for registerability, the Trademark Office examiner has specimens, has labels, can request additional information so that it may be ascertained, is the mark merely descriptive? Is the mark in any way deceptive? Is there an issue of—does the mark have any surname significance?

The provision as it presently stands strips from the Patent and Trademark Office examiner information which may be of greatest assistance in determining whether a mark is entitled to registration Now, thereafter, when the statement of use is filed, as I read the report from the U S Trademark Association, the examining trademark attorney is precluded from going back and raising issues as to descriptiveness, surname significance, geographic descriptiveness The only thing that is supposed to happen is you look at the mark and you look at the specimens and, yes, the mark is owned by the applicant, yes, it is a trademark use, all right, the registration issues

Now, the competitor, the potential opposer, has one shot at opposing the issue of registration on the application That is when the mark is published for opposition purposes Under the system as proposed, that happens before the mark is actually used So, in advising a client whether or not to go to the expense and the trouble of opposing an application, counsel is operating in a vacuum, the potential opposer is operating in a vacuum and the Trademark Trial and Appeal Board that rules on this issue is operating in a vacuum Thereafter, the registration issues and the applicant has rights going back to the date the application was filed

There are a lot of practical problems that are not addressed anywhere One of the things that the U S Trademark Association

report states, and it is at page 13, is that a person who initiates use of a mark subsequent to another person applying to register the mark could easily have learned of the application by searching the PTO's Trademark Records before it commenced use

We do an initial screening search for our clients through the TrademarkScan data base If I get on that computer today, applications available for search are current only as of July The last time I looked, it was July 20 If an application was filed yesterday, last week, or 4 weeks ago and a search is done, there is no way of knowing that that application was filed When an application gets filed, it goes into the mailroom and it takes a while before it is on the tram-system and available for search

In the meantime, you have companies that are looking for guidance You have a situation where a major company may be perfectly willing to search 50 marks before finding one that is clear and go back and do two more searches at different points in time before going forward with its own program That puts an intolerable burden on the smaller company

The problems of the smaller company, as I see them, and we represent both large and small companies in our practice—the problem is aggravated with the dilution provision At one time, the antidilution provision, as proposed, would have protected unique marks

I understand what a unique mark is When it comes to famous marks with different factors, all I see is an invitation to litigation and an invitation to uncertainty What is a famous mark? A mark can be famous if it is initially descriptive, but has secondary meaning A mark could be famous in a limited geographic area A mark becomes famous if some judge is convinced that in that area, that local company's mark is famous

Now, when you are attempting to develop a system with nationwide rights, that kind of uncertainty puts an intolerable burden on a company that is looking to select a new mark

If I go into the Trademark Register today, I may find five separate registrations for Kent for a variety of products Kent may be most familiar to most people in connection with cigarettes There are five other Kents out there Kent is a common surname Is Kent still a famous mark that is subject to protection under the dilution provision? It is anybody's guess and it is up to some court to decide, but some company is going to have to take the risk of litigating it

If there is no likelihood of confusion, if somebody else goes out and markets Kent bicycles and Kent machinery and Kent dog food, where is the injury to the Lorillard Company if somebody else wants to go forward with Kent baseballs?

You have a situation where, with no real tangible injury, you are creating a tremendous weapon Now, in this connection, I would just raise one other point and Professor Brown raised it initially

Assuming disparagement and tarnishment are taken out of the bill, you have the dilution provision providing a backdoor entry for the whole issue to come in again I say this primarily in the context of fair, nondeceptive, nonmisleading comparative advertising, where any use of another company's trademark may subject an advertiser to a claim or liability under the dilution provision because fair comparative advertising may, in fact, be negative It may

dilute the distinctiveness of a mark It takes from the trademark owner control of the trademark The comparative advertising and truthful and nondeceptive use of another person's trademark has with it benefits to the consumer and benefits to competitors in bringing forth true messages to consumers that should not be impeded

I welcome any questions from the committee

[The statement of Ms Jacobs-Meadway follows]

SUMMARY OF PREPARED STATEMENT OF ROBERTA JACOBS-MEADWAY

The Trademark Law Revision Act of 1988, represents in significant respects a marked departure from established trademark law which is detrimental to the interests of small businesses and advertisers, and has no concomitant benefit to the public

The so-called intent to use provision is an idea whose time should not come The present system functions well The so-called "evils" addressed, token use and a perceived advantage to foreigners, do not warrant wholesale inversion of established law that rights are based on use, not registration. The provision does not even eliminate token use The intent to use provision as drafted is an open invitation to reserve marks There is no requirement that the undefined bona fide intent to use be backed with or based on anything other than a wish and the payment of the requisite fees

The addition of a dilution section, coupled with an intent to use provision that permits reservation of marks for a period which could exceed five years will inevitably make it much more difficult for a small business or individual to develop new marks It may not tax a major corporation to search 50 marks before finding one that appears to be clear. The burden on smaller companies may be anticipated to limit development of new marks, so impeding introduction of new products.

A would-be opposer of an application that is published without use is prejudiced in determining whether or not to file an opposition The opposer and the fact finder in an opposition, are deprived of facts on which to base a determination

The proposed amendment of Section 23 to provide that an application and registration of a mark on the Supplemental Register shall not constitute an admission that the mark is not eligible for registration on the Principal Register is inappropriate

The current statutory scheme encourages registration of trademarks. Providing the same remedies for infringement of unregistered marks as for registered ones is a disincentive to registration.

The expansion of Section 1125 that has occurred under the present statutory language is at least sufficient The "omission of material information" provision is an open invitation to challenge the advertising of any competitor where such advertising is not a complete product brochure with all product specifications spelled out.

The deletion of disparagement and tarnishment as causes of action was entirely appropriate. "Disparagement" or "tarnishment" appear to be nothing other than bases to attack truthful comparative advertising, fair comment and parody.

The dilution provision inverts traditional theories of trademark law for no good purpose. Dilution theory protects words in gross, separate and apart from their function as indicia of source or affiliation. The dilution provision creates a remedy when there is no real wrong, i e , no likelihood of confusion with respect to source, sponsorship or affiliation created by a later user's activities The vagueness of the dilution provision, further, permits the section to be employed in lieu of the disparagement and tarnishment provision as a basis for attack on comparative advertising and other unauthorized uses of a registered mark by another

PREPARED STATEMENT OF ROBERTA JACOBS-MEADWAY

The undersigned respectfully submits to the Subcommittee on Courts, Civil Liberties and the Administration of Justice that H R 4156, the Trademark Law Revision Act of 1988, represents in significant respects a marked departure from established trademark law, which departure is detrimental to the interests of small businesses and advertisers, and has no concomitant benefit to the public.

Intent to Use

The so-called intent to use provision has been the only section of the Act to receive much attention Attention, however, has focused only on whether such a provision should be enacted, and not on the mechanics.

Intent to use is an idea whose time should not come, and the mechanics provided in the Act are entirely insufficient.

At the present time, an application for registration must be based on use of a mark in commerce. On occasion, the use that is made is a "token" use. Token use still requires an actual shipment to a purchaser or prospective purchaser of the product in question under the mark followed by a good faith effort to bring the product to market in a commercial sense. With respect to services, the mark must be promoted at a time when the applicant is in a position to render the services An applicant must have made some commitment to a mark before filing an application

The present system functions very well. The one area where some modification might be in order involves such service industries as hotels, where it may take years to bring a project to the point where the applicant is in a position to actually render services under the mark The issue could be addressed by disrupting the entire structure of the statute, as has been proposed, or by modifying the definition of use sufficient to support an application for registration of a service mark. I submit the latter approach is preferable It is only necessary to provide that pre-opening publicity serves to make a mark sufficiently known to the public in connection with the service to give rise to a right to register as well as a protectable interest.

The law is and has been that use of a mark which does not suffice to support an application for registration <u>does</u> suffice to create a protectable interest in a mark. Use of a mark

in advertising for a product, by way of example, is use analogous to trademark use and provides the advertiser with a basis for claiming priority of use and opposing another's application for registration The proposed statutory scheme would not disrupt this established structure

What is wrong with the intent to use provision as drafted?

First, it is an open invitation to large companies to file for multiple marks for the same product to reserve marks and preserve options to themselves while foreclosing those options for others who would otherwise be able to adopt and actually use such marks There is no limit on the number of marks an applicant may have a bona fide intention to use, depending on the results of test marketing, depending on its strategy (which may be to block others), depending on the length a fad lasts, and depending on whim

Second, rights are predicated not on use, but on the filing of the application for registration Consider the following scenario:

1 Company A files an application for four marks claiming a bona fide intention to use each of them in year one,

2 Company B in year three wishes to use a mark which may be deemed confusingly similar to a mark which has been the subject of a pending application of company A,

3 there is no indication that company A is moving to bring to market any product under that mark, but it has brought to market a product under one of the marks which was the subject of an application filed at the same time so that we may logically infer that there is no real intent to proceed with the other marks which were the subject of the concurrently filed applications,

4 Company B may still not proceed, since if company A sees the activity that company B is engaging in, it may then make use of the mark it has reserved, and bring action against company B for any use of the mark by company B subsequent to the filing date of company A's application, and

5 Company B has the option of either selecting another mark, or of going to company A to pay for the right to use a mark similar to a mark company A has never itself used but has only made the subject of a pending application

Third, there is no requirement that the undefined bona fide intent to use be backed with or based on anything other than a wish and a hope and the payment of the requisite fees No commitment is required It is not seen that this is in any way

superior to the present system in which rights can be acquired to a mark, although not a registration, before the mark is used in commerce - as use has been defined - based on use in advertising before the product or service is available or on such other use as makes the mark known to the relevant public or trade

Even advocates of intent to use acknowledge that the proposed bill does not eliminate token use. See Sheldon Klein's article on the proposed revision in the current AIPLA quarterly journal. The proposal doesn't eliminate token use because it accepts small-area test marketing as sufficient use and because it accepts "infrequent" sales of expensive products as sufficient use

The Impact Of The Intent To Use And Dilution Provisions On Selection Of Marks

The addition of a dilution section, coupled with an intent to use provision that permits reservation of marks for a period which could exceed five years (if the prosecution of an application to the stage of publication for purposes of opposition takes 18 months, and the four year period is tacked on to the end of that time, an application could, without difficulty, be kept pending for 66 months) will inevitably make it much more difficult for a small business or individual to develop new marks which, when searched, are found to be available for use and registration

For example, when a trademark search of the records of the United States Patent and Trademark Office is instituted, the company that is considering adopting a particular mark may find two registrations for the identical mark for completely unrelated goods or services, five registrations for somewhat similar marks for related or identical goods, and three pending applications

At the present time, the person interested in the mark is able to discount the marks for completely unrelated goods or services, may secure the file histories of the pending applications to secure information about the way in which the marks which are the subject of the applications are being used, and may focus on the marks which are the subject of the existing registrations for related goods to make an informed determination as to whether there is likely to be any reasonable likelihood of confusion found Under the Act as proposed, the file histories of the applications may have no information concerning use because there may well have been no use The would-be user of the mark is left to guess whether the marks which are the subject of registrations for unrelated goods are "famous" marks somewhere to some persons While it may not tax a major corporation to search 50 marks before finding one that appears to be clear, there is a financial and time burden on smaller companies that may be anticipated that will limit development of new marks and impede

introduction of new products The dilution proposal is treated in greater depth later

The New Act Raises The Specter of Speculative Increased Litigation

A would-be opposer of an application that is published without use is prejudiced in determining whether or not to file an opposition The opposer has no way of ascertaining how the mark is used, the actual goods on which the mark is used, or the actual channels of trade through which the goods pass There is no use The opposer, having due regard for the benefits that flow from registration, may oppose where an opposition otherwise might not be filed, as a defensive measure The opposer and the Board then are confronted with a situation where a determination of likelihood of confusion or descriptiveness or deceptiveness must be made with less information than is generally now available In the discovery process, the applicant may avoid providing meaningful responses by truthfully saying that there has been no use and no promotion and that what it intends to do is confidential and proprietary and has not even been finalized The opposer, on the other hand, may be compelled to respond to detailed questioning concerning the business activities it has engaged in under its mark

Supplemental Register

The proposed amendment of Section 23 to provide that the filing of an application to register a mark on the Supplemental Register, or registration of a mark thereon, shall not constitute an admission that the mark is not eligible for registration on the Principal Register appears to serve no purpose other than to permit persons who have secured registrations of merely descriptive marks to allege that the marks are not merely descriptive to harass persons using similarly descriptive terminology in connection with goods or services, and to provide at least some of the benefits of registration to terms which should not even properly be deemed "marks" as that term is presently defined in § 1127

One accepts a registration on the Supplemental Register only if the mark is not capable of registration on the Principal Register Marks registrable on the Supplemental Register and not registrable on the Principal Register include marks that are merely descriptive, product configurations and trade dress which are not distinctive but could conceivably at some time become distinctive, surnames, and geographic terms that are descriptive of the point of origin of the product or service Such designations are those which have previously been held to be available to others to use, on the ground that no protectable interest has yet been established sufficient to exclude others from using their own surnames, or geographically descriptive

terms, or elements of trade dress not exclusively associated with one party

Should the owner of such a designation wish to have the benefits of a Principal Register registration, it should be required to put the mark to the test of examination in the Patent and Trademark Office. If it fails the test, it should not be permitted to walk away from its failure and allege the contrary with impunity

Remedies

The current statutory scheme encourages registration of trademarks Section 1111 provides that in any suit for infringement by a registrant who has failed to give notice of its registration, no profits and no damages shall be recovered unless the defendant had actual notice of the registration (not just of the mark). Unless this section is eliminated, the owner of an unregistered mark would stand in a more favorable position than someone who has secured a registration. There is no reason for such a result to be allowed

If the aim of the Act is to encourage registration, which is an appropriate aim, then to provide awards of damages, profits and fees to the owners of unregistered marks detracts from that aim

To the extent that the rule in American jurisprudence is that each side should bear its own attorneys fees, an award of attorneys fees should not be made more routine or more available, particularly to a company that has not secured a registration for its mark If a mark is registered, a second comer who adopts a mark either knew or could have known of the plaintiff's claim of exclusive right. If there is no registration, and if there is no application for registration, a defendant may have no reason not to proceed to adopt and use a mark and make a commitment of resources to it

An argument may certainly be made that a small company will be reluctant or may even be unable to pursue legal action to enforce its common law trademark rights if it has no expectation of recovery of damages or the infringer's profits and its attorney's fees

The issue warrants more discussion than it has been accorded, with particular reference to the practical implications for prospective parties and the courts

Material Omissions

" by omission of material information" is a phrase in the proposed revision to Section 1125 (§ 43) which has generated

some controversy By its vagueness, it invites litigation It is an open invitation to challenge the advertising of any competitor where such advertising is not a complete product brochure with all product specifications spelled out Is some attribute of a product important? If people are asked is a factor important, they invariably say it is, particularly when that factor is weighed in relation to other factors But should it be necessary for all such factors to be detailed in any advertising?

There is no reason to force extensive disclosure on any company that seeks to advertise one rather than all attributes of a product or service, or to open the federal courts to disputes about the minutiae of advertising that are better left to the marketplace

The expansion of Section 1125 that has occurred under the present statutory language is at least sufficient An egregious example may be found in an early battle in the ongoing "orange juice war" Advertising for orange juice was found to be subject to injunction pursuant to Section 1125 when the advertiser stated that its juice was pasteurized, because the juice was pasteurized' The advertisement made the oral claim "It's pure, pasteurized juice as it comes from the orange," that is, the product wasn't made from a concentrate to which water was added Because the visual component of the advertisement showed an orange being squeezed into a container and the fresh squeezed juice being poured into the juice carton, and did not show that the juice was pasteurized, the advertisement was found to be misleading See, Coca-Coca Co v Tropicana Products, Inc , 690 F 2d 312 (2d Cir 1982) Is this really what we want the federal district courts to be concerned with?

Disparagement and Tarnishment

Proposed Section 1125(a)(1)(C) was deleted from the Senate version of the Act as passed The deletion was entirely appropriate "Disparagement" or "tarnishment", undefined terms, appear to be nothing other than an attempt to attack truthful comparative advertising, fair comment and parody, irrespective of fair use or First Amendment considerations Is it not disparagement to say that a company's trademarked product does not perform as well as a competitor's product, does not do as well in taste tests, or lacks key attributes of another's competing product? Does it not tarnish a mark to write that a campaign, such as that for "Spuds McKenzie", glamorizes drinking, and glamorizing drinking is socially undesireable There is no reason for such statements to be subject to liability, or even be subject to challenge in litigation under the Act

Dilution

As once proposed, the dilution provision was restricted to protect "unique" marks I understand what unique means, such as KODAK, XEROX, and EXXON As presently drafted, the protection extends to "famous" marks What is a famous mark? That may vary from place to place, from court to court A famous mark may be one which is initially merely descriptive It may be one which has been used for a relatively short period of time It may be one that has been advertised for a relatively short period of time It may be one which has been used only in a limited geographic area. It may be one which others have used There is no certainty, only an invitation to litigation

What is most wrong with the dilution provision, however, is its inversion of traditional theories of trademark law for no good purpose Trademarks are indicia of source, sponsorship or affiliation The dilution theory protects words in gross, separate and apart from their function as indicia of source, sponsorship or affiliation The dilution theory simply takes common English words out of circulation as marks once someone has appropriated the word in one product category Simply because a company made that word its own in that particular product category, the dilution provision creates a remedy when there is no real wrong, when there is no likelihood of confusion with respect to source, sponsorship or affiliation created by a later user's activities

The question is, if there is no likelihood of confusion of source, sponsorship or affiliation, what interest is being served and what goal is being achieved Granted that "Caterpillar" is a "famous" mark for earth moving equipment, why should not a cosmetic company be able to call its fuzzy mascara brush a "Caterpillar" brush? Most marks are not arbitrary coined terms A company seeking to adopt a new mark which is not an arbitrary coined term must guess at whether a mark is famous or forego using a mark which has been registered by another for completely unrelated goods, or must seek the consent of the registrant which may well have a price, when such uncertainty and such cost is not presently a part of the Trademark Act

A review of the Official Gazette of Trademarks for one week (August 16, 1988) shows that applicants have filed for and the Trademark Office has accepted for publication marks which could not safely be adopted if a federal dilution provision were in effect See, e g , DAISY (page TM 34) for wire root baskets, KENT (page TM 42) for tools, and THE FIRESTONE VINEYARD (page TM 103) for wines DAISY, after all, is the subject of Registration No 1,034,774 for air guns, KENT is the subject of Registration No 572,924 for cigarettes, and FIRESTONE is the subject of Registration No 1,387,468 for tires Of course, an unrelated company has a registration for KENT for handbags, and an unrelated

company has a registration for DAISY for medical instruments Copies of the relevant information on these references are annexed.

The vagueness of the dilution provision, further, permits the section to be employed in lieu of the disparagement and tarnishment provision as a basis for attack on comparative advertising and other unauthorized uses of a registered mark by a competitor to describe its own goods in a manner which is fair and not misleading That is, a company that markets a fragrance such as "VALENTINE" could reasonably argue that a competitor's point of sale promotion that truthfully states that its fragrance is similar to "VALENTINE", but less expensive, dilutes the distinctiveness of its mark, irrespective of the absence of confusion. Yet there is no sound reason why consumers should be denied the information conveyed by that promotion, so that the consumer may make an informed purchase decision Currently, such truthful use of another's mark is lawful See, G.D Searle v Hudson Pharmaceutical, 715 F 2d 837 (3d Cir 1983), permitting a competitor to put on packaging for its "Regacilium" product the phrase "Equivalent to Metamucil" provided there also is a statement that "Metamucil" is made by Searle and Searle does not make or license "Regacilium"

The problem with the proposed provision is aggravated by the remedies provision that allows all of the remedies for infringement to be employed if it is found that there was a willful intent to trade on the registrant's reputation or to "cause dilution" of the registrant's mark It is unclear what is meant by a willful intent to cause dilution Presumably, if the second comer was aware of the registrant's mark, and decided to use such mark - in the belief that the mark was not famous or in the belief that there was no likelihood of confusion - but did intend to use the mark it used, it might be found to have intended the natural consequence of its act, namely the dilution of the registrant's mark

There are anti-dilution provisions in the trademark statutes of a number of states Those provisions have not consistently been interpreted as written The courts have often strained to avoid the language of the provisions, or ignored the language, because the results that would otherwise ensue are absurd A federal anti-dilution provision would do nothing but compound difficulties

Conclusion

The Act flies in the face of the honored maxim: if it ain't broke, don't fix it

The Act as proposed removes certainty from the trademark law, invites litigation over every advertisement, pays

insufficient regard to the First Amendment, and is anti-competitive in its effect on small businesses

It is respectfully requested that further consideration be given before other action is taken on this Act

Respectfully submitted,

ROBERTA JACOBS-MEADWAY

CLASS 5—(Continued).

SN 723,100. MONSANTO COMPANY ST LOUIS, MO FILED 4-18-1988.

AVAIL

FOR SURFACTANT FOR USE WITH HERBICIDES, FUNGICIDES, PLANT GROWTH REGULATORS, AND INSECTICIDES (U S. CL. 6).
FIRST USE 1-25-1988 IN COMMERCE 1-25-1988.

SN 723 546. SAFE AID PRODUCTS INCORPORATED HAUPPAUGE, NY FILED 4-20-1988.

VIROBAN

FOR DISINFECTANTS AND ODOR COUNTERACTANTS TO BE USED IN THE CONSUMER MARKET AS WELL AS THE HOTEL, INSTITUTIONAL AND COMMERCIAL FIELDS, MOTEL, HOSPITAL AND DENTAL FIELDS (U S. CL. 6).
FIRST USE 12-0-1987 IN COMMERCE 12-0-1987

SN 724 515 MERCK & CO., INC., RAHWAY NJ FILED 4-25-1988

SLANT

FOR INSECTICIDES (U S. CL. 6).
FIRST USE 3-11-1988 IN COMMERCE 3-11-1988.

CLASS 6—METAL GOODS

SN 603 225 ALFRED GRASS GES M B H. METALLWARENFABRIK, HOCHST/VLBG AUSTRIA. FILED 6-9-1986.

UNIGRASS

FOR METAL FITTINGS FOR FURNITURE, NAMELY PUSH GLIDES, RAILS FOR SUPPORTINO DRAWERS, ANGLES FOR SECURINO DRAWER FRONT PANEL IN THE DRAWER, SPACERS FOR CARCASE RAIL IN A DRAWER, INSERTS USED AS WEDGES IN THE CONSTRUCTION OF FURNITURE PIECES FOR CORRECTING THE ANGLE OF FURNITURE FITTINGS BETWEEN THE FRONT SIDES, BOTTOM OR TOP OF THE FURNITURE PIECE AND ADJACENT PARTS OF THE FURNITURE PIECE, SUPPORT BRACKETS FOR ATTACHING THE FRONT FURNITURE WALL TO THE FURNITURE PIECE AND FOR CONNECTING SIDE AND BOTTOM FURNITURE PARTS TO THE UPPER PARTS OF THE FURNITURE, AND DOOR PROTECTORS FOR PREVENTING DAMAGE TO THE DOORS OF A FURNITURE PIECE BY A DRAWER OR PULL OUT SHELF (U.S. CLS. 13 AND 32).
FIRST USE 0-0-1978, IN COMMERCE 0-0-1981

CLASS 6—(Continued)

SN 666,474. BRAUN NURSERY LIMITED MOUNT HOPE ONTARIO CANADA. FILED 2-25-1987

DAISY

PRIORITY CLAIMED UNDER SEC. 44(D) ON CANADIAN APPLICATION NO 577243, FILED 1-28-1987 REG NO 338762, DATED 3-31-1988, EXPIRES 3-31-2003
FOR WIRE ROOT BASKETS (U.S CL. 2).

SN 662,806. ENDURO INDUSTRIES, INC. DES PLAINES IL. FILED 5-26-1987

CHROMEROD

By
ENDURO

THE LINING IN THE DRAWING IS A FEATURE OF THE MARK.
THE MARK CONSISTS, IN PART OF A DRAWING WHICH REPRESENTS ELEVEN CHROME PLATED CYLINDERS PLACED SIDE-BY-SIDE.
FOR METAL CYLINDERS FOR FURTHER MANUFACTURE (U.S. CL. 14).
FIRST USE 9-0-1981 IN COMMERCE 9-0-1981

SN 667 194 COLEMAN CABLE SYSTEMS, INC., NORTH CHICAGO IL. FILED 6-18-1987

FOOT-PRINT

FOR REELS OF METAL WIRE OR CABLE HAVING SEQUENTIALLY MARKED FOOTAGE IMPRINTED ON THE WIRE OR CABLE (U S. CL. 13).
FIRST USE 5-5-1987 IN COMMERCE 5-5-1987

SN 668,193 WIRE ROPE INDUSTRIES LTD INDUSTRIES DE CABLES D ACIER LTEE. POINTE CLAIRE QUEBEC, CANADA. FILED 6-23-1987

CUSHION ROPE

OWNER OF U.S. REG NO 1 449,251
NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "ROPE" APART FROM THE MARK AS SHOWN
FOR WIRE ROPE (U S. CL. 13).
FIRST USE 11-27-1986; IN COMMERCE 3-27-1987

CLASS 7—(Continued)

SN 724 974 MORTON JOHN R. DBA MARLOO ENTERPRISES, INC. GLENWOOD MN FILED 4-27-1988

ROGUARD

FOR AGRICULTURAL EQUIPMENT NAMELY SIDE DRAFT INDICATOR ATTACHMENT FOR KEEPING TRACTOR AND PLOW IN ALIGNMENT (U S CL. 23)
FIRST USE 2-22-1988 IN COMMERCE 2-22-1988

SN 724 991 VAREL MANUFACTURING COMPANY DALLAS, TX. FILED 4-27-1988

VAREL

FOR DRILL BITS FOR EARTH BORING DRILLING EQUIPMENT (U S CL. 23).
FIRST USE 2-11-1948 IN COMMERCE 2-11-1948

SN 725 566 MESSER GRIESHEIM GMBH, FRANKFURT/MAIN FED REP GERMANY FILED 4-29-1988

CRYOSOLV

OWNER OF FED REP GERMANY REG NO 1099889 DATED 12-2-1986, EXPIRES 5-11-1995
FOR SYSTEM FOR THE RECOVERY OF SOLVENTS BY CONDENSATION SUBSTANTIALLY COMPOSED OF CONTAINERS FOR SOLVENTS AND CONDENSING AGENTS, PUMPS COMPRESSORS PIPINGS AND CONTROLLERS FOR CIRCUITRIES (U S CLS 2, 13 23 26 AND 34)

SN 725 914 GOUGLER INDUSTRIES INC KENT OH. FILED 5-2-1988.

KENT

FOR HYDRAULIC AND PNEUMATIC OPERATED BOOM MOUNTED AND HAND HELD DEMOLITION TOOLS FOR CONSTUCTION MINING AND QUARRYING (U S CL. 23)
FIRST USE 0-0-1957 IN COMMERCE 0-0-1957

CLASS 8—HAND TOOLS

SN 639 390. W A KELLER PROZESSTECHNIK, CHAM, ZURICH, SWITZERLAND FILED 1-12-1987

MIXPAC

PRIORITY CLAIMED UNDER SEC. 44(D) ON SWITZERLAND APPLICATION NO 4586, FILED 7-21-1986, REG NO 350013 DATED 7-21-1986, EXPIRES 7-21-2006.
FOR HAND TOOLS NAMELY GUNS FOR MIXING AND DISPENSING ADHESIVES SEALANTS AND THE LIKE AND PARTS THEREOF (U S CL. 23)
FIRST USE 9-30-1986 IN COMMERCE 11-5-1986.

SN 647 403 HERMANOS BOADA, S A., RUBI BARCELONA, SPAIN FILED 3-2-1987

RUBI

FOR HAND TOOLS FOR THE CUTTING AND LAYING OF CERAMIC FLOORS AND WALLS (U S CL. 23).
FIRST USE 3-0-1980 IN COMMERCE 3-0-1983

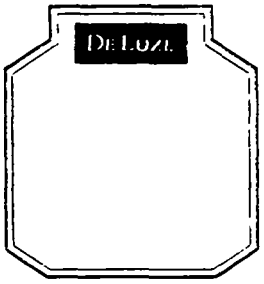
SN 657 363 GOSS, INC GLENSHAW, PA. FILED 4-27-1987

TARGET TIP

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "TIP" APART FROM THE MARK AS SHOWN
FOR GAS TORCHES (U S CL. 34).
FIRST USE 1-11-1984 IN COMMERCE 1-11-1984

CLASS 33—(Continued)

SN 617 688. A. DE LUZE ET FILS, BORDEAUX (GIR ONDE), FRANCE. FILED 9-2-1986.



OWNER OF FRANCE REG NO 1328848 DATED 10-30-1985 EXPIRES 10-30-1995
OWNER OF U S REG NOS 54 082, 1 334 621 AND OTHERS
FOR WINES (U S CL. 47)

SN 620 244 DOMAINE CARNEROS LTD NAPIER, CA. ASSIGNEE OF KOBRAND CORPORATION NEW YORK, NY FILED 9-16-1986.

CHATEAU CARNEROS

OWNER OF U S REG NO 1 423 187
NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "CARNEROS" APART FROM THE MARK AS SHOWN
FOR WINES (U S CL. 47)
FIRST USE 8-18-1986; IN COMMERCE 8-18-1986

SN 668,558 MAISON LUCIEN FOUCAULD & CO COGNAC, FRANCE. FILED 6-25-1987

MEUKOW

OWNER OF FRANCE REG NO 1296825 DATED 1-15-1985 EXPIRES 1-15-1995
OWNER OF U.S. REG NOS. 312,562 AND 693 300.
FOR WINE, BRANDY COGNAC AND LIQUEURS (U S. CLS 47 AND 49).

CLASS 33—(Continued)

SN 678 040 INVERGORDON DISTILLERS LIMITED THE, LEITH, EDINBURGH, ENGLAND FILED 8-12-1987



OWNER OF UNITED KINGDOM REG NO B1,257,265 DATED 12-30-1985 EXPIRES 12-30-1992.
OWNER OF U S REG NO 1 027 573
NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "GLENLIVET" STILLMAN'S" "DRAM" "NATU RALLY LIGHT" AND "SINGLE MALT SCOTCH WHISKY" APART FROM THE MARK AS SHOWN
THE ENGLISH TRANSLATION OF THE WORD "TAM NAVULIN" IN THE MARK IS "MILL ON THE HILL"
FOR WHISKY (U S CL. 49).

SN 678 430 FIRESTONE VINEYARD THE, LOS OLIVOS, CA FILED 8-14-1987

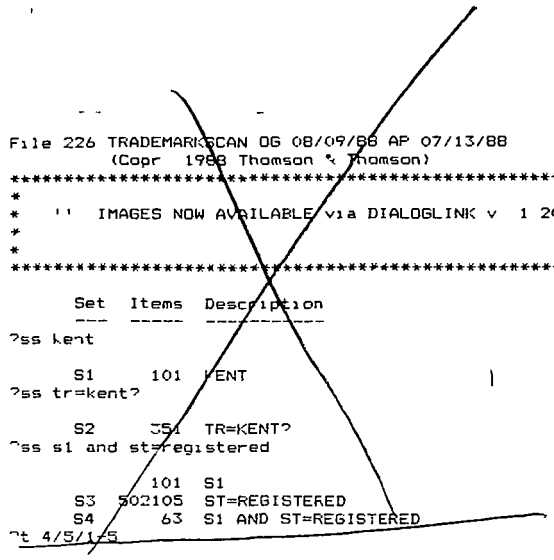
THE FIRESTONE VINEYARD

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "VINEYARD" APART FROM THE MARK AS SHOWN
FOR WINES (U S, CL. 47)
FIRST USE 6-1-1976, IN COMMERCE 6-1-1976.

SN 710,665 SANRAKU KABUSHIKI KAISHA, TOKYO JAPAN FILED 2-10-1988

MERCIAN

OWNER OF JAPAN REG NO 689581 DATED 11-15-1965 EXPIRES 11-15-1995
FOR WINES, WHISKY GIN RUM, VODKA, AND BRANDY (U.S. CLS. 47 AND 49).



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File 226 TRADEMARKSCAN OG 08/09/88 AP 07/13/88
         (Copr  1988 Thomson & Thomson)
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*   ''  IMAGES NOW AVAILABLE via DIALOGLINK v  1 20  ''      *
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      Set   Items  Description
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?ss kent

      S1      101  KENT
?ss tr=kent?

      S2      354  TR=KENT?
?ss s1 and st=registered

           101  S1
      S3 502105  ST=REGISTERED
      S4     63  S1 AND ST=REGISTERED
?t 4/5/1-5

 4/5/1
          03673517
KENT      and Design
          US CLASS      001  (Baggage, Animal Equipment, Purses, and
                              Portfolios)
          INTL CLASS    018  (Leather Goods)
          STATUS    Registered   REG  NO     1478697
          REG  DATE    March 01, 1988
          PUBLISHED    December 08  1987
          GOODS/SERVICES    HANDBAGS AND TOTE BAGS
          SERIES CODE    73  SERIAL NO     673517
          FILED    July 16, 1987
          DATE OF FIRST USE     March 01, 1974
          ORIGINAL OWNER    KENTAI INDUSTRIAL CO , LTD  (TAIWAN CORPORATION)
            , TAIPEI,TAIWAN

 4/5/2
          03648401
KENT
          US CLASS      019  (Vehicles)
                        022  (Games, Toys, and Sporting Goods)
          INTL CLASS    012  (Vehicles)
          STATUS    Registered   REG  NO     1459157
          REG  DATE    September 29  1987
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PUBLISHED July 07, 1987
GOODS/SERVICES BICYCLES AND SCOOTERS AND TRICYCLES

SERIES CODE 73 SERIAL NO 648401
FILED March 09, 1987
DATE OF FIRST USE August 16, 1958
ORIGINAL OWNER KENT INTERNATIONAL (N J CORPORATION) ,
KEARNY,NJ
OTHER U S REGS. 0680336

4/5/3
03645028
KENT
US CLASS 046 (Foods and Ingredients of Foods)
INTL CLASS 005 (Pharmaceuticals)
STATUS Registered, Section 2(f) REG NO 1457982
REG DATE September 22, 1987
PUBLISHED June 30, 1987
GOODS/SERVICES MEDICATED LIVESTOCK AND POULTRY FEEDS
SERIES CODE 73 SERIAL NO 645028
FILED February 17, 1987
DATE OF FIRST USE December, 1954
ORIGINAL OWNER KENT FEEDS, INC (IOWA CORPORATION) ,
MUSCATINE,IA
OTHER U S REGS 0944808, 0625533

4/5/4
03634383
KENT
US CLASS 019 (Vehicles)
INTL CLASS 012 (Vehicles)
STATUS Registered REG NO 1450639
REG DATE August 04, 1987
PUBLISHED May 12, 1987
GOODS/SERVICES AUTOMOTIVE WHEELS
SERIES CODE 73 SERIAL NO 634383
FILED December 08, 1986
DATE OF FIRST USE September 16, 1986
ORIGINAL OWNER ENKEI AUTOMOTIVE CO , LTD (JAPAN CORPORATION) ,
IWATA-SHI, SHIZUOKA,JAPAN

4/5/5
03624105
KENT III
US CLASS 017 (Tobacco Products)
INTL CLASS 034 (Smokers Articles)
STATUS Registered REG NO 1441407
REG DATE June 02, 1987
PUBLISHED March 10, 1987
GOODS/SERVICES CIGARETTES
SERIES CODE 73 SERIAL NO 624105
FILED October 03, 1986
DATE OF FIRST USE October 13, 1978
ORIGINAL OWNER LORILLARD, INC (N Y CORPORATION) NEW
YORK,NY
OTHER U S REGS 0572924, 1108879

?ss firestone
SS 27 FIRESTONE
?ss s5 and st=registered

0948402, 1178631

7/5/4

03555946
FIRESTONE Stylized Letters
US CLASS 035 (Belting, Hoses, Machinery Facing, and Non-Metallic Tires)
INTL CLASS 012 (Vehicles)
STATUS Registered REG NO 1387468
REG DATE March 25, 1986
PUBLISHED December 31, 1985
GOODS/SERVICES VEHICLE TIRES AND INNER TUBES THEREFOR
SERIES CODE 73 SERIAL NO 555946
FILED August 29, 1985
DATE OF FIRST USE October 31, 1971
ORIGINAL OWNER FIRESTONE TIRE & RUBBER COMPANY, THE (OHIO CORPORATION) AKRON,OH
OTHER U S REGS 0140804, 0209064, 0265808, 0269445, 0299977, 0301970, 0306374, 0331180, 0378238, 0396796, 0401421, 0678242, 0948402, 1178631

7/5/5

03250427
FIRESTONE Stylized Letters
US CLASS 101 (Advertising and Business)
INTL CLASS 042 (Miscellaneous)
STATUS Registered REG NO 1178631
REG DATE November 17, 1981
PUBLISHED August 25, 1981
GOODS/SERVICES RETAIL TIRE AND AUTOMOTIVE STORE SERVICES
SERIES CODE 73 SERIAL NO 250427
FILED February 15, 1980
DATE OF FIRST USE December 24, 1928
ORIGINAL OWNER THE FIRESTONE TIRE & RUBBER COMPANY, AKRON, OHIO
AFFIDAVIT SEC 8-15 AFFIDAVIT SEC DATE March 21, 1988
CLAIMS OWNER OF U S REGNS 140,804, 948,402 & OTHERS *

7/5/6

02391572
FIRESTONE
US CLASS 001 (Raw or Partly Prepared Materials)
INTL CLASS 001 (Chemicals)
STATUS Registered REG NO 0948402
REG DATE December 12, 1972
PUBLISHED September 26, 1972
GOODS/SERVICES RAW OR PARTLY PREPARED PLASTIC RESINS IN THE FORM OF POWDERS GRANULES PELLETS OR CHIPS FOR FURTHER USE IN THE INDUSTRIAL ARTS
SERIES CODE 72 SERIAL NO 391572
FILED May 10, 1971
DATE OF FIRST USE June 10, 1958
ORIGINAL OWNER THE FIRESTONE TIRE & RUBBER COMPANY, AKRON, OHIO
CLAIMS OWNER OF RN 140,804, AND OTHERS *

?ss daisy

S8 146 DAISY

?ss s8 and st=registered

146 S8

S9 502105 ST=REGISTERED

INTL CLASS 042 (Miscellaneous)
STATUS Registered REG NO 1345291

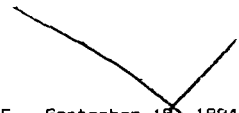
REG DATE June 25, 1985
PUBLISHED March 26, 1985
GOODS/SERVICES RETAIL DEPARTMENT STORE SERVICES IN CONNECTION WITH PERIODIC SALES EVENTS
SERIES CODE 73 SERIAL NO 508291
FILED November 13, 1984
DATE OF FIRST USE 1934
ORIGINAL OWNER DAYTON-HUDSON CORPORATION (MINN CORPORATION) D B A DAYTON S AND HUDSON S, MINNEAPOLIS,MN
DISCLAIMER NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE 'SALE , APART FROM THE MARK AS SHOWN

10/5/15
03476225
DAISY KEEPER
US CLASS 002 (Receptacles)
INTL CLASS 020 (Furniture and Articles Not Otherwise Classified)
STATUS Registered REG NO 1365618
REG DATE October 15, 1985
PUBLISHED August 06, 1985
GOODS/SERVICES STORAGE CASES FOR PRINTING ELEMENTS FOR ELECTRONIC PRINTERS FOR OFFICE USE
SERIES CODE 73 SERIAL NO 476225
FILED April 19, 1984
DATE OF FIRST USE November, 1983
ORIGINAL OWNER BATES MANUFACTURING COMPANY, THE (N J CORPORATION) , HACKETTSTOWN,NJ
ASSIGNEE MIDLANTIC NATIONAL BANK,100 WALNUT AVENUE CLARK, NJ 07006
Reel/Frame 580/297
Recorded Date October 26, 1987
Text SECURITY AGREEMENT
Assignor BATES MANUFACTURING COMPANY, THE NEWBURGH ROAD HACKETTSTOWN, NJ 07840(NJ CORP)
Date of Assignment August 31, 1987
DISCLAIMER 'KEEPER

?t 10/5/1-5

10/5/1
03691432
DAISY
US CLASS 026 (Measuring and Scientific Appliances)
INTL CLASS 009 (Electrical and Scientific Apparatus)
STATUS Registered REG NO 1494938
REG DATE July 05, 1988
PUBLISHED April 12, 1988
GOODS/SERVICES CONTROLLER FOR USE IN OPHTHALMIC SURGERY AND INSTRUMENTS USED IN CONNECTION THEREWITH - NAMELY, FOOTPEDALS, ILLUMINATORS, COAGULATORS, FRAGMENTATORS, PHACOEMULSIFIERS, VITRECTOMY PROBES, IRRIGATORS, ASPIRATORS, CANNULAS AND BASES FOR USE WITH SCISSORS AND FORCEPS
SERIES CODE 73 SERIAL NO 691432
FILED October 23, 1987
DATE OF FIRST USE November 10, 1986
ORIGINAL OWNER STORZ INSTRUMENT COMPANY (MO CORPORATION) , ST LOUIS MO

INTL CLASS 028 (Toys and Sporting Goods)
STATUS Registered REG NO 1296539



REG DATE September 18, 1984
PUBLISHED July 10, 1984
GOODS/SERVICES TOY JEWERLY
SERIES CODE 73 SERIAL NO 450979
FILED November 02, 1983
DATE OF FIRST USE October 04, 1982
ORIGINAL OWNER HASBRO INDUSTRIES, INC , PAWTUCKET, R I

14/5/4

02011444
DAISY and Design
US CLASS 009 (Explosives, Firearms, Projectiles, and Equipment)
022 (Games, Toys, and Sporting Goods)
039 (Clothing)
INTL CLASS 013 (Firearms)
025 (Clothing)
028 (Toys and Sporting Goods)
STATUS Registered REG NO 1034774
REG DATE March 02, 1976
PUBLISHED December 09, 1975
GOODS/SERVICES AIR GUNS, CO2 GUNS, PELLETS AND B-B WESTERN AND INDIAN COSTUMES AND REGALIA, NAMELY, INDIAN HEAD BANDS AND NECKERCHIEFS TOYS GUNS, TOY HOLSTER SETS, TOY GUN TELESCOFIC SIGHTS, TOY KNIVES, TOY TOMAHAWKS, TOY PROSPECTOR S GOLD PANS, TOY COMPASSES, EXERCISE EQUIPMENT, NAMELY, JUMP ROPES, CHEST AND ARM EXPANDERS AND HAND GRIPPERS, AND TARGETS
SERIES CODE 73 SERIAL NO 011444
FILED January 21, 1974
DATE OF FIRST USE January, 1972
ORIGINAL OWNER VICTOR COMPTOMETER CORPORATION, CHICAGO, ILL
ASSIGNEE VICTOR UNITED, INC 3900 NORTH ROCKWELL STREET CHICAGO, IL 60618 USX (DE CORPORATION)
Reel/Frame 313/051
Recorded Date August 31, 1977
Text ASSIGNMENT OF ASSIGNORS INTEREST
Assignor VICTOR COMPTOMETER CORPORATION 3900 NORTH ROCKWELL STREET CHICAGO, IL 60618 USX (IL CORPORATION)
Date of Assignment July 27, 1977
ASSIGNEE KIDDE RECREATION PRODUCTS, INC 3900 NORTH ROCKWELL ST CHICAGO, IL 60618 USX (DE CORPORATION)
Reel/Frame 453/365
Recorded Date November 14, 1983
Te t ASSIGNMENT OF ASSIGNORS INTEREST
Assignor VICTOR UNITED, INC 3900 NORTH ROCKWELL ST CHICAGO, IL 60618 USX (DE CORPORATION)
Date of Assignment July 15, 1983
ASSIGNEE REPUBLICBANK DALLAS, NATIONAL ASSOCIATIONUNION NATIONAL BANK OF LITTLE ROCK
Reel/Frame 461/602
Recorded Date February 15, 1984
Text OTHER
Assignor DAISY MANUFACTURING COMPANY, INC
Date of Assignment November 15, 1983
ASSIGNEE DAISY MANUFACTURING COMPANY, INC ROGERS, AR USX (DE CORPORATION)
Reel/Frame 464/657
Recorded Date April 18, 1984

Mr KASTENMEIER Thank you

Before we question this panel, we will call on our last witness for her testimony We would like to call on Debra Goldstein

Ms GOLDSTEIN Mr Chairman, thank you for the opportunity to appear before you today on behalf of the advertising agency business

My name is Debra Goldstein and I am Senior Vice President and Associate General Counsel of Ogilvy & Mather Advertising

I am here today representing the American Association of Advertising Agencies This is a trade association comprising 760 agencies responsible for about three-quarters of the national advertising I am currently chairman of the Association's Advertising Legal Affairs Committee

I have been asked to explain the effects that passage of H R 4156 in its present form would have on advertising

In addition, I am informed that this statement has been reviewed by representatives of the National Association of Broadcasters and State Farm Insurance Companies and that they concur—these organizations concur in our position

The NAB has additional concerns that are addressed in a separate statement that they will be submitting

Also accompanying me today to help answer any questions that you may have is Mr Thomas J McGrew, partner of the Washington law firm of Arnold & Porter

A little background on the history of H R 4156 The United States Trademark Association chartered the Trademark Review Commission in 1985 to evaluate the effectiveness of the United States trademark system Their result was the Report and Recommendations on the United States Trademark System and the Lanham Act, which was adopted by the USTA on September 13, 1987

The report addressed issues that had long been a source of frustration to those in the trademark field In general, the legal community was in favor of the idea of updating the trademark law

Legislation based on the report, S 1883, was introduced by Senator DeConcini, chairman of the Patents, Copyright and Trademark Subcommittee of the Senate Judiciary Committee in November 1987

A companion bill was introduced in the House, this H R 4156, by Representative Moorhead on March 16, 1988, and now referred to this subcommittee

The material omissions problem that we have Despite the name, the Lanham Act Trademark Act, is not concerned with trademark law alone, as we have heard today Section 43(a) of the Lanham Act has significance well beyond the law of trademarks This section has evolved into the primary Federal law basis for deceptive advertising by private parties Each year, dozens, or perhaps even hundreds of lawsuits between competitors test the truthfulness of broadcast and print advertisements against section 43(a)'s ban on "false representation"

Because of section 43(a)'s central position in advertising law, any amendment to that section can affect every form of advertising Although advertising and trademark law have certain common characteristics, they are distinct disciplines and implicate distinct

policy and practical consideration Accordingly, these two areas of law should, we believe, be considered separately for purposes of assessing the proposed legislative changes

We are concerned that advertising issues, as distinct from trademark issues, were not fully taken into account, either by the Trademark Review Commission in its review of the Lanham Act, or by the Senate in voting out S 1883

When a hearing was held on S 1883 in March, on March 15, 1988, advertising lawyers became concerned that the bill included language that was troublesome to advertising law The proposed legislation would have expanded section 43(a) of the Lanham Act to permit lawsuits based on "omissions of material information," as well as false representation by the seller about his goods and advertising

As it now stands, section 43(a) prohibits "any false description or representation" by a seller with respect to his goods Under that language, a plaintiff must prove that the challenged advertisement communicates some false statement

Unlike the securities laws, where there is an affirmative obligation to disclose certain material information, the courts have held that section 43(a) does not apply only to omissions

The amendment proposed would have broadened section 43(a) considerably, authorizing a lawsuit against anyone who "by 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 "

This new standard would create a number of difficult problems for advertising and for advertisers and the media The most serious is the question of knowing ahead of time just which omissions are material No single ad includes, or could include every feature of the advertised product that every consumer might realistically be interested in

Consider, for example, an ad for a simple head of lettuce Among the dozens of factors that somebody somewhere might reasonably consider material to induce the sale are the type of lettuce, the price, freshness of the product, calories, whether by serving or by ounce, the presence, or more perhaps importantly the absence of several dozen nutrients, the issue of roughage, which may or may not be beneficial to one's diet, depending on your need for specific nutrients or your general state of health, whether the lettuce was picked by union labor, which State it was grown in, whether chemical fertilizers or insecticides were used in growing it, the fact that it needs refrigeration to stay fresh and the fact that combining it with high-calorie salad dressings will ultimately produce a fattening product

Lettuce is a simple agricultural product More complex processed and manufactured products and complicated services could require much more disclosure The short of this is that a "material omissions standard" separate from false representation could easily be read by the courts after the fact, to require a level of disclosure that simply was not contemplated by the Review Commission and cannot be provided within the confines of most advertising

The problem is most acute in the case of broadcast advertising There are not many products or services that can be discussed within the scope of the standard 30- or 60-second commercial without omitting some information that some court could deem material

I want to stress here that this testimony is not in opposition to all mandated disclosures of necessary information The advertising community lives with that every day We may debate about proposed specific disclosure regulations from, say, Congress or any of the other Federal agencies as to whether the mandated language is appropriate or even in the public interest, but once the specific disclosure is mandated by that body, we will certainly include it

We are troubled here by what might be deemed material with hindsight in the name of the consumer in an adversarial situation between two competing companies As previously illustrated by our lettuce example, material omission in this context is not an objective standard that we can get a handle on ahead of time It would place a difficult, if not impossible burden of compliance on agencies and their clients

Because of the strong opposition from advertisers and others, the material omissions language was deleted from the Senate bill during its subcommittee markup on April 13 Language that referred to trademark tarnishment and disparagement, a separate cause of action under 43(a), were also deleted at the time, and the amended bill was favorably reported by the Judiciary Committee on May 12 and passed by the Senate on May 13

Proposed action by this committee "Omission of material information", is also in the proposed section 43(a) of this H R 4156 We oppose the inclusion of this language here because it raises the same grave risk of substantially disrupting the present law in the area of false advertising, as did the original Senate version

A relatively straightforward accommodation is available, however Simply delete the "or by omission of material information" phrase in section 28 of H R 4156 while including in the appropriate legislative history, including in the conference report, a clear statement that Congress intends no change in the current law regarding what constitutes a false representation in advertising It is important to leave the law as it now stands and not expand, contract, or confuse its present scope

In summary, what we face at this point is a bill that generally intends to codify existing law but which is phrased in such a manner that creates a risk of effects not intended by its drafters As that risk has been identified more clearly, the interested parties have moved with little disagreement to language that would go a long way toward eliminating that problem

We will be happy to do whatever we can to assist Representative Kastenmeier and other appropriate legislators on Capitol Hill to find an appropriate solution Thank you for the opportunity

[The statement of Ms Goldstein follows]

Testimony of Debra Goldstein
Senior Vice President and Associate General Counsel
Ogilvy & Mather Advertising
on behalf of the
American Association of Advertising Agencies
before the Subcommittee on Courts, Civil Liberties
and the Administration of Justice of the
U.S. House of Representatives Committee of the Judiciary

September 8, 1988

H.R. 4156

Mr Chairman, thank you for the opportunity to appear before you today on behalf of the advertising agency business. My name is Debra Goldstein and I am Senior Vice President and Associate General Counsel of Ogilvy & Mather Advertising. I am representing the American Association of Advertising Agencies, which comprises 760 agencies responsible for about three-fourths of all national advertising I am the Chairman of the Association's Legal Affairs Committee. I have been asked to explain the effects that passage of H.R. 4156 in its present form, would have on advertising.

History of H R. 4156

The United States Trademark Association (USTA) chartered the Trademark Review Commission in 1985 to evaluate the effectiveness of the United States trademark system. The result was Report and Recommendations on the United States Trademark System and the Lanham Act, which was adopted by the USTA on September 13, 1987. The report addressed issues that had long been a source of frustration to those in the trademark field. In general, the legal community was in favor of the idea of updating trademark law.

Legislation based on the report (S.1883) was introduced by Sen. Dennis DeConcini (D-AZ), Chairman of the Patents, Copyrights, and Trademarks Subcommittee of the Senate Judiciary Committee, on November 19, 1987. The bill was referred to Sen. DeConcini's Subcommittee. A companion bill was introduced in the House (H.R. 4156)

by Rep. Carlos Moorhead (R-CA) on March 15, 1988 and referred to this Subcommittee.

The "Material Omissions" Problem

Despite its name, the Lanham Trademark Act is not concerned with Trademark law alone. Section 43(a) of the Lanham Act has a significance well beyond the law of trademarks. This Section has evolved into the primary federal law basis for deceptive advertising litigation Each year dozens, perhaps hundreds, of lawsuits test the truthfulness of broadcast and print advertisements against Section 43(a)'s ban on "false representations." Because of Section 43(a)'s central position in advertising law, any amendment to that Section can effect every form of advertising.

Although advertising law and trademark law have certain common characteristics, they are distinct disciplines and implicate distinct policy and practical considerations. Accordingly, these two areas of the law should, we believe, be considered separately for purposes of assessing proposed legislative changes. We are concerned that advertising issues, as distinguished from trademark issues, were not fully taken into account either by the Trademark Review Commission in its review of the Lanham Act or by the Senate in voting on S. 1883.

When a hearing was held on S. 1883 on March 15, 1988, advertising lawyers became concerned that the bill included language that was troublesome for advertising law. The proposed legislation would have expanded Section 43(a) of the Lanham Act to permit lawsuits based

on "omissions of material information" as well as "false representations" by a seller about his goods in advertising

As it now stands, Section 43(a) prohibits "any false description or representation" by a seller with respect to his goods. Under that language, a plaintiff must prove that the challenged advertisement communicates a false statement. Unlike the Securities Laws, where there is an affirmative obligation to disclose material information, the courts have held that Section 43(a) does not apply to omissions The amendment proposed would have broadened Section 43(a) considerably, authorizing a lawsuit against anyone who

> by...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...

This new standard would create a number of difficult problems for advertisers and media. The most serious is the question of just which omissions are "material". No single ad includes--or could include--every feature of the advertised product that every consumer might be interested in.

Consider an ad for a simple head of lettuce. Among the dozens of factors that somebody, somewhere might reasonably consider material are the type of lettuce, the price, the freshness of the product, calories (per ounce and per serving), the presence (or absence) of several dozen nutrients, the issue of roughage, which may or may not be beneficial to one's

diet depending on your need for specific nutrients or the state of your health generally, whether the lettuce was picked by union labor, which state it was grown in, whether chemical fertilizers and insecticides were used in growing it, the fact that it needs refrigeration to stay fresh, and the fact that combining it with high calorie salad dressings results in a fattening dish.

Lettuce is a simple agricultural product. More complex processed and manufactured products would require much more disclosure. The short of it is this: A "material omissions" standard could easily be read by the courts after the fact to require a level of disclosure that simply was not contemplated by the Review Commission, and cannot be provided within the confines of most advertising. The problem is most acute in the case of broadcast advertising. There are not many products that can be discussed within the compass of a standard 30 or even 60 commercial without omitting some information that some court could deem material.

Let me stress that this testimony is not in opposition to all mandated disclosures of necessary information. We may debate about proposed regulations from Congress or the FTC as to whether the specific mandated language is appropriate or in the public interest; but once the disclosure is mandated, we will include it. We are troubled here by what might be deemed material, with hindsight, in the name of the consumer, in an adversarial situation between two competing companies. As previously illustrated, "material omissions" in this context is not an objective standard. It would place a difficult if not impossible burden of compliance on agencies and their clients.

Senate Action

Because of strong opposition from advertisers and others, the "material omissions" language was deleted from the bill during its Subcommittee markup on April 13. Language that referred to trademark tarnishment and disparagement as a separate cause of action under Section 43(a) was also deleted at that time. The amended bill was favorably reported by the Judiciary Committee on May 12, and passed by the Senate on May 13

Proposed Action By This Committee

"Omission of material information" is also in the proposed Section 43(a) of H.R. 4156. We oppose the inclusion of this language because it raises the same grave risk of substantially disrupting present law in the area of false advertising.

A relatively straightforward accommodation is available, however. Simply delete the "or by omission of material information" phrase in Section 28 of H.R. 4156, while including in the appropriate legislative history (including the conference report) a clear statement that the Congress intends no change in current law regarding what constitutes a "false representation" in advertising. It is important to leave the law as it now stands and not expand or contract its present scope.

Conclusion

In summary, what we face on this point is a bill that generally intends to codify existing law, but which is phrased in a manner that creates a risk of effects not intended by its drafters. As that risk has been identified more clearly, the interested parties have moved with little disagreement to language that would go a long way toward eliminating the problem. We will be happy to do whatever we can to assist Rep. Kastenmeier and other appropriate legislators on Capitol Hill to find an appropriate solution.

Thank you.

Mr KASTENMEIER Thank you, Ms Goldstein

The bill, as it passed the Senate, changed two significant areas Is the bill in the form it passed the Senate agreeable to you, or do you still have reservations?

Ms GOLDSTEIN I believe that there are still some questions as to the conference report description or the legislative report, but I believe it is in the right direction as to what would be agreeable

Mr McGrew may be able to answer that more fully

Mr KASTENMEIER You still may have reservations about the report language?

Ms GOLDSTEIN We haven't seen the final report language as to how it explains what the language is I believe there had been discussions Mr McGrew may be able to answer that more fully for you

Mr MCGREW Mr Chairman, if I may slip in here much as Mr Gilson did

Mr KASTENMEIER Would you identify yourself, please

Mr MCGREW My name is Thomas J McGrew I am a partner in the Washington law firm of Arnold and Porter and a specialist in the law of advertising primarily

The concern with respect to the legislative history in the Senate is that while the action taken was exactly the right one, the material omissions language was removed, there remained a spin in a colloquy before the Senate and in a draft Senate report which has not yet been final, and we are not sure about the language, that suggested that the law currently is that material omissions are actionable with regard to any false representation We do not believe that this is the law We feel very strongly that we could establish to anyone's satisfaction that it is not

Nevertheless, what we feel the legislative history should clearly state and, in the end, the conference report should clearly state is that whatever the current state of the law is, the Congress is satisfied with it and means no change

Mr KASTENMEIER I understand With that reservation, do you support the bill as it passed the Senate in its present form?

Mr MCGREW Yes

Mr KASTENMEIER Just so that I understand your interpretation, I would like to allude to something referred to I think earlier In radio advertising, we will say, the situation referred to I think by a preceding witness was the effect that a certain appliance was originally regarded as outstanding by Consumer's Guide, or whatever, while, as a matter of fact, when more recently reviewed by the same magazine it was rated quite differently Would that be a material omission, or would that be deceptive advertising? What would that be?

Mr MCGREW That was held, and we believe correctly, Mr Chairman, to be a false representation under the existing language, and the reason—and there is a standard way of handling this in the case You do a poll of consumers and you find out what is the ad saying to these people If it turns out what it is saying to these people is that that magazine, Consumer Reports, currently endorses this particular refrigerator and that is false, then it is a false statement and there is the end of it

What is being added is the words "or omissions of material information," disjunctive, something different from and in addition to false statements as they now exist under the law

Ms GOLDSTEIN Mr Silverglade and I really are not that far apart It is the way this is worded that could create an interpretation which we don't believe was intended That was to have to second-guess what someone may think is a material factor to the information that is necessary, as opposed to when you have made some kind of affirmative statement that can be misleading, then you have an obligation to clarify that within the advertising We just don't want the possible misinterpretation that this language would create

Mr KASTENMEIER Professor Brown, Ms Jacobs-Meadway has a number of policy reservations about the intent-to-use language which you found inoffensive After listening to her reservations, do you still feel that that would be a salutary change in the law?

Mr BROWN Mr Chairman, I have to ask to be excused on that I just don't understand the nuances of intent-to-use, and I just don't feel up to commenting on particular points

Mr KASTENMEIER I am going to yield to my colleague I have some other questions, but I want to give him an opportunity

The gentleman from California

Mr MOORHEAD There is one interesting item of debate here that probably should be directed to by Mr Silverglade and Ms Goldstein, and that is the question of insurance companies' advertising the coverage of automobile accident insurance and indicating to the public at least that if a Ford is damaged that Ford parts will be used or if a General Motors car is damaged that GM parts will be provided, rather then providing Taiwanese parts

That is what this debate is about, because that is what is happening, and it involves other bills as well in which the insurance companies believe that they should not be restricted in any way from providing for Ford cars that were insured Taiwanese parts or parts made in other parts of the world by other manufacturers and the person that is insured expecting their car to be repaired with the same thing that they had to begin with

So that is why your insurance companies don't like these provisions, and that is one of the things that you, Mr Silverglade, are supposed to be protecting against So I would like the comments of both of you on that particular problem

Mr SILVERGLADE If the advertising in question directly or indirectly implies that your car will be rebuilt as good as new essentially——

Mr MOORHEAD What if it just ignores the issue and provides complete coverage?

Mr SILVERGLADE If it says the words "complete coverage" or something, anything like that that would provide an inference that your car is going to be rebuilt, then I would think the ad would be actionable under an omission of material fact theory under the Lanham Act

We agree, I think, with the advertisers that not just any omission can trigger the act, it is an omission in light that is material in light of the representation made in the ad I think that, if anything, that should be clarified in report language, but there is no

need to take out the bill language that the advertisers want removed

Mr MOORHEAD That has concerned me, because I have had people complain about that happening, and they do expect when their automobiles are damaged that they are going to be repaired with genuine parts and they are not being in every instance

Ms GOLDSTEIN I don't have the background to address that specific issue

Mr MCGREW With respect to the matter directly before us, Mr Moorhead, if, in fact, someone is advertising a particular good or service and not providing it, that is actionable under the current section 43(a) and any competitor or, I would suspect in your instance, manufacturer who wants to invoke the Lanham Act could do so and find a remedy

Mr MOORHEAD What other interests do the insurance companies have, though, in the section that you testified about?

Mr MCGREW Their interest, I believe, Mr Moorhead, is precisely the same as that of most other advertisers, namely, the question that section 43(a) not be turned from a deceptive advertising statement to a statement that requires complete disclosure about a product of anything that any Federal judge anywhere in the United States might consider to be material about that product

Mr MOORHEAD It comes back to the car parts, really That is why the insurance lobbyists have been all over the Hill for a long time

Mr MCGREW That may well be so, sir, and I am sure they can discuss that by themselves I am not here, and nor is Ms Goldstein, to represent them

Mr MOORHEAD But since it has come up before—I didn't want to put you folks on the spot, but I just see that thread running in this thing

I did want to tell you, Professor Brown, we are getting to be old friends You have been here so many times on different bills But there was no intent when we introduced our provision to ignore something that would later go on in the Senate We didn't know at the time we introduced, the compromises that would later be entered into So we aren't struggling against any compromises that have already been made necessary by testimony that you folks may have given elsewhere or other things I am sure there will be corrections and changes made in our legislation, too, to correspond with problems that have been brought up We want to make the legislation as good as we possibly can make it

Mr BROWN Certainly, Congressman You don't have to apologize, I do I didn't do my homework, I just didn't realize that these provisions were back in your version

Mr MOORHEAD We just haven't had a chance to——

Mr BROWN You haven't had a chance to deal with them, but they are in your bill, and I should have addressed myself to them, and I simply failed to

Mr MOORHEAD Mr Silverglade, do you consider the issue of giving consumers standing to sue under section 43(a) a major priority of your organization, or are you principally concerned that they may not be specifically barred from bringing an action under the section, as would occur if H R 4156 were not amended?

Mr SILVERGLADE Well, we think consumers should expressly be accorded standing I think that was the original intent of Congress, and the courts' reasons for narrowing that original intent are no longer applicable at this time

Mr MOORHEAD If the compromises that were entered into the Senate were included in this legislation, would that meet your objections?

Mr SILVERGLADE I am afraid it would, sir, because the Senate took out the negative restriction in their bill but they didn't do anything positive either, and that, I think, would leave things as they stand in the courts now, which is only one circuit granting some type of consumer standing and several other circuits following the Second Circuit case that does not grant consumer standing, which we believe is contrary to Congress's original intent So that would leave consumer organizations with a very uphill battle in the courts

Mr MOORHEAD Could it be taken care of in the reports? If we go late into the session, it may be that, as it could in some legislation—be necessary that the two bills be virtually the same as they pass out of the committee in order to get a bill through before the end of the session I know Professor Brown would prefer that perhaps we waited 10 or 12 years for it, but we do have a limited period of time between now and the end of the session, and there are a lot of people who think it is important that we act during the session, and we want to take care of as many of these problems as we possibly can, if they are there We want to listen to you and hear your objections

I know that Roberta Jacobs-Meadway, you seem to be one of the few people in your profession that is against the bill

Ms JACOBS-MEADWAY With all due respect, sir, I have in front of me the list that I just saw today of supporters of the Trademark Law Revision Act, and with all due respect to the people who compiled this list, it is not accurate, and I refer specifically to the Philadelphia Patent Law Association, of which I am a member, and I was involved in the deliberations in that Association What the Philadelphia Patent Law Association did was submit a letter giving qualified support to intent to use in principle and not going into anything about the rest of this very large, very complicated bill

Mr MOORHEAD You know, there is one thing that happens I haven't seen that list, but one thing that happens to us is, we get long lists of supporters and we find that there are objections sometimes as bill changes or things happen, and lists aren't always totally accurate, but usually the main thrusts of the lists are I don't know about this particular list because I haven't seen it yet

Ms JACOBS-MEADWAY I don't know about the other organizations on the list, and I wouldn't begin to comment on what was presented to them and what they submitted to the Trademark Review Commission or the U S Trademark Association I am simply stating that while the opposition may not have come forward with a list of this sort, it may be in part because nobody expected this bill to move through this quickly It may be in part because the bill is complicated It may be in part because discussion was focused so heavily on intent to use to the exclusion of other parts of this bill

Mr MOORHEAD I greatly appreciate the help of each one of you who came down, and I hope that we can make judicious use of your comments and that they will help us in reaching a final solution of this legislation I am going to be quiet because I see two lights, and we are now 5 minutes into a vote

Mr KASTENMEIER The gentleman from North Carolina

Mr COBLE Thank you, Mr Chairman I will be very brief

I, too, thank you all for being here today

Ms Goldstein, you mentioned an insurance company name, State Farm, and this may or may not be significant, but what did you say about State Farm's position?

Ms GOLDSTEIN The National Association of Broadcasters and State Farm had read our presentation today and concurred in our position

Mr COBLE That is what I thought you said I wanted to be sure

Ms GOLDSTEIN Yes

Mr COBLE One question to all of you You touched on it, Ms Goldstein, and, Professor, I came in right in the middle of your testimony, you may or may not have Do I read you all as a group or individually proposing some sort of distinction between flagrant or material omission as opposed to slight omission? Is that a fair question? and, if so, I would like for you to respond to that

Ms GOLDSTEIN I don't believe we are making that distinction We believe that false representations subsume the concept of omission of material information and that when you make certain representations that may be misleading or ambiguous there is an obligation to make certain clarifications and representations

The way this was written, however, tends to disjoin those two concepts to make an omission of material information, totally unrelated to a false representation, potentially actionable This legislation is not the right forum in which to deal with that issue It is untenable, because you cannot ever totally advise your client that there might not be some information out there that some person may think is material to buying a product The original language should be left the way it was so that the original body of case law that has developed can remain as it was and not to expand inadvertently what was supposed to be just a codification of the law

Mr SILVERGLADE I would just add, the difference isn't between omissions of information and omissions of important information, the difference is between omission of important information and then information which is important in light of the representations made in the ad, and it is only that latter that we think should be provided for in the bill, and it is If there is any confusion about that, that could be clarified in report language in lieu of actually changing the bill

Mr COBLE Thank you

Thank you, Mr Chairman

Mr KASTENMEIER The gentleman from Maryland

Mr CARDIN I will pass, Mr Chairman

Mr KASTENMEIER Professor Brown, I have just one question, we do have a vote on You point out that section 43(a) has been expanded by referring not only to false descriptions or representations about a seller's own goods or services but also to "for another person's," and you point out the implications of that

If you know, I would like to ask you why the drafters decided to expand that concept What would be the purpose of expanding it to having it relate to "or another person"?

Mr BROWN Mr Chairman, it is not for me to speak for the sponsors of the bill I think they say that the law comes sort of close to that now, as I understand them, and that it is rather half-hearted—I could use a stronger word after "half"—to say that you can only be held for false statements you make about your own product

My objection is, if you extend it as the bill proposes, this Federal law is simply taking over the existing body of State-created law on disparagement, trade libel, and various other words that are applied to saying mean things about the competitor's product That is just one of the many places where I say take it easy before you do that

Mr KASTENMEIER Given the time—we have a vote on—we are going to have to stop here I think rather than hold the panel, however, we will conclude this hearing We may want to reach you independently for clarifications some time in the very near future, but rather than, as I say, extend this hearing well past the noon hour—I know that Professor Brown has time problems—we will conclude the hearing at this point

I want to thank all of the witnesses, the five witnesses before us, and those who have testified earlier, for their contributions this morning The subcommittee stands adjourned

[Whereupon, at 12 15 p m , the subcommittee adjourned, to reconvene subject to the call of the Chair]

APPENDIX

ADDITIONAL MATERIALS SUBMITTED FOR THE HEARING RECORD

GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington D C 20230

07 SEP 1988

Honorable Peter W Rodino, Jr.
Chairman, Committee on the
Judiciary
House of Representatives
Washington, DC 20515

Dear Mr Chairman

Thank you for the opportunity to present the views of the Department of Commerce on H.R 4156, a bill to amend the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes".

The Department of Commerce generally supports enactment of the Trademark Law Revision Act of 1988. H R. 4156 would provide for a dual system whereby trademark users can apply to register trademarks and service marks on the basis of intent-to-use in commerce, as well as actual use in commerce. It would also address the problem of the number of abandoned and inactive registrations by reducing the term of registration from 20 years to 10 years and strengthening the definition of "use in commerce." It would provide a nationwide remedy for dilution of famous trademarks, and would require a security interest in a trademark or service mark to be recorded in the Patent and Trademark Office.

This modernization of the Trademark Act of 1946 is needed because the costs of launching a new product today are staggering. First, there is the cost of research, development and design of the product itself Then there are the costs of market research, package design, trademark development, and advertising. The key to the successful promotion of a product is its trademark, which is also extremely important as an identifier of the product's quality. Under current law, a trademark must be used in commerce before a person can apply for federal registration The only exception is when an application can be based on the registration of the mark in the applicant's country of origin. Under the present system, American business is expected to invest the great sums of money needed to market new products and promote its trademarks without assurance that it can obtain federal protection for its trademarks This does not make good business sense

As a pragmatic alternative to the requirement to use a mark in commerce, the concept of token use evolved. Under token use, a person makes minimal use of a mark, just enough to support applying for federal registration The Patent and Trademark Office and the courts have upheld this practice. Although token use is a practical approach, it undermines the use requirement Other

countries, whose trademark laws are based on the common law concept that rights in a mark are acquired by use, decided quite sometime ago that forcing businessmen to use a mark before its protection could be assured was not in the best interests of the business community. In 1938, the United Kingdom converted to an intent-to-use system, and Canada converted in 1954. Today, the United States is the only developed country that requires use of a trademark before application can be made to register that mark It is time for the U.S. to eliminate this outdated practice.

From the late 1950's up to the early 1970's, a number of bills were introduced which would have provided for trademark applications to be filed on the basis of an intention to use the mark. This effort was suspended when the United States began participating in negotiations on a trademark treaty to facilitate filing abroad -- the Trademark Registration Treaty (TRT). However, under the provisions of the TRT, the United States would not have been able to deny or cancel a registration on the ground of non-use for a period of three years after the application filing date. This, and other provisions of the TRT proved to be controversial. Although the United States signed the TRT in 1973, implementing legislation was not introduced and the United States did not ratify it.

The proposed intent-to-use system resembles the Canadian system in that an application may be filed on the basis of intent-to-use, but the mark must be used before the registration will be issued. An intent-to-use application would be examined and, providing the mark would be registerable if used, the application would be published for opposition. If there were no successful oppositions, the applicant would receive a notice of allowance. The applicant would then have six months to file a statement of use and specimens showing use of the mark. The time period for filing the statement of use could be extended in increments of six months, up to a maximum of four years after the date of the notice of allowance. We have no objection to this time frame.

Each request for an extension of time would have to be in writing, contain a verified statement of applicant's continued intention to use the mark in commerce, and be accompanied by a fee. Each extension would be limited to six months to discourage applicants from requesting the full three and one-half years extension as a matter of course. If the statement of use is not filed within the applicable time period, the application would become abandoned.

Once the registration has issued, the filing date would become the constructive date of first use The nationwide priority given by this constructive date of first use could only be defeated by an earlier date of actual use or an earlier effective filing date. Without this constructive use provision, an applicant would file an intent-to-use application at his peril. He would be faced with the

possibility of someone learning of his application and using the mark before he could do so and thereby acquiring superior rights in the mark.

Along with allowing businessmen to file applications on the basis of intent-to-use, the bill proposes to amend the definition of use in commerce so that use may not be merely to reserve a right in a mark. The mark would have to be use in the ordinary course of trade, commensurate with the circumstances. Thus, the current practice of token use would be eliminated.

Amending the definition of use would help to clear the register of deadwood. In a further effort to clear abandoned or inactive marks from the register, the bill proposes shortening the term of registration to ten years, renewable for like terms. To get some idea of how much deadwood is on the register, we did an informal survey based on the figures in the Commissioner's Annual Report The renewal average over the last five years is 27%. If one were to extrapolate this survey to the existing twenty year term of registration, it would suggest that as high as 73% of the registered marks may have become deadwood. This alone could justify going to a ten year term.

At the other extreme, there are the marks which have been used extensively and have become highly distinctive - these are the famous marks Even when there is no competition between the parties or likelihood of confusion, dilution can occur through use by others which reduces the famous mark's distinctiveness and lessens its commercial value Dilution is the whittling away of an established trademark's selling power and value through its unauthorized use by others on dissimilar products (Allied Maintenance Corp v Allied Mechanical Trades, Inc., 369 N.E.2d 1162, 198 USPQ 418 (N Y 1977).) A famous mark must have a truly distinctive quality or have acquired secondary meaning which is capable of dilution.

Currently, 23 states have dilution laws, but court decisions have been inconsistent. This inconsistency, combined with the number of states which do not have dilution laws, creates a patchwork type of protection. The proposed dilution provision would help to provide consistent national protection for the tremendous value of famous marks. It would also greatly assist U.S. negotiators in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), who are urging other countries to provide adequate protection for trademarks and other intellectual property At the present time, other countries can resist agreeing to higher international standards for intellectual property by pointing to the fact that the United States itself provides little protection against dilution in many states The dilution provision would show that we are not asking other countries to give better protection than we are willing to give.

By establishing a nationwide floor for protection against dilution, the bill would increase protection for famous trademarks in those states that do not currently offer remedies against dilution. States that wish to offer greater degrees of protection, as many do now, would be free to do so On the other hand, while the Administration favors strong trademark protection, the bill will impose a federal minimum standard in an area that traditionally has been left to the states At this time, we have no position on the desirability of this aspect of the bill.

The bill provides that in order to be superior to any interests subsequently granted to a third party, security interests in trademark registrations or applications must be filed in the Patent and Trademark Office within ten days of grant. This requirement would be mandatory and would preempt state law Because federal law provides a system for registering trademarks, it is logical that rights which might affect the registered owner's interests should be reflected on that register. However, the legislative history should show that it is intended that the Patent and Trademark Office should only be required to record the interests, not to make any determination as to its validity as a prerequisite to recordation.

To the extent that the bill simplifies the language of section 43(a) and reflects current case law in proposed subsections (a)(1)(A) and (B) of the Act, it would be very useful We especially agree that section 43(a) should be amended to make it clear that the remedies for infringement of a registered trademark are available in actions for infringement under this section as proposed in new subsection (a)(2) of the Act. We note that proposed subsection (a)(1)(C) of section 43 of the Act has been deleted from companion bill S 1883, as passed by the Senate We have no objection to that deletion.

The intent-to-use portion of the bill will have the most impact on the daily operations of the Patent and Trademark Office. Because intent-to-use is an idea whose time is overdue for the United States, we expect it is more a question of when the legislation will be enacted rather than whether it will be In order to maintain our current pendency rate and high level of service, we have begun planning for changes in our examination process and its automation back-up. We want to work closely with you to provide for a smooth transition To that end, we request that we be given at least one year after the legislation is enacted before it goes into effect so that we can accommodate any late changes made by the Congress.

Technical Comments

H.R. 4156 is the companion bill to S. 1883 as that bill was introduced. The Assistant Secretary and Commissioner of Patents and

Trademarks' statement on S. 1883 submitted to the Subcommittee on Patents, Copyrights and Trademarks contained a nine page attachment of technical comments All but one point raised in those comments has been resolved in S. 1883 as passed by the Senate That one point is discussed below. For your information, a copy of the technical comments on S. 1883 is attached In addition, points raised by others, such as deleting the proposed protection against disparagement and tarnishment, and a number of housekeeping items were discussed by interested parties during the committee process. This resulted in amendments to S. 1883 which made the bill acceptable to the various parties. We want to work closely with your committee to make the necessary changes in H.R 4156. However, we think that it would be expedient to use S. 1883 as a basis for this effort rather than to reiterate all of the technical comments in this letter.

As mentioned above, there is one technical point which was not resolved in S 1883 as passed by the Senate. We think that the requirement for filing a statement of use in connection with an application based on intent-to-use should be in proposed section 1 of the Trademark Act together with the other requirements for applying for registration, rather than in proposed section 13 of the Act which is primarily concerned with opposition.

The United States Trademark Association has recommended that the requirements for the statement of use be placed in section 13 of the Act because the statement is not due until after an opposition, if any, has been resolved in favor ot the intent-to-use applicant Therefore, section 13 of the Act is the only logical place for the statement requirements. We find this argument flawed. Unfortunately, the sections of the Trademark Act do not follow a very logical order insofar as the registration process is concerned This is evident from the fact that section 7, certificate of registration; section 8, affidavit of use before the end of the 6th year after registration; section 9, renewals; and section 10, assignments, all proceed section 12, examination of the application and section 13, oppositions. The only way to follow a logical progression of the application from filing to registration would be to rearrange sections 2 through 13 of the Act. Absolutely no one wants to do that.

Although all approved applications are published for opposition, very few are actually opposed. From fiscal year 1980 through fiscal year 1987, an average of less than 4% per year of all published applications were opposed. Although this average percentage may change with the advent of intent-to-use applications, the majority of intent-to-use applicants, who will not be involved in an opposition, should not have to refer to section 13 of the Act merely to find out what is necessary to complete their application.

The filing of the statement of use is the final step that an intent-to-use applicant must take in order to have his application mature into a registration. For this reason, we think that the requirement for the statement should be in section 1 of the Act with the other application requirements. However, the notice of allowance provisions should remain in section 13 of the Act because they address, in effect, the end of opposition proceeding.

There is one other technical amendment which should be made It appears to be the result of a drafting oversight In proposed section 1(b)(1)(A), page 5, line 9, the words "on or" should be inserted before the words "in connection with which such marks are used,".

Also, in S 1883, the proviso in section 30 of the Act has been changed to allow the Patent and Trademark Office the flexibility to require single class applications if it is determined to be the best system for Office administration. However, we think that substituting the word "if' for the word "when" in the proviso would more clearly show the intent to give the Office this flexibility.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this letter to Congress from the standpoint of the Administration's program

Sincerely,

Robert H. Brumley
General Counsel

Enclosure

Technical Comments on S 1883

SECTION 3 of S 1883 amends section 1 of the Trademark Act of 1946 to permit the filing of an application based on a bona fide intention to use a trademark in commerce As amended, proposed section 1(b) of the Act, contains a proviso which would allow a concurrent use application to be filed on the basis of a bona fide intention to use the mark. We think the proviso should be deleted from proposed section 1(b). The purpose of concurrent use registration is to permit continued use of the same mark on similar goods by geographically separated people rather than to require one person to quit using the mark. Historically, concurrent registration has been an extraordinary remedy under extraordinary circumstances and was designed to permit registration in those circumstances where concurrent use is approved by courts under common law (See: Tillman & Bendel, Inc., v. California Packing Corp., 16 USPQ 332 (9th Cir. 1933).)

Concurrent use proceedings should not be merely a means of settling private controversies nor to divide up the country between parties upon their mutual agreement, unsupported by a pre-existing right of the party who would otherwise have been denied the registration. Furthermore, the idea of a concurrent use registration based on an intention to use the mark issued to a later filing applicant appears to be in conflict with the concept in proposed section 7(c) of the Act. Proposed section 7(c) of the Act establishes, contingent upon registration, nationwide constructive use of a mark from the application filing date except against those who have prior use or an earlier effective filing date.

The requirements for filing a statement of use should be included in proposed section 1 of the Act together with the other requirements for registration rather than in proposed section 13 which is primarily concerned with oppositions

SECTION 4 would amend section 2(d) of the Act by requiring refusal of registration if a mark so resembles a mark which is the subject of a previously filed application as to be likely to cause confusion, or cause mistake or to deceive. It would amend the concurrent registration proviso by deleting the word "continuing" before the word "use" (page 5, line 6) and excepting the requirement for use prior to the date of any pending application or registration when the owner of such application or registration consents to the grant of a concurrent registration to the applicant It would also amend section 2(f) of the Act by allowing the proof of five years use of the mark needed to show secondary meaning to be five years before the date proof is offered rather than five years before the application's filing date.

The proposed statutory bar to registration based on confusing similarity to "a mark which is the subject of a previously filed pending application" should be deleted. Under present Office practice, prosecution of an application for a mark which is confusingly similar to a mark in an earlier filed application is suspended until the disposition of the earlier application The same procedure would be followed under the proposed intent-to-use system. No amendment to section 2(d) of the Act is necessary for this purpose.

In accordance with our earlier comment that applications for concurrent registration should require prior use, the word "continuing" need not be deleted.

We do not object to the exception to the requirement that an applicant for concurrent registration have use prior to the filing date of any pending application or registration when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. However, as with any concurrent

registration, the Commissioner would be required to determine that confusion or deception would not be likely to result and would be authorized to impose conditions relating to the mode or place of use of the marks to prevent such confusion or deception

SECTION 9 would amend section 7(b) of the Act to clarify the prima facie evidentiary benefits available to registrations on the principal register and would make section 7(b) consistent with sections 33(a) and (b). It also proposes a new section 7(c) which provides that, contingent upon the marks's registration on the principal register, the application filing date will be the nationwide constructive use date giving priority except against a prior user or earlier filing date.

The language of proposed section 7(c) could be simplified. By referring to the "effective filing date" rather than the "filing date", applications claiming priority based on foreign applications would be included. Then the phrase "has used the mark or who has an earlier effective filing date" could be added to the end of the paragraph after the word "filing". If this is done, subparagraphs (1),(2) and (3), which list the exceptions, could be deleted.

SECTION 10 would amend section 8 of the Act by reducing the term of a registration from twenty years to ten years and requiring registrants to include in the affidavit of use they must file during the sixth year of registration, a statement that the mark is in use on or in connection with the goods or services specified in the registration.

It should be made clear that the ten year term will be applicable to registrations which issue from applications which have been filed prior to enactment of this section, and to all renewals, regardless of when the mark was registered.

SECTION 12 would amend section 10 of the Act by providing that an intent-to-use application can only be assigned to a successor to the business of the applicant or that portion of the applicant's business in which the mark is intended to be used. It would add a new subsection (b) which provides for notice of a security interest in a trademark registration or application to be recorded in the Patent and Trademark Office.

Proposed section 10(b)(3) of the Act requires recording of certain documents to be in accordance with State law. In order to avoid confusion, it should be made clear in the legislative history that this provision only applies to a security interest which is against the proceeds of a sale, or the like, of assets which include a trademark registration Because it is not a security interest against the registration itself, it would not be recorded in the Patent and Trademark Office.

SECTION 14 would amend section 13 of the Act by adding a new subsection (b)(1) which provides that unless a published application based on use or a foreign registration has been successfully opposed, a registration will be issued. It also adds a new subsection (b)(2) which provides that unless a published intent-to-use application has been successfully opposed, the Office will issue a notice of allowance. The intent-to-use applicant then has six months from the date of the notice of allowance to file his statement of use of the mark in commerce. Six month extensions of time, up to a maximum of four years from the date of the notice of allowance, will be granted upon written requests accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and payment of a fee. The proposed subsection sets forth the required contents of the statement of use and provides for written notice of its acceptance or reasons for refusal. The applicant may seek review by the Commissioner of a final refusal to accept a statement of use.

We believe that proposed subsection (b)(1), which reflects current practice, and the provisions of subsection (b)(2) pertaining to the notice of allowance should remain in section 13 of the Act because they address, in effect, the end of the opposition proceeding On the other hand, we believe that the requirements for the statement of use, the time period and conditions for its extension, and the notification requirement should be in section 1 of the Act with the other requirements for registration

Proposed subsection (b)(2)(B) provides for review by the Commissioner of a final refusal to accept a statement of use. We believe that this should be changed to allow a final refusal to be appealed to the Trademark Trial and Appeal Board (TTAB). Our Public Advisory Committee for Trademark Affairs has recommended that because such refusal may contain substantive examination issues, it should be appealable rather than reviewed by the Commissioner to avoid situations where the Commissioner and the TTAB are deciding the same issues. Furthermore, there is no appeal from a review by the Commissioner. We concur with this recommendation.

SECTION 17 would amend section 18 of the Act to give the Trademark Trial and Appeal Board the authority to cancel a registration in whole or in part, to limit or otherwise modify the goods or services in a registration or application in order to avoid a likelihood of confusion and to determine trademark ownership rights where they are at variance with the register. It would also provide that when an intent-to-use applicant alleges likelihood of confusion, any judgment favorable to such applicant will not be final until the mark is registered.

It should be made clear that a final judgment will not be entered in favor of an intent-to-use applicant until the mark is registered

only when he alleges likelihood of confusion with the mark he intends to use, that is, the subject of the intent-to-use application. It should also be made clear that a final judgment steming from other allegations would be entered These changes should also be made in SECTIONS 18, 20 and 25 of S. 1883

SECTION 18 would amend section 21 of the Act by providing that no final judgment will be entered in favor of an intent to use applicant who alleges likelihood of confusion until the mark is registered. It would also provide that a court could allocate expenses in an ex parte appeal rather than requiring the appellant to pay all expenses.

Section 21 of the Act requires an applicant seeking judicial review of a decision of the Trademark Trial and Appeal Board by a civil action to pay the Commissioner's expenses whether the applicant wins or loses. We certainly agree that an applicant should not have to pay for unreasonable expenses and, in fact, the courts have so construed Section 21 as well as the corresponding provision in the patent law, 35 U.S.C section 145. Hence, we believe a "reasonable" standard already exists under present case law. We construe the proposed amendment as one seeking to maintain the present standard. The proposed amendment, however, fails to expressly articulate any standard by which a court would exercise its authority. Accordingly, we suggest that if there is to be an amendment to Section 21, addition of the language "and, unless the court finds the expenses to be unreasonable" would be more desirable inasmuch as it would set out a statutory standard.

SECTION 20 would make a conforming amendment in section 24 of the Act to reflect the elimination of the one year use requirement for applying to register a mark on the supplemental register. It also would provide that when an intent to use applicant successfully

petitions to cancel a supplemental registration by alleging likelihood of confusion, no final decision will be entered until the mark is registered

In the second sentence of section 24 of the Act, the word "verified" should be deleted This would remedy an oversight made when the requirement for a verification of a petition to cancel a registration on the principal register was eliminated in 1982.

SECTION 21 would amend section 26 of the Act by adding a reference to section 1(b), which allows an application to be filed on the basis of intent-to-use and a reference to section 7(c), which provides for a constructive date of use, to those sections of the Act which are not available to registrations on the supplemental register.

Proposed section 7(c) of the Act would make the filing date the constructive date of use after registration This provision would not benefit the regular supplemental registrant because use of the mark is required before filing the application. However, a constructive date of first use as of the filing date for registrations based on foreign registrations is consistent with current case law, and therefore, should be applicable to such registrations whether they are on the principal or supplemental register. Accordingly, the reference to proposed section 7(c) of the Act should be deleted from SECTION 21 of S 1883.

SECTION 22 amends section 30 of the Act to accommodate intent to use applications by allowing them to be filed in all classes of goods and services.

We recommend that SECTION 22 of S. 1883 be amended to delete the words "or all" in the second sentence and the proviso at the end

of section 30 of the Act. As presently worded, section 30 of the Act requires the Office to accept multiclass applications as long as a fee is paid for each class Our recommendation would permit the Office to require that a separate application be filed for each class of goods or services. This flexibility would allow us to determine the best system for our examining and data processing requirements. It will not result in any additional fees for the applicant or affect their rights.

SECTION 28 would amend section 43(a) of the Act by simplifying the existing language to the extent that "affix, apply, annex or use" and "cause or procure to be used in commerce or delivered to any carrier to be transported or used" are incompassed in the phrase "uses in commerce". In place of the phrase "including words or other symbols" it would specifically list "any word, term, name, symbol, or device or any combination thereof". Finally, it would add the phrase "engage in any act, trade practice or course of conduct".

We would suggest that the phrase "or who shall engage in any act, trade practice or course of conduct" should be qualified by an indication that such act, practice or conduct must affect commerce.

SECTION 30 would amend section 44 of the Act by requiring that an application claiming a right of priority under section 44(d) must contain a statement that the applicant has a bona fide intention to use the mark in commerce and by deleting the provision that use in commerce need not be alleged. It would also require that an application based on a foreign registration filed under subsection (e) contain a statement of the applicant's bona fide intention to use the mark in commerce but provides that use in commerce is not required prior to registration.

We favor the addition of a requirement for a statement of bona fide intention to use the mark in commerce in applications based on foreign registrations, as it would place U.S. and foreign applicants on a more equal basis. (Note: in Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ 909 (TTAB 1984) it was held that the Patent and Trademark Office could not require specimens of use of the mark from a section 44 applicant. A statement of use in commerce has not been required in an application based on a foreign registration at least as far back as the 1905 Act.)

Currently, in section 44(d) reference is made to an application under section 1, 2, 3, 4 or 23 of this Act but there is no reference to filing an application based on a foreign registration under section 44(e) of the Act. Under the 1905 Act, provision for registration based on a foreign registration was in section 2. In the 1946 Act, section 2 contains provision for filing a concurrent use registration but a statement of use in commerce is necessary. Therefore, we recommend that the reference to section 2 in the first sentence of section 44(d) be deleted and a reference to section 44(e) be added.

It would be worthwhile to redraft subsection (d) to make it clear that it pertains only to a claim of right of priority.

As a general comment, we note that S. 1883 proposes titles to precede sections 1 and 10 of the Act. We recommend that these proposed titles be deleted. The Trademark Act of 1946 does not have titles preceeding its sections. If the proposed titles in SECTIONS 3 and 12 of S. 1883 are retained and the bill is enacted, sections 1 and 10 of the Act will be the only ones which have statutory titles.

FEDERAL TRADE COMMISSION
WASHINGTON D C 20580

OFFICE OF
THE CHAIRMAN

September 15, 1988

The Honorable Peter W Rodino, Jr
Chairman
Committee On The Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Rodino·

This responds to your request for comment on the provisions of H.R. 4156, the Trademark Law Revision Act of 1988 The provisions of that bill would amend various provisions of the Lanham Trademark Act ("Lanham Act"), including Section 43(a) which provides for a private right of action for businesses injured by a competitor's false advertising

The proposed legislation would make a number of changes in the existing provisions of Section 43(a) The two most important of these are that first, the legislation would add to the Act's current prohibition of false descriptions or representations of products a new prohibition of omissions of material information, and second, the proposed legislation adds to existing Section 43(a) new causes of action for "disparagement" or "tarnishment" of a trademark or for "dilution of the distinctive quality" of a famous mark

The Federal Trade Commission seeks to regulate national advertising in a way that protects consumers from deception but, at the same time, does not chill or prevent dissemination of truthful advertising. Federal Trade Commission actions to prevent deception are supplemented by an active industry self-regulatory system, state and local consumer protection statutes ("Little FTC Acts"), and the provisions of Section 43(a) of the Lanham Act

The Commission itself has not yet considered the impact of the proposed revisions to Section 43(a). However, there are some provisions that give me cause for concern

First and foremost is the addition to the Act of language creating a cause of action for "omissions of material information" in descriptions or representations of goods, services or commercial activities. The concept of actionable "material omissions" is a difficult one that the Commission has developed with some care under the provisions of

the Federal Trade Commission Act [1] Careful consideration is necessary because, as the Commission stated in a recent opinion

> The number of facts that may be material to consumers -- and on which they may have prior misconceptions -- is literally infinite. Consumers may wish to know about the life expectancy of clothes, or the sodium content of canned beans, or the canner's policy on trade with Chile. Since the seller will have no way of knowing in advance which disclosure is important to any particular consumer, he will have to make complete disclosures to all. A television ad would be completely buried under such disclaimers, and even a full-page newspaper ad would hardly be sufficient for the purpose. For example, there are literally dozens of ways in which one can be injured while riding a tractor, not all of them obvious before the fact, and under a simple deception analysis these would presumably all require affirmative disclosure The resulting costs and burden on advertising communication would very possibly represent a net harm for consumers.[2]

Perhaps recognizing the difficulty involved in this area, many Lanham Act decisions have, appropriately in my opinion, refrained from imposing liability in cases of pure failure to disclose [3] Unless a misleading representation has been made expressly or may reasonably be inferred from the words or conduct of the actor,[4] failures to disclose generally have not been held actionable. There is almost no explanation in the legislative history staff has reviewed of the intended application of the proposed "material omission" doctrine To the

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[1] See, e.g., International Harvester Co., 104 F T.C 949, 1057-1060. Such care is not necessarily to be expected from private litigants who possess neither the same special expertise nor the same familiarity with advertising and merchandising techniques as the Commission. See, Holloway v. Bristol Myers Corp , 485 F.2d 986 (D C. Cir. 1973).

[2] Id at 1059-60

[3] See, e g., McNeilab v American Home Products, 501 F Supp 517, 532 (S D N.Y 1980). See also, Alfred Dunhill Ltd v Interstate Cigar, 499 F 2d 232, 236-38 (2d Cir. 1974).

[4] See, American Home Products Corp. v Johnson and Johnson, 577 F.2d 160, 165 (2d Cir. 1978)

extent that the proposed legislation is designed to alter the existing law, it could obviously have a far-ranging impact, exposing advertisers to uncertain liability for truthful advertising claims and thus reducing the amount of truthful information available to the public. Indeed, if literally applied, a private action for material omissions could alter the whole concept of advertising. Thus, I believe it is important that the Congress fully consider the wisdom of extending the power to define "material omission" to private litigants, and if it decides such action is appropriate, to carefully delineate the limits of that power.

Second, the Commission has for many years been a supporter of an advertiser's right to engage in comparative advertising. In 1979, the Commission issued a policy statement supporting the use of brand comparisons as a source of important information to consumers to assist them in making rational purchase decisions and as a spur to product innovation. The Commission further stated it would closely scrutinize restraints on the use of comparative advertising. See, 16 C.F.R. (14.15 (1988). Among the restraints singled out by the policy statement were industry codes prohibiting "disparagement," "unfairly attacking," and "discrediting." Id The policy statement then stated that if such industry codes went beyond prohibiting deceptive or misleading comparisons, they would be subject to challenge. Such codes could amount to unlawful restraints of trade under the Commission's antitrust authority.[5]

It is unclear whether the proposed legislation's addition to the Lanham Act of prohibitions of disparagement, tarnishment, or dilution of trademarks is intended to reach beyond deceptive or misleading comparisons. If it is, these proposals would presumably be subject to the same concerns the Commission raised with respect to industry codes containing the same restrictions. They could inhibit healthy competition.

---

[5] As you are aware, the Federal Trade Commission is charged by law with important responsibility for preventing unfair or deceptive acts or practices and unfair methods of competition 15 U S.C. (45, et seq Thus, the Commission takes action not only to stop deceptive or unsubstantiated advertising, see, e g., Thompson Medical Company, 104 F.T.C 648 (1984), aff'd, 791 F 2d 189 (D C. Cir. 1986), but also to prevent unlawful restraints on truthful advertising. See, e g., American Medical Association, 94 F.T C. 701, aff'd, 639 F 2d 443 (2d Cir 1980), 455 U S. 676 (1982)

I hope these comments are useful to the Committee in its consideration of this legislation They, of course, represent my own views only and do not necessarily reflect the views of the other Commissioners. Please let me know if I or my fellow Commissioners may be of further assistance.

Sincerely,

Daniel Oliver
Chairman

NNA NATIONAL NEWSPAPER ASSOCIATION
Since 1885

September 19, 1988

The Honorable Robert W Kastenmeier
2328 Rayburn House Office Building
Washington, D C 20515

BY HAND

RE: Advertising Provisions in H R 4156, The Trademark Bill

Dear Chairman Kastenmeier:

The National Newspaper Association (NNA) is writing to express its opposition to the extensive changes in advertising law which have been proposed in sections 28 and 29 of H R 4156, the trademark bill, and to urge you and your colleagues on the Subcommittee on Courts, Civil Liberties, and the Administration of Justice to strike both sections during markup We believe that the ramifications of sections 28 and 29 have not been sufficiently explored, and that major elements of these two sections pose serious threats to free speech principles

NNA is a national trade association representing the interests of daily and weekly newspaper publishers throughout the country Founded in 1885, and with over 5,000 member newspapers, NNA is the oldest and largest national trade association in the newspaper industry

Four points particularly concern us First, section 28 of the bill would broaden section 43 of the Act to include "omission of material information " This language is limitless There is no indication as to the standard which would be used to judge if an omission is "material," and it is not clear exactly to what reference it must be material to Consequently, docisions to accept advertising would become extremely difficult as publishers of newspapers would end up making haphazard guesses as to which advertisements were complete Indeed, since newspapers cannot afford to become private investigation agencies, we anticipate that many ads would simply be rejected out of hand This would result in less information in the hands of the consumer The Senate has already deleted this provision from its version of the bill and the House should follow suit

Second, section 28 amends section 43 of the Trademark Act to include an act which "is likely to disparage" a product The threat of increased litigation under this provision would considerably cut down if not eliminate consumer review articles It would also reduce the number of comparative advertisements

1627 K STREET, NW SUITE 400 WASHINGTON DC 20006 1790 (202) 466 7200

President
Vice President
Treasurer
Executive Vice President

This provision would even affect restaurant and entertainment reviews since the potential for a good reviewer to "disparage" a bad product is limitless Moreover, the provision raises fundamental questions about reporting For example, news stories about adulterated food products certainly disparage those products Should newspapers be sued for reporting truthful facts, such as the number of injuries and deaths related to all-terrain vehicles, Dalkon shields, or poisoned Tylenol capsules? We think not While we would anticipate that the First Amendment would provide a complete defense in court against such suits, the chilling effect of potential litigation would be enormous should this provision become law The provision should be dropped

Third, section 29 of the bill prohibits the dilution of "famous marks " While publishers certainly do not wish to dispute the right of manufacturers to protect their product names from misuse by companies fraudulently trading on them, we are concerned about the effect of the provision on parody and commentary Should Saturday Night Live be sued for televising a sketch which parodies a Calvin Klein perfume commercial? Should publications like Mad Magazine or The National Lampoon be at risk each time they publish? These certainly are not activities which Congress intends to prohibit Before proceeding further with this provision, we strongly urge the Subcommittee to hold hearings on the constitutional limitations of such a provision If this can not be done in this Congress, the provision should be dropped if the bill moves forward The protection of "image" must never dominate the protection of the First Amendment right to criticize or to parody

Fourth, section 26 of the bill expands the scope of the Act's statutory remedies, including treble damages and attorney fees, beyond cases dealing with registered trademarks to cases dealing with all violations protected under the Act, including the three matters discussed above Section 26, in conjunction with the three discussed above, constitutes an open invitation for new and substantial litigation against all media, including even the smallest newspaper This disturbs us greatly

Should the provisions changing section 43 of the Act remain in H R 4156, NNA would have to actively oppose the bill

Thank you for considering our views

Sincerely,

/s/

Robert J Brinkmann
General Counsel

cc: Wisconsin Newspaper Association

NATIONAL PUBLIC RADIO

Office of the President

September 21, 1988

Honorable Robert W Kastenmeier
U.S. House of Representatives
Washington, D C. 20515

Dear Congressman Kastenmeier:

On behalf of National Public Radio I want to thank you for changes made in the disparagement and tarnishment provisions of H.R. 4156, and to urge the Subcommittee to remove one additional provision of the bill prior to enactment NPR holds trademarks of its own and is sympathetic to efforts to improve the trademark registration procedures and protection

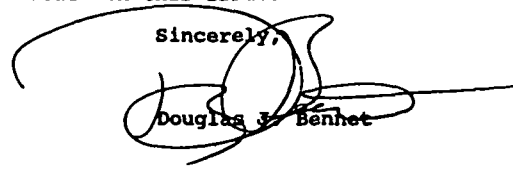
Nevetheless, as an organization which produces news and cultural programming, including humorous programming, and as a membership organization with over 350 member stations, many of which also produce such programming, NPR is concerned that the provision of the bill dealing with dilution of famous marks, which at this time remains in the bill, may seriously impair press coverage of important issues and other broadcast programming. Section 29 of the bill creates a cause of action for "dilution" of "famous marks". Such antidilution statutes have been used to bring cases against persons doing satire. In addition, NPR undertakes extensive and award-winning consumer reporting on products which may affect the health and safety of the American public. Those programming pieces could be subject to unfair attack by those who disfavor them under the proposed antidilution provisions of the bill, though surely no such result is intended or sought.

The recent U S Supreme Court decision in Hustler Magazine Inc v. Falwell, 56 U.S.L W. 4180, February 23, 1988, underscores the fundamental protections which the First Amendment extends and raises constitutional questions about the breadth and vagueness of the antidilution provision, particularly in light of the absence in the provision of any falsity standard or requirement for proof of malicious intent.

2025 M Street NW Washington DC 20036 Telephone 202 822 2000

NPR urges the Subcommittee to remove this provision from the bill in light of its potential for misuse against legitimate news, information, and entertainment programming. We appreciate your consideration of our concern and we will be pleased to work with your staff on this issue.

Sincerely,



Douglas J. Bennet

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Writer's Direct Dial No
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September 26, 1988

BY HAND

The Honorable Peter W Rodino, Jr , Chairman
House Committee on the Judiciary
United States House of Representatives
2137 Rayburn House Office Bldg
Washington, D C 20515

Dear Mr Chairman:

I understand that tomorrow your Committee will consider H R 4156, the Trademark Law Revision Act As you know, H R 4156 as originally drafted proposed to create civil causes of action for making a "material omission," disparaging or tarnishing a mark, and diluting a famous mark By letter dated September 20, 1988, I expressed to Chairman Kastenmeier the concerns of the Society of Professional Journalists, Sigma Delta Chi (the "Society"), regarding these proposals Recognizing that First Amendment values that would be jeopardized if these civil causes of action were created, the Subcommittee on Courts, Civil Liberties and the Administration of Justice voted last week to delete these provisions from H R 4156

In the event that these issues are revisited by the full Committee, I wish to share with you and your fellow Committee members the Society's concerns about these provisions A copy of my September 20 letter to Chairman Kastenmeier is attached

As always, we welcome the opportunity to discuss these issues with you or any member of your Committee

Very truly yours,

Bruce Sanford

Bruce W Sanford

/reo
Enclosure

cc: Representative Jack Brooks
Representative Don Edwards
Representative John Conyers, Jr
Representative Romano L Mazzoli
Representative William J Hughes
Representative Dan Glickman
Representative Barney Frank
Representative Charles E Schumer
Representative Bruce A Morrison
Representative Edward F Feighan
Representative Larry Smith
Representative Harley O Staggers, Jr
Representative Hamilton Fish, Jr
Representative F James Sensenbrenner
Representative Bill McCollum
Representative E Clay Shaw
Representative George W Gekas
Representative William E Dannemeyer
Representative Pat Swindall
Representative Lamar Smith
SPJ,SDX National Board and Officers
Paul K McMasters, Chairman SPJ,SDX National Freedom of Information Committee
Henry S Hoberman, Esq
Douglas E Lee, Esq

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WRITER'S DIRECT DIAL NO
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September 20, 1988

BY HAND

Honorable Robert W Kastenmeier, Chairman
Subcommittee on Courts, Civil Liberties
and the Administration of Justice
Committee on the Judiciary
United States House of Representatives
2137B Rayburn House Office Building
Washington, D C. 20515

Dear Mr. Chairman:

I am writing as counsel to the Society of Professional Journalists, Sigma Delta Chi (the "Society"), regarding H R 4156, the Trademark Law Revision Act. The Society is the largest and oldest organization of journalists in the United States. Its membership includes representatives of virtually every major media outlet in the United States, emcompassing both print and broadcast journalism

The Society is concerned about several provisions of H R. 4156 which may impede the free flow of information These provisions may interfere with the protected First Amendment rights of broadcasters by limiting the use of comparative and other information in advertising Naturally, and perhaps most troubling, any unconstitutional restriction on advertising would also imperil the First Amendment rights of the listening and viewing public

The proposed amendments to Section 43 of the current Act would create civil causes of action for "material omission," disparaging or tarnishing a mark, and diluting a famous mark The language concerning "material omission" of matter from advertisements is particularly problematic Advertisements cannot provide every aspect of product information that may be relevant to consumers or competitors Asking broadcasters to supply a laundry list of every product's features is both onerous and unrealistic The "material omission" language should be deleted

from the bill because it may operate to restrict the availability of information to the public

The Society is also troubled by the provision creating a federal cause of action for acts "likely to disparage or tarnish a mark used by another " In addition to the impact this provision may have on comparative advertising, the provision is likely to deter news reporting concerning commercial products and corporate activity, consumer reports, comedy and satire, and editorial commentary As you know, this "chilling effect" has been found to be unconstitutional by the United States Supreme Court In addition, injunctive relief to enforce the provision may constitute an unconstitutional prior restraint on speech.

We have similar concerns about the provision of the bill allowing for injunctive relief for acts which cause "dilution of the distinctive quality" of a famous mark. Again, news reportage, comedy and satire, and editorial commentary may be threatened by this provision. The remedy of injunctive relief to enforce this provision also raises the specter of an unconstitutional prior restraint

We suggest that these revisions, which are not integral to the bill's purposes, be deleted While we are of course cognizant of the need to balance First Amendment rights with the basic economic philosophies of trademark law, we believe that the proposed amendments run roughshod over precious First Amendment values

As always, we welcome the opportunity to discuss these issues with you and your staff We look forward to working with you on H R 4156 and other matters of mutual concern

Very truly yours,

Bruce W. Sanford

Bruce W Sanford

/reo
cc: Representative Mike Synar
Representative Patricia Schroeder
Representative George W Crockett, Jr
Representative Bruce A Morrison
Representative Howard L Berman
Representative Frederick C Boucher
Representative John Bryant
Representative Benjamin L Cardin
Representative Carlos J Moorhead
Representative Henry J. Hyde
Representative Dan Lungren

Representative Michael DeWine
Representative Howard Coble
Representative D French Slaughter
SPJ,SDX National Board and Officers
Paul K. McMasters, Chairman SPJ,SDX National Freedom of Information Committee
Henry S. Hoberman, Esq.
Douglas E. Lee, Esq.

National Association of
NAB
BROADCASTERS

Edward O Fritts

President & CEO
1771 N Street N.W
Washington, D C. 20036
(202) 429-5444
Telex 350-085

September 23, 1988

The Honorable Peter W Rodino, Jr
Chairman, Committee on the Judiciary
U S House of Representatives
2462 Rayburn House Office Building
Washington, DC 20515

Dear Mr Chairman.

Attached is a copy of the letter the National Association of Broadcasters sent to Chairman Kastenmeier concerning H R. 4156, the "Trademark Law Revision Act of 1988." In that letter we have identified those issues of greatest concern to radio and television broadcasters

It is our understanding that H.R. 4156 may be considered by the Judiciary Committee in the near future Although the Subcommittee deleted the provisions which gave rise to our concerns, we are aware that the issues addressed by those provisions may be revisited by the full Committee Therefore, we wish to bring our views on these matters to your attention.

NAB has stated, at each step in the legislative process in both the House and the Senate, that our interest in this bill is restricted to those portions which may affect broadcast content We take no position on any other part of the bill and commend those who have invested so much time and energy in this endeavor

We stand ready to discuss these matters in greater depth with you and the members of the Judiciary Committee

Sincerely,

Edward O. Fritts

Attachment
cc: Members of the Committee on the Judiciary

NAB

Edward O Fritts
President & CEO
1771 N Street N W
Washington D C 20036
(202) 429 5444
Telex 350-085

September 8, 1988

Honorable Robert W. Kastenmeier, Chairman
Subcommittee on Courts, Civil Liberties
and the Administration of Justice
Committee on the Judiciary
United States House of Representatives
2137B Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to bring to your attention the concerns of the National Association of Broadcasters ("NAB") regarding H.R. 4156, the Trademark Law Revision Act.

H R. 4156 is a comprehensive revision of the Lanham Act which was drafted through the efforts of numerous interested parties working under the umbrella of the United States Trademark Association NAB takes no position on those aspects of the bill dealing solely with trademark revision. We are deeply concerned, however, with several provisions of the bill which may impact on the daily operations of our nation's broadcasters. These provisions may have a detrimental effect on advertising, which is the sole source of revenue for free, over-the-air broadcasting, and on the recognized and protected First Amendment rights of the broadcast industry.

The provisions in question are those which would amend Section 43 of the current Act to create civil causes of action for "material omission," disparaging or tarnishing a mark, and diluting a famous mark We believe these elements, which are not integral to the bill's fundamental purposes, should be deleted from the measure. This would balance First Amendment rights, basic economic concerns, and the need to modernize U.S trademark law. We note that the Senate has already so acted with regard to "material omission" and the disparagement/tarnishment provision.

The provision dealing with "material omission" of matter from advertisements is particularly problematic No advertisement can contain every aspect of product information which may be relevant to either the consumer or the advertiser's competitor. This problem is particularly acute in broadcasting, with its 15, 30 and 60-second spots Broadcast ads provide important

information to the consumer and play a key role in the marketplace, but they are not intended as encyclopedic compendiums of every product's features. The term "material omission" will only be defined and understood by advertisers and competitors through litigation. Any changes caused by such litigation may have an extremely serious impact on broadcast economics and actually reduce the amount of information available to consumers, without any significant beneficial impact. Thus, we urge the Subcommittee to delete the language creating the "material omission" cause of action from the bill.

The second element of the bill we find extremely troubling is the provision creating a Federal civil cause of action for acts "likely to disparage or tarnish a mark used by another." (Emphasis supplied). The United States Trademark Association itself acknowledged in Senate testimony that this provision has serious First Amendment implications. In addition to the impact this provision may have on comparative advertising, the provision is likely to significantly impact news reporting on products and corporate activity, consumer reports, comedy and satire, and editorial commentary. This provision does not require that a report be false, but only that it be likely to "tarnish or disparage," terms as yet undefined. We believe that this provision would chill speech, that injunctive relief would be an unconstitutional prior restraint on speech, and that no need has been shown for its adoption. Absent a record, the provision appears unconstitutional, and we do not believe a record which would sustain the burdens placed by the Supreme Court on such limitations on speech can be made. Reportage, comedy and editorial commentary may sometimes offend, but this does not justify restrictions on speech of the type proposed here.

Similar concerns are raised by the provision of the bill allowing for injunctive relief for acts which cause "dilution of the distinctive quality" of a famous mark, with more stringent penalties if willful intent to trade on a registrant's reputation or cause dilution of a registrant's mark is shown. Again, reportage, comedy and satire, and editorial commentary might all fall victim to this provision, and the remedy of injunctive relief raises the specter of unconstitutional prior restraint In the rough and tumble of the marketplace of ideas, we are of the view that the instinct for protection of image generally must give way to greater First Amendment values. We therefore urge that this provision be stricken from the bill

As always, we welcome the opportunity to discuss these issues with you and your staff. We look forward to working with you on H.R. 4156 and other matters of mutual concern.

Kindest regards,



cc: Members, Subcommittee on Courts, Civil Liberties and the Administration of Justice

National Association of NAB BROADCASTERS

Edward O Fritts

President & CEO
1771 N Street, N W
Washington, D C 20036
(202) 429-5444
Telex 350-085

September 8, 1988

Honorable Robert W Kastenmeier, Chairman
Subcommittee on Courts, Civil Liberties
and the Administration of Justice
Committee on the Judiciary
United States House of Representatives
2137B Rayburn House Office Building
Washington, D C. 20515

Re Trademark Law Revision Act
H R 4156

Dear Mr. Chairman

Enclosed you will find the statement of the National Association of Broadcasters on H R 4156, the Trademark Law Revision Act We would appreciate the inclusion of this statement in the record of today's hearing on H R. 4156.

Thank you very much for your consideration in this matter

Kindest regards,

Edward O Fritts

Enclosures



STATEMENT OF

THE

NATIONAL ASSOCIATION OF BROADCASTERS

BEFORE THE SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES
AND THE ADMINISTRATION OF JUSTICE
COMMITTEE ON THE JUDICIARY
U.S. HOUSE OF REPRESENTATIVES

ON

H.R. 4156
TRADEMARK LAW REVISION ACT
OF 1987

SEPTEMBER 8, 1988

Mr Chairman The National Association of Broadcasters ("NAB") NAB is the trade association of the broadcasting industry, with a membership of more than 5,000 radio and 970 television stations and the major commercial broadcast networks. The NAB appreciates this opportunity to present its views concerning H R. 4156, the Trademark Law Revision Act

H.R 4156 represents a significant revision of our nation's trademark laws It is largely the work of a broad coalition of interested parties working under the umbrella of the U S Trademark Association NAB takes no position on those aspects of the bill dealing solely with trademark revision We do acknowledge the important effort of those who have labored to create this legislative vehicle

The provisions of H R 4156 of concern to NAB go directly to role played on a daily basis by this nation's local broadcasters We are deeply concerned that these provisions may have a detrimental effect on advertising, which is the sole means of revenue raising by commercial, over-the-air broadcasters, and on news and other programming provided as part of our public interest responsibilities found in FCC regulation and the Communications Act of 1934.

NAB's concern with H R 4156, then, is not with the great bulk of the bill which deals purely with trademark matters, but with the provisions amending Section 43 of the current Act to create civil causes of action for "material omission," disparaging or tarnishing a mark, and diluting a famous mark We believe that these elements, which are not integral to the bill's fundamental purposes, should be deleted from the measure We would note that the Senate has already so acted with regard to "material omission" and the provision on disparagement/tarnishment

As to the provision of H R 4156 which would create a civil cause of action for "material omission," NAB concurs in the testimony offered by the American Association of Advertising Agencies. No advertisement can contain every aspect of product information which may be relevant to either the consumer or the advertiser's competitor This problem is particularly acute in broadcasting, with its 15, 30 and 60-second spots Broadcast ads provide important information to the consumer and play a key role in the marketplace, but they are not intended as encyclopedic compendiums of every product's features Viewers, listeners and competitors understand this. Any changes in the advertising market brought about by the creation of a cause of action for "material omission," a term which of its nature can be defined only through litigation, may have extremely serious impact on broadcast economics, and actually reduce the amount of information available to consumers, without any significant beneficial impact Thus, we urge the Subcommittee to delete the language creating the "material omission" cause of action from the bill.

The second element of the bill we find extremely troubling is the provision creating a Federal civil cause of action for acts "likely to disparage or tarnish a mark used by another." (Emphasis supplied). The U.S Trademark Association itself acknowledged in Senate testimony that this provision has serious First Amendment implications. In addition to the impact this provision may have on comparative advertising, the provision is likely to significantly impact news reporting on products and corporate activity, consumer reports, comedy and satire, and editorial commentary. This provision does not require that a report be false, but only that it be likely to "tarnish or disparage," terms as yet undefined We believe that this provision would chill speech, that injunctive relief would be an unconstitutional prior restraint on speech, and that no need has been shown for its adoption. Absent a record, the provision appears unconstitutional, and we do not believe a record which would sustain the burdens placed by the Supreme Court on limitations on speech can be made Reportage, comedy and editorial commentary may sometimes offend, but this does not justify restrictions on speech of the type proposed here

Similar concerns are raised by the provision of the bill allowing for injunctive relief for acts which cause "dilution of the distinctive quality" of a famous mark, with more stringent penalties if willful intent to trade on a registrant's reputation or cause dilution of a registrant's mark is shown. Again, reportage, comedy and satire, and editorial comments might all fall victim to this provision, and the remedy of injunctive relief raises the specter of unconstitutional prior restraint. In the rough and tumble of the marketplace of ideas, we are of the view that the instinct for protection of image generally must give way to greater First Amendment values. We therefore urge that this provision be stricken from the bill.

Thank you, Mr Chairman, for your consideration of our views The National Association of Broadcasters is prepared to provide any additional information the Subcommittee may require.

Magazine Publishers of America 1211 Connecticut Avenue NW Suite 406 Washington DC 20036 202 296 727

MPA

CHAPIN CARPENTER JR.
Senior Vice President

September 23, 1988

The Honorable Peter W Rodino, Jr
Chairman
Committee on the Judiciary
2137 Rayburn HOB
Washington, D C 20515-6216

Dear Mr. Chairman

I am enclosing for your information a copy of a letter, dated September 21, 1988, which I submitted on behalf of the Magazine Publishers of America (MPA) to the Honorable Robert Kastenmeier concerning HR 4156, the Trademark Law Revision Act of 1988

MPA is gratified that Chairman Kastenmeier's subcommittee has now approved a substitute which is in essential accord with the views expressed in our letter. We sincerely appreciate Chairman Kastenmeier's consideration and action

We respectfully request that the full Committee on the Judiciary favorably report the measure as approved by the Subcommittee

MPA thanks you and the Members of the Committee

Sincerely,

Chapin Carpenter, Jr

cc The Honorable Robert W Kastenmeier
The Honorable Hamilton Fish, Jr
The Honorable Carlos J Moorhead

Enclosure

MAGAZINE PUBLISHERS OF AMERICA 1211 Connecticut Avenue NW Washington, D.C. 20036 202 [illegible]

MPA

CHAPIN CARPENTER JR
Senior Vice President

September 21, 1988

Honorable Robert W. Kastenmeier
Chairman
Subcommittee on Courts, Civil Liberties,
and the Administration of Justice
2137 Rayburn House Office Building
Washington, D. C. 20515-6219

Dear Mr Chairman

On behalf of the Magazine Publishers of America (MPA), I write to express our concern about several provisions of HR 4156, the "Trademark Law Revision Act of 1988".

MPA is a national organization representing 217 publishing houses that publish more than 800 consumer interest magazines in the United States MPA membership includes weekly news magazines and a wide variety of publications covering the interests of the American people -- art, literature, science, sports, politics, crafts, hobbies, homemaking, and many others.

MPA is well aware of the time and effort which have been expended by the United States Trademark Association and other parties in drafting the provisions of the bill which would effect a comprehensive revision and modernization of American trademark law Our concern in writing to you is not with those provisions, but with the provisions which would effect changes in the Lanham Act (Section 43 of the existing Trademark Act) and its applicability to advertising MPA believes that four provisions of HR 4156 raise significant First Amendment concerns and should be deleted I understand that other media organizations, such as the National Association of Broadcasters, have expressed similar concerns to you in recent weeks, so I will be brief

MPA opposes the provisions of HR 4156 which would create civil causes of action under Federal law for "omission of material information" in advertisements, for acts "likely to disparage or tarnish" another's trademark, and for acts causing "dilution of the distinctive quality" of a "famous" mark

To our knowledge, none of these provisions has been adequately explained, or the terminology precisely defined, by the proponents Perhaps this is simply because, by their very

nature, terms such as "material" and "likely to disparage" and "dilution of distinctive quality" are incapable of precise definition Only through endless litigation and decades of case law development could the meanings of these words and phrases be developed To be respectfully frank, it seems to us that enactment of such provisions would not be good legislative practice

Finally, with regard to litigation, we object to another provision of HR 4156 which appears to have received too little notice -- the extension to advertising cases of the punitive remedies (including multiple damages, profits, costs, and attorney's fees) presently available to claimants only in cases of willful infringement of registered trademarks. This type of remedy is simply not appropriate in the area of commercial speech and should be deleted from the bill

MPA thanks you for the consideration of our views

Sincerely,

Chapin Carpenter, Jr

cc Members, Subcommittee on Courts, Civil Liberties and the Administration of Justice

Association of American Publishers Inc

aap

2005 Massachusetts Avenue N W
Washington D C 20036
Telephone 202 232 3335

September 20, 1988

The Hon. Robert W. Kastenmeier
Chairman
Subcommittee on Courts, Civil Liberties,
and the Administration of Justice
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Kastenmeier:

The Association of American Publishers, Inc. ("AAP") would like to take the opportunity to inform you of its support for trademark revision in general and most of the provisions of H.R. 4156. AAP believes, however, that although the sections of the bill concerning "standard" trademark law seem entirely appropriate, the Subcommittee would do well to delete certain language that would amend §43(a) of the Lanham Act. Such deletions have already been adopted in the Senate with respect to its nearly identical bill, S.1883.

The provisions in question involve the "omission of material information" (in proposed 15 U S.C. §1125(a)(1)(B)), the "disparagrement or tarnishing" of marks (in proposed 15 U.S.C. §1125(a)(1)(C)), and the remedies provisions related thereto. Book publishers, many of whom publish works in many media, are concerned that advertisements for their books and advertisements for any products or services that appear in their magazines and other "non-book" publications could be found violative of the "omission" language if they lacked any fact that might prove to be material to a consumer's evaluation of the advertised book, product or service. While the draft is intended to do no more than codify the current state of the law in this respect, the Senate sponsor, in explaining why that body had deleted similar language, acknowledged "concerns that it could be misread to require that all facts material to a consumer's decision . . . be contained in each advertisement." 134 Cong. Rec. S. 5869 (May 13, 1988) (emphasis added).

The First Amendment generally protects against both the compulsion and prevention of speech, including commercial speech of the type within the proposed law's scope. AAP believes that limited mandated disclosures of the type required in the now-familiar precise warnings on cigarette packaging and advertising represent the limit to which the government should go in requiring speech. If advertisers, including publishers, were required to conform to a "standard" as vague as "omission of

material information," which is neither defined in the statute nor readily amenable to a priori interpretation, their commercial speech would effectively be chilled, to the detriment not only of publishers, but also of the public, whose access to information would be reduced.

For similar reasons, the "disparage or tarnish" language poses substantial threats not only to advertising, but to publishers of critial analyses, satires and parodies as well. The undefined standard -- "likely to disparage or tarnish" -- because of its uncertain scope, could well prevent the publication of legitimate criticism and valuable humorous works if the remedies of the Lanham Act were available here.

The AAP notes that the amendments it urges, as made in the Senate version of this legislation, were approved by the United States Trademark Association -- the organization of trademark owners and attorneys that examined trademark issues and provided the foundation for trademark reform legislation -- on the ground that the amendments "reflect an even broader consensus than that enjoyed by the legislation as introduced." AAP joins USTA in urging passage of this legislation, as amended by the Senate. Protection concerning material omissions and disparagement or tarnishing of marks should be considered, if necessary, after full deliberative process in the next Congress.

Thank you for your consideration.

Sincerely,

N. O. Veliotes

Nicholas Veliotes

cc: Full Subcommittee on Courts, Civil Liberties, and the Administration of Justice

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

LANE KIRKLAND
PRESIDENT

815 SIXTEENTH STREET N W
WASHINGTON D C 20006

THOMAS R DONAHUE
SECRETARY-TREASURER

(202) 637 5078

LEGISLATIVE ALERT!

September 26 1988

The Honorable Peter Rodino Jr Chairman
House Judiciary Committee
2137 Rayburn House Office Building
U.S House of Representatives
Washington D C 20515

Dear Mr Chairman

This letter is in reference to H R 4156 The Trademark Law Revision Act of 1988 which I understand is scheduled for mark-up by the full Committee tomorrow On behalf of the AFL-CIO I want to urge your support for an amendment clarifying that individual consumers as well as commercial competitors, have a right to sue under Section 43(a) of the Lanham Act Such an amendment was added to the bill by the Subcommittee on Courts last week

The AFL-CIO has had an abiding interest in consumer-oriented legislation on behalf of its 15 million union members and their families Because consumers lack other effective remedies, an amendment according consumers standing to sue under the Act is necessary to protect them from misleading advertising

Sincerely,

Robert M. McGlotten

Robert M. McGlotten, Director
DEPARTMENT OF LEGISLATION

c All members of the House Judiciary Committee

UFCW

September 23, 1988

The Honorable Robert W Kastenmeier
United States House of Representatives
Washington, D C 20515

Dear Mr Chairman

Recently your Subcommittee, tbe Courts, Civil Liberties and the Administration of Justice Subcommittee of the House Judiciary Committee reported H R 4156, The Trademark Law Revision Act of 1988 The Subcommittee reported H R 4156 after adopting an amendment in the nature of a substitute that would explicitly provide that consumers have standing to sue for violations of Seotion 43(a) of the Lanham Aot Previously, many courts have limited Lanham Act standing to businesses

My purpose in writing you today is to inform you of our long-standing commitment to the proteotion of a consumer's right to sue for damages and other appropriate relief I hope during the full Judiciary Committee's consideration of H R 4156 you will support the subcommittee extension of oonsumer's right to sue for injury due to false and misleading advertising and other similar actions harmful to consumers

Sincerely,

Michael L Tiner
Director
Government Affairs

William H. Wynn
International
President

Jerry Menapace
International
Secretary-Treasurer

United Food & Commercial Workers
International Union, AFL-CIO & CLC
1775 K Street, N W
Washington, D C 20006
(202) 223-3111 FAX (202) 466-1562

CSPI CENTER FOR SCIENCE IN THE PUBLIC INTEREST
Publisher of *Nutrition Action Healthletter*

September 23, 1988

Honorable Peter W Rodino, Jr
Chairman
Committee on the Judiciary
United States House of Representatives
2137E Rayburn House Office Building
Washington, D C 20515

ATTN Elaine Mielke, General Counsel

Dear Mr Chairman

We are writing to urge your support for the Trademark Law Revision Act of 1988 as reported yesterday by the Courts, Civil Liberties, and Administration of Justice Subcommittee.

We especially support section 27, which clarifies that individual consumers, as well as commercial competitors, have a right to challenge false advertising under section 43(a) of the Lanham Trademark Act Consumers need standing to sue because they lack other remedies against deceptive advertising

- The Federal Trade Commission (FTC) has virtually abandoned bringing effective enforcement actions,
- Consumers themselves cannot bring suit under the FTC Act and most states' trade practices acts, and
- The number of cases handled by self-regulatory authorities has sharply declined. Moreover, the types of cases handled by such authorities reach only the most ordinary forms of deception.

This provision provides important protections to consumers and we urge you to support it.

1501 Sixteenth Street, NW Washington, DC 20036 (202) 332-9110

Thank you for your attention to this matter

Sincerely,

Bruce Silverglade

Steven Brobeck
Executive Director
Consumer Federation of America

Linda Golodner
Executive Director
National Consumers League

Eric Hard
Staff Attorney
Congress Watch

Bruce Silverglade
Legal Director
Center for Science in the Public Interest

Mark Silbergeld
Director, Washington Office
Consumers Union

CSPI CENTER FOR SCIENCE IN THE PUBLIC INTEREST
Publisher of *Nutrition Action Healthletter*

September 12, 1988

The Honorable Robert W Kastenmeier, Chairman
Courts, Civil Liberties and
Administration of Justice Subcommittee
2137 Rayburn House Office Building
Washington, D.C. 20515

ATTN Virginia Sloan

Dear Mr Chairman

We are writing in reference to the Trademark Law Revision Act of 1988 (H.R. 4156)

We urge you to support an amendment to section 28(a)(1)(A) clarifying that individual consumers, as well as commercial competitors, have a right to challenge false advertising under section 43(a) of the act Consumers need standing to sue because they lack other remedies against deceptive advertising

- The Federal Trade Commission (FTC) has virtually abandoned bringing effective enforcement actions,
- Consumers themselves cannot bring suit under the FTC Act and most states' trade practices acts; and
- The number of cases handled by self-regulatory authorities has sharply declined. Moreover, the types of cases handled by such authorities reach only the most ordinary forms of deception

We also urge you to oppose any amendments to section 28(a)(1)(B) of the bill that would remove "omissions of material information" as a form of false advertising prohibited by the act Consumers can be misled by half-truths as well as expressly false statements Furthermore, as the U.S Trademark Association has stated, this

1501 Sixteenth Street, NW Washington, DC 20036 (202) 332-9110

provision merely codifies court decisions decided under the current law.

Thank you for your attention to these matters.

Sincerely,

Stephen Brobeck
Consumer Federation of America

Linda Golodner
National Consumers League

Bruce Silverglade
Legal Director

Mark Silbergeld
Consumers Union

Eric Hard
Congress Watch

CSPI CENTER FOR SCIENCE IN THE PUBLIC INTEREST
Publisher of *Nutrition Action Healthletter*

August 10, 1988

Virginia Sloan
Subcommittee on Courts, Civil Liberties,
and the Administration of Justice
2137 Rayburn House Office Building
Washington, D.C. 20515

Dear Ms. Sloan:

We wish to testify at hearings on H.R. 4156, a bill to amend the Lanham Trademark Act, to be held on September 8th.

In our testimony, we would like to discuss two major concerns about how this bill would affect the control of false advertising.

First, as presently drafted, Section 28(a)(1)(C) of the bill limits standing to sue under the Act to commercial competitors. As the enclosed law review note indicates, the right of consumers to challenge false advertising in court is especially important in light of the FTC's abandonment of its traditional role as a consumer protection agency. Thus, Congress should make it clear that consumers have standing to sue under the Act

Second, it is important that Congress retain the provision in Section 28(a)(1)(B) of the bill that codifies court decisions which have held that omissions of material facts, as well as direct misrepresentations in advertising, create a cause of action under the Act. Although this wording merely codifies existing law, the advertising industry has pushed for its removal in the Senate, and we wish to respond to their arguments.

Thank you for your assistance. Please call if you would like further information.

Sincerely,

Bruce Silverglade
Director of Legal Affairs

1501 Sixteenth Street, NW Washington DC 20036 (202) 332-9110

NOTE

Consumer Standing to Sue for False and Misleading Advertising Under Section 43(a) of the Lanham Trademark Act

INTRODUCTION

Section 43(a) of the Lanham Trademark Act[1] provides for both damages and injunctive relief in a federal action for false advertising The section gives two classes of "persons" standing to sue: "any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or any person who believes that he is or is likely to be damaged by the use of any such false description or representation [2] Although this language is broad and appears to give standing to a large number of potential plaintiffs, the courts have almost uniformly held that standing[3] under section 43(a) is limited to commercial concerns Members of the general public, as consumers, have no right of action.[4]

In the leading case of *Colligan v Activities Club of New York*,[5] the Second Circuit Court of Appeals disregarded the section's plain

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1 15 U S C § 1125 (1982)

2 *Id*

3 The term "standing" is being used herein in a non-constitutional sense Whether consumers may sue under section 43(a) of the Lanham Act raises only issues of statutory construction

4 *See infra* text accompanying notes 86-92, 100-02

5 442 F 2d 686 (2d Cir 1971)

language and legislative history, and held that a consumer has no standing under section 43(a). Initially, many commentators were dissatisfied with the *Colligan* court's reasoning, but since *Colligan* was widely followed, this dissatisfaction soon subsided. The *Colligan* court believed that the Federal Trade Commission's intervention into both the marketplace and the courts provided adequate consumer protection, and accordingly, a consumer right of action under section 43(a) was unnecessary.[6] Due to the recent government trend away from consumer protection, however, a reevaluation of the consumer standing issue is necessary In addition, the available state law remedies cannot fill the gap created by the decrease in federal consumer protection.

This note discusses the reasons for extending standing under section 43(a) of the Lanham Trademark Act to include a consumer right of action. Part I briefly discusses the history of section 43(a) and the present state of the law in the area of consumer standing Part II recapitulates the early arguments advanced for extending standing to include consumers and concludes that these arguments are still viable. Part III then discusses the recent government trend away from consumer protection and explains the now more apparent need for a consumer remedy under section 43(a). Part IV discusses the ineffectiveness of state court remedies in providing adequate consumer protection from false and misleading advertising and refutes the argument that consumer standing will lead to a flood of claims in federal courts This note then offers the conclusion that consumers, the group most likely to be injured by false or misleading advertisements, must have an adequate remedy, and section 43(a) of the Lanham Act should provide this remedy

I THE STATE OF THE LAW

A Brief History of Section 43(a)

Prior to the enactment of the Lanham Trademark Act, victims of false advertising were limited to common law remedies [7] At that

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6 *Id* at 694 n 37

7 For a detailed discussion of the history of actions for false and misleading advertising at common law see Callmann, *False Advertising as a Competitive Tort*, 48 COLUM L REV 876 (1948), Handler, *False and Misleading Advertising*, 39 YALE L J 22 (1929) *See also* Note, *Developments in the Law - Competitive Torts*, 77 HARV L REV 888 (1964), Weil, *Protectibility of Trademark Values Against False Competitive Advertising*, 44 CALIF L REV 527 (1956)

time, federal courts recognized no "property right" in a product that could be violated by false representations [8] Ironically, in two early federal cases the courts denied a right of action to the competitor-plaintiffs but noted that a consumer could possibly bring an action In *New York & Rosendale Cement Co v. Coplay Cement Co.*[9] plaintiff, one of some twenty cement manufacturers in Rosendale, New York, selling a product described as "Rosendale cement," brought an action against a Pennsylvania cement manufacturer selling a product identically designated.[10] The court denied injunctive relief because plaintiff was not the only seller of "Rosendale cement" and therefore did not possess an exclusive "property-type right" to the name [11] The court did, however, suggest that there might be an action by one of plaintiff's defrauded customers.[12] Similarly, in *American Washboard Co. v Saginaw Manufacturing Co* [13] the court denied injunctive relief to plaintiff-competitor because it had no enforceable property right [14] However, the court noted that a private right of action does exist when a deceived member of the public sues to recover for his losses arising out of the deception [15]

Prior to *Rosendale Cement* and *American Washboard*, some courts did grant relief for allegations of unfair competition. The most noteworthy of these is *Pillsbury-Washburn Flour Mills Co v. Eagle*,[16] in which the plaintiffs, a group of flour manufacturers in Minneapolis, stated that over a period of time the flour ground in that region had obtained a reputation for high quality. Plaintiffs argued that the defendant, a Chicago seller of flour milled in Milwaukee who had sold his flour using the "Minnesota Patent" label used by plaintiffs, injured their sales and reputations by selling an inferior product. The court, in granting relief, rejected the "property

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8 Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act Prologue or Epilogue?*, 32 N Y U L Rev 1029, 1032 (1957) *See* American Washboard Co v Saginaw Mfg Co , 103 F 281 (6th Cir 1900) (court denied a manufacturer of aluminum washboards any private right of action against a competitor who falsely described his zinc washboards as aluminum)

9 44 F 277 (C C E D Pa 1890)

10 *Id* at 278

11 *Id* at 279

12 *Id*

13 103 F 281 (6th Cir 1900) *See supra* note 8

14 *Id* at 287

15 *Id* at 285-86

16 86 F 608 (7th Cir 1898) *cert denied* 173 U S 703 (1899)

right" prerequisite suggested by the later cases of *Rosendale Cement* and *American Washboard* [17]

These cases present two conflicting approaches to the issue Although some judges sought to expand the availability of relief against misrepresentation and unfair competition, other judges insisted on adhering to a more restrictive analysis [18] This contrast was further demonstrated in *Ely-Norris Safe Co. v. Mosler Safe Co* [19] In *Ely-Norris*, plaintiff, a safe manufacturer who held a patent on safes with explosive chambers, brought an action against a manufacturer who falsely represented that its safes also contained an explosive chamber.[20] Judge Learned Hand took an expansive view and expressly rejected the *American Washboard* rule in holding that the plaintiff could recover in this situation.[21] Judge Hand concluded that where a plaintiff can show an actual injury from defendant's false representations, a cause of action for that false representation exists.[22] On appeal from the Second Circuit, Justice Oliver Wendall Holmes refused to ratify the Second Circuit decision The defendant argued that manufacturers of safes other than the plaintiff also incorporated explosive chambers in their safes, and therefore the defendant's misrepresentations did not directly result in the plaintiff's loss of sales [23] The Court concluded that the presence of other competitors deprived the plaintiff of any right to judicial relief.[24]

One of the last decisions prior to the effective date of the Lanham Act was *California Apparel Creditors v Wieder of California, Inc.*[25] This case was as restrictive as its predecessors and was viewed by one commentator as affirming the *American Washboard*

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17 "[I]n cases where the question is simply one of unfair competition in trade it is not essential [that] there should be an exclusive or proprietary right in the words or labels used, in order to maintain the action" *Eagle*, 86 F at 628

18 Bauer, *A Federal Law of Unfair Competition What Should Be the Reach of Section 43(a) of the Lanham Act?*, 31 UCLA L Rev 671, 676 (1984) *See, e g*, Hall v Duart Sales Co , 28 F Supp 838 (N D Ill 1939), Armstrong Cork Co v Ringwalt Linoleum Works, 235 F 458 (D N J 1916), *rev'd*, 240 F 1022 (3d Cir 1917), Borden's Condensed Milk Co v Horlick's Malted Milk Co , 206 F 949 (E D Wis 1913)

19 7 F 2d 603 (2d Cir 1925), *rev'd* 273 U S 132 (1927)

20 *Ely-Norris*, 7 F 2d at 603

21 *Id* at 604 "[T]here is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today" *Id*

22 *Id*

23 Mosler Safe Co v Ely-Norris Safe Co 273 U S 132, 134 (1927)

24 *Id*

25 162 F 2d 893 (2d Cir), *cert denied*, 332 U S 816 816-17 (1947)

doctrine.[26] In *California Apparel*, plaintiff, a trade association of clothing manufacturers, sued defendant, a New York clothing manufacturer, for representing that its sportswear was "California sportswear."[27] The court noted there was no showing that consumers who responded to the defendant's false advertising would otherwise have bought from plaintiffs and that the plaintiffs represented only a small portion of the total California manufacturers.[28] The court then held that proof of actual diversion of business to the defendant is required.[29]

The judiciary's inconsistent and restrictive approach set the stage for a legislative response [30] The Lanham Act of 1946 was a response to numerous problems that arose under the prior acts of 1905[31] and 1920.[32] The central focus of the earlier statutes did not include the portion that eventually became section 43(a) [33] The Act of 1920 created a cause of action against anyone "who shall willfully and with intent to deceive, use . a false designation of origin, . at the suit of any person doing business in the locality falsely indicated as that of origin ,"[34] and thus could have been used to reject the *Rosendale Cement* decision.[35] However, because of a number of restrictions, both in the statute[36] and in the few decisions interpreting it,[37] this did not happen

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26 Callmann, *supra* note 7, at 883

27 *California Apparel Creditors*, 162 F 2d at 895

28 *Id* at 901

29 *Id*

30 Bunn, *The National Law of Unfair Competition*, 62 HARV L REV 987, 998 1000 (1949)

31 Act of February 20, 1905, ch 592, Pub L No 58-84, 33 Stat 724 (repealed by Lanham Act of 1946 § 46(a))

32 Act of March 19, 1920, ch 104, Pub L No 66-163, 41 Stat 533 (repealed by Lanham Act of 1946 § 46(a))

33 Bauer, *supra* note 18, at 679 *See also* Derenberg, *supra* note 8, at 1035

34 Act of March 19, 1920, *supra* note 32, § 3, at 534

35 *See supra* notes 9-12 and accompanying text

36 Lanham Act § 43(a), 15 U S C § 1125(a) (1982)

The section was important because (1) it excluded forms of misrepresentation and applied only to false designations of origin, (2) it applied to merchandise, but not to services, and (3) it required the plaintiff to show that the party responsible for the ad willfully and intentionally used false advertising with an intent to deceive

Gallo, *False and Comparative Advertising Under Section 43(a) of the Lanham Trademark Act*, 8 COM & THE LAW 11 (1986)

37 *See, e g* , Parfumerie Roger e' Gallet Societe Anoryme v Godet, Inc , 17 TRADEMARK REP 1 (S D N Y 1926)

As one commentator notes, "[a]lmost no reported decision can be found in which relief was granted based on this newly created remedy " Derenberg, *supra* note 8, at 1034

Section 43(a) of the Lanham Act[38] creates a private right of action for false advertising. The section provides, in pertinent part:

> Any person who shall . . use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation [39]

Despite the passage of what appears to be a very clear prohibition against false advertising, the courts initially continued to reflect the conservative approach that the courts had taken under the common law prior to section 43(a). In *Samson Crane Co v. Union National Sales, Inc.*,[40] plaintiff alleged that the defendant store falsely represented to the public that it was associated with a labor union [41] The court dismissed the action and held that section 43(a) provides relief only for traditional trademark violations [42] The statute applies "not to any competitive practice which in the broad meaning of the words might be called unfair, but to that 'unfair competition' which has been closely associated with the misuse of trademarks, i e , the passing off of one's own goods as those of a competitor."[43] This approach continued until the decision of the Third Circuit Court of Appeals in *L'Aiglon Apparel, Inc v. Lana Lobel, Inc.*[44] L'Aiglon, the plaintiff, sold a distinctive dress for $17 95 in a large advertising campaign. Lobel's advertisement pictured the dress with Lobel's name and a price of $6 95.[45] The district court dismissed the case for failure to state a cause of action [46] The court of appeals reversed indicating that there was nothing in the Act's legislative history implying that it was merely a codification of the common

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38 Lanham Act § 43(a), 15 U S C § 1125(a) (1982)
39 *Id*
40 87 F Supp 218 (D Mass 1949), *aff'd per curiam*, 180 F 2d 896 (1st Cir 1950)
41 *Samson Crane*, 87 F Supp at 220
42 *Id* at 222
43 *Id*
44 214 F 2d 649 (3d Cir 1954)
45 *Id* at 650
46 *Id* at 649-50

law and, therefore, plaintiff had stated a cause of action [47] The court further stated that passage of section 43(a) eliminated the common law rules of *American Washboard*.[48]

Although *L'Aiglon* significantly expanded the scope of section 43(a), the section was slow to develop as an effective remedy for false advertising. By 1964, there were less than thirty reported cases under section 43(a).[49] However, by the mid-1970's section 43(a) became one of the most litigated federal statutes.[50]

B. Actions Under Section 43(a)

The most common use of section 43(a) arises with trademark infringement in circumstances where protection under other provisions of the Lanham Act is unavailable [51] Although traditional trademark infringement was not the primary goal of the drafters of section 43(a),[52] the section's scope does include a prohibition against the "palming off" of one's goods and services through trademark copying [53] Actions for "passing off" the application of plaintiff's trademark to defendant's product,[54] and "reverse passing off," the removal of plaintiff's trademark and the substitution of

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47 *Id* at 651

48 *Id* *See supra* notes 9, 13-14 and accompanying text

49 *See* Note, *supra* note 7, at 908

50 Numerous factors contributed to the statute's gradual development and sudden burst into prominence (1) until the 1970's unawareness of the section's potential scope resulted in comparatively less litigation, (2) television advertising developed during this period and by the 1970's had become a potent competitive tool, (3) a change in network policies led to the advent of comparative advertising and disputes over advertising became more likely to arise, (4) increased sophistication in consumer research and the acceptance of consumer research as a science made it easier to present evidence to a court, and (5) the regulatory environment changed during this period In the 1960's, the commercial world viewed the FTC as an ineffective regulator of anti-competitive practices In the 1970's, though, the FTC began taking complaints directly from aggrieved competitors, thereby avoiding direct confrontations between competitors Donegon, *Section 43(a) of the Lanham Act as a Private Remedy for False Advertising*, 37 FOOD DRUG COSM L J 264, 273 (1984) *See also* Gallo, *supra* note 36, at 13

51 Bauer, *supra* note 18, at 685

52 For purposes of the 1946 Act, see 1946 U S CODE CONG SERVICE 1274

53 *See, e g* , Interspace Corp v Lapp, Inc , 721 F 2d 460 (3d Cir 1983), Jellibeans, Inc v Skating Clubs of Ga , Inc , 716 F 2d 833 (11th Cir 1983), Big O Tire Dealers, Inc v Goodyear Tire & Rubber Co , 561 F 2d 1365 (10th Cir 1977), Boston Professional Hockey Ass'n v Dallas Cap & Emblem Mfg , 510 F 2d 1004 (5th Cir), *cert denied*, 423 U S 868 (1975)

54 Shatel Corp v Mao Ta Lumber and Yacht Corp , 697 F 2d 1352 (11th Cir 1983), LaCoste Alligator, S A v Bluestein's Men's Wear, Inc , 569 F Supp 491 (D S C 1983), Bowmar Instrument Corp v Continental Microsystems, 497 F Supp 947 (S D N Y 1980)

defendant's thereon,[55] have been brought under section 43(a).

When a defendant expressly or implicitly misrepresents the source or nature of his own product,[56] or the relative quality of plaintiff's product,[57] a false advertising action may be brought under section 43(a).[58] The misrepresentations may be based upon quality, place of origin, or any false statement made to promote one's product or in comparison with another's product.[59]

A variety of remedies are available under section 43(a). It is well established that a preliminary injunction is available upon a showing that the advertisement is false and misleading.[60] Proof of actual damages is not required.[61] The Lanham Act lowers the irreparable harm standard for both preliminary and permanent injunctions.[62] Plaintiff must only show that irreparable harm is likely.[63] Monetary damages are available if the plaintiff successfully proves actual consumer reliance on the advertisement and "a nexus between the alleged violation and the injuries suffered."[64] Although

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55 Arrow United Indus., Inc. v. Hugh Richards, Inc., 678 F.2d 410 (2d Cir. 1982), Nike, Inc. v. Rubber Mfrs. Ass'n, 509 F. Supp. 919 (S.D.N.Y. 1981), John Wright, Inc. v. Casper Corp., 419 F. Supp. 292 (E.D. Pa. 1976), *modified sub nom.*, Donsco, Inc. v. Casper Corp., 587 F.2d 602 (3d Cir. 1978).

56 Coca Cola Co. v. Tropicana Prods., 690 F.2d 312 (2d Cir. 1982), U-Haul Int'l. v. Jartran, Inc., 681 F.2d 1159 (9th Cir. 1982), Eastern Airlines, Inc. v. New York Air Lines, 559 F. Supp. 1270 (S.D.N.Y. 1983), Skil Corp. v. Rockwell Int'l. Corp., 375 F. Supp. 777 (N.D. Ill. 1974).

57 Eastern Airlines, Inc. v. New York Air Lines, 565 F. Supp. 800 (S.D.N.Y. 1983), Johnson & Johnson v. Quality Pure Mfg., Inc., 484 F. Supp. 975 (D.N.J. 1979).

58 False advertising is the violation that most directly affects the consumer, and the discussion herein relating to expanding standing to include a consumer is limited to an action for false representations or comparisons.

59 Elements for a cause of action under section 43(a): (1) Defendant must make a false statement about its own product. An action will not lie if defendant makes statements only about plaintiff's product, but an action may be maintained when defendant gives an impression about both products and their relation to one another, (2) The advertisement must actually deceive or have a tendency to deceive a substantial segment of the public, (3) Such deception must be material, in that it is likely to influence a purchasing decision, (4) Defendant's product must enter interstate commerce, and (5) Plaintiff must have been or be likely to be injured as the result of defendant's conduct. Gallo, *supra* note 36, at 21-22. *See also* Donegon, *supra* note 50, at 278-79.

60 *See, e.g.*, Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186 (2d Cir. 1980), McNeilab, Inc. v. American Home Prods. Corp., 501 F. Supp. 517 (S.D.N.Y. 1980).

61 *Johnson & Johnson*, 631 F.2d at 189.

62 Some courts will presume irreparable harm. *See* Philip Morris, Inc. v. Loews Theatres, Inc., 511 F. Supp. 855, 857 (S.D.N.Y. 1980).

63 American Brands v. R.J. Reynolds Tobacco Co., 413 F. Supp. 1352 (S.D.N.Y. 1976).

64 Thompson, *Problems of Proof in False Comparative Product Advertising: How Gullible is the Consumer?*, 72 TRADEMARK REP. 385, 399 (1982).

damages are often sought, they are rarely awarded This is primarily due to the difficulty in proving the causal relationship between the particular advertising claim and the injury [65]

There are procedural advantages that make section 43(a) an attractive vehicle for false advertising actions Federal courts have jurisdiction even as to commercial plaintiffs lacking a federally registered trademark [66] Section 39 of the Lanham Act grants federal courts jurisdiction over "all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties."[67] In addition, section 1338(a) of the Judicial Code gives federal district courts original jurisdiction over "any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks "[68] Therefore, it is relatively easy for one who has standing[69] to bring a section 43(a) action in federal court

C Standing to Sue

Section 43(a) gives two classes of "persons" standing to sue: (1) any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or (2) any person who believes that he is or is likely to be damaged by the use of any such false description.[70] The first group reflects the pre-Lanham action for false designation of geographic origin [71] The language of the second group appears to give standing to a broad class of potential plaintiffs However, in *Colligan v. Activities Club of New York*,[72] the Second Circuit Court of Appeals held that consumers lack standing to bring class actions under section 43(a) of the Lanham Act.

In *Colligan*, a group of 153 high school students relied upon representations made by an organizer of ski tours in flyers designed to resemble those of a better-known tour service. The defendants represented that equipment, instruction, and reliable, certified

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65 Toro Co v Textron, Inc , 499 F Supp 241, 251 (D Del 1980)

66 General Pool Corp v Hallmark Pool Corp , 259 F Supp 383 (N D Ill 1966)

67 15 U S C § 1121 (Supp 1986)

68 28 U S C § 1338(A) (1976)

69 *See supra* note 3, *infra* text accompanying notes 70-72

70 Lanham Act § 43(a), 15 U S C § 1125(a) (1982)

71 Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act You've Come a Long Way, Baby — Too Far Maybe?*, 49 IND L J 84, 92 (1973)

72 442 F 2d 686 (2d Cir), *cert denied*, 404 U S 1004 (1971)

transportation would be provided for each child In fact, the defendants only provided eighty-eight pairs of skis for 153 students, one qualified instructor, and dangerous and unreliable bus transportation [73] Plaintiffs, two students who attended the ski weekend, brought an action as representatives of two classes· (1) the students deceived and damaged by the defendants, and (2) all high school students in the New York area who were likely to be deceived in the future.[74] Plaintiffs sought money damages, an accounting for profits and an injunction [75] The district court held that consumer standing could not be inferred from the statute without explicit statutory authorization and dismissed the action [76]

On appeal, the plaintiffs argued that the phrase "any person" is unambiguous and clearly provides for suits by consumers [77] The court of appeals refused to accept the statute in a vacuum and concluded that the words must be read in context.[78] The court then directed its attention to the statute's legislative history The court's analysis consisted of little more than a refutation of some weak historical arguments advanced by the plaintiffs.[79] After determining the legislative history inconclusive,[80] the court focused on section 45 of the Act[81] which provides, in pertinent part "[t]he intent of this chapter . . is to protect persons engaged in such commerce . . "[82] The court concluded that the absence of a specific reference to "consumers" or "the public" indicated that "Congress' purpose in enacting section 43(a) was to create a special and limited unfair competition remedy, virtually without regard for the interest of consumers generally and almost certainly without any consideration of consumer rights of action in particular "[83] The

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73 One bus broke down, another was stopped and ticketed for having one headlight and faulty brakes, and another poured exhaust fumes into its interior One driver was intoxicated and unable to make the return trip thus forcing the students to pay an additional unrefunded amount for an extra meal necessitated by the delay *Colligan*, 442 F 2d at 688

74 *Id* at 687

75 *Id*

76 Colligan v Activities Club of N Y , Ltd , Civil No 69-2194 (S D N Y Jan 26, 1970)

77 *Colligan*, 442 F 2d at 689

78 *Id*

79 Comment, *Consumer Law-Standing—School Children Denied Standing to Sue for False Advertising Under Section 43(a) of the Lanham Act*—Colligan v Activities Club of New York, Ltd , 46 N Y U L Rev 807 (1971)

80 442 F 2d at 690

81 15 U S C § 1127 (Supp 1986)

82 *Id*

83 442 F 2d at 692

court then stressed its fear of a "veritable flood of claims" that would be brought in federal courts because of the section's procedural advantages were the court to give the section an expansive interpretation [84] Lastly, the court noted that although consumers have no right of action under section 43(a), the federal government "through the Federal Trade Commission has intervened in the marketplace and in the courts to vindicate the rights of the consuming public," and therefore an additional consumer remedy is unnecessary [85]

In contrast, in *Arnesen v Raymond Lee Organization, Inc* [86] the district court rejected defendant's contention that section 43(a) confers no right of action on a defrauded consumer but only on competitors because the intent of the act is to protect those engaged in commerce.[87] The court reasoned that "[t]he liability clause of section 43(a) is clear on its face; it applies to any person who is or is likely to be damaged."[88] In *Arnesen*, the plaintiff, an inventor, brought a class action, on behalf of himself and all others similarly situated, against the defendant, a patent service that lured clients through misleading advertising. In denying defendant's motion to dismiss, the court noted that section 45[89] makes actionable the deceptive and misleading use of marks and descriptions, and defines a person as both a natural and juristic person.[90] The court then reasoned that the legislative history of the Lanham Act indicates that it was meant to protect consumers and competitors [91] Lastly, the court rejected defendant's argument that the Federal Trade Commission can protect consumer interest, stating that nothing in the Lanham Act requires the FTC "to be the sole agent for consumers."[92] Accordingly, there is no reason why the consumer should not be able to sue for his own protection absent a legislative intent to the contrary Although *Arnesen* remains unchallenged in its circuit and was decided subsequent to *Colligan*, the decision stands alone.

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84 *Id* at 693

85 *Id* at 694 n 37

86 333 F Supp 116 (C D Cal 1971)

87 *Id* at 119-20

88 *Id* at 120

89 *See supra* text accompanying note 81

90 *Arnesen*, 333 F Supp at 120

91 *Id* (citing Yameta Co v Capital Records, Inc , 279 F Supp 582 (S D N Y 1968), *vacated*, 393 F 2d 91 (2d Cir 1968))

92 *Id*

Commentators heavily criticized the reasoning of the Second Circuit in *Colligan* One such commentator stated that "such a restrictive reading of [section] 43(a) is both bad policy and improper judicial interpretation of clear statutory language "[93] Other commentators argued that the court disposed of the issue simply because of an unfounded fear of a flood of claims [94] Others highlighted the fact that the court ignored not only the plain language of the section but the legislative history as well.[95] Finally, one commentator simply attributed the court's refusal to allow consumer standing to judicial conservatism [96]

Although *Colligan* is still regarded by some as a questionable decision,[97] most courts have blindly accepted its holding.[98] Based on this unquestioning acceptance of *Colligan*, some courts have further distorted the purpose of the section. For example, a New York district court stated that "the purpose of the Lanham Act is 'exclusively to protect the interests of a purely commercial class against unscrupulous commercial conduct . . virtually without regard for the interest of consumers generally "'[99] Similarly, in granting summary judgment for defendants, another district court noted

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93 2 J THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 27 4, at 249 (1973)

94 "[I]t is questionable that the 'floodgate' argument is ever valid grounds for arriving at a restrictive reading of congressional intent Such an argument appears to be no more than a rationalization for an already conceived conclusion " Recent Developments, *Consumer Protection — Deceptive Advertising-Section 43(a) of the Lanham Trademark Act Construed Not to Grant Consumers a Cause of Action Against Deceptive Advertising,* 3 RUT -CAM L J 583, 588 n 22 (1972) *See* Gallo, *supra* note 36, at 18

95 Gallo, *supra* note 36, at 17-19, Recent Developments, *Section 43(a) of the Lanham Act Held Not to Confer Upon Consumers Standing to Sue in Federal Courts,* 72 COLUM L REV 182, 188 (1972) *But see* Comment, *Private Remedies Under the Consumer Fraud Acts The Judicial Approaches of Statutory Interpretation and Implication,* 67 Nw U L REV 413, 424-25 (1972)

96 Comment, *supra* note 79, at 821 n 94

97 Bauer, *supra* note 18, at 701

98 PPX Enters v AudioFidelity, Inc , 746 F 2d 120, 124-125 (1984), Burndy Corp v Teledyne Indus , Inc , 584 F Supp 656, 663 (D Conn 1984), Bi-Rite Enter v Button Master, 555 F Supp 1188, 1193 (S D N Y 1983), Springs Mills, Inc v Ultracashmere House, 532 F Supp 1203, 1221 (S D N Y 1982), American Home Prod Corp v Johnson & Johnson, 436 F Supp 785, 797 (S D N Y 1977), Chromium Indus v Mirror Polishing & Plating Co , 448 F Supp 544, 554 (N D Ill 1978), Matsushita Elec Corp of Am v Solar Sound Sys , 381 F Supp 64, 68 (S D N Y 1974), Ames Publishing Co v Walker-Davis Publications, 372 F Supp 1, 13 (E D Pa 1974), LeBlanc v Spector, 378 F Supp 301, 304 (D Conn 1973), Pennwalt Corp v Plough, Inc , 85 F R D 257, 260 (D Del 1979)

99 Johnson & Johnson v Carter-Wallace, Inc , 487 F Supp 740, 742 (S D N Y 1979)

that the focus of the section is on commercial rather than consumer ramifications and held that the "provision creates a remedy for members of a commercial class, but not for consumers or members of the general public victimized by unscrupulous commercial conduct "[100]

Although *Arnesen*[101] stands alone in giving a consumer standing under the Act, not all courts have been as restrictive as those mentioned above. In *Florida v Real Juices Inc.*,[102] the State of Florida was awarded injunctive relief in a suit to bar the use of the term "Sunshine Tree." Although the State was not a competitor, the court determined that the State did have a commercial interest in the goodwill derived from that term. Similarly, the court in *Dallas Cowboys Cheerleaders v Pussycat Cinema*[103] held that it is not a prerequisite that defendant's product be in direct competition with that of plaintiff [104] The Dallas Cowboys Cheerleaders successfully enjoined defendant from showing a film entitled "Debbie Does Dallas" in which an actress briefly wore a uniform closely resembling that of the Dallas Cowboy Cheerleaders [105]

Two recent decisions have strongly questioned the *Colligan* holding. In *Smith v. Montoro*,[106] the Ninth Circuit gave a plain meaning interpretation to section 43(a) and held that an actor had standing even though he was not in competition with the defendant film distributors and was not a member of a "purely commercial class "[107] The court noted that on its face the section gives standing to "any person who believes that he is or she is likely to be damaged."[108] In *Thorn v Reliance Van Co* [109] the Third Circuit Court of Appeals expressly rejected the *Colligan* decision "to the extent that it is contrary to the plain meaning rule as set out by the Supreme Court in *Caminetti v. United States* . "[110] The court further noted

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100 *In re* "Agent Orange" Prods Liab Lit , 475 F Supp 928, 934 (E D N Y 1979)

101 *See supra* notes 86-92 and accompanying text

102 330 F Supp 428 (M D Fla 1971)

103 467 F Supp 366 (S D N Y), *aff'd*, 604 F 2d 200 (2d Cir 1979)

104 *Dallas Cowboy Cheerleaders*, 467 F Supp at 374

105 *Id* at 371

106 648 F 2d 602 (9th Cir 1981)

107 *Id* at 607

108 *Id*

109 736 F 2d 929, 931 (3d Cir 1984)

110 *Id* at 932 In Caminetti v United States, 242 U S 470 (1916), defendants were convicted for violating the White Slave Traffic Act Defendants argued that the Act, which made illegal the transporting of women in interstate commerce for debauchery or "any other immoral purpose," applied only to transporting women for prostitution The Court

that the section should be broadly construed and stated that "[t]he primary reason articulated [in *Colligan*] for denying consumer standing was that an expansive reading would further flood the already overcrowded federal courts."[111] The court then distinguished the facts at issue from those in *Colligan* and held that plaintiff, an investor in a bankrupt corporation controlled by individuals who allegedly conspired to injure that corporation through false advertising, had standing under section 43(a).[112]

II. Arguments Advanced in *Colligan* in Support of Consumer Standing are Still Viable

A. Plain Language

As evidenced by *Smith*[113] and *Thorn*,[114] the plain language-plain meaning argument has not been laid to rest In *Colligan*, the court refused to view the plain meaning of the statute as dispositive of Congress' intent. The court noted, however, that the plain language seemed to support plaintiffs' contention that they had standing to sue.[115] The court's analysis should have ended at this point. The duty of statutory interpretation does not arise where the language is plain and unambiguous.[116] Statutory words are uniformly presumed to be used in their ordinary sense.[117]

Section 43(a) gives standing to two distinct categories of potential plaintiffs: (1) "any person doing business in the locality falsely indicated as that of origin . . . ," and (2) "any person who

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disagreed and held that the meaning of a statute must be sought in the language in which it is framed, and if such language is plain and admits of no more than one meaning, the sole function of the courts is to enforce it *Id* at 485

111 736 F 2d at 932

112 *Id*

113 Smith v Montoro, 648 F 2d 602 (9th Cir 1981)

114 Thorn v Reliance Van Co , 736 F 2d 929 (3d Cir 1984)

115 "(1) [D]efendants are persons (2) who used false descriptions and misrepresentations (3) in connection with goods and services, (4) which defendants caused to enter commerce, (5) appellants are also persons (6) who believe themselves to have been in fact damaged by defendants' misdescriptions and misrepresentations " Colligan v Activities Club of New York, 442 F 2d 686, 689 (2d Cir), *cert denied*, 404 U S 1004 (1971)

116 Caminetti v United States, 242 U S 470, 485 (1916)

117 *Id* In Aloha Airlines v Director of Taxation of Haw , 464 U S 7 (1983), the Supreme Court held that the Hawaii Supreme Court erred in looking to Congress' purpose in enacting the Airport Development Acceleration Act of 1973, when the Act conflicted with a state tax on air carriers when the language of the statute was plain and unambiguous *Id* at 12

believes that he is or is likely to be damaged . ."[118] Section 45 defines a person as a juristic person as well as a natural person.[119] The omission of the term "doing business" from the second category suggests that the scope of coverage transcends exclusively commercial interests [120] An unbiased reading of the section's plain language yields a different conclusion than that reached by the Second Circuit whose vision was clouded by an unwarranted fear of a flood of consumer claims

B Legislative History

Many facets of the section's legislative history indicate that Congress intended a consumer to have a private right of action under section 43(a) In 1925, a member of the United States Trademark Association made an uncontradicted statement clearly in support of consumer standing before a congressional committee investigating the bill that would later become section 43(a).[121] The speaker further stated that if suits by consumers are not intended, then, this intention should be stated in the plain language of the statute [122] The *Colligan* court dismissed this statement as "ancient history."[123] However, this statement significantly weakens the *Colligan* argument that Congress' failure to mention the public in section 45, the intent section, indicates that Congress did not intend for consumers to have standing

Additionally, the initial draft of the bill submitted to the American Bar Association Trademark Committee contained the language "any person who . . is likely to be damaged in his trade or business . "[124] This language was changed to the present language, "any person who is likely to be damaged . "[125]

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118 15 U S C § 1125(a) (1982)

119 5 U S C § 1127 (1982) "The term 'juristic person' includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law " *Id*

120 Recent Developments, *supra* note 95, at 186

121 "It [the language of the bill] further provides that any person who is damaged by the false description may start the suit Obviously the purchaser might claim that he has been misled and damaged and start suit " *Joint Hearings on S 2679 Before Comm On Patents*, 68th Cong , 2d Sess 128 (1925) (statement of Arthur W Barber)

122 *Id* The fact that no change was made in the bill provides a strong argument regarding the committee s intent to provide consumer standing

123 *Colligan*, 442 F 2d at 690

124 22 Misc Bar Ass'n Reps , item 26, § 27

125 15 U S C § 1125(a) (1982)

Similarly, the 1920 Trademark Act limited standing to persons "doing business"[126] These changes support the contention that Congress intended to expand standing beyond commercial concerns.

Prior to the final vote on the adoption of the conference committee report, the bill's sponsor, Congressman Lanham, stated that the purpose of the Act "is to protect legitimate business and the consumers of the country."[127] A similar statement is found in the Senate report· "The purpose is two-fold. One is to protect the public so it may be confident that, . . . it will get the product which it asks for and wants to get. Secondly, . the owner . is protected . . ."[128] Though an argument may be made that this purpose was intended to be achieved indirectly through competitor litigation, the overall legislative history indicates otherwise At worst, the legislative history is equivocal; but clearly it is not inconsistent with the view that consumer standing should be permitted.[129]

The court in *Colligan* refused to accept the section's plain meaning unless it found the legislative history unequivocally supporting a broad interpretation [130] The court, however, found the legislative history "inconclusive"[131] The court failed to consider the public policy evolution toward consumer protection,[132] and instead adhered to a strict constructionist view based on its fear of opening the floodgates for consumer litigation. The court in effect side-stepped plaintiff's plain meaning and legislative history arguments. *Colligan* remains an example of judicial conservatism and poor statutory construction Although the *Colligan* holding has been widely followed, no case has dealt with these arguments beyond a reference to *Colligan* [133] These arguments have yet to be clearly refuted, and they remain viable.

III. The Inadequacy of the Federal Trade Commission in Safeguarding Consumer Interest

The *Colligan* court seemed to ease its judicial conscience by noting that defrauded consumers barred from federal court would

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126 Act of March 19, 1920, *supra* note 32, at § 3
127 92 Cong Rec 7524 (1946)
128 S Rep No 1333, 79th Cong , 2d Sess 1274 (1946)
129 *See* Recent Developments, *supra* note 120, at 187
130 *Colligan*, 442 F 2d at 690
131 *Id*
132 Comment, *supra* note 79, at 811
133 *See supra* note 98

be adequately protected by the Federal Trade Commission (FTC) [134] This justification was appropriate in 1946 and, perhaps, even in 1971, but due to the FTC's decision to decrease its role in the area of consumer protection, the justification is no longer valid [135]

The principle source of FTC jurisdiction over advertising is section 5 of the Federal Trade Commission Act [136] Section 5 provides that "[u]nfair methods of competition in or affecting commerce, are declared unlawful."[137] The interpretation of the terms within the section has been left to the FTC and the courts [138] The section empowers the FTC to issue "cease and desist" orders to prohibit companies from engaging in unfair or deceptive acts [139] Amendments to the Act further empower the Commission to seek "consumer redress," such as rescission or reformation of contracts, refunds, damages, or public notification, when a company either (1) violates trade regulation rules promulgated by the FTC notwithstanding a lack of knowledge of the rule,[140] or (2) engages in an unfair or deceptive practice that a reasonable man would have known was "dishonest or fraudulent "[141]

Although the FTC has a variety of available remedies, the Commission has been ineffective in bringing and prosecuting actions under section 5. The FTC has been criticized for its lengthy and slow-moving procedures. As early as the late 1960's and early 1970's, commentators indicated that the *Colligan* court's reliance on the FTC's ability to protect the consumer was excessive [142] However, during the early to mid-1970's the FTC became increasingly active

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134 442 F 2d at 694 n 37

135 Gallo, *supra* note 36, at 17 For a discussion of the legislative history of the FTC Act and the FTC Improvement Act, see Kintner & Smith, *The Emergence of the Federal Trade Commission as a Formidable Consumer Protection Agency*, 26 MERCER L REV 651 (1975)

136 15 U S C § 45 (Supp 1986)

137 15 U S C § 45(a)(1) (Supp 1986)

138 *See* FTC v Colgate-Palmolive Co , 380 U S 374, 385 (1965)

139 15 U S C § 45(b) (Supp 1986)

140 15 U S C § 57(b)(a)(1) (Supp 1986)

141 15 U S C § 57(b)(a)(2) (Supp 1986) For a discussion of the remedies and relief available, see Holmes, *FTC Regulation of Unfair or Deceptive Advertising Current Status of the Law*, 30 DE PAUL L REV 555 (1981) *See also* Kintner & Smith, *supra* note 135

142 Travers & Landers, *The Consumer Class Action*, 18 U KAN L REV 811, 812 (1970), American Bar Association Committee to Study the Federal Trade Commission (1969) In a 1969 report statistics showed that the FTC receives approximately 9,000 complaints each year, of which only one in nine will be investigated, and only one in ten of those investigated will result in a cease and desist order E COX R FELLMETH & J SCHULTZ, "THE NADER REPORT" ON FEDERAL TRADE COMMISSION 58-59 (1969)

in enforcement and regulatory efforts.[143] In the mid-1970's, the FTC shifted its activity to massive rulemaking efforts aimed at defining more specifically those practices in violation of the Act.[144] The increased rulemaking depleted the resources that otherwise would have been available for "cease and desist" actions.[145]

As a result, the FTC greatly reduced the number of actions it brought under section 5. A number of factors contributed to this shift in focus.[146] The cost of bringing such suits has increased, as advertising has become more competitive the number of potential suits has risen, and they have become more complex and time-consuming.[147] The National Advertising Division of the Better Business Bureau has been somewhat successful in policing the advertising industry.[148] The FTC has also placed confidence in industry self-regulation,[149] no longer viewing the consumer as being "as gullible as many people think."[150] Congress attacked the FTC for overly zealous regulation in the late 1970's. This attack, combined with the present administration's policies toward consumer protection, has led to a relative death of regulatory enforcement activity by the FTC.[151] Former FTC Chairman Miller has indicated that the requirement of prior substantiation of advertising claims could be reduced. Miller believes that the cost of prior substantiation is simply passed on to the consumer.[152] In addition, Miller and two of his commissioners have spoken in favor of narrow statutory definitions

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143 *In re* Pfizer, Inc., 81 F.T.C. 23 (1972) (the commission first required an advertiser to have a reasonable basis for an advertising claim when it is made). *See also* Warner-Lambert Co. v. FTC, 562 F.2d 749 (D.C. Cir. 1977), *cert. denied*, 435 U.S. 950 (1978); ITT Continental Baking Co. v. FTC, 532 F.2d 207 (2d Cir. 1976). These actions were initiated in the early 1970's.

144 Donegon, *supra* note 50, at 266.

145 *Id.*

146 *See generally* Thompson, *supra* note 64, at 390.

147 Three cases involving advertisements for analgesics were filed in the early 1970's with formal complaints being issued in 1973. American Home Prod. Corp., Docket No. 8918; Bristol Myers Co., Docket No. 8917; Sterling Drug, Inc., Docket No. 8919. By 1981, only *American Home Prod. Corp.* had been decided by the Commission, and that decision was appealed. American Home Prod. Corp., 98 F.T.C. 136, *aff'd as modified*, 695 F.2d 681 (3d Cir. 1983).

148 Thompson, *supra* note 64, at 390.

149 16 C.F.R. § 14.15 (1986). *See also In re* Pfizer, Inc., 81 F.T.C. 23 (1972).

150 Antitrust & Trade Reg. Rep., at A-4 (October 29, 1981) (statement by former Chairman James Miller).

151 Donegon, *supra* note 50, at 266. *See also* Silverman, *Living Without the Regulators Alternatives to Governmental Regulatory Action*, 38 FOOD DRUG COSM. L.J. 77 (1983).

152 Antitrust & Trade Reg. Rep., *supra* note 150, at A-4.

of the deceptive practices prohibited by the Act, thus further reducing the number of potential claims [153]

Under section 5, a competitor could bring an action against another competitor through the FTC without a direct confrontation. However, due to the slow pace and general ineffectiveness of the FTC, competitors and commercial concerns are forced to seek more effective relief elsewhere. For the commercial concern, a remedy exists under section 43(a) of the Lanham Act.[154] A consumer, under *Colligan*, does not have this option. The consumer's rights are dependent on an ineffective FTC that has decided to decrease its role in consumer protection [155] Although it can be argued that the FTC's reduced policing of the advertising industry is merely a trend, Congress did not intend for a consumer's right of redress to rise and fall with the consumer protection regulatory tide. An injured consumer should be able to bring a private action on his own behalf, as Congress intended, and should not be dependent on the FTC's fluctuating policies in the deceptive advertising area. The fact that the FTC has the power to act on behalf of consumers is no reason to deny consumers the right to direct action.[156]

IV STATE LAW REMEDIES ARE INEFFECTIVE

There are numerous statutory and common law remedies available to the defrauded consumer Damages caused to consumers through false advertising may be recovered under the common law tort theories of fraud and deceit.[157] However, justifiable reliance on the misrepresentation is difficult to prove, and in the case of a negligent misrepresentation,[158] contributory negligence is often a defense Additionally, individual actions by each defrauded customer are impracticable since the amount of recovery would be insufficient to justify bringing a separate action.[159] Consumer class

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153 *F T C 's Authority Over Deceptive Advertising Hearing Before the Subcommittee for Consumers of the Committee on Commerce, Science, and Transportation*, S REP No 97-134, 97th Cong , 2d Sess 9 (1982)

154 Silverman, *supra* note 151, at 80-81

155 *See* The Washington Post, March 24, 1984, at D17 *See also* Baum, *The Consumer and the Federal Trade Commission*, 44 J URB L 71 (1966)

156 2 J T MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 27 12 (1973)

157 *See generally* PROSSER, THE LAW OF TORTS § 105 (4th ed 1971)

158 An "intent to deceive" need not be proved under section 43(a) *See* Gallo, *supra* note 36, at 23

159 J T MCCARTHY, *supra* note 156, § 27 5B

actions are often difficult to bring in state courts [160] However, Rule 23 of the Federal Rules of Civil Procedure eliminates many of the difficulties a potential plaintiff class would otherwise face outside of federal court.[161]

Twelve states have adopted some form of the Uniform Deceptive Trade Practices Act [162] Section 3(a) of the Act provides that "[a] person likely to be damaged by a deceptive trade practice of another may be granted an injunction against it . ."[163] The Act has been unofficially construed to extend standing to consumers.[164] Although section 3(a) provides for injunctive relief, a state court injunction may not be recognized and enforced by other states, and therefore, may be effective only within the boundaries of the issuing state [165]

Other jurisdictions have recognized private consumer actions under various consumer protection statutes [166] In New Jersey[167] and California,[168] plaintiffs have been allowed to bring class actions for damages under those states' consumer fraud acts However, few states have reached a similar result Instead, some states place a statutory cap on recovery or limit relief to an injunction [169] These limitations further restrict the effect, if any, that a state court might have in preventing the deceptive advertising practices of a national advertiser

The nature of the American economy is national, even international, and the advertising and marketing of most services and products take place in more than one state.[170] False advertising

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160 *See generally* Annotation, *Consumer Class Actions Based on Fraud or Misrepresentation*, 53 A L R 3d 534 (1973)

161 Rule 23(a) lists three prerequisites to bringing a class action In addition, Rule 23(b) sets out the circumstances in which a class action may be maintained FED R CIV P 23

162 UNIF DECEPTIVE TRADE PRAC ACT § 7A U L A 299 (1966) Delaware, Illinois, Maine, and Oklahoma have adopted the 1964 version Colorado, Georgia, Hawaii, Minnesota, Nebraska, New Mexico, Ohio, and Oregon have adopted the 1966 revision *Id*

163 UNIF DECEPTIVE TRADE PRAC ACT § 3A U L A 289 (1966)

164 Dole, *Consumer Class Actions Under the Uniform Deceptive Trade Practices Act*, 1968 DUKE L J 1101, 1106-11 (1968) Comment, *supra* note 79, at 817-18

165 Gallo, *supra* note 36, at 20

166 *See generally* Annotation, *Right to Private Action Under State Consumer Protection Act*, 62 A L R 3d 169 (1975)

167 Olive v Graceland Sales Corp , 61 N J 182, 293 A 2d 658 (1972)

168 Vasquez v Superior Court of San Joaquin County, 4 Cal 3d 800, 484 P 2d 964, 94 Cal Rptr 796 (1971)

169 *See* N Y GENERAL BUSINESS LAW § 350-d(3) (McKinney 1982) *See generally* Annotation, *supra* note 166

170 Bauer, *supra* note 18, at 707

injures consumers nationally The nature of the problem is national since trade is no longer predominantly local [171] Consequently, section 43(a) provides a federal private right of action, and an injunction thereunder will prohibit the deceptive practice in all states. "Consumption is the sole end and purpose of production."[172] Our economic system is based on meeting the needs of the consumer The consumer is the party most likely to be injured by false and misleading advertisements. Situations such as that in *Colligan* will likely arise where there has clearly been false and deceptive advertising, but where no competitor has been injured [173] In such a situation, absent a consumer right of action under 43(a), the wrong will continue nationally until either a competitor or the FTC, on behalf of the consumer, brings an action

The *Colligan* court stressed its fear of opening the federal courts to a flood of consumer claims [174] Some commentators consider this the principal factor prompting the court to deny consumer standing [175] However, it is unlikely that the minimally damaged consumer would bother to bring an action under section 43(a) More likely, only consumer classes seeking significant damages will bring suit [176] The expense of litigation will deter the single defrauded consumer from bringing an insignificant claim [177] The consumer class action should be available in federal court to "redress the wrongs of the injured plaintiff class and to prevent similar injury to future purchasers of these consumer goods "[178] In addition, an increase in the number of potential plaintiffs could arguably deter the wrongful practices, thus decreasing the number of actionable wrongs and suits brought in federal court

CONCLUSION

It has been fifteen years since the decision in *Colligan* The anticipated federal intervention into consumer protection has

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171 *Id See* Bunn, *supra* note 30

172 A SMITH, WEALTH OF NATIONS 625 (Modern Library ed 1937)

173 Gallo, *supra* note 36, at 19

174 442 F 2d at 693 The court offered nothing to support this projection except its assumption that consumers would overwhelm the courts to pursue insignificant claims because of the Act's procedural advantages *Id*

175 *See supra* note 94 and accompanying text

176 *News & Comment*, Patent Trademark & Copyright J (BNA) No 39, at 10-11 (Oct 5, 1971)

177 Eckhardt, *Consumer Class Actions*, 45 NOTRE DAME LAW 663 (1970)

178 Kegan, *Consumer Class Suits—Righting the Wrongs to Consumers*, 26 FOOD DRUG COSM L J 130, 132 (1971)

subsequently subsided With the FTC's continued decrease in consumer protection, the *Colligan* court's equivocal reasoning seems even less persuasive, and it is time to re-evalute the consumer standing issue

The federal government provides no real consumer protection in cases in which consumers alone are injured. There are no effective alternative state law remedies. Consumers are the group most likely to be injured by false and misleading advertising since they rely on the incorrect information and consequently purchase goods differing from their expectations. Therefore they should have an adequate remedy when injured by such advertising. Section 43(a) could provide such a remedy if, as Congress intended, the consumer had standing to bring an action under section 43(a)

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August 26, 1988

By Hand

The Honorable Robert W Kastenmeier
Chairman
Subcommittee on Courts, Civil Liberties,
and the Administration of Justice
Committee on the Judiciary
U.S House of Representatives
Washington, D C 20515

Re H R 4156

Dear Chairman Kastenmeier

Enclosed for your consideration are comments on H. R 4156, the proposed "Trademark Law Revision Act of 1988," prepared by my partner Kenneth A Plevan and myself

These comments were first sent to you in June, and we are now submitting copies to all members of the Subcommittee on Courts, Civil Liberties and the Administration of Justice We request that the comments be included in, and considered part of, the formal record of the proceedings pertaining to H R 4156

These are the personal comments of Mr Plevan and myself, and are not intended to express the views of our law firm or of any clients of the firm

Thank you for your consideration of the comments.

Very truly yours,

Miriam L Siroky

Enclosure

June 15, 1988

COMMENTS ON THE PROVISIONS OF H.R. 4156, THE PROPOSED TRADEMARK LAW REVISION ACT, THAT WOULD CHANGE EXISTING FEDERAL ADVERTISING LAW

Submitted to the House Judiciary
Subcommittee on Courts, Civil Liberties
and the Administration of Justice*

I Introduction

A bill entitled the "Trademark Law Revision Act of 1988" (S. 1883) was passed by the Senate on May 13, 1988. A parallel bill was introduced in the House by Rep. Moorhead as H.R. 4156.** This proposed legislation has as its genesis a report by a Trademark Review Commission appointed by the United States Trademark Association ("USTA"). See USTA Trademark Review Commission, Report and Recommendations on the United States Trademark System and the Lanham Act, 77 Trademark Reporter 375 (1987)

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* Comments of Kenneth A. Plevan and Miriam L. Siroky, members of the New York bar and partners in the law firm of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022. These are the personal comments of the authors and are not intended to express the views of their law firm or any clients of the law firm.

** The differences between H.R. 4156 and S. 1883 relevant to these comments are noted herein.

(hereinafter "77 Trademark Reporter"). The bill appears to have the support of the trademark bar, and the statements submitted at the Senate hearings on S. 1883 indicate that the views expressed there, all favorable, primarily dealt with trademark issues.

The bill, however, would also make significant changes in federal advertising law. Although advertising law and trademark law have certain common characteristics, they are distinct disciplines and implicate distinct policy and practical considerations Accordingly, these two areas of the law should, we believe, be considered separately for purposes of assessing proposed legislative changes.

We are concerned that advertising, as distinguished from trademark, issues and policies were not fully taken into account either by the Trademark Review Commission in its review of the Lanham Act* or by the Senate in voting on S. 1883. In addition, we believe that the views of organizations representative of nation-

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* In this connection, the Trademark Review Commission's mandate was to "conduct a study to determine if the trademark system is effective." 77 Trademark Reporter at 383. The Commission's Charter made no reference to assessing the effectiveness of federal advertising law. Id.

al advertisers may not have been solicited or obtained. We are accordingly submitting our personal comments on H.R. 4156 as advertising law practitioners who have represented both plaintiffs and defendants in false advertising cases for a number of years, as we believe the proposed changes to federal advertising law are in all respects unwarranted and in certain respects undesirable.

Specifically, the provisions in H.R 4156 that we principally object to would (1) extend the special damage remedies available to owners of federally registered marks under § 35 of the Lanham Act to plaintiffs challenging advertising under § 43(a), (2) extend the coverage of the advertising laws to statements made solely about a competitor's products (product disparagement), (3) make alleged "omissions" of material information actionable as false advertising, and (4) proscribe conduct that is "likely to disparage or tarnish a mark used by another.*

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* The "omissions" and tarnishment provisions were removed from S. 1883 in committee, and do not appear in the bill as approved by the Senate

II. Background -- The Federal Private Right of Action for False Advertising Under Section 43(a) of the Lanham Act

Section 43(a) of the Lanham Act proscribes both "false descriptions or representations" and "false designations of origin." The first clause became the basis for a federal common law of false advertising; the second is the statutory predicate for infringement lawsuits based on unregistered trademarks and protectible trade dress.

A. Judicially-Created Remedy

The federal private right of action for false advertising is not one created by legislative initiative. As the Trademark Review Commission noted, § 43(a) as originally enacted in 1946 was "[n]arrowly drawn and intended to reach false designations or representations as to the geographical origin of products . . . ." 77 Trademark Reporter at 426. Consistent with this intention, federal decisions limited the application of § 43(a) to facts analogous to traditional trademark misuse situations, i.e., the passing off of one's goods as those of a competitor. E.g., Samson Crane Co. v. Union Nat'l Sales, Inc., 87 F. Supp. 218 (D. Mass. 1949), aff'd mem., 180 F.2d 896 (1st Cir. 1950).

Over the last twenty-five years, however, § 43(a) has been expanded considerably by judicial construction. Based on the statute's proscription against "any false description or representation," the federal courts have fashioned a federal common law of false advertising. Although we are aware of no statistics indicating the number of federal false advertising lawsuits commenced each year, there are certainly many more today than there were ten years ago

B Elements of the Claim

The federal private right of action to challenge false advertising is not available to consumers, but rather is limited to competitors. E.g., Colligan v Activities Club, Ltd., 442 F.2d 686 (2d Cir.), cert. denied, 404 U.S. 1004 (1971) (no standing for consumers); Camel Hair & Cashmere Inst. of Am., Inc. v Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) (defining competitor standing requirement) *

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* See Chapter 1, "Advertising Compliance Handbook," (September, 1987) ("Advertising Handbook"), written by the authors of these comments, copies of which are being supplied to Staff Counsel. A revised and expanded version of these materials will be published by the Practicing Law Institute in the fall of 1988

To prevail on the merits of a false advertising claim, the plaintiff has the burden of establishing that the challenged advertisement is either explicitly false or misleads its intended audience. E.g., Procter & Gamble Co. v. Chesebrough-Pond's Inc., 747 F.2d 114, 119 (2d Cir. 1984). In this respect, private false advertising law differs from the requirements imposed on advertisers by the Federal Trade Commission. Under applicable FTC standards, advertisers must possess a "reasonable basis" for objective product claims prior to the dissemination of the advertisement. See Advertising Handbook, Chapter 5.*

C. False Advertising Claims Distinguished from Trademark Claims

The central issue in private false advertising litigation is generally the truth or falsity of the challenged advertising claims. This issue may be an extremely complex one, and may involve difficult technical, scientific, and statistical issues, especially when the advertising claims challenged were made for over-the-

* There is no private right of action under section 5 of the Federal Trade Commission Act. See, e.g., Holloway v. Bristol-Myers Corp., 485 F.2d 986 (D C Cir. 1973).

counter drug products or medical devices. See, e.g., Tambrands, Inc. v. Warner-Lambert Co., 673 F. Supp. 1190 (S.D.N.Y. 1987) (home diagnostic kits); Thompson Medical Co. v. Ciba-Geigy Corp., 643 F. Supp 1190 (S.D.N.Y. 1986) (appetite suppressants). Another issue which is often determinative in advertising cases is whether there are implied consumer messages in addition to the explicit ones. E.g., American Home Prods. Corp. v. Johnson & Johnson, 577 F.2d 160, 165 (2d Cir. 1978).

Neither of these two advertising issues are ever present in trademark litigation. The sine qua non of a trademark infringement action is likelihood of consumer confusion as to source or sponsorship. E.g., James Burrough Ltd. v. Sign Of the Beefeater, Inc., 540 F.2d 266, 274 (7th Cir. 1976). In other words, the issue is whether the alleged infringer is passing off its products as being the goods of the trademark holder or as having been made or sponsored by the trademark holder. This likelihood of confusion issue has no counterpart in false advertising litigation. Other issues often central to trademark litigation, but not found in advertising litigation, concern such matters as "secondary meaning" and genericness.

III. Summary of Position

We believe that the federal private right of action for false advertising has played a useful role in policing national advertising and discouraging false claims. In fashioning this body of law, the federal courts have, in our view, attempted to maintain a proper balance between, on the one hand, permitting lawsuits that will help eliminate false claims, while on the other hand guarding against vexatious lawsuits brought for harassment or punitive results that might hamper the free flow of useful commercial speech.

We see no need for Congressional intervention or interference with the developing advertising law doctrines or precedents at this time, and further believe that several of the proposals under consideration could have adverse consequences.

Briefly summarized, we believe that the proposal to impose special damage remedies for false advertising is not justified by the nature of the cause of action, and would inevitably lead to an increase in litigation by companies seeking to harass or intimidate compet-

itors.* In addition, the proposal to extend the private right of action to product disparagement claims is unnecessary as there is already comprehensive coverage of this area under state law and there is no evidence of any need for federal intervention.

The proposal to make "omissions" actionable is totally misguided. It would impose significant burdens on advertisers, forcing them to provide consumers with more information than they either want or expect from mass media advertising, and would diminish both the effectiveness and efficiency of advertising. Finally, the tarnishment section might jeopardize all comparative advertising claims as even truthful claims of superiority might be considered a disparagement or a tarnishment of the mark of the inferior product.

We accordingly conclude that the bill should be redrafted to limit the proposed changes to trademark and trade dress issues only.

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* The Trademark Review Commission has expressed concern over "the frequently trivial false advertising cases which are flooding the federal courts . . . ." 77 Trademark Reporter at 430. While we are not aware of the basis for this assertion, and do not necessarily agree with the characterization, we do believe that the Commission's own proposals to change federal private advertising law might open the floodgates.

IV. Comments on Specific Provisions

A. Section 35 Special Damage Remedies

If enacted, H.R. 4156 would extend the damage remedies provided for in § 35 of the Lanham Act to all § 43(a) actions. These are the right to recover (i) damages, which may be doubled or trebled according to the "circumstances of the case," (ii) defendant's profits, (iii) plaintiff's costs of litigation, and (iv) attorneys' fees in "exceptional" cases. 15 U.S.C. § 1117

As noted above, the statute by its terms makes these special damage remedies available only to holders of registered marks. This distinction apparently dates from the 1905 trademark statute. See 77 Trademark Reporter at 431. Congress presumably believed that it was not equitable to impose extraordinary damage remedies on an infringer who was not on formal notice of the existence of the senior mark.

Several courts, however, have extended the § 35 remedies to cases brought under § 43(a) to redress alleged infringement of unregistered trademarks or trade dress. See, e.g., Rickard v. Auto Publisher, Inc., 735 F.2d 450, 454-58 (11th Cir. 1984); Metric & Multistandard Components Corp. v. Metric's, Inc., 635 F.2d 710, 715 (8th Cir. 1980); 77 Trademark Reporter at 431-32. The

rationale for this extension is that it is anomalous for federal law to protect holders of registered marks with special damage remedies, and not give the same rights to holders of marks which, although unregistered, are also protected against infringement.

We express no view on the wisdom of extending the § 35 damage remedies to actions for infringement of unregistered marks or protectible trade dress. We do, however, disagree that there is any reason why these special remedies should be extended to advertising lawsuits.*

1. Damages For False Advertising

Under § 35, a successful plaintiff has a right to recover its actual damages. This aspect of H.R. 4156, i.e., making explicit that a plaintiff can recover damages for false advertising in an appropriate case, is in and of itself noncontroversial. Section 43(a) currently states that defendants found to have violated that section "shall be liable" to those harmed. And it is quite clear under existing case law that a plaintiff may recov-

* The Trademark Review Commission, in its discussion of the § 35 remedies, did not recognize or discuss any possible distinctions between trademark and advertising law. 77 Trademark Reporter at 430-32.

er damages for false advertising if it can prove actual losses directly attributable to the false claim See, e.g., PPX Enters., Inc. v. Audiofidelity Enters., Inc., 818 F.2d 266 (2d Cir. 1987).

Our concern, therefore, is that the courts might view the addition of an express damage provision as a mandate to change existing standards for awarding damages for false advertising, thereby making damages easier to recover.

(a) Difficulty in Tracing Damages

Damages for false advertising are generally difficult to recover. This is because, typically, the defendant's product competes in the marketplace with the products of several competitors, and the challenged advertising claims may relate only to certain characteristics or features of the product. Under these circumstances, courts have held that it is "virtually impossible" to show "causation," i.e., an actual diversion of sales directly caused by the false advertising. See American Home Prods. Corp. v. Johnson & Johnson, 654 F. Supp. 568 (S.D.N.Y. 1987).

The plaintiff in that case was American Home Products, the manufacturer of ANACIN and ADVIL, and the principal defendant was McNeilab, Inc., the manufacturer

of TYLENOL. Each challenged in a four week trial numerous advertising claims made by the other. Among other claims found to have been false, the court enjoined (i) a "safety profile" brochure, distributed by McNeil to doctors, which had falsely compared the side-effects of TYLENOL with those of ibuprofen and aspirin products, and (ii) a professional claim made by American Home Products that ADVIL was less susceptible than acetaminophen pain relievers to adverse drug-drug interactions.

In his decision on injunctive relief, the district judge urged the parties to drop their damage claims, commenting that it appears "virtually impossible to prove, with any degree of reliability, the resulting damages each has sustained through lost sales, profits and goodwill . . . ." 654 F. Supp. at 592. Other courts have agreed that damages occasioned by false advertising are difficult to trace. See, e.g., Donsco, Inc. v. Casper Corp., 587 F.2d 602, 607 (3d Cir. 1978) (damage award set aside because the decline in plaintiff's sales was primarily the result of competition from lower-priced competitors and plaintiff's slow deliveries); Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 191 (2d Cir. 1980).

Would it have been possible in the American Home Products case to have traced actual lost sales of the products involved to the specific advertising claims held to have been false? Very unlikely. The internal analgesic category is highly competitive and each of the major manufacturers spends millions each year on advertising its products. In addition, there are many additional market factors that may have an impact on consumer choices, such as the recommendation of health professionals and new developments such as the recent publicity given to aspirin therapy for the prevention of heart attacks.

Moreover, these types of market conditions are not unique to internal analgesics. Aggressive advertising claims, and lawsuits challenging false advertising, will often involve products competing in highly competitive markets with numerous market forces at work

(b) Effective Remedy Without Damage Recoveries

The great difficulty a plaintiff has in establishing damages does not, however, mean that § 43(a) has not provided effective remedies against false advertising. The cases have made it clear that the injury threshold necessary to support a claim for an injunction

is much lower than that necessary to recover damages. E.g., Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 191 (2d Cir. 1980).

False advertising cases are typically prosecuted by companies seeking immediate injunctive relief against the alleged false advertising of a competitor. The federal courts have routinely granted expedited treatment to false advertising cases, and many injunction requests have been decided within several months, if not several weeks, of the initiation of the lawsuit

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In sum, damages for false advertising are difficult to recover because it is difficult to determine with any degree of certainty whether false advertising results in measurable losses to competitors. Congress should not now provide expressly for a damage recovery, because no statutory change is necessary, and any such change might be interpreted by the courts as a direction to abandon the sensible legal restraints on damages that now exist.

2. Recovery of Defendant's Profits

The rationale behind the recovery of profits in trademark cases is that a defendant who makes improper

use of a plaintiff's mark (e.g., passes off his own goods as those of the plaintiff's) receives profits that would otherwise have been earned by the plaintiff but for the infringement. An award of profits "is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him . . . " Mishawaka Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 206 (1942). This reasoning is inapplicable to advertising cases because the essence of the violation is not passing or palming off. The right to recover a defendant's profits for false advertising could lead to multiple recoveries totally out of proportion to any harm actually caused by the claims.

For example, in the internal analgesic case cited above, if plaintiff American Home Products had been entitled to recover McNeil's profits on TYLENOL because the court had held one of the TYLENOL advertisements was false, would all other internal analgesic manufacturers also have been entitled to recover McNeil's profits on the product? Obviously not. This absurd result was cited by the court in Burndy Corp. v. Teledyne Indus., Inc., 584 F. Supp. 656, 668 (D. Conn.), aff'd, 748 F.2d 767 (2d Cir. 1984), as a reason for holding that § 35

damage remedies should not apply to false advertising claims.

Moreover, in an advertising case, a false claim will rarely if ever represent the sole or principal reason consumers buy the advertised product. In the American Home Products example, one of the TYLENOL advertising claims enjoined was made in several professional print advertisements during a relatively brief period of time. It is readily apparent that these advertisements were not principally responsible for McNeil's significant profits on TYLENOL, the leader in the over-the-counter internal analgesic market for many years.

The recovery of profits from a trademark infringer, by contrast, is far more defensible because the wrongdoer, by deceiving the consumer as to the origin of the product, more directly captures the sales and profits of the holder of the senior mark. And the multiple recovery of profits simply cannot occur in a trademark infringement action because not all market competitors will be affected by the infringement.

In the rare cases where courts have awarded damages for false advertising, the market circumstances have more closely resembled a trademark situation. For example, in U-Haul Int'l, Inc. v. Jartran, Inc., 793 F.2d

1034 (9th Cir. 1986), where the court held that § 35 damage remedies did cover false advertising, the plaintiff and defendant were the only two companies in the market. By applying § 35, the court doubled the damage award and also awarded attorneys fees, but the underlying compensatory damage award does not appear to have been affected by the application of § 35.

In sum, permitting a competitor to seek to recover a defendant's profits for alleged false advertising would be a totally unwarranted change in existing law and would almost certainly lead to undesirable litigation.

3. Attorney's Fees

A court may grant an award of attorney's fees under § 35 in "exceptional" cases. When § 35 was first enacted, it did not provide for the recovery of attorney's fees. It was later amended to make attorney's fees recoverable, apparently in part to make federal trademark law consistent with patent and copyright laws. S. Rep. No. 93-1400, 93d Cong. 2d Sess., reprinted in 1974 U.S. Code Cong. & Admin. News 7132, 7135.

The legislative history of this provision explains that awarding attorney's fees may be appropriate in trademark infringement actions because a trademark

owner has a legal obligation to police its trademark in order not to forfeit its rights in that trademark. Id. at 7136. An award of fees in trademark actions, therefore, compensates trademark owners for the cost of the lawsuits that they are obligated to prosecute.

We see the logic of extending this right to holders of unregistered trademarks, but fail to see any parallel to false advertising cases. Our experience as practitioners suggests that advertisers often believe (not always correctly) that the advertising claims of their competitors are false and unsubstantiated. But lawsuits are often unnecessary because the advertising can be challenged administratively* or may be withdrawn by the advertiser because it proves to be ineffective. A company which decides to forego advertising, as contrasted with trademark, litigation will not jeopardize any of its intellectual property rights.

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* There are both self-regulatory groups and governmental agencies that evaluate national advertising. See Advertising Handbook, Chapters 5-8 (Federal Trade Commission), Chapter 13 (NAD and Network Challenges), and Chapter 14 (State Regulation of Advertising). We note that no comments on S. 1883 were received in the Senate from the Federal Trade Commission, the National Advertising Division of the Council of Better Business Bureaus, Inc., or the national television network broadcast standards groups.

In sum, the rationale for awarding attorney's fees in trademark cases does not apply to false advertising. Since the normal rule in civil cases in the United States is that the prevailing party does not recover its attorneys fees, there is no reason to depart from that general rule for advertising cases.

4. Double and Treble Damages

The right to recover multiple damages is an extraordinary and punitive remedy. Presumably the justification for such a provision would be to encourage more private litigation and to deter illegal behavior imposing a serious threat to society. We understand why the trademark bar wishes to impose the same penalties for infringement of unregistered marks as registered marks We do not, however, understand the justification today for awarding double or treble damages for trademark infringement, even of a registered mark.

There certainly is no need to further encourage false advertising litigation, as it now flourishes. Nor has there been any showing of a need for punitive measures as a deterrence to false advertising, and the threat of punitive sanctions would likely act as an obstacle to dissemination of useful commercial speech

B. Disparagement of a Competitor's Product

The federal courts have not recognized a federal cause of action for product disparagement, but have limited the advertising right of action to statements that include false statements about a competitor's own products. The pending bill would change this, and extend the advertising right of action to product disparagement.

We believe the federal courts have excluded product disparagement from the coverage of § 43(a) for several reasons. First, product disparagement is actionable at common law (see Advertising Handbook, Chapter 15), whereas false advertising was generally not. E.g., American Washboard Co. v. Saginaw Mfg. Co., 103 F. 281 (6th Cir. 1900). Second, the courts have proceeded cautiously in creating this new body of federal law and have sought to impose reasonable limits on its application. Third, pure product disparagement (false statements directed exclusively or almost exclusively at the products of others) would not commonly be thought of as advertising and would not normally, if ever, be in the budgets of major advertisers.

We oppose the extension to product disparagement because it is a solution for a non-existent problem. In our practice, we deal regularly with client complaints

about the advertising of a competitor, but we have rarely encountered any complaints about a competitor's alleged product disparagement.

This is not to say that clients have not sought our advice on the issue of product disparagement or on the related issue of corporate defamation. But in the overwhelming majority of such instances these clients were complaining about unwanted attention given their products by consumer groups, networks, newspapers, publications such as Consumer Reports, investigative reporters, and the like, i.e., the groups whose critiques and criticisms of consumer products are protected by the first amendment. Fortunately, after a short briefing on first amendment principles and upon reflection, these clients invariably forego asserting any legal claims for alleged corporate defamation or product disparagement.*

The Trademark Review Commission, citing Bernard Food Indus. v. Dietene Co., 415 F.2d 1279 (7th Cir. 1969), cert. denied, 397 U.S. 912 (1970), expressed concern that comparative advertising claims may escape the scrutiny of the Lanham Act because of the exclusion of

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* The first amendment applies to commercial speech, but it does not protect false or misleading commercial speech. See Advertising Handbook, Chapter 17.

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product disparagement. In the Dietene case, both plaintiff and defendant manufactured and distributed an instant custard mix containing egg solids, and plaintiff also marketed one with no egg solids. A chemist working for the defendant, unaware of the full scope of plaintiff's products, distributed to a handful of defendant's employees a comparison sheet which implied that plaintiff made only "eggless" custard. When a protest was received, the sheet was withdrawn, and there was no evidence the sheet had ever reached a customer. The district court found a Lanham Act violation, but the Court of Appeals reversed, holding that the statements in the comparison sheet were not actionable.

In Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777, 782-83 (N.D. Ill. 1974), the court in dicta interpreted Dietene as holding that the Lanham Act did not apply to false statements about a competitor's product in "comparison advertising," absent a false statement about the advertiser's own product. We believe, however, that this interpretation of Dietene is too restrictive. The holding in Dietene does not necessarily exclude comparative advertising that contains only truthful statements about the advertiser's product because the document challenged in Dietene might not have been considered an

advertisement by the Seventh Circuit, since it was never distributed to customers and was certainly a far cry from the typical national media comparative advertisement.

In short, we see no "loophole" for comparative advertising that needs to be closed. Many, many cases since Dietene have dealt with challenges to comparative advertising. E.g., American Rockwool, Inc. v. Owens-Corning Fiberglas Corp., 640 F. Supp. 1411 (E.D.N.C. 1986) (insulation); Cuisinarts, Inc. v. Robot-Coupe Int'l Corp., 580 F. Supp. 634 (S.D.N.Y. 1984) (food processors); Toro Co. v. Textron, Inc. 499 F. Supp. 241 (D. Del. 1980) (snow blowers); McNeilab, Inc. v. Bristol-Myers Co., 654 F. Supp. 88 (E.D. Pa. 1986) (internal analgesics). The courts appear quite capable of distinguishing between comparative advertising claims which are actionable and pure disparagement claims which are not. See American Rockwool, Inc. v. Owens-Corning Fiberglas Corp., 640 F. Supp. at 1439-40.

A useful example is found in Ragold, Inc. v Ferraro, U.S.A., Inc., 506 F. Supp. 117 (N.D. Ill. 1980), a lawsuit brought to challenge an advertisement comparing the caloric content of TIC TACS and VELAMINTS. The court held that plaintiff's claims of product disparagement were not actionable under the Lanham Act, but only after

it had found no evidence that the comparative advertising claims were untrue. Thus, the exclusion of product disparagement from the purview of the Lanham Act did not result in preventing the advertising claims from receiving federal court scrutiny.

In advocating the "product disparagement" expansion of § 43(a), the Trademark Review Commission makes two curious observations. First, it states that § 43(a) is a "broadly remedial section which extends deeply into false advertising." 77 Trademark Reporter at 430. But "remedial" statutes are presumably those which Congress intended to be remedial. Certainly the Commission's observation is inapplicable here, since, as previously noted, Congress had no intent to create a federal common law of false advertising when it enacted § 43(a) in 1946.

Second, the Commission claimed that the refusal to extend § 43(a) to product disparagement would lead to "public deception and disruption." Id. But for the last 40 years the Lanham Act has not applied to product disparagement claims, and there has been to our knowledge no such deception or disruption and the Commission has not documented any.

In sum, in the absence of a compelling reason to make the proposed change, we see no justification for

Congress to supplant the law of the various states on the issue of product disparagement and impose federal standards for suits between or among competitors.

C. Omissions of Material Information

In H.R. 4156, and in S. 1883 as initially proposed, an omission of material information that constituted a misrepresentation would have become actionable under § 43(a). Not only would this be contrary to the current state of the law, but a provision such as this could impose legal constraints on advertising that could seriously undermine its effectiveness, increase costs, and interfere with the proper role of advertising in providing consumers with useful product information.

Under current case law alleged omissions of material information are generally considered not actionable under § 43(a) as false advertising. See Alfred Dunhill Ltd. v. Interstate Cigar Co., 499 F.2d 232, 237 (2d Cir. 1974); International Paint Co. v. Grow Group, Inc., 648 F. Supp. 729, 730-31 (S.D.N.Y. 1986); McNeilab, Inc. v. American Home Prods. Corp., 501 F. Supp. 517, 532 (S.D.N.Y. 1980); Universal City Studios, Inc. v. Sony Corp., 429 F. Supp. 407, 410 (C.D. Cal. 1977). We believe that this is a proper interpretation of §43(a).

We are concerned that an advertising "duty to disclose" would result in companies including far more information in pure advertising, as opposed to labeling, than is necessary or proper. Although advertising and labeling are similar in that they are both means by which information about a product is communicated to consumers, they serve separate and unique functions.

"[T]he purpose of advertising is to make known to consumers the availability of the product, to inform them about its benefits, qualities and characteristics, and to suggest a solution to their need or reasons to buy or try the product initially or continue to do so." Labeling and Advertising: Their Functions in Consumer Information, Global Products & Services Commission of the International Advertising Association (1987) at 3. The function of a label, on the other hand, is to "provide adequate and relevant information in an effective manner" so that the consumer can use the product efficiently and properly. Id.

Under a "duty to disclose" statute it would be far too easy for a company to try to disrupt the marketing strategies of a competitor by claiming in court that labeling disclosures should have been in the advertising. There are, of course, areas of the law, such as the fed-

eral securities laws, in which the affirmative duty to disclose serves a useful and beneficial purpose. But there is simply no rational way to equate a 30 second television commercial or a print advertisement with an SEC disclosure document. The typical disclosure document required by the securities laws does contain all "material" disclosures, but it is also virtually incomprehensible to the average person.

In the securities area, investors can rely on market professionals to digest the information contained in these documents. But it would be quite unfortunate if advertising lawyers were forced to require their clients to write television and print advertisements as if they were SEC disclosure documents, or even as if they were a product's label, package insert, or owner's manual.

In sum, the provision to make alleged material omissions from advertising actionable under § 43(a) has potentially serious negative consequences and in our view no redeeming or countervailing benefits. Accordingly, it was properly deleted by the Senate from S. 1883 and should be dropped from H.R. 4156.

D. Disparagement or Tarnishment of a Mark

As initially proposed, S. 1883 would have also proscribed under § 43(a) any "conduct" which would have been "likely to disparage or tarnish a mark used by another." This change was apparently proposed for trademark reasons. According to the Trademark Review Commission, courts have been unable to distinguish between uses which are not likely to confuse, e.g parody, and thus, are not actionable, and those which are actionable 77 Trademark Reporter at 434

We understand that the tarnishment provision was dropped by the Senate because of a concern that it could make even truthful comparative advertising unlawful, since a truthful claim of superiority might be deemed a disparagement or tarnishment of the inferior product. We agree that this provision was properly deleted from S. 1883, and it should also be removed from H.R. 4156.

E. Inherent Quality or Characteristics.

Case law has limited false advertising actions to claims that pertain to the "inherent quality or characteristic[s]" of the defendant's goods. See, e.g , Coca-Cola Co. v. Tropicana Prods , Inc., 690 F.2d 312, 318 (2d Cir. 1982); Vidal Sassoon, Inc., v. Bristol-Myers

Co., 661 F.2d 272, 277 (2d Cir. 1981). This appears to be another sensible limitation to the federal private right of action for false advertising.

The proposed legislation would modify this limitation, perhaps inadvertently. The amended § 43(a) would apply to the "nature, characteristics, or qualities" of an advertiser's "commercial activities" as well as its "goods" or "services." It is not at all clear what is intended by this expansion, but it does seem to represent a rejection of existing law. See Abernathy & Closther, Ltd. v. E & M Advertising, Inc., 534 F. Supp. 834, 837 (E.D.N.Y. 1982).

V. CONCLUSION

The right to sue for false advertising and the right to sue for infringement of trade dress or of an unregistered trademark are contained in the same statutory provision. This, however, appears to be an accident of history, and certainly far more is required to justify treating the two as if they were one and the same.

The proposals to change the trademark laws appear sound and may well warrant the support of Congress. In our view, however, the changes in advertising law are not warranted and should be removed from H.R. 4156.

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September 6, 1988

The Honorable Robert W Kastenmeier
Chairman
Subcommittee on Courts
Civil Liberties and the
Administration of Justice
Room 226
Rayburn House Office Building
Washington, D C 20510

H.R. 4156 - Trademark Law Revision Act of 1988

Dear Congressman Kastenmeier

I am writing to express the support of the American Bar Association Section of Patent, Trademark and Copyright Law for the Trademark Law Revision Act of 1988 Except where otherwise noted, these views are being submitted solely on behalf of the Section They have not been submitted to nor approved by the Board of Governors or House of Delegates of the ABA and, therefore, should not be construed as representing Association policy

The PTC Section, founded in 1894, was the first ABA Section created to deal with a special branch of the law and its membership has grown to over 7,300 lawyers throughout the country The Section studies federal trademark legislation on an ongoing basis through a standing committee For the last two years, a special ad hoc committee has also considered revisions to the Lanham Trademark Act such as those contained in this bill

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Major parts of H R 4156 represent reforms that the PTC Section has supported in principle over the years, such as

Intent-to-use - In 1965, the PTC Section and the ABA House of Delegates approved the following resolution

> American Bar Association favors providing for the filing of trademark applications based upon intention to use SPECIFICALLY, ABA approves S2313, 89th Congress (Passed 1965 SP 49 - ABA 1965 - R22)

The Section reaffirmed this position at its 1988 mid-winter meeting We believe intent-to-use will increase certainty as to the availability and protectability of new trademarks, while doing away with the doctrine of token use to reserve a mark Token use tends to be discriminatory in favor of large companies that can afford to set up token uses and it promotes and perpetuates legal and commercial fictions It also has produced a body of case law fraught with the potential for inconsistent results

Anti-dilution - In 1979, the PTC Section approved the following resolution

> Section favors in principle the concept of a federal anti-dilution statute which would be available in appropriate situations to the owners of federal trademark registrations (Passed 1979 SP 82 - R201-3)

The Section's support of this principle was reaffirmed at its 1988 mid-winter meeting Dilution, the chipping away of a well-known mark's distinctiveness by uses of similar marks in unrelated fields, has long been recognized as a serious injury

to the owners of such marks We believe a federal cause of action should be available to redress this type of injury

Security Interests - In 1987, the PTC Section approved the following resolution

> Section favors in principle the enactment of legislation providing for the recordal by the Patent and Trademark Office of Security interests in patents and trademarks and that this recordal shall preempt other places of recording and provide superior rights over later bona fide purchasers (Passed 1987)

With the increasing importance of security interests in trademarks and patents, it has become equally important to designate a dispositive central location and method for perfecting such security interests The logical choice is recordation with the U S Patent and Trademark Office

False Advertising - In 1982, the PTC Section approved the following resolution

> Section favors, in principle, the amendment of Section 43(a) of the Lanham Act to make it unlawful for a competitor to misrepresent the goods or services of another (Passed 1982 SP 129 - R205-1)

The Section's support of this principle was reaffirmed at its recent mid-winter meeting The amendment is intended to close a gap in the existing statutory language and overturn a line of case law holding only misrepresentations about one's own products to be actionable, and not misrepresentations about the products of another

Unfair Competition - In a series of actions going back to the 1960s, the PTC Section and in one instance the ABA House of Delegates approved the following resolutions

> American Bar Association approves the proposed "Unfair Competition Act of 1967" (S 1154, 90th Cong , First Sess , the McClellan-Scott Bill), provided that Section 7 thereof (Section 43[a] of the proposed legislation) be modified to read in substance as follows "Sec 43[a] Any person who shall engage in any act, trade, practice, or course of conduct, in commerce, which--(1) causes or is likely to cause confusion, mistake, or deception as to the affiliation, connection, or

association of such person, or as to the origin, sponsorship, or approval of his goods, services, or vocational activities which he offers as or for those of any other person, or (2) by a false or misleading representation or omission of material information, misrepresents his goods, services, vocational activities, or their geographic origin, or misrepresents or disparages another person's goods, services, vocational activities, or their geographic origin, or (3) results or is likely to result in the wrongful disclosure or misappropriation of a trade secret or confidential information, or (4) without being limited to or by the foregoing subsections (1) through (3), otherwise constitutes unfair competition by misrepresentation or misappropriation, shall be liable in a civil action for unfair competition (Passed 1968 CR XVII - ABA 1968)

Section reaffirms its approval in principle of the enactment of a Federal Law of Unfair Competition by amending the Trademark Act of 1946 and specifically approves S 1362, 93rd Congress, First Session, introduced by Senators McClellan and Scott on March 26, 1973 (Passed 1973 SP 1140 R53)

Section reaffirms its approval in principle of the enactment of a Federal Law of Unfair Competition by amending the Trademark Act of 1946, and SPECIFICALLY, the Section approves S 31 (McClellan-Scott), 94th Congress, 1st Session, relating to a Federal Law of Unfair Competitions (Passed 1975 SP 1 - R26)

Section reaffirms its approval in principle of amendment of the Trademark Act of 1946 to protect persons against any act, trade practice, or course of conduct, in commerce,

> which (1) causes or is likely to cause confusion, or (2) results or is likely to result in passing off, of goods, including their nonfunctional features, services or vocational activities, or misrepresents or disparages them, or (3) results or is likely to result in disclosure or appropriation of a trade secret, or (4) otherwise constitutes unfair competition by misrepresentation or misappropriation, and SPECIFICALLY, the Section recommends the enactment of S 31 (McClellan-Scott), 94th Congress, 1st Session, relating to a Federal Law of Unfair Competition (Passed 1976 SP 97 R26)

The proposed amendments to Section 43(a) are similar in part to the amendatory language of H R 4156

The PTC Section has previously voiced its approval of S 1883, the Senate version of this legislation Certain amendments were made to the Senate bill, but our Section did not consider them so significant as to affect our support of the bill At the recent ABA annual meeting in Toronto, the Section Council approved the following resolution and was unanimously ratified by a floor vote in doing so

> Section favors in principle legislation that would enact reforms in the Lanham Trademark Act previously approved by the Section as to intent-to-use, antidilution,

trademark security interests, and Section 43(a), as well as other reforms and improvements of that statute, and SPECIFICALLY, the Section approves in principle the Trademark Law Revision Act of 1988, S 1883 (DeConcini), 100th Cong , or similar legislation

We would be happy to provide further detail on any of the points discussed above, and we appreciate the opportunity to express our views to the Committee on this important legislation

Sincerely,

Joseph J Previto
Chairman

JJP/rsk

cc All members of Subcommittee on Courts, Civil Liberties and the Administration of Justice, House Judiciary Committe

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Lynne M Lester
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September 7, 1988

The Honorable Robert W Kastenmeier
Chairman
Subcommittee on Courts, Civil Liberties
and the Administration of Justice
2137 Rayburn House Office Building
Washington, D C. 20510

Re Trademark Law Revision Act H R. 4156

Dear Congressman Kastenmeier

I am writing on behalf of the Patent, Trademark and Copyright Law Section of the District of Columbia Bar to express our Section's support for the Trademark Law Revision Act (H R 4156)

Our Section consists of about 1200 attorneys, many of whom have practices devoted exclusively or in large part to the application of federal trademark law to the commercial practices of their clients Individuals in our Section have become familiar with H R 4156, and a recent survey of a group of members most interested in trademark matters indicated strong support for its passage. The survey indicated near unanimous support for all of its various provisions

We believe that enactment of H R 4156 would significantly improve the federal trademark system A companion bill has already passed the Senate and the House Judiciary Committee has scheduled hearings on H.R 4156 on September 8 We hope Congress will take advantage of this opportunity to adopt all of the proposals for amendment, codification, clarification and definition for which general support exists in industry and the bar

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Please include this letter in the record of the hearing held by the Subcommittee on September 8, 1988 We will be glad to provide any additional information that would be useful

Very truly yours,

Howard D Doescher
Chairman
Patent, Trademark &
Copyright Law Section
District of Columbia Bar

cc - Members of House
Judiciary Committee

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COMMENTS OF THE SECTION ON PATENT, TRADEMARK AND COPYRIGHT LAW OF THE DISTRICT OF COLUMBIA BAR ON TRADEMARK LAW REVISION ACT H R 4156

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Trademark Committee

September 7, 1988

STANDARD DISCLAIMER

"The views expressed herein represent only those of the Section of Patent, Trademark and Copyright Law of the D C Bar and not those of the D C Bar or of its Board of Governors "

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September 15, 1988

The Honorable Robert W Kastenmeier
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Civil Liberties and the
Administration of Justice
Room 226
Rayburn House Office Building
Washington, D C. 20510

H.R. 4156 - Trademark Law Revision Act of 1988

Dear Congressman Kastenmeier:

These comments are further to my letter to you of September 7, 1988, are likewise offered in my own behalf. They are respectfully submitted in response to the Statement of Professor of Law Emeritus, Ralph S Brown, who questions two amendments of the Lanham Trademark Act that are features of H R 4156, the proposed Trademark Law Revision Act of 1988. Both amendments are additions to the Lanham Trademark Act's Section 43, and what apparently concerns Professor Brown most are the additions of subsections "A,"B" and "C" (1) which broaden the

prohibitive scope of the present Section 43(a) to include any act, trade practice or course of conduct, which

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another, or to the origin, sponsorship, or approval of his goods, services, or commercial activities of another, or
>
> "(B) 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
>
> "(C) is likely to disparage a mark used by another,

Professor Brown confines his criticism of subsection (A) to inquiring "where does all this verbiage come from?" - "What is it supposed to mean?" and curiously, to what he considers the omission of the Lanham Act's restraints on obtaining trademark registration. At the start of his Statement Professor Brown candidly concedes that he does "not purport to be an expert on the technical aspects of trademarks " The "verbiage" subsection (A) about which he rhetorically inquires has long been standard and customary in the trade identity field and substantially corresponding language has long been employed in hundreds of pleadings filed in trademark and unfair competition cases. As for Professor Brown's query - "What is it supposed to mean?" - we suggest that it means only what it says, which does not seem obscure. His curious comment that the subsection contains none of the registrability restraints,

however, does seem both obscure and irrelevant to a statutory provision defining particular tortious acts of unfair competition.

Concerning subsection "B", Professor Brown finds fault somehow with extending the Section 43(a) prohibition of misrepresentation as to one's own goods so as to include misrepresentations respecting those of another This omission in the Lanham Act, which the subsection would cure, has long been considered an oversight Obviously, it makes little sense that the present statute prohibits misrepresentations about one's own goods while neglecting to prohibit misrepresentations as to the goods of others. Professor Brown's remaining complaint about subsection "B" is that it "blankets" present state law while not preempting it. This, he opines, is in order that trademark plaintiffs may not "miss any opportunity to invoke extravagantly generous state doctrines or remedies " He also blasts subsection "C"'s prohibition of disparagement as overriding the common law and ignoring possible First Amendment constraints on trade libel These recklessly speculative generalities are ill grounded, mistaken and deserve little attention It is difficult to believe they are intended to be taken seriously

The remainder of Professor Brown's attack is directed to the Bill's proposed new Section 43(c) which comprises a federal anti-dilution statute, as he correctly puts it, "in favor of famous marks" and affording injunctive prohibitions against

dilution of their distinctive quality He states that "there is already powerful protection for powerful marks" and that this "protection is usually a state-law matter " Unless he is referring to the 23 states having anti-dilution statutes, however, no such particular protection exists, powerful or otherwise Professor Brown also queries "Do the sponsors of Section 43(c) hope to put down the use of 'famous marks' in parodies, in comparative advertising, in fair comment?". Adequate answer to his inquiry is found in the law of trademark dilution that has been developing for more than half a century It discloses no appreciable basis for his fears but instead, confirmation that the courts are well able to proscribe any such First Amendment abuses

Professor Brown puts forward in his Statement one truly valid and penetrating query concerning the Bill's anti-dilution provision

> Is it really the business of the Congress of the United States to confer special protection on "famous" marks, leaving less-than-famous marks to fend for themselves?

Here, we must agree emphatically that the Bill should be amended Each of the 23 state anti-dilution statutes is directed to protecting the distinctive quality of trademarks and names from dilution In no instance, however, is that protection limited merely to those very few marks which qualify as "famous " Of course, only distinctive marks, that is, marks which are possessed of a "distinctive quality," are subject to the damage

of dilution of that distinctive quality, and the courts have been unwilling to protect doubtfully distinctive marks against dilution. It is believed by many that the federal statutory protection against trademark dilution should include all distinctive marks and should correspond to that of the state statutes, in particular to that prescribed in The United States Trademark Association's model state anti-dilution statute which has been enacted by many of the 23 states having such statutes

Marks having a distinctive quality should have federal statutory protection for that distinctive quality, not merely the handful of heavily advertised marks that may qualify as "famous." Such amendment of H R. 4156 can be accomplished simply by substituting the word "distinctive" for the word "famous" where it appears in proposed subsection "(c)(1) (Section 29 amending Section 43 of the Lanham Act) of Section 43 and in the definition amendment (Section 31 amending Section 45 of the Lanham Act) at the end of the Bill.

Professor Brown's unfamiliarity with trademarks seems to reach well beyond their "technical aspects " He is oddly and obtusely preoccupied with what he perceives as a need to confine federal protection against acts of unfair competition to something involving violations of registered rights. He appears to believe mistakenly that trademark protection is, or should be, akin to patent protection. His view conflicts with the history and substance of American trademark/trademark identity law

generally and with its development during the last century particularly In his rambling attacks, he raises such incongruous specters as "takeovers and threats of takeovers" and massive sellers dragging their middle-sized rivals "willy-nilly into the federal courts " He repeatedly emphasizes that H.R. 4156 is merely the work of those in favor of protecting trademarks. But, nearly all of American business, except those in the business of infringement and unfair competition, favor protecting trademarks. Trademarks are not some form of noxious monopoly any extension of which requires Professor Brown's guardianship of the public interest. Yet, his reaction to what are the carefully considered consensus recommendations of those representing the small and middle-sized, as well as the massive sellers, appears not only misinformed but unduly extreme. He concludes his six pages of largely unwarranted "grave doubts" with a page generally questioning whether the Congress is sufficiently informed to take the "leap" of passing this legislation. Yet, the "leap" of broadening the interpretation of the Lanham Act's Section 43(a) began in the courts more than three decades ago and continues apace today. The "leap" toward protection against dilution began in 1927 and the first of 23 anti-dilution statutes was passed in 1947.

Even had this nation's commercial development, and that of the world, remained today only as it was in 1946 when the Lanham Act was passed, there would be need for the improvements

of H.B. 4156, because they are indeed improvements under any circumstances But, in the midst of today's extraordinarily accelerated and complicated world marketing arena, the Bill's improvements are imperative. We submit that Congress, with its customary pragmaticism, is far better qualified to evaluate this commercial legislation than is its critic.

Respectfully,



BWP:de

cc: Professor Ralph S. Brown

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September 7, 1988

The Honorable Robert W Kastenmeier
Chairman
Subcommittee on Courts
Civil Liberties and the
Administration of Justice
Room 226
Rayburn House Office Building
Washington, D C 20510

H.R. 4156 - Trademark Law Revision Act of 1988

Dear Congressman Kastenmeier

I am writing to express my support of the Trademark Law Revision Act of 1988 I have taught trademark and unfair competition law for more than thirty years, and have co-authored three casebooks and many articles on the subject I am an Adjunct Professor of Trademark and Unfair competition Law at the Northwestern University School of Law I have been sponsored by the United States Trademark Association in my testimony in support of the Senate bill, S 1883, but I write you only in my personal capacity as a lawyer who has practiced exclusively in the field of trademark and unfair competition law for 42 years on behalf of both plaintiffs and defendants, and who is vitally

interested in making the United States trademark law as good as it can possibly be.

The Lanham Act, the statute to be amended by H.R. 4156, replaced the Act of 1905 and became effective forty-one years ago. It has been this country's federal trademark law ever since. The Lanham Act was a brilliant statutory creation when it was enacted, and it has beneficially influenced trademark law worldwide. It has served as a sound legal framework for the development and maturation of our trademark law. It is with the same enthusiasm of Edward S. Rogers, my then-senior partner who was the principal author and a forceful advocate of the Lanham Act, that I commend H.R. 4156 to you today as the best and most comprehensive effort in forty-one years to improve the Lanham Act.

I believe it is appropriate and timely now to amend the Lanham Act to facilitate its capacity to deal realistically with the profound changes in marketing which have occurred largely during the last two decades. H.R. 4156 additions and improvements will bring United States trademark and unfair competition law into the twenty-first century as the world's best.

Under H.R. 4156 for the first time, our federal law will encompass all three of the fundamental varieties of trademark and unfair competition problems: (1) the classic confusion of source tort; (2) the dilution of a mark's distinctiveness; and (3) injury in the nature of tarnishment, disparagement or misrepresentation.

As to the traditional confusion tort, the amendments of course leave intact the likelihood of confusion rationale as the touch stone of trademark infringement. Adoption of the "intent to use" basis and the prerequisite for trademark registration rights, however, is long overdue in our law. At present, we are the world's only nation requiring use of a mark even before filing for registration. Under H.R. 4156, beginning protection for new marks can be had before actual commercial use has been launched, and without all its attendant investments of time, effort and expense.

The second type of trademark injury - dilution - is made expressly actionable by H.R. 4156. For many years, I have advocated not only "intent to use" preliminary trademark rights, but also federal statutory anti-dilution protection. During the past forty years, twenty-three states have adopted anti-dilution statutes. I believe the "intent to Use" and the anti-dilution provisions are H.R. 4156's most substantively beneficial features.

The third type of trade identity unfair competition-torts in the nature of tarnishment, disparagement and misrepresentation - are also addressed effectively by H.R. 4156. The courts have prohibited these wrongs in the past, but often have been forced to stretch the existing statutory language in doing so. The amendments prescribed by H.R. 4156 to deal with these injuries are appropriate and needed improvements to the Lanham Act.

In sum, I commend the Bill to this subcommittee with

utmost superlatives just as it stands and, just as it stands, I would be delighted to see it enacted into law Not surprisingly, however, I have some recommendations which I believe would improve the Bill Principally, I urge that the anti-dilution provision would be improved significantly by changing one word, namely, changing "famous" to "distinctive " Should not the owners of distinctive trademarks which may not be "famous," likewise be entitled to protection against the diluting destruction or gradual diminishment of their trademark assets? I believe that protection against the dilution tort should not be limited to the few who are owners of "famous" marks, but also should be provided to protect the "distinctive quality" of all "distinctive" marks Such protection corresponds to that afforded under the twenty-three state anti-dilution statutes and the model state anti-dilution act.

In conclusion, I find nothing else to question or alter in H.R 4156 I commend the Trademark Review Commission for its excellent professional work of great public benefit I commend the United States Trademark Association for its initiation and sponsorship of that work I respectfully commend all the co-sponsors of H R 4156. May I also note for particular commendation Mrs Dolores Hanna, the patient but dedicated Chairman of the Trademark Review Commission, Mr William A Finkelstein, President of the United States Trademark Association at the time of launching the effort which has led to H R 4156, and Mr Jerome Gilson, the scholarly Reporter of the Commission I submit that this undertaking is a manifestation of democracy in

action, operating at its pragmatic best

I appreciate the committee's consideration of my views as expressed in this statement, which I respectfully request be made of record After the September 8 hearing I plan to submit some additional comments directed to the statement of Professor of Law Emeritus Ralph S Brown

Sincerely,

Beverly W Pattishall /RWS

Beverly W Pattishall

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September 6, 1988

Honorable Members, Subcommittee on Courts,
Civil Liberties and the Administration of Justice
United States House of Representatives
Committee on the Judiciary
Washington, D C 20515-6216

Re H.R. 4156

Dear Subcommittee Members

I apologize for the extreme lateness of this letter and the enclosed memorandum entitled "Perspectives and Particulars on Unfair Competition and Dilution as Presented in the Trademark Law Revision Act of 1988 (H R 4156)" I realize that it will arrive in your offices on the day just before the scheduled hearing on H R 4156 Nevertheless, I hope that its lateness - due to my relocation and recent change of positions - will not preclude your considering its contents While I admit to some reticence in objecting to certain aspects of H R 4156/S 1883 at such a critical time, and although in general I applaud the efforts of U S T A 's Trademark Review Commission and share its belief that prompt action on the Trademark Law Revision Act is most desirable - especially because of the crucial nature of the intent to use provisions - my concerns with numerous aspects of one particular section of H R 4156/S 1883 are so great as to justify my making my views known to you now

A few words of introduction and explanation may be in order I served as a full-time professor of law, specializing in trademarks and unfair competition, from 1971 until 1986 - when I became a full-time practitioner, again specializing in trademarks and unfair competition, coupled with an adjunct professor appointment (A full resume of my professional

FROST & JACOBS

career is attached as Appendix A to Chairman Kastenmeier's copy of this letter) Fifteen years ago I authored an article critical of certain aspects of the expansive judicial interpretation of Section 43(a) of the Lanham Act Section 43(a) of the Lanham Act You've Come a Long Way, Baby - Too Far, Maybe?, Ind. L.J. (1973), reprinted in Trademark Rep. (1974), 6 Pat. L. Rev. 323 (1974), and 13 P E A L Q 215 (1974) (A copy of this article is enclosed with Chairman Kastenmeier's copy of this letter as Appendix B) The research conducted in connection with that article and my continued study of Section 43(a) over the intervening years lead me to believe that there are major mistakes in the relevant revisions of Section 43(a) in H R 4156 (and companion bill S 1883 as passed) My views on this matter are now enclosed, along with a statement of my major misgivings about proposed new Section 43(c) which pertains to dilution, a topic upon which I admittedly have not published an article, but upon which I have commented on many occasions

In closing, let me merely add two thoughts (1) The ideas, recommendations, etc , in the enclosed memorandum are my own, and do not necessarily represent the views of Frost & Jacobs or the University of Cincinnati, (2) If I can be of further aid to the Subcommittee - as by preparation of a more complete written statement or in appearing in person to testify before the Subcommittee - I would be pleased to participate in whatever way would be most helpful

Very truly yours,

Kenneth B Germain

KBG/pm
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PERSPECTIVES AND PARTICULARS ON UNFAIR COMPETITION AND DILUTION AS PRESENTED IN THE TRADEMARK LAW REVISION ACT OF 1988 (H.R. 4156)*

by

KENNETH B. GERMAIN, ESQ.**

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* Prepared as an aid to the Subcommittee on Courts, Civil Liberties and the Administration of Justice, Committee on the Judiciary, U S. House of Representatives, for consideration at its Hearing on H R 4156 (Sept 8, 1988)

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I UNFAIR COMPETITION UNDER PROPOSED SECTION 43(a)

Preliminary Note

The heading or title "False designation of origin and false descriptions forbidden" is no longer appropriate Because of the wide-ranging coverage of revised Section 43(a), the title "Unfair Competition" should receive serious consideration Also, as noted later, the proposed provision on dilution should not be married with the unfair competition provisions of Section 43(a)

A. Senate Bill 1883, as passed by the Senate, is superior to the original text of Senate Bill 1883, which, of course, is identical to the original/current text of H R 4156 The changes made by the Senate, all of which fall within 43(a), as opposed to 43(b), have the following effects

First The addition of "in commerce" in Section 43(a)(1)(A) clarifies the jurisdictional basis for regulation of broadly-based unfair competition under the phrase "any act, trade practice, or course of conduct "

Second The phrase "by omission of material information" has been deleted from Section 43(a)(1)(B), presumably so as to circumvent a controversial matter of only secondary significance

Third The entirety of Section 43(a)(1)(C) has been deleted, presumably to avoid considerable controversy generated by the earlier-proposed proscription of conduct "likely to disparage or tarnish a mark used by another "

Fourth The phrase "in his business or profession" in the postamble to Section 43(a)(1) has been deleted, perhaps in deference to the Trademark Review Commission, which did not proffer it in the first place

To my mind the first three of the above changes are for the better Regarding Section 43(a)(1)(A), it need only be said that this is a minor clarification without any basis for concern 43(a)(1)(B), however, raises the question of whether mere nondisclosure, as opposed to affirmative misrepresentation, should be encompassed within the Act's prohibitions Existing 43(a) generally has not been so broadly construed, and the common law traditionally has been quite reluctant to go this far Further, a regulation of mere nondisclosure poses tough policy and factual questions that the Senate may have preferred to avoid To me, the deletion of this coverage appears sensible, especially in an effort to reach legislation that is likely to be passed quickly

The deletion of the entirety of Section 43(a)(1)(C) leaves with the courts, under the amorphous jurisprudence of the various states, some difficult questions as to how to deal with disparagement/tarnishment of marks rather than goods Although it is often interesting and exciting to discuss the pros and cons of allowing "Enjoy Cocaine" on T-shirts, "Where There's Life There's Bugs" in connection with insecticides, "Mutant of Omaha" in connection with T-shirts, "Petley's Flea Bags" in connection with bubble gun packaging, and "L L. Beam's Back to School Sex Catalog" in connection with a magazine parody, it is clear that there are considerable questions touching upon the free speech doctrine and upon the variable concept of "taste" Perhaps wisely the Senate decided not to risk getting mired down in these highly controversial and amorphous matters, leaving them instead to the evolving common law, which has been capably grappling with them on an ad hoc basis.

Finally, the deletion of the limiting phrase "in his business or profession" from the concluding portion of Section 43(a)(1) is enigmatic The Trademark Review Commission found the matter too multifaceted to allow a legislative solution without extensive investigation and study Consequently, no amendment of any kind - to limit standing to truly commercial parties, to open the door to true consumer parties, or anything in between - was tendered Nevertheless, the limiting language found its way into the Senate Bill, from where, however, it was deleted before passage For reasons I have previously addressed in writing,[1] I support the reinsertion of the limiting language, based in part on my continuing belief that Section 43(a) never has been nor now should be any kind of consumer protection provision

B. Section 43(a) has been the darling of plaintiffs and plaintiffs' lawyers for some years now It has been all things to all people. It has been called the "unfair competition" provision of the Lanham Act, despite the humble beginnings which even the U S T A Trademark Review Commission has acknowledged For its first eight years it was basically ignored or relegated to insignificance Then in the 1954 Third Circuit decision in Lana Lobell[2] it was reborn as a "sui generis" unfair competition provision Nine years later the Sixth Circuit Court of Appeals in the Azoff case[3] gave new meaning to the phrase "false designation of origin", thereby extending Section 43(a) into the ordinary trademark infringement arena.

In 1973 (15 years ago') I wrote an article[3] which questioned the legitimacy - in terms of statutory construction and legislative history rather than policy per se - of some very broad interpretations of Section 43(a) While a number of people - other commentators, some judges included - have agreed

with my thesis, ultimately none of them have "bitten the bullet", presumably because of the popularity of Section 43(a) with plaintiffs, plaintiff's lawyers, and equity-minded judges alike The idea's time had come, even if the existing statute did not truly confirm it

Now, in the Trademark Law Revision Bill's Section 43(a), an attempt is being made to restate Section 43(a) so as to ratify its thick judicial gloss and, perhaps, to thicken that gloss further In the Preamble to Section 43(a)(1), appears some new, broadening language, especially the reference to "any act, trade practice, or course of conduct", this language probably is broad enough to encompass such judicially incorporated concepts as trade dress infringement and product configuration simulation violations

Subsection (a)(1)(A) applies the Section 32 standard of likelihood of confusion expressly to unregistered marks via Section 43(a) unfair competition and clarifies the inclusion of various types of confusion, namely, confusion of affiliation, connection, association, origin, sponsorship, and approval. As long as one accepts the wisdom of federal protection for unregistered marks, this approach is acceptable.

Subsection (a)(1)(B) adds the term "misleading" to the term "false" as applied to descriptions and representations, thus tracking the judicial gloss placed on the original language This subsection also spells out certain types of misrepresentation by indicating that they may go to the "nature, characteristics, or qualities" of goods or services While there is no recognition of the sometimes criticized Second Circuit doctrine limiting actionable misrepresentations to those[5] that go to the "inherent qualities" of the goods or services, this doctrine presumably is not being embraced For clarity, an express rejection of the inherent qualities restriction should be added

Finally, and most significantly, subsection (a)(1)(B) extends the coverage of Section 43(a) beyond false/misleading statements about one's own goods (traditionally and historically thought of as "false advertising") to disparagement of another's goods or services (traditionally/ historically considered to be a different tort known variously as "disparagement", "trade libel," or "injurious falsehood) " What is intended, of course, is a direct rejection of the Seventh Circuit's Bernard Foods decision,[6/] which limited Section 43(a) to misrepresentations made about one's own goods Such misrepresentations, currently actionable under Section 43(a), unfairly tout one's own goods, albeit often at the expense of a competitor's goods In my opinion, with which the U S T A

Trademark Review Commission clearly differs, the draftsmen of original Section 43(a) clearly recognized this distinction and, based upon sound policies recognizing the substantial differences between the common law doctrines of false advertising and disparagement/trade libel/injurious falsehood, decided not to include the latter in Section 43(a) All that aside, however, the law of disparagement at common law has been kind of a crazy quilt and through the guise created by the Skil[7] case has been somewhat incorporated into Section 43(a) anyway In my opinion, the time has come to incorporate the law of disparagement into Section 43(a) expressly

C. Section 43(a)(2) also declares that the "relief provided in this Subsection [43(a)] shall be in addition to and shall not affect" the relief available elsewhere, viz., in the Lanham Act, at common law, or in United States statutes The language is a bit imprecise and raises the question of whether double recovery indeed would be countenanced This subsection also expressly declares that there will be no preemption of state law remedies, a politically well-advised protective measure which is quite consistent with the prevailing interpretation of Section 43(a) as not preemptive of previously existing state law remedies Aside from the imprecision of language just noted, I have no problem with 43(a)(2)

Finally, relative to Section 43(a), Sections 34(a), 35(a), and 36, pertaining to injunctive relief, monetary relief, and destruction of infringing marks, respectively, have been modified so as to delete direct references to registered marks, substituting therefor references to violation of any "right protected under this Act " The clear intention is to expressly extend Lanham Act remedies beyond infringement of registered marks to infringement of unregistered marks and other aspects of unfair competition falling within the purview of expanded Section 43(a) Again, this is confirmatory of existing judicial gloss And again, to the extent that one accepts as a policy matter that the Lanham Act, which was and still is primarily and overwhelmingly designed to deal with registration of marks and the protection of marks that have been registered, should apply to unregistered marks and various kinds of unfair conpetition, this remedial extension is appropriate. In my personal view, however, the augmented profits and trebled damages aspects of Section 35(a) ought not be made applicable to Section 43(a) cases not involving registered marks registration should be encouraged by reserving these special remedies for violation of registered marks

II DILUTION UNDER PROPOSED SECTION 43(a)

Preliminary Note

The provisions on dilution are not so closely akin to the basic subject matter of Section 43 as to be incorporated comfortably into that section and subsumed under the heading "False designations of origin and false descriptions forbidden" or, as recommended above, "Unfair Competition " Also, dilution deserves separate treatment -- befitting a matter of substantial significance If the numbering of the original Lanham Act is to be preserved without change, perhaps a new Section "44a" should be created See, e g , Lanham Act § 39a, 15 U S C 1121a, added by amendment in 1982

A. Senate Bill 1883, as passed by the Senate, is superior to the original text of that Bill, which, of course, is identical to the original/current text of H R 4156 The Senate's changes, all of which are within § 43(c)(1), have the following effects

First Reduce the chance of unnecessary interference with good faith uses of individual's names or geographic placenames,

Second Reorient the capital-lettered subdivision "factors" by (i) using mandatory "shall" in lieu of permissive "may", thus requiring judicial consideration of the listed factors, (ii) inserting "whether" at beginnings of subdivision factors' descriptions, and "substantial" in bodies thereof, usually resulting in more clearly implied preferences for strength of marks, and (iii) omitting unneeded separate factor regarding channels of trade

These changes all seem for the better (but may need to be reconsidered if my views on the scope of federal dilution are adopted)

B. In my opinion, § 43(c)(1) (in all forms so far evidenced) will perpetuate and, indeed, exascerbate a mistaken and overbroad approach to the concept of dilution To me, dilution is a special doctrine, only needed and only applicable in and to situations that truly are beyond the legitimate reach of the modern doctrine of "confusion " Specifically, nowadays it is generally recognized that "confusion" occurs not only when two parties' goods (or services) actually are likely to be mistaken for one another ("confusion of goods"), but also when the goods (or services) of the parties are marked in such ways that consumers are likely to attribute them to a common source ("confusion of source") or to believe that one party's goods (or services) are sponsored by or affiliated with the other party ("confusion of sponsorship or affiliation") For such cases

modern likelihood of confusion doctrine is quite adequate - and does not need to be complicated by and/or interfered with by an overlying dilution doctrine Although legislative action may be warranted in situations in which tarnishment or disparagement of a party's mark is involved, such regulation, if any, may be handled better through a direct doctrine aimed at more than the mere blurring of the distinctiveness of a mark See for example, H R 4156, adding new § 43(a)(1)(C) to the Lanham Act.

State dilution statutes typically include language declaring that dilution doctrine applies "notwithstanding the absence" of confusion between the parties' goods (or services) or competition between the parties themselves Traditionally, such language has been interpreted as aimed at clarifying that dilution doctrine does apply even though neither confusion nor competition exists However, once courts, after the Allied Maintenance[8/] decision, started to accept this, they tended to assume that the presence of confusion or competition did not unseat the dilution doctrine To me, this was and is improper Thus, I would modify the new definition of "dilution" in § 45 of the Lanham Act to clearly confine dilution doctrine to cases not amendable to ordinary likelihood of confusion analysis I would accomplish this by deleting the phrase "regardless of the presence or absence of" and replacing it with "where there is neither" and by substituting "nor" in lieu of "or" between subparts (1) and (2) of the proposed definition This would restrict a possibly dangerous doctrine to safer, less controversial boundaries.

C. Limiting dilution protection to marks that are "famous" and "distinctive" (or of "distinctive quality" as per S 1183 as passed by the Senate) is insufficient Specifically

(1) "Famous" probably should be defined separately, not merely as part of the phase "famous and distinctive "

(2) "Distinctive" (or "distinctive quality") adds nothing, as only marks appearing on the Principal Register (or a predecessor thereto), which marks at least presumptively are distinctive of the registrant's goods (or services), are eligible for dilution protection anyway

(3) While the descriptions of the relevant factors (especially as found in S 1883 as passed) are helpful with regard to (1) and (2) above, they are not sufficient, particularly because the concept of "uniqueness" is missing

"Uniqueness" is what dilution is -- and at least in my opinion, should be -- about Dilution protection approximates the special protection accorded Olympic symbols protected by the Amateur Sports Act of 1978, 36 U S C §§ 371-96 2/ As currently delineated in S 1883, dilution doctrine even bears some resemblance to the special protections provided by the copyright and patent laws, passed pursuant to special constitutional authorizations As such, dilution is overblown In my view, the doctrine should be applied only carefully and rarely, and then only to marks -- coined, composite and/or design type -- which truly are "unique", along with being "famous" Thus, "famous and unique" would be required For example, while the common surname FORD never could be protectable from dilution - no matter how famous and distinctive it is in the automobile industry - the well-known FORD logo (script letters in an oval enclosure) probably would qualify as sufficiently famous and unique For further example, XEROX and POLAROID certainly would meet my test, whereas the new term HRAX, presumably coined and unique and even if distinctive, would not - unless and until it truly became famous Also, famous composite terms, such as PROCTER & GAMBLE, would qualify for dilution protection, despite the fact that each constituent part is a non-unique surname.

I have no quarrel with the existing versions of Subsections 43(a)(2) or (3) Both seem justified and happily drafted

III CONCLUSION/RECOMMENDATION PASSAGE OF THE PROPOSED ACT NOW - PERHAPS WITH PROPOSED SECTION 43 TO FOLLOW LATER

Without equivocation, I can say that neither subsection (a) nor subsection (c) of Section 43 is worthy of adoption in original H R 4156 or amended S 1883 form I would prefer to have these provisions redrafted and reincorporated into the Act immediately and then see the entire Act passed at once I realize, however, that such rapid action, especially this late in the Session, would be hard to accomplish Thus, I suggest as an alternative that Section 43 [(a) and (b)] of the existing Lanham Act should be inserted in place of proposed Section 43 and the bill passed in that form The proposed revisions to Section 43 could then be studied further, redrafted, and enacted as an amendment to the 1988 Act, thereby not postponing the effectiveness of the many other highly significant portions of the Act

Notes

1/ Germain, Unfair Trade Practices Under Section 43(a) of the Lanham Act You've Come a Long Way, Baby -- Too Far, Maybe?, 49 Ind. L.J. 84, 106-09 (1973)

2/ L'Aiglon Apparel, Inc. v Lana Lobell, Inc , 214 F 2d 649 (3d Cir 1954)

3/ Federal-Mogul-Bower Bearings, Inc v Azoff, 313 F 2d 405 (6th Cir 1963)

4/ Germain, supra note 1

5/ Fur Information & Fashion Council, Inc v E F. Timme & Son, 501 F 2d 1048 (2d Cir), cert. denied, 419 U.S. 1022 (1974).

6/ Bernard Food Industries, Inc v Dietene Co , 415 F.2d 1279 (7th Cir 1969), cert. denied, 397 U S. 912 (1970)

7/ Skil Corp v Rockwell Int'l Corp , 375 F Supp 777, 782 n 10 (N D Ill 1974)

8/ Allied Maintenance Corp v Allied Mechanical Trades, Inc , 369 N E.2d 1162 (N Y 1977)

9/ See San Francisco Arts & Athletics, Inc v United States Olympic Committee, 107 S Ct 2971 (1987)

UNFAIR TRADE PRACTICES UNDER SECTION 43(a) OF THE LANHAM ACT: YOU'VE COME A LONG WAY, BABY— TOO FAR, MAYBE?

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APPENDIX B

UNFAIR TRADE PRACTICES UNDER SECTION 43(a) OF THE LANHAM ACT: YOU'VE COME A LONG WAY, BABY—TOO FAR, MAYBE?

KENNETH B GERMAIN†

Section 43(a)[1] of the Lanham Act[2] certainly has come a long way since Judge Clark woefully remarked in 1956 that "there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision"[3] Indeed, as late as 1965 one commentator stated that

> so few cases have been brought under this section since its enactment that it cannot be foreseen that any increased utilization of this section will be of substantial benefit in helping to establish a federal law of unfair competition in the absence of amending legislation[4]

Since 1965, however, there has been so much litigation under § 43(a)—most of it expanding the applicability of the section—that Professor Derenberg recently remarked that Judge Clark's statement "certainly is no longer true"[5] In particular, Professor Derenberg referred to recent attempts to use § 43(a) as a vehicle for consumer protection and for the

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1 Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation

15 U S C § 1125(a) (1970)

2 Trade-Mark Act of July 5, 1946, ch 540, §§ 1-45, 60 Stat 427-43, *as amended*, 15 U S C §§ 1051-127 (1970)

3 Maternally Yours, Inc v Your Maternity Shop, Inc, 234 F 2d 538, 546 (2d Cir 1956) (concurring opinion), *accord*, Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act Prologue or Epilogue?*, 32 N.Y U L. REV 1029, 1039 (1957) [hereinafter cited as Derenberg, *First Decade*]

4 Peterson, *The Legislative Mandate of Sears and Compco A Plea for a Federal Law of Unfair Competition*, 69 DICK L REV 347, 371 (1965)

5 Derenberg, *The Twenty-Fifth Year of Administration of the Lanham Trademark Act of 1946*, 62 TRADE-MARK REP 393, 493 (1972) [hereinafter cited as Derenberg, *Twenty-Fifth Year*]

purpose of affording federal jurisdiction over rather typical "passing-off" cases [6] He also could have mentioned the growing varieties of activities that have been found to violate § 43(a),[7] and the expanded remedies that have been considered [8]

The purpose of this article is to discuss the recent growth of § 43(a) law with special reference to the relationship between the section itself and the trademark statute in which it is housed It is submitted that the cases have applied § 43(a) to situations it was not intended to cover and have used it in ways that it was not designed to function

Although legislative history will occasionally be mentioned, primary emphasis will be placed on a careful reading of § 43(a) and certain other sections of the Lanham Act This article will begin with a brief discussion of the genesis of § 43(a) and will be followed by an exposition of current case law interpretations concerning jurisdiction, standing, the requirements of a § 43(a) action, the type of cases that fall within § 43(a), and the remedies available The article will then deal with the author's thesis that in certain respects § 43(a) has already been extended improperly, in violation of the true meaning of the statute

EXPANSION OF § 43(a) YOU'VE COME A LONG WAY, BABY

Section 43(a) is generally viewed as a reaction to the restrictive common law action of false advertising [9] Under pre-Lanham law a competitor could obtain relief against false advertising[10] only in limited situations (1) when the suit involved the classic tort of passing-off,[11] (2) when a competitor was able to adequately demonstrate that his busi-

6 *Id* at 492-97 For a discussion of recent case law on consumer suits under § 43(a) see text accompanying notes 45-68 *infra*

7 *See* text accompanying notes 100-25 *infra*

8 *See* text accompanying notes 127-45 *infra*.

9 *See* Bunn, *The National Law of Unfair Competition*, 62 HARV L REV 987, 998-1000 (1949), Callmann, *False Advertising as a Competitive Tort*, 48 COLUM L REV 876, 885-86 (1948) *See also* L'Aiglon Apparel, Inc. v Lana Lobell, Inc, 214 F.2d 649, 651 (3d Cir 1954)

10 Actions for trademark infringement, trade name-related unfair competition, and disparagement (trade libel) are not generally considered within the rubric "false advertising" *See, e g*, E. KITCH & H PERLMAN, LEGAL REGULATION OF THE COMPETITIVE PROCESS (1972), S OPPENHEIM, UNFAIR TRADE PRACTICES (2d ed 1965) Both of these casebooks treat each of the above topics separately

11 *See* Am. Washboard Co v Saginaw Mfg Co, 103 F 281 (6th Cir 1900) A highly distinguished panel (Judges Taft, Lurton and Day, all of whom later became Justices of the United States Supreme Court) held that the plaintiff, who made and sold genuine aluminum washboards, could not get an injunction against a competitor's admittedly false claims that the latter's inferior zinc washboards were made of aluminum. Although the court found defendant's behavior "doubtless morally wrong," it concluded that "[i]t is only where this deception induces the public to buy the goods as those of the complainant that a private right of action arises" *Id* at 285

ness was the "single source" of goods which were falsely advertised by another,[12] or (3) when a competitor joined with others similarly affected to protest the misuse of a designation of geographical origin.[13] The rationale behind these rules was that suit by a competitor should be allowed only if he could demonstrate an obvious and direct competitive injury. In other words, the competitor was not allowed to sue as a "vicarious avenger"[14] of the public interest.[15] Although in 1920 Congress made

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12 *See* Ely-Norris Safe Co. v. Mosler Safe Co., 7 F.2d 603 (2d Cir. 1925), *rev'd on other grounds*, 273 U.S. 132 (1927). In this case the defendant had misrepresented its safes as having "explosion chambers," a feature allegedly covered by a patent belonging to the plaintiff, who had incorporated it into its safes. The Second Circuit, in an opinion written by Judge Learned Hand, held that defendant's misrepresentations were enjoinable since even in the absence of passing-off, plaintiff was able to show that he had been directly harmed by defendant's false claims. Judge Hand reasoned:

> If a tradesman falsely foists on a customer a substitute for what the plaintiff alone can supply, it can scarcely be that the plaintiff is without remedy, if he can show that the customer would certainly have come to him, had the truth been told.

Id. at 604. Thus, Judge Hand hesitantly rejected the authority of Am. Washboard Co. v. Saginaw Mfg. Co., 103 F. 281 (6th Cir. 1900). The reversal of *Ely-Norris* by the Supreme Court was a result of a different view of the facts. In its view plaintiff was not the *sole* manufacturer of safes having explosion chambers. 273 U.S. at 134.

A recent common law extension of the "single-source" rule occurred in Electronics Corp. of America v. Honeywell, Inc., 428 F.2d 191 (1st Cir. 1970), where it was held that in a duopolistic market situation an injunction would issue to prohibit a competitor from false advertising because it was apparent that any customers unfairly attracted to the defendant would have "nowhere to turn except to the plaintiff." *Id.* at 194.

13 *See, e.g.*, Grand Rapids Furniture Co. v. Grand Rapids Furniture Co., 127 F.2d 245 (7th Cir. 1942); Pillsbury-Washburn Flour Mills Co. v. Eagle, 86 F. 608 (7th Cir. 1898). In *Pillsbury*, seven Minneapolis based flour producers sued jointly on behalf of themselves and all others similarly situated to enjoin a Chicago based firm from falsely referring to its flour as "Minneapolis" flour. Plaintiffs were able to show that flour made in the Minneapolis area had earned a well deserved "secondary meaning" as high quality flour. Thus, the court allowed competitors having a geographical common denominator to seek joint protection of the designation of geographical origin of their goods. Perhaps this was a limited extension of the single-source rule.

It should be noted that some doubt has been cast upon the authority of the "geographical origin" cases by the somewhat restrictive holding in California Apparel Creators v. Wieder of California, Inc., 162 F.2d 893 (2d Cir. 1947). In this case, decided under pre-Lanham law, 75 California based manufacturers of sportswear and a trade association, suing jointly, were denied any remedy against the New York defendants' use of the word "California" in connection with their businesses. The majority characterized the case as similar to Mosler Safe Co. v. Ely-Norris Safe Co., 273 U.S. 132 (1927). *See* note 12 *supra*. Judge Learned Hand, in dissent, would have allowed plaintiffs an opportunity to prove their injuries at trial. 162 F.2d at 902-03.

14 Ely-Norris Safe Co. v. Mosler Safe Co., 7 F.2d 603, 604 (2d Cir. 1925), *rev'd on other grounds*, 273 U.S. 132 (1927).

15 No attempt will be made here to present pre-Lanham law in detail since this has been done adequately elsewhere. *See, e.g.*, 1 R. CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 18.1 (3d ed. 1967) [hereinafter cited as CALLMANN]; 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 27.1 (1973) [hereinafter cited as MCCARTHY]; *Developments in the Law—Competitive Torts, False Advertising*, 77 HARV. L. REV. 888, 905 (1964). It is worth noting, however, that the pre-Lanham common law has been heavily criticized by the commentators. *See, e.g.*, 1 CALLMANN, *supra*, § 18.1; 2 MCCARTHY, *supra*, § 27.1; Handler, *False and Misleading Adver-*

an abortive attempt to loosen up the common law rules,[16] it was not until 1946 that Congress acted again by passing the Lanham Act

Early interpretations of § 43(a) were conservative They either restricted § 43(a) to actions for passing-off[17] or confined its effect to "include only such false descriptions or representations as are of substantially the same economic nature as those which involve infringement or other improper use of trade-marks "[18]

The breakthrough for § 43(a) came in 1954 in *L'Aiglon Apparel, Inc v Lana Lobell, Inc*[19] In an oft-cited[20] opinion, Judge Hastie emphatically rejected those precedents[21] that had construed § 43(a) as a

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tising, 39 YALE L J 22, 34-42 (1929)

In addition, the American Law Institute rejected the rule in Am. Washboard Co v Saginaw Mfg Co, 103 F 281 (6th Cir 1900), and adopted a provision that arguably even goes beyond the holding in Mosler Safe Co v Ely-Norris Safe Co, 7 F 2d 603 (2d Cir 1925), *rev'd on other grounds*, 273 U S 132 (1927) *See* notes 12 & 14 *supra* The ALI position is as follows

> One who diverts trade from a competitor by fraudulently representing that the goods which he markets have ingredients or qualities which in fact they do not have but which the goods of the competitor do have is liable to the competitor for the harm so caused, if,
>
> (a) when making the representation he intends that it should, or knows or should know that it is likely to, divert trade from the competitor, and
>
> (b) the competitor is not marketing his goods with material fraudulent misrepresentations about them

RESTATEMENT OF TORTS § 761 (1939)

16 Trademark Act of 1920, ch 104, §§ 1-9, 41 Stat 533-35

Section 3 of the Trademark Act of 1920 provided that "any person who *willfully and with intent to deceive*" used a false designation or origin would be liable *Id* § 3, 41 Stat 534 (emphasis added) However, "[t]he limitation contained in the provision practically destroyed its purpose" D ROBERT, THE NEW TRADE-MARK MANUAL 184 (1947) [hereinafter cited as ROBERT] *See* Derenberg, *First Decade, supra* note 3, at 1038

17 [W]e do not think [§ 43(a)] changes the fundamental requirements necessary to sustain a suit for unfair competition, one such requirement being a direct injury to the property rights of a complainant by *passing off* the particular goods or services misrepresented as those of the complainant. Deceiving the public by fraudulent means, while an important factor in such a suit, does not give the right of action unless it results in the sale of the goods as those of the complainant

Chamberlain v Columbia Pictures Corp, 186 F.2d 923, 925 (9th Cir 1951) (emphasis added)

18 Samson Crane Co v Union Nat'l Sales, Inc, 87 F Supp 218, 222 (D Mass 1949), *aff'd per curiam*, 180 F 2d 896 (1st Cir 1950), *criticized*, Derenberg, *First Decade, supra* note 3, at 1042

19 L'Aiglon Apparel, Inc v Lana Lobell, Inc, 214 F 2d 649 (3d Cir 1954) In this case, defendant was enjoined from using a photograph of plaintiff's distinctively designed high quality dress, which sold for $17 95, in its advertising of its own dissimilar and inferior dress which sold for $6 95

20 *See, e g*, 1 CALLMANN, *supra* note 15, § 18 2(b), 2 MCCARTHY, *supra* note 15, § 27 4(A), at 248, Derenberg, *The Seventh Year of Administration of the Lanham Trade-Mark Act of 1946*, 44 TRADE-MARK REP 991, 1053-54 (1954)

21 *See* notes 18 & 19 *supra*

mere codification of pre-Lanham common law [22] He concluded

> It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts *This statutory tort is defined in language which differentiates in it some particulars from similar wrongs which have developed and have become defined in the judge-made law of unfair competition* But however similar to or different from preexisting law, here is a provision of a federal statute which, with clarity and precision adequate for judicial administration, creates and defines rights and duties and provides for their vindication in the federal courts [23]

Under the influence of *L'Aiglon,* the barriers to an expansive view of § 43(a) fell quickly For example, one court soon declared that "[s]ection 43(a) does create a federal statutory tort, sui generis"[24] The same court also stated that passing-off was not required and that a plaintiff "need not establish a veritable monopoly position in the industry"[25] Such opinions sounded the death knell for the "single-source" rule,[26] and signaled the birth of a new federal law of unfair competiton [27]

Jurisdiction

Section 43(a) applies to two kinds of "persons "

[1] Any person who shall affix, apply, or annex, or use in

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22 214 F 2d 649, 651 (3d Cir 1954)

23 *Id* (emphasis added)

24 Gold Seal Co v Weeks, 129 F Supp 928, 940 (D D C), *aff'd sub nom* S C Johnson & Son, Inc v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied,* 352 U S 829 (1956)

25 *Id*

26 *See* 2 McCarthy, *supra* note 15, § 27 4(A), at 248

27 *See* Norman M Morris Corp v Weinstein, 466 F.2d 137, 141 (5th Cir 1972), Federal-Mogul-Bower Bearings, Inc v Azoff, 313 F 2d 405, 409 (6th Cir 1963), Geisel v Poynter Prods, Inc, 283 F Supp 261, 266 (S D N Y 1968), Am Rolex Watch Corp v Jack Laufer & Jan Voort, Inc, 176 F Supp 858 (E D N Y 1959)

Under the influence of modern interpretations of § 43(a), 15 U S C § 1125(a) (1970), the American Law Institute has proposed a rule that is much more liberal than its predecessor *Compare* Restatement of Torts § 761 (1939), *quoted,* note 15 *supra, with* Restatement (Second) of Torts § 712 (Tent Draft No 8, 1963), which states in pertinent part

> One falsely markets goods or services if, in the marketing process, he makes any material false representation which is likely to induce persons to purchase, to the commercial detriment of another, the goods or services which he markets

Id

> connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and [2] any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used [28]

The broad definitions of the Act,[29] together with the very wide-ranging language of the "intent" paragraph,[30] have led most courts to very liberal interpretations of the scope of jurisdiction under § 43(a) Indeed, it is now well settled that the early cases which required that defendant's goods or services either have actually crossed state lines[31] or have had some direct and substantial connection with interstate commerce[32] have now been discarded in favor of cases that sanction jurisdic-

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28. 15 U S C § 1125(a) (1970) The second type of situation could aptly be referred to as a contributory violation A similar provision is found in the Lanham Act's basic infringement section *See id* § 1114(1)(b) It is reminiscent of the doctrine of "contributory infringement" under the copyright laws *See* 2 M NIMMER, NIMMER ON COPYRIGHT § 134 (1972)

29 The word "person" is defined in § 45 of the Lanham Act to include natural persons and all types of legal entities including "a firm, corporation, union, association, or other organization capable of suing or being sued in a court of law" 15 U S C § 1127 (1970)

The word "commerce" means "all commerce which may lawfully be regulated by Congress" *Id* Compare this definition with the term "use in commerce "

> For the purposes of this Act 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.

Id

30 The full text of this paragraph reads

> The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce, to protect registered marks used in such commerce from interference by State, or territorial legislation, to protect persons engaged in such commerce against unfair competition, to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks, and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations

Id

31 *See, e g*, Parkway Baking Co v Freihofer Baking Co, 255 F.2d 641, 648 (3d Cir 1958)

32 *See In re* Bookbinder's Restaurant, Inc., 240 F.2d 365, 367 (C C P.A 1957) In

tion over acts which are purely intrastate except for their effects on interstate commerce [33] This, of course, was to be expected as a by-product of the far-reaching United States Supreme Court decisions in the 1964 civil rights cases[34] which very broadly interpreted Congress' power over interstate commerce [35] It is also consistent with Congress' intention to extend the Lanham Act's protection to the fullest extent possible [36]

A second aspect of jurisdiction involves subject matter jurisdiction Although § 43(a) says only that a violator "shall be liable to a civil action,"[37] some courts have based jurisdiction directly on that section [38] Other courts[39] have based jurisdiction on §§ 43(a) and 39 jointly, since the latter section expressly confers federal jurisdiction in "all actions arising under this act, without regard to the amount in controversy or

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refusing to register a service mark used by the applicant on his single restaurant in Philadelphia the court said

> Generally speaking, only intrastate commerce which is necessary to the production or movement of goods in interstate commerce, or which serves materially to hamper or impede such commerce has been held to be subject to such regulation

Id

33 Pic Design Corp v Bearings Specialty Co, 436 F 2d 804 (1st Cir 1971), Harrison Services, Inc v Margino, 291 F Supp 319 (S D N Y 1968), Iding v Anaston, 266 F Supp 1015, 1019 (N D Ill 1967), Burger King, Inc v Brewer, 244 F Supp 293 (W D Tenn 1965) Note, *The Federal Law of Unfair Competition*, 47 VA L REV 600, 619-20 (1961) [hereinafter cited as *Unfair Competition*] In *Burger King* defendants sold "Whopper Burgers" in their "Whopper Drive-In" located in Memphis, Tennessee, their advertising extended into neighboring parts of Arkansas Plaintiff was the owner of the well-known interstate franchise operation based in Florida The court held, that even aside from the interstate advertising done by the defendant, defendant was engaged in "commerce "

> [U]se of this trademark and trade name has had or will have a substantial economic effect on [plaintiff] which admittedly uses its trademark and service marks in interstate commerce *A purely intrastate business is in interstate commerce for purposes of § 43(a) if it has a substantial economic effect on interstate commerce*

Id at 297-98 (emphasis added) Similarly, Judge Clark of the Second Circuit stated

> Since commerce itself means all commerce which Congress may lawfully regulate, and the legislative intent is to protect persons engaged therein against unfair competition, it would follow that a use to the injury of marks which are in commerce is a use in commerce

Dad's Root Beer Co v Doc's Beverages, Inc, 193 F 2d 77, 82 n 9 (2d Cir 1951)

34 Heart of Atlanta Motel, Inc v United States, 379 U S 241 (1964), Katzenbach v McClung, 379 U S 294 (1964) In *Katzenbach*, the Court held that a restaurant that served interstate travelers or served food a substantial portion of which has moved in interstate commerce was engaged in "commerce" in the constitutional sense *Id* at 300-05

35 U S Const art I, § 8, ¶ 3

36 *See* text accompanying notes 29-30 *supra*

37 *See* note 1 *supra*

38 *See, e g*, Potato Chip Institute v General Mills, Inc, 461 F.2d 1088 (8th Cir 1972), Bernard Food Industries, Inc. v Dietene Co, 415 F.2d 1279 (7th Cir 1969), Federal-Mogul-Bower Bearings, Inc v Azoff, 313 F.2d 405 (6th Cir 1963)

39 *See, e g*, Alum-A-Fold Shutter Corp v Folding Shutter Corp, 441 F.2d 556 (5th Cir 1971), Bogene Inc v Whet-Mor Mfg Co, 253 F Supp 126 (S D N Y 1966)

to diversity or lack of diversity of the citizenship of the parties "[40] Still other courts[41] have referred to § 1338(a) of the Judicial Code which gives the federal district courts "original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks "[42] In this connection, it has been held that an action for violation of § 43(a) falls within § 1338(a) even if no trademark as such is involved [43] Similarly, jurisdiction can be based on Lanham Act § 39 even though no federally registered trademark is involved [44]

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40 15 U S C § 1121 (1970)

41 Bose Corp v Linear Design Labs, Inc, 340 F Supp 513 (S D N Y 1971), *modified,* 467 F.2d 304 (2d Cir 1972) (Lanham Act §§ 39 and 43(a) also cited), Scotch Whiskey Ass'n v Barton Distilling Co, 338 F Supp 595 (N D Ill 1971) (Lanham Act § 39 also cited), Midwest Packaging Materials Co v Midwest Packaging Corp, 312 F Supp 134 (S D Iowa 1970) (Lanham Act § 43(a) also cited)

42 28 U S C § 1338(a) (Supp I, 1971) The companion section, § 1338(b), provides for "pendent" jurisdiction over related nonfederal claims for unfair competition It reads

> The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws

28 U S C § 1338(b) (1970) This subsection is often pleaded along with § 1338(a) and Lanham Act §§ 39 and 43(a), 15 U S C §§ 1121, 1125(a) (1970) *See, e g*, Mortellito v Nina of California, Inc, 335 F Supp 1288 (S D N Y 1972), Eastman Kodak Co v Fotomat Corp, 317 F Supp 304 (N D Ga 1969), Zandelin v Maxwell Bentley Mfg Co, 197 F Supp 608 (S D N Y 1961)

It has been held that § 1338(b), which was enacted after the Lanham Act, did not supercede or nullify §§ 39 or 43(a) of that Act in any way Am Rolex Watch Corp v Jack Laufer & Jan Voort, Inc, 176 F Supp 858 (E D N Y 1959)

43 This is because § 43(a), 15 U S C § 1125(a) (1970), is part of an act "relating to trade-marks" N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338, 342 (S D N Y 1971) (defendant photocopied plaintiff's sales catalogs and used them to advertise its own goods)

44 Florida v Real Juices, Inc, 330 F Supp 428 (S D Fla 1971) (common law "certification" mark involved), N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338 (S D N Y 1971) (no trademark involved), General Pool Corp v Hallmark Pool Corp, 259 F Supp 383 (N D Ill 1966) (no trademark involved) Of course, jurisdiction may be additionally based upon diversity of citizenship if the requirements of 28 U S C § 1332 (1970) are met In practice this is done whenever possible *See, e g*, Bose Corp v Linear Design Labs, Inc, 340 F Supp 513 (S D N Y 1971), *modified,* 467 F.2d 304 (2d Cir 1972), Crossbow, Inc v Dan-Dee Imports, Inc, 266 F Supp 335 (S D N Y 1967)

However, the only real advantage to pleading diversity jurisdiction would be to sustain federal jurisdiction in a case that failed to successfully state a federal substantive claim, but might be maintainable on state law grounds In the absence of diversity jurisdiction, a case based on Lanham Act § 39, 15 U S C § 1121 (1970) and 28 *id* §§ 1338(a), (b) will be dismissed in its entirety if all of the federal claims fail to survive a motion to dismiss Idings v Anaston, 266 F Supp 1015 (N D Ill 1967) But it should also be noted that cases may also be brought in state courts by alleging § 43(a), 15 U S C § 1125(a) (1970), as a substantive ground and referring to the nonexclusive character of the federal jurisdiction conferring statutes Section 39 of the Lanham Act does not indicate that jurisdiction is exclusively vested in the federal courts Moreover, 28 U S C § 1338(a) (1970), which expressly provides for exclusive federal jurisdiction for copyright and patent matters, does not do so with regard to trademark cases For a state case de-

Thus, various jurisdictional routes have been used in § 43(a) cases Since these routes clearly do not require any showing of diversity of citizenship or minimum jurisdictional amount, access to the federal courts is simplified and made more readily available in accordance with the Lanham Act's express intent It is submitted that § 43(a) itself is not really appropriate as a basis for federal *jurisdiction* because the conferring of such jurisdiction is more obviously within the express scope of § 39 of the Lanham Act and § 1338(a) of the Judicial Code However, as the cases above indicate, no noticeable disadvantage attaches to claiming alternative forms of jurisdiction

Standing To Sue

The text of § 43(a) specifes two classes of "persons" who can bring suit against an alleged violator

> [1] any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, [2] any person who believes that he is or is likely to be damaged by the use of any such false description or representation [45]

The first of these classes recalls the pre-Lanham cases that allowed tradesmen from a particular geographical area to band together to seek an injunction against a competitor's false use of a geographical designation [46] This class has never posed a problem Although the second class is potentially much larger due to its open-ended language, the issue of standing[47] under this section has only recently become controversial

In early cases under § 43(a), the plaintiffs were in direct competition with the respective defendants, and no issue of standing as such was considered [48] In 1959, however, it was held that a trade association that

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cided under § 43(a) see Mastro Plastics Corp v Emenee Industries, Inc, 19 App Div 2d 600, 240 N Y S 2d 624 (1963), *aff'd*, 14 N Y.2d 498, 197 N E.2d 610, 248 N Y S 2d 223 (1964)

Regardless of whether a state or a federal court decides issues under the Lanham Act, it is federal substantive law that must be used Clairol, Inc v Gillette Co, 389 F 2d 264, 268 n 9 (2d Cir 1968), Brown & Bigelow v Remembrance Advertising Prods, Inc, 279 App Div 410, 110 N Y S.2d 441, 444 (1952), *aff'd*, 304 N Y 909, 110 N E.2d 736 (1953), 2 CALLMANN, *supra* note 15, § 93 1(b)

45 15 U S C § 1125(a) (1970)

46 *See* note 13 *supra*

47 The term "standing" is being used in a statutory, but nonconstitutional sense *See* 72 COLUM L REV 182, 182 n 5 (1972), 3 RUTGERS-CAMDEN L J 583, 586 n.16 (1972)

48 *See, e g*, L'Aiglon Apparel, Inc v Lana Lobell, Inc, 214 F 2d 649 (3d Cir 1954), Gold Seal Co v Weeks, 129 F Supp 928 (D D C), *aff'd sub nom.* S C. John-

had a direct pecuniary interest in the sales of its members could sue under § 43(a),[49] thereby extending that section's protection to commercial interests in the nature of competition.[50] This extension was allowed on a theory that the plaintiff was a "person damaged" by the defendant's acts.[51] The year 1959 also marked[52] the first limitation on the scope of the standing provisions of § 43(a) when a case was dismissed because the plaintiff, who had not yet marketed his goods in competition with the defendant, was not actually "*engaged* in . commerce" within the meaning of the relevant portion of the "intent" paragraph of the Lanham Act.[53] This was the state of the law until 1971.

In 1971 the standing issue arose four times. In one case, the State of Florida tried to use § 43(a) to enjoin defendant's unauthorized use of a so-called "common law certification mark"[54] ("Sunshine Tree" for cirtrus products).[55] Although Florida was neither a competitor nor a party with a direct pecuniary interest in the business of a competitor, the court allowed the suit, reasoning that

> any proprietary right to the good will associated with 'Sunshine Tree' would be owned by plaintiff for use in connection with any citrus products it desired.[56]

In this manner it tacitly found a quasi-pecuniary interest which was sufficient to meet the "person damaged" test.

The other three cases involved the issue of consumer standing under

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son & Son v. Gold Seal Co., 230 F.2d 832 (D.C. Cir. 1955), *cert. denied*, 352 U.S. 829 (1956).

49 Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155, 161-62 (S.D.N.Y. 1959).

50 This extension has been continued in recent cases which have allowed importers of goods to sue under § 43(a), 15 U.S.C. § 1125(a) (1970), to protect their interests. *See* Norman M. Morris Corp. v. Weinstein, 466 F.2d 137, 142 (5th Cir. 1972), D. & M. Antique Import Corp. v. Royal Saxe Corp., 311 F. Supp. 1261, 1268 (S.D.N.Y. 1969).

51 15 U.S.C. § 1125(a) (1970).

52 Marshall v. Proctor & Gamble Mfg. Co., 170 F. Supp. 828, 834 (D. Md. 1959).

53 "The intent of this act is to regulate commerce within the control of Congress to protect persons engaged in such commerce against unfair competition." Lanham Act § 45, 15 U.S.C. § 1127 (1970). The phrase excerpted is the only one in the intent paragraph that does not expressly refer to the use of "marks," and thus is the only phrase applicable to violations of § 43(a), *id.* § 1125(a), not involving "marks."

54 The court used the term "certification mark" as it is defined in the Lanham Act:

> 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 members of a union or other organization.

Lanham Act § 45, 15 U.S.C. § 1127 (1970).

55 Florida v. Real Juices, Inc., 330 F. Supp. 428 (M.D. Fla. 1971).

56 *Id.* at 432.

§ 43(a) In *Arnesen v Raymond Lee Organization, Inc*,[57] an inventor brought a class action on behalf of himself and other inventors similarly situated against a "patent service" for allegedly false statements about the nature of its business In rejecting the defendant's argument that consumers lacked standing because they were not engaged in commerce, the court stated

> The liability clause of Section 43(a) is clear on its face, it applies to any person who is or is likely to be damaged [T]he plain language of the intent section [Lanham Act § 45, ¶ 21] makes actionable, *inter alia*, the deceptive and misleading use of marks and descriptions [58]

The *Arnesen* court further explained that "there is, absent legislative intent to the contrary, no reason why [a consumer] should not be able to sue for his own protection"[59]

In contrast to the *Arnesen* case are *Florida ex rel Broward County v Eli Lilly & Co* [60] and *Colligan v Activities Club of New York Ltd*,[61] both of which prohibited consumers from maintaining actions under § 43(a) In *Eli Lilly*, the State of Florida, acting through a special assistant attorney general, sued on its own behalf and on behalf of a class of consumers, alleging false representations about the effectiveness and side effects of certain drugs manufactured by defendant pharmaceutical firm In dismissing the complaint, the court said

> The purpose, the legislative history, and the consistent line of authority restricting the scope of Section 43(a) to actions involving competitive injury suffered from "unfair competition" clearly indicate that the claims stated in the complaint do not arise under the statute [62]

This, of course, was in direct opposition to the holding in *Arnesen* Unfortunately, the *Eli Lilly* court did not provide a satisfactory analysis for this conclusion

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57 333 F Supp 116 (C D Cal 1971)

58 *Id* at 120 The court also approved a statement in Yameta v Capitol Records, Inc., 279 F Supp 582, 586 (S D N Y), *vacated*, 393 F.2d 91 (2d Cir 1968), to the effect that the Lanham Act's legislative history indicates that both competitors and consumers were to be protected. Because of the Second Circuit decision, however, this authority is very much in question *See* note 176 *infra* & text accompanying

59 333 F Supp at 120

60 329 F Supp 364 (S D Fla. 1971)

61 442 F.2d 686 (2d Cir), *cert denied*, 404 U S 1004 (1971), *noted in* 72 COLUM L. REV 182 (1972), 46 N Y U L. REV 807 (1971), 3 RUTGERS-CAMDEN L J 583 (1972)

62 329 F Supp at 366-67

In *Colligan,* the Second Circuit provided the only painstaking judicial treatment of § 43(a) consumer standing to date Here, two students brought suit individually and as members of two classes of students who allegedly had been damaged or were likely to be damaged by defendant's use of "false descriptions and representations of the nature, sponsorship, and licensing of their interstate ski tour service "[63] The court held that although the plaintiffs satisfied the literal requirements of § 43(a) and even though the legislative history was inconclusive, standing was lacking because the congressional statement of intent in § 45[64] limits the scope of § 43(a) to "persons engaged in . commerce against unfair competition "[65] Thus, the court concluded

> [C]ongress' purpose was to create a special and 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 [66]

The *Colligan* court buttressed its decision by referring to a passage in the *L'Aiglon* case that suggested § 43(a) actions were only available to commercial plaintiffs, and by raising the specter of "a veritable flood of claims brought in already overtaxed federal district courts "[67] The Court also rejected plaintiffs' argument that in the absence of clearly expressed congressional intent standing should exist for consumers in addition to commercial parties[68] This holding is especially significant coming, as it does, from the Second Circuit, long a leader in matters relating to unfair trade practices Whether other courts will follow its views or will prefer the more expansive interpretation of standing of the *Arnesen* case remains to be seen

Requirements of a § 43(a) Case

One commentator has concluded that there are four requirements

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63 442 F 2d at 687 (quoting from the plaintiff's complaint) Defendant had promised an all inclusive, high quality ski trip but had in fact provided a combination of calamity and confusion ranging from an inadequate supply of ski gear to unlicensed busses with faulty brakes, seeping exhaust fumes, and an intoxicated driver *Id*

64 15 U S C § 1127 (1970)

65 442 F.2d at 691

66 *Id* at 692

67 *Id* at 693

68. Our analysis requires that the manner in which this issue be posed is precisely the reverse [of plaintiff's] had Congress contemplated so revolutionary a departure implicit in [plaintiff's] claims, its intention could and would have been clearly expressed.

Id at 693-94 This, of course, is directly contrary to the view espoused in *Arnesen* *See* note 59 *supra* & text accompanying

for a successful action under § 43(a)

> 1 that the defendant's advertisement is in fact false,
> 2 that it actually deceives or has the tendency to deceive a substantial segment of its audience,
> 3 that such deception is material, in the sense that it is likely to make a difference in the purchasing decision,
> 4 that the particular plaintiff has been or is likely to be injured as the result of the foregoing, either by direct diversion of sales from himself to the falsely advertising competitor, or by lessening of the good will which his own product enjoys with the buying public [69]

Since 1956, these elements have been cited with approval by other commentators [70] Indeed, with some modifications and a few additions, these requirements remain accurate at the present time However, a deeper analysis of the content of these requirements is necessary

The requirement of falsity is found in the language of § 43(a) itself which directly proscribes

> a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same [71]

At least two reported cases have construed truthfulness as a complete defense to a § 43(a) claim [72] However, "literal" truth is probably not a defense A false impression may be found to violate the section,[73] a

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69 Weil, *Protectibility of Trademark Values Against False Competitive Advertising*, 44 CALIF L REV 527, 537 (1956) [hereinafter cited as Weil]

70 *See, e g*, Dole, *Merchant and Consumer Protection The Uniform Deceptive Trade Practice Act*, 76 YALE L J 485, 489 (1967), Derenberg, *First Decade, supra* note 3, at 1053, *cf Unfair Competition, supra* note 23, at 616-17

71 15 U S C § 1125(a) (1970)

72 Smith v Chanel, Inc, 402 F 2d 562 (9th Cir 1968), Societe Comptoir de L'Industrie Cotonniere Etablissements Boussac v Alexander's Dep't Stores, Inc, 299 F 2d 33 (2d Cir 1962) In both of these cases, the defendants had accurately represented that their products were copies of plaintiffs' goods

73 Geisel v Poynter Prods Inc, 283 F Supp 261, 267 (S D N Y 1968), Mutation Mink Breeders Ass'n v Lou Nierenberg Corp, 23 F R D 155 (S D N Y 1959) *But see* Marshall v Proctor & Gamble Mfg Co, 170 F Supp 828 (D Md 1959) It is quite important that false impressions are held to violate § 43(a), 15 U S C § 1125(a) (1970), because they are involved in so much of modern advertising

> [Modern advertising personnel] carefully choose words to create impressions and expectations on the part of the consumer which are at least in part discrepant with the product's true characteristics [They] create an image of the product in the consumer's mind that is not totally substantiated by the product's true performance [T]oday's copy writers avoid clearly false statements They tend instead to use "those less obvious forms of falsehood which in causitry and law are called *suppressio verdi* and *suggestio falsi*, concealing a truth and

result which is entirely in keeping with the statutory phrase "words or other symbols *tending* falsely to describe or represent"[74]

The required falsity must pertain to a "designation of origin" or a "description or representation"[75] However, the phrase "designation of origin" has been expansively construed to include indications of source of manufacture, sponsorship, etc in addition to indications of geographical origin,[76] even though a literal reading of § 43(a) would seem to lead to a contrary result[77]

Another aspect of importance is the form which the false statement[78] must take in order to constitute a violation of § 43(a) The statute does not mention the word "advertisement" nor does it indicate that any specific form is or is not included Instead, the statute broadly applies to false statements that "[a]ny person shall affix, apply, or annex, or use in connection with goods or services, or any container or containers for goods"[79] The "affix, apply or annex" language would adequately explain cases that consider false *labeling* within the scope of § 43(a),[80] the "use in connection with goods or services" phrase would

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hinting a lie, methods which certain types of advertising have carried to pitch of skill and success that leaves us breathless"

Pollay, *Deceptive Advertising and Consumer Behavior A Case for Legislative and Judicial Reform*, 17 KAN L REV 625, 626 (1969), *quoting* D MASTERS, THE INTELLIGENT BUYER'S GUIDE TO SELLERS 171 (1965)

74 15 U S C § 1125(a) (1970) (emphasis added) Such a result is also consistent with analogous decisions under the Federal Trade Commission Act *See* P Lorillard Co v FTC, 186 F 2d 52 (4th Cir 1950), 1 CALLMANN, *supra* note 15, § 19 2(b)(1), at 667-68

75 *See* Am Optical Co v Rayex Corp, 291 F Supp 502, 510 n 6 (S D N Y 1967) (dictum), *aff'd per curiam*, 394 F.2d 155 (2d Cir 1968), General Pool Corp v Hallmark Pool Corp, 259 F Supp 383, 385 (N D Ill 1966) One commentator opined that "all practices which would constitute a 'false designation of origin' would also amount to a 'false representation' within the meaning of the statute" *Unfair Competition, supra* note 25, at 616, n 96

76 Federal-Mogul-Bower Bearings, Inc v Azoff, 313 F.2d 405 (6th Cir 1963), N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338, 342 (S D N Y 1971), Geisel v Poynter Prods Inc, 283 F Supp 261, 267 (S D N Y 1968) (and cases cited therein) *But see* Joshua Meier Co v Albany Novelty Mfg Co, 236 F.2d 144 (2d Cir 1956)

> It may well be that if the plaintiff has acquired a common law trademark, the defendant's use of that mark constitutes a false designation of origin within the meaning of [§ 43(a)]

Id at 147 (dictum)

77 For an analysis that reaches this contrary result see notes 162-72 *infra* & text accompanying

78 The term "statement" will be used to denote "designations of origin," "descriptions" and "representations" within the meaning of § 43(a), 15 U S C § 1125(a) (1970).

79 *Id*

80 *See* Parkway Baking Co v Freihofer Baking Co, 255 F.2d 641 (3d Cir 1958), Scotch Whiskey Ass'n v Barton Distilling Co, 338 F Supp 595 (N D Ill 1971), Cutler-Hammer, Inc. v Universal Relay Corp., 285 F Supp 636 (S D N Y 1968)

seem to be applicable where false *advertising* of some kind is involved [81] The mere removal of a designation of origin, however, is not violative of § 43(a),[82] although the substitution of a false designation of origin in place of the true designation might amount to a violation [83] Under this analysis, one could remove a trademark from another's goods and sell them unmarked with impunity, but could not relabel the goods as one's own [84]

Under § 43(a) the false designation, description or representation must relate to the source,[85] nature[86] or quality[87] of "goods or services" which "[a]ny person shall cause to enter into commerce "[88] Cases construing the word "goods" have either read it very broadly or have found that a "use in connection with goods" was involved [89] The term "services" has not caused any difficulty to the few courts that have encountered it [90] There is authority, however, for limiting actionable misstatements to those that a defendant makes about his own goods or services,[91] thus excluding statements he may have made about the plaintiff's goods, which he did not "cause to enter into commerce" within the meaning of § 43(a)

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81 *See, e g*, L'Aiglon Apparel, Inc v Lana Lobell, Inc, 214 F 2d 649 (3d Cir 1954), Smith-Victor Corp v Sylvania Elec Prods, Inc, 242 F Supp 302 (N D Ill 1965), Marshall v Proctor & Gamble Mfg Co, 170 F Supp 828 (D Md. 1959) *See also* Glenn v Advertising Publications, Inc, 251 F Supp 889 (S D N Y 1966), which stated

> It would seem that a false representation contained in a report, brochure or film prepared for selling purposes is as much a representation used "in connection with" goods as a representation in an advertisement

Id at 903, *cf* Midwest Packaging Materials Co v Midwest Packaging Corp, 312 F Supp 134 (S D Iowa 1970), where the court held that "stock certificates can be thought of as 'use[d] in connection with goods or services'" *Id* at 136

82 "[Section 43(a)] makes actionable the *application* of 'a false designation of origin,' not the removal of a true designation" Pic Design Corp v Sterling Precision Corp, 231 F Supp 106, 115 (S D N Y 1964) (emphasis in original)

83 *Id* (dictum)

84 *Cf* Mastro Plastics Corp v Emenee Industries, Inc, 19 App Div 2d 600, 240 N Y S 2d 624 (1963), *aff'd*, 14 N Y 2d 498, 197 N E 2d 620, 248 N Y S 2d 233 (1964) For a further discussion of the application of § 43(a), 15 U S C § 1125(a) (1970), to designations of source of manufacture see notes 162-72 *infra* & text accompanying

85 *See* notes 75-77 *supra* & text accompanying

86 *See* Potato Chip Institute v General Mills, Inc, 461 F 2d 1088 (8th Cir 1972), Arnesen v Raymond Lee Organization, Inc, 333 F Supp 116, 120 (C D Cal 1971)

87 Scotch Whiskey Ass'n v Barton Distilling Co, 338 F Supp 595 (N D Ill 1971), H A Friend & Co v Friend & Co, 276 F Supp 707, 715 (C D Cal 1967), *aff'd*, 416 F 2d 526 (9th Cir 1969)

88 15 U S C § 1125(a) (1970)

89 N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338, 341 (S D N Y 1971) (sales catalogs), Midwest Packaging Materials Co v Midwest Packaging Corp, 312 F Supp 134, 136 (S D Iowa 1970) (stock certificates)

90 *See* Arnesen v Raymond Lee Organization, Inc, 333 F Supp 116 (C D Cal 1971), Harrison Services, Inc v Margino, 291 F Supp 319 (S D N Y 1968)

91 Bernard Food Industries, Inc v Dietene Co, 415 F.2d 1279, 1283 (7th Cir 1969), Holsten Import Corp v Rheingold Corp, 285 F Supp 607 (S D N Y 1968)

As a result of the above interpretations it might be worthwhile to revise the falsity requirement to read as follows

> The defendant's statement must either be false in fact or tend to create a false impression about the geographical origin, source of supply or sponsorship, or nature or quality of defendant's own goods or services, and defendant must have attached the statement to his goods or used it in connection with his goods or services, which were in interstate commerce

The second requirement is that the defendant's statement actually deceives or has the tendency to deceive a substantial portion of its audience Post-1956 cases have proven the accuracy of this requirement For example, in a case in which the Girl Scouts sued to enjoin the sale of posters picturing an obviously pregnant girl in the well-known Girl Scout uniform above the equally well-known motto "Be Prepared," the court dismissed a § 43(a) action on the ground that the Girl Scouts had failed to "demonstrate that the false representations, if any, have a tendency to deceive"[92] Other cases also make it evident that deception is an integral part of a claim under § 43(a) [93]

The second requirement is closely related to the third, *i e*, that the deception is material, in the sense that it is likely to make a difference in the purchasing decision Materiality appears to be important in two respects first, to exclude de minimis violations and second, to make certain that the falsity of defendant's statement is measured against the type of persons who received the statement The first point is self-evident [94]

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92 Girl Scouts of the United States of America v Personality Posters Mfg Co, 304 F Supp 1228, 1231 (S D N Y 1969), *cf* Parkway Baking Co v Freihofer Baking Co, 255 F 2d 641 (3d Cir 1958) "[T]here seems to be no requirement that purchasers actually be deceived, but only that the false advertisements have a tendency to deceive" *Id* at 649

93 Hesmer Foods, Inc v Campbell Soup Co, 346 F 2d 356, 359 (7th Cir 1965), *cf* Ringling Bros -Barnum & Bailey Combined Shows, Inc v Chandris America Lines, Inc, 321 F Supp 707 (S D N Y 1971) "[A]lthough intentional falsification of the designation of origin is not required, there must be some showing that the public might be deceived" *Id* at 712

94 One court stated

> [Plaintiff] has not established that as a competitor it is or is likely to be damaged by any false description or representation It has not shown damage or likelihood of damage due to the fact that any substantial number of reasonable customers were misled or likely to be misled as to the nature of the product or that if they had known the true facts, they most likely would have purchased a different product

Gold Seal Co v Weeks, 129 F Supp 928, 940 (D D C), *aff'd sub nom* S C Johnson & Son, Inc. v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied*, 352 U S 829 (1956) Although this decision preceded the Weil article, Weil, *supra* note 69, it has never been contradicted, and thus Mr Weil's materiality requirement would appear intact *Cf* Glenn Advertising Publications, Inc, 251 F Supp 889 (S D N Y 1966),

As to the second point, a court has taken specific notice of the nature of the group that received defendant's statement Because this court found that the plaintiffs, a group of businessmen, were sophisticated in matters of the sort involved, it held that materiality was absent [95]

The fourth requirement involves injury to the plaintiff That actual or potential injury is a requirement of a § 43(a) suit does not seem subject to doubt,[96] even though the statute itself, literally read, would allow suit "by *any* person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated"[97] It is also quite clear that while a showing of potential injury is sufficient for injunctive relief, a showing of actual injury is required for monetary relief [98] However, there is considerable doubt as to whether the injury, actual or potential, must be to commercial interests Thus, the fourth requirement must be modified to include the possibility of consumer suits of the type discussed above [99]

Type of Cases That Come Within § 43(a)

Although § 43(a) has been construed in a manner prohibiting a variety of false statements, the facts of *L'Aiglon Apparel, Inc v Lana Lobell, Inc*,[100] in which the defendant used a photograph of the plaintiff's product to advertise his own inferior product, still arise most frequently [101] Similar cases in which a defendant has used copies of his com-

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where the court dismissed a § 43(a) claim partially because defendant's statements "are trivial and do not add up to the kind of misrepresentation which I believe the Lanham Act was intended to cover" *Id* at 904

95 Glenn v Advertising Publications, Inc, 251 F Supp 889, 904 (S D N Y 1966) In this case the "misrepresentations" were contained in reports, brochures, and films circulated amongst businesses and persons involved in the advertising profession

96 *See* cases cited notes 127-28 *infra*

97 No cases have been found which give a literal interpretation to this phrase But Callmann states

> Indeed, the statute goes further in recognizing that the plaintiff need not even be "in the same line of business and in competition with defendant", it will be sufficient, in the case of a false designation of origin, that the plaintiff is "doing business in the locality falsely indicated"

1 CALLMANN, *supra* note 15, § 18 2(b) (2), at 625 However, Mr Callmann fails to indicate the source of his quoted phrase "in the same line of business," and it does not appear in the statute

98 *See* notes 127-30 *infra* & text accompanying

99 *See* notes 62-83 *supra* & text accompanying *See also* notes 149-61 *infra* & text accompanying

100 214 F 2d 649 (3d Cir 1954) *See also* notes 19-23 *supra* & text accompanying

101 *See, e g*, General Pool Corp v Hallmark Pool Corp, 259 F Supp 383 (N D Ill 1966), Ideal Toy Corp v Fab-Lu, Ltd., 261 F Supp 238 (S D N Y 1966), Am Optical Co v Rayex Corp, 266 F Supp 342 (S D N Y 1966), *cf* George O'Day Associates, Inc v Talman Corp, 206 F Supp 297, 300 (D R.I), *aff'd sub nom* O'Day Corp v Talman Corp, 310 F.2d 623 (1st Cir 1962)

petitor's sales catalogs[102] or brochures[103] have also come under § 43(a), as do cases where the defendant actually used some of plaintiff's goods as "samples" of his own goods.[104] Ordinary passing-off has also been said to violate § 43(a),[105] as has the use of deceptively similar trade dress.[106] Likewise, false representations concerning approval or authorization of defendant's goods or services violate § 43(a).[107] In addition, it has been held that "slavish copying" of a competitor's goods violates § 43(a),[108] but this would no longer appear to be good law since the landmark pre-emption decisions by the Supreme Court in *Sears, Roebuck & Co v Stiffel Co*[109] and *Compco Corp v Day-Brite Lighting, Inc*.[110]

There is a group of § 43(a) cases involving falsities concerning the use of trademarks,[111] service marks[112] and "certification" marks.[113] Indeed, it has been said as recently as 1970 that § 43(a) applies *only* to deceptive uses of common law trademarks "and similar misleading use of words, names, symbols or devices adopted by a merchant to identify his goods."[114]

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102 N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338 (S D N Y 1971)

103 Bogene Inc v Whet-Mor Mfg Co, 253 F Supp 126 (S D N Y 1966)

104 Crossbow, Inc v Dan-Dee Imports, Inc, 266 F Supp 335, 339-40 (S D N Y 1967), Mastro Plastics Corp v Emenee Industries, Inc, 19 App Div 2d 600, 240 N Y S 2d 624 (1963), *aff'd*, 14 N Y 2d 498, 197 N E 2d 620, 248 N Y S 2d 223 (1964) This behavior is sometimes referred to as "reverse passing-off," since it is the reverse of the usual practice of passing-off one's goods as those of a competitor Of course the reason that this is done is to pave the way for later acts of ordinary passing-off

105 Sutton Cosmetics (P R) Inc v Lander Co, 455 F 2d 285, 287 (2d Cir 1972), Chamberlain v Columbia Pictures Corp, 186 F 2d 923, 925 (9th Cir 1951) (and cases cited therein)

106 Eastman Kodak Co v Fotomat Corp, 317 F Supp 304 (N D Ga 1969) (defendant ordered to mark its film kiosks so as not to imply that they were operated by plaintiff) *See also* Bose Corp v Linear Design Labs, Inc, 467 F 2d 304 (2d Cir 1972)

107 Parkway Baking Co v Friehofer Baking Co 255 F 2d 641 (3d Cir 1958) (existence of trademark license misrepresented), Jaeger v Am Int'l Pictures, Inc, 330 F Supp 274 (S D N Y 1971) (defendant marketed a substantially modified version of plaintiff's movie film representing that plaintiff was the "director" and "co-author"), Geisel v Poynter Prods Inc, 283 F Supp 261 (S D N Y 1968) (misrepresentation that cartoonist who had created certain characters had designed or in some way approved dolls based on his cartoons)

108 Catalina, Inc v Gem Swimwear, Inc, 162 F Supp 911 (S D N Y 1958), *see Unfair Competition, supra* note 23, at 620-21

109 376 U S 225 (1964)

110 376 U S 234 (1964)

111 Sutton Cosmetics (P R) Inc v Lander Co, 455 F 2d 285 (2d Cir 1972), Cutler-Hammer, Inc v Standard Relay Corp, 328 F Supp 868, 879 (S D N Y 1970), *aff'd*, 444 F 2d 1092 (2d Cir 1971) *But see* McTavish Bob Oil Co v Disco Oil Co, 345 F Supp 1379 (N D Ill 1972) The court there stated that "the case law is not at all clear as to whether § 43(a) applies to the use by a defendant of a plaintiff's alleged common law trademark." *Id* at 1381

112 Iding v Anaston, 266 F Supp 1015 (N D Ill 1967), Burger King, Inc v Brewer, 244 F Supp 293 (W D Tenn 1965)

113 Florida v Real Juices, Inc., 330 F Supp 428, 431 (M D Fla 1971)

114 Sterling Prods Co v Crest Mfg Co, 314 F Supp 204, 211 (E.D Mich.

However, this odd throwback to an early decision severely limiting § 43(a)[115] cannot be taken seriously due to those cases that expressly hold to the contrary[116] and the many cases that have applied § 43(a) in the absence of any trademark or trademark-like infraction.[117]

Case law does not limit the application of § 43(a) to federally registered marks, "common law" marks are also included.[118] However, it is generally held that § 43(a) will protect unregistered marks which are not inherently "distinctive" in the trademark sense[119] only if they have attained "secondary meaning,"[120] that is, if they have attained distinctiveness as indications of source of manufacture.[121] The rationale behind

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1970) *accord,* Geisel v Poynter Prods Inc, 283 F Supp 261, 267 (S D N Y 1968), General Pool Corp v Hallmark Pool Corp, 259 F Supp 383, 385 (N D Ill 1966), *cf* Mortellito v Nina of California, Inc, 335 F Supp 1288 (S D N Y 1972) The *Mortellito* court stated

> The gist of the action under [§ 43(a)] is a use of the mark of tradename in interstate commerce which is likely to cause confusion or to deceive purchasers as to the source of origin of the goods

Id at 1294

115 Samson Crane Co v Union Nat'l Sales, Inc, 87 F Supp 218, 222 (D Mass 1949), *aff'd per curiam,* 180 F 2d 896 (1st Cir 1950)

116 Glenn v Advertising Publications, Inc, 251 F Supp 889, 902 (S D N Y 1966), Smith-Victor Corp v Sylvania Elec Prods, Inc, 242 F Supp 302, 310 (N D Ill 1965)

117 *See* notes 100-05 *supra*

118 Bose Corp v Linear Design Labs, Inc, 467 F 2d 304, 309 (2d Cir 1972) (trade dress), Joshua Meier Co v Albany Novelty Mfg Co, 236 F 2d 144, 147 (2d Cir 1956) (trademark), Florida v Real Juices, Inc, 330 F Supp 428, 431 (M D Fla 1971) (certification mark), Iding v Anaston, 266 F Supp 1015, 1017-18 (N D Ill 1967) (service mark)

119 With regard to the term "inherently distinctive" see 1 McCarthy, *supra* note 15, §§ 11 2- 4 *See also* 3 Callmann, *supra* note 15, § 66 1, E. Vandenburgh, Trademark Law and Procedure § 4 10 (2d ed 1968) [hereinafter cited as Vandenburgh]

120 Joshua Meier Co v Albany Novelty Mfg Co, 236 F 2d 144 (2d Cir 1956), N S Meyer, Inc v Ira Green, Inc, 326 F Supp 338, 342 (S D N Y 1971), Sterling Prods Co v Crest Mfg Co, 314 F Supp 204 (E D Mich 1970)

In *Joshua Meier,* the court concluded that § 43(a), 15 U S C § 1125(a) (1970) would apply to unregistered trademarks only if they

> are so associated with [plaintiff's] goods that the use of the same or similar marks by another company constitutes a representation that its goods come from the same source

236 F 2d at 147, *cf* California Apparel Creators v Weider of California, Inc, 162 F 2d 893 (2d Cir 1947) In that case Judge Clark stated "[T]here is of course the necessity of proving that the apparel labels do designate the origin of the goods to the buyers" *Id* at 901 n 12 (dictum)

The *Sterling Prods* case is also noteworthy in holding that § 43(a) would not be violated

> unless [plaintiff's] claimed designations had acquired, in the mind of the average purchaser, an association with [plaintiff] which indicated to said purchasers that the product bearing these designations on its label originated with [plaintiff]

314 F Supp at 211

121 This, of course, is consistent with general principles of trademark law *See* 3 Callmann, *supra* note 15, § 77, McCarthy, *supra* note 15, §§ 15 1- 9, Vandenburgh,

this interpretation is the need to bring the case within the § 43(a) phrase "*false* designation of origin, or *false* description or representation"[122] Unless the public has come to know a particular mark as indicating a particular source of origin, a finding of the requisite falsity would be anomalous since there would be no standard against which to measure such falsity

A few words should also be said about what acts do *not* violate § 43(a) It is abundantly clear that the utterance of wholly truthful, accurate statements about one's own products—even that one's goods are copies of another's "original" items—is not unlawful[123] It has also been held that § 43(a) has no application to actions for personal injuries allegedly caused by reliance upon false representations[124] Perhaps more importantly, it has been held that § 43(a) has no application whatsoever to acts of disparagement of another's goods[125] This is apparently based on the § 43(a) requirement that the false statement must be affixed, applied, annexed or used in connection with goods or services which the *defendant* "shall cause to enter into commerce[126]

Remedies

As mentioned earlier, injunctive relief against a violation of § 43(a) may be obtained on a mere showing of likelihood of injury to the plaintiff,[127] but a monetary award can be recovered only where actual

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supra note 119, § 4 70 However, proof of secondary meaning probably will not be required with regard to "inherently distinctive" marks, which is also consistent with general principles of trademark law *See* authorities cited note 119 *supra*

122 15 U S C § 1125(a) (1970) (emphasis added)

123 *See* note 72 *supra*

124 Carpenter v Erie R R, 178 F 2d 921 (2d Cir 1949) However, the importance of this decision was later minimized by the same court *See* Colligan v Activities Club, Ltd., 442 F 2d 686, 688 n 7 (2d Cir 1971)

125 Bernard Foods Industries, Inc v Dietene Co, 415 F 2d 1279 (7th Cir 1969), where the court pointed out

> [T]he Act does not embrace misrepresentations about a competitor's product but only false or deceitful representations which the manufacturer or merchant makes about his own goods or services

Id at 1284 (emphasis added), *accord,* Holsten Import Corp v Rheingold Corp, 285 F Supp 607 (S D N Y 1968), *cf* Derenberg, *First Decade, supra* note 3, at 1055, *Unfair Competition, supra* note 23 The latter wrote

> [T]hough trade disparagement would not fall directly within the statute [§ 43(a)], many such cases might be covered indirectly in so far as the acts complained of also involved misrepresentations as to the defendant's product.

Id at 620 *But see* Note, *Section 43(a) of the Lanham Act Its Development and Potential,* 3 Loyola U L J 327, 337-39 (1972) [hereinafter cited as Note]

126 15 U S C § 1125(a) (1970)

127 Hesmer Foods, Inc v Campbell Soup Co, 346 F 2d 356, 359 (7th Cir 1965), Mortellito v Nina of California, Inc, 335 F Supp 1288, 1294 n 9 (S D N Y 1972), General Pool Corp v Hallmark Pool Corp, 259 F Supp 383, 386 (N D Ill 1966)

injury is proven [128] This interpretation of § 43(a), the text of which says absolutely nothing about available remedies,[129] is in accord with, and no doubt modelled after, basic principles of remedies in trademark infringement and analogous unfair competition cases [130] Furthermore, as in the law of trademarks and unfair competition,[131] there is no requirement that the defendant have an intent to deceive when the granting of an injunction is involved [132] However, unlike trademark and unfair competition law,[133] intent is apparently unnecessary even when a monetary award is sought [134]

The exact interaction between § 43(a) and the remedies sections of the Lanham Act[135] is unclear since each of these sections specifically

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128 Hesmer Foods, Inc v Campbell Soup Co, 346 F 2d 356, 359 (7th Cir 1965), Smith-Victor Corp v Sylvania Elec Prods, Inc, 242 F Supp 302, 311 (N D Ill 1965) *See also* Gold Seal Co v Weeks, 129 F Supp 928 (D D C), *aff'd sub nom* S C Johnson & Son, Inc v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied*, 352 U S 829 (1956) The *Gold Seal* court said

> [Plaintiff's] attempt to analogize section 43(a) to a libel action, making proof of actual damages unnecessary, is totally without support in law or reason Pecuniary recovery must be individualized, loss of sales must be shown Section 43(a) was to promote fair business dealings It was not to provide a windfall to an overly eager competitor

Id at 940 *But see* 1 CALLMAN, *supra* note 15, § 18 2(b)(2) Mr Callmann stated that proof of actual injury

> should not be required when it is clear that false advertising was expressly directed against the plaintiff By analogy to the law of libel, the claim should be actionable *"per se,"* damage being the intended result of defendant's act

Id

129 The text of § 43(a) merely states that one who violates the proscriptions therein "shall be liable to a civil action" 15 U S C § 1125(a) (1970) For a full statement of the text of § 43(a) see note 1 *supra*

130 *See* 4 CALLMANN, *supra* note 15, §§ 88-89, 2 MCCARTHY, *supra* note 15, §§ 27 5(A), 30, VANDENBURGH, *supra* note 119, §§ 5 20, 11 50 *See also* Hubbard, *Monetary Recovery Under the Copyright, Patent, and Trademark Acts*, 58 TRADE-MARK REP 560, 583-92 (1968) *See also* Mortellito v Nina of California, Inc, 335 F Supp 1288 (S D N Y 1972) The court said

> We can look to cases involving common law trademarks or those registered under the Lanham Act for help in defining notions such as 'confusing similarity' or in specifying the degree of competitive advantage that warrants relief

Id at 1294 n 8

131 *See* 3 CALLMANN, *supra* note 15, § 86 1(a), 2 MCCARTHY, *supra* note 15, §§ 23 30- 32

132 Apollo Distrib Co v Apollo Imports, Inc, 341 F Supp 455, 458 (S D N Y 1972)

133 4 CALLMANN, *supra* note 15, § 89 2(a), 2 MCCARTHY, *supra* note 15, § 30 25(A)

134 Parkway Baking Co v Freihofer Baking Co, 255 F 2d 641, 648 (3d Cir 1958), Gold Seal Co v Weeks, 129 F Supp 928, 940 (D D C), *aff'd sub nom* S C Johnson & Son, Inc v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied*, 352 U S 829 (1956)

135 The term "remedies sections" is used to refer to Lanham Act §§ 32-38, 15 U S C §§ 1114-20 (1970) Lanham Act § 39, *id* § 1121, is treated only as a jurisdiction-conferring section *See* note 40 *supra* & text accompanying

refers to "registered mark" or some similar term,[136] whereas it is clear that § 43(a) applies to many cases not involving federally registered trademarks.[137] In fact most courts merely base injunctive relief on § 43(a) without any further explanation of the remedial authority.[138] One court, however, has expressly relied on its general equity powers in granting such relief.[139] Yet, with regard to damage awards,[140] at least two cases have indicated that § 35 of the Lanham Act, the monetary award section, applies to § 43(a) cases.[141] Moreover, it has been held that damages may be awarded even though "the full measure could not be precisely shown" in a case where the violation was fraudulent and the extent of the injury—especially to the future of the plaintiff's business—could not be ascertained.[142]

There has been very little litigation concerning a plaintiff's right to recover profits, costs and attorneys' fees under § 43(a).[143] So far no reported case allowed such a recovery, but there has been a favorable sign regarding profits[144] and an unfavorable sign regarding attorneys' fees.[145]

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136 Lanham Act §§ 32, 33 and 37, 15 U S C §§ 1114-15, 1119 (1970) (refer to "registered mark"), Lanham Act §§ 34-35, *id* §§ 1116-17 (refer to "mark registered in the Patent Office"), Lanham Act § 36, *id* § 1118 (refers to both terms), Lanham Act § 38, *id* § 1120 (refers to "registration in the Patent Office of a mark")

137 *See, e g*, cases cited notes 100-07 *supra*

138 Scotch Whiskey Ass'n v Barton Distilling Co, 338 F Supp 595 (N D Ill 1971), Geisel v Poynter Prods Inc, 295 F Supp 331, 351-55 (S D N Y 1968), Burger King, Inc v Brewer, 244 F Supp 293 (W D Tenn 1965)

139 H S Friend & Co v Friend & Co, 276 F Supp 707, 716 (C D Cal 1967), *aff'd*, 416 F.2d 526 (9th Cir 1969)

140 "Damages" may involve more than lost sales injury to good will and the cost of "abandoning a sales line" may also be included 2 McCarthy, *supra* note 15, § 27 5(B), at 251, *citing* L'Aiglon Apparel, Inc v Lana Lobell, Inc., 115 U S P Q 235 (E.D Pa 1957)

141 Friend v H A Friend & Co, 416 F 2d 526, 534-35 (9th Cir 1969) Gold Seal Co v Weeks, 129 F Supp 928, 940 (D D C), *aff'd sub nom* S C Johnson & Son, Inc v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied*, 352 U S 829 (1956) For the text of § 35, 15 U S C § 1117 (1970), see note 181 *infra* & text accompanying

142 Friend v H A Friend & Co, 416 F 2d 526, 533-34 (9th Cir 1969)

143 "Profits" and "costs," but not attorney's fees are expressly authorized by § 35, 15 U S C § 1117 (1970), in cases of infringement of registered trademarks

144 In Friend v H A Friend & Co, 416 F 2d 526 (9th Cir 1969), the court implied that profits could be granted under § 35, 15 U S C § 1117 (1970), when it denied a recovery of such profits on the express ground that the lower court had already correctly "awarded damages for lost profits" 416 F 2d at 534-35

145 The Ninth Circuit affirmed a disallowance of attorneys' fees based on the federal cause of action under § 43(a), on the ground that the term "costs" in § 35, 15 U S C § 1117 (1970), had previously been interpreted not to include such fees in Fleischmann Distilling Corp v Maier Brewing Co, 386 U S 714 (1967) Friend v H A Friend & Co, 416 F 2d 526, 534 (9th Cir 1969) However, the court did allow a recovery of attorney's fees under the pendent state claim based on California law *Id* The Second Circuit denied recovery based on a pendent state claim in Textron, Inc v Spi-Dell Watch & Jewelry Co, 406 F.2d 544 (2d Cir 1968)

PROBLEMS WITH THE CURRENT EXPANSION OF § 43(a) TOO FAR, MAYBE?

Although I have no major quarrel with the generally accepted view that § 43(a) should be liberally construed so as to create a "federal statutory tort, sui generis,"[146] I do balk at the conclusion that it creates "an affirmative code of business ethics whose standards can be maintained by *anyone* who is or may be damaged"[147] The former statement seems justified, considering the difficulty the common law encountered in dealing with the problems of false advertising and Congress' dissatisfaction with the failure of its earlier attempt to ameliorate the problem[148] The latter statement, however, seems overbroad and unwarranted considering Congress' relatively narrow concern to upgrade the level of competitive conduct by giving those engaged in commerce a feasible way of combatting unfair competition in the form of false advertising and labelling that tend to occur along with traditional trademark and passing-off infractions For that reason, I believe that (1) private consumer suits should *not* be maintainable under § 43(a), (2) section 43(a) should *not* be applied to typical trademark, trademark-like and passing-off infractions, and (3) the remedies provided in the Lanham Act should *not* be applied to violations of § 43(a) simpliciter

Private Consumer Suits Should Not Be Maintainable Under § 43(a)

In the recent *Colligan* case,[149] the Second Circuit construed § 43(a) in light of the legislative intent that could be gleaned from the language of the Act itself and inferred from the common law underlying the Act, rather than relying on legislative *history* that is "very long and convoluted"[150] It is submitted that this approach and the resulting conclusions were correct, even though the effect may have been to deny an aggrieved party a feasible route to relief[151]

146 Gold Seal Co v Weeks, 129 F Supp 928, 940 (D D C), *aff'd sub nom* S C Johnson & Son, Inc v Gold Seal Co, 230 F 2d 832 (D C Cir 1955), *cert denied*, 352 U S 829 (1956)

147 *Id*

148 *See* notes 9-15 *supra* & text accompanying

149 Colligan v Activities Club, Ltd, 442 F.2d 686 (2d Cir), *cert denied*, 404 U S 1004 (1971) *See also* notes 63-68 *supra* & text accompanying

150 442 F 2d at 689-90 The court pointed out that predecessor bills were introduced as early as 1924, that at least fourteen sets of congressional hearings had been held from 1925 to 1944, and that nine different committee reports were published *Id* 689-90 n 10

151 Of course there are other remedies "available" under state law *See id* at 693 & n.35 To the extent that these remedies are not feasible in any particular case, a hardship may be imposed on a genuinely injured party, but even so, this is not an adequate

The *Colligan* court's analysis of the consumer standing problem had three well-conceived parts In the first of these parts the court correctly recognized that the language of § 43(a) itself, read literally, did not appear to "permit any other inference than that which [plaintiffs] would have us draw—*i e*, that 'any person' means exactly what it says"[152] However, in a footnote, the court made an important point

> [T]he key language in § 43(a) is not "any person" but any person who believes that he is or is likely to be damaged by the use of any such false description or representation The proper focus therefore is whether [plaintiffs'] claims partake of the *nature of the injury* sought to be prevented and/or remedied by Congress through § 43(a) [153]

Thus, the court was saying that § 43(a) had to be viewed in light of the underlying congressional purpose, not merely as a statute in a vacuum

In the second part of the court's analysis—subtitled "Legislative History" various of plaintiffs' arguments concerning statements made by draftsmen, legislators and witnesses were considered to be so lengthy and confused as to be inconclusive This disposition was correct since the evidence of legislative history favorable toward consumer standing was very sketchy in general, and because some of it concerned statements made over twenty years before the passage of the Lanham Act [154] Moreover, in the third part of the court's analysis,[155] an even better reason for de-

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reason to distort principles of federal law After all, not every wrong realistically has a remedy

> An alleged violation of law is not everywhere and always a reason for judicial intervention and judgment Laws are a means to an end, not an end in themselves The "majesty of the law" does not require that every alleged breach be rectified.

Jaffe, *Standing Again*, 84 HARV L REV 633, 636-37 (1971) [hereinafter cited as Jaffe], *see* Armstrong, *Expressio Unius, Inclusio Alterius The Fagot-Gomez Private Remedy Doctrine*, 5 GA L REV 97, 116 (1970) [hereinafter cited as Armstrong] *See also* 3 RUTGERS-CAMDEN L J 583, 590-91 (1972)

152 442 F.2d at 689

153 *Id* at 689 n.8

154 *Id* at 689-91 & n 11

155 This part begins with a one paragraph consideration of the plaintiffs' plea for standing under Ass'n of Data Processing Service Organizations, Inc v Camp, 397 U S 150 (1970) However, the Second Circuit held "Although the scope and effects of *Data Processing* have not yet been clearly delimited, we hold that that case does not bring these [plaintiffs] under its protective wing" Colligan v Activities Club, Ltd., 442 F.2d 686, 691 (2d Cir), *cert denied*, 404 U S 1004 (1971) In *Data Processing* the Supreme Court had held that a data processing firm did have standing to contest an administrative regulation that permitted national banks to provide data processing services for their banking clients The Court established a two pronged test requiring allegations of "injury in fact, economic or otherwise," and a claim that "the interest sought to be protected by the complainant is arguably within the zone of interests to be protected or regulated by the statute or constitutional guarantee in question." 397 U S at 152-53 This

emphasizing legislative history was given § 45 of the Lanham Act contained an express congressional statement of intent "to protect persons engaged in commerce against unfair competition"[156] This clear language, read in light of the common law problems that led to passage of § 43(a)[157] and the fact that consumerism had not yet come of age in 1946, led the court to conclude that "[t]he Act's purpose, as defined by § 45, is exclusively to protect the interests of a purely commercial class against unscrupulous commercial conduct"[158]

The upshot of the court's analysis is that § 43(a) was intended by Congress *primarily* to ameliorate competitive abuses and only incidentally to benefit broader public or "consumer" interests[159] This view is but-

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test has been interpreted as placing increased reliance on "generally expressed legislative policy" rather than on close literal analysis Armstrong, *supra* note 151, at 102 Indeed, it has been said that "the Supreme Court has gone very far toward eliminating standing as a limitation on judicial review" Sedler, *Standing, Justiciability, and All That A Behavioral Analysis,* 25 VAND L REV 479, 511 (1972)

Notwithstanding the above, it is submitted that *Data Processing* does not lead to consumer standing in § 43(a) cases First of all, the *Data Processing* case, its companion case, Barlow v Collins, 397 U S 159 (1970), and other related, recent Supreme Court cases—Sierra Club v Morton, 405 U S 727 (1972), Investment Co Institute v Camp, 401 U S 617 (1971), Arnold Tours v Camp, 400 U S 45 (1970)—all involved attacks upon *administrative action* by a branch of the federal government This is significant because considerations of standing in administrative actions differ from those applicable to suits seeking nonadministrative relief *See* 3 RUTGERS-CAMDEN L J 583, 590 & n 35 (1972), 46 N Y U L REV 807, 820 (1971) *See also* Jaffe, *supra* note 151, Scott, *Standing in the Supreme Court—A Functional Analysis,* 86 HARV L REV 645 (1973) Both Jaffe and Scott proceed on the tacit assumption that only administrative matters are involved

Secondly, *Data Processing* also recognized that actual evidence of a legislative intent against standing for a particular type of plaintiff would result in a finding of a lack of standing *See* Jaffe, *supra* note 151, at 634 Therefore, even if the rule of *Data Processing* did extend to nonadministrative § 43(a) cases, the legislative purpose for § 43(a), especially as expressly stated in § 45 of the Lanham Act, 15 U S C § 1127 (1970), would lead to a conclusion that consumers are *not* "arguably within the zone of interests to be protected," and thus do not have standing

156 442 F 2d at 691 *But see* Note, *supra* note 125, at 342, where the author argues that the consumer is "engaged in commerce" in the fullest sense of the term

157 *See* notes 9-15 *supra* & text accompanying In particular the *Colligan* court relied on Judge Hastie's interpretation of § 43(a) in the *L'Aiglon* case

> This statutory tort bears closest resemblance to the * * * tort of false advertising to the detriment of a competitor, as formulated by the ALI (American Law Institute) * * *," which tort makes clear that consumers must rely on other sections

442 F.2d at 693 n 32, *quoting* L'Aiglon Apparel, Inc. v Lana Lobell, Inc., 214 F.2d 649, 651 (3d Cir 1954)

158 442 F 2d at 692 It has been argued that "[t]he statement of purpose contained in section 45 is counterbalanced by another statement of purpose contained in [a] Senate report." 72 COLUM L REV 182, 186 (1972) But this argument seems to miss the point that the language of the statute itself is far more authoritative than statements of "legislative history"

159 *See* 3 RUTGERS-CAMDEN L J 583, 587 (1972), *cf* 72 COLUM L REV 182, 187 (1972) *But see* 46 N Y U L. REV 807, 814 (1971), where the author cites various authorities in support of his conclusion that § 43(a) was intended to prevent deception

tressed by the fact that the law of unfair competition and trademarks in general actually functions in this manner Notwithstanding the oft-expressed concern for public interest, the law's evolution has been restricted almost entirely to commercial plaintiffs [160] Moreover, the Lanham Act is generally quite respectful toward the common law of trademarks—an addition rather than a contradiction Therefore, in the absence of a very clearly manifested legislative intent the stated purpose of the Act as a whole should also apply to § 43(a) [161]

Section 43(a) Should Not Be Applied to Typical Trademark, Trademark-Like and Passing-Off Infractions

As discussed above, § 43(a) has been applied to practices which also constitute trademark infringement (either at common law or under the Lanham Act) and passing-off This is because of the determination that the phrase "designation of origin" in § 43(a) refers to the *source* of manufacture in addition to geographical origin In other words, false designation of origin has been interpreted to mean false designation of

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of the consuming public. However, most of the authorities relied upon are subject to some doubt For example, in footnote 52, WEIL, *supra* note 69, at 536-37, is cited, but when examined merely shows that Mr Weil considered public deception an important part of a § 43(a) case brought by a *commercial* plaintiff Indeed, the entire article *assumes* that the plaintiff is a competitor

It is significant that Professor Derenberg, probably the foremost authority in these matters, has commented favorably on the *Colligan* case Derenberg, *25th Year, supra* note 5, at 493-94 In addition, Mr Callmann, another outstanding authority of some vintage, anticipated *Colligan* when he wrote "The public as such, i e, the individual consumer, will have no right of action under Section 43(a) and there is no need of such right" 1 CALLMANN, *supra* note 15, § 18.2(b) In dissent, however, is Professor McCarthy, who argues, albeit with little reference to authorities, that *Colligan* is wrong and that § 43(a) was intended as and should be treated as a consumer-oriented statute 2 MCCARTHY, *supra* note 15, §§ 27 3- 4

160 *See generally* 1 MCCARTHY, *supra* note 15, §§ 1 1, 4, 10, 12, 2 1- 4, 6- 7, 10, 12- 14, 1 CALLMANN, *supra* note 15, § 3 4, 3 *id* § 67 Professor Callmann summed it up this way

> Practically speaking, public interest has played a minor or supplementary role at best. In no case has it been the decisive factor and its significance has unfortunately been more ornamental than functional

Id § 3 4, at 96 A classic discussion of the competitor-consumer ambivalence of trademark and unfair competition law appears in Standard Brands, Inc v Smidler, 151 F.2d 34, 37-43 (2d Cir 1945) (Frank, J, concurring)

161 While it is true that Professor Dole, the main draftsman of the UNIFORM DECEPTIVE TRADE PRACTICES ACT, has concluded that the language of § 3 of that Act ("a person likely to be damaged") should be construed so as to allow consumer suits even though the Act may have been intended as a remedy for businessmen, it should be noted that that Act does not contain a section like § 45 of the Lanham Act, 15 U S C § 1127 (1970), that it was drafted in 1962 when consumer interests were more in the fore than in 1946, and that the draftsmen directly considered consumer suits *See* Dole, *Consumer Class Actions Under the Uniform Deceptive Trade Practices Act*, 1968 DUKE L J 1101, 1106-07, Starrs, *The Consumer Class Action—Part I Considerations of Equity*, 49 BOST U L REV 211, 243-44 (1969)

manufacturer However, a careful analysis of § 43(a), along with consideration of its purpose as viewed in the context of the Lanham Act, leads to the conclusion that these applications are erroneous

Section 43(a) provides in part

> [Anyone who uses] a false *designation of origin,* or any false description or representation shall be liable to a civil action by any person doing business in the *locality falsely indicated as that of origin* or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation [162]

The linguistic parallelism of this excerpt should make it obvious that the word "origin" in the phrase "designation of origin" should be read to mean *geographical* origin and not origin of manufacture or sponsorship However, this view was expressly repudiated by the Sixth Circuit in *Federal-Mogul-Bower Bearings, Inc v Azoff,*[163] despite a warning in the district court's opinion that "nearly all the field of unfair competition" would be engulfed by § 43(a) [164] This fear may have materialized since § 43(a) appears to provide a way for any common law trademark infringement or passing-off case affecting "commerce" to gain access to the federal courts without meeting the requirements of diversity jurisdiction Thus, designations of "origin" under § 43(a) have provided a backdoor entry into federal courts for typical trademark and unfair competition cases, even including those which do not involve a federal trademark registration—a situation that only very doubtfully accords with the congressional intent of § 43(a)

Interestingly enough, reaction to the *Azoff* origin rule and its progeny has been quite favorable [165] The cases that have allowed § 43(a)

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162 15 U S C § 1125(a) (1970) (emphasis added)

163 313 F.2d 405 (6th Cir 1963) The court stated

"We are further of the opinion that the word 'origin' in the Act does not merely refer to geographical origin, but also to origin of source or manufacture" *Id* at 408 The primary ground for the decision was a determination that by deliberately copying plaintiff's distinctive trade dress, defendants "falsely represented that their bearings and connecting rods were the product of [plaintiff] [which acts] in our opinion charge a false description or misrepresentation, as those terms are used in the statute" *Id* This is another way of getting at trademark and trademark-like infractions Interestingly enough, however, no decision has adopted this portion of the *Azoff* opinion, which involves a somewhat strained interpretation of the terms "description" and "representation."

164 Federal-Mogul-Bower Bearings, Inc v Azoff, 201 F Supp 788, 789 (N D Ohio 1962)

165 The rule has been approved by noted authorities *See, e g,* 1 CALLMANN, *supra* note 15, § 18.2(b), at 623, 2 MCCARTHY, *supra* note 15, § 27 7, at 254, *cf.* ROBERT,

to apply to typical trademark and passing-off situations have exhibited no concern about their interpretations, they merely cite *Azoff* and a case or two in accord as authority for the rule and then proceed [166] The only noted commentator who seems at all concerned about these matters is Professor Derenberg, who recently complained about the application of § 43(a) "in a rather routine passing-off situation for which, in the writer's opinion, the Section was hardly intended "[167]

Even so, it is submitted that Professor Derenberg's analysis is correct Section 43(a) is just one of two isolated sections of a statute that is devoted almost entirely to trademark protection,[168] and, unlike almost every other section of the Lanham Act, it does not include the word "mark" An interpretation that § 43(a) applies to basic trademark infractions creates a question of the proper interaction between § 43(a) and the other, more clearly trademark-oriented sections of the Act The only point in favor of the *Azoff* rule is the language of § 45 which says that Congress was interested in "making actionable the deceptive and misleading use of marks in commerce "[169] Unlike other clauses of this paragraph, the word "mark" in this section is not modified by the word "registered" This omission could be accidental, or it could imply a concern for unregistered marks The former interpretation seems more reasonable since otherwise *two* clauses in this paragraph would both apply to § 43(a), a section that admittedly is different from the bulk of the Act In addition, it would be odd to refer to § 43(a) by using terms (such as "deceptive and misleading") that are similar to but not identical with the crucial terms in that section

In sum, § 43(a) appears to be a limited reaction to the ineffectiveness of § 3 of the Trademark Act of 1920 and to the common law "single-source" rule, rather than a statement of congressional desire to create a panacea for all types of unfair competition affecting interstate commerce Under this view, § 43(a) would not apply to cases of mere passing-off or infringement of registered or unregistered trademarks However, it could apply to those trademark infringement cases that involve a "false descripton or representation," such as where the trademark itself describes or represents a false characteristic of the goods or services to

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supra note 16, at 187 *But see id* at 119 Only one student writer has appeared disturbed about the rule 62 MICH L REV 1094, 1098-99 (1964)

166 *See, e g*, cases cited notes 125-27 *supra*, Mortellito v Nina of California, Inc., 335 F Supp 1288 (S D N Y 1972)

167 Derenberg, *25th Year*, *supra* note 5, at 497

168 15 U S C § 1126 (1970) is directed toward trademark infringement and unfair competition in *international* trade

169 15 U S C § 1127 (1970)

which it relates, and to cases truly involving false designations of *geographical* origin. Thus, referring to imitation fur as "Normink"[170] might be actionable because of the false description or representation that the product contains mink, as would labelling whiskey made in Panama "Scotch"[171] because of the false geographical designation On the other hand, copying a competitor's trademark "Disco"[172] for gasoline and related products would not be actionable This interpretation, which excludes trademark infringement qua trademark infringement from the purview of § 43(a), is more in keeping with the section's limited congressional purpose

The Remedies Provided in the Lanham Act Should Not Be Applied to Violations of § 43(a) Simpliciter

As indicated above there is not much authority on the relationship between § 43(a) and the remedies sections of the Lanham Act Theoretically, the remedies sections can be applied to the following situations (1) to violations of § 32 and all cases under § 43(a), (2) to violations of § 32 and to cases under § 43(a) involving federally registered marks, (3) to § 32 violations only It is submitted that the final possibility is correct, that is, the Lanham Act does not provide any specific remedies for violation of § 43(a)

First, each of the remedies sections includes a direct reference to the term "registered mark" or some similar term[173] This clearly contrasts with the text of § 43(a) which makes no such reference and which has been generally construed to apply regardless of a federal registration[174]

Second, § 32[175] is the central remedial provision since it defines the

170 Mutation Mink Breeders Ass'n v Lou Nierenberg Corp, 23 F R.D 155 (S D N Y 1959), *cf* Gold Seal Co v Weeks, 129 F Supp 928 (D D C), *aff'd sub nom.* S C Johnson & Son, Inc v Gold Seal Co, 230 F.2d 832 (D C Cir 1955), *cert denied,* 352 U S 829 (1956) ("Glass Wax" for a cleaner containing no wax)

171 Scotch Whiskey Ass'n v Barton Distilling Co, 338 F Supp 595 (N D Ill 1971), *cf* California Apparel Creators v Wieder of California, Inc, 162 F.2d 893 (2d Cir 1947)

172 McTavish Bob Oil Co v Disco Oil Co, 345 F Supp 1379 (N D Ill 1972), *cf* Mortellito v Nina of California, Inc, 335 F Supp 1288 (S D N Y 1972) ("Nina" for needlepoint kits), Apollo Distrib Co v Apollo Imports, Inc., 341 F Supp 455 (S D N Y 1972) ("Apollo" for radios and appliances)

173 *See* note 136 *supra*

174 *See* cases cited note 118 *supra*

175 15 U S C § 1114 (1970) Lanham Act § 33, *id* § 1115, is directed entirely at the evidentiary effect of a federal registration and thus has no connection whatsoever to § 43(a) Similarly, Lanham Act § 37, *id* § 1119, and Lanham Act § 38, *id* § 1120, in referring to a court's power to rectify the federal registers and to a civil action for fraudulent registration respectively, clearly have no relation to § 43(a) Likewise, Lanham Act § 36, *id* § 1118 which authorizes the destruction of infringing labels, fairly obviously applies only to § 32, *id* § 1114, since its language is significantly similar to that of § 32 and its general thrust seems oriented toward traditional "infringements"

basic violation of "infringement" The basic rule is that anyone who uses a confusingly similar trade designation "shall be liable to a civil action by the registrant *for the remedies hereinafter provided*"[176] The italicized phrase once again contrasts with the text of § 43(a) which provides for a "civil action" without any further reference to remedies Moreover, "infringement" under § 32 would cover only a small portion of recognized § 43(a) situations, excluding many significant aspects of false advertising and labelling[177] Thus its direct application to § 43(a) cases is somewhat anomalous Indeed, under the suggested view that § 43(a) should not apply to typical trademark infractions,[178] recourse to § 32 would be an entirely separate basis for an action

Section 34 is also of central importance because it authorizes injunctive relief In part, it provides

> The several courts vested with jurisdiction arising under this act 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 Office*[179]

Although this excerpt uses the broad phrase "violation of *any right*"—which certainly is broad enough to encompass § 43(a)—a complete reading shows that this phrase is qualified by "of the registrant of a mark registered in the Patent Office," thereby once again suggesting it does

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176 The entire first subsection of § 32 reads as follows

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

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive

shall be liable in a civil action by the registrant for the remedies hereinafter provided Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive

15 U S C § 1114 (1970)

177 For example, false statements about the nature or quality of one's goods or services would not be included

178 *See* notes 162-72 *supra* & text accompanying

179 15 U S C § 1116 (1970) (emphasis added)

not apply to § 43(a) [180]

Perhaps the strongest evidence for concluding that § 43(a) stands apart from the Lanham Act's remedy provisions can be found in § 35 [181] This section conditions relief upon "infringement" under § 32 and satisfaction of the notice requirements of § 29 [182] The direct reference in § 35 to these other sections clearly indicates that these sections are separate from § 43(a), especially since the notice requirement in particular is flatly inconsistent with the applicability of § 43(a) to cases not involving a registered mark [183]

The conclusion to be drawn from this discussion is that the remedies sections of the Lanham Act should not apply to violations of § 43(a) However, since sections 34 35 and 36 do refer to "violation[s] of any right of the registrant of a mark registered in the Patent Office," it is possible—albeit unlikely—that these remedies would be available in § 43(a) cases involving a false statement about a *registered* mark This, however, would be a strained and awkward reading of the statute, in fact,

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180 In addition, another portion of § 34, 15 U S C § 1116 (1970), sets forth various duties of court clerks to notify the Commissioner of Patents about any litigation concerning registered marks This is another indication that § 34 does not apply to § 43(a) actions

181 This section, another provision of central importance, reads as follows

> When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 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 The court shall assess such profits and damages or cause the same to be assessed under its direction In assessing profits the plaintiff shall be required to prove defendant's sales only, defendant must prove all elements of cost or deduction claimed In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case Such sum in either of the above circumstances shall constitute compensation and not a penalty

15 U S C § 1117 (1970)

182 15 U S C § 1111 (1970) This section provides in part

> [I]n any suit for infringement under this Act by a registrant failing to give [the proper statutory] notice of registration, no profits and no damages shall be recovered under the provisions of the Act unless the defendant had actual notice of the registration

Id Since § 29 expressly refers to "any suit for *infringement*," *id* § 1111 (emphasis added), it could be argued that its notice requirement has no application to § 43(a) actions This is a possible interpretation, but is less appealing than the conclusion (urged in this article) that none of the Lanham Act's remedial provisions applies to § 43(a) actions

183 In other words, if § 35, 15 U S C § 1117 (1970), is held to apply to § 43(a), then no monetary relief would be recoverable for any violations of § 43(a) not involving a federal registration This would be a very peculiar—and probably unintended—result indeed

such a reading is ruled out if the view that § 43(a) does not apply to typical trademark violations is correct

If indeed § 43(a) stands alone and must fend for itself remedially, then principles of federal[184] law would determine the appropriate remedies Therefore, those remedies that are available to a court of equity could be employed, as is done in unfair competition cases not arising under the Lanham Act[185] This would leave the courts with their usual powers to grant injuctions and assess damages, profits and costs, but might deprive them of the special flexibility of § 35 which expressly allows the court to award amounts in addition to basic profits and damages, where, in its discretion, and "according to the circumstances of the case," the basic amounts are insufficient[186] However, § 43(a) plaintiffs may be able to obtain attorneys' fees since it could be convincingly argued that the decision prohibiting such fees because of the wording of § 35 is inapplicable to § 43(a) cases[187]

CONCLUSION

Section 43(a), a sleeper for the first ten years of its existence, has become a viable weapon against false advertising in the 1970's During this development, the requirements of jurisdiction were relaxed, the class of possible plaintiffs was expanded at least to include all commercial parties affected by alleged violations, the types of situations to which § 43(a) applies were broadened, the requisites of § 43(a) lawsuits were classified, and some indications of available remedies appeared This considerable growth leads to the conclusion that § 43(a) has indeed "come a long way"

Considerable question exists, however, whether § 43(a) has already outgrown its proper bounds in three specific areas—consumer standing,

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184 *See* note 44 *supra*

185 *See* 4 CALLMANN, *supra* note 15, §§ 87-89, 2 MCCARTHY, *supra* note 15, §§ 30 1- 31, VANDENBURGH, *supra* note 119, § 11 50

186 15 U S C § 1117 (1970)

187 Note the language that Chief Justice Warren used in disallowing attorneys' fees in a Lanham Act *infringement* case

> [I]n the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been *infringed* When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not readily be implied We therefore must conclude that Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act.

Fleischmann Distilling Corp v Maier Brewing Corp, 386 U S 714, 721 (1967) (emphasis added) Although the last sentence of this passage does include the phrase "cases arising under the Act," the case itself involved infringement of a federally registered mark and the language should not be read to extend to cases arising under § 43(a).

use in trademark-related cases and the applicability of Lanham Act remedies provisions to § 43(a) cases In these areas, § 43(a) should be read cautiously, with a view to its special common law background and apparent legislative purpose, even though this may run counter to the current rising tide of consumerism We should forego instant consumerism in favor of a more respectful interpretation of the intended meaning of a congressional mandate Already § 43(a) has come somewhat "too far"



National Association
of Manufacturers

H RICHARD SEIBERT Jr
Vice President
Resources and Technology Department

September 6, 1988

The Honorable Robert W Kastenmeier
Chairman, Subcommittee on Courts, Civil Liberties &
the Administration of Justice
Committee on the Judiciary
U S House of Representatives
Washington, DC 20515

Dear Chairman Kastenmeier

In submitting these comments, the National Association of Manufacturers would like to offer its strong support for H R 4156, The Trademark Law Revision Act of 1988

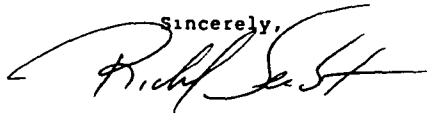
The U S trademark system serves a vital function in protecting the interests and economic well-being of American business and industry A more reasonable registration procedure and a cleaner trademark register would make it easier for businesses, small businesses in particular, to bring products to market A well-run trademark system enables U S manufacturers to protect their investments in product research, advertising, marketing and subsequent goodwill A system that affords adequate trademark protection enhances the competitiveness of American business by discouraging product counterfeiting or deception and the resulting loss of profits or market share

An effective trademark system also greatly benefits the consuming public Trademarks establish a product's identity in terms of both value and quality, and these factors--even more than price--are often the most important determinants in the decision to purchase a product An essential element of the trademark system is to protect the public from the confusion, deception and even danger that arise from the counterfeiting or copying of marks The revisions proposed by H R 4156 enhance the U S trademark system in all these areas

The Trademark Law Revision Act of 1988 is a long-awaited update of U S trademark law and we urge you and your colleagues to proceed expeditiously with this important legislation

We would appreciate your placing our comments in the record of the hearing that your subcommittee is holding on September 8, 1988

Sincerely,



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MANUFACTURING CREATES AMERICA'S STRENGTH

STATEMENT

ON

H R 4156
THE TRADEMARK LAW REVISION ACT OF 1988

BY THE
NATIONAL ASSOCIATION OF MANUFACTURERS

TO THE
SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES &
THE ADMINISTRATION OF JUSTICE

COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 8, 1988

National Association of Manufacturers
1331 Pennsylvania Avenue, NW, Suite 1500 — North Lobby
Washington, DC 20004-1703 (202) 637-3000

The National Association of Manufacturers is a voluntary business association of more than 13,500 corporations, large and small, located in every state Members range in size from the very large to the more than 9,000 smaller manufacturing firms, each with fewer than 500 employees NAM member companies employ 85 percent of all workers in manufacturing and produce more than 80 percent of the nation's manufactured goods NAM is affiliated with an additional 158,000 businesses through its Associations Council and the National Industrial Council

STATEMENT

ON

H R 4156
THE TRADEMARK LAW REVISION ACT OF 1988

BY THE
NATIONAL ASSOCIATION OF MANUFACTURERS

TO THE
SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES &
THE ADMINISTRATION OF JUSTICE

COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 8, 1988

The National Association of Manufacturers is pleased to present the following comments in support of this legislation designed to improve the trademark protection system in this country We do so because of our belief in the fundamental premise of the free, competitive, private enterprise system that adherence to free market principles will ensure that the public will obtain the maximum benefit from our economic system To this end, we support national policies that

(1) allow the marketing process to provide the best possible means for efficient and useful allocation of the nation's resources,

(2) recognize the value of reasonable advertising to a vigorous economy,

(3) provide consumers with the freedom to choose on the basis of a variety of product values, both price and non-price, and

(4) encourage and strengthen the protection of intellectual property

The American trademark system serves a critically important function in

supporting these goals and in protecting the interests of the consuming public Its purpose is to protect the public from confusion and deception that flows from the copying of marks that identify the origin of products or services Concomitantly, it protects substantial business investments in product research, advertising, marketing, name recognition and goodwill The trademark system also prevents counterfeiting or deception and the resulting loss of profits or market share

The NAM supports H R 4156, the proposed Trademark Law Revision Act of 1988, as a reasoned and reasonable way of updating the Trademark Act of 1946 (the Lanham Act) to comport with domestic and international business realities and to improve the operation of the U S Patent and Trademark Office Listed below are some of the major proposed revisions to the Lanham Act, with NAM's views

Applying to Register a Trademark with Intent to Use This is the most fundamental revision included in this legislation It places American manufacturers and other trademark applicants on a more equal footing with foreign companies that can register trademarks in the United States without actually using the mark on goods or services in interstate commerce It also allows companies to verify that the Trademark Office will approve a particular mark before undertaking a substantial investment in packaging and marketing

We believe that H R 4156 adequately provides protection against individuals or companies tying up a large number of potential marks under the intent-to-use procedure, in part because of the requirement that applicants certify that their intent to use a mark is bona fide Other protections are the substantial application fees that currently exist and the anticipated fees that will apply to continue to reserve a mark until a statement of use is filed The Trademark Office should monitor, after implementation of this provision, the extent to which "intent-to-use" applications are not followed by actual use and registration of the mark

In some cases, applicants may wish to apply for trademark registration under the intent-to-use system for several marks for the same goods or services The Trademark Review Commission of the United States Trademark Association recognized, and we support, the notion that an applicant can have a bona fide intention to use a mark even when that intention is contingent on the outcome of an event, such as product testing or market research For example, a company may want to conduct market research concerning the extent to which a similar product is already marketed or, perhaps, the extent to which consumers prefer one name over another

We think the legislative history of H R 4156 should make clear that multiple, contingent applications for the same good or service are still

valid under the intent-to-use section as long as the applicant has a bona fide intention to use each individual mark if all others are, for one reason or another, either rejected or dropped from the applicant's marketing plans Thus, even though an applicant only plans to actually use one mark in commerce, he may still apply to register several marks for such future use, contingent on the further development and refinement of his marketing plans or some other event As such plans are finalized and actual use of one of the marks is made, an applicant could no longer have a bona fide intention to use any of the other marks for the same goods or services, and the applications for the other marks would be abandoned

The provision allowing six months between the issuance of a notice of allowance and the date on which the mark is actually used is reasonable, as long as the seven additional extension periods remain in the bill While the legislation does not allow an applicant to bring an action against anyone who uses a mark that infringes on the mark until the actual use and final registration of the mark, the proposed new principle of constructive use in Section 9 of H R 4156 does allow the applicant to seek damages after registration for an infringing use for the period of time between the intent-to-use filing and actual registration of the mark This provision properly discourages other companies from capitalizing on the marks intended to be used, but not yet actually used, by applicants It also promotes the certainty that the trademark system is designed to provide

Eliminating the Token Use Concept Because intent-to-use applications will no longer require an applicant to have actually used the mark in interstate commerce, even in a token way, prior to filing, section 31(8) of H R 4156 amends the definition of "use in commerce" in Section 45 (15 U S C Sec 1127) of the Trademark Act of 1946 The new definition requires not just that the mark be used on goods or services, but that it be used "in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark" This is a tougher standard to satisfy, and questions may be raised as to the adequacy of use, requiring that an applicant or trademark owner show that the extent to which the mark was used was "commensurate with the circumstances"

Token use is necessary because of the current requirement that a mark be used in commerce before an application can be filed If the intent-to-use proposal in this legislation is adopted, token use will no longer be necessary as a prerequisite to filing and registration will be effected after use of the mark on actual goods or in connection with actual services

The NAM understands the definition of "use in commerce" to mean, and we hope the legislative history will reflect that small shipments of goods or limited provision of certain services will be deemed adequate use for the purpose of maintaining the validity of certain existing trademarks This is

important because, once a mark is registered to one company alone, it carries with it considerable goodwill and investment value

For example, if a product, after ten years of marketing, does not sell as well as it used to, either because of changing marketing priorities, consumer tastes, competition, or some other factor, the fact that it is selling at a very slow pace should not affect the validity of the mark Similarly, the trademarks of products whose sales ebb and flow in cycles, such as consumer fads, should not be adversely affected by the definition of "use in commerce" under this proposal

Eliminating Unused Marks from the Register The NAM supports the objective of eliminating "deadwood" from the register so that a larger pool of marks is available for companies to use Reducing the term from twenty years to ten years would make marks that have not been used become available for use up to ten years earlier than under current law, and would also allow the use of marks that are similar but not identical This will, however, probably result in a slight increase in applicant and Trademark Office costs because of the increased number of renewal applications during a twenty-year period For this reason, it is important that the renewal process be as streamlined and efficient as possible, to reduce the amount of Trademark Office staff time needed to administer it

Eliminating marks that are truly no longer used is an important legislative goal, but administrative or judicial scrutiny of the adequacy or substantiality of a company's advertising or marketing efforts must be circumspect and prudent In order for a mark to lose its validity, the evidence that its use is "token," or undertaken "merely to reserve a right in a mark," must be clear and substantial

Remedies, Dilution, Security Interests and Other Matters The Trademark Review Commission of the United States Trademark Association, on which several NAM members serve, has recommended a number of other changes in current law as well We agree that these changes represent a useful codification of existing judicial interpretations and clarification of the rights and remedies available to trademark owners We strongly support these changes, including those strengthening the remedies in section 43(a) of the Act regarding false, misleading or confusing descriptions or designations of origin We also strongly endorse the antidilution provisions added to section 43 of the Lanham Act with regard to famous marks

Conclusion We appreciate this opportunity to submit our views to the Subcommittee on this significant revision of trademark law We urge you to proceed expeditiously with approval of the legislative package, so that this relatively straightforward legislation can be enacted We hope this long-awaited pruning and reshaping of the trademark laws will bear fruit in

the years ahead by making the Patent and Trademark Office, and trademark enforcement generally, a model of efficiency, effectiveness and fairness The goodwill, investment and competitive capabilities of American manufacturing will all benefit from this effort, and the consuming public will continue to rely on trademarks as symbols of the quality of the companies and people behind them

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September 6 1988

The Honorable Robert W Kastenmeier
United States House of Representatives
Subcommittee on Courts Civil Liberties & the
Administration of Justice
2137 Rayburn House Office Building
Washington, D C 20515-6219

Dear Congressman Kastenmeier

I am pleased to submit for your consideration the enclosed statement of the International Franchise Association (IFA) in support of H R 4156 the Trademark Law Revision Act of 1988 scheduled to be heard by the Subcommittee on September 8, 1988 IFA and its more than 650 member franchisors strongly support passage of H R 4156 If I can provide further information in this regard please let me know

Thank you for your consideration of IFA's position on this important legislation

Sincerely

Neil A Simon
Counsel and Director
of Government Relations

Enclosure

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EXECUTIVE SUMMARY
STATEMENT OF
THE INTERNATIONAL FRANCHISE ASSOCIATION
ON H R 4156 (LANHAM ACT REVISION)

SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES AND
THE ADMINISTRATION OF JUSTICE
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON THE JUDICIARY
SEPTEMBER 8, 1988

Distribution of goods and services through franchising represents a vital segment of the American economy Sales by franchised establishments is expected to represent 50% of all retail sales by the turn of the century

Success in franchising is based largely on building a system delivering to the consumer, a product or service at a consistent level of quality At the heart of any successful franchise system is its trade identity and its trademarks

H R 4156 will have a number of beneficial effects on franchising, including

- The intent-to-use system of filing trademark applications will especially benefit service businesses attempting to protect their trademarks Because many franchise systems involve the marketing of services, this provision will have a positive effect on many franchise companies

- The intent-to-use system will eliminate the necessity of contrived "token use" shipments Because franchise companies marketing services have a particularly difficult time making "token use" shipments, the new law will make the trademark registration procedure more equitable

- H R 4156 will provide that contingent on legislation, priority rights in a mark will date from the filing of the application This will reduce the geographical fragmentation of trademark rights, a devastating problem for franchise systems

- The stronger trademark system resulting from H R 4156 will better protect the investments of the over 2000 franchisors and 500,000 franchisees

- American consumers will benefit by the reduction of potential confusion from unfair competition and trademark misuse

For these and a number of other reasons the International Franchise Association enthusiastically supports passage of H R 4156

STATEMENT OF
THE INTERNATIONAL FRANCHISE ASSOCIATION
ON H R 4156 (LANHAM ACT REVISION)

SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES AND
THE ADMINISTRATION OF JUSTICE
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON THE JUDICIARY
SEPTEMBER 8, 1988

The International Franchise Association, a trade association representing more than 650 business-format franchisors, strongly supports passage of H R 4156, the Trademark Law Revision Act of 1988 IFA has served as the voice of the franchising community since 1960 and takes a special interest in laws and regulations affecting trademarks

The Role of Franchising in the American Economy

Distribution of goods and services through franchising represents a vital segment of the American economy According to the United States Department of Commerce retail sales generated by franchise establishments already account for more than one-third of all retail sales in the United States This proportion is expected to rise from 34% in 1988 to 50% near the turn of the century Franchised sales of goods and services reached an estimated $599 billion in 1987 and are expected to reach in excess of $640 billion in 1988 Franchising directly employed approximately 7 million people in 1987 and is expected to provide employment for more than 7 3 million persons in 1988 The number of franchise outlets in the United States is expected to grow from 479,000 in 1987 to 509,000 in 1988

According to the United States Small Business Administration, fully 65 percent of new business start-ups fail within their first five years By contrast, less than five percent of the franchisee-owned outlets are discontinued on an annual basis Franchising by its very nature promotes the establishment of new small businesses and new jobs

Franchising in the United States has its roots in the nineteenth century in the form of government grants to public utilities It was first employed by the private sector in the years after the Civil War when the Singer Sewing Machine Company granted their army of traveling salesmen exclusive territories to sell sewing machines It was not until the 20th century, however, that franchising as a method of distributing goods and services really began to flourish

The expansion and diversification of franchising was especially pronounced in the post World War II years and was accelerated by the demands and opportunities brought about by a booming economy It provided an alternative means of supplying goods and services to a country experiencing enormous growth in population, income, and marketing opportunities

Throughout the 1950s and 1960s an abundance of franchises emerged dealing with a variety of goods and services, including restaurants, fast foods and grocery stores, gasoline service stations, automobile dealerships, and motel and hotel chains

It is important to note that franchising's greatest growth, and its expansion into many additional service industries, has taken place since 1970, over two decades since the enactment of the Lanham Act in 1946 The improvements and modernization of the law provided by H R 4156 and its Senate counterpart, S 1883, will go far to adapt the Act to present day business practices in franchising as well as future trends, none of which were likely to have been contemplated by the drafters of the Lanham Act

Most franchise systems involve the sale of services, as opposed to goods Examples of franchised businesses which market services are equipment rental businesses, business services, automotive services, printing and photo copying services, real estate offices and travel agencies Attached to this statement is a list of the industry categories represented by IFA member franchisors in 1987

The growth in the use of franchising as a method of distribution in the service sector is expected to continue in the future Futurist John Naisbitt, author of Megatrends, in his study, The Future of Franchising, focused on the importance of the franchising service sector "Franchising has long been at the forefront of the service sector Virtually all franchises are service-related [F]ranchising itself is a service in that it offers a service from franchisor to franchisee " He predicts that "By the year 2000 [a]lmost any service imaginable will be franchised " As will be noted later in this statement, the improvements in the trademark law envisioned in H R 4156 would be especially helpful to businesses in the service sector, enabling them to better protect their trademarks

Success in franchising is based largely on building a system which delivers to the consumer a product or service at a consistent level of quality At the heart of any successful franchise system is its trade identity and its trademarks A franchise system with a prominent trademark enjoys the instantaneous recognition and goodwill of the consuming public Thus, possession, as well as the widespread use and continuing promotion, of a trademark by the franchisor, as well as the franchisees in the system, is one

of the major benefits of a franchise program which may attract a prospective franchisee Protection of a trademark is vital to the continuing health of any franchise system A strong trademark legal system protects the investment of both the franchisor and the franchisee Finally, but just as critical a consideration, the trademark is the key identifying symbol of the franchise system for the consumer The trademark enables consumers to distinguish between competitors, facilitating consumer choice, preventing confusion and minimizing deception

Although many of the more prominent franchisors are large corporations, by far the majority of franchise companies are small businesses A strong trademark legal system benefits all businesses, regardless of size, however, such a system especially benefits smaller firms which are less well-equipped to survive a loss or diminution of trademark rights or protection In addition, these firms are less able to afford large outlays of legal expenditures to protect their marks H R 4156 will have the likely effect of "leveling the playing field" for small franchisors and regionally-based franchisors attempting to protect their trademarks

Effects of H R 4156 on Franchising

The most important proposed revision of the law in H R 4156 is the institution of a dual basis system for the filing of applications to obtain federal trademark registration Currently, applications may only be based on prior use of a mark in commerce, which is considered an outdated system The proposed enhancement to the Lanham Act will allow the alternative of filing applications based upon a bona fide intention to use the mark Registration will issue only after a declaration of actual use with specimens has been filed and approved

This will be a positive, commercially sound procedure for establishing trademark rights It will not alter the fundamental principle of U S trademark law which is based upon rights accruing from use Moreover the proposed system will reduce the advantage that foreign companies currently enjoy in that they can obtain U S trademark registrations without making or proving use

An intent-to-use system will make the American trademark system more realistic and honest by eliminating the necessity for contrived "token use" shipments Currently, these shipments are the only way of attempting to protect rights during the start-up stages of a business This is extremely crucial to service businesses, and thus the majority of the franchise community, because it is exceedingly difficult in many circumstances to implement "token use shipments" of services Under current practice, prior to filing an application, a start-up service business must actually open for business under a name for which it has no guarantee nor certainty of ever being

able to register or protect A significant proportion of new service businesses are created by small entrepreneurs who can ill afford to suffer the consequences of starting a business under a particular name only to find the name is unprotectable or unusable in certain parts of the country This risk is only compounded in the franchise situation where franchisees are depending upon the value of the system's name and trademarks when making their investment in the franchise system

The provisions of H R 4156 address another defect in the current use-based system which unnecessarily increases the inherent risks in adopting new trademarks Currently, whether an application is based upon token use or actual use, the filing does nothing to eliminate one frequent problem prior to the application maturing into a registration, which sometimes can take several years, another party in another part of the country can begin use of the same or similar mark on similar services or goods and preclude the applicant and first user from expanding into the territory of the second user This is extremely unfair and inequitable to those small starter businesses

A major contribution of H R 4156, therefore, is the provision which will accord rights dating from the filing of the application, once the mark is registered This concept of "constructive use" will thus reduce geographical fragmentation of trademark rights and eliminate its devastating consequences to franchisors, especially small ones in start-up phases, and their franchisees This will encourage investment by bringing more certainty into the trademark protection process Additionally, by providing superior benefits, greater use of the trademark registration system will be encouraged which will, in turn, make it easier to become aware of the existence of the trademark rights of others

Over the years, it has become increasingly difficult to develop and adopt new names for services and goods This is especially true in service industries where there are many small businesses throughout the country H R 4156 will improve the climate for creating and securing rights in new names by reducing the length of the registration term, imposing stricter requirements for retaining registrations and strengthening the definition of use These positive steps will enlarge the pool of available marks for businesses to adopt, use and register, thereby streamlining the process and reducing the possibility of legal conflicts Among the positive results will be the elimination of many unnecessary costs and other barriers to entry

An integral part of any trademark system is protection of one's rights from unfair competition H R 4156 proposes to conform the language of present Lanham Act Section 43(a) to the expanded scope of protection which has been applied by the courts to date The proposed revision will provide the courts with a clearer basis for interpreting trademark and unfair competition law and

resolving disputes Many attributes of franchising have been protected under Section 43(a) and these changes are welcome Moreover, the proposed enhancements to Section 43(a) clarify the fact that any false representations by a competitor should be actionable, clarify the remedies which are available, and protect trademarks from disparagement by others -- all extremely welcome developments

H R 4156 contains an additional proposal for the protection of marks which are both truly distinctive and famous, often referred to as protection from dilution Federal uniformity in a situation where not all states have such laws is welcome as an additional means of providing incentive to investment and reducing the risks of uncertain legal protection The dilution remedy will be available to many small service businesses with distinctive marks which may not have the resources to deal with the dilution of their marks in various parts of the country

There are many other positive refinements and enhancements in H R 4156 of definite benefit to the franchising community For example, with the escalating activity of mergers, acquisitions and leveraged buy-outs, there is a critical need for certainty in obtaining security interests in trademarks H R 4156 will amend the Lanham Act to include provisions for obtaining and clarifying the nature of security interests a welcome improvement to the current situation Many of the proposed revisions to the various statutory definitions positively benefit the franchising community in that they reflect well thought-out proposals based upon changed commercial realities and current business practices

The proposed revisions are a significant and comprehensive modernization of our federal trademark law which will have a positive impact upon American franchising as a whole, including large and small businesses and franchisors as well as franchisees The end result will be increased inducements for investment, by decreasing risks and costs There will be benefits for the American consumer by reducing potential confusion from unfair competition and trademark misuse Finally, H R 4156 will require no additional expenditures of tax dollars to implement For all of these reasons, IFA enthusiastically supports passage of H R 4156

IFA INDUSTRY CATEGORIES FOR FRANCHISORS 1987

Accounting/Tax Services
Advertising/Direct Mail
Auto and Truck Rentals
Automotive Products and Services
Beverages
Book Stores
Business Aids & Services
Business Brokers
Campgrounds
Children's Services
Clothing and Shoes
Computer/Electronics
Construction Materials, Service & Remodeling
Convenience Stores
Cosmetics
Drug Stores
Educational Products and Services
Employment Services
Equipment and Supplies Rental
Florist Shops
Food Baked Goods/Donuts/Pastry
Food Candy, Popcorn, Snacks
Food Ice Cream/Yogurt
Food Restaurants
Food Specialty
Formalwear Rental
Hair Salons and Services
Health Aids and Services
Heating and A/C Controls/Wholesale
Home Appliance Sales, Rental & Repair
Home Furnishings Retail and Services
Home Inspection
Hotels and Motels
Insurance
Jewelry
Laundry and Dry Cleaning
Lawn, Garden and Agricultural Supplies, Services
Maid and Personal Services
Maintenance, Cleaning & Sanitation
Multiple Services
Optical Aids and Services
Package Preparation/Shipment/Mail Services
Pet Sales & Supplies
Photography and Supplies
Printing/Photo Copying Services
Publications
Real Estate Services
Recreation Equipment and Supplies
Recreation Exercise, Sports and Services
Residential Energy Conservation
Security Systems
Specialty Retail
Stained Glass/Supplies
Stores Retail Variety
Telecommunications Services
Tools and Hardware
Transportation Services
Travel Agencies
Video Sales and Rentals
Vitamin and Mineral Stores
Water Purification
Weight Control

H R. 4156
THE TRADEMARK LAW REVISION ACT

STATEMENT
OF
THE NATIONAL ASSOCIATION OF REALTORS®

Subcommittee on Courts, Civil Liberties
and The Administration of Justice
Committee on the Judiciary
U S House of Representatives
September 8, 1988

Mr Chairman, the NATIONAL ASSOCIATION OF REALTORS® welcomes the opportunity to submit its views in support of H R 4156, the Trademark Law Revision Act of 1987 The REALTORS® appreciate your attention to and consideration of this important legislation which would provide long overdue reforms in our country's trademark law

The NATIONAL ASSOCIATION OF REALTORS® is a professional association of over 800,000 men and women engaged in all fields of the real estate business, including brokerage, appraisal, management, counseling, and syndication NAR has also established nine affiliated organizations comprised of persons engaged in various real estate specialties, in order to afford those persons an opportunity for greater cooperation and professional development within those specialties

NAR was formed to promote and encourage the highest and best use of the land, to protect and promote private property ownership and to promote professionsl competence in real estate In pursuit of these objectives, the National Association and its affiliates (hereinafter collectively "NAR") conduct activities and programs in a wide range of areas, including real estate education, arbitration of member and public controversies, equal housing opportunity, real estate licensing, neighborhood revitalization, lobbying on legislation relating to the real estate industry, and legal compliance

NAR has created and owns and uses a variety of trade and service marks, and uses those marks in conjunction with its activities and programs to identify NAR as the source thereof NAR has also developed and controls the use of a number of collective marks which are used by the members to indicate their membership in NAR or in one of NAR's affiliates Because members of NAR are required, as a condition of membership, to agree to conform their professional practices to NAR's strict Code of Ethics, these membership marks serve the highly beneficial function of identifying real estate professionals who have made a commitment to ethical business conduct, and to distinguish them from those who have not Similarly, the collective marks of NAR's affiliates serve to identify the members of those organizations as persons with a special professional commitment to a specific area of the real estate business

NAR also offers its members a variety of opportunities to earn professional designations by satisfaction of a prescribed set of educational or experiential requirements Such designations, while commonly offered, used and recognized in the real estate industry, often do not qualify for Federal trademark registration These designations nevertheless are well-organized as indicative of noteworthy professional achievement, and it is essential that they be used only by those having satisfied the requisite criteria is essential

As a result of the foregoing, both the Federal system of trademark registration and the ability to preserve and protect the distinctive meaning and integrity of both registered and unregistered trademarks are of great importance to NAR NAR endorses adoption of the Trademark Law Revision Act of 1988 since the Act markedly improves the system of Federal trademark protection NAR also wishes to take this opportunity to briefly describe the manner in which several provisions of the Act appear particularly beneficial to the interests of all trademark owners, as well as those of NAR

Section 28

First, while we recognize that Section 28 of the bill essentially codifies existing judicial interpretation of Section 43(a) of the current Trademark Act rather than significantly altering current law, we believe such codification achieves a desirable and useful result Section 28 provides an express statutory proscription of certain practices, rather than leaving that prohibition to case decisions relying on the more general language of Section 43(a) Owners of unregistered marks or other words, terms, names, and symbols used to identify goods or services will be therefore better able to compel those using those marks and symbols and violating their rights to cease Moreover, since Section 28 explicitly sets forth the actions which are prohibited, those actions will be more clearly distinguished from conduct which is permissible and thus violation of the rights of owners of marks or other distinguishing symbols is likely to be diminished To the extent that confusion or deception as to the source of particular goods or services is eliminated, of course, consumers are the direct beneficiaries

In addition, Section 43(a) of current law is often the principal or only basis for owners of unregistrable "marks" to protect those marks from use or infringement by persons not authorized to use such marks This protection is particularly significant to organizations such as NAR which offer professional designations, since these designations are generally not entitled to Federal registration Thus, Section 28 is beneficial since it provides a clear statutory basis to challenge the actions of one using such an unregistrable designation without proper authorization

For example, NAR offers, through its constituent state organizations, a basic real estate educational program known as the "REALTOR® Institute " Upon completion of the specified requirements, an individual receives the right to use the designation"G R I " (Graduate, REALTOR® Institute) after his or her name, and such use is quite common and popular among those who have completed the program Use of that designation by a person who has not completed the

educational program is, of course, likely to cause confusion, mistake or deception in precisely the manner prohibited by Section 28(a)(1)(A) and (B) A consumer who selects a real estate agent on the basis of the agent's use of G R I , where the agent is not in fact authorized to use that mark, receives services from one who does not have the training he purports to have

Section 29

NAR also endorses adoption of Section 29 which prohibits dilution of the distinctive quality of famous trademarks This provision strongly bolsters the ability of owners of famous trademarks to safeguard and defend those marks, and from having the unique character of such marks diminished, even though it may be difficult or impossible to demonstrate that consumer confusion is occurring or is likely to occur The additional protection afforded by proposed Section 29 is necessary and warranted to prevent others from unfairly trading upon the goodwill and renown of famous marks and those who produce the products and services upon which they are used The distinctive significance of a famous mark can gradually but effectively be eroded by unauthorized use by others on unrelated products and services

The antidilution provision of Section 29 will also prove particularly helpful to owners of famous collective marks, such as NAR These marks are used by persons associated with and authorized by the owner of the mark, rather than being reserved for use exclusively by the owner himself Third parties may and often do produce and offer products bearing such marks for sale to authorized persons without authorization from the trademark owner The sale of such products and the use by persons authorized to use the marks may not, however, create confusion or a likelihood thereof The purchasers of the products will probably not believe they are produced by the mark owner, and when the mark is displayed by the purchaser, whose use of the mark is in fact authorized, such use correctly designates that person as associated with the mark owner

NAR nevertheless believes that unauthorized producers and sellers of such products infringe the collective mark under current law Section 29 of the Act, however, clearly identifies such activity as prohibited and provides an explicit basis for the mark owner to compel such activity to stop This is wholly desirable and appropriate, since that activity results in use and exploitation of the mark for commercial gain by a person other than the one who has invested in the development, promotion and understanding of the mark, and who has established its distinctive character and recognized significance This section provides a basis to contest such wrongful action

Section 3

The final provision of the bill which NAR finds to be specially beneficial is that which permits registration based on a bona fide "intent to use" a mark, rather than solely on actual use of a mark in commerce

The real estate industry is one which is constantly evolving and changing, with the result that NAR is continuously developing new products and services to fulfill the needs and desires of real estate professionals It is important, of course, that members and others desiring such products and services be able to distinguish those offered by NAR from those offered by others Thus, it is important to NAR to be able to create new marks, to confirm that such new marks do not interfere with the rights of others, and to establish and preserve the right to use such new marks The "intent to use" registration provisions, principally embodied in Section 3 of the bill which amends Section 1 of the Act, greatly enhance NAR's ability to do so As intended by the bill's drafters, those provisions allow one to select a mark and stake out the exclusive right to use it even before the product or service on which it is to be used is ready for sale At the same time, these provisions provide a significant incentive to use the Federal registration system, which therefore improves the reliability of the Trademark Register as indicative of the availability of a particular mark One may therefore establish rights in a mark at an earlier point in time, and do so with a greater measure of confidence that another is not claiming ownership of a conflicting mark The products and services developed by NAR and bearing newly created marks will thus be more readily and reliably recognized as produced by NAR, and thereby benefit both NAR and the consumers of such products and services

Other Provisions

The bill also includes amending language which modernizes, clarifies and eliminates inconsistencies in the language of the current Trademark Act, and, which NAR finds beneficial as well

Mr Chairman, for all the reasons aforementioned, the NATIONAL ASSOCIATION OF REALTORS® is pleased to lend its support to H R 4156 and strongly encourages its adoption

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