

An Essential Guide to  
**TRADEMARK PROTECTION**



**Poyner Spruill**<sup>LLP</sup>

ATTORNEYS AT LAW

# Overview of Poyner Spruill LLP

Poyner Spruill LLP is one of North Carolina's oldest and largest law firms, tracing its origin to 1883. The firm's attorneys bring to their clients' needs a wide range of experience, talents and knowledge. They have extensive involvement in the State's business, governmental, judicial, political and civic life and have provided and continue to provide leadership in professional and civic organizations across the state.

Poyner Spruill has offices in Charlotte, Raleigh, Rocky Mount, and Southern Pines, North Carolina, giving it a statewide presence. The firm's size enables it to foster individual attorney excellence in intellectual property law and also in such diverse practice areas as bankruptcy, workouts, creditors' rights, employment law, commercial real estate, employee benefits, nonprofit law, banking law, venture capital, public utilities, health care law, governmental relations, environmental law, intellectual property, securities law, municipal law, construction law, white collar criminal defense, as well as trials and appeals in all state, federal and administrative courts and tribunals and alternate dispute resolution. The firm brings to bear the resources, talent and experience of all four offices to serve the needs of its clients. In addition, its reputation, size, and client base enable Poyner Spruill to effectively represent the national and regional interests of its clients.

# TRADEMARK PROTECTION GUIDE

By Eric P. Stevens  
Poyner Spruill LLP  
919.783.1017  
[estevens@poynerspruill.com](mailto:estevens@poynerspruill.com)

This book was designed to provide an introduction to trademark law and a guide to the selection, adoption, and protection of trademarks. As with all general publications of this nature, please be aware that this document does not purport to be comprehensive, and certainly is no substitute for proper legal advice to address particular situations.

We hope, however, that the guide will answer basic questions about concepts and terminology - and help your business make more informed decisions about what trademarks to adopt and how to use and protect them.



# Table of Contents

Basic Trademark Terminology and Formats .....	3
Legal Protection of Trademarks and Service Marks .....	5
The Process of Selecting a Trademark .....	9
The Federal Trademark Registration Process .....	15
Preserving Trademark Rights .....	18
Special Protection for “Famous” Marks .....	23
International Considerations .....	24
Trademarks on the Internet .....	27
Conclusion .....	31
Trademark Selection and Protection Checklist .....	32
Trademark Preservation Checklist .....	34



# BASIC TRADEMARK TERMINOLOGY AND FORMATS

## DEFINITION AND FUNCTION OF TRADEMARKS AND SERVICE MARKS

A trademark is a device or symbol that identifies and distinguishes the goods of a person or business. A service mark is a device or symbol that identifies and distinguishes the services of a person or business. The same general rules apply to trademarks and service marks. For simplicity, this guide on occasion will use the term "trademark" or "mark" to refer to both trademarks and service marks.

Trademarks serve many functions. Obviously, for businesses they serve as the primary vehicle to create brand awareness. They also serve a consumer protection purpose by signaling to consumers that all products or services offered under a particular mark are prepared or offered with similar quality standards.

Traditionally, trademarks and service marks were thought to always identify the specific sellers or manufacturers of product or services. Today, it is recognized that this does not have to be the case. For instance, trademarks do not have to specifically notify consumers who manufacture or sell a product so long as the marks signal that all products bearing the same mark come from, or are endorsed or sponsored by, a common source, even an anonymous one.

## TRADEMARK AND SERVICE MARK FORMS

Trademarks can take several forms. The most common of these are set forth below.

- "Word" marks consist of particular words or word combinations. For example, we use our law firm name as the word mark POYN-ER SPRUILL LLP.
- "Word plus design" marks consist of words or word combinations combined with a particular design. An example is the design of a peacock next to the letters "NBC."

- "Design" marks consist entirely of a particular design. A well-known example is the Nike "swoosh" design.
- "Slogans" are typically catchy phrases or sentences that are associated with a particular product or service. For instance, our law firm has used the phrase "Excellence in Practice" as a slogan.

There are several other less common types of "symbols or devices" that qualify for trademark or service mark protection. These include colors and color combinations, scents, "trade dress" (i.e., the unique combination of elements in which a particular product or service is packaged or presented), and unique nonfunctional product or building designs. The basic concepts of trademark law are adapted to apply to the special circumstances created by these less common devices.

## **BUSINESS NAMES**

Business names are generally treated for trademark law purposes the same as any other word marks. If a business name is used to identify and distinguish particular products or services, rather than just as the name to identify a business in the trade and on checks, etc., the name is being used as a mark. The fact that a business is allowed to register a certain name as a corporate or business name in a particular state does not mean the name is clear from a trademark law standpoint. State agencies that govern adoption of corporate names usually only ensure that there are not two entities in the same state with identical names. It is not their job to determine whether the adoption of a particular name could lead to consumer confusion in the marketplace. It is entirely possible, and in fact quite common, for a company to be allowed to adopt a business name by the state agency that regulates corporations, and yet still be sued because the adoption and use of that name as a trademark infringes upon another company's rights.



# LEGAL PROTECTION OF TRADEMARKS AND SERVICE MARKS

Generally speaking, there are two ways to obtain trademark rights - through use of the mark in commerce alone (i.e., "common law" rights), and use of the mark in commerce coupled with federal registration. A party can also "reserve" the exclusive right to use a mark for a period of time before actual use begins in the case of a so-called "Intent-to-Use" or "ITU" federal registration application.

## COMMON LAW RIGHTS

Assuming a particular name qualifies as a mark (a topic this guide will address in more detail later) the first person to use the mark (the "senior user") in connection with the sale of particular goods or services automatically acquires legal rights in the mark merely by using the mark. If another person subsequently adopts and uses the same mark, or a mark that is not identical but is "confusingly similar," this person (the "junior" user) may be guilty of trademark infringement. In determining whether a junior user is guilty of trademark infringement, the issue is whether there is enough similarity between the marks adopted by the junior and senior users, and in the goods or services sold under the marks, to create a "likelihood of confusion." In other words, are consumers likely to obtain the false impression, as a result of the similarities in the marks and the goods or services sold under the marks, that products or services offered by the junior user come from the same source as, or are affiliated with or sponsored by, the senior user?

To understand better how this works, suppose a business is the first in a particular market to adopt and begin to use the mark "FIDO" for dog biscuits. A person who subsequently offers dog biscuits for sale under the FIDO mark in the same market area is clearly guilty of trademark infringement. On the other hand, if the junior user adopts the name FIDO for computers, there is no likelihood of confusion

because consumers would not be likely to believe that the dog biscuits and computers came from the same source. Finally, as an example of how many trademark disputes involve "gray" areas of the law, consider a junior user that adopts the name FIDO'S DELIGHT for dog chew toys. If the senior user filed suit, a court would be required to analyze several different legal criteria to make a judgment regarding whether there is a likelihood of confusion. In addition to comparing and contrasting the marks and the products, courts would consider such factors as whether the packaging for the products is similar, whether the products are sold in the same stores and, if so, in the same sections and aisles of the stores, whether the junior user had knowledge of the existence of the senior user's mark, and whether there is evidence any customers have actually been confused.

#### *Limitations of Common Law Rights*

"Common law" trademark rights, while useful, suffer from two very important limitations. The first is that the legal protection, or "priority," afforded to common law rights generally dates only from the day in which a new product or service is actually available for sale on the market. Thus, there is always a risk that a person can lose rights during the lag time between deciding on a product or service name and taking it to market.

Second, the legal protection created by common law use extends only so far as the market area in which the mark is being used in commerce. Thus, for instance, the owner of common law rights in the FIDO dog biscuit mark, assuming the products are marketed and sold only in North Carolina, would be powerless to stop someone from offering FIDO dog biscuits for sale in Idaho. If the North Carolina seller has phenomenal profits and decides to expand its market westward, it will be faced with tough choices when approaching the Idaho market. Should the business simply avoid that market, change the name of its

product for that market, completely change the name of its product for all markets, or attempt to negotiate some arrangement with the Idaho seller? Unfortunately, common law rights alone generally do nothing to help trademark owners avoid the potential for facing this dilemma.

## FEDERAL REGISTRATION RIGHTS

The two major limitations on the utility of common law trademark rights can be overcome through federal registration of marks on the Principal Register of the U.S. Patent and Trademark Office (the "PTO").

### *ITU Applications and Constructive Use*

The issue of possible loss of rights during the lag time between conception of the name for a product or service and bringing it to market, for instance, has been addressed by a procedure that allows persons to file "Intent to Use" or "ITU" federal registration applications. Once a person identifies a mark he wants to use in the future, he can immediately file a registration application stating that he has a good faith intent to use the mark in commerce in the future in connection with specified products or services. If the registration application is ultimately accepted and the mark is eventually used in commerce, the mark owner will be awarded a "constructive use" priority that dates from the day on which the federal registration application was filed rather than the date of first use.

### *Nationwide Priority*

Second, unlike common law rights, rights that stem from federal registration automatically extend nationwide, regardless of the market area in which actual sales occur. Thus, the North Carolina seller of FIDO brand dog biscuits, with his federal trademark registration, can require the Idaho seller to stop selling products with that name regardless of the fact that the North Carolina seller currently has no sales in the Idaho seller's market. The only caveat here is that the "constructive use priority" - i.e., the nationwide rights that stem from a federal registration rather than the geographically constrained rights that stem from common law use - dates only from the date on which the owner of the federally registered trademark filed his federal registration application. If the Idaho seller began selling dog biscuits before the date on which the North Carolina seller filed its federal registration application, the North Carolina seller's federal

registration rights cannot trump the Idaho seller's common law rights. The Idaho seller can continue to market his products under the FIDO name in his market area as it existed on the date of filing of the North Carolina seller's federal trademark registration application (but should not be able to expand to new markets with the name).

# THE PROCESS OF SELECTING A TRADEMARK

A prudent person will use care and the assistance of counsel during the process of selecting a mark. The process should include: brainstorming potential marks, "knockout" search to rule out clearly unavailable marks, selection of a preferred candidate, a comprehensive search to clear the mark, and registration of the mark if appropriate. In addition to trademark counsel, some businesses employ marketing consultants to assist in the process. The basic steps are described in more detail below.

## BRAINSTORMING POTENTIAL MARKS - THE TRADEMARK "SPECTRUM"

The first step is to prepare a list of potential marks for your product or service. In so doing, you should keep in mind that certain types of marks are inherently stronger, from a purely legal point of view, than others. Trademark lawyers refer to a "spectrum" of marks that ranges from the most distinctive terms, which are considered most legally "strong," to the least distinctive terms, which are most legally "weak." Businesses often find this spectrum counter-intuitive, because in some ways marks that are "stronger" legally are more difficult to market at first. The "spectrum," going from weakest to strongest, includes words or symbols that are generic, descriptive, suggestive, or arbitrary, as more fully explained below.

- **Generic** - A generic term is simply the name of a product or service. Generic terms can **NEVER** function as trademarks. That's not to say that you can't choose to call your eating establishment "RESTAURANT" if you are inclined toward minimalism, it's just that your chosen name will do you no good in distinguishing your establishment from those of others, and you certainly will never be able to stop someone else from also choosing to employ the name "RESTAURANT."

- **Descriptive** - A descriptive term or symbol is one that directly describes some attribute of your product or service, such as the nature of the product or service, its intended effect, its qualities, or its size, shape, or color. Generally speaking, descriptive terms are **not immediately eligible for trademark protection**, but can become legally enforceable trademarks or service marks if used consistently and exclusively over time. If a business adopts a descriptive mark, the business initially will not have the enforceable right to preclude others from using the mark. The mark becomes enforceable later only if the mark acquires "**secondary meaning.**" If a person who adopts a descriptive mark cultivates a market for the product or service associated with the mark through advertising and sales, over time consumers will come to associate the mark with that person. Since the mark is now a symbol for a particular seller's product or service, it has obtained a "secondary meaning" beyond its initial descriptive meaning, and becomes a legally enforceable trademark.

Marks categorized as descriptive include marks that are "primarily geographically descriptive" - e.g., "Vermont" brand apples, and marks that are primarily merely surnames - e.g., Smith's cafeteria.

The federal PTO will refuse to register a descriptive term or designation as a mark on the Principal Register unless the PTO is shown satisfactory evidence that the term or designation has acquired secondary meaning. Evidence of advertising and sales of the product, or consumer surveys, can help establish secondary meaning. The PTO is allowed, but not required, to consider proof of substantially continuous and exclusive use of a mark in commerce for at least five years as sufficient evidence that the mark has acquired secondary meaning.

The most important thing to know is that a person who adopts a descriptive mark is not legally protected at first, but must count on the good luck of no competition for use of the mark during the period of time it takes to cultivate the type of consumer association necessary to establish secondary meaning.

- **Suggestive** - A designation is "suggestive" if it suggests some quality or attribute of services or goods, without directly describing them. The dividing line between descriptive and suggestive marks is far from bright and easy to see. Generally, the more imagination or thought it takes for a consumer to make the association between the mark and the product, the more likely the mark is suggestive rather than descriptive. The name FIDO for dog biscuits would likely be considered suggestive rather than descriptive. The word FIDO does not directly describe any feature or attribute of dog biscuits. However, the word is a common dog name, and the product is biscuits for dogs, so the word does call to mind something about the product.

The distinction between "suggestive" and "descriptive" marks is a critically important factor in determining the legal strength of the mark. **If the mark is suggestive rather than descriptive, it is legally protectible immediately upon its first use in commerce** (or alternatively upon the date of filing of a successful "intent to use" federal registration application). **Thus, the person who selects a suggestive mark, unlike the person who selects a descriptive mark, does not have to worry that someone else will begin using a confusingly similar mark for similar products or services in the same territory during a period after the mark is in use but before the mark becomes legally enforceable.**

- **Arbitrary and Fanciful** - Finally, the strongest marks from a legal standpoint are arbitrary and fanciful designations. A designation is considered "fanciful" if it is simply a coined, or made up, word. Well known examples of arbitrary marks are EXXON and XEROX. A designation is considered "arbitrary" if the designation has some independent meaning in the abstract, but no relationship to the product or service for which it is being used as a mark. Perhaps the most well known arbitrary mark is APPLE for computers. Arbitrary and fanciful marks are generally considered the strongest marks from a trademark law standpoint. Marketers sometimes find it hard to create the association between an arbitrary or coined mark and the product in the first instance, but once the association is established, there is far less likelihood that someone else will be able to use a name that is anywhere close.

In sum, if the only consideration was the scope of legal protection, businesses would do well to always select arbitrary, fanciful, or suggestive marks. We recognize, however, that it can appear attractive to use descriptive marks because consumers can review the mark and immediately learn something about the products or services offered. Indeed, part of the reason trademark law does not immediately protect descriptive marks is that courts are reluctant to use the law to allow one person to foreclose others from taking commercial advantage of the descriptive value of words.

Each business, in the course of its brainstorming efforts, will have to balance what it sees as the marketing value of descriptive terms versus the trademark value of suggestive, fanciful, and arbitrary marks. Given the large gap in legal protection between "descriptive" and "suggestive" marks, we recommend businesses which are not inclined to adopt arbitrary or fanciful marks at least do their best to think of "suggestive" terms that call to mind a positive association with the product or service, but do not directly describe the product or service.

### **"KNOCK OUT" SEARCH**

Once a list of potential marks has been prepared, the next step is to "knock out" marks that can be quickly determined to be unavailable. This is done through a quick search, generally of an online database, to see if the most recent records recorded on the database show that the mark, or a confusingly similar mark, is already registered or if there is a pending application for registration of the mark or a confusingly similar mark. One commonly used database is the TESS system operated by the PTO, whose website is located at [www.uspto.gov](http://www.uspto.gov). Trademark counsel can usually conduct such an initial search, used only to rule out obviously unavailable marks rather than to completely clear the mark, in a very brief time period. If you have plans to market the product or service internationally, then there should be a "knockout" search in other potential markets.



## **SELECTION AND CLEARANCE OF CHOSEN MARK**

After the field has been narrowed, the next step is to select, from the remaining candidates, the favored candidate. When the primary candidate is selected, we recommend that businesses have a "comprehensive" search performed to evaluate the availability of the mark. There are several companies that carefully conduct wide and thorough searches and prepare reports that identify other potentially similar federally registered marks, other potentially similar marks registered at the state level, other "common law" marks that are not registered but are being used in commerce, potentially similar names and domain names in use on the internet, and potentially similar business names. Trademark counsel can evaluate, from the search report, whether the mark appears to be available for use and/or federal registration. Again, in the event the business plans to market products or services internationally, the search similarly should be international.

Although there is some cost involved in obtaining a full search, this type of search is the best way to obtain reliable information to evaluate whether your adoption of the mark will not (a) currently infringe upon someone else's rights, whether those rights are based upon the common law or upon registration; or (b) cause you problems in the event you elect to expand the market area for sales of products or services offered under the mark in the future.

If, upon review of the search report and opinion letter, you conclude that the mark should not be adopted, you should go back to your list of candidates and choose another. Continue this process until you have found a candidate that is available for adoption.

## **PROTECTING THE MARK**

Once the mark is selected, the next step is deciding how to protect the mark. If the mark is available for federal registration, there are many benefits to pursuing a federal registration. In addition to the twin advantages of nationwide rights and "constructive use priority" from the date of filing of a trademark registration application, a member of the federal registration club gets the following benefits, among others.

- a legal presumption of ownership of the mark and exclusive right to use the mark in connection with the goods or services listed in the registration
- the possibility that this legal presumption can become "incontestable" after the mark has been registered for 5 years
- the ability to use the U.S. registration as a basis for registration in foreign countries
- the right to use the ® designation in connection with the mark

If you only plan to use the mark locally, have no future geographic expansion aspirations, and do not foresee making a heavy investment in the product or service that bears the mark, then the pursuit of a federal registration may not be appropriate even if the mark is deemed available. If you have future expansion plans or aspirations or are making a substantial investment in the product or service, however, it is a good idea to fit the relatively modest cost of a federal registration into your budget to preserve your ability to use the mark in new market areas in the future and to obtain the additional rights that come with a federal registration.

In those instances in which a federal registration is either not available or not pursued, businesses should consider whether to alternatively pursue trademark registration at the state level. State registrations are generally less expensive and less time consuming to obtain than registrations at the federal level. State level registrations can be quite useful to place others on notice of your trademark rights and to provide evidence of the facts set forth in the state registration certificates. It is important to note that the owner of a state registration may not use the ® mark, which may be used only by owners of federal registrations.

Finally, of course, due consideration should be given to international registration of the mark if the potential market is international. In many foreign jurisdictions, the only way to obtain legal protection for an adopted mark is through registration. In other words, many foreign countries do not recognize "common law" trademark rights based solely upon use.

# THE FEDERAL TRADEMARK REGISTRATION PROCESS

If you decide to federally register the mark in the U.S., the process is relatively simple but slow. Thereafter, the registration can be maintained in force indefinitely, although steps must be taken periodically to "maintain" the registration.

## OBTAINING A FEDERAL TRADEMARK REGISTRATION

### *Submit Application Form*

An application form is prepared and sent to the PTO either by mail or electronically. Among other things, the form requires the applicant to identify the mark, submit a "drawing" of the mark, set forth the goods and/or services in connection with how the mark is used, and pay a fee. If the mark is already being used in commerce, the applicant must state the date of first use of the mark in commerce and submit a "specimen" showing the actual use of the mark. If you are filing an "ITU" registration application, the need to file a specimen is deferred until after the applicant begins using the mark in commerce.

### *Initial Review by Examining Attorney*

After the application is filed, the application is sent to an "examining attorney" at the PTO. It can be months before this assignment takes place. The examining attorney reviews the application and makes a determination concerning whether to initially approve or reject the application. During the examination process, the attorney reviews the PTO's records to determine if a confusingly similar mark is already registered, or if there is a pending application for a confusingly similar mark that was filed first. The PTO also makes other determinations, such as whether the mark is descriptive and, if so, whether there has been the appropriate showing of secondary meaning. The PTO also considers whether there are any technical or procedural deficiencies in the application that need to be addressed.

If there are any problems, the examiner will send a notice, entitled an "Office Action," to the applicant or its attorney. The Office Action identifies each problem with the application and gives the applicant or its attorney a period of 6 months to respond and address the objections.

If there are no problems, or the problems are answered to the satisfaction of the examining attorney, the examiner will issue a notice that the mark has been "approved for publication."

If the objections are not resolved to the satisfaction of the examining attorney, the attorney issues a "final refusal" and the mark will not be registered unless the applicant successfully appeals the examiner's decision to the Trademark Trial and Appeal Board (the "TTAB").

#### *Publication and Registration of the Mark*

A mark approved for publication by the examining attorney is then published in the PTO "Official Gazette." Through this publication, other trademark owners are put on notice that the mark has been initially approved for registration. Persons who object, such as those who claim the mark is confusingly similar to their own, can file a "notice of opposition" to the registration of the mark. The filing of such an opposition can lead to an adjudicative proceeding, with rules similar to the rules governing lawsuits in federal court, through which the PTO decides if the opposer has established grounds for refusal to register the mark.

If no opposition is filed (or if an opposition is ultimately rejected), the mark will be approved for registration. Eventually, a Certificate of Registration will be mailed to the applicant or its attorney. According to the PTO's website, a Certificate of Registration is generally issued about 12 weeks after the mark was published in the Official Gazette, though the time can be more or less.

Although the time varies, it can easily be more than a year after a registration application is filed before the Certificate of Registration finally arrives in the mail. Fortunately, however, the "constructive priority" afforded by a federal registration starts from the date of filing the application rather than the date the registration certificate is issued.

## MAINTAINING A FEDERAL REGISTRATION AFTER IT IS ISSUED

In order to ensure that a federal trademark registration remains in force, the registrant must periodically file certain documents with the PTO. These documents include:

- ***Affidavits of Continued Use*** (or acceptable excuse for nonuse) - An affidavit showing that the registrant is continuing to use the mark must be filed between the 5th and 6th years of registration, between the 9th and 10th years of registration, and every 10 years thereafter.
- ***"Incontestable Rights" Affidavit*** - After the mark has been registered for at least 5 years, a party can file an affidavit confirming that the mark has been in continuous use for five consecutive years following the date of registration. Acceptance of this affidavit by the PTO gives the registrant certain expanded "incontestable" rights which make its litigation position against potential infringers stronger.
- ***Renewals*** - A trademark registration is valid for 10 years, but can be renewed indefinitely through the filing of a renewal application during the year before the expiration of each 10 year period.

If the mark has been obtained with the assistance of counsel, counsel will use a "tickler" system to keep track of the various deadlines for these filings. Nonetheless, it is important for businesses to also keep track of these deadlines, in case for any reason counsel is unable to provide the necessary reminder.

## PRESERVING TRADEMARK RIGHTS

There are several steps a trademark owner must undertake, in addition to making the necessary filings with the PTO, to develop and preserve trademark rights. Among other things, a trademark owner must **use the mark properly**, **police** the mark to make sure infringing users do not go unchallenged, and **employ proper license agreements** if others are allowed to use the mark.

### PROPER USAGE

It is important for trademark owners to make sure that they (and others) use marks properly. Among the more important rules to help ensure proper trademark usage are the following:

- ***Use it or Lose it*** - As a general rule, trademark rights, whether based upon the common law or federal registration, must be used to be maintained. If your business ceases for a substantial period of time to use the mark in connection with the goods or services for which rights have been developed, the rights can be deemed "abandoned," and others may be allowed to use the marks without liability. If marketing ceases only temporarily, and you can show you have the intent to resume marketing, rights can potentially be maintained. If you have ceased using a mark temporarily, but intend to resume use of the mark in the future, it is best to consult with counsel and consider ways to document your intent to resume use and to take actions to preserve your trademark rights during the interim period. You may also wish to consider whether it is appropriate in your situation to seek to sell the trademark rights you no longer wish to use, along with the goodwill they represent, to another business.
- ***Manner of Use*** - There are many ways in which businesses can make creative use of their trademarks. At a minimum to preserve mark rights, however, businesses should take care to continuously use the exact trademark registered with the PTO in a manner that allows for the provision of appropriate specimens needed in connection with the various filings required to maintain registration rights. For products, this usually means to place the exact registered trade-

mark on the product itself, on the packaging for the product, or on point-of-sale displays. For services, the exact service mark registered with the PTO should be used in written advertisements, pamphlets, or other marketing documents that clearly identify the specific type of service offered through the mark. Use of the marks in this manner will help to preserve trademark rights and make sure appropriate "specimens" are available to send to the PTO. If you have expanded your use of the mark to products or services not covered by the original registration, a new registration application likely will be required to extend the benefits of the registration to those products or services.

- **Consistency** - The mark should be used consistently in the same manner. For a registered mark, there should be no deviation from the exact form in which the mark was registered with the PTO. The PTO will accept certain nonmaterial deviations, but "nonmaterial" is not clearly defined, and if a deviation is deemed material, the result can be cancellation of the registration. If a business owner makes potentially "material" changes to a mark, the revised mark may need to be the subject of a new registration application.
- **Use as Adjective** - The mark generally should be used as an adjective, not a verb or a noun. For example, a company usually should refer to FIDO dog biscuits, and not shorten this to FIDO'S. In certain relatively rare cases, names that started out as marks have, through improper consumer usage, turned into "generic" words for categories of products, and thus lost their ability to act as legally protectible trademarks. One example is the term "THERMOS," which was originally a trademark but has now been deemed by court decision to be a name that can be used generically by any seller of vacuum insulated bottles.
- **Symbols** - For federally registered marks, the ® designation should be placed next to the mark. Use of the ® symbol is not a prerequisite for continued protection, but its use can take away another party's potential "innocent infringement" defense. For trademarks that are not federally registered, use the ™ symbol. For service marks that are not federally registered, use the SM symbol. The TM and SM symbols can be used whenever a business uses a term or designa-

tion and wants to signal that it is being used as a trademark or service mark.

## **POLICING THE MARK**

A trademark owner can potentially lose rights in a mark if he fails to identify infringers and take appropriate action to make them stop infringing. At a minimum, trademark owners are advised to keep their eyes and ears open and take prompt action when they become aware of others who use the mark, or something similar, for similar products or services. An additional step many prudent trademark owners take is to employ commercial "watch" services that, for a fee, monitor and provide reports concerning commercial uses of the mark or confusingly similar marks.

When a trademark owner learns of a potentially infringing use, the first step is generally to evaluate whether the use does lead to potential consumer confusion. If so, the owner or its attorney should send a letter demanding the potential infringer to "cease and desist" the infringing activity. If infringers refuse to cease and desist, the next step is to consider legal action to protect and preserve the owner's trademark rights. Again, failure to aggressively enforce trademark rights can result in diminishing or losing those rights.

## **PROPER ASSIGNMENTS OR LICENSE AGREEMENTS**

There are numerous considerations that a trademark owner must take into account in the process of assigning or licensing trademark rights. Some of the important concerns are addressed below.

### *Assignments*

Often, a business will "assign" ownership of a trademark from itself to another party. Such an assignment is acceptable if carried out properly (although an exception to this rule is that a business generally cannot assign rights in an "Intent to Use" trademark registration application before the business has actually begun use of the mark in commerce).



The critical rule for assignments is that a trademark can only be assigned if the "goodwill" symbolized by the mark is also assigned. In practice, what this means is that the person to whom the trademark rights are assigned must use the mark in connection with goods or services of a like nature and quality to the goods and services to which the assignor applied the mark. If the assignee uses the mark for substantially different goods and services, the rights and priority held by the original mark owner may be deemed lost or abandoned.

Another important consideration in assignments is that the assignments must be properly recorded to be valid as against subsequent purchasers. Depending on the circumstances, it may be appropriate to file recordation documents placing potential purchasers on notice of the assignment at the office of the PTO or in various state UCC registries.

### *Licenses*

Instead of assigning ownership of a mark, a business may for various reasons elect to retain ownership but license others to use the mark. One common licensing example is a franchised business. A fast food restaurant franchise owner may license several different local businesses to operate restaurants under the service mark owned by the franchisor. Although consumers may not know who specifically owns each franchise, the service mark imparts useful information because consumers are aware that the franchise owner imposes quality standards which create some level of assurance that a cheeseburger purchased in Wilmington, North Carolina will generally be similar to one purchased in Fresno, California.

If your business plans to license others to use the mark, it is important to have counsel experienced in trademark law review the agreement to make sure it imposes appropriate quality controls upon the person licensed to use the mark, and that those standards are enforced. The potential consequence of a license without such quality controls is **loss of enforceable trademark or service mark rights**. Even if the owner of trademark rights is simply allowing a subsidiary or affiliated entity to use the mark, it is best to make sure that an appropriate license agreement is in place.

In the United States, there is generally no recording requirement for licensing agreements. If you plan to license someone to use the mark internationally, however, in addition to clearing and registering the mark internationally, it is important to check with authorities in each country concerning licensing requirements. Many countries require license agreements to be filed with authorities.

## SPECIAL PROTECTION FOR "FAMOUS" MARKS

Under current federal law and the law of many states, marks that are considered "famous" are given an extra level of protection - not only from "infringement" but also from "dilution." If a mark is determined to be famous, a junior user's use of the mark or a similar mark can "dilute" it whenever the use of the junior mark is deemed to "lessen the capacity" of the famous mark to identify and distinguish goods or services. For example, if someone started offering Toyota tennis racquets, this would lessen the distinctive value of Toyota as a mark that consumers associate with automotive products. Even if consumers realize there is no connection between the tennis racquet maker and the car manufacturer, the "distinctive value" of the Toyota mark may be reduced. Dilution also occurs when a junior user causes a famous mark to be associated with something degrading. This was held to be the case, for instance, in a lawsuit in which the retail toy seller TOYS 'R US brought suit against the operator of an adult website entitled ADULTS 'R US.

The existence of this "dilution" remedy adds a new level of complication to the trademark clearance process. Not only must businesses consider whether their proposed mark is likely to be confused with the marks of others for similar products or services, but they must also consider whether the proposed mark might dilute someone else's famous mark even if the mark is applied to a completely different category of products and services. The process is made even more difficult because caselaw has indicated that a mark can be "famous" in certain niche markets or geographic areas even if it is not a household word throughout the country.

## **INTERNATIONAL CONSIDERATIONS**

With the world shrinking as it is, more and more businesses are exploiting opportunities to market their products and services internationally. Companies that market their products and services across international borders have to follow the trademark laws of each individual country in which they do business. Ideally, this means clearing, registering, and maintaining rights in every country in which a particular product or service is marketed, though sometimes due to cost considerations businesses are forced to set priorities and focus on obtaining legal protection only in the most important markets.

A U.S. business that plans to adopt a mark for use in several countries should first employ counsel to conduct a search to find a mark that is clear in each jurisdiction of intended use. The business should then seek a U.S. federal registration and a national registration in each important international market. Pursuant to the “Paris Convention” treaty, a U.S. company is allowed to first file a U.S. federal registration application and then file national trademark registration applications in each country in which the business seeks protection within six months of the initial U.S. filing. So long as the six month deadline is satisfied (and the U.S. application ultimately ripens into a registration), the date of the U.S. application is considered the “priority” date not just for the U.S. registration but also for the registrations in each of the other countries in which protection was sought. Once registrations have been issued in each important country, the U.S. business will have to comply with each country's laws regarding the continued use of the mark, the renewal of the trademark registration, licensing and assignments of the mark, and other matters. Since these laws of each country are different, assistance from counsel is necessary to ensure international rights are properly protected and maintained.

## THE MADRID PROTOCOL

Traditionally, a U.S. business that wanted to protect a trademark in several foreign jurisdictions had no choice but to work through separate counsel licensed to practice in each of the foreign jurisdictions. In recent years, U.S. businesses have benefited from efforts to streamline and simplify the international trademark registration process. One successful effort is the “Community Trademark” or “CTM” registration process instituted by the European Union. A U.S. business can use local counsel in Europe to file a single application to register a European Community Trademark. If successful, the CTM registration provides enforceable trademark rights throughout all countries of the European Union.

The U.S. became part of a more comprehensive effort to simplify the international trademark registration process on November 2, 2003 when it acceded to the “Madrid Protocol” treaty, which has been broadly adopted in Europe and among many countries in Asia and Africa among other places. Now that the U.S. is a member of the Madrid Protocol, a U.S. business can file an “International Application” for registration of the mark. Through this application, the business can seek an “International Registration” and an “extension of protection” from any one or more of the more than 75 member countries of the Madrid Protocol by designating the selected countries in the application. Assuming the International Registration and the extensions of protection are granted, the applicant will have the equivalent of a national trademark registration in each jurisdiction that issued an extension of protection.

Thus, an applicant in the United States can potentially use U.S. trademark counsel to file a federal trademark registration application and an International Application with the USPTO, pay a single filing fee for the International Application, and ultimately end up with a single International Registration that carries with it enforceable trademark rights in multiple jurisdictions. This is a considerable improvement over the prior way of accomplishing the same thing, which was to pay numerous lawyers around the world to prepare many different applications. Further, the owner of an International Registration can renew all rights associated with the International Registration through a single filing from the United States every 10 years, rather than have to file separate renewal papers in each separate jurisdiction at different times.

Though the Madrid Protocol considerably simplifies the foreign registration procedure, it is important to note that many countries are not party to the Madrid Protocol, including – as of the date of publication of this Guide – Canada, Mexico, and most countries in South America. For countries not party to the Protocol, it is still necessary to retain properly licensed counsel in each country to pursue trademark protection. It is also important to note that each country still examines a request for an extension of protection under its own national law, and any problems with an application in a particular country must be addressed by counsel licensed in that country. Further, there are still many country-specific requirements, such as continued use requirements and licensing notification requirements, that are particular to each country and have not been harmonized by the Madrid Protocol. Businesses must be sure to obtain appropriate advice regarding the law of each country to ensure compliance with local trademark laws.

# TRADEMARKS ON THE INTERNET

As consumer usage of the internet continues to skyrocket, businesses are finding more opportunities to sell or market their products and services online. It is important for businesses to consider trademark law in all of their uses of the internet. The areas in which trademark law have been applied on the internet are too numerous to mention, but some important concerns to be wary about are mentioned below.

## DOMAIN NAMES

It is still common for many internet users to type a trademark name directly into their browser (e.g. [www.starbucks.com](http://www.starbucks.com)) rather than typing a query into a search engine. For this reason, it remains crucial for trademark owners to keep ownership of the most common domain names that include their trademarks. Trademark owners now have a choice of legal remedies available when someone wrongfully registers their trademarks as domain names. These include the right of trademark owners to file lawsuits for “cyberpiracy” against persons who register trademarks as domain names simply to sell the domain names to the trademark owner, and the right in appropriate instances to sue holders of domain names for trademark infringement or dilution. There is also a well-established procedure through which a trademark owner can institute an abbreviated online arbitration proceeding to dislodge a domain name from someone who has no proper rights in the trademark. This is known as a UDRP proceeding (Uniform Dispute Resolution Procedure).

## LINKING AND FRAMING

A number of cases have involved complaints regarding the linking or framing practices of a website. Generally it is appropriate to provide hypertext links from your website to those of others so long as the manner of linking does not create confusion. Certain types of links, however, have led to legal disputes. For instance, website owners sometimes complain about unauthorized “deep links” – through which one website links to a page deep inside the website of another, rather than to the opening home page, thus enabling consumers to bypass advertising or other subject matter the linked website wants to highlight. Unauthorized

“framing” is also legally problematic. A person whose website pulls content from another website into the “frame” of the original website can easily confuse users and lead them to falsely believe that there is a relationship between the original website and the site which provided the “framed” material. This “likelihood of confusion” can be the basis for a trademark infringement claim.

### **“GRIPE” SITES, FAN SITES, AND RESELLERS**

Trademark owners are often distressed to learn that a consumer has established a website whose sole purpose is to complain about the trademark owner’s products or services. Even more distressing, the “griper” often uses some form of the trademark owner’s name in either the domain name for the site or in the text of the site itself. For example, there are a number of websites whose domain names take the form [www.TRADEMARKSUCKS.COM](http://www.TRADEMARKSUCKS.COM). Unfortunately, there are limits to what trademark owners can do about this. Trademark law generally only protects against trademark uses that are likely to cause confusion about the source or sponsorship of a mark, and it may be said that a “right to gripe” is included in the more general First Amendment right of free speech. Since it is usually pretty clear that the griper is not sponsored by or affiliated with the trademark owner, a showing of confusion can be difficult. Further, sending “cease and desist” letters or otherwise engaging the owners of these sites usually just provides more ammunition for new gripes. In some cases, particularly when it can be shown that the owner of the gripe site is commercially profiting in some manner from his or her activities, legal action (or a UDRP proceeding requesting transfer of a domain name) may be appropriate. In most instances, however, it is best to follow the advice of experienced parents who know that the best way to deal with whiny children is to ignore them.

A related problem involves the use of trademarks in domain names or websites by persons who either engage in the legitimate resale of products bearing another person’s trademark or who are simply “fans” of the products or services of the trademark owner. If the owner of a reseller site or fan site uses the trademark in only a “nominative” fashion (this involves, among other things, only using the words of the mark and not using any particular design or logo associated with the mark) and there is nothing about the site that would mislead consumers into believing the



site is sponsored or endorsed by the trademark owner, then use in this fashion could constitute “fair use” of another’s trademark. Distinguishing between fan sites or reseller sites that engage in “fair use” of another’s mark and those that create an inappropriate likelihood of confusion about whether the site in question is endorsed or sponsored by the trademark owner can be a difficult question that depends on the circumstances of each individual case.

### TRADEMARKS IN ONLINE MARKETING

Companies often use their competitors’ trademarks in various ways to draw attention to their own products and services on the internet. Current legal issues that involve the use of competitor’s trademarks in online marketing include:

- ***Search Engine Marketing*** - Search engines like Google and Yahoo! sell advertisers the right to have “sponsored links” appear when relevant keywords are entered into a search query. For instance, a florist might pay to have its sponsored link appear when a user searches for the term “florist.” Lawsuits have arisen when advertisers pay to have their sponsored link appear after a user enters a competitor’s trademark as the query. For instance, Toyota might pay to have its sponsored link appear when a user enters a search query for Nissan, and Nissan might respond by filing suit. Courts in a few recent cases have determined that using a competitor’s trademark as a search engine keyword does not necessarily violate the trademark owner’s rights, but the law is far from settled. At this point, a prudent business engaged in internet advertising would be very careful about using its competitor’s trademark for sponsored search engine advertising.
- ***Use of Competitors’ Trademarks in Pop-up or Banner Advertisements*** - Litigation has also arisen when software provided by companies such as Gator and WhenU.com triggers pop-up advertisements based upon trademark keywords entered by internet browsers. A few cases have determined that WhenU.com’s practice of using trademarks to trigger competitor pop-up ads did not infringe the trademark owner’s rights. Again, however, the law in this area is evolving and a risk-averse advertiser will steer clear of this practice.

- ***Use of Competitors' Trademarks in Comparative Advertising*** - Fair comparative advertising has long been permitted under U.S. law. Comparative advertisements must comply with the same rules for accuracy, fairness, and substantiation as other types of advertisements. Failure to properly substantiate comparative advertisements can lead to defamation or disparagement claims. However, assuming the comparison in the advertisement is accurate and fair, it is appropriate to identify the product or service to which you are comparing your product or service by using its trademark or service mark. However, you should use only the name of the compared product or service and refrain from using any stylized logo, design, or slogan. You should also avoid using the competitor's mark more than is necessary to make the comparison. A summary of the law regarding comparative advertising can be found online at <http://www.ftc.gov/bcp/policystmt/ad-compare.htm>.
- ***Search Engine Optimization*** - Online businesses employ a number of devices whose purpose is to improve the ranking of their websites when users enter a search engine query. For example, it was once common for businesses to use "metatags," which are hidden words in a website that users don't see, but that nonetheless influence search engine results. Metatags have been the source of trademark disputes. Courts in some cases held that persons who use their competitors' trademarks as metatags to drive internet users to their own websites were guilty of trademark infringement. As a practical matter, metatags are not as prevalent as they once were because search engines have become more sophisticated in recognizing and discounting these techniques when they rank search results. Nonetheless, website owners will likely continue to find creative ways to increase their own website traffic by using someone else's trademarks as lures. When this happens, a trademark dispute may be brewing.

## CONCLUSION

While this guide does not purport to provide a comprehensive analysis of trademark law, we hope it will be useful to help businesses understand the importance and role of trademarks, and to identify the various trademark law related issues that are most likely to arise. A business that carefully and properly develops, clears, registers, and uses its trademarks will create important assets and avoid many future difficulties that it might otherwise face.

# Trademark Selection and Protection Checklist

**1. BRAINSTORMING POTENTIAL MARKS** – Have you prepared a listing of several potential marks for your product or service?

a. *Trademark Spectrum* - Are all potential marks suggestive, arbitrary or fanciful such that they will be immediately protectable?

If a potential mark is or may be “merely descriptive” are you willing to accept the risk that the mark may be protected only upon a showing of secondary meaning?

b. *International Considerations* - If you plan to market the product or service internationally, does the mark or its translation have any unappealing meaning or connotation in any important international jurisdiction?

**2. KNOCK OUT SEARCH** - Have you or your counsel conducted a quick online search to see if recent trademark registry database records or internet websites reveal that the mark or a similar mark is already registered, in use, or the subject of a pending application? Have you ruled out marks determined to be unavailable based upon this quick search? Did the quick search include all important potential international markets for the product or service?

**3. COMPREHENSIVE SEARCH** - Once you have selected a mark that is appropriate and survives the “knock out” search, have you had counsel obtain a “comprehensive” search and provide an opinion regarding the availability of the chosen mark? Did the availability opinion cover all important potential international markets?

4. **U.S. FEDERAL REGISTRATION** - Once you have selected a mark that is appropriate and available, have you filed an application to federally register the mark in the United States in connection with all actual or potential products or services for which the mark is or will be used?
  - a. *State Registration* - If you have elected not to seek a federal registration, have you considered whether to pursue state trademark registrations in the state or states in which you are marketing the product or service bearing the mark?
  
5. **INTERNATIONAL REGISTRATIONS** - Have you sought to register the mark in all potentially important international markets? Have you satisfied the 6 month deadline from the filing of your U.S. federal registration application to ensure priority in foreign jurisdictions under the Paris Convention Treaty?

# Trademark Preservation Checklist

## 1. TRADEMARK PROPER USE

- a. *Trademark Use* - For product trademarks, are you and your employees continuing to use the exact mark you registered on the product, on packaging or tags for the product, or as displayed in catalogs, online e-commerce websites, or point-of-sale displays for all products described in your registration?
- b. *Service Mark Use* - For service marks, are you and your employees continuing to use the exact mark you registered in advertisements, pamphlets, commercials, websites, and other marketing documents in connection with all services described in your registration?
- c. *Use as Adjective* - Are you and your employees and marketing and advertising consultants making an effort to consistently use the mark as an adjective describing the product or service, such as FIDO dog biscuits?
- d. *Symbols* - Are you using the ® symbol next to federal registered marks and the SM or TM symbols next to unregistered marks?

## 2. POLICING THE MARK - Are you taking appropriate steps to identify potential infringers of the mark?

- a. Have you educated all employees, including sales employees, to be alert for and report infringing uses of the mark or similar marks by competitors?
- b. Have you considered whether to adopt a watch service to monitor and provide reports regarding third party uses of the mark?
- c. Do you regularly notify infringing users that they should cease using the mark and follow up as appropriate?

### **3. MAINTAINING TRADEMARK REGISTRATIONS**

- a. Have you selected counsel you are confident will keep track of deadlines for renewals and other necessary filings to maintain trademark registrations?
- b. Does your company maintain its own separate calendar to keep track of maintenance deadlines?
- c. Have you complied with all necessary filing deadlines for state registrations?
- d. Have you complied with all necessary filing deadlines in connection with international registrations?

# Notes



# Notes

# Notes

## About the Author



**Eric P. Stevens**, a partner in the Raleigh office of Poyner Spruill LLP, practices in the areas of commercial litigation and intellectual property. He has experience in representing common law and federally registered trademark owners in infringement disputes and litigation, including domain name disputes, representing applicants for federal trademark registration in proceedings before the United States Patent and Trademark office, and representing copyright applicants and owners. Eric also has experience negotiating computer software licenses, escrow and support agreements on behalf of vendors and purchasers, and representing vendors, employers and users in disputes with regard to computer software ownership and licenses. He may be reached at 919.783.1017 or [estevens@poynerspruill.com](mailto:estevens@poynerspruill.com).



**p.s.**

**POYNER SPRUILL** prepares this booklet as an educational resource to meet the ongoing needs of our corporate clients.

**p.s.**

**Poyner Spruill**<sup>LLP</sup>

ATTORNEYS AT LAW

**RALEIGH**

**CHARLOTTE**

**ROCKY MOUNT**

**SOUTHERN PINES**

**WWW.POYNERSPRUILL.COM**

301 Fayetteville St., Suite 1900, Raleigh, NC 27601

**P:** 919.783.6400 **F:** 919.783.1075