Pattishall, McAuliffe, Newbury,
Hilliard & Geraldson LLP
311 South Wacker Drive
Suite 5000
Chicago, IL 60606
(312) 554-8000
www.pattishall.com

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CLIENT ADVISORY

CONGRESS ENACTS COMPREHENSIVE PROTECTION AGAINST DILUTION OF FAMOUS MARKS

Dilution occurs when third-party uses of a famous mark whittle away its distinctiveness (dilution by blurring) or harm its reputation (dilution by tarnishment). Unchecked, it can quickly destroy the value and commercial magnetism of a famous mark.

Pattishall attorneys spearheaded comprehensive legislation to protect against this insidious harm. On September 25, 2006, their efforts came to fruition when Congress passed the Trademark Dilution Revision Act (H.R. 683). President Bush is expected to sign the Act within the next few weeks. The full text of the Act is set forth below.

Passage of the Revision Act constitutes a significant victory for trademark owners. The Act protects famous marks from uses that are likely to blur their distinctiveness or tarnish their reputation, even in the absence of actual or likely confusion, competition, or economic injury.

I. The Problem

Up to now, trademark owners had to rely either on the ineffective Federal Trademark Dilution Act of 1995 (the "FTDA") or on an uneven and geographically limited patchwork of state laws in order to stop diluting uses of their valuable marks.

As interpreted by in the Supreme Court's 2003 decision in *Moseley v. V Secret Catalogue* and by several lower courts, the FTDA provides no meaningful protection against dilution. Plaintiffs have to prove actual dilution, and courts require direct rather than circumstantial evidence in many cases. These requirements alone preclude most FTDA claims. Moreover, the FTDA affords no clear protection against tarnishment; several courts have refused to protect famous marks with acquired distinctiveness under the FTDA; and in the Ninth Circuit, even a slight admixture of "expressive elements" to a party's use of a famous mark shields that party from FTDA liability under the "noncommercial use" exemption.

II. Toward a Solution

Pattishall attorneys were at the forefront of the trademark bar's efforts to remedy this situation. When the dilution issue reached the Supreme Court for the first time in 2003 with the *V Secret* case, Pattishall partners Robert W. Sacoff and Uli Widmaier drafted the "friend of the court" brief submitted by the ABA. The brief's argument, adopted by Justice Kennedy in his concurring opinion, urged the key reforms now reflected in the Revision Act.

In April 2004, Mr. Sacoff testified before Congress in his position as Chair of the Intellectual Property Law Section of the American Bar Association on proposed amendments to the FTDA. Mr. Sacoff recommended amending the FTDA to change its "actual dilution" standard to "likelihood of dilution;" expressly include a claim for dilution by tarnishment; and make famous marks with acquired-distinctiveness clearly eligible for protection against dilution.

In January 2005, Pattishall partners Joseph N. Welch II, representing the American Intellectual Property Law Association, and Jonathan S. Jennings, representing the American Bar Association, met with representatives of the International Trademark Association, and the Intellectual Property Owners Association, to build a consensus for the final language of a bill to revise the FTDA.

The success of that meeting was decisive in hastening the legislation along. Barely one month later, on February 9, 2005, Representative Lamar Smith introduced the text of the agreed-upon draft legislation in the House of Representatives. The bill was passed by the House on April 19, 2005. The Senate made several revisions and passed its version on March 8, 2006. The House adopted the Senate's version on September 25, 2006. Throughout this process, Mr. Jennings, on behalf of the Intellectual Property Law Section of the American Bar Association, helped address numerous revisions sought by telecommunications and search engine companies.

III. The Trademark Dilution Revision Act – Key Provisions

The Revision Act is specifically designed to remedy the FTDA's shortcomings. It accomplishes the following key goals:

- It changes the FTDA's "actual dilution" standard to a "likelihood of dilution" standard. *See* Section 2(c)(1).
- It permits dilution claims to be proved by circumstantial evidence. *See* Section 2(c)(2)(B).
- It protects famous marks against dilution by both blurring and tarnishment. *See* Section 2(c)(2)(B) and (C).
- It protects famous marks with acquired distinctiveness. *See* Section 2(c)(1).
- It uses a common-sense definition of fame that should make it easier to prove fame when a mark is widely recognized throughout the country, while possibly making it harder to prove fame when a mark is recognized only within a niche market. *See* Section 2(c)(2)(A).
- It closes the "noncommercial use" loophole by expressly providing effective safe harbors for fair uses and uses that involve free speech interests. *See* Section 2(c)(3).

In sum, prior federal dilution law was in disarray, while state dilution law offered little effective help. Congress has now enacted comprehensive legislative reform. The Revision Act constitutes a clear and effective dilution law that promises to give owners of famous trademarks the protection they need.

by Uli Widmaier

The Full Text of the Trademark Dilution Revision Act of 2006

1. SECTION 1. SHORT TITLE.

(a) Short Title- This Act may be cited as the `Trademark Dilution Revision Act of 2006'.
(b) References- Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled `An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 et seq.).

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

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

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

`(c) Dilution by Blurring; Dilution by Tarnishment-

`(1) INJUNCTIVE RELIEF- Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

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

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

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

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

`(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

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

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

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

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

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

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

`(vi) Any actual association between the mark or trade name and the famous mark.

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

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

`(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with--

`(i) advertising or promotion that permits consumers to compare goods or services; or

`(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

`(B) All forms of news reporting and news commentary.

`(C) Any noncommercial use of a mark.

`(4) BURDEN OF PROOF- In a civil action for trade dress dilution under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that--

`(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

`(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

`(5) ADDITIONAL REMEDIES- In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 34. The owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity if--

`(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after the date of enactment of the Trademark Dilution Revision Act of 2006; and

`(B) in a claim arising under this subsection--

`(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

`(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

`(6) OWNERSHIP OF VALID REGISTRATION A COMPLETE BAR TO ACTION- The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this Act shall be a complete bar to an action against that person, with respect to that mark, that--

`(A)(i) is brought by another person under the common law or a statute of a State; and

`(ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

`(B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

`(7) SAVINGS CLAUSE- Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.'; and

(2) in subsection (d)(1)(B)(i)(IX), by striking `(c)(1) of section 43' and inserting `(c)'.

3. SEC. 3. CONFORMING AMENDMENTS.

(a) Marks Registrable on the Principal Register- Section 2(f) of the Trademark Act of 1946 (15 U.S.C. 1052(f)) is amended--

(1) by striking the last two sentences; and

(2) by adding at the end the following: `A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 43(c), may be refused registration only pursuant to a proceeding brought under section 13. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 43(c), may be canceled pursuant to a proceeding brought under either section 14 or section 24.'.

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

(c) Cancellation- Section 14 of the Trademark Act of 1946 (15 U.S.C. 1064) is amended, in the matter preceding paragraph (1) by striking `, including as a result of dilution under section 43(c),' and inserting `, including as a result of a likelihood of dilution by blurring or dilution by tarnishment under section 43(c),'.

(d) Marks for the Supplemental Register- The second sentence of section 24 of the Trademark Act of 1946 (15 U.S.C. 1092) is amended to read as follows:

`Whenever any person believes that such person is or will be damaged by the registration of a mark on the supplemental register--

`(1) for which the effective filing date is after the date on which such person's mark became famous and which would be likely to cause dilution by blurring or dilution by tarnishment under section 43(c); or

`(2) on grounds other than dilution by blurring or dilution by tarnishment, such person may at any time, upon payment of the prescribed fee and the filing of a petition stating the ground therefor, apply to the Director to cancel such registration.'.

(e) Definitions- Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by striking the definition relating to the term `dilution'.