

**American Library Association •
Electronic Frontier Foundation • National Video Resources
Professional Photographers of America •
Public Citizen • Public Knowledge •
Society of Children’s Book Writers and Illustrators**

February 3, 2006

Dear Senator:

We write to express concern about a few anti-consumer, anti-speech provisions of H.R. 683, the Trademark Dilution Revision Act, which passed the House last spring, and will be considered at the Judiciary Committee’s business meeting later on February 16. Two technical changes threaten to harm consumers as well as artists and other small business owners both by making it more difficult for consumers to refer to big companies by mentioning their trademarks, and by making it more difficult for companies to promote their own products by providing truthful information to consumers about why their products are better. With two minor changes (proposed changes are attached), we would not oppose the bill.

Our organizations strongly support the trademark laws, because trademarks play a vital role in helping consumers distinguish between the goods and services that come from businesses on which they have learned to rely, and from impostors who are trying to trade on some other company’s hard-earned reputation. Unfortunately, some trademark owners are not content with using trademarks to inform consumers of their sponsorship, but would like to expand the trademark laws to interfere with robust commentary.

Our specific concerns are that H.R. 683 would:

- eliminate the protection in current law for non-commercial use of a mark (section 43(c)(4)(B) of the Lanham Act); and
- change the application in current law of **all** the defenses in section 43(c)(4) so that none of them apply to claims of “unfair competition” under section 43(a).

To understand the impact of the changes that H.R. 683 would make, consider this example: Walter Mondale's put-down of Gary Hart during the 1984 primaries, using the Wendy's slogan “Where's the Beef,” could be actionable as dilution under the bill as passed by the House. It is quite likely that the slogan would be a famous trademark even under the new definition of famousness; a strong case could be made for likelihood of blurring; and although the use is non-

commercial, that alone would not be a protection from the dilution cause of action. The phrase was used to comment, to be sure, but not to comment on Wendy's; Mondale just borrowed the phrase to comment on Hart. Thus, it would not be protected by the specific definitions of fair use.

We urge that H.R. 683 be revised so that it no longer removes the non-commercial use exception, now in section 43(c)(4)(B), and no longer to removes the language now in section 43(c)(4) that extends these exceptions to "this section." We attach amendments that would effectuate this change. We also attach a detailed legal analysis and an explanation of the many ways in which the bill as it currently stands would hurt consumers, artists, and small business owners.

We'd be glad to meet with you or your staff to elaborate on these concerns. In fact, over the past few months we have tried to engage with the private sector sponsors of the bill to get them to articulate reasons why meeting our concerns would harm their interests, so that we could try to shape a compromise that meets everybody's needs. They have yet to respond publicly, and the private explanations we have received simply do not hold water and are even self-contradictory. Indeed, when questioned about noncommercial at a public forum last fall at Fordham Law School, representatives of **both** the International Trademark Association and the American Intellectual Property Lawyers Association stated that they had no problem in principle with excluding purely noncommercial uses; but although they are unwilling to explain why publicly, neither is willing to compromise. We therefore ask the Committee to correct these problems at its business session this month.

Sincerely yours,

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DETAILED ANALYSIS

Basic Features of the Bill

The original, stated objective of H.R. 683 is to overrule the Supreme Court's decision in the Victoria's Secret case two years ago. *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003). The Supreme Court decided that, in order to establish a claim for "dilution" of a famous trademark, the plaintiff must show not just that dilution is "likely," but that it has already begun to occur. Owners of famous trademarks have expressed concern both because it has been hard to meet that standard of proof, and because, with the purpose of anti-dilution law being to protect against dilution, the case cannot even be brought until the mark owner has suffered the very loss against which the law was intended to protect.

Along with that revision, H.R. 683 makes some other reasonable changes to the Lanham Act's rules on dilution (such as limiting its application to truly famous marks) and some changes that may be less desirable (such as expressly covering "tarnishment," eliminating doubts raised by the Victoria's Secret decision that federal dilution law might be limited to "blurring"). One might also wonder whether, overall, the technical changes made to the dilution laws are ones that tend to favor major corporations over small businesses. Under the new definition of famousness – which is limited to marks whose fame "is widely recognized by the general consuming public of the United States" – it is largely the very major national companies that are most likely to be the plaintiffs, while adversely affecting smaller businesses which, after all, are most likely to be the defendants rather than plaintiffs in most dilution cases. The artists, illustrators and photographers who have opposed the bill are doing so because they recognize how vulnerable they are to threats of litigation. Just having to consult a lawyer because they have had the temerity to take a photograph that includes a Coke bottle (protected trade dress) sitting on the table, or to shoot an urban street scene with a well-known building in the background (also trade dress), and have received a demand letter from the owner of that trade dress, is a cost that they cannot afford. Defending a lawsuit might put them out of business no matter how meritorious their defense.

The Parts of the Bill That Are Questionable

It is the bill's revisions to the "exclusions" section, which are paragraph (4) of the existing statute, and are now paragraph (3) of the bill, as well as its impact outside the area of dilution, that are of most concern. Insufficient attention has been paid to some of the more technical changes that the bill makes to the current anti-dilution statute. Checking the written remarks of the four witnesses who testified before the IP subcommittee of the House Judiciary Committee, **nobody** took note of these changes, which makes us wonder whether the issues have just been under the radar.

Eliminating Protection for Noncommercial and Fair Use in “Unfair Competition” Cases

Under current law, section 43(c)(4) of the Lanham Act contains three exceptions which, under the language of the statute, apply to “this section”: fair use, noncommercial use, and news reporting and commentary. Lawyers defending free speech have had some success in arguing that the language “this section” means that subsection (a) (common law infringement and comparative advertising) are also subject to these provisos. *E.g.*, *TMI v. Maxwell*, 368 F.3d 433, 436-438 and n.2 (5th Cir. 2004); *Ficker v. Tuohy*, 305 F.Supp.2d 569, 572 (D. Md. 2004) (ACPA and Section 43); *Northland Ins. Cos. v. Blaylock*, 115 F. Supp.2d 1108 (D. Minn. 2000). But under the bill, the exceptions would expressly be limited to dilution by blurring and dilution by tarnishment “under this subsection.” Thus, the protections for fair use, non-commercial use, and news reporting would no longer extend to suits for infringement of unregistered trademarks.

In this regard, it should be noted that although the Lanham Act has a separate subsection that allows a defense of fair use, section 33(b)(4), that section is expressly limited to defenses against claimed infringement of **registered** trademarks (which can be pursued under section 32 of the Act). Courts have generally applied the fair use defense under both sections 32 and 43 without paying attention to the specific language of the statute, but given the increasing emphasis on literal reading of statutes, we see some danger that this could change if the fair use exception in 43(c)(4) no longer applies to “this section.” Certainly trademark owners would be well counseled to point to the legislative elimination of the fair use defense as applied to “this section,” in arguing that Congress deliberately changed the law.

Fair use, news reporting, and truly noncommercial use should **continue** to be excluded from the trademark laws, and especially for trademarks that the owners have never bothered to register. When the trademark laws were amended in 1988 and 1996, Congress was acutely aware of the constitutional problems (under the First Amendment) that would arise if the Lanham Act were extended to noncommercial speech. And in our litigation in defense of consumers who criticize companies online, the non-commercial use exception has provided an inexpensive and clear way out of what otherwise might be a lengthy and expensive trademark proceeding.

Eliminating the Current Protection for Noncommercial Use

Section 43(c)(1) of the Act limits the cause of action for dilution to “commercial use in commerce,” and the exclusions provision of section 43, section 43(c)(4)(B), gives express protection to “non-commercial” uses of trademarks. In H.R. 683, however, the requirement of “commercial use” has been eliminated from section 43(c)(1), and the “non-commercial use” defense has been removed from section 43(c)(3) (the new exclusions paragraph). The bill’s sponsors have never explained the need to eliminate the limitation to commercial use.

As members of Congress have recognized in the past, both when adopting section 43(c) in 1996, and when amending the “unfair competition” provisions in section 43(a) in 1988 and

1989, an overly expansive application of the Lanham Act beyond the scope of “commercial speech” would raise serious questions under the First Amendment. *See* 135 Cong. Rec. H1207, H1217 (daily ed., April 13, 1989) (House Judiciary Committee, discussing section 43(a); 141 Cong.Rec. S19310 (daily ed. Dec. 29, 1995) (statement of Senator Hatch discussing section 43(c)(4)(B)). Judge Alex Kozinski, in an important decision in a lawsuit in which the maker of Barbie sued the recording company and rock band responsible for the song “Barbie Girl,” detailed this history in concluding that the non-commercial speech defense extends to artistic expression even though the artistic work is sold. *Mattel, Inc. v. MCA Records*, 296 F3d 894 (9th Cir. 2002). Yet the proponents of the elimination of the non-commercial use defense make no bones about the fact that their objective is to overrule the “Barbie” decision.

Although the “fair use” exclusion has been expanded to give some protection to speech that **criticizes** companies and products, that is not, we submit, a good reason for eliminating the express protection for **all** non-commercial speech. In a recent case, Caterpillar sued over a filmed cartoon in which the bad guys used bulldozers to tear down the good guy’s home; Caterpillar claimed that placing the brand name Caterpillar on the bulldozers both infringed and diluted their trademark. Although a preliminary injunction was denied after a detailed analysis of confusion and dilution, *Caterpillar Co. v. Walt Disney Co.*, 287 F. Supp.2d 913 (C.D. Ill. 2003), the non-commercial use defense would provide the easy way out of such a case. Disney can afford to defend itself, but the artist or small business owner cannot.

Another example is posed by Volkswagen of America’s threat to sue an Alabama artist, Donald Stewart, whose drawing generally represent puns, and who drew an automobile in the shape of the classic VW “Bug,” made out of insect parts (a copy is attached with the artist’s permission; it can be seen on his web site at http://www.dsart.com/Gallery/vw_bug.htm). VW claimed that the drawing infringes and dilutes its trade dress, and demanded that the artist destroy all existing copies of the drawing and pay damages. The artist found a pro bono lawyer, but not many small businesses get free representation. Most artists who get demand letters just give up because it is too expensive and too risky to fight. H.R. 683, as presented for markup, would remove their most important defense.

The use of trademarks in the course of noncommercial speech that does not necessarily comment on the trademark holder is pervasive, precisely because famous trademarks pervade our culture. Walter Mondale’s use of “where’s the beef” to criticize Gary Hart is an example of the common usage that would be exposed to litigation. When Don McLean sang about driving his “Chevy” to the levee and finding it dry, or when Muley told Tom Joad that his family had been “tractored out by the cats,” they were not commenting on General Motors and Caterpillar.

And such situations are commonly the subject of trademark litigation. In the famous “Mutant of Omaha” case, *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397 (8th Cir. 1987) (insurance company sued T-shirt maker whose product featured an emaciated version of the company’s logo and a pun on the company’s name), although admittedly not decided as a dilution case, it is not clear that the defendant intended to criticize the insurance company Mutual of Omaha, but was using a play on their name to talk about the dangers of nuclear war.

Similarly, in the more recent case where a candidate ran a commercial having his opponent's head on a duck's body making the sound "Taft quack," the defendant was not intending to say anything about AFLAC but was using their famous duck quack to make fun of Ohio governor Bob Taft. *American Family Life Ins. Co. v. Hagan*, 266 F. Supp.2d 682 (N. D. Ohio 2002).

Several years ago, there was controversy about the practice of "paid placements," where owners of famous trademarks paid the makers of films to put their products on the big or little screen. But today, trademark owners often claim that their permission is needed before their products can be placed, even though artists commonly incorporate well-known brands into their works because it is often difficult to portray everyday life without referring to well-known goods and services. Preservation of the non-commercial use defense, as it applied to dilution and also to trade dress and other infringement claims under section 43(a), is need to prevent this pernicious extension of trademark law from impeding artistic expression and other forms of non-commercial speech.

In trademark litigation, consumers who have criticized businesses, or artists who make reference to trademarks in their works, can escape the litigation quickly, and cheaply, by raising the non-commercial use defense. Fair use, by contrast, and particularly "nominative fair use" which is the applicable defense when the trademark is used to denote the trademark holder, tends to require application of a multi-factor test that is heavily dependent on context. Making the defense rest on a complicated fair use analysis may make dismissal harder to obtain short of full (and expensive) discovery and trial. Ordinary citizens, consumers, artists and small business owners are at least as likely to be worn down by the expense of litigation as they are by actual losses in court – and trademark cases are notoriously expensive, running higher than \$100,000 per side. Individuals and small businesses are much less likely to be able to afford to defend themselves under this new language (not to speak of the years of litigation that it will take to define it – the courts had finally settled in on a construction of the old exceptions). Moreover, if a case looks likely to be fact-intensive and to swallow up substantial out-of-pocket expenses as well as time, the case is going to be much less attractive to lawyers who might otherwise consider taking such a case pro bono.

Impact of the Changes

Although we discuss consumer criticism writers, and artists, the same issues would similarly come up in the context of an ordinary political leaflet or campaign, where the plaintiff threatens a consumer or a citizen's group with expensive trademark litigation on the ground that merely using the plaintiff's name or logo on leaflets about the company violates its trademark. Some suggestive cases are: *Tax Cap Committee v. Save Our Everglades*, 933 F. Supp. 1077 (S.D. Fla. 1996); *Brach Van Houten Holding v. Save Brach's Coalition for Chicago*, 856 F. Supp. 472 (N.D. Ill. 1994); and *MGM-Pathe Communications v Pink Panther Patrol*, 774 F. Supp 869 (S.D.N.Y. 1991). As the cases discussed above make clear, trademark holders have even sued political candidates who have used popular trademarks to comment on their opponents.

Conclusion

We urge that H.R. 683 be revised to restore the non-commercial use exception, now in section 43(c)(4)(B), and to restore the language now in section 43(c)(4) that extends these exceptions to “this section.” We attach amendments that would effectuate this change.

We’d be glad to meet with you or your staff to elaborate on these concerns. In fact, over the past few months we have tried to engage with the private sector sponsors of the bill to get them to articulate reasons why meeting our concerns would harm their interests, so that we could try to shape a compromise that meets everybody’s needs. They have yet to respond publicly, and the private explanations we have received simply do not hold water and are even self-contradictory. Indeed, when questioned about noncommercial at a public forum last fall at Fordham Law School, representatives of **both** the International Trademark Association and the American Intellectual Property Lawyers Association stated that they had no problem in principle with excluding purely noncommercial uses; but although they are unwilling to explain why publicly, neither is willing to compromise. We therefore ask the Committee to correct these problems at Thursday’s business session.

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