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## CASENOTES

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### ***ENTERPRISE RENT-A-CAR COMPANY V. ADVANTAGE RENT-A-CAR, INC.:***

### **THE FEDERAL CIRCUIT BARS DILUTION BASED OPPOSITION OF A MARK USED BEFORE AN OPPOSING MARK BECAME FAMOUS**

**Jefferson F. Scher† and Colby B. Springer‡**

In *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*,<sup>1</sup> the United States Court of Appeals for the Federal Circuit rendered its first construction of the Federal Trademark Dilution Act of 1995.<sup>2</sup> On appeal from the Trademark Trial and Appeal Board, the Federal Circuit faced the issue of whether an opposition proceeding based on dilution can be maintained when the applicant for a mark had been

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1. 330 F.3d 1333 (Fed. Cir. 2003).

2. 15 U.S.C. § 1125(c) (2000). The Federal Trademark Dilution Act (the "FTDA") allows the owner of a "famous mark" to, *inter alia*, enjoin "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." 15 U.S.C. § 1125(c)(1) (2000). Determining whether a mark is famous is a multi-faceted evaluation, including the inherent distinctiveness of the mark, the duration and extent of its use and the degree of recognition of the mark in certain trading areas or channels of trade. *Id.*

used only in a limited geographic area before the opposing party's mark became famous.<sup>3</sup> The court also considered whether a state dilution statute could serve as the basis for a federal opposition proceeding.<sup>4</sup>

The Federal Circuit rejected the opposer Enterprise's arguments on both points. As long as the applicant's use was "in commerce" within the meaning of the Lanham Act, "the owner of a famous mark cannot oppose registration based on dilution where its mark did not achieve fame prior to the applicant's use in a limited geographic area."<sup>5</sup> The Federal Circuit found no evidence that Congress intended to add state dilution statutes to the grounds for opposition to a federal trademark application.<sup>6</sup> Because the Federal Circuit's statutory interpretation applies equally to District Court proceedings, it presents yet another hurdle for trademark holders seeking relief under the Federal Trademark Dilution Act.

#### I. OPPOSITIONS UNDER THE FEDERAL TRADEMARK DILUTION ACT

Historically, trademark law, and proceedings before the Trademark Trial and Appeal Board (the "Board"), have focused on protecting consumers from being misled by confusingly similar marks.<sup>7</sup> Protection against trademark dilution, on the other hand, is "not motivated by an interest in protecting consumers"<sup>8</sup> but, instead, "to protect a mark's owner from dilution of the mark's value and uniqueness."<sup>9</sup> States began enacting anti-dilution statutes in 1947, enabling trademark holder to enjoin the use of similar marks "notwithstanding the absence of competition or the absence of confusion as to the source of goods or services."<sup>10</sup> Some states provided this heightened protection only for "famous" marks,<sup>11</sup> while others imposed no such requirement.<sup>12</sup>

In 1995, Congress passed the Federal Trademark Dilution Act (the "FTDA") in an effort to "bring uniformity and consistency to the protection of famous marks" through a federal civil remedy, allowing

3. *Enterprise*, 330 F.3d at 1334.

4. *Id.*

5. *Id.* at 1334-35.

6. *Id.* at 1335.

7. *See generally* *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995).

8. *Mosley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003).

9. *Enterprise*, 330 F.3d at 1339-40.

10. Mass. Gen. Laws ch. 110B, § 12 (1999).

11. *See, e.g.*, Ark. Code Ann. § 4-71-213 (Michie 2001).

12. *See, e.g.*, Tex. Bus. & Com. Code Ann. § 16.29 (Vernon 2002).

trademark owners to bypass the myriad state remedies they deemed “unpredictable and inadequate” as a means of protecting marks.<sup>13</sup> While the FTDA did not preempt state anti-dilution laws entirely, it did bar the use of those laws against the owner of a federally registered mark “with respect to that mark.”<sup>14</sup> This was meant to “protect registered marks used in [interstate] commerce from interference by state, or territorial legislation.”<sup>15</sup>

In passing the FTDA, Congress did not add dilution as a basis for opposition to registration under section 13 (15 U.S.C. §1063) or as grounds for cancellation under section 14 (15 U.S.C. §1064), and in *Babson Bros. v. Surge Power*, the Board declined to entertain the new cause of action as grounds for opposition.<sup>16</sup> Congress remedied this omission in the Trademark Amendments Act of 1999 by providing that “any person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 1125(c) . . . [to] file an opposition” as to registration of the same.<sup>17</sup> In making the amendment, the House specifically referred to *Babson* as the impetus for “further legislation” and providing holders of famous marks “a right to oppose or seek cancellation of a mark that would cause dilution as provided in the ‘Federal Trademark Dilution Act.’”<sup>18</sup>

## II. FACTUAL AND PROCEDURAL HISTORY

The dispute between Enterprise Rent-A-Car Company (“Enterprise”) and Advantage Rent-A-Car, Inc. (“Advantage”) began more than five years ago. Enterprise, whose familiar television commercials feature cars in brown paper wrappers, pioneered the practice of picking up its rental car customers as early as 1974. It was not until twenty years later, in 1994, that Enterprise began promoting the service marks “Pick the Company that Picks You Up” and “Pick Enterprise, We’ll Pick You Up” in its national advertising and printed materials.<sup>19</sup> Enterprise was awarded federal trademark registrations

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13. H.R. REP. NO. 104-374, at 3 (1995).

14. 15 U.S.C. § 1125(c)(3) (2000).

15. H.R. REP. NO. 104-374, at 7 (quoting 15 U.S.C. § 1127 (2000)).

16. See *Babson Bros. Co. v. Surge Power Corp.*, 39 U.S.P.Q. 2d 1953, 1954-55 (TTAB 1996).

17. H.R. 1565, 106<sup>th</sup> Cong. (1999); 15 U.S.C. § 1063(a) (2000); 15 U.S.C. § 1125(c) (2000).

18. H.R. REP. NO. 106-250 at 4-5 (1999).

19. *Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333, 1336 (Fed. Cir. 2003).

for these phrases in 1996,<sup>20</sup> and for “We’ll Pick You Up” in 1997.<sup>21</sup>

Unbeknownst to the Saint Louis-based Enterprise, Advantage Rent-A-Car, Inc. (“Advantage”), based in San Antonio, Texas, had begun using the phrase “We’ll Even Pick You Up” in 1990.<sup>22</sup> Advantage used the phrase only in television commercials. Such commercials were broadcast locally in San Antonio approximately 100 times between 1992 and 1995, and in Arkansas, Louisiana, New Mexico and Texas 289 times between August 1997 and April 1998.<sup>23</sup>

Eventually the two companies became aware of one another and, on June 16, 1998, Advantage filed suit in the United States District Court for the Western District of Texas, alleging claims for unfair competition under section 1125(a) of the Lanham Act and the common law of Texas.<sup>24</sup> Advantage further sought cancellation of Enterprise’s federal registrations under § 1119.<sup>25</sup> Enterprise counterclaimed, alleging both unfair competition and trademark dilution under state and federal law.<sup>26</sup>

The Federal Circuit’s jurisdiction resulted from a federal trademark application that Advantage filed for the mark “We’ll Even Pick You Up” during the pendency of the Texas proceeding.<sup>27</sup> Less than a week after Advantage’s application was published for opposition, Enterprise filed its Notice of Opposition alleging it would be damaged by the registration of Advantage’s mark “because Advantage’s mark caused dilution of Enterprise’s mark” under the Federal Trademark Dilution Act. The opposition proceeding was suspended in light of the civil action.<sup>28</sup>

In Texas, the parties dropped their respective unfair competition claims and proceeded to a bench trial solely on Enterprise’s

20. “Pick Enterprise, We’ll Pick You Up” (U.S. Trademark Reg. No. 1,948,828 Jan. 16, 1996); “Pick the Company that Picks You Up” (U.S. Trademark Reg. No. 1,953,083 Jan. 30, 1996).

21. “We’ll Pick You Up” (U.S. Trademark Reg. No. 2,085,472 Aug. 5, 1997).

22. *Enterprise*, 330 F.3d at 1336.

23. *Id.*

24. *See id.* *See also* 15 U.S.C. § 1125(a) (2000) (Providing for “a civil action” where there exists use of a mark “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association” with that of a second mark.).

25. *Enterprise*, 330 F.3d at 1336. *See also* 15 U.S.C. § 1119 (2000) (Providing for “cancellation of registrations” in “any action involving a registered mark.”).

26. *Enterprise*, 330 F.3d at 1336.

27. *See id.* (citing Application Ser. No. 75-697,875).

28. *See id.* *See also* 15 U.S.C. § 1063(a) (2000) (Allowing “any person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 1125(c) of this title, may . . . file an opposition.”).

counterclaim for trademark dilution.<sup>29</sup> The district court entered judgment against Enterprise finding its slogans not to be “sufficiently famous or distinctive to receive protection under the [FTDA].”<sup>30</sup> Determining fame to be a requirement of the asserted state dilution statutes, the district court found the aforementioned lack of fame to prevent recovery on the state claims.<sup>31</sup> On appeal, the United States Court of Appeals for the Fifth Circuit upheld the district court’s determination that Enterprise’s marks were insufficiently famous to warrant relief under the federal, Arkansas and New Mexico statute, but remanded for further proceedings under the Texas and Louisiana statute.<sup>32</sup>

A few weeks after the Fifth Circuit’s ruling, the Board resumed the opposition proceeding, eventually granting summary judgment to Advantage. The Board first invoked *res judicata*, as both the district and appeals court found Enterprise’s marks to be insufficiently famous to support a dilution claim.<sup>33</sup> The Board then rejected Enterprise’s argument that its mark had become famous *after* the time period considered by the Texas litigation but *before* Applicant’s expansion into a new geographic area. The Board read the FTDA literally in its requirement that “a party seeking to invoke dilution as a ground for cancellation must establish that its mark became famous prior to applicant’s first use of the mark.”<sup>34</sup> As Enterprise could not “establish that its mark was famous prior to [Advantage’s] use—anywhere in the country” it could not prevail under a dilution theory.<sup>35</sup> The Board also rejected Enterprise’s argument that state anti-dilution statutes provided an adequate basis for cancellation concluding it lacked proper “jurisdiction to decide issues arising under state dilution law.”<sup>36</sup> Enterprise appealed.

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29. *Enterprise*, 330 F.3d at 1336.

30. *Advantage Rent-A-Car, Inc. v. Enter. Rent-A-Car Co.*, No. A 98CA 372, slip op. at 1 (W.D. Tex. May 24, 1999).

31. *Id.* at 10.

32. *Advantage Rent-A-Car, Inc. v. Enter. Rent-A-Car Co.*, 238 F.3d 378, 381 (5th Cir. 2001) (Texas and Louisiana statutes require only *distinctiveness*, not fame).

33. *Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 62 U.S.P.Q.2d 1857, 1860 (TTAB 2002).

34. *Id.* at 1861 (citing *Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d 1164, 1174 n.9 (TTAB 2001)).

35. *Id.*

36. *Id.*

### III. THE FEDERAL CIRCUIT'S ANALYSIS OF DILUTION AND THE ENTERPRISE OPPOSITION

On appeal, Enterprise did not challenge the findings of the Fifth Circuit or district court that its mark did not possess the requisite fame required by the FTDA "as of the late 1990s."<sup>37</sup> Instead, Enterprise pressed its argument that Advantage's prior use of the mark in a limited geographic area<sup>38</sup> did not serve as a complete bar to allegations of later acquired fame and subsequent dilution in the opposition proceeding.<sup>39</sup> The Federal Circuit disagreed, affirming the Board's ruling on every point.

The Federal Circuit began with the plain language of the statute entitling the owner of a famous mark to an injunction "against another person's commercial use in commerce of a mark or trade name *if such use begins after the mark has become famous*."<sup>40</sup> The Federal Circuit found that while "such use" *could* be read to refer "to a particular geographic area in which there would have been no prior use by the defendant"—thereby supporting Enterprise's argument—such an interpretation was "not a tenable reading of the statute."<sup>41</sup> Congress intended to provide a nationwide remedy and to resolve the problems of forum-shopping and multi-jurisdictional litigation that resulted from the "patch-quilt system of protection" under the state anti-dilution laws.<sup>42</sup> Accordingly, the FTDA "did not contemplate suits limited to particular geographic areas."<sup>43</sup> The Federal Circuit thus agreed with the Board that "'such use' must refer to *any use* in commerce," finding it significant that the statute imposed "no qualification . . . that the defendant's prior use be substantial or cover a wide geographic area to defeat an injunction . . . ."<sup>44</sup>

37. Enterprise Rent-A-Car Company v. Advantage Rent-A-Car, Inc., 330 F.3d 1333, 1341 (Fed. Cir. 2003).

38. That is, San Antonio, Texas, as well as Louisiana, Arkansas and New Mexico. *Id.* at 1337.

39. *Enterprise*, 330 F.3d at 1341.

40. 15 U.S.C. § 1125(c) (2000) (emphasis added).

41. *Enterprise*, 330 F.3d at 1341.

42. *Id.* at 1341–42 (quoting H.R. REP. NO. 104-374, at 3–4).

43. *Id.* at 1342.

44. *Enterprise*, 330 F.3d. at 1342 (noting that the FTDA's criteria for determining the fame of a mark include consideration of the geographic extent of the trademark holder's trading area) (emphasis added); *see also* 15 U.S.C. § 1125(c)(1)(D). The Federal Circuit deemed the absence of a corresponding reference particularly telling, referring to the Supreme Court's directive in *Russello v. United States*, 464 U.S. 16 (1983). In *Russello*, the Supreme Court found "[w]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acted intentionally and

The court was underwhelmed by Enterprise's analogy to concurrent use proceedings, in which the Board is empowered to grant registrations to two users of a mark in different territories. In such as proceeding, Enterprise, as the junior user with the first registration would be entitled to limit Advantage's registration to the few states in which it had prior use.<sup>45</sup> The Federal Circuit found it "clear that Congress rejected this approach" in connection with dilution.<sup>46</sup> Section 2(d) of the Lanham Act (15 U.S.C. section 1052(d)) provides for concurrent use registrations limited in "the mode or place of use" of the respective marks as an exception to the general rule that registration must be refused if there is a likelihood of confusion. When Congress amended the Lanham Act to add dilution as a ground for opposition, it also amended § 1052 to prevent consideration of dilution during the *ex parte* examination process: "A mark which when used would cause dilution . . . may be refused registration *only* pursuant to a[n opposition] proceeding brought under section 1063 of this title."<sup>47</sup> As section 13 does not provide for concurrent use registrations, the court ruled that the omission "must be seen as a deliberate choice made by Congress."<sup>48</sup>

Finally, the Federal Circuit affirmed the Board's decision that Congress had not authorized the Board to consider allegations under state anti-dilution statute in opposition proceedings. Contrary to Enterprise's arguments, the 1999 amendments were intended specifically and exclusively to embrace "dilution under § 1125(c)."<sup>49</sup> Neither the statutory language nor the legislative history would support a departure from settled law that refusal of registration must be based on explicit authority in the Lanham Act.<sup>50</sup> Such an interpretation would run counter to the language of the Lanham Act itself whereby it seeks "to protect registered marks used in commerce from interference by state or territorial legislation."<sup>51</sup>

#### IV. COMMENTS

The Federal Circuit was emphatic: "any prior use, even in a

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purposely in the disparate inclusion or exclusion." *Id.* at 23; *Enterprise*, 330 F.3d at 1342.

45. *Enterprise*, 330 F.3d at 1342-43.

46. *See id.* at 1343 ("Enterprise contends it should be treated like a junior user that has obtained registration").

47. *Id.* at 1343; 15 U.S.C. § 1052(f) (2000) (emphasis added).

48. *Enterprise*, 330 F.3d at 1343; *Russello*, 464 U.S. at 23.

49. *Id.* at 1344.

50. *Id.* at 1343.

51. *Id.* at 1344 (quoting 15 U.S.C. § 1127).

limited geographic area, defeats a claim of dilution in a civil action under section 1125(c) [which] leads to the conclusion that it defeats an opposition to registration based on dilution under section 1063.”<sup>52</sup> The court may have overstated the breadth of its holding, however, when it referred to “any use by the accused infringer” and Advantage’s use of its slogan “in the San Antonio, Texas, area” to defeat the opposition.<sup>53</sup> In fact, the statute requires the accused infringer to have used its mark “in commerce” prior to the asserted mark having become famous. Use of a mark within a single state or metropolitan area will not always be deemed to “affect commerce” for purposes of the Lanham Act, and therefore the Federal Circuit’s language should not be read too literally.

This ambiguity aside, the Federal Circuit’s reasoning appears to be sound and its decision likely will be persuasive on the district courts in other circuits deciding cases under the FTDA. The unusual facts of the case, however, raise a number of interesting questions for trademark practitioners.

First, how could a client learn of the use of a mark solely in television advertisements? Searching for unregistered prior uses of marks always has been a challenge, but in the case of radio and television advertising, there may be no written record and, therefore, no searchable archive of such uses. Even in the absence of infringement liability, such “stealth” uses could defeat an injunction under the FTDA, substantially reducing the value of a trademark.

Second, a company faced with potential exposure under the FTDA should strongly consider the possibility of acquiring prior rights from another party in the same field. Even if such rights are only regional, they could provide a complete defense to an injunction. Naturally, one would be well advised to observe the usual requirements for continuity and the formalities of transfer in making such an acquisition.

Third, the Federal Circuit’s ruling continues a trend among the federal courts toward reining in the reach of the FTDA. Read in conjunction with other Circuits’ increasingly stringent requirements for proof that a mark has become famous, the *Enterprise* decision places another hurdle in the path of trademark holders seeking relief under section 1143(c). Its significance for Board practice is only the tip of the iceberg.

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52. *Enterprise*, 330 F.3d at 1343.

53. *Id.*