112TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
112–647

TO AMEND THE TRADEMARK ACT OF 1946 TO CORRECT AN ERROR IN THE PROVISIONS RELATING TO REMEDIES FOR DILUTION

SEPTEMBER 10, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Texas, from the Committee on the Judiciary, submitted the following

R E P O R T

[To accompany H.R. 6215]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 6215) to amend the Trademark Act of 1946 to correct an error in the provisions relating to remedies for dilution, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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Purpose and Summary

The purpose of H.R. 6215 is to correct a drafting error in the Trademark Dilution Revision Act of 2006[1] to ensure that Federal registration of a trademark does not constitute a defense to a claim of *federal* dilution asserted against that trademark. This clarification will prevent the proliferation of bogus diluting trademarks that otherwise cost legitimate trademark owners time and money spent monitoring registrations and other marks used in commerce.

Background and Need for the Legislation

THE FEDERAL TRADEMARK DILUTION ACT ("FTDA"):[2] ABRIDGED HISTORY, 1995–2005

Trademark rights are unique because they are based on Federal as well as state law. In fact, many states offer trademark protection against "dilution." Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of (a) competition between the owner of the famous mark and other parties or (b) likelihood of confusion, mistake, or deception." Courts have defined dilution as either the blurring of a mark's product identification or the tarnishing of the affirmative associations a mark has come to convey.

Dilution does not rely upon the standard test of infringement; that is, likelihood of confusion, deception, or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular. In other words, dilution can result in the loss of the mark's distinctiveness and, in worst-case scenarios, the owner's rights in it.

In order to promote uniformity and certainty for trademark owners, a Federal dilution statute was enacted in 1995. The purpose of the FTDA is to protect famous trademarks, whether registered or unregistered, from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion. The FTDA applies when unauthorized users attempt to trade upon the goodwill and established renown of such marks, and thereby dilute their distinctive quality. It specifies a number of factors that a court may consider, but is not limited to, in determining whether a mark is distinctive and famous.

MOSELY V. V SECRET CATALOGUE, INC.,[3] AND THE TRADEMARK DILUTION REVISION ACT OF 2006

Following passage of the FTDA, the circuit courts of appeals split as to whether the statute required the owner of a famous mark to prove actual harm as a prerequisite to injunctive relief. This question was addressed by the Supreme Court in the case of *Mosely v. V Secret Catalogue, Inc.* In a dilution action between the lingerie company Victoria's Secret and a small retail company (Victor's Little Secret) that sold, among other items, adult "novelties," the

[1] Pub. L. 109–312.
[2] Pub. L. 104–98.
[3] 537 U.S. 418 (2003).

Court determined that the FTDA ". . . unambiguously requires a showing of actual dilution, rather than a likelihood of dilution."

The *Mosely* decision upset the American trademark community, whose members argued that requiring a mark holder to demonstrate actual damage in a dilution case would only guarantee that the value of a mark would be compromised and lost. In response, the 109th Congress enacted H.R. 683, the Trademark Dilution Revision Act of 2006 ("Revision Act"). The amendments to the FTDA clarify, in addition to other refinements, that a mark holder need not prove actual dilution.

TECHNICAL ERROR IDENTIFIED

In 2011, two law professors identified a technical problem with the FTDA as amended.[4] During Senate consideration of H.R. 683, a section providing a Federal registration defense to a dilution action was reorganized, producing an unexpected and unintended change to the law.

As originally drafted in the House of Representatives, the provision was designed to encourage Federal registration of trademarks, a worthy policy goal that prevents state laws from interfering with federally-protected marks and ensures that registered marks are protected nationwide. The House draft promoted this goal by barring a state action for dilution against a federally-registered mark. However, and without explanation, the Senate reformatted the House text in such a way as to create a bar against state action for dilution *as well as a state* ***or Federal action*** *based on a claim of actual or likely damage or harm to the distinctiveness or reputation of a mark.* This means the federal-registration defense is available not only to state dilution claims, but Federal dilution claims as well.

Congress could not have intended such an outcome. If all dilution claims, including Federal claims, are barred by registration, it becomes difficult to cancel a diluting mark that is registered. This only encourages illegitimate mark holders to register diluting marks, which forces legitimate mark holders to expend greater resources monitoring registrations as well as other marks being used in commerce.

Hearings

The Committee on the Judiciary held no hearings on H.R. 6215.

Committee Consideration

On August 1, 2012, the Committee met in open session and ordered the bill H.R. 6215 favorably reported without amendment, by voice vote, a quorum being present.

Committee Votes

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the Committee advises that there were

[4] *See* Timothy A. Lemper & Joshua R. Bruce, *The Dilution Defense Congress Never Meant to Create (And Needs to Fix),* 101 Trademark Rep. 1580 (2011); and Lemper & Bruce, *Beware of the Scrivener's Error: Curing the Drafting Error in the Federal Registration Defense to Trademark Dilution Claims,* 19 Tex. Intell. Prop. L.J. 169 (2011).

no recorded votes during the Committee's consideration of H.R. 6215.

Committee Oversight Findings

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee advises that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

New Budget Authority and Tax Expenditures

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

Congressional Budget Office Cost Estimate

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 6215, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 23, 2012.

Hon. LAMAR SMITH, CHAIRMAN,
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 6215, a bill to amend the Trademark Act of 1946 to correct an error in the provisions relating to remedies for dilution.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie, who can be reached at 226–2860.

Sincerely,

DOUGLAS W. ELMENDORF,
DIRECTOR.

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 6215—A bill to amend the Trademark Act of 1946 to correct an error in the provisions relating to remedies for dilution.

As ordered reported by the House Committee on the Judiciary on August 1, 2012.

CBO estimates that implementing H.R. 6215 would have no significant cost to the Federal Government. Further, enacting H.R.

6215 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 6215 would amend provisions of trademark law that relate to a trademark owner's ability to be sued for diluting another trademark. Under current law, the owner of a famous trademark can bring a suit against another trademark owner alleging dilution when the other trademark impairs the distinctiveness or harms the reputation of the famous trademark. For example, the owner of a trademark for a famous handbag could sue another company that begins using the trademark to refer to laundry detergent. However, certain dilution claims are disallowed in both Federal and State courts if the person being sued holds a registered trademark. H.R. 6215 would continue the prohibition of those claims in State courts, but allow the claims to go forward in Federal court. Based on information from the Patent and Trademark Office, CBO estimates that implementing H.R. 6215 would have no significant cost to the Federal Government because of the small number of cases likely to be affected.

H.R. 6215 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of State, local, or tribal governments.

The CBO staff contacts for this estimate are Susan Willie (for Federal costs) and Paige Piper/Bach (for the private-sector impact). The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.

Performance Goals and Objectives

The Committee states that pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, H.R. 6215 clarifies that Federal registration of a trademark does not constitute a defense that bars a claim of Federal dilution against that trademark.

Advisory on Earmarks

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 6215 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of Rule XXI.

Section-by-Section Analysis

The following discussion describes the bill as reported by the Committee.

Sec. 1. Remedies for dilution. Subsection (a) cures the scrivener's error regarding Federal registration of a mark as a defense to a claim of Federal dilution. It reformats Section 43(c)(6) of the Lanham Act [5] to clarify that Federal registration only constitutes a complete bar to a *state* claim based on dilution, or actual or likely damage or harm to the distinctiveness or reputation of a mark.

Subsection (b) applies the fix to any action commenced on or after the date of enactment of the Act.

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[5] 15 USC 1125(c)(6).

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF JULY 5, 1946

(Commonly referred to as the "Trademark Act of 1946")

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,

* * * * * * *

TITLE VIII—FALSE DESIGNATIONS OF ORIGIN, FALSE DESCRIPTIONS, AND DILUTION FORBIDDEN

SEC. 43. (a) * * *

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(c) DILUTION BY BLURRING; DILUTION BY TARNISHMENT.—

(1) * * *

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

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

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

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

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

(B)(i) seeks to prevent dilution by blurring or dilution by tarnishment; or

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

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