What's in a Name? Revisited

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What’s in a Name? Revisited

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One of the most valuable assets you and your business clients have is the name under which business activity is conducted. That name may be protectable as a trademark under the federal statute if the activity of the business is interstate or international, and may also be protectable in every state in which the activity is conducted.

The federal trademark law, known as the Lanham Act [1], protects the first user of any trademark or service mark – that is, a name, symbol, logo, or any combination of these – from any subsequent use of a similar mark which sounds like, looks like or is confusingly similar to the protected mark in connection with similar goods or services or is used in any likely area of business expansion.

The state statutes have comparable provisions, though their applications are typically geographically limited to state boundaries. Many states do, however, have remedies for unauthorized uses of trademarks and service marks that differ from the federal statute. In addition, many states require that a trademark or service mark be registered before that mark can be protected under those states’ laws.

The federal statute, on the other hand, permits enforcement even without registration, though there are benefits for those who federally register a mark. These benefits include, among others, a presumption of the validity of a registered mark, the ability to use the federal registration symbol (®) (establishing the presumption that an infringer knows s/he is infringing because of the registration symbol), and the notoriety that comes from having a mark on the federal registry.

Prior to 1996, the federal statute provided protection for trademarks and service marks only in the category within which the mark was being used and in any likely area of expansion. At that time, there were 34 international categories of goods and 8 international categories of services. [2] As a result of this limitation, General Motors could not protect its registered trademark Cadillac from being used in connection with dog food, despite the fact that it was clearly being used on the dog food for the purpose of implying that purchasers of the kibble would be obtaining the best...
– or Cadillac – of dog foods. Similarly, the manufacturer of the Lexus automobile could not prevent use of the mark Lexis as the name of a legal research database, despite the fact that the marks sound alike.

It was argued by commentators that the problem with this type of use, known as *dilution* of the mark, was that the distinctive qualities of a protected mark may be *blurred* or *tarnished* by the unauthorized use, even though there is no direct competition by the other business using the mark.

Blurring occurs when the association between the mark and its product is lessened, that is, the unique significance of the mark to identify and distinguish one source of that product is weakened. A tarnishing use is one which is deemed by members of the public to be so distasteful as to tarnish the reputation of the owner of the famous mark.

Prior to 1996, 25 states had adopted antidilution laws, whereby an unauthorized noncompetitive use of a protected trademark could give rise to claims under the state statute. The federal law remained silent on the subject, however, until Congress amended the Lanham Act by adding a provision that granted famous trademarks the ability to prevent uses which, even though not competitive, would dilute the famous marks. Unfortunately, the Federal Trademark Dilution Act (FTDA) [3], which became effective January 1, 1996, did not define “famous mark,” and the courts are continuing to attempt to fashion a workable definition. The statute, however, does list eight factors to be considered when determining whether a mark is famous:

- 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 under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register. [4]

The federal statute was also not clear in defining what a claimant must establish to prove dilution. Indeed, some courts felt that all that needed to be established was that there be a likelihood of dilution. Other courts felt that the aggrieved owner of the famous mark must establish that there was actual injury before the requirements of the federal antidilution statute were satisfied.

This confusion came to a head in a case called *Moseley v. V. Secret Catalogue, Inc.* [5] In this case, a Kentucky couple, Victor and Cathy Moseley, opened an adult novelty store known as Victor’s Secret. When Victoria’s Secret sent a cease-and-desist letter to Victor’s Secret, the
name was changed to Victor’s Little Secret, but that change was not enough to satisfy the famous lingerie company.

Victoria’s Secret filed suit, alleging, among other things, that the Kentucky adult entertainment store was engaged in unlawful trademark dilution under the federal statute. The district court agreed with Victoria’s Secret on its dilution claim, and the United States Court of Appeals for the Sixth Circuit affirmed.

The United States Supreme Court granted certiorari and agreed to review the case because of the confusion among the circuit courts, and on March 4, 2003, the Supreme Court unanimously held that a violation of the federal statute requires actual dilution rather than merely a likelihood of dilution. The Court did not go so far as to require that the holder of the famous mark prove actual loss of sales or profits, but permitted circumstantial evidence of economic harm.

Justice Stevens, speaking for the Court, made it clear that, at least where marks are similar but not identical, such as in the Victoria’s Secret case, more than a mental association between the famous mark and the accused mark is required to establish a federal dilution claim. It was suggested that a survey to establish that dilution has occurred may be required in future cases. Unfortunately, the cost of conducting such surveys is quite high, and even owners of famous marks will bear a heavy burden when trying to prove actual dilution.

The Victoria’s Secret case is open to criticism for not giving clearer guidance with respect to dilution and for suggesting that owners of famous marks may need to invest in expensive surveys when involved in antidilution cases where the marks are not identical. It is also clear that those who use marks which are similar to famous marks may have to invest in surveys. Thus, the Supreme Court has increased the cost of antidilution litigation and underscored the necessity for business people to be more prudent and careful to avoid becoming embroiled in trademark disputes.

As noted above, the federal trademark statute provides protection for names, symbols and logos used in interstate or foreign commerce, even if they are not registered. Even innocent use of another’s protected mark may result in an injunction against future use. The cost of adopting a new mark – changing stationery, business cards, advertising literature, telephone directory advertisements, websites, and the like – can be quite high, and many business people feel that a forced name change may undermine goodwill as well.

Prudent lawyers should take steps to avoid having their clients become embroiled in trademark disputes. Indeed, an attorney who cavalierly advises a client to adopt a name, symbol or logo that turns out to be an infringing use of another’s mark may be committing malpractice. It would, therefore, be appropriate to conduct a trademark search before a name, symbol or logo is adopted by a business.

Even the fact that a business name may be the owner’s family name may not be a defense to
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trademark infringement. In the case of *E. & J. Gallo Winery v. Gallo Cattle Co.* [6], the court found that the first Gallo brother had a better right to use the family name as a trademark, and, therefore, the other Gallo family member’s use was an unlawful infringement.

The cost of conducting a trademark search is quite modest when compared to the risk of liability that may result from an improper use. There are many companies in the Yellow Pages that conduct searches, and law firms such as ours conduct them in-house.

Not every use of a protected trademark would be deemed an infringing use; therefore, it is important to work with a knowledgeable attorney or search service. For example, it was held that 1981 Playmate of the Year Terri Welles’ use of “Playboy Playmate of the Year 1981” on her website was not an infringing use since she made it clear that her site was not the Playboy site but, rather, that she was merely identifying herself as having achieved that status. [7]

Virtually every attorney practicing law is involved with trademarks since a firm name is covered by the trademark statutes. Every client conducting business must be sensitive to the trademark laws as well. The federal and state trademark laws are in constant flux and, as a result of the importance of trademark protection, are constantly being interpreted by the judiciary. It is, thus, essential for every lawyer to either become familiar with trademark law or to work with experienced trademark counsel.

Endnotes:

[2] Today, there are 34 international categories of goods and 11 international categories of services.

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