

Appendix 1

Model State Trademark Bill (as amended)

Originally promulgated by the International Trademark Association (“INTA”) (formerly the United States Trademark Association) in 1949, the Model State Trademark Bill (“MSTB”) fostered uniformity among existing state trademark statutes and addressed proposals mandating compulsory registration statutes. Since its inception, the Model Bill has been adopted in 49 states as the foundation for their trademark statutes.

In order to assist states in keeping abreast of present day trademark owner practices while continuing to promote uniformity, in September 1992, INTA’s Board of Directors approved a proposal revising the MSTB to reflect current needs of intrastate and regional commerce while harmonizing state trademark practices with recent changes in federal trademark law. The dilution provisions of the MSTB were amended in November 1996 to reflect the Federal Trademark Dilution Act (“FTDA”) and again in June 2007 to reflect the Federal Trademark Dilution Revision Act (“TDRA”). Versions of the MSTB have been reviewed by both the International Association of Corporation Administrators (“IACA”) and the National Association of Secretaries of State (“NASS”) as well as several state bar associations.

The following is a synopsis of the major revisions to the Model State Trademark Bill in 1992, 1996 and 2007. It offers a brief explanation as to the nature of the amendments and the rationale behind the changes. The 2007 Amendments are discussed first, then the 1992 and 1996 Amendments.

OVERVIEW OF 2007 AMENDMENTS

Section 1—Definitions

The definition of “dilution” was amended in 2007 in light of the TDRA to incorporate the two forms of dilution recognized by TDRA, “dilution by blurring” and “dilution by tarnishment.” These are seen to be fundamental conceptual underpinnings of the dilution remedy which should be reflected in any state dilution statute.

The definitions of “dilution by blurring” and “dilution by tarnishment” are in turn also incorporated from the TDRA, with one

difference. INTA decided not to incorporate in the MSTB the six factors that are spelled out in the TDRA definition of dilution by blurring, because it was believed that the result would be too lengthy and cumbersome. Because the MSTB includes in Section 19 a general statement that the Lanham Act “should be examined as persuasive authority for interpreting and construing this Act,” it was felt that adopting the exact language of the TDRA definition of “dilution by blurring” would be sufficient to lead courts and advocates to consult the dilution factors set out in the federal law without requiring them to be set out in the MSTB. A further advantage of this approach is that any amendment to these factors at the federal level in the future would “propagate” to the state statutes without need for further amendments by multiple state legislatures.

Section 13—Dilution

Dilution was first enacted at the Federal level with the passage of the FTDA in 1996, and was substantially revised by the TDRA in 2007. Between 1996 and 2007, the MSTB addressed dilution in a manner consistent with the FTDA. When the TDRA was enacted in 2006, INTA amended the MSTB to reflect those changes. The 2007 amendments to the MSTB dilution provision in light of the TDRA are summarized as follows:

Section 13(a)— The MSTB previously provided that an injunction was available to prevent use of a mark that “causes dilution” of a famous mark. This language was changed to “likely to cause dilution,” consistent with the standard set forth in the TDRA. Although the language of the prior version of the MSTB was intended to encompass likelihood of dilution as well as actual dilution, in light of the Supreme Court’s contrary interpretation of identical language in the FTDA in the *Victoria’s Secret* case, INTA determined that the MSTB should explicitly incorporate the likelihood of dilution standard. The phrase “subject to the principles of equity” was moved to the beginning of the paragraph. This is not seen as a substantive change, but is clearer grammatically, and tracks the phraseology of the TDRA. Some versions of the MSTB have been published with the additional phrase “and upon such terms as the court deems reasonable,” which appeared in the original FTDA. INTA agreed with the determination of the drafters of the TDRA that this added phrase was unnecessary.

The phrase “and distinctive, inherently or through acquired distinctiveness,” was added to track the TDRA language. INTA could see no reason why state dilution protection should not also be

available to marks that, though not inherently distinctive, have acquired distinctiveness.

The phrase “of the distinctive quality of” was deleted as unnecessary and possibly confusing in light of the addition of the reference to acquired distinctiveness.

Section 13(b)—This section was created by breaking apart what was previously all included in the first paragraph of Section 13. A definition of “famous” was added that is based on the definition in the TDRA, but modified in an important respect. INTA saw no justification for state dilution law to depart from the determination in the TDRA that “niche market” fame—fame in a specific channel of trade or in a specific industry—should be insufficient to give rise to dilution protection. The proposed revisions therefore adopt the TDRA reference to the “general consuming public.”

With respect to the geographic scope of fame, however, the state forum necessitates a departure from the TDRA’s requirement of nationwide fame. If state dilution statutes are to continue to have vitality at all, and the FTDA explicitly contemplates that they will, since it preempts state dilution laws only if the junior mark is federally registered but not otherwise, then a requirement of nationwide fame for protection in a particular state makes no sense. Statewide fame is not a good alternative, however, because it would produce illogical and inequitable results. Due to the Commerce Clause of the U.S. Constitution, state borders are not commercially relevant boundaries in most respects. Markets are frequently larger than or smaller than individual states, and the states themselves vary dramatically in size, mostly for reasons of historical accident or political expediency. It would be irrational and unfair, for example, to say that a mark that is famous throughout Northern California is not entitled to dilution protection because it is not well known in Los Angeles, but that a mark is entitled to dilution protection by virtue of being famous only in the much smaller region of the State of Rhode Island.

Accordingly, in order to provide rational and meaningful protection of “locally famous” marks, the MSTB dilution provisions permit a court to recognize fame within a geographic area smaller than the State itself. At the same time, INTA believes it important that (1) the geographic scope of the injunctive relief available be limited to the scope of the fame found, and (2) for reasons of comity and potential conflicts between states, injunctions not be available beyond the State’s borders. The definition of “famous” from the TDRA, as well as the remedies language discussed below, has therefore been modified to implement these objectives.

The 1996 version of the MSTB set out the “fame” factors that were in the original FTDA. If it were writing on a blank slate, INTA might have preferred not to incorporate any “fame” factors in the MSTB, for the same reasons as are explained above with respect to the “dilution” factors. Given that “fame” factors were already in the MSTB, however, it was felt that they could not simply be eliminated without there being some negative implication inferred. Accordingly, the best compromise was believed to be to amend the factors to conform to the factors adopted by the TDRA, adding the phrase “in this state” to each to make clear that in-state fame cannot be inferred from fame elsewhere.

The prior reference to the existence of a state registration as a factor to be considered for fame is retained, notwithstanding the reality that the meaningfulness of a state registration can vary widely from state to state. Because the factors are all non-mandatory, advocates and judges remain free to argue and decide that a registration in a state that does little or no substantive examination, for example, should be entitled to little or no weight.

Section 13(c)—The primary issue addressed by revisions to this subsection is the geographic scope of injunctive relief. For the reasons discussed above, language is added that is intended to make clear that injunctive relief should be available only within the geographic area as to which fame has been found, but not beyond the borders of the State.

The second sentence of this subsection, addressing the availability of monetary relief for willful conduct, was revised in order to achieve consistency with the new definition of dilution, which incorporates both dilution by blurring and dilution by tarnishment. No substantive change is intended.

Section 13(d)—The 1996 version of the MSTB included the “fair use” defenses as formulated under the original FTDA. The TDRA expanded this language to address First Amendment concerns, and those concerns are certainly capable of being raised at the state level as well. Accordingly, the TDRA formulation of the “fair use” defenses is incorporated here.

OVERVIEW OF 1992 AND 1996 AMENDMENTS

Section 1—Definitions

The word “use” has been revised according to the stringent standards of the Trademark Law Revision Act (“TLRA”) and also to cover only “use in the state” (see 15 U.S.C. §1127). The requirement of intrastate use eliminates possible ambiguities created by alternate

references to “use” or “use in this state” throughout the existing MSTB.

“Abandonment” has been added in recognition of its occurrence on the state level and use sufficient to avoid abandonment must be use within the state (see 15 U.S.C. §1127).

“Dilution” has been added to allay any outstanding questions regarding its meaning (see §13 of the MSTB for further details).

Section 3—Application for Registration

In this section, a new subparagraph (d) requires the applicant to state that to the applicant’s knowledge, no other person has previously registered a confusingly similar mark, federally or in the state.

Furthermore, an applicant must state whether an application to register the mark has been filed with the USPTO by the applicant or a predecessor and, if registration was refused, to provide full particulars with respect thereto. This change is in direct response to comments of state trademark administrators who had expressed a desire to benefit from any prior federal examinations of a mark.

Section 6—Duration and Renewal

The duration of regular registration is halved from ten to five years in order to reduce the number of “deadwood” registrations. “Deadwood” refers to marks which have not been used in commerce for an extended period of time. This provision corresponds to the federal duration period which was halved from twenty to ten years by the TLRA (see 15 U.S.C. §1059).

Section 7—Assignments, Changes of Name

Under the prior version of the Model Bill, assignments of trademark registrations and applications are recordable. Section 7 was revised also to allow recordation of changes of name.

Furthermore, Section 7 was revised to allow recordation of other instruments which relate to state trademark registrations or applications, such as licenses, security interests or mortgages.

As under the Lanham Act (15 U.S.C. §1060), the recordation of an assignment or other such instrument under the Model Bill serves as prima facie evidence of the execution (transfer of ownership) of the instrument.

Section 9—Cancellation

In their decisions, courts had refrained from using “common descriptive” and were using the term “generic.” The TLRA (15 U.S.C.

§1064) replaced the words “common descriptive” with the more contemporary term “generic.” A registration issued under the Lanham Act may be canceled if it becomes generic.

The MSTB was amended to provide that a registration may be canceled if the mark has become the generic name for the goods or services for which it has been registered.

Section 10—Classification

Some states have adopted the old U.S. classification system while others have converted to the International classification system. The 1992 amendment removes direct delineation of prescribed classification systems and leaves it to state discretion, with the recommendation that the system used by the USPTO be adopted.

Section 13—Dilution

Dilution is defined in Section 1(k) of the MSTB as: “the lessening of the capacity of a mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake, or deception.”

Very often the distinctiveness of a famous mark is diluted (weakened) when it is used without the owner’s consent on dissimilar products. The injury connected with dilution occurs over an extended period of time, gradually “chipping away” at a famous mark’s foundation. Section 13 establishes criterion to assist the judiciary in determining whether a mark is famous.

On January 16, 1996, President Clinton signed into law, the Federal Trademark Dilution Act of 1995 (P.L. # 104-98). The federal law does not preempt a state dilution statute. State dilution laws still apply in cases involving locally famous or distinctive marks. (see, e.g., *Wedgewood Homes, Inc. v. Lund*, 58 Or.App. 240 (1982)). Unlike federal patent and copyright laws, federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute should similarly coexist with state dilution statutes.

Section 14—Remedies

Section 14 of the revised Model Bill provides additional remedies for cases involving infringement:

“The court, in its discretion, may now enter judgment for an amount not to exceed three times such profits and damages and/or reasonable attorneys’ fees of the prevailing party in such cases where the court finds the other party committed such wrongful acts with

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knowledge or in bad faith or otherwise as according to the circumstances of the case.”

This provision is similar to the one contained in the Lanham Act (see 15 U.S.C. §1114).

Section 17—Fees

In the prior version of the MSTB, fees payable under the Model Bill were directly set forth in the statute. Any changes to the fee structure required legislative action. In order to provide greater flexibility, Section 17 was added to the Model Bill to allow the Secretary of State to set fees payable under the Model Bill by regulation. This change is analogous to the language in the Lanham Act (15 U.S.C. §1113).

State applicants have erroneously claimed they were entitled to a refund of the trademark application fee if the state eventually did not grant the registration. Section 17 resolves any ambiguities by explicitly mentioning that the state is not required to refund any fees.

Section 19—Intent of Act

The MSTB was patterned after the Lanham Act and it is appropriate for a court to interpret the Bill in accordance with federal decisions under the Lanham Act. Thus, the 1992 revision adds the following section:

Intent of Act

The intent of this Act is to provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, as amended. To that end, the construction given the federal Act should be examined as persuasive authority for interpreting and construing this Act.

Model State Trademark Bill (as amended)

An Act to Provide for the Registration and Protection of Trademarks

Go to:

<http://www.inta.org/Advocacy/Pages/ModelLawsandGuidelines.aspx>
to view the text of the Model State Trademark Bill and the Guide to Understanding the Model State Trademark Bill.

