

# NEW DEVELOPMENTS IN CALIFORNIA TRADEMARK LAW

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## Introduction And Summary

### ► Model State Trademark Law ("MSTL"):

- Adopted (with modifications) by California
- Codified as Cal. Bus. & Prof. Code § 14200 et seq.
- Effective January 1, 2008
- Former Calif. Trademark Law Repealed

### ► Cal. Bus. & Prof. Code ("B & P") § 14272:

"The intent of this chapter 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 (15 U.S.C. Sec. 1051 et seq.), as amended."

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## Introduction And Summary

### ► Several Significant Departures And Changes From Former Calif. Statute:

- Registration Process and Procedures
- Express Protection from Dilution

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### Substantive Changes

1. Term - Shortened from 10 years to 5 years
2. Adopted International Classification as used by the USPTO
3. Cannot mix goods and services
4. Disclosure of prior Federal activity
5. Statement that no others have right to use mark

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### More Substantive Changes

6. Declaration of accuracy, penalty.
7. Abandonment is now defined
8. CA Cause of Action for DILUTION
9. Cancellation for Genericness or Previous Fed. Registration
10. Repeal of prohibition against suing infringer whose use predated registration

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### Specimens

- Three specimens as actually used
- Where difficult – 1 original and 2 copies o.k.
- WEB PAGE Requirements
  - Mark is shown
  - Goods or services described
  - Contact information for ordering provided

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### Not Registrable

- Not immoral, deceptive or scandalous
- Not disparaging, Govt. flag, coat of arms or insignia
- Not name of particular living person, except with consent
- Not merely descriptive, geographically descriptive, surname (except w/5 years of use), or confusingly similar to CA registered mark, or mark or trade name previously used by another.

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### Housekeeping

- Use their form -  
- <http://www.sos.ca.gov/business/ts/ts.htm>
- Drawing is mandatory
- Business structure complete
- Every question must be answered
- Return to Sender

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### Benefits of California State Registration

- ▶ Speed
- ▶ Cost
- ▶ Standard of Examination

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### Requirements for Litigation

- ▶ Cancellation Action –
  - ▶ File in Superior Court
  - ▶ Court will Notify CA Sec. of State
  - ▶ For non-resident owner, serve Secretary
- ▶ Infringement Action
  - ▶ Use of mark likely to cause confusion, mistake or deception with CA Reg.
  - ▶ Dilution of famous & distinctive CA Reg.

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### Background Of Dilution Claims

- ▶ Originally a creation of state law
  - Formerly enacted in Calif. as B & P § 14330
  - Currently enacted in Calif. as B & P § 14272
- ▶ Lanham Act Amended by the Federal Trademark Dilution Act ("FTDA") in 1996 – 15 U.S.C. § 1125(c)
- ▶ Lanham Act further amended by the Trademark Dilution Revision Act of 2006 ("TDRA")

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### Background Of Dilution Claims

- ▶ Dilution of a mark understood as:
  - The gradual whittling away of a trademark's value; and
  - The lessening of the capacity of a famous mark to identify and distinguish goods and services
- ▶ Two forms of dilution:
  - Blurring (i.e. similarity that impairs distinctiveness of the mark)
  - Tarnishment (i.e. similarity that harms the reputation of the mark)
- ▶ Protection only where mark used by the alleged diluter is identical or nearly identical

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### Background Of Dilution Claims

- ▶ Strongest form of trademark protection
- ▶ Courts have been reluctant to grant dilution protection to wide class of marks because
  - Power of anti-dilution remedies
  - Mark owner not required to show consumer confusion, mistake, deception, or competition

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### Dilution Under Former California Trademark Statute

- ▶ Former Dilution Statute - Bus. & Prof Code § 14330:

"Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark... shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods or services."

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### Dilution Under Former California Trademark Statute

- ▶ Former B&P §14330 not expressly limited dilution of "famous" marks
- ▶ Mark holder entitled to injunctive relief:
  - Likelihood of injury to business reputation; or
  - Dilution of "distinctive quality of a mark"

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### Dilution Under Former Federal And Trademark Statutes

- ▶ To understand fame under California law, necessary to discuss fame under Federal law
- ▶ Federal courts have applied Federal fame standard to California dilution claims
  - California's former trademark law was silent on fame in context of dilution
  - California authority on dilution is almost non-existent
  - Federal courts have applied Federal fame standard to California dilution claims
- ▶ *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999) (finding California's dilution cause of action to be substantially similar to the FTDA)

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### Dilution Under Former Federal And Trademark Statutes

- ▶ Courts interpreting B&P §14330 required that dilution protection extend only to "well recognized" (i.e. famous) distinctive marks
- ▶ A mark could attain general or specific fame.
  - General – Household names (e.g. Coke, Apple, FedEx)
  - Specific – mark with widespread recognition either within a geographic region or specialized market (i.e. "niche market fame")

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### Dilution Under Former Federal And Trademark Statutes

- ▶ FTDA provided eight factors to assist courts in determining whether a mark was "famous"
- ▶ Niche fame protection developed by Courts collectively from three of these factors:
  - "the geographical extent of the trading areas 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 mark's owner and the person against whom the mark is sought"

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### Dilution Under Former Federal And Trademark Statutes

- ▶ Niche dilution protections existed only within same limited market where fame exists.
- ▶ The niche fame a mark must obtain is still substantial (i.e. greater than distinctive).
  - Suggested that mark must be known to at least 50% of target market/geographical area.
- ▶ Still a powerful enforcement tool for mark owners that have limited market or geographical fame

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### The Trademark Dilution Revision Act

- ▶ Congress enacted the TDRA in October 2006:
  - Direct result of the judicially created niche market theory
  - Provided protection to non-deserving marks
- ▶ A mark is now deemed famous only where "it is widely recognized by the general consuming public of the United States..."
  - Result: eliminates protection for niche marks under Federal and California trademark law
  - Opinions protecting niche fame no longer good law
  - Increases protection to deserving marks by only requiring a showing of the "likelihood of dilution"

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### The Trademark Dilution Revision Act

- ▶ Aftermath: "No man's land" between Nov. 2006 and Dec. 2007 for California Trademark Law
  - B & P § 14330 was silent as to fame
  - Dilemma of adhering to prior state case law upholding niche fame or continuing to defer to federal standards
  - Courts continued to apply federal standards to state dilution claims
- ▶ *Perfumebay.com Inc. v. eBay Inc.*, 506 F.3d 1165 (9th Cir. 2007) (eBay's dilution claim made pursuant to B. & P. § 14330 "is subject to the same analysis as its federal claim")

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### Dilution Under the MSTL

► B & P §14247(a):

"an owner of a mark that is famous and distinctive, whether inherently or through acquired distinctiveness, shall be entitled to an injunction against another person's commercial use of a mark or trade name, if such use begins after the mark has become famous and is likely to cause dilution of the famous mark, and to obtain such other relief as is provided in this section."

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### Dilution Under the MSTL

► The new statute goes on to define when a mark is "famous":

"a mark is famous if it is widely recognized by the general consuming public of this state, or by a geographic area of this state, as a designation of source of the goods or services of the mark's owner."

- MSTL provides clarity with at least statewide and regional fame within California
- Does not address and therefore appears not to protect famous marks within specialized markets

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### Dilution Under the MSTL

► The MSTL imposes an express requirement that the mark be famous and distinctive

► Factors for a court to consider in determining fame:

- The duration, extent, and geographic reach of advertising and publicity of the mark; and
- The amount, volume, and geographic extent of sales in this state of goods or services offered under the mark;
- The extent of actual recognition of the mark; and
- Whether the mark is the subject of registration in Calif., or a federal registration.

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### Dilution Under the MSTL

- ▶ With limited fame, however, comes limited protection under the MSTL via injunction
  - Injunctive relief available only throughout the state or geographic region where the mark is found to be famous
  - Extent, and geographic reach of advertising and publicity
- ▶ MSTL also expands relief available beyond injunctions (B & P §§ 14247(b) & 14250)
  - Up to 3x times their profits or up to 3x times all damages suffered for willful dilution.

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### Dilution Under the MSTL

- ▶ Will be influenced by Federal Statutory and Legal Precedent.
- ▶ B&P § 14272:
 

“the construction given to the federal act should be examined as *nonbinding authority* for interpreting and construing [the MSTL].”

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### Dilution Under the MSTL

- ▶ Why is the change significant?
  - Federal dilution protection is now out of reach for most marks
  - Provides an alternative to infringement claims for mark owners:
    - Who exclusively or primarily do business within California;
    - Have strong identity in California; or
    - Are a local/regional phenomena within California
  - Injunction in California can have a disruptive effect on defendant that also does significant business within the state
  - Registration in California is inexpensive relative to the potential benefit

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