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:]

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 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 application, 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 mark 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 precribe 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 Tradeamrk 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 defined 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, ANDATRADEMARKLAWPRACTITIONER.ALLOFTHEMHAVECONCERNSABOUTCERTAINPROVISIONS 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, 1988OPENING STATEMENT OF THE HONORABLECARLOS J. MOORHEADON H.R. 4156THE 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 HONORABLECARLOS J. MOORHEADBEFORE THE SUBCOMMITTEE ONCOURTS, CIVIL LIBERTIES ANDTHE ADMINISTRATION OF JUSTICEON H.R. 4156MODERNIZATION 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 Association, 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; reduce the advantage foreign nationals currently enjoy in obtaining U.S. trademark rights; reduce the geographic fragmentation of trademark rights; encourage greater use of the trademark registration system; improve and make the trademark system more equitable for all trademark owners whether they are small entrepreneurs or large corporations; enhance the climate for investment by eliminating unnecessary and costly uncertainty for small and large companies in launching new products; improve the reliability of the federal trademark registration system by removing from the register marks that are no longer in use; create commercially--sound procedures for establishing trademark rights without altering the fundamental principles of U.S. trademark law; 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. Morrhead 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, ment, 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, you 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:]

THE UNITED STATES TRADEMARK ASSOCIATION
6 EAST 45TH STREET
NEW YORK, N.Y. 10017

TELEPHONE: 212--986--5880 TELEX: 175662 USTA UT TELEFAX: 212--687--8267

EXECUTIVE OFFICES

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
CONTENTS

THE TRADEMARK LAW REVISION ACT
H.R. 4156 (Moorhead)
STATEMENT OF THE UNITED STATES TRADDMARK ASSOCIATION
Subcommittee on Courts, Civil Liberties and the Adminstration of Justice Committee on the Judiciary
United States House of Representatives

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:
to support and advance trademarks as an essential element of effective commerce throughout the world; to protect the interests of the public in the use of trademarks; to educate business, the press and the public to the importance of trademarks; to play an active leadership role in matters of public policy concerning trademarks; and, 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 twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade--mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a 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 trademark owner. It is succinctly stated by Mr. Justice Frankfurter in Mishawaka Rubber and Woolen Company v. S.S. Kresge Company, decided on May 4, 1942:

" 'The protection of trade--marks is the law's recognition of the psychological 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 Leqislation. 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 unanimous 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 discriminates 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 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 anther 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 Lanham Act's defintion 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 apply to 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: (i) 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 certification 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 apples, 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 supports 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 Coller, 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 person 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 Franciso 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 fo 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:
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. 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 good will which accompanies the mark. 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; reduce the advantage foreign nationals currently enjoy in obtaining U.S. trademark rights; reduce the geographic fragmentation of trademark rights; encourage greater use of the trademark registration system; 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; improve the reliability of the federal trademark registration system by removing from the register marks that are no longer in use; create commercially--sound procedures for establishing trademark rights without altering the fundamental principles of U.S. trademark law; 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 distinctiveness 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 spear bearers, 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 over--worked 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--Mead--way 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 supposed 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 antidilution 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 antidilution 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 n* 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.
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 passge 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 Actn1 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 statute, including the Federal Trade Commission Act,n2 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.

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,n3 and a similar restriction in the Senate version of this billn4 was dropped in committee. We urge this 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.n5

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 quo.n6 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."

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.n7

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.n8 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 enforcement to cases involving outright fraud.n9 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. 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 individuals.n10

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.n11 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.n12 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 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,"n13 but did not mean to "condone" deceptive advertising by "material omission."n14 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 Commission included this provision among proposed revisions to Section 43(a) that were intended "to prevent judicial backtracking" and "to conform the language ...to the expanded scope of protection applied by the courts."n15

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).n16 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.n17 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.n18 Such cases belle previous assertions by counsel for the Association of National Advertisers that "courts have uniformly held that Section 43(a) does not apply to omissions."n19 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.n20 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 cured by a statement correcting that misapprehension."n21

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 reason 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.n22
The advertisers concern that "omission of material 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.n23
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."n24 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 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 Trademark Scan 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 underfined 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 does 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;

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;

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;

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

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 concern ed 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 undesirable. 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 (2d 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 anticompetitive 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
SN 723,100. MONSANTO COMPANY, ST. LOUIS, MO.FILED 4--18--1988.
AVAIL FOR SURFACTANT POR 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 COUNTERAC. TANTS TO BE USED IN THE CONSUMER MARKET, AS WELL AS THE HOTEL. INSITTUTIONAL 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. FILED4--25--1988.
SLANT POR 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. METALLWAR.ENFABRIK. HOCHST/VLBG., AUSTRIA. FILED 6--9--1986.
UNIGRASS
FOR METAL FITTINGS FOR FURNITURE. NAMELY; PUSH GLIDES, RAILS FOR SUPPORTING DRAWERS, ANGLES FOR SECURING 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 FURNTTURE 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 FURNTTURE WALL TO THE FURNTTURE PIECE AND FOR CONNECTING SIDE AND BOTTOM FURNTTURE PARTS TO THE UPPER PARTS OF THE FURNTTURE, AND DOOR PROTECTORS FOR PREVENTING DAMAGE TO THE DOORS OF A FURNTTURE PIECE BY A DRAWER OR PULL OUT SHELF (U.S. CLS. 13 AND 32).
FIRST USE 0--0--1978; IN COMMERCE 0--0--1981.

SN 646,474. BRAUN NURSERY LIMITED, MOUNT HOONTARIO, CANADA, FILED 2--25--1987.
DAISY PRIORITY CLAIMED UNDER SEC. 44(D) ON CANA APPLICATION NO. 577243, FILED 1--28--1987, REG. 1 338762, DATED 3--31--1988, EXPIRES 3--31--2003.
FOR WIRE ROOT BASKETS (U.S. CL. 2).

SN 662,806. ENDURO INDUSTRIES, INC., DES PLAN IL. FILED 5--26--1987. THE LINING IN THE DRAWING IS A FEATURE THE MARK. THE MARK CONSISTS,

IN PART, OF A DRAW WHICH REPRESENTS ELEVEN CHROME PLATED INDERS PLACED SIDE--BY--SIDE. FOR METAL CYLINDERS FOR FURTHER MANUL TURE (U.S. CL. 14). FIRST USE 9--0--1981; IN COMMERCE 9--0--1981.

SN 667,194. COLEMAN CABLE SYSTEMS, INC., NOCHICAGO, IL. FILED 6--18--1987.
FOOT--PRINT FOR REELS OF METAL WIRE OR CABLE HAV SEQUENTIALLY MARKED FOOTAGE IMPRINTED 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. INTRIES DE CABLES D'ACIER LTEE, POINTE CL.QUEBEC, CANADA, FILED 6--23--1987.
CUSHION ROPE
OWNER OF U.S. REG. NO. 1,449,251.NO CLAIM IS MADE TO THE EXCLUSIVE RIGH USE "ROPE", APART FROM THE MARK AS SHFOR WIRE ROPE (U.S. CL. 13).FIRST USE 11--27--1986; IN COMMERCE 3--27--1987.

SN 724,974. MORTON, JOHN R. DBA MARLOO ENTER.PRISES, INC. GLENWOOD, MN. FILED 4--27--1988.
ROGUARD FOR AGRICULTURAL EQUIPMENT, NAMELY, SIDE DRAFT INDICATOR ATTACHMENT FOR KEEPING TRACTOR AND FLOW 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 CIRCUTTRIES (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.

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

MIXPAC PRIORITY CLAIMED UNDER SEC. 44(D) ON SWTTZERLAND 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. 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. FILED4--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.

SN 617,688. A. DE LUZE ET FILS, BORDEAUX (GIRONDE),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, NEWYORK, 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).

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", "NATURALLY LIGHT" AND "SINGLE MALT SCOTCH WHISKY", APART FROM THE MARK AS SHOWN. THE ENGLISH TRANSLATION OF THE WORD "TAMNAVULIN" IN THE MARK IS "MILL ON THE MILL". 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).

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

FIRESTONE Stylized Letters
US CLASS :035 (Belting, Hoses, Machinery Packing, 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, 0306334, 0331180, 0378238, 0396796, 0401421, 0638242, 0948402, 1178631

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 trade--mark 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 ommission 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 Representative 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 representation." 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 applicance 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
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, 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 greater 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 vides a system for registering trademarks, it is logical that rights which might affect the registered owner's interests should be reflected on 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 item 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, 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 applicaton 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 requirement 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 favour of the intent--to--use application. 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 48 per year of all published applications were opposed. Although this average percentage may change with the advent of intent--to--use applicants, 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 object 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 Borad 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 section 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
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.n1 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.n2

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.n3 Unless a misleading representation has been made expressly or may reasonably be inferred from the words or conduct of the actor,n4 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 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.n5

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.
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

NATIONAL NEWSPAPER ASSOCIATION
September 19, 1988
The Honorable Robert W. Kastenmeier 2328 Rayburn House Office Building BY HAND
Washington, D.C. 20515
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, decisions 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.

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.

Nevertheless, 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 BAKER & HOSTETLER September 26, 1988

WRITERS DIRECT DIAL NO.:
(202) 861--1626
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 W. Sanford /reo Enclosure
BAKER'& HOSTETLER
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.
BAKER & HOSTETLER

WRITER'S DIRECT DIAL NO:
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, encompassing 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/ 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.
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,
Attachment

cc: Members of the Committee on the Judiciary
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 supplies). 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 willfull 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 y
Kindest regards,
cc: Members, Subcommittee on Courts, Civil Liberties and the Administration of Justices
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,
Enclosures

National Association of
NABBROADCASTERS
STATEMENT OFTHENATIONAL ASSOCIATION OF BROADCASTERSBEFORE 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.

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

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 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 Publisers, Inc.
2005 Massachuscils 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 critical 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,
Nicholas Veliotes
cc: Full Subcommittee on Courts, Civil Liberties, and the Administration of Justice
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
815 SIXTEENTH STREET. N.W. WASHINGTON. D.C. 20006
LEGISLATIVE ALERT!
(202) 637--5075

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, 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, the 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 Section 43(a) of the Lanham Act. 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 protection 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 consumer'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
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

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. Thank you for your attention to this matter.

Sincerely,
Steven Brobeck Bruce Silverglade Executive Director Legal Director Consumer Federation of Center for Science in America the public Interest
Linda Golodner Mark Silbergeld Executive Director Director, Washington National Consumers Office League Consumers Union
Eric Hard Staff Attorney Congress Watch

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 Revison 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 provision merely codifies court decisions decided under the current law.
Thank you for your attention to these matters.
Sincerely,

Stephen Brobeck Bruce Silverglade
Consumer Federation of America Legal Director
Linda Golodner Mark Silbergeld
National Consumers League Consumer Union
Eric Hard Congress watch

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
SKADDEN, ARPS, SLATE, MEAGHER & FLOM
919 THIRD AVENUE NEW YORK 10022--9931
(212) 735--3000

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 n*

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.n** 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) (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 n* or by the Senate in voting on S. 1883. In addition, we believe that the views of organizations representative of nation--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. n*

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 ... " 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).n*

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.n*

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--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. n* 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.

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. n*

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 recover 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. CasperCorp. , 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 competiting 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.
*****
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'1, 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 n* 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.

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. n*

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 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 2. 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 federal secrities 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.

Kenneth A. Plevan
Miriam L. Siroky

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. 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 trade--marks 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 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, 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 Committee
SECTIONS
THE DISTRICT OF COLUMBIA BAR

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.

SECTIONS
THE DISTRICT OF COLUMBIA BAR
The Honorable Robert W. Kastenmeier

September 7, 1988 Page Two
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
SECTIONS
THE DISTRICT OF COLUMBIA BAR
COMMENTS OF THE SECTION ON PATENT, TRADEMARK AND COPYRIGHT LAW OF THE DISTRICT OF COLUMBIA BAR ON TRADEMARK LAW REVISION ACT H.R. 4156

Thomas J. D'Amico
William T. Bullinger
Bernard C. Dietz
Howard D. Doescher, Chair
Robert G. Mukai
Marcia H. Sundeen
Charles A. Wendel

Clifton E. McCann, Chair
Trademark Committee

Steering Committee
Members
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."
PATTISHALL, MCAULIFFE, NEWBURY, HILLIARD & GERALDSON
ATTORNEYS AT LAW 33 WEST MONROE STREET CHICAGO, ILLINOIS 60603
(312) 641--1500

September 15, 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:
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 PATTISHALL, MCAULIFFE, NEWBURY, HILLIARD & GERALDSON ATTORNEYS AT LAW
470 WATERGATE SIX HUNDRED WASHINGTON, D.C. 20037
(202) 337--4554

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 cosponsors 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
Frost& Jacobs

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 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 1699E
PERSPECTIVES AND PARTICULARS ON UNFAIR COMPETITION AND DILUTION AS PRESENTED IN THE TRADEMARK LAW REVISION ACT OF 1988 (H.R. 4156)n*

by
KENNETH B. GERMAIN, ESQ. n**

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 cap ably 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,n1 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 Lobelln2 it was reborn as a "sui generis" unfair competition provision. Nine years later the Sixth Circuit Court of Appeals in the Azoff casen3 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 n4 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 thosen5 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,n6 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 Skiln7 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), Section 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 competition, this remedial extension is appropriate. In

my person al 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 place names;

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 Maintenancen8 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.n9 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.

NAM
National Association of Manufacturers
H. RICHARD SEIBERT. Jr. Vice President

September 6, 1988 Resources and Technology Department
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,
1331 Pennsytvamts Ave., NW Suite 1500 North Lobby Washington, D.C. 20004--1703 (202)637--3000
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
NAM
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 good will 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 faimess. 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.

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

World Heodquarters: 1350 New York Avenue. N.W., Suite 900. Washingtion, D.C. 20005--4709
(202) 628--8000. TLX 323175 Fox No. 202--628--0812 With offices in: Amsterdam, Brussels, Copenhagen, Dublin, London, Melbourne, Mexico City, Milan, Paris, Stockholm, Tel Aviv, Tokyo

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
H.R. 4156 THE TRADEMARK LAW REVISION ACT
STATEMENT OF THE NATIONAL ASSOCIATION OF REALTORS(R)
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(R) welcomes the opportunity to submit its views in support of H.R. 4156, the Trademark Law Revision Act of 1987. The REALTORS(R) 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(R) 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 professional 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 of1988 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(R) Institute." Upon completion of the specified requirements, an individual receives the right to use the designation "G.R.I." (Graduate, REALTOR(R)'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(R) is pleased to lend its support to H.R. 4156 and strongly encourages its adoption.

FOOTNOTES:
(n1) Footnote *. 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.
(n2) Footnote 1. Codified at 15 U.S.C. § 1125 (a).
(n3) Footnote 2. Codified at 15 U.S.C. §§ 41--58.
(n4) Footnote 3. The United States Trademark Association Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Reporter 375, 427--28.
(n5) Footnote 4. S. 1883, 100th Cong. 2d Sess. (1988).
(n6) Footnote 5. See, 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).
(n7) Footnote 6. S. 1883, § 35. See 134 Cong. Rec. S5873 (daily ed. May 13, 1988).
(n8) Footnote 7. USTA Review Commission Report and Recommendations, supra n. 3, at 428.
(n9) Footnote 8. Note, Consumer 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). (n10) Footnote 9. Letter 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).
(n11) Footnote 10. "Network Censors are Relaxing their Grips," USA Today, p. 3D, August 29, 1988.
(n12) Footnote 11. Note, Consumer Standing, supra. 8, at 436.
(n13) Footnote 12. See, e.g., Colligan, supra n. 5, 442 F.2d at 693.

(n14) Footnote 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."
(n15) Footnote 14. Id.
(N16) Footnote 15. USTA Review Commission Report and Recommendations, supra, n. 3, at 426.
(n17) Footnote 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); IA 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.")
(n18) Footnote 17. Amana Refrigeration, n. 16 supra.
(n19) Footnote 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).
(n20) Footnote 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).
(n21) Footnote 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").
(n22) Footnote 21. Universal City Studios v. Sony Corp. of America, 429 F.Supp. 407, 410 (C.D. Cal. 1977).
(n23) Footnote 22. Section 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).
(n24) Footnote 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).
(n25) Footnote 24. Memorandum of March 13, supra n. 19, at 2 § n. 3 (citing without explanation International Harvester Co., 104 F.T.C. 949 (1984)).
(n26) Footnote 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).
(n27) Footnote 2. Id. at 1059--60.

(N28) Footnote 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).
(n29) Footnote 4. See, American Home Products Corp. v. Johnson and Johnson, 577 F.2d 160, 165 (2d Cir. 1978).
(n30) Footnote 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)
(n31) Footnote *. 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.
(n32) Footnote **. The differences between H.R. 4156 and S. 1883 relevant to these comments are noted herein.
(n33) Footnote *. 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.
(n34) Footnote *. The "omissions" and tarnishmeent provisions were removed from S. 1883 in committee, and do not appear in the bill as approved by the Senate.
(n35) Footnote *. 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.
(n36) Footnote *. 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).
(n37) Footnote *. 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.
(n38) Footnote *. 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.
(n39) Footnote *. There are both self--regulatory groups and governmental agencies that evalutate 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.
(n40) Footnote *. The first amendment applies to commercial speech, but it does not protect false or misleading commercial speech. See Advertising Handbook, Chapter 17.
(n41) Footnote *. 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)
(n42) Footnote **. Trademark Counsel: Frost & Jacobs (Cincinnati, Ohio); Adjunct Professor of Law: University of Cincinnati College of Law; Member: Advisory Board, Restatement of Unfair Competition; Member: Board of Advisors, BNA's Patent, Trademark, Copyright Journal; Member: California, Kentucky, and District of Columbia Bars.
(n43) Footnote 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).
(n44) Footnote 2. L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954).
(n45) Footnote 3. Federal--Mogul--Bower Bearings, Inc. v. Azoff, 313 F.2d 405 (6th Cir. 1963).
(n46) Footnote 4. Germain, supra note 1.
(n47) Footnote 5. Fur Information & Fashion Council, Inc. v. E.F. Timme & Son, 501 F.2d 1048 (2d Cir.), cert. denied, 419 U.s. 1022 (1974).
(n48) Footnote 6. Bernard Food Industries, Inc. v. Dietene Co., 415 F.2d 1279 (7th Cir. 1969), cert. denied, 397 U.S. 912 (1970).
(n49) Footnote 7. Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777, 782 n.10 (N.D. Ill. 1974).
(n50) Footnote 8. Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 369 N.E.2d 1162 (N.Y. 1977).
(n51) Footnote 9. See San Francisco Arts & Athletics, Inc. v. United States Olympic Committee, 107 S. Ct. 2971 (1987).