A BILL

To clarify the circumstances under which a trademark may be canceled.

Be it enacted by the Senate and House of Representatives of the Unites States of America in Congress assembled. That section 14(c) of the Lanham Trademark Act *(15 U.S.C. 1064*(c)) is amended by adding before the period at the end of such section, the following: ", except that no registration of a mark shall be canceled on the grounds that such mark has become a common descriptive name unless it is clear that in the minds of the consuming public the mark fails to indicate the source or quality of goods or services on which it is used. Purchaser motivation shall not be used to determine whether a mark is generic".

[The following material is extracted from volumn 129 of the Congressional Record (Senate) beginning at page S8136 (June 9, 1983]

By Mr. HATCH

S. 1440. A bill to clarify the circumstances under which a trademark may be canceled; to the Committee on the Judiciary.

TRADEMARK GENERIC STANDARD

Mr. HATCH. Mr. President, I am introducing legislation today that will foster uniformity in national trademark law which is threatened by the absence of a standardized test to determine whether a trademark has become generic. The existing law, amended in 1946, *15 U.S.C. 1064*(c) states that a trademark can be canceled "at any time if the registered trademark becomes a common descriptive name of an article of substance." The purpose of the 1946 amendment was:

First, to modernize the trademark statutes so they will conform to legitimate present day business practices; second, to remedy constructions of present acts which have in several instances observed and perverted their original purpose.*** and third, to simplify trademark practice to secure trademark owners in the goodwill which they have built up, and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions.

Senate Report No. 1333, 79th Congress, 2d Session, 5 (1946).

While the legal standard enunciated by the courts to enforce this statute has always been based on the level of consumer understanding of the trademark, a recent decision in the ninth circuit has drastically deviated from the accepted standard. The ninth circuit court determined genericness by what motivated the public to buy the product. Anti—Monopoly v. General Mills Fun Group, 684 F. 2d 1316 (9th Cir. 1982). This new test has caused an uproar: First, it creates a conflict over what legal standard protects a trademark and, consequently, disrupts predictability; and second, it may cause the loss of valuable trademarks that would be preserved under the long established legal standard.

In fact, one of the most well--known trademarks known to us all from childhood called monopoly has now become a generic term because a motivational survey was used to determine whether Parker Bros.' Monopoly was a common descriptive name.

Before the Anti--Monopoly decision, there was no conflict between the legal standards used to determine the validity of trademarks.

The landmark decision of *Bayer Co. v. United Drug co., 272 F. 505, 509 (1921)* set a legal standard many courts follow today at least in part. Judge Learned Hand articulated a standard for determining genericness based on the level of consumer understanding. If the buyer understands the name of the product to mean only the kind of genus of goods sold, the term is generic and not entitled to protection. But if the term meant not only the goods sold but something more than that then the seller deserves protection.

Kellog Co. v. National Biscuit Co., 305 U.S. 111 (1938) eased the requirements for a trademark to become generic by requiring the trademark owner to show "the primary significance of the term in the minds of the consuming public is not the product, but the producer." This decision has been followed by the

majority of courts to some degree. *Feathercombs Inc. v. Solo Products Inc., 306 F. 2d 252, 256 (1962)* determined that in order for a trademark to become generic "the principal significance or the word must be its indication of the nature or class of an article rather than an indication of its origin." Though these standards have varied slightly, one important criteria for all these tests remain consistent--the generic term was determined by the consumer's level of understanding.

But this cannot be said to be true of all the standards today.

The court in Anti--Monopoly, Inc. against General Mills Fund Group Inc., used a motivational survey to arrive at their decision. The result was that Monopoly is no longer a trademark for Parker Brothers. Monopoly has now been decided by the court to be generic. This new test differs from the established standard.

What motivates an individual to buy a product is legally immaterial to the question at hand. the outcome of such a survey does not show whether a trademark has become generic. A survey by General Mills points this out. They asked the public if they bought Tide detergent because they wanted a Procter & Gamble product or they bought Tide because it does a good job; 68 percent said they bought Tide because it does a good job. Consequently, using this motivational test Tide would become generic as well as most popular quality brands.

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This motivational test threatens fair competition. It puts in jeopardy the good reputation sellers have created with their products and destroys everything sellers have spent in time and money to create. The Anti--Monopoly decision has shook many including the U.S. Trademark Association. They believe as I do that the motivational test is a significant threat to the entire trademark system.

The basic purpose of the Federal Trademark Act is twofold:

One is to protect the public so it may be confident in purchasing a product bearing a particular trademark which it favorably knows, it will get the product in which it asks for and wants to get. Second, where the owner of a trademark has spent energy, time and money in presenting to the public the product, he is expected in his investment from its misappropriation by pirates and cheats.

Senate Report No. 1333, 79th Congress, 2d Session 5 (1946). Furthermore, it allows the consumer to hold the producer accountable in the marketplace for an inadequate product.

According to the Congressional Record the purpose of the original bill was to "encourage the maintenance of quality by securing to the producer the benefit of a good reputation which excellence creates." They attempted to protect trademarks to "protect the public from deceit, foster fair competition, secure communities the advantages of reputation and good will" from those whose products lack these qualities. Id. at 4.

I feel strongly that in order to carry out the congressional intent further legislation is necessary. Without legislation there will be no consistency between judicial circuits and geographical regions when determining whether a trademark has become a generic term.

Predictability is in jeopardy. Trademarks which once would have been protected by the traditional legal standard set by Kellogg now falls prey to a motivational test which will eliminate them. In the Anti--Monopoly case the test used was a motivational survey which asked the customer whether he bought the game Monopoly because "I like Parker Brothers' products" or "I bought Monopoly because I wanted the game Monopoly and I don't care who makes it." Since the majority of the people bought Monopoly because they were motivated by the game not the source, the court held Monopoly had become generic. This approach is legally unsound. Judge Nies stated that this motivational survey has held "some courts into an esoteric and extraneous injury focusing on what motivates the purchasing public to buy particular goods." *In Re DC Comics, 689 F. 2d 1942, 1054 (C.C.P.A. 1982)* (concurring opinion).

Notwithstanding judicial reactions like that of Judge Nies, the concern of the U.S. Trademark Association that there is "a danger that courts will accept without question the validity of survey

methodology approved by another court" has already proven reasonable. *GPC Products Corp. v.* Anti--Monopoly, Amicus Curaie No. 82--1075 Oct. 1982. Within 2 months, a ninth circuit court referred to the survey as one conducted "according to accepted principals." *Prudential Insurance v. Gilbralter Financial Corp. 694 F. 2d 1150, 1156 (9th Cir. 1982).*

Thus, the standard for this important legal distinction could depend on which court or judge who hears the case. This has created a conflict between legal standards as well as a conflict between circuits. The foundation of predictability has begun to crumble and may take with it many valid trademarks if we do not act now to give support to the long established legal standard.

It is for these reasons Mr. President that I propose an amendment to *15 U.S.C. § 1064*(c) which would set a standardized test for determining a common descriptive term so that a seller's trademark would not be threatened by distinction because the standard used by the court he was brought before used one test rather than another.

I propose an amendment to *15 U.S.C. § 1064*(c) which would be inserted in section 1064(c) stating:

* * * that no registration of a mark shall be canceled on the grounds that such mark has become a common descriptive name unless it is clear in the minds of the consuming public the mark fails to indicate the source
or quality of goods or services on which it is used. Purchaser motivation shall not be used to determine
whether a mark is generic.

This addition to the present statute would prevent other competitors from easily taking advantage of a seller's good reputation which the seller spent time and money to create. My bill would continue to stimulate competition rather than frustrate it by taking the seller's well known and respected mark and giving it to his hungry competitors.

Furthermore, my legislation protects the trademark which may not be recognized quickly by source but does represent a superior quality. If the consumer identifies the quality of the goods, this is carrying out the function of the trademark in todays commercial society. If we permit motivational survey to be used, trademarks representing quality would be an endangered species.

My bill creates a consistency necessary for interstate commerce which flourishes at this time. The Senate report of the 79th Congress which amended the Federal Trademark Act, stated that since trade is no longer local, but national "it would seem as if national legislation along national lines securing to the owners of trademarks in interstate commerce definite rights should be enacted now." Senate Report No. 1333, 79th Congress, 2d session, 5 (1946).

I fear as do many others without this amendment many more trademarks are on the brink of distinction. Must we wait until the numbers increase and do billions of dollars worth of damages to respectable established manufacturers before we act or do we cure the problem now when it comes to our attention, when it has just begun to hurt our respected trademark owners. I feel confident that by acting now my bill will not only give the protection to our manufacturers and consumers, but it will also foster fair competition in our society as undoubtedly the Trademark Act intended in the first place.

[129 Cong. Rec. S8136--S8137 (daily ed. June 9, 1983)].

98th Congress, 1st Session

To clarify the circumstances under which a trademark may be canceled or abandoned.

IN THE SENATE OF THE UNITED STATES

OCTOBER 21 (legislative day, OCTOBER 17), 1983

Mr. HATCH (for himself, Mr. LEAHY, Mr. THURMOND, Mr. LAXALT, Mr. DOLE, Mr. SIMPSON, Mr. GRASSLEY, Mr. EAST, Mr. DECONCINI, Mr. BAUCUS, Mr. HEFLIN, Mr. McLURE, and Mr. HELMS) introduced the following bill which was read twice and referred to the Committee on the Judiciary.