

Trademarks and Service Marks

Steven J. Hultquist

Trademarks and service marks include words, names, logos, symbols, and slogans that are used to designate the source of goods and services, respectively. Trademarks and service marks thus come to embody the goodwill of a business associated with its products and services as a result of the commercial use of such marks. Registration of a mark can be obtained if the mark is not "confusingly similar" to existing marks. The "TM" designation should be used after the mark to indicate its use as a trademark followed by the name of the goods (e.g., "WoodruffTM Furniture Polish"). Correspondingly, the designation "SM" should be used after the service mark followed by a description of the services (e.g., "SilaxSM Credit Consulting Services"). The "®" designation is suffixed to the trademark or service mark, after such mark is federally registered.

The function of a trademark (such term being used hereinafter to refer to trademarks *per se* as well as service marks) is as an indication that particular goods/services come from a particular source, even though that source may be anonymous or unknown.

Rights in a trademark are created by use of the mark in commerce.

The federal statute governing trademark registration and rights in trademarks is Title 15 of the United States Code, at Sections 1051 *et seq.*

The basis for federal registration of a trademark is use of the mark on or in connection with goods or services, in interstate commerce of the United States. Typically, this involves an interstate sales transaction. In the case of service marks, this involves interstate publicizing and offering of the services.

Trademarks and service marks may be registered in North Carolina with the Secretary of State's Office, under the provisions of N.C. General Statutes §§ 80-1 *et seq.*

The federal trademark statute was amended by the Trademark Revision Act of 1988, to provide for filing of registration applications for trademarks and service marks, on the basis of a "bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce" of the United States. Even though the trademark registration application may be commenced on such "intent-to-use" basis, it remains a requirement that actual interstate commerce usage of the mark must occur before the Federal Registration Certificate can be issued for the mark. An intent-to-use application cannot, under Section 10 of the Lanham Act, be assigned prior to the filing of a Statement of Use (see below) except to the business of the applicant.

Only marks which are sufficiently distinctive in character can be registered. In order to be sufficiently distinctive, the mark must not be generic in character. Further, the mark

cannot be "merely descriptive" in character, since merely descriptive terms do not provide a distinctive indication of source. Nonetheless, marks that are descriptive in character can conceivably acquire the distinctiveness necessary for registration, via continuing use of the mark in connection with goods or services which creates an identity in the relevant consuming segment of the public, of the source of the goods and services. "Substantially exclusive and continuous use" in commerce of a mark in connection with goods or services, for five consecutive years prior to the date of federal trademark/service mark application being made, provides a *prima facie* showing of distinctiveness. Under these circumstances, the initially descriptive mark is said to have acquired "secondary meaning" in the relevant consumer market, sufficient to provide a basis for registerability of the mark, in the absence of other countervailing facts or circumstances. Marks may be arbitrary or fanciful in character, and marks which are suggestive as opposed to merely descriptive in character may be registered.

Priority rights in a specific mark thus are acquired by use of the mark on or in connection with goods or services in commerce, or by filing of an intent-to-use trademark or service mark registration application (such filing provides nationwide constructive notice of the rights being claimed in the mark) with subsequent actual use being required to "perfect" the application and secure registration.

Trademark rights are property rights and can be sold, assigned, licensed, or otherwise transferred.

Federal registration entails the filing of a trademark or service mark registration application in the Patent and Trademark Office, with three specimens of the mark as actually used on or in connection with the goods/services in interstate commerce (for an actual use registration application) or with a statement of bona fide intent to use the mark in interstate commerce, without specimens, in the case of an intent-to-use registration application (however, such specimens ultimately must be filed, either with an Amendment to Allege Use during prosecution of the registration application, or with a Statement of Use if actual use is made of the mark after a Notice of Allowance is issued on the application by the Patent and Trademark Office). The fee for trademark registration application is currently \$245.00 per class, with classes being selected from listings of subject matter categories of goods and services. The mark may be registered in a variety of classes, depending on its actual or intended usage.

Once issued a registration certificate, the registration of the mark remains in force for ten years and may be renewed for successive ten year periods. Between the fifth and sixth year of the initial registration term, an Affidavit (or Declaration) of Continued Use must be filed in the Patent and Trademark office, attesting to the fact that the mark as registered remains in use in commerce. The purpose of this requirement is to ensure that only marks still in commercial use remain registered.

If a federally registered mark has been in continuous use for five years after registration and no adverse action against the registered mark has been taken during that time, an affidavit can be filed attesting to such facts, to provide the registration with an

"incontestable" status under 15 U.S.C. § 1065. An incontestable registration cannot be canceled except on a showing of likelihood of confusion with a previously existing mark, or genericness of a registered mark, or misuse of a certification mark.

Infringement of a trademark occurs when a same or confusingly similar mark is used without authorization of the mark's owner, by one other than the mark's owner in a manner causing deception of consumers, or creating a likelihood of confusion, mistake or deception among potential consumers of the products or services.

Registration of a mark affords certain advantages under the trademark statute. Registration is *prima facie* evidence that the mark is valid and that the owner of the registration has the exclusive right to use the mark in commerce on the goods or services identified in the registration. The statute, at 15 U.S.C. § 1117, provides for recovery of damages for infringement of the registered mark. These damages may include the infringer's profits, attorney's fees, and costs, as well as treble damages in specific instances, and injunctive relief also is available. A North Carolina trademark registration may provide the basis for an injunction against infringement, and recovery of the plaintiff's actual damages and/or the infringer's profits, as well as destruction of the infringing goods.

The 1996 Federal Trademark Dilution Act provides protection against dilution of "famous" marks. Dilution refers to unauthorized acts that dilute, blur, tarnish, disparage, or embarrass a famous mark. The law applies whether or not the mark is federally registered and whether or not the mark owner and the alleged dilutor compete in the marketplace. A court may consider several factors when determining whether a mark has acquired the necessary fame to invoke the statute. Those factors include federal registration, the degree of distinctiveness, duration and extent of advertising and publicity, duration and extent of use of the mark, the geographical extent of the trading area, the channels of trade for the goods or services, the degree of recognition, and the nature and extent of third party uses. The mark owner does not have to show a likelihood of confusion. The mark owner may sue in federal court to enjoin the use of the diluting mark and, if the use is willful, recover lost profits, damages, attorney's fees, and, under some circumstances, force destruction of the infringing articles.

The Trademark Dilution Act is, however, limited in scope. The Act does not preempt state dilution laws. The owner of a federal registration may not, however, be sued for dilution under the common law or state law. The Act specifies that some activities are not actionable, including the "fair use" of a famous mark in comparative advertising, the noncommercial use of a mark, and all forms of news reporting and news commentary.

The World Intellectual Property Organization is also reviewing the protection of well known marks. Under the scheme currently being considered, national trademark offices would be required to refuse registration of marks conflicting with famous marks and would be required to allow the mark owner to oppose registration of a conflicting mark.

The Trademark Dilution Act has been prominently applied to resolve disputes involving Internet domain registrations of "famous" trademarks or service marks. Domain registrations are currently processed on a "first come, first served" basis. Proposed domain names can be checked on the World Wide Web at www.internic.net to determine if a same or similar domain name has been registered. One can then register the domain name, if it is free and clear of existing domain name registrations, at the same World Wide Web site. The cost of registration currently is \$100 per domain name. Such registration remains in force for two years, at the end of which time it requires renewal.

In clearing prospective trade or service marks for use, commercial databases can be utilized, which encompass U.S. registered marks, marks which are the subject of pending registration applications in the U.S. Patent and Trademark Office, business name directories, corporation name records, etc. Internet domain names should also be checked as part of such procedure, since many potential customers will simply log onto the "dot com" site for a product or business name, to access information about a manufacturer of goods or a purveyor of services. It may therefore be desirable to register a domain name for a prospective trademark or service mark, in addition to filing a trademark or service mark registration application for the mark.

The availability of a domain name can be determined by appropriate search query at the Internet site of Network Solutions, Inc. ("NSI"), the Internet domain name registration entity, <http://www.networksolutions.com/>, and domain names in .com, .net, or .org can be registered at such Internet site.

Current domain name registration policy of NSI requires that a trademark or service mark owner having a federal trademark or service mark registration of the mark, and who desires to obtain an Internet domain name registration of the mark name, against a party who registered the domain name after issuance of the federal trademark or service mark registration, provide the existing domain name holder with a formal notice of domain name dispute based on the prior trademark rights, with the notice letter declaring that the domain name violates the legal rights of the trademark owner.

The trademark owner then is required by NSI policy to furnish NSI with proof of the U.S. trademark or service mark registration of the mark that is identical to the disputed domain name, as well as with a copy of the notice letter mailed to the domain name holder. NSI then will place the domain name on hold pending resolution of the dispute. The dispute then may be resolved by negotiation and settlement, e.g., transfer of the domain name from its holder to the trademark owner for appropriate consideration, or by litigation. The litigation may be premised on the trademark owner's claims for trademark infringement, trademark dilution and unfair competition. Correspondingly, the domain holder may initiate a declaratory judgment action seeking judicial recognition of superior rights (e.g., on the basis that the mark has become generic or otherwise unassertable, or based on laches, unclean hands, etc.).

Continued use of an infringing domain name in violation of a federally registered trademark may also subject the domain name holder to liability under federal law for

unfair competition through false designation of origin, likely to cause confusion as to the origin, sponsorship, or approval by the trademark owner of the domain name holder's business activities or products. 15 U.S.C. § 1125(a)(1), *et. seq.* State law may also provide remedies. For example, California law provides for up to 6 months imprisonment or \$2500 fine, or both, for disseminating an advertisement from a California location over the Internet, in association with the sale of any product or service, that is untrue or misleading. Cal Bus & Prof Code § 17500.

In *Intermatic, Inc. v. Toebben*, 40 USPQ2d 1412 (N.D. Ill. 1996), the owner of a famous mark brought action against a "cyber squatter" based upon allegations of trademark infringement and dilution. The squatter was an individual who registered several Internet domain names, identical to well-known marks, and who planned to profit from the resale or licensing of the domain names. Though the defendant argued he did not participate in commerce, the court found a requisite commercial use based upon his objective of trafficking in domain names. The court also found the "in commerce" requirement was met because his company, Internet Communications, transmitted "instantaneously on a worldwide basis." The court held the mark to be famous and found the defendant's use of the famous mark a violation of the federal dilution statute.

The law of the Internet is rapidly evolving, but continues to lag evolution of the technology. As a result, the commercial realities of cyberspace involve significant interplay of intellectual property issues and are a source of substantial dispute and litigation.

APPENDIX

Definitions:

A trademark is a brand that is used on or in connection with goods, and functions to distinguish them from the goods of others. A trademark is accorded legal protection as a designation of source of goods. Example: Xerox® copiers, manufactured by Xerox Corporation.

A service mark is a brand that is used in sales and advertising to identify services of a party, and to distinguish them from the services of others. A service mark is accorded legal protection as a designation of source of services. Example: Xerox® credit services, available from Xerox Credit Corporation.

A collective mark is used by members of an association or other collective group. Example: National Football League® logo.

A certification mark is a mark used to denote the quality, character or origin of goods or services. Example: Underwriters Laboratories, Inc.'s UL® mark.

A domain name is an Internet address. Example: iptl.com

A trade name is the name of a business. Example: Intellectual Property/Technology Law

Trademarks can also include pictures (logos), slogans ("Good to the last drop®"), shapes (Coca-Cola® beverage bottle; Nina Ricci L'Air du Temps® perfume bottle), colors (pink for insulation, owned by Owens-Corning Company), sounds (NBC "chimes")