What Licensors Should Know About Protecting "Famous Marks" in the United States

William Hennessey

William Hennessey is Professor of Law at Franklin Pierce Law Center, 2 White Street, Concord, New Hampshire 03301. *The author gratefully acknowledges the research assistance of David Morfesi, J.D. candidate, Catholic University School of Law, Intellectual Property Summer Institute, FPLC, and of Robert Sabourin, Esq. intellectual property counsel, Polaroid Corporation, Cambridge, Massachusetts.*

The federal trademark law of the United States is continually in the process of catching up with the trademark laws of the states, state and federal court decisions on unfair competition, and ultimately, with the behavior of commercial actors and consumers in the marketplace. A good example is the recently adopted U.S. federal statute providing enhanced protection for "famous" trademarks beyond the protection afforded to trademarks generally. [Federal Trademark Dilution Act of 1995, P.L. 104-98, 109 Stat.985, signed by President Clinton on 16 January 1996; codified at 15 U.S.C. s. 1125(c), and popularly known as Section 43(c) of the Lanham Act.] This may prove to be an important piece of legislation for licensors of well-known marks, who must first determine whether their marks are considered "famous" under the new law.

As the Supreme Court recognized in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 412, 414 (1916), a fundamental principle of U.S. trademark law has always been that the legally protected right of the trademark owner is merely the right to enjoy its trade reputation and the goodwill that flows from it free from interference by others. It is not a property right preventing others from using certain words or symbols. During the half-century since the Trademark Act of 1946 (the Lanham Act) was passed, the standard for determining liability for trademark infringement as applied by the courts under the federal trademark statute, state trademark statutes, and the common law alike, has remained virtually unchanged. Liability for trademark infringement is based on the likelihood that an appreciable number of ordinarily prudent purchasers would be misled, or simply confused, as to the source of another's goods or services. See, e.g., *CBS v. Liederman*, 866 F. Supp. 763 (S.D.N.Y. 1994) The "likeliness of confusion" standard is codified at 15 U.S.Code Section 1114(1).

The Impact of Licensing and Consumer Advertising on Trademark Law

The "traditional trademark infringement rule" rested upon the long-held premise that the only legally relevant function of a trademark is to impart "information" that reduces consumer search costs as to the source or sponsorship of a product or service.[1] The purpose of trademark law is primarily to protect the consuming public—not trademark owners. Courts have stubbornly refused to extend trademark protection to consumer goodwill (demand) created through extensive, skillful, and costly advertising rather than merely provided by the consistency and quality of a product or service.[2] Put in another way, the law protected trademark owners to the extent that their marks functioned to provide accurate information guiding consumers to rational choices as to products and services; but the courts were unwilling to recognize persuasive advertising as an independent measure of what motivates the choices consumers actually make.

But times, consumer attitudes, and, ultimately, laws are changing. Mass media, telecommunications, and the growth of international transportation of goods and tourists have created conditions for the rise of the modern phenomenon of the "famous trademark."[3] The policy behind creating special protection in the United States for "famous marks" is that commercial goodwill in the form of advertising and licensing brings tangible benefits to U.S. consumers (not to mention trademark owners) by supporting a vigorous manufacturing and service economy. Corporate trademark owners not only provide products and services, but also give jobs to American workers, pay corporate taxes and tariffs, and fund pension plans. Certain trademark owners sponsor popular television shows, a vigorous entertainment production industry, and global sports spectacles such as the Olympics, World Cup Football, Formula One races, and the Super Bowl.

Advertising and licensing play a major role in consumer-oriented societies such as the United States. Yesterday's consumer luxuries become tomorrow's consumer necessities through advertising.[4] Consumers identify themselves by their loyalties to their favorite brands, which are licensed into new categories. An otherwise undistinguished person with enough spending money can become a MARLBORO cowboy, a ROLEX diver, a CHANEL model, a FERRARI driver or a HARD ROCK CAFE habitué. The worldwide quest for economic growth through increased consumer consumption fuels the engine of mass advertising and the activities advertising supports. Owners of famous marks seek protection for "brand equity."

Furthermore, given the strongly "pro-trademark" positions which the United States Trade Representative took in the recently concluded TRIP's trade in intellectual property negotiations, and continues to take in bilateral negotiations with foreign trade officials, a failure by the United States to adopt strong and forward-looking protection for famous marks would have left it vulnerable to criticism from other countries for "preaching what it does not practice."[5]

The final, and the most important, related development is the liberalization of consumer expectations as to the meaning of the terms "source, affiliation, or sponsorship" of a product or service. Mergers and acquisitions among trademark owners around the world are proliferating, and the merchandising and collateral licensing of trademark "properties" on apparel, toys, and a host of other consumer goods have become commonplace events. Consumers are aware that merchandised goods have "official sponsors." Brand loyalty has come to be recognized as belonging to the brand owner, who has created it through advertising and licensing.[6]

Reactions from the U.S. Court System

These trends have not been recognized consistently or uniformly by U.S. courts in trademark cases. The U.S. federal court system has 95 districts and 13 appellate circuits. The U.S. Supreme Court only rarely accepts a trademark case. Some federal courts have become quite sophisticated about what constitutes "confusion" in the marketplace under the unfair competition provision of the trademark law and have enjoined a second comer from using a mark where the goods at first blush appear to be unconfused.[7] Others continue to hold to the "traditional rule" that without a clear finding of likelihood of confusion among purchasers, there can be no infringement—even where it is clear that the second comer is free-riding off the reputation of the senior user.[8]

The "Trademark Dilution" Rationale

In the wake of this disarray in the courts, the "trademark dilution doctrine" began to be accepted by some state legislatures.[9] Over the past 40 years or so, state legislatures adopted a patchwork of different statutes protecting trademarks against "dilution"—the tarnishment or whittling away of the drawing power of a strong trademark. At present, one-half of the states (25 states) have a statutory provision protecting a distinctive mark from use on noncompeting goods and one-half do not. This lack of uniformity complicates the free movement of goods and services in our national economy. This provided the final impetus for adding protection of famous marks to the federal trademark law.

The trademark dilution doctrine that there is injury to the trademark owner from the "blurring" of the distinctiveness of a mark, divorced completely from any finding of confusion as to source, sponsorship, quality, or association has been strongly criticized as an "unobservable phenomenon" that is "conceptually inscrutable."[10] The theory of trademark dilution by use on non-competing goods arose at a time when courts, applying the "traditional trademark rule," uniformly and consistently held that there could be no trademark infringement without direct competition. But the modern trends mentioned above validate trademark dilution as a theory of protection for famous trademarks, allowing courts to consider different kinds of evidence from what was traditionally used to determine trademark infringement, and to make a finding of dilution regardless of the presence or absence of confusion. Under this more modern reasoning, "trademark dilution" is merely another name for "infringement of a famous mark."

The challenge of protecting "famous marks" is twofold. Given the fact that all trademark rights are territorial, how does "fame" in one territorial jurisdiction affect a determination of "fame" in another? And second, how far does the penumbra of protection reach beyond the traditional rule requiring confusion as to source of goods and services? This article will discuss protection in the United States of "well-known marks" under the Paris Convention and the principle of territoriality. This article also discusses the elements of proving infringement of famous marks under the new federal statute based not only upon the character of the trademark owner's mark, but also on the nature of the other party's use.

The Distinction Between "Famous" and "Well-Known" Marks in the United States

In a very familiar and much criticized decision, *Person's v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), the U.S. Court of Appeals for the Federal Circuit in Washington, D.C. (which reviews under its own standards administrative trademark decisions of the Trademark Office but not trademark decisions of the federal courts) upheld the registration of the mark PERSON'S by a U.S. citizen in a cancellation proceeding brought by a Japanese company that used the mark first in Japan. The U.S. citizen, Christman, travelled to Japan and visited a Person's Co. retail clothing store, then returned to the United States and began producing clothing based upon the Japanese company's designs. Christman then attached the PERSON'S mark on labels and even copied the Japanese company's globe logo. Christman subsequently registered the trademark PERSON'S in the United States Patent and Trademark Office. The appellate court affirmed the Trademark Trial and Appeals Board [TTAB] findings that even though Christman had knowledge of the Japanese company's mark and slavishly copied it, at the time of his adoption of the mark in the United States, the Japanese company did not have use or reputation in the United States. There was no finding that Christman had knowledge of the Japanese company's intent to enter the U.S.

market in the future. Therefore, according to the appeals court, the holding that the U.S. registrant had not adopted the mark PERSON'S in bad faith was correct and the U.S. second comer was entitled to the registration.

The court also held that it was "well settled" that an administrative tribunal in the Trademark Office "cannot adjudicate unfair competition issues in a cancellation proceeding" and did not have competence to apply Articles 6bis or 10bis of the Paris Convention directly.[11] In concluding, the appellate court repeated the "traditional trademark infringement rule" as follows:

> The Supreme Court of the United States [has] determined that 'there is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed...[I]ts function is simply to designate the goods as the product of a particular trader and to protect his goodwill against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.' In the present case, appellant failed to secure protection for its mark through use in U.S. commerce; therefore, no established business or product line was in place from which trademark rights could arise. Christman was the first to use the mark in U.S. commerce. This first use was not tainted with bad faith by Christman's mere knowledge of appellant's prior foreign use, so the Board's conclusion on the issue of priority was correct.

As if this assertion of the "traditional rule" were not adequate given what Christman did, the court added in dicta that the purpose of trademark law is not protection of the trademark owner. "It goes without saying that the underlying policy upon which [the function of a trademark] is grounded is the protection of the public in its purchase of a service or product." It also added:

> [I]n the present case, appellant Person's Co. relies on its use of the mark in Japan in attempt to support its claim of priority in the United States. Such foreign use has no effect on U.S. commerce and cannot form the basis for a holding that appellant has priority here. The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme.

The *Person's* decision was narrow, but probably correct under the U.S. law prevailing at the time. The Japanese company probably should have filed a civil action in the federal district court reviewing the case de novo instead of appealing the decision of the Trademark Trial and Appeal Board directly to the court of appeals.[12] Federal district court judges in the United States have broad equity powers not held by administrative trial judges in the Trademark Office. The federal courts have had no trouble finding the Paris Convention self-executing in the United States and directly applying its provisions to protect foreign trademark owners' rights in actions against U.S. citizens who adopt marks in the United States that foreclose a foreign user's expansion into the United States. *Davidoff Extension, S.A. v. Davidoff Int'l*, 221 USPQ 465 (S.D. Fla. 1983); *see also Laboratories Roldan v. Tex Int'l*, 902 F.Supp.1555 (S.D. Fla. 1995)

Under Article 16.1 of the GATT TRIPs Agreement, where an identical sign is used for identical goods and services, a likelihood of confusion is to be presumed. A recent commentator has suggested that in the case where a trademark owner has established that it has a well-known mark, or that the similarity between its mark and a defendant's mark is "substantial," the burden of proof should likewise shift to the second user to explain his knowledge of the mark, or the similarity, and to justify the coincidence, and that an inference of likelihood of confusion is appropriate if the defendant cannot come up with an adequate explanation.[13] In *Person's*, a U.S. court, having found that Christman had knowledge of the mark of a prior user in Japan and substantially copied it for similar or identical goods, could have inferred that he had a "bad faith" intention to foreclose expansion by the prior user in the United States, or that the mark was "well-known" in the international business circles in the United States in which Christman travelled, for the purposes of applying Article 6bis. The court of appeals reviewing the TTAB decision merely reasserted the territorial principle of U.S. trademark law. Since the TTAB found explicitly that the PERSON'S mark was not well-known in Japan at the time Christman adopted the mark in the United States, Article 6bis could not apply in this way; and although the unfair competition of Article 10 might have, the tribunal did not have competence to apply it.

For non-famous foreign marks that are found to be well-known in the United States ("known to a substantial segment of the relevant public in the sense of being associated with the particular goods and services"), Article 6bis and Article 10 of the Paris Convention can be applied by the U.S. courts, but the instances where they have done so are rare. In contrast, the new U.S. legislation protecting famous marks nowhere mentions that the mark must be famous in the United States (although it is hard to imagine that a famous mark wouldn't be), nor does it even require that the mark be registered in the U.S in order to receive famous mark protection.[14] Even without a U.S. registration, a U.S. court may enjoin third-party uses of a famous mark on competing or related goods, as well as on non-competing goods.

Prior to the new law protecting famous marks, the owner of any registered trademark had to show under Section 32 of the Lanham Act that consumers would believe that the defendant's goods or services were from the same source as the trademark owner's. Alternatively, under the unfair competition provisions of Section 43(a), it was possible to show that the defendant's actions were likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of the defendant's goods or services with those of the trademark owner. The first alternative was impossible where the goods or services were found to be non-competing, no matter how famous was the mark; the second was not applied uniformly by the courts, as discussed above.

Famous marks will now receive special treatment different from that accorded to non-famous marks uniformly throughout the United States. Under the new law, the required showings are (1) valid ownership of a "famous" mark, and (2) commercial use in commerce of a mark that causes dilution of the famous mark.

Proving that a Mark is "Famous" and Validly Owned

Only the owner of the famous mark may bring suit under the statute. The statute provides that a mark, to be protected, must be "distinctive and famous." "Distinctive" refers to the requirements for registration—that is, that the mark must not be generic or merely descriptive; and, because ownership rights derive from use in commerce, the mark must have been used continuously in commerce by the plaintiff prior to use by another. In essence, a famous mark must be "registerable" on the Principal Register, although it need not be registered in fact.[15] It is highly unlikely, if not impossible, that a famous mark would be unregisterable. However, the original draft of the statute included a specific distinctiveness requirement. The statute sets forth the criteria for determining whether a mark is famous. A non-inclusive list of factors is included in the statute. The "strength of the mark" is an important factor familiar to the courts in proving ordinary trademark infringement. The factors for proving the fame of a mark are similar to the factors employed in determining the strength of the mark in likelihood of confusion cases, and include: the degree of inherent or acquired distinctiveness of the mark; the duration and extent of use of the mark in connection with the goods or services with which the mark is used; the duration and extent of advertising and publicity of the mark; the geographical extent of the trading area in which the mark is used; the channels of trade for the goods or services with which the mark is used; the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; the nature and extent of use of the same or similar marks by third parties; and whether the mark was registered.

A persistent question will be how marks that are famous outside the United States will be treated by the U.S. courts. Unlike similar statutes in some other countries, the new U.S. law does not take into account the number or nature of international registrations of a mark.[16] For owners of famous marks not registered in the United States, it should be emphasized that factors such as the number and nature of international registrations may be considered by the court in addition to the statutory criteria.

What Evidence Can Prove the Fame of a Mark?

Courts regularly resort to circumstantial evidence in the form of proof of sales, advertising, and market penetration. In a number of cases, a court has taken judicial notice that a mark is so strong as to be famous.[17] Among the explicitly listed factors are the degree of inherent or acquired distinctiveness of the mark; the duration and extent of use of the mark in connection with the goods or services with which the mark is used; the duration and extent of advertising and publicity of the mark; the geographical extent of the trading area in which the mark is used; the channels of trade for the goods or services with which the mark is used; the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; the nature and extent of use of the same or similar marks by third parties; and whether the mark was registered in the United States. Leaving the decision on whether a mark is famous to a court of law rather than establishing a "Super-Trademark Register" has the advantage of allowing for the facts of the particular case to determine whether the mark is famous rather than a government agency, such as the trademark office, which has limited fact-finding capabilities.

Proving Injury

Unlike the state dilution statutes in the United States, which require a showing of "likelihood of dilution or damage to business reputation," the new federal statute requires a showing that the use "causes dilution" of the distinctive quality of the mark. Assuming the court finds a mark famous, how is injury to be proven? Should a presumption similar to that set forth in Article 16.1 of TRIPs be applied in the case of the use of a mark identical to a famous mark on non-competing goods? What if the other's mark is not identical? Some predictions can be made.

Fanciful, Arbitrary or "Coined" Famous Marks

The U.S. Congressional committee report says that "the use of DUPONT shoes [sic], BUICK aspirin, and KODAK pianos would be actionable." House Report on the Federal Trademark Dilution Act of 1995, H.R. 104-374, p.3. The report goes on to explain that:

> The protection of marks from dilution differs from the protection accorded marks from trademark infringement. 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. . . . 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.

From the examples in the House Report, it is easy to see that the statute is focused on the use of a mark identical to a fanciful famous mark on clearly non-competing goods. But what about marks that are not identical but merely similar to the famous mark? And what about instances where the goods are potentially competing? In *Polaroid Corp. v. ACDS Technologies Inc.*, Docket No. CV-N-96-00026-

ECR (D.NV. permanent injunction entered 9 February 1996), one of the first decisions brought under the statute, the Federal District Court in Nevada issued a Temporary Restraining Order on January 24, 1996, and the parties stipulated to a permanent injunction two weeks later barring the use of HOLOROID on cameras that produce "instant" holograms. Clearly, the products are so close as to be competing goods. The marks are not identical; however, the defendant's mark HOLOROID rhymes with the plaintiff's admittedly famous mark POLAROID. And both marks are completely fanciful. Although there was no reported opinion setting forth the reasoning of the court's decision, such reasoning is easy to discern. Even in the absence of confusion, allowing the use of HOLOROID could trigger others to adopt marks such as SOLAROID or VOLAROID, so that the famous POLAROID mark would become just one of a number of similar fanciful marks. This is clearly actionable as dilution even though the goods are potentially competing; and the injury is different. It is likely in such cases that the court will presume that the defendant's adoption of a mark similar to the plaintiff's famous mark will result in injury, whether the goods are competing or not.

But what if the defendant's mark, while similar to the famous fanciful mark in some respects, has another, perhaps suggestive meaning connected to the goods? Taking the above example, suppose the defendant adopted the mark COLO-RHOID for a hemorrhoid medication? Can POLAROID claim dilution? Or suppose the defendant adopts KODIAK for ice cream bars (named after the chilly island in Alaska). Is there an injury to KODAK? RELAX may be actionable for watches as "substantially similar" to ROLEX on identical goods (even though the watches are not counterfeit); but what if the goods are not "RELAX watches" but "RELAX sunglasses?" A presumption of injury should not lie in such cases.

Merely Suggestive Famous Marks, or Famous Marks that are not coined, but have great commercial strength (Secondary Meaning)

From several cases brought under the state statutes and the new federal statute, we may sketch out the parameters of a federal famous mark infringement case. In a 1988 case, the federal appeals court in Chicago found the mark "THE GREATEST SHOW ON EARTH" to be a famous mark belonging to the Ringling Brothers Circus organization.[18] While the words are all common ones and the expression, though distinctive, is commonplace, a defendant car dealership clearly attempted to ride on the reputation of the circus, including the use of big circus-style letters in its showroom decorations. Where the famous mark is suggestive or merely descriptive with strong secondary meaning, a showing of tarnishment or free-riding will probably be necessary to prove injury, and no presumption of injury from mere adoption of a famous mark should lie unless the mark is fanciful. Thus, in the well-known case of the owner of the mark LEXIS for legal research services, which attempted to bar the adoption by Toyota of LEXUS for luxury automobiles, the court, having found that the mark LEXIS was strong only within a narrow market, and suggestive of the services rather than coined, further found that there was no tarnishment of the former mark by the latter, nor was there any attempt by the auto manufacturer to ride on the reputation of the plaintiff. *Mead Data Central Inc. v. Toyota Motor Sales U.S.A., Inc.*, 875 F.2d 1026 (2d Cir., 1989). By contrast, in a recent case brought under the new federal law, a toy company, which had the famous mark CANDYLAND for a children's game, was successful in preventing the use of the Internet address CANDYLAND.COM for pornographic photographs in an "adult playground."[19] Undoubtedly, the tarnishment of the playful image of the children's game factored strongly in the decision.

Three Defenses to Liability

Adoption of a damagingly similar trademark before the famous mark became famous is not actionable by the owner of the famous mark. Furthermore, Section 43(c)(4) sets forth the following three statutory defenses:

- Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.
- Non-commercial use of the mark.
- All forms of news reporting and news commentary.

In a society such as that in the United States, where the traditions of free speech are vigorous, it is probable that the scope of the statutory defenses to injury to a famous mark will be hotly litigated.[20] For example, can the owner of a famous mark stop a competitor from "poking fun" at the famous trademark in advertising? A court decision in the U.S. Court of Appeals in New York found that alteration of a competitor's trademark for purposes of poking fun can be enjoined, if the purpose of the advertisement is merely to "sell products" and if there is "tarnishment" of the plaintiff's mark.[21]

The scope of "non-commercial use" under Section 43(c)(4)(B) will also be hotly litigated. Publications are generally given heightened protection against trademark and unfair competition charges.[22] A recent court case explicitly applied the defense of non-commercial use to the publication of a "satire" of the famous children's rhyming book series, DR. SEUSS, which was entitled DR. JUICE, and narrated the O.J. Simpson murder case in rhymed couplets. *Dr. Seuss Enterprises L.P. v. Penguin Book USA, et al.*, 1996 U.S. Dist. LEXIS 6201 (S.D. CA 1996).

Conclusion

The new U.S. statute protecting famous marks is a recognition that famous trademarks, at least, play an expanded role in our consumer society, and that the owners or licensors of such marks should be encouraged to expend time, effort and money to create unique "brand identities" for their products and services. These identities can be created through advertising, sponsorships or licensing programs, and serve to strengthen the mark. As the consumer marketplace becomes more global, certain marks may become well-known internationally. In some cases, this may afford the licensor an extra form of trademark protection.

[1] Landes and Posner, "The Economics of Trademark Law", 30 J. L. & Econ. 265 (1987).

[2] *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968). The court refused to prohibit a cheap knock-off perfume from comparing itself to the famous perfume Chanel No. 5, saying "A large expenditure of money does not in itself create legally protectible rights. [Chanel is] not entitled to monopolize the public's desire for the unpatented product, even though [Chanel itself] created that desire at great effort and expense."

[3] It is no coincidence that in-flight magazine advertising aboard airlines is sometimes used to determine whether a mark is well-known or famous. The term "famous mark" refers only to marks that are commercially strong across a broad spectrum of consumers—not to marks that may be "famous" but only in a narrowly circumscribed "relevant market." *See Mead Data Central v. Toyota Motor Sales, Inc.*, 875 F.2d 1026 (2d Cir. 1989), where the mark LEXIS was found not to be strong enough to be protected by a New York state "trademark dilution" statute, because, among other reasons, the "relevant market" in which it was famous (lawyers and accountants) was too narrow.

[4] "Lifestyles... shape demand. Today, only a small fraction of consumption in wealthy nations (or communities) is actually for basic survival; most is for pleasure and to express one's standing in society." Wernick. et. al., "Materialization and Dematerialization", Daedalus: Journal of the American Academy of Arts and Sciences (Summer 1996) 171, 185.

[5] Introducing the Dilution Act of 1995, Senator Hatch said, "Foreign countries are reluctant to change their laws to protect famous U.S. marks if the United States does not afford special protection for such marks." Congressional Record 29 December 1995.

[6] This is recognized by most courts in the United States *See, e.g., Boston Professional Hockey Ass'n v. Dallas Cap and Emblem*, 510 F.2d 1004 (5th Cir. 1975). The U.S. Court of Appeals for the 9th Circuit, located in California, is an egregious exception. *See International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980); *see also New Kids on the Block v. News America Publishing*, 971 F.2d 302 (9th Cir. 1992), where the court said that although the music group, the New Kids, "have a limited property right in their name, that right does not entitle them to control their fans' use of their own money." In *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340 (7th Cir. 1994), the court held that the measure of damages in a trademark infringement suit may be fashioned to create incentives to the parties to negotiate trademark licenses for the payment of considerable royalties.

[7] In *Steinweg v. Steinway*, 523 F.2d 1331 (2d Cir. 1975), a suit between piano makers, even though customers may not have experienced confusion as to who was the source of the pianos, the public may have subliminally associated the names, thereby causing confusion.

[8] For example, in *Anheuser-Busch v. L&L Wings, Inc.* 962 F.2d 316 (8th Cir. 1992), an illustration of the defendant's "parody" of the Budweiser Beer can on a T-shirt promoting Myrtle Beach, South Carolina, was not an infringement of A-B's Budweiser label registered trade dress. The use of a Budweiser can on a "college weekend" T-shirt may actually have increased A-B's commercial goodwill among an important part of the relevant public; nevertheless, A-B surely lost licensing revenues by the unauthorized use.

[9] The State of Massachusetts adopted the first trademark dilution statute in 1948. "Trademark dilution" is defined by the new U.S. federal statute as "the lessening of the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of [1] competition between the owner of the famous mark and another person or [2] likelihood of confusion, mistake, or deception." 15. U.S.C. s. 1127. (Lanham Act Section 45).

[10] See Jonathan E. Moskin, "Dilution or Delusion: The Rational Limits of Trademark Protection" 83 Trademark Reporter 122-148 (1993).

[11] Article 6bis does not apply to the Person's situation anyway since the court had found that the mark was not well-known in the United States (or even in Japan) when Christman registered the mark in the United States. The case reaffirms that trademark officials may be the "competent authority" for the purposes of determining whether a mark is "well-known" under Article 6bis, but clearly have no competence to enjoin the use of a trademark in the U.S. or establish liability for unfair competition. Those powers belong not to government officials in the Trademark Office, but to the courts.

[12] Section 21 of the Lanham Act gives the aggrieved party a choice of appealing to the Federal Circuit, which considers the issues only as presented in the Trademark Office, Section 21(a), or alternatively, bringing a civil action de novo in the District Court, which "may adjudge ...that a registration involved should be cancelled, or other such matter as the issues in the proceeding require, as the facts of the case may appear." Section 21(b).

[13] Frederick W. Mostert, "Well-Known and Famous Marks: Is Harmony Possible in the Global Village?" 86 Trademark Reporter 103, 125 (1996), citing Professor McCarthy's treatise (3rd ed.1995) at '23-209. *See* Mostert, above, at 127, fn105 and at 118, fn 52, citing AIPPI Report on Well-Known Marks, Barcelona 1990 Summary Reports, Volume 1, pp. 85-86 and G.H.C.Bodenhausen Guide to the Application of the Paris Convention for the Protection of Industrial Property, p.91 (1968).

[14] Registration in the United States is one of the factors to be considered in determining whether a mark is distinctive and famous. Section 43(c)(1)(H).

[15] The legislation originally provided that only famous marks that were registered would be protected. The requirement that a famous mark be registered was removed in the House of Representatives.

[16] Compare Section 3(d), implementing regulations of Article 67 of the Industrial Property Code of Brazil, which does. See do Amaral "Famous Marks: The Brazilian Case" 83 Trademark Reporter 394, 398 (1993).

[17] Jerome Gilson, "A Federal Dilution Statute: Is It Time?" 83 Trademark Reporter 108, 118 (1993) and, e.g., *Quality Inns International v. McDonald's Corp.*, 695 F.Supp. 198 (D. MD 1988). Mostert, *op. cit.* at fn35 reports that Canadian courts take judicial notice of the fame of a mark.

[18] As noted, e.g., in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.* 855 F.2d 480 (7th Cir. 1988).

[19] Other famous marks, including AVON, McDONALD'S, and WINDOWS 95, have been used on the Internet by unauthorized third parties. All three defendants ceased using the names after court actions or negotiated settlements.

[20] The defense of news reporting and commentary is similar to the limitations in Section 32(2) of the Lanham Act, Title 15 U.S.Code Section 1114(2), against trademark infringement liability against printers and publishers of a newspaper, magazine, or other similar periodical, or in an electronic communication, and it is not likely that trademark owners will prevail against news organizations or publications on trademark dilution grounds.

[21] *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39 (2d Cir. 1994). The court stated that a competitor's marks can be used in comparative advertising "as long as the mark is not altered." Satirists selling no product or non-competitors may "poke fun" at trademarks for expressive purposes, but competitors may not alter a mark "simply to sell products." The court leaves unexamined the extent to which sophisticated comparative advertisements must be expressive rather than merely informational in order to be effective. See Cinotti, "'Fair Use' of Comparative Advertising under the 1995 Federal Dilution Act'", 37 IDEA: The Journal of Law and Technology, 133-160 (1996).

[22] In at least one federal circuit, a state dilution statute does not apply at all against a parody, clearly marked as such, within a magazine, because publications are, in and of themselves, "noncommercial." *See L.L.Bean v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987), where the maker of an outdoor and recreation clothing catalog was unable to stop a popular magazine from posing models nude and in provocative poses in a clear parody. An advertisement in a magazine might be treated less delicately.