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THE ALABAMA LAWYER

**ALABAMA TRADEMARK ACT
REVISED AND REVIVED**

page 52



ON THE COVER

Pictured on the cover is Sanford Hall at Auburn University in the wintertime. Sanford Hall is the university's most recognizable landmark and the main administration building. The current building was constructed in 1888 and was officially named for Governor William James Sanford in 1929. Sanford Hall originally had a bell that rang every hour for classes, and although the bell still remains in the tower, an electrically-controlled clock marks the time now.

—Photo by Paul Crawford, JD
paul@LightfortheDay.com

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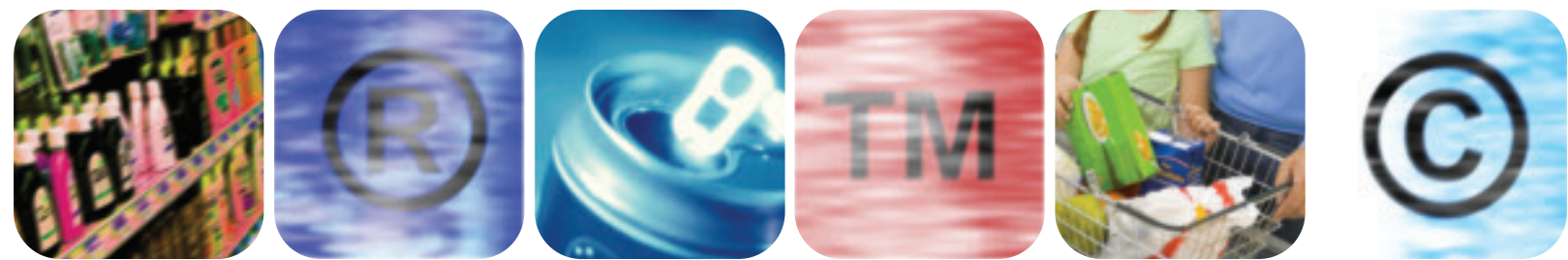
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Alabama Trademark Act Revised and Revived

By Linda A. Friedman and Will Hill Tankersley



ALI Model State Trademark Bill Committee

In January 2009, the Alabama Law Institute (“ALI”) assembled a group of Alabama lawyers from various practices for its committee on the Model State Trademark Bill (“MSTB”). These lawyers included:

Lee F. Armstrong, general counsel, Auburn University
Donna M. Bailer, Feld, Hyde, Wertheimer, Bryant & Stone, PC
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Back Row: Representative Greg Canfield (bill sponsor), Will Hill Tankersley, Ret. Justice Harold See, Linda Friedman, Diane Crawley, Lance Wilkerson, Hon. Jean Brown, Donna Bailer. Front Row: Governor Bob Riley (with photo of Lee Huffaker)

ALI MSTB Process

Lee Armstrong, general counsel for Auburn University, was appointed the committee chair and the late Lee Huffaker was designated as the reporter for the committee. Lawyers were divided into subcommittees in the areas of registration issues, dilution and remedies. For the next nine months the committee investigated MSTB provisions and met and conferred before producing a final report which was presented at the November 2009 ALI Council meeting.

The MSTB Committee recommended keeping the overall structure of Alabama’s existing trademark act, but recommended changes where Alabama’s current act needed updating or clarification. The ALI MSTB Committee recommended that Alabama adopt meaningful guidance for the already existing (but little used) Alabama trademark “dilution” cause of action. The ALI accepted these recommendations and the Act was passed by the legislature and the Governor signed the bill May 21, 2010. The amendments took effect January 1, 2011.

INTA Model State Trademark Bill

The amendments passed by the Alabama legislature were largely derived from the International Trademark Association's ("INTA") Model State Trademark Bill of 2007 ("Model Bill"). In promoting the Model Bill, the INTA attempts to harmonize state and federal trademark laws to enhance the protection of trademarks nationwide. Following passage of the amendments by the Alabama legislature, the INTA Executive Director Alan Drewsen commended Alabama for adopting the newest version of the model bill, stating that in so doing, "the state has provided businesses with assistance and support for growth, which is critical as Alabama and the nation recover from the current recession." (*Ala. Passes Landmark Trademark Legislation to Harmonize with Fed. Law*, INTA Press Releases (Int'l Trademark Ass'n, New York, N.Y.), May 4, 2010.) The recently passed amendments modify Alabama's pre-existing trademark law that was based on a former version of the model bill, using the 2007 version of the model bill as the basis for the recent amendments.

Currently, 46 states have passed the pre-2007 Model Bill in whole or in part. Alabama became the fourth state to pass the latest version of the 2007 Model Bill, following California, Mississippi and Oregon. The 2007 version of the model bill uses standards and definitions that are consistent with current codified federal law, including the Trademark Dilution Revision Act of 2006. The 2007 version of the model bill is the first to provide trademark dilution claims for marks famous within the state ("Niche Fame").

By adopting in large part the 2007 Model Bill, Alabama harmonized its state trademark protections with those afforded by the federal government.

Overview of the Alabama Trademark Act and the Dual State/Federal Registration Systems

The Alabama Trademark Act, originally enacted in 1980, set up a procedure for registration of trademarks and service marks that are in use in Alabama and prescribed trademark causes of action for protection of trademarks. Effective January 1, 1989, the Act was amended to allow for registration of trade names, in addition to trademarks and service marks, all of which are collectively defined in the Act as "marks." Registration is not mandatory, as rights in a mark arise under common law, not by registration. See Comment B to 1988 1st Ex. Sess. Amendment, following *Ala. Code* §8-12-7. The statute expressly recognizes that its provisions shall not adversely affect the rights or enforcement of rights in marks acquired in good faith at any time at common law. *Ala. Code* § 8-12-19. Nonetheless, registration provides some advantages, most importantly the benefit of public notice of the registrant's claimed rights and some evidence that the mark was in use as of the time of registration.

In some ways the state registration process is duplicative of the federal registration process under the Lanham Act, 15 U.S.C. § 1051 *et seq.*, administered by the United States Patent and Trademark Office. See www.uspto.gov. Certainly, a federal

registration confers rights much broader than a state registration. In particular, a federal registration confers exclusive nationwide rights to the mark except as against any pre-existing common law rights acquired by another prior to the filing date of the federal application. 15 U.S.C. § 1057(c). Nevertheless, reasons exist for a trademark owner to register its marks at the state level instead of, or even in addition to, the federal level. If a mark is used only in Alabama and not used in commerce that can be regulated by Congress, it does not qualify for federal registration. See 15 U.S.C. §§ 1051 (mark must be "used in commerce"), 1127 ("use in commerce" defined). Moreover, a trademark owner may have exclusive rights to a mark in Alabama, or in a multi-state region, yet may not be the senior user nationwide, in which case the senior user would have a superior right to the federal registration.

Moreover, the federal registration system is not available for a trade name, unless the trade name is used to identify a product or a service, in which case it would also serve as a trademark or service mark. By contrast, the owner of a trade name being used in Alabama can register its trade name in Alabama, regardless of whether it also is used to identify a product or service.

Finally, the state registration procedure is much faster and less expensive than the federal procedure. Registration in Alabama, which requires a \$30 filing fee, can be secured within weeks of filing an application with the Alabama Secretary of State. *Ala. Code* § 8-12-10; see www.sos.state.al/BusinessServices/Trademarks. By contrast, a federal application, which requires a filing fee of \$275 or more, typically takes a year or longer before a registration issues. Therefore, a budget-conscious trademark owner that operates in a limited geographic area may choose to register its mark only at the state level.

In addition to establishing a state registration procedure, the Alabama Trademark Act as originally enacted provided causes of action and remedies for persons harmed i) by infringement of registered marks, *Ala. Code* § 8-12-16, ii) by the fraudulent procurement of a registration, *Ala. Code* § 8-12-15 or iii) as a result of "likelihood of injury to business reputation or of dilution of the distinctive quality of a mark," which is referred to as trademark dilution, *Ala. Code* § 8-12-17.

Amendments to the Alabama Trademark Act, Effective January 1, 2011

The amendments revise the Act with respect to:

1. Administrative matters regarding applications for registration and renewals;
2. The dilution cause of action; and
3. Remedies.

Administrative Reforms

Harmonization of Classifications of Goods and Services with Federal Classes

All trademark applications must identify the goods or services with which the mark is used. At both the state and federal levels, the goods and services are organized into classes used for administrative convenience. Alabama's existing application scheme uses a classification system for goods and services, referred to as

International Classifications, as those classes existed in 1988, when the Alabama statute was last amended. *Ala. Code* § 8-12-14. In addition to the classes for goods and services, the state statute adopted a *sui generis* classification system for trade names, to categorize the type of business conducted under the trade name. The new amendment to the state statute harmonizes the state classification system with the system for goods and services adopted by the U.S. Trademark Office, as it may be amended from time to time. In the future, the classifications used for Alabama trademark and service mark applications will automatically be amended whenever the U.S. Trademark Office amends its classifications, which it typically does from time to time to conform to revisions made by the World Intellectual Property Organization pursuant to the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. See <http://www.wipo.int/classifications/nice/en/>; <http://www.uspto.gov>.

Because the federal system has no counterpart for trade names, the state Act retains the existing classes of businesses for trade name applications, but renumbers the classes as business classes 1-25, which appear in Section 8-12-14(c).

Registration Term

Prior to January 1, 2011, registration in Alabama was for a 10-year registration term and 10-year renewal terms. *Ala. Code* § 8-12-10(a). The federal statute, by contrast, provides for a 10-year term but requires that, between the fifth and sixth year after registration, the registrant verify that the mark is still in use by filing an affidavit of continued use, along with evidence of use. Failure to file the required affidavit of use will result in cancellation of a federal registration. As a result, the federal registers are purged of marks abandoned within five years of registration, in contrast to Alabama's current register which is not being purged until 10 years after registration, when the registrant must demonstrate continued use in order to renew a registration.

After consultation with our Secretary of State's office, which indicated its preference for a shortened registration term and its ability to handle earlier renewals, the committee recommended that the registration term be shortened to five years. As of this month, registrations are now issued for five-year terms. Consistent with the federal requirement to show continued use after five years an Alabama registrant will be required to show use of the registered mark after five years as a condition of renewal. Registrations in force as of January 1, 2011 will continue in full force for the unexpired term.

Under the amendment, renewals can be secured for successive five-year terms, as long as the mark is still in use in Alabama. The amendments require the Secretary of State to notify registrants, within the year preceding the end of the five-year registration or renewal term, of the need to apply for renewal. The amendment, as explained by the committee's comments, permits the notice to be made by any method, including pursuant to Alabama's adoption of the Uniform Electronic Transaction Act, found at *Ala. Code* § 8-1A-1.

Trademark Dilution

Unlike trademark *infringement*, which arises when use of a similar mark creates a likelihood of confusion, trademark *dilution* can arise in the absence of confusion or even likelihood of confusion.

When Alabama first enacted its dilution statute, the concept of trademark dilution was still evolving. Many states recognized a common law claim of trademark dilution and some states had codified the claim in their statutes, but the elements of the claim were not consistent throughout the country. A common thread of trademark dilution, however, has been the threat of a gradual erosion of the distinctiveness of a mark, which can occur from another's use of a similar or identical mark, regardless of whether the parties are competitors and whether any confusion is likely.

When the Alabama Trademark Act was enacted in 1980, the comments stated that no Alabama court had yet directly adopted a cause of action for dilution. The anti-dilution statute as enacted in 1980 and in effect until January 1, 2011, provided:

Likelihood of injury to business or reputation or of dilution of the distinctive quality of a mark registered under this article, or a mark valid at common law, including a trade name valid at common law, 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.

Ala. Code § 8-12-17.

This state statute had not been the subject of many judicial decisions. Typically, a complaint in a trademark action will assert a claim for infringement (which requires a likelihood of confusion) and may also claim dilution under state and federal law, along with other potential claims. In the majority of cases, and in the few reported Alabama cases, the court's decision is based on multiple grounds, and the state dilution claim is not decisive. For example, in an early case under the state dilution statute, *Arthur Young, Inc. v Arthur Young & Co.*, 579 F. Supp. 384 (N.D. Ala. 1983), the court found that the distinctiveness of the plaintiff's mark was likely to be diluted by the defendant's continued use of its very similar trade name, thus entitling the plaintiff to injunctive relief under the *Ala. Code* § 8-12-17. *Id.* at 390. However, the court also found that the defendant's mark had caused a likelihood of confusion under state and federal law, and therefore was infringing. *Id.* at 389.

Courts have tended to defer to the federal trademark statute and case law when considering a claim of trademark infringement under state law. However, when the Alabama Trademark Act was originally enacted, there was no dilution counterpart in the Lanham Act. It was not until 1996, with passage of the Federal Trademark Dilution Act, that the Lanham Act incorporated a claim for dilution. The wording of the federal dilution provision, however, differed from the wording of the Alabama statute. Accordingly, courts applying Alabama law have had little guidance as to the interpretation of the state dilution statute, and, indeed, have on occasion looked to the federal statute, despite the differences in the respective statutes. See *EBSCO Indus., Inc. v. LMN Enterprises*, 89 F. Supp. 2d 1248, 1264 (N.D. Ala. 2000) (in denying plaintiff's summary judgment motion, the court curiously stated, without explanation or analysis, that "the plaintiff's burden of proof for dilution under § 8-12-17 is essentially the same as under federal law.").

Against this background, the committee recommended that the state dilution statute be revised to follow the federal statute more closely, but with a significant modification to benefit local

businesses. The amendments also add a definition of dilution, something that was missing in the original statute.

Dilution Defined

Under the Act, as amended, dilution is now defined as “the association arising from the similarity between a mark and a famous mark” that either “impairs the distinctiveness of the famous mark” (referred to as “dilution by blurring”) or “harms the reputation of the famous mark” (“dilution by tarnishment”).

Under the amended dilution statute, only famous marks will have the right to pursue a dilution claim. The requirement that the allegedly diluted mark be “famous” is consistent with the federal dilution provision, which applies only to famous marks, but is arguably a narrowing of Alabama’s current dilution statute, which only refers to the *distinctiveness* of a mark. Every mark must have at least minimal distinctiveness to qualify for protection as a trademark under common law, and a mark can be distinctive without being famous. *See, e.g., Dan Tana v. Dantanna’s*, 611 F.3d 767 (11th Cir. 2010). However, no reported decision under the current Alabama dilution statute has expressly addressed the question of how distinctive a trademark or trade name need be before it qualifies for protection against dilution. The authors are not aware of any case, reported or otherwise, that has granted relief, under the Alabama dilution statute, to a mark that was not famous or at least well known.

The amendment’s definition retains the concept, present in the original statute, that dilution occurs regardless of whether the parties are in competition, or whether there is confusion. It further clarifies that dilution can occur in the absence of likelihood of confusion (in contrast to the present statute that refers only to the absence of confusion), mistake or deception, or actual economic injury.

Cause of Action for Dilution

The amendment replaces existing Section 8-12-17 with a new provision that follows the federal statute, 15 U.S.C. § 1125(c), but with some changes. The new state statute will protect a mark in Alabama that is famous and distinctive, inherently or through acquired distinctiveness, regardless of whether the mark is famous or even in use outside Alabama. A mark will qualify as famous under this provision if it “is widely recognized by the general consuming public of this state or a significant geographic area in this state as a designation of source of the goods or services of the business of the mark’s owner.” By contrast, the federal statute’s protection is limited to those marks that are “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” 15 U.S.C. § 1125(c)(2)(A).

The federal statute lists factors a court “may consider” in determining if a mark is widely recognized, or famous, throughout the United States, and the new Alabama statute will likewise list similar factors for determining the fame of a mark in Alabama or in “a significant geographic area” in Alabama. The list includes the same factors set forth in 15 U.S.C. § 1125(c)(2)(A)(i)-(iii), but focuses on the factors as they apply to the mark’s use and fame in Alabama. The factors include the mark’s duration, extent and geographic reach of advertising and publicity in Alabama; the amount, volume and geographic extent of sales offered under the mark in Alabama; and the extent of actual recognition of the mark in Alabama or in a significant geographic area of the state.

Consistent with the federal statute, a mark can be famous and protected against dilution regardless of whether it is registered, but a court may consider, as a factor indicating fame, whether the mark is registered in Alabama or on the Principal Register of the U.S. Trademark Office.

Under the new state provision, the owner of a famous mark will be entitled to injunctive relief “throughout the geographic area in which the mark is found to have become famous prior to commencement of the junior use, but not beyond” the state’s borders. Other remedies are available, including monetary damages and attorney fees, if the person against whom the relief is sought “willfully intended to cause dilution of the famous mark...”. The possibility of additional remedies mirrors the federal statute which provides for the same remedies as are available for infringement if the party against whom the injunction is sought “willfully intended to trade on the recognition of the famous mark” or “willfully intended to harm the reputation of the famous mark.” 15 U.S.C. § 1125(c)(5)B). As the Comment to the amendment explains, the additional remedies are not available merely because “one who adopts a diluting mark intended to adopt that mark while aware of the existence of the famous mark.” Rather, “[t]here must have been a willful (not merely incidental) intent to blur or tarnish the famous mark” before the additional remedies are awarded.

Because the state statute continues to define a “mark” to include a trade name, in addition to a service mark or trademark, the state dilution statute (unlike the federal statute) will continue to protect trade names, consistent with the original dilution statute, provided they qualify as famous.

Finally, the amendment to the state statute borrows again from the federal statute by specifying that dilution is not actionable when the other’s use is a fair use, a noncommercial use or a use in news reporting or news commentary. *Compare* 15 U.S.C. § 1125(c)(3) and *Ala. Code* § 8-12-17(d).

Remedies Provisions

The amendment makes four primary changes to Section 8-12-18 of the *Alabama Code*:

- (a) stylistic modifications;
- (b) specification of the burden of proof for both parties;
- (c) a provision for enhanced damages; and
- (d) a provision for reasonable attorneys’ fees.¹

In a largely stylistic modification of the language of the Alabama Trademark Law, the committee changed the reference to a trademark “registrant” in pre-existing subsection (b), current subsection (d), to now refer to a trademark “owner.” This change is not substantive, but instead brings the subsection into conformity with the other portions of the Alabama Trademark Law which refer to the “owner of a mark registered under this article” instead of plaintiffs or registrants. Thus, the remedies for infringement are available only if the owner’s mark is registered in Alabama, as opposed to remedies for willful dilution, which are available to the owner of a famous mark, whether or not it is registered.

The pre-existing section on remedies did not specify the burden of proof for parties in a trademark cause of action. Under the newly amended Trademark Law, parties are subject to different burdens of proof based upon trademark ownership status. Owners of trademarks are only required to prove that the defendant sold a

product in violation of the Alabama Trademark Law, whereas defendants must prove all elements of the cost or deduction claimed. The amended proof requirements correspond with the burden of proof for actions under the Lanham Act, bringing consistent proof standards between federal and Alabama state actions.

The newly promulgated provision for enhanced damages allows judges, at their discretion, to enter judgment against defendants in an amount up to three times the dollar value of the profits and/or damages claimed in the trademark action when the defendants willfully intended trademark infringement or dilution. Though enhanced damages were not available under the pre-existing Alabama trademark law, the Lanham Act allows for up to treble damages “according to the circumstances of the case,” allowing for larger potential awards for trademark cases litigated under federal law. The “willful intent” language parallels the Lanham Act’s provisions for awards of attorneys’ fees for “exceptional cases,” which has been interpreted to include malicious, fraudulent, deliberate and willful infringement of the Lanham Act. The comments to Section 8-12-18 define willful intention as something more than mere volition, but not necessarily requiring actual malice. Additionally, willfully intended infringement mirrors the language for dilution actions under Section 8-12-17. Enhanced damages are not available, however, for cases in which the defendant reasonably acts in good faith, believing such actions to be authorized by law.

Using language similar to the provision for enhanced damages, another newly promulgated provision in Section 8-12-18 allows judges, at their discretion and under limited circumstances, to award reasonable attorneys’ fees to a prevailing party. Though not previously available under Alabama trademark law, the Lanham Act has allowed awards of attorneys’ fees in the aforementioned “exceptional cases.” The newly promulgated provision allows judges, in their discretion, to award attorneys’ fees to prevailing trademark owners when the defendant willfully intended infringement or dilution of a trademark. The provision also allows judges, in their discretion, to award attorneys’ fees to prevailing defendants in cases where such attorneys’ fees would be available under the Alabama Litigation Accountability Act. Attorneys’ fees are not, however, available for cases in which the party against whom the fees are sought reasonably acts in good faith, believing the claim to be a viable cause of action pursued for a proper purpose.

The amendments to Section 8-12-18 harmonize the remedies available under Alabama law with the remedies available under federal law, bringing consistency of judgments among venues.

Conclusion

Harmonization of the Alabama Trademark Statute with the federal Lanham Act should facilitate resolution of claims in litigation, whether in state or federal court, by allowing the courts to look to federal case law in applying the Alabama statute. The harmonization and clarification of remedies also make the choice of proceeding in state court more attractive than before, as some plaintiffs might prefer to proceed in circuit court and choose to rely solely on the state trademark statute, especially if they do not have the benefit of a federal registration. Clearly, federal registration will continue to confer valuable rights not associated with a state registration, particularly the prospect of securing national rights even before the registrant uses the mark on a national scale. Yet, when parties operate in a more localized area, the state statute, as amended, provides a viable option for protecting a business’s trademarks from infringement and dilution. ▲▲▲

Endnote

1. H.B. 165, 2010 Leg., Reg. Sess. (Ala. 2010) (enacted).

In memoriam: Lee Huffaker, who had served as the ALI MSTB’s reporter, died shortly before the committee’s final meeting in September 2009. His skillful work, good humor and intelligence had been a joy to all who had the privilege to know him, and his invaluable contribution to the final bill was acknowledged by legislative resolution and by his picture that appears beside the governor at the bill signing.



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	Old Trademark Law	New Trademark Law
Burden of proof for owners of trademarks	Not specified	Must only prove sale of a trademarked product by the defendant
Burden of proof for defendants	Not specified	Must prove all elements of the cost or deduction claimed
Enhanced damages	Not specified	Allows up to treble damages and/or profits for willfully intended trademark infringement or dilution
Attorneys’ fees for prevailing owners	Not specified	Reasonably allowed for willfully intended trademark infringement or dilution
Attorneys’ fees for prevailing defendants	Not specified	Reasonably allowed where provided for under 4ALAA