Legally Speaking -- What's Coming Down the Pike: Trademark and Patent Bills Pending in Congress

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Just as you thought your intellectual property knowledge was complete, along comes Congress to change the laws. This summer, Congress is in the process of considering both new trademark amendments and a new patent act. In order to help make readers understand what is happening in the world of intellectual property, I will be providing a synopsis of the pending bills.

Trademark and Dilution

One of the trademark amendments that the Congress is considering involves trademark dilution. As readers of this column may recall, owners of trademarks must take affirmative measures at all times to police the use of their trademarks. If the owners don’t keep up with their marks, they are liable to lose them. As a result, owners of marks are very aggressive in preventing a new use of their mark (in trademark law, this is called a “junior mark.”) Although many trademark infringement cases involve actual use of the mark itself, some cases also involve the dilution of a famous mark.

The two types of dilution are blurring and tarnishment. Blurring occurs when the junior mark (the mark to be used), while not confusing, is a distraction to consumers. For example, if I opened a supermarket called The Olive Garden, this would blur the mark of Olive Garden restaurants. One example of blurring occurred a few years ago where OCR sued the Library Hotel for using the Dewey Decimal System to organize their hotel rooms. The case was settled out of court.

On the other hand, tarnishment occurs when the junior mark creates aversion or ridicule for the senior mark. One famous example of tarnishment was the case of the CABBAGE PATCH KIDS and the GARBAGE PAUL KIDS. In this case, the owner of the trademark for CABBAGE PATCH KIDS won a lawsuit against Topps Chewing Gum, who had created a set of trading cards called the GARBAGE PAUL KIDS. Even though the only word in common between the two marks was the word “kids,” the district court found that Topps’ use was evocative of the senior mark, and that it held the senior mark up to ridicule or aversion from consumers.

Everyone generally agreed upon the scope of tarnishment law, except for two lawyers from Louisville and a few academic writers that no one listened to. The lawyers, James R. Higgins, Jr. and Scott A. Duval, of the Louisville firm Middleton Reutlinger, represented the owners of a small store in Elizabethtown, Kentucky. The store, owned by Victoria and Cathy Moseley, was called “Victor’s Secret.” The Moseleys sold ladies lingerie, along with adult movies, novels, and gifts.

The Victoria’s Secret chain sent the Moseleys a letter demanding that they cease and desist using the name Victor’s Secret, stating that their choice of the name “Victor’s Secret” for a store selling lingerie was likely to cause confusion with the well-known VICTORIA’S SECRET mark and, in addition, was likely to dilute the distinctiveness of the mark. Although the Moseleys changed the store name to Victor’s Little Secret, the Victoria’s Secret company sued anyhow. The lawsuit included several claims, including alleging that Victor’s Little Secret was “likely to blur and erode the distinctiveness” and “tarnish the reputation” of the VICTORIA’S SECRET trademark under the Federal Trademark Dilution Act of 1995.

The District Court found in favor of the Moseleys on all counts (including blurring) except for tarnishment. The 6th Circuit Court of Appeals affirmed this ruling, finding in favor of V. Secret for both blurring and tarnishment. However, the Supreme Court ruled unanimously in favor of the Moseleys after examining the Federal Trademark Dilution Act. The Court found that proof of actual dilution is required by the statute but that proof of actual loss of sales or profits is not required. The Court stated that “where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution.”

The most important issue in the Supreme Court’s opinion, however, was the surprise ruling that the Federal Trademark Dilution Act did not include a cause of action for tarnishment. This ruling “sent shock waves through the IP community.”

Duval, one of the attorneys who wrote the brief for the Moseleys, said that “Nobody thought that tarnishment was not part of the FTDA except for me and my law partners and a couple of law professors who filed Amicus briefs on our behalf.”

The unexpected decision in the Moseley case has led the Congress to create a new antidilution statute, the Federal Trademark Dilution Revision Act of 2006. The House of Representatives passed the bill, and it is currently pending in the Senate Judiciary Committee. The idea of the bill is to respond to the Moseley case by fixing the definitions. This bill was a compromise that was agreed upon by a number of organizations, including the International Trademark Association and the American Intellectual Property Law Association. The language of the bill was established beforehand, and the bill was passed without amendment. The definition of tarnishment in the bill is “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” The trademark bill also uses the following definition for dilution by blurring:

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 harms the reputation 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.

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(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.12

Attorney Scot Duvall, one of the lawyers who worked on the Mosley case, helped to negotiate the trademark bill. While the main purpose of the bill was to respond to the Court’s decision in the Mosley case by fixing a cause of action for blurring, Duvall was also able to strike a blow for First Amendment freedom of speech. This was done through the inclusion of the copyright doctrine of Fair Use in the trademark bill.

In copyright law, “Fair use gives the Constitution breathing space between the limits on expression inherent in copyright, and the freedom of expression guaranteed by the First Amendment.”13 Fair Use includes parody and caricature, such as political cartoons, which: “is often based on exploration of unfortunate physical traits or politically embarrassing events — an exploration often calculated to injure the feelings of the subject of the portrayal. The art of the cartoonist is often not reasoned or overhanded, but slashing and one-sided. One cartoonist expressed the nature of the art in these words: “The political cartoon is a weapon of attack, of scorn and ridicule and satire; it is least effective when it tries to pat some politician on the back. It is usually as welcome as a bee sting and is always controversial in some quarters.”14

Fair Use has always been a copyright concept, however. There was nothing in trademark law that in any way resembled Fair Use. There is a term in trademark law called “unfair use,” which refers to a use of a trademark for a “bad” use that is a cause of confusion, mistake, or deception. Certainly dilution of trademark, including tarnishment, would be considered to be an unfair use.

The new trademark dilution bill contains exceptions from tarnishment and blurring for:

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

(B) Noncommercial use of a designation of source.

(C) All forms of news reporting and news commentary.15

Although Duvall was able to get the concept of Fair Use included in the bill, he was not able to get the drafters to define what Fair Use means in the trademark context. At one point, Duvall had suggested a definition for Fair Use that was only implicitly defined, as it would be in the context of copyright. Since these definitions were struck from the bill during its construction, Duvall is worried that “Fair Use” will be interpreted for trademark as the opposite of “unfair use.”16

One of the other items that Duvall struggled unsuccessfully to have included in the bill was language dealing with parody of trademarks. Because parody has never been allowed in trademark law, the GARBAGE PATCH KIDS won their suit against the GARBAGE PAIL KIDS. Had this case been brought under copyright, the GARBAGE PAIL KIDS would have probably won, since “It is this jinder of reference and ridicule that marks off the author’s choice of parody from other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works.”17

Although the new trademark dilution bill doesn’t have a good definition of Fair Use, and doesn’t include specific language relating to parody, the provisions for Fair Use are still good. There is at least a good argument that a mark used for a noncommercial parody would fall within the tarnishment/blurring exceptions. I suspect that there will be a lot of litigation in the future over the term Fair Use in order to decide how the copyright concept applies to trademark law.

Patent Reform Act of 2005

The second piece of intellectual property legislation that is pending before Congress is H.R. 2795, the Patent Reform Act of 2005. Although this bill makes a variety of changes in the patent laws, the most important ones involve who obtains priority in a patent challenge, and a tighter definition of prior art.

The patent reform bill changes the legal standards for issuing a patent to make them more in context with the rules in other jurisdictions. Currently, the U.S. uses a standard of “first to invent,” while Europe and most other countries use “first to file” as their standard. The new patent bill changes this standard to “first to file.” Had the U.S. used this standard in the 19th century, and had Alexander Graham Bell waited two hours to file for a patent, the telecommunications industry would be singing the praises of Elisha Gray instead.

There’s a well known tale that Bell beat another inventor, Elisha Gray, to the patent office by a few hours. While true, it’s not the whole story. Bell filed a patent application, a claim that “I have invented.” Gray, on the other hand, filed a caveat, a document used at the time to claim “I am working on inventing.” Priority in American patent law follows date of invention, not date of filing. Still, filing first helped Bell avoid a possible costly and time-consuming dispute. The U.S. Patent Office issued patent #174,465 to Bell on March 7, 1876.18

The change to the “first to file” system will help to harmonize the U.S. with patent laws in other countries, and will also help to eliminate costly challenges to patents. In addition, the change will help the U.S. uphold its guarantees under international treaties.

The new patent bill also contains a good
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working definition of the term "prior art." Prior art includes situations where:
(1) the claimed invention was patented, described in a printed publication, or otherwise publicly known—
(A) more than one year before the effective filing date of the claimed invention; or
(B) before the effective filing date of the claimed invention, other than through disclosures made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor, or
(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.30

Although the new patent bill contains a lot of changes dealing with procedures and remedies, the main change in the law is the "first to file" rule and the stricter definition of prior art. This definition will put patent searchers on notice that they will need to conduct a thorough search, not only of scientific literature, but of all types of publications. Finally, the "first to file" rule will help small businesses, since studies suggest that "first to invent" challenges are more often used by large entities to challenge the priority of small entities, not the reverse.31

Other IP Legislation

The new trademark dilution bill and patent reform act are not the only pieces of intellectual property legislation pending before Congress. In addition to addressing the issue of trademark dilution, Congress has also been working on H. R. 32, the "Stop Counterfeiting in Manufactured Goods Act." This bill would amend Title 18 to provide for criminal penalties for trafficking in counterfeited goods and trademarks. The bill also called for mandatory forfeiture of counterfeited goods to the U.S. In addition, courts have the power to order restitution by the infringer to the owner of the mark. The bill states that it doesn't matter whether or not the defendant knew that the mark was registered, provided that the use "is likely to cause confusion, to cause mistake, or to deceive . . . ." In addition to the above changes, the bill modifies the definition of "counterfeit market" to include spurious marks that are part of a label, patch or medalion. The bill was passed by the House on May 23, 2005, and was referred to the Senate Judiciary Committee on May 25, 2005. This bill also stands a pretty good chance of passage in the Senate.

Still another bill, H.R. 2955 (The Intellectual Property Jurisdiction Clarification Act of 2005) would help to clarify the jurisdiction of the courts for hearing trademark litigation. All copyright and patent cases involving the Federal statutes would be heard only in Federal court, and all appeals would go to the Court of Appeals for the Federal Circuit. In addition to the above, H.R. 1037 (The Satellite Technical Corrections Act), H.R. 1036 (The Copyright Royalties Technical Corrections Act), H.R. 2791 (The United States Patent and Trademark Fee Modernization Act of 2005), and S. 167 (The Family Entertainment and Copyright Act of 2005) are still pending before Congress.

Conclusion

This year is a busy one for intellectual property legislation. Not only is Congress considering the first real overhaul of the Patent system in 50 years, but there is also a bill to amend the trademark law because of the Mosley decision. Although the drafters of the trademark bill are to be commended for their inclusion of Fair Use, it would have been better if they had included a definition or mentioned parody. Nonetheless, many people in the realm of intellectual property have been busy trying to draft the best laws they can, and are to be commended for their hard work. Once Congress finishes passing these new laws, our intellectual property system will be strengthened.