Court Narrows Experimental Use Exception To Patent Infringement

A so-called "experimental use" exception to patent infringement has long been recognized under U. S. law. This exception provides that infringement does not occur if the otherwise infringing acts are for amusement, to satisfy idle curiosity or for philosophical inquiry. However, if the infringing acts are for commercial purposes, the exception does not apply and infringement can result.

Many universities have interpreted the experimental use exception to patent infringement as providing immunization for research activities that are conducted at a university that would otherwise arguably infringe a valid U. S. patent. However, the Court of Appeals for the Federal Circuit (CAFC) recently ruled that universities that conduct and derive benefit from research are not exempt from charges of patent infringement (*Madey v. Duke University*, CAFC, October, 2002). In *Madey*, a former Duke University professor sued the University for operating his patented inventions following his dismissal from the University. The University contended that such operation was protected under the so-called "experimental use exception" to patent infringement.

The Court of Appeals for the Federal Circuit strongly disagreed and stated: "[o]ur precedent clearly does not immunize use that is any way commercial in nature. Similarly, our precedent does not immunize any conduct that is in keeping with the alleged infringer's legitimate business, regardless of commercial implications. For example, major research universities, such as Duke, often sanction and fund research projects with arguably no commercial application whatsoever. However, these projects unmistakably further the institutions' legitimate business objectives, including educating and enlightening students and faculty participating in these projects. These projects also serve, for example, to increase the status of the institution and lure students, faculty, and lucrative research grants."

The CAFC continued: "In short, regardless of whether a particular institution or entity is engaged in an endeavor for commercial gain, so long as the act is in furtherance of the alleged infringer's legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense. Moreover, the profit or non-profit status of the user is not determinative."

Previous case law had suggested the experimental use exception might exempt university researchers from patent infringement if the research had no commercial application. However, the CAFC has now held that the real test is whether the research furthers legitimate business objectives of the alleged infringer. This decision clearly indicates that the research activities at universities and other non-profit institutions are no different from those of a corporation. Universities can be sued for patent infringement if they do not obtain licenses from the patent holders for the patented technology or instruments they use in their research. The *Madey* case has been appealed to the U. S. Supreme Court for clarification. The Supreme Court will hear the case in the Fall of 2003 and a decision is expected by 2004.

Additionally, Congress has become involved in addressing the experimental use exception. Two bills were recently introduced that relate to the effects of gene patenting on biomedical research and patient care, and seek to exempt the use of patented genetic sequence information "for the purposes of research." The legislation specifically excludes individuals or entities engaged in commercial activities. The purpose of the bills is to provide medical personnel and medical institutions with protection from patent infringement, analogous to exemptions granted to doctors utilizing patented medical or surgical procedures. One bill (H.R. 3967) provides an exemption from patent infringement liability for the use of any patent or for any patented use of genetic sequence information for purposes of research. Under the draft legislation, the exemption would apply to all genetic sequences and would also add an infringement exemption for medical practitioners using diagnostic tests.

As evidenced from the *Madey* case and recent legislation, the experimental use exception is coming under closer scrutiny, and the courts will undoubtedly have a hand in resolving the issues in the future. W&D

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Supreme Court Holds that Plaintiffs Must Show Actual Dilution

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circumstantial evidence—the obvious case is one where the junior and senior marks are identical." In a concurring opinion, Justice Kennedy noted that the FTDA permits injunctive relief, which is " 'designed to prevent future wrong, although no right has yet been violated.'" In light of this principle, Justice Kennedy stated that "[a] holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded." Ultimately, however, the Court rested on its interpretation of the statutory text. "Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof as an essential element of a statutory violation." W&D

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Trademark

Supreme Court Holds that Plaintiffs Must Show Actual Dilution to Recover under the Federal Trademark Dilution Act

In *Moseley v. V Secret Catalogue, Inc.* , 537 U.S. -- - (2003), the United States Supreme Court resolved a split among the federal circuits and held that the Federal Trademark Dilution Act of 1995, 15 U.S.C. § 1125(c) (2003), (FTDA) requires a plaintiff to show actual dilution, rather than a likelihood of dilution, in order to obtain an injunction.

The FTDA permits the owner of a famous trademark to obtain an injunction against another's commercial use of that mark if the use "causes dilution" of the owner's mark. A plaintiff establishes a claim under the FTDA by showing that (1) he holds a mark that is famous; (2) the defendant began commercial use of the mark after the plaintiff's mark became famous; and (3) the defendant's use "causes dilution of the distinctive quality of the [plaintiff's] mark." Since enactment of the FTDA, courts have disagreed on whether the phrase "causes dilution" requires a plaintiff to prove that the trademark was actually diluted, or merely that the defendant's use poses a likelihood of dilution. The Fourth and Fifth Circuits have required a plaintiff to prove actual dilution, while the Second, Seventh, and Ninth Circuits have merely required a plaintiff to show a likelihood of dilution. After the Sixth Circuit weighed in and held that a plaintiff need only show a likelihood of dilution, the Supreme Court granted certiorari.

The FTDA defines dilution 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 other parties, or (2) likelihood or confusion, mistake, or deception." Dilution may occur by either blurring or tarnishing. Blurring occurs when a trademark's identity to its owner's goods or services is weakened by another's repeated use of the mark upon dissimilar goods and services. For example, the unauthorized use of the mark KODAK to sell automobile parts might blur the mark's identity to the film company. Tarnishing occurs when a trademark is used by another in a way that damages a product's reputation, either in terms of its quality or its wholesomeness. For example, one famous tarnishment case involved the use of the Dallas Cowboys Cheerleaders trademark in the movie *Debbie Does Dallas.*

The "actual dilution" approach was developed by the Court of Appeals for the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.* In *Ringling Bros.*, the plaintiff claimed that its trademark, "The Greatest Show on Earth," had been diluted by Utah's use of the tourism slogan, "The Greatest Snow on Earth." According to the court, a plaintiff establishes dilution under the FTDA by showing "(1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) actual harm to the senior mark's economic value as a product-identifying and advertising agent." The court arrived at this "concededly . . . stringent interpretation of dilution" by observing that nearly every state anti-dilution statute expressly provides a remedy for a likelihood of dilution while the FTDA, which was enacted with these statutes in mind, does not. For this reason, the court concluded that the omission of such language in the FTDA was not accidental and that actual dilution is required. The Fifth Circuit later joined the Fourth Circuit to require actual dilution.

In *V Secret Catalogue, Inc. v. Moseley*, the Court of

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U.S. Supreme Court Denies Certiorari in *Mattel, Inc. v. MCA Records, Inc.*

On January 27, 2003, the U.S. Supreme Court denied certiorari in *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 123 S.Ct. 993 (2003), a case in which the Ninth Circuit Court of Appeals held that the First Amendment protected the producers of the song *Barbie Girl* from a trademark infringement and dilution action by the owner of the BARBIE GIRL trademark. In 1997, the band Aqua released Barbie Girl, MCA Records 1997, a song depicting a day in the life of "a Barbie girl." In the song, a male and a female singer, calling themselves Ken and Barbie, decide to "go party." At various points in the song, the lyrics are sexually suggestive. After the song became popular, Mattel, the owner of the BARBIE GIRL trademark, brought an action against MCA Records and other companies that produced, marketed, and sold *Barbie Girl* for trademark infringement under the Lanham Act and trademark dilution under the Federal Trademark Dilution Act.

The court began its analysis of Mattel's trademark infringement claim by discussing the basic purpose of a trademark. According to the court, a trademark "informs people that trademarked products come from the same source." The court noted that this purpose-avoiding consumer confusion-strikes the right balance between trademark protection and free speech. "Whatever first amendment rights you may have in calling the brew you make in your bathtub 'Pepsi' are easily outweighed by the buyer's interest in not being fooled into buying it."

According to the court, the more difficult First Amendment issue occurs when a trademark transcends its core source-identifying function, and enters the public discourse. "Trademarks often fill in gaps in our vocabulary and add a contemporary flavor to our expressions. Once imbued with such expressive value, the trademark becomes a word in our language and assumes a role outside the bounds of trademark law." In these situations, the court reasoned, the traditional likelihood-of-confusion test takes trademark enforcement into protected First Amendment territory:

> Our likelihood-of-confusion test . . . generally strikes a comfortable balance between the trademark owner's property rights and the public's expressive interests. But when a trademark owner asserts a right to control how we express ourselves-when we'd find it difficult to describe the product any other way (as in the case of aspirin), or when the mark . . . has taken on an expressive meaning apart from its source-identifying function-applying the traditional test fails to account for the full weight of the public's interest in free expression.

For this reason, the court held that a trademark user who communicates ideas or expresses a point of view through his use of the trademark is entitled to full First Amendment protection. "[T]rademark rights do not entitle the owner to quash an unauthorized use of the mark by another who is communicating ideas or expressing points of view." The court characterized the song as doing just that: "The song pokes fun at Barbie and the values that Aqua contends she represents."

The court ultimately decided the trademark infringement claim based on the standard set forth by the Second Circuit for determining whether an artistic work constitutes trademark infringement. The court adopted the Second Circuit's position that "in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." The court specifically adopted the test set forth by the Second Circuit in *Rogers v. Grimaldi*: "*Rogers* concluded that literary titles do not violate the Lanham Act "unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work."

> Applying *Rogers* to our case, we conclude that MCA's use of Barbie is not an infringement of Mattel's trademark. Under the first prong of *Rogers*, the use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself. As noted, the song is about Barbie and the values Aqua claims she represents. The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel.

The court then addressed Mattel's dilution claim under the Federal Trademark Dilution Act. As the court explained, the FTDA protects "the owner of a famous mark . . . against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."

The court began by considering whether Mattel satisfied the elements of the statute. According to the court, a plaintiff must establish that (1) the senior mark is famous; (2) the senior mark is distinctive; (3) the junior use is a "commercial use in commerce," and; (4) the junior use is dilutive. The court held that Mattel met each element. According to the court, the first two elements were easily met: the Barbie mark is clearly famous and distinctive. The court held that the third element, that the junior use is a "commercial use in commerce," is met by showing that "a use of a famous and distinctive mark to sell goods other than those produced or authorized by the mark's owner." This element was met since MCA sold goods (the *Barbie Girl* single and the *Aquarium* album) bearing the BARBIE GIRL mark without MCA's permission. Finally, the court addressed the fourth element, dilution.

MCA's use of the mark is dilutive. MCA does not dispute that, while a reference to Barbie would previously have brought to mind only Mattel's doll, after the song's popular success, some consumers hearing Barbie's name will think of both the doll and the song, or perhaps of the song only. This is a classic blurring injury and is in no way diminished by the fact that the song itself refers back to Barbie the doll. To be dilutive, use of the mark need not bring to mind the junior user alone. The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user alone.

As the court noted, the FTDA also contains three exemptions: comparative advertising, news reporting and commentary, and "noncommercial use." The court then considered whether any of

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U.S. Supreme Court Denies Certiorari

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the three exemptions applied. After holding that the first two exemptions (comparative advertising and news reporting) clearly did not apply, the court turned its attention to the FTDA's noncommercial use exemption. The court began by noting that the noncommercial use exemption from the FTDA seems at odds with the statute's requirement that the use be a "commercial use in commerce." If the word "commerce" means the same thing in both provisions, the exemption would never apply, since a "commercial use in commerce" would never be a "noncommercial use." Such an interpretation would not only make a portion of the statute meaningless, but would pose First Amendment problems, since the statute would bar all dilutive speech other than comparative advertising and news reporting. For these reasons, the court went beyond the statutory text, and looked at the legislative history. "Fortunately, the legislative history of the FTDA suggests an interpretation of the 'noncommercial use' exemption that both solves our interpretive dilemma and diminishes some First Amendment concerns: 'Noncommercial use' refers to a use that consists entirely of noncommercial, or fully constitutionally protected, speech."

The court then discussed another Second Circuit case, *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1184 (9th Cir. 2001), to delineate the boundary between commercial and noncommercial speech. "The 'core notion of commercial speech' is that it 'does no more than propose a commercial transaction.' " From this analysis, the court held that "[i]f speech is not 'purely commercial'-that is, if it does more than propose a commercial transaction-then it is entitled to full First Amendment protection." Applying this doctrine to the case at hand, the court held:

Hoffman controls: Barbie Girl is not purely commercial speech, and is therefore fully protected. To be sure, MCA used Barbie's name to sell copies of the song. However, as we've already observed . . . the song also lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA. For precisely the same reasons, use of the mark in the song's title is also exempted.

Because the Supreme Court denied certiorari, it's reasonable to assume that the Court will not address this issue in the near future. For this reason, Mattel, Inc. v. MCA Records, Inc., should be considered a leading case for the argument that trademark laws must yield to an expansive view of First Amendment rights. If other courts follow the Mattel Court's reasoning on this issue, it could signal a strengthening of free speech rights at the expense of trademark enforcement. W&D

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Plaintiffs Must Show Actual Dilution

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Appeals for the Sixth Circuit rejected the actual dilution approach and joined the Second, Seventh and Ninth Circuits to hold that a plaintiff may recover under the FTDA by showing a likelihood of dilution.

In *V Secret Catalogue*, the owner of the VICTORIA'S SECRET mark sought an injunction under the FTDA against Victor Moseley, the owner of "Victor's Little Secret," a local store that sold lingerie, adult videos, and other "adult novelties." The court aligned itself with the Second, Seventh and Ninth Circuits and held that a plaintiff need not show actual dilution to state a claim under the FTDA. The court noted that dilution has been described in the FTDA's legislative history as "an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark," *V Secret Catalogue*, 259 F.3d at 475 (quoting H.R. Rep. No. 104-374, p. 1030 (1995)) and reasoned that "this evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark." For this reason, the court held that a plaintiff may recover under the FTDA by showing "an inference of likely harm to the senior mark instead of requiring actual proof [of dilution]."

The Supreme Court unanimously reversed, and held that a plaintiff must show actual dilution to recover under the FTDA. *Moseley*, 537 U.S. --- (2003) (Stevens, J.) (Kennedy, J. filed a concurring opinion). The Court presented the issue as one of basic statutory construction. According to the Court, the phrase "causes dilution" unambiguously requires actual dilution, rather than a likelihood of dilution. Like the *Ringling Bros.* Court, the Supreme Court contrasted state antidilution statutes, which generally require only a "likelihood" of harm, with the FTDA, which entitles the owner of a famous mark to injunctive relief against another person's commercial use of the mark if that use "*causes dilution* of the distinctive quality" of the famous mark. The Court held that this text "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution." The Court also cited differences between the federal act and state dilution statutes to suggest that dilution by tarnishment may not be actionable under the FTDA. Although the Court acknowledged that tarnishment is recognized by most state antidilution statutes, and was mentioned in the legislative history of the FTDA, "[w]hether it is actually embraced by the statutory text, however, is another matter." The Court then noted that the contrast between the state statutes, which expressly refer to "injury to business reputation" and the FTDA, which does not, "arguably supports a narrower reading of the FTDA."

The Court did not fully discuss what a plaintiff must show to establish actual dilution, although it did state that proof that consumers associate the marks with each other is insufficient by itself to establish dilution. The Court acknowledged that actual dilution can be difficult to establish, but stated that direct evidence may not be necessary in some cases. "It may well be . . . that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through

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