

## FUNDAMENTALS OF TRADEMARK LAW

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### I. What is a Trademark?

A. Definition of a Trademark: Any word, phrase, symbol or device, or any combination thereof, adopted and used by a manufacturer or merchant to identify and distinguish its goods and services from those manufactured and sold by others. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service as opposed to a product. 15 U.S.C. §1127.

B. Examples of Types of Trademarks:

1. Words: Kodak, Pioneer, Microsoft

2. Slogans/Phrases:

“Where there’s Life . . . There’s bud”  
“You’re in good hands with ALLSTATE”  
“Here’s Johnny”

3. Symbols/Devices:

- Chevrolet design logo (5 triangles forming a hexagon)
- Polo clothing symbol
- Ralston Purina (checkerboard symbol)
- Prudential (the rock symbol)
- shape of the Coca-Cola bottle
- sound of NBC’s three chimes, Pentium chimes
- fragrance of sewing thread (nonfunctional)

4. Color: Color, alone, may serve as a trademark if it has become distinctive of the user’s goods in commerce, provided that there is no competitive need for colors to remain available in the industry and the color is not functional (*i.e.* is not essential to the product’s use or purpose and does not

affect product cost or quality). *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).

5. Trade Dress. The total image or overall appearance of a product/service or its packaging — including features such as size, color, color combinations, texture, graphics, packaging and other visual features.

Examples of things found to constitute protectable trade dress:

- cover design/format of magazine/guidebook
- overall layout and design of Reader’s Digest magazine
- Rubik’s Cube puzzle
- shape of an automobile (unique exterior design and shape of Ferrari classic sports car)
- shape of a flashlight (Black & Decker “Snakelight” flexible flashlight)
- “Marlboro Man” western cowboy motif
- décor, menu and style of a restaurant
- building designs are service marks for restaurants/hotels or other services (McDonalds, Howard Johnson’s)

*See Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) and *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

6. Other Miscellaneous Marks.

- a. Characters (Mickey Mouse, the Pillsbury Dough Boy, Barney)
- b. Personal names (first name, surname, or both) — Protectable when attains secondary meaning. For example, Ford, Hyatt, Johns Hopkins.
- c. Celebrity’s name, likeness, image (persona) — if used by the celebrity to identify the source of products or services and to distinguish them from those of others. For example, Johnny Carson (registrable for entertainment services); Gloria Vanderbilt jeans; Jimmy Dean sausage; Woody Allen’s persona; Vanna White’s persona; image and likeness of Steve Timmons used in promoting Redsand sportswear.

C. Policy Reasons for Affording Trademark Rights.

- Encourages production of quality products/services
- Protects consumers against deceit as to the source of their purchases

- By identifying the source of goods and services, marks help consumers identify their expected quality and create an incentive for manufacturers/merchants to maintain a good reputation for a consistent and predictable quality of goods. Trademarks assist consumers in making purchasing decisions by allowing them to learn about the qualities associated with different brands.

D. Functions of a Trademark.

- **Identifies** a seller's goods and services and **distinguishes** them from the goods/services of others. It is not necessary that a purchaser know the identity of the source of goods/services so long as he or she recognizes that all goods/services bearing a particular trademark originate from a common (although anonymous) source.
- Signifies that all goods/services bearing the mark come from or are controlled by a single source.
- Signifies that all goods/services bearing the mark are of equal level of quality.
- Key tool in advertising and selling goods/services.

II. Sources of Protection.

- A. Common Law: Trademark rights are not acquired through selection or creation of a mark, but only through actual usage. Generally, the use of a mark in steps preliminary to establishing a business does not constitute trademark use for purposes of establishing priority rights. For example, courts have found that the following preliminary actions do not amount to trademark use sufficient to establish priority rights: the act of incorporation under a name; the conception of a mark and discussion of it with others; the use of a designation in announcements for a new business; and the use of a designation in letters with architects, builders and prospective suppliers prior to opening a retail shop. Likewise, the use of a service mark prior to the actual rendering of services does not typically establish a date of first use. To constitute use as a service mark, a mark must be prominently used in connection with the actual rendition of services, so as to develop consumer recognition of the mark.

Trademark rights are based on priority of use, *i.e.* the party first in time to adopt and continuously use a mark for goods or services in a geographic area has priority in that area. Even without registering a trademark, a user of a mark acquires common law trademark rights which extend to the territories in which the mark is used and has acquired consumer recognition. The territorial extent of common law trademark rights is based on a company's market penetration, which is indicative of how well known a mark is among consumers. In determining market penetration sufficient to establish trademark rights in a territory, courts typically consider factors such as the length of use of the mark, sales volume, number of customers, growth trends and the amount and extent of advertising.

Some courts may also extend rights to the markholder's "zone of natural expansion."

A junior user's good faith is an important factor (*i.e.* at the time the junior user adopted the mark in its territory, it had no knowledge of the senior user's mark). A use is not in "good faith" if the junior user intends or expects that its use will create (immediately, or in the future) a likelihood of confusion with the goods or services of a prior user.

- B. State Registration: Marks (including those not eligible for federal registration because of non-use in interstate commerce) may be registered at the state level. State trademark registration does not confer trademark ownership absent common law usage of the mark. In some states, registration of a mark creates *prima facie* evidence of ownership and validity of a mark. In many jurisdictions, however, state registration confers no substantive rights beyond a trademark owner's common law rights. Thus, it is priority of use, not priority of state registration that controls the ownership of trademark rights. In addition, in most states, state registration does not give the registrant the preemptive right to use the mark throughout the state — trademark rights will extend only to the territories/markets in which the mark is used and has become known (consistent with common law rights). State trademark registration cannot limit/narrow the rights of a federal registrant.

On the other hand, state registration serves as a public record/ notice of a claim of trademark rights and may discourage others from adopting and using a similar mark. Most state statutes also provide a statutory cause of action for trademark infringement and fix available remedies.

C. Federal Registration.

- 15 U.S.C. §1057(b). A certificate of registration of a mark on the Principal Register is *prima facie* evidence of the validity of the registered mark, of the registrant's ownership of the mark and of the registrant's exclusive right to use the registered mark in commerce in connection with the goods or services specified in the certificate. (Presumption of trademark validity may be overcome by proof of descriptiveness, genericness, lack of secondary meaning, etc.)
- 15 U.S.C. §1057(c). Contingent on the registration of a mark on the Principal Register, the filing of an application (use or intent to use) to register such mark constitutes constructive use of the mark, conferring a right of priority, nationwide in effect, in connection with the goods/services specified in the registration, against any other person except for a person whose mark has not been abandoned and who, prior to such filing:

(1) has used the mark;

- (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
- (3) has filed a foreign application to register the mark and that foreign filing qualifies as the constructive date of priority.

- The benefit of federal trademark registration is that federally registered marks have a right of priority, nationwide in effect, in connection with the goods/services covered, regardless of the area in which the registrant actually uses the mark. A federally registered trademark is superior to a confusingly similar trademark adopted anywhere in the U.S. subsequent to the issuance of the registration, provided the registration remains valid.
- Registration on the Principal Register is constructive notice of the registrant's claim of ownership of the mark, so a later user of a confusingly similar mark cannot defend on the grounds of innocence, good faith or lack of knowledge of the registered mark.
- Marks may be registered based on actual use of a mark in interstate commerce (*i.e.* a Use application) or on the basis of a bona fide intention to use a mark in interstate commerce (*i.e.* an Intent to Use application – a reservation process).
- A federal trademark registration has a term of 10 years if registered after 11/16/89 and 20 years if registered before 11/16/89. A federal trademark registration may be renewed perpetually every 10 years as long as the mark is still in use.

D. Corporate/Trade Names/Domain Names. The granting of a corporate charter or trade name registration does not give rise to trademark rights, nor does it clear a name such that it is immune from claims of infringement by third parties. The mere registration of a domain name does not give rise to trademark rights. However, a corporate or domain name may be used as a trade or service mark if it is used to identify and distinguish the owner's goods and services. In order to function as a trade or service mark, a corporate or domain name must be highlighted or set off in some visual/distinctive way and it should be physically removed from merely informational data such as phone numbers and addresses. In other words, the designation must create a commercial impression separate and distinct from other information appearing in an ad, label or web page, such that consumers recognize it as an indication of origin for a particular product or service.

E. Use of Symbols.

1. ® signifies federal registration of mark; can also use "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." to show federal registration.

2. <sup>TM</sup> signifies a claim of common law trademark rights; gives notice; can be used on anything which is a valid trademark (not on generic marks).
3. <sup>SM</sup> signifies a claim of common law service mark rights; gives notice; can be used on anything which is a valid service mark (not on generic marks).

### **III. Spectrum of Marks.**

A trademark must be distinctive to serve as an identifier of goods and services. Marks are categorized along the following spectrum, from the strongest to the weakest marks:

- Fanciful Marks — coined words; for example, Kodak, K-Mart, Polaroid.
- Arbitrary Marks — words in common use which bear no relationship to the associated goods; for example, Ivory Soap, Apple Computers, Giant Grocery Stores.
- Suggestive Marks — a mark which suggest some quality or feature of the associated goods but not so clearly that no imagination is needed to determine the type of goods covered; for example, Uncola, Compuserve, Petopia.

All of the above types of marks are inherently distinctive and registrable as trademarks.

- Descriptive Marks — marks that describe or identify a product by its purpose, features or characteristics; for example, Raisin Bran, and Lenscrafters.
- Generic Marks — the name of a particular class of things or a member of the class — these marks identify the product itself as opposed to the source of the product; for example, aspirin, cola, baby oil, discount mufflers, computer training, light beer.

Generic and descriptive terms are essentially regarded as words in the public domain because all sellers should be entitled to use such terms to describe their merchandise and services. Generic terms are not subject to trademark protection and are not registrable as trademarks. Descriptive marks are not inherently distinctive and require a showing of secondary meaning in order to be registrable on the Principal Register. Acquiring “secondary meaning” means that a mark has developed a distinctiveness whereby consumers accept and recognize a descriptive mark as denoting one particular seller/source. Factors considered in proving secondary meaning include sales, advertising, consumer testimony/surveys, public/consumer use and understanding of a mark and length of use of a mark.

*Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

### **IV. Trademark Protection.**

#### **A. Test for Trademark Infringement — Likelihood of Confusion.**

The test of trademark infringement is whether the defendant's use of a designation in connection with any goods or services is likely to cause confusion, mistake or deception as to the source, sponsorship or approval of the defendant's goods/services, or as to the affiliation, connection or association of the defendant with another person. 15 U.S.C. §1125(a) (applies to registered and unregistered marks) and 15 U.S.C. §1114 (applies to federally registered marks only). The plaintiff must demonstrate that an appreciable number of ordinarily prudent purchasers are likely to be misled or confused. While the U.S. Court of Appeals for each federal circuit applies its own list of factors, the following factors are generally representative of those considered in deciding the issue of likelihood of confusion:

1. The similarity or dissimilarity of the marks in their entireties as to appearance, sound (COMSAT and COMSET are confusing), connotation and commercial impression (TORNADO and CYCLONE are confusing). Sight, sound and meaning.
2. The similarity or dissimilarity and nature of the goods or services provided under the marks. (The same mark on shoes and clothes may be confusingly similar. The same mark on peanut butter and jelly may be confusingly similar.)
3. The characteristics of the prospective buyers and the degree of care they exercise in making a purchase, *i.e.* "impulse" vs. careful, sophisticated purchasing (candy vs. automobiles).
4. The degree of distinctiveness/strength of the prior mark (sales, advertising, length of use).
5. The number and nature of similar marks in use on similar goods (dilution).
6. The nature and extent of any actual confusion.
7. The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
8. The degree of similarity of the marketing methods and channels of distribution of the parties.
9. The extent to which the parties' goods or services have common purchasers or users.
10. The intent of the junior user in adopting its mark.

11. The likelihood that prospective buyers would expect the senior user to expand into the field of the junior user (where the goods/services are not competitive).

*In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357 (CCPA 1973); *see also Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4<sup>th</sup> Cir. 1984) and *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492 (2d Cir. 1961).

B. Test for Trademark Dilution.

Trademarks can also be protected on the basis of dilution. Numerous state statutes and the federal Trademark Dilution Revision Act of 2006 (the “Act”), 15 U.S.C. §1125(c), permit trademark owners to prevent another’s commercial use of the same or a substantially similar mark if the preexisting trademark has become famous and another’s use is likely to cause dilution of the preexisting famous mark, regardless of the presence or absence of actual or likely confusion, of competition or of actual economic injury. Thus, the Act makes it unlawful for someone to diminish the strong identification value of a senior user’s famous mark even if the use does not create a likelihood of confusion.

Trademark dilution can occur by:

1. **Blurring:** An association arising from the similarity of a mark with a famous mark that impairs the distinctiveness of the famous mark. Third party use of a mark weakens the distinctive significance of the mark to identify and distinguish one source. Think of blurring as the whittling away of the singular association of a mark with the famous markholder; or
2. **Tarnishment:** An association arising from the similarity of a mark with a famous mark that harms the reputation of the famous mark. Tarnishment occurs when a mark becomes linked to products of an inferior quality or the mark is portrayed in an unsavory context. Such use degrades and dilutes the distinctive quality of the mark.

In order to make a claim of dilution, mark owners have to demonstrate that their marks are “famous”, and that the wrongful use of the mark by another occurred after the mark acquired such fame. A mark is famous if it is 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. In determining whether a mark is famous, a court considers the following factors: (i) duration, extent and geographic reach of advertising and publicity of the mark; (ii) amount, volume and geographic extent of sales of goods or services under the mark; (iii) extent of actual recognition of the mark; and (iv) whether the mark is federally registered.

Under the Act’s predecessor, the Federal Trademark Dilution Act, some courts allowed marks that were famous in a niche market (e.g. a small geographical area

or a discrete industry) to be considered famous and thus entitled to protection under the former federal dilution statute. The Act, however, does away with the concept of niche fame by defining a famous mark as one which is “widely recognized by the general consuming public of the United States.”

C. Exceptions.

1. Parody. Imitation of trademark must be sufficiently similar to original so that the public recognizes the humor. If the parody meaning is clear to consumers, they will not believe that the parodist’s goods come from the plaintiff trademark owner, so there is no likelihood of confusion and no trademark infringement. A non-infringement parody is amusing, not confusing – the use must not create any likelihood of confusion as to source, sponsorship or affiliation.

Examples: Lardashe Jeans’ successful parody of Jordache Jeans; Donkey Kong successful parody of King Kong; MIAMI MICE successful parody of MIAMI VICE.

BUT beware of dilution claims based upon tarnishment of another’s trademark!

2. Fair Use.

- a. 15 U.S.C. §1115(b)(4). A fair use defense is available for making a good faith non-trademark use of an individual name, or of a descriptive or geographic term. This defense applies to a person who uses a term in good faith primarily to describe a product or service, rather than to identify it with a particular source.

Examples:

- Ocean Spray’s use of “sweet-tart” in advertising its juice drinks was a descriptive, fair use of Sunmark’s SweeTART candy mark. *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7<sup>th</sup> Cir. 1995).
- Procter & Gamble’s use of “The Dentist’s choice for fighting cavities” in advertising CREST toothpaste was a descriptive, fair use of Wonder Lab’s DENTIST’S CHOICE mark for toothbrushes. *Wonder Labs, Inc. v. Procter & Gamble Co.*, 728 F.Supp. 1058 (S.D.N.Y. 1990).

- b. 15 U.S.C. §1125(c)(3). The following uses are not actionable forms of dilution of a famous mark:

- (i) Any fair use, including a nominative or descriptive fair use of a famous mark, including use in comparative advertising and in identifying and parodying, criticizing or commenting upon the famous mark owner or its product or services.
  - (ii) News reporting and news commentary.
  - (iii) Noncommercial use of a mark.
- c. Nominative Use – Use of another’s mark where it is the only word reasonably available to describe the subject matter and such use does not create confusion or imply sponsorship or endorsement by the trademark holder, and does not appropriate the cachet of one product for another. This principle has been adopted by the Ninth Circuit Court of Appeals but has not been widely recognized outside of the Ninth Circuit. To be considered a nominative use, the use must meet the following test:
- (i) Product or service must not be readily identifiable without use of trademark;
  - (ii) Only so much of trademark may be used as is reasonably necessary to identify the product or service; and
  - (iii) use must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Example:

- AOL mass mail print ad directed to members of the AARP, which included the AOL and AARP logos stated:

“If you danced to the Beatles, cruised in a Thunderbird or tuned into Dick Clark, you have earned ... 100 hours free [Internet Service on AOL]”

Found to be a nominative fair use of the “Dick Clark” name, so AOL was granted summary judgment on Clark’s trademark infringement, false advertising and dilution claims.

*Clark v. America Online, Inc.*, 2000 WL 3353512 (C.D. Cal. 2000).

V. **Anticybersquatting Consumer Protection Act — 15 U.S.C. §1125(d).**

- Protects against cyberpiracy.
- Makes it unlawful to register, traffic in or use in “bad faith” a domain name that is identical, confusingly similar to or dilutive of another’s trademark or personal name, regardless of the goods or services of the parties.

A. **Bad Faith.**

The following factors are to be considered in determining “bad faith”:

1. The trademark or other rights of the person in the domain name.
2. The extent to which the domain name consists of the legal name or nickname of the person.
3. The person’s prior use of the domain name in connection with the bona fide offering of goods/services.
4. The person’s bona fide noncommercial use or fair use of the mark in a site accessible under the domain name.
5. The person’s intent to divert consumers from the mark owner’s site to his/her site accessible under the domain name.
6. The person’s offer to sell, transfer or assign the domain name to the mark owner or any third party for financial gain, without prior use of the domain in connection with a bona fide offering of goods/services (or prior pattern of such conduct).
7. The person’s provision of false contact information or failure to maintain accurate contact information in connection with the registration of the domain name (or prior pattern of such conduct).
8. The person’s registration or acquisition of multiple domain names which are known to be identical, confusingly similar to or dilutive of marks of others that are distinctive or famous at the time of registration.
9. The extent to which the mark incorporated in the person’s domain is or is not distinctive and famous.

B. **Remedies**

1. Cancellation or transfer of the domain name and statutory damages between \$1,000 and \$100,000 per domain name (as an election in lieu of actual damages and profits).
2. Injunctive relief is available against domain names registered before or after the enactment of the Act (11/29/99), but damages are available only for violations occurring after 11/29/99.
3. The Act allows a trademark owner to file an *in rem* action against the domain name itself.

**VI. Uniform Domain Name Dispute Resolution Policy (“UDRP”) — www.icann.org.**

- A. Applies to all registrars in the .com, .net, .org .biz,. info and. name top-level domains and is designated to address cases of abusive domain name registration.
- B. Administrative proceedings are conducted before dispute resolution service providers approved by Internet Corporation for Assigned Names and Numbers (“ICANN”) (before a one or three member panel) and no transfer or modification of the registration is permitted during the administrative proceeding. To prevail under the UDRP, the complainant must prove that:
  1. The domain name is identical or confusingly similar to the complainant’s mark;
  2. The domain name holder has no rights or legitimate interests in respect of the domain name; and
  3. The domain name has been registered and is being used in bad faith.
- C. The UDRP identifies the following 4 circumstances as evidence of the registration and use of a domain name in bad faith:
  1. Trafficking in domain names;
  2. Registration of a domain name in order to prevent the mark owner from using the domain name (pattern of conduct);
  3. Registration of the domain name primarily for the purpose of disrupting the business of a competitor; or
  4. Use of the domain name in an intentional effort to divert or draw traffic to the registrant’s web site for commercial gain.
- D. The UDRP identifies the following as evidence of a registrant’s legitimate interest in a domain name:

1. The registrant's use of a domain name or mark identical to the domain name in connection with a bona fide offering of goods or services before receipt of notice of the dispute;
  2. The registrant has been commonly known by the domain name (*i.e.* a nickname) even if the registrant has acquired no trade or service mark rights; or
  3. The registrant is making a legitimate noncommercial or fair use of the domain name without the intent to misleadingly divert consumers or to tarnish the trade or service mark of the complainant.
- E. Remedies can include cancellation or transfer of the domain name.

## **VII. Enforcing Trademark Rights.**

### A. Demand/Cease & Desist Letters.

### B. Litigation.

1. Opposition Actions. Filed in the U.S. Patent and Trademark Office before the Trademark Trial and Appeal Board to oppose registration of marks published in the Official Gazette.
2. Cancellation Proceedings. File a cancellation petition in the U.S. Patent and Trademark Office or bring a court action to cancel a federal trademark registration.
3. Court Actions. An infringement/dilution action may be brought either in a state court or a federal court; also may file Declaratory Judgment Action seeking adjudication of non-infringement. 15 U.S.C. §1114 (infringement of registered mark); Section 43(a) of the Lanham Act (15 U.S.C. §1125(a)) encompasses claims for unfair competition and trademark infringement (registered and unregistered marks). Remedies available in a court action include: injunctive relief (15 U.S.C. §§1114 and 1116); defendant's profits, plaintiff's actual damages (which may be trebled for willful infringements) and the costs of the action (15 U.S.C. §1117) — accounting of profits, corrective advertising; reasonable attorneys' fees (but only in exceptional cases) (15 U.S.C. §1117); and destruction of infringing articles (15 U.S.C. §1118).
4. UDRP Proceedings. (See Section VI above).

## **VIII. Assignment and Licensing of Trademarks.**

- A. Assignment. A trademark is assignable with the goodwill of the business or portion of the business to which the mark pertains.
- B. License. A licensor must have control over the quality of goods or services sold under its mark. Otherwise, the mark may be considered abandoned by the licensor.

## IMPORTANT CONTACTS FOR TRADEMARK CUSTOMERS

U.S. Patent and Trademark Office Web Site TESS — Trademark Electronic Search System – search the trademark office records online TEAS — Trademark Electronic Application System – file a trademark online Trademark Manuals Acceptable Identification of Goods and Services Manual Trademark Manual of Examining Procedure	<a href="http://www.uspto.gov">http://www.uspto.gov</a>
Maryland Secretary of State Information Regarding Maryland Trademarks and Service Marks Search System Registration and Renewal Form Assignment Form Maryland Classification List	<a href="http://www.sos.state.md.us">http://www.sos.state.md.us</a> (410) 974-5521 ext. 3859 <a href="mailto:jwaskey@sos.state.md.us">jwaskey@sos.state.md.us</a>