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INTELLECTUAL PROPERTY LAW

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TRADEMARKS

TRADEMARKS ARE USED TO IDENTIFY PRODUCTS, SERVICES, MEMBERSHIP IN AN ORGANIZATION, OR APPROVAL FROM A QUALITY ASSURANCE PROGRAM; TO INDICATE THE SUPPLIER OF SUCH PRODUCT, SERVICE OR PROGRAM AND DISTINGUISH IT FROM THOSE OF OTHERS. A TRADEMARK CAN BE ONE OR MORE LETTERS AND/OR NUMBERS, ONE OR MORE WORDS, A SLOGAN, A DESIGN OR VISUAL SYMBOL, A COMBINATION OF WORDS AND DESIGNS, THE SHAPE OF A PRODUCT (SUCH AS A COKE BOTTLE), AN ARCHITECTURAL DESIGN, A SOUND, A SMELL, OR A COLOR. VIRTUALLY ANYTHING THAT CAN SERVE AS AN IDENTIFIER OF A PRODUCT'S SOURCE CAN BE A TRADEMARK.

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TRADEMARKS

A. What is a “Trademark?”

Trademarks are distinctive **symbols** used by businesses and organizations to identify themselves and their products or services to consumers, while distinguishing themselves from other products and services on the market. Trademarks can be expressed in any of the following forms:

- Letters (e.g., *IBM*);
- Numbers;
- A word or words (e.g., *Kodak*);
- Slogans (e.g., Burger King’s slogan, *Have It Your Way*);
- Designs or logos (e.g., Nike Swoosh);
- Shape of a product (e.g., Coke bottle);
- Architectural designs;
- Sounds (e.g., musical jingle played while loading *Windows*);
- Smells;
- Colors; or
- Any combination of these.

In other words, a trademark is a product identifier, or brand. Virtually anything that can serve as an identifier can be a trademark.

B. Purpose of Trademarks

Trademarks have a quality assurance function. For the trademark owner, the mark serves to ensure that consumers can consistently recognize and come back to a product or service that they have come to know and appreciate. For the consumer, the trademark assures that the marked product or service is of a recognized quality. For example, consumers associate McDonald’s *golden arches* with certain food products and services that can only be found at McDonald’s restaurants. As such, the owner of a mark is required to maintain quality control not only over the mark, but also over the goods or services used in connection with that mark, or risks the loss of all trademark rights.

C. Types of Trademarks

Technically, trademarks refer to words or symbols used to identify *goods*. However, there are other forms of marks, commonly referred to by the term “trademarks,” or simply “marks,” that identify things other than tangible products:

- **Service Marks**—Used to identify services in the marketplace.
- **Collective Membership Marks**—Used to identify membership in a particular group or organization, rather than identify the source of a product or service.

- **Certification Marks**—Used to indicate that a particular organization, or board has approved the quality of goods or services on which the mark is used. *GIRL SCOUTS OF AMERICA* is an example of a collective membership mark.
- **Trade dress**—Refers to the distinctive appearance of a product. Unique packaging or product “dressing” may, in itself, serve to identify the source and quality of the goods. Trade dress can also be the total image of a business, such as a restaurant (consider the distinctive ambiance of your local T.G.I. Friday’s Restaurant).
- **Trade Names**—Refers to the name under which a company does business. This differs from trademarks in that a trademark identifies products sold by a particular company. Technically, a trade name is not entitled to protection as a mark unless it is used to identify some product sold by the company, even if only its shares of stock. For example, *Kimberly-Clark* is a trade name, in that it is the name of a company. However, *Huggies* is a trademark because it is the brand name of diapers produced by *Kimberly-Clark*.

Throughout this section, the word “mark,” will be used to refer to all these forms of source indicators, including trademarks applied to products, service marks, collective membership marks, certification marks, trade dress, and trade names.

D. Selecting a Mark

Businesses want and need productive marks. In selecting a mark, you must decide the following:

- What you want to convey to prospective customers;
- How important it is that your product stand out as truly distinctive; and
- How much of an advertising budget you are prepared to spend.

1. What Types of Marks Should I Avoid?

a. *Generic Marks*

Generic marks are words or symbols that generally identify the product or service for which you are trying to designate a mark. For example, suppose you want to market a new brand of tomato sauce you invented. If you used the words “tomato sauce”, that would be a generic name, not capable of serving as a mark. That term merely identifies the goods, and anyone else selling tomato sauce is equally free to use those words no matter how much money has been invested in advertising the words as a brand name.

Words or pictures that generically identify the particular products or services, immediately let the consumer know the type of product he is getting, but provide no basis for differentiating the product from those of different companies. Such marks, which tell nothing about the source of the products and services, cannot be protected.

b. *Descriptive Marks*

Descriptive marks merely describe some aspect of the good or service. They will not be protected unless, through years of use or substantial advertising, the public

comes to recognize these terms as associated with particular goods or services from a particular source.

For instance, CAROLINA REDS would be a “descriptive” mark for red North Carolina apples. When first adopted, it would be given only limited protection by the courts. Through advertising and use, the term could come to be a fairly strong mark. However, even after years of use, the owner of the CAROLINA REDS trademark would not be able to prevent others from using the descriptive words in their true descriptive sense, as in: “Our apples are the best red apples in the Carolinas.”

Descriptive marks cannot initially be registered on the Principal Register of the United States Patent and Trademark Office, although a lesser degree of registered protection is available on the Supplemental Register. Full registration would become available once the mark has acquired distinctiveness as an indicator of the particular goods or services through continued use or substantial advertising. The impact of this initial absence of full registration protection is discussed below when we explore the registration process.

2. What Types of Marks are Afforded the Most Protection?

a. Arbitrary or Coined Marks

A completely arbitrary or coined word or symbol, such as *Kodak* for film or *Camel* for cigarettes, is a very strong technical trademark. However, these marks initially required a substantial advertising budget to build up consumer recognition of the term as identifying a particular type of product from a particular company. Even from the beginning of its use, courts will enforce the owner’s rights against second comers who choose similar terms: *Kodal* or *Kodiak*, even though different, would undoubtedly be considered too close to *Kodak* when applied to film.

b. Suggestive Marks

“Suggestive” marks suggest some characteristic of a product or service, but do not literally describe it. Some imagination is required to understand why the trademark was selected. *Downy* for fabric softener is an example of a suggestive mark; it suggests that the product will make clothes feel as soft as down. Suggestive marks are protected from the time they are adopted, although they are not initially afforded the same scope of protection as truly arbitrary or coined marks.

While the widest scope of protection is given to the most distinctive marks, most marks selected by small businesses fall into the suggestive category. Suggestive marks do not require as much advertising expense to make them recognizable to the average purchaser as do entirely meaningless words and phrases, but they are nonetheless protected against infringement.

3. Other Considerations

Whatever mark is chosen, consideration should be given to its reproducibility in a variety of media (designs should preferably be clean and crisp), and how a word mark will look in print or sound when pronounced by consumers with a variety of accents, and, if the

mark will be used overseas, what it will mean and connote in the native languages of the countries where it will be used.

E. Determining the Availability of a Mark

Once a mark is tentatively selected, it is critical to ensure that it actually is available for use. Trademark rights belong to the first user of a mark. Hence, it is important to ensure that a proposed new mark is free to use before investing significant advertising and promotion expenses, and before producing packaging. A mark is “free to use” if it does not conflict with pre-existing marks owned by others. This warning applies not only to selection of product names, but also to selection of a business name, at least if the business is a service (in which case the business name often actually will function as a service mark), or if the business name will be used on products (in which case it would function as a typical product trademark). Many businesses check only their Secretary of State’s corporate name records before incorporating, and then are surprised to receive cease and desist letters from prior trademark owners when they begin public use of their corporate name.

1. Conducting the Trademark Search

An intellectual property attorney normally has access to a number of computerized databases that can be searched, to find out who is using and has registered marks that might conflict with a proposed mark. These databases include the following:

- Listings of all marks registered with the Federal government
- All applications for registration pending in the U.S. Patent and Trademark Office
- Marks registered with the various state trademark offices
- Information about canceled or abandoned Federal trademark registrations and applications
- Marks in use for which registration has not been sought, but which nevertheless have acquired limited common law rights by virtue of their use.

2. Can I Conduct a Trademark Search Myself?

Yes. While less comprehensive, you can conduct your own manual searches of pre-existing registered marks through a number of resources that are available to the public:

- Federal Trademark Office records in Arlington, Virginia;
- Patent and Trademark Depository Libraries (in addition to patent materials, the libraries contain information on Federal trademark applications and registrations);
- The Internet; and
- Manual searches of product directories and other materials.

If searching independently, in addition to formally registered marks, you also should look for information regarding *common law marks*. Common law marks are those which may be in use but which have not been registered with any Federal or State trademark office. The Internet is an excellent tool for finding information regarding common law marks. Business owners on a budget can obtain a great deal of preliminary information about common law uses of marks from going to their nearest public library and looking

through trade directories such as the Thomas Register, magazines in their field, Dunn & Bradstreet's microfiche business name listings, telephone books for major cities, and the like.

3. How In-Depth Must a Search Be?

A well-conducted, comprehensive search affords a degree of security, though it is not absolute. At the very least, one should perform a search of Federal and state trademark records, to weed out the most obvious and compelling forms of conflict. An experienced trademark attorney can review your plans for use of the proposed new mark and advise you as to the scope of search that is most practical under the circumstances.

4. Interpretation of Results

It is not enough, of course, to conduct a search. The results must be interpreted and the prospective mark owner should receive a reasoned opinion as to the implications of the search results and whether the proposed mark does or does not appear to be available for use.

5. Potential Consequences

A number of courts have held that failure to conduct at least a minimal search and obtain a clearance opinion before adoption of a new trademark leaves the business owner open to charges of "willful" infringement, if it later turns out that the new mark has created confusion with a pre-existing registered mark.

Assuming the search is clear, or a decision is for some reason made to proceed without a search, the next move is to take steps to acquire rights in the mark.

F. Acquiring Rights in a Mark

Trademark rights are acquired in two ways: (1) by using the mark in commerce; or (2) by filing a Federal trademark application on the Principal Register, based on a bona fide intent to use the mark in commerce in the future. Trademark registration is not required either to use a mark, or to own the rights in the mark; instead, use in commerce may suffice, although the scope of protection is limited to the extent of the use. However, as explained later, trademark registration is a very important means of protecting trademark rights, and of obtaining certain rights where use has not yet begun.

1. Use in Commerce

To acquire trademark rights based on use in commerce, the would-be owner of the mark must be the first person or entity to be using the mark in commerce on or in connection with the goods or services for which protection is sought. The trademark could be used directly on the product, on tags or labels attached to the product, or in other similar fashion in direct conjunction with the goods. Service mark rights can be acquired by using the mark in commercial advertising for the service, on accessories used in connection with the provision of the service (such as restaurant menus), or in another promotional fashion. For example, if a company has developed a new line of socks, the socks can be put on the market and sold, with tags bearing the new mark (e.g., FUZZBALL). This use of FUZZBALL in commerce, in direct association with the goods (the socks) is sufficient to

give the sock producer rights to the mark -- provided that no other company has previously acquired rights to use a confusingly similar mark for similar goods.

2. Intent to Use

To acquire trademark rights based on an intent to use a mark in the future, you must apply to register the mark on the Principal Register of the United States Patent and Trademark Office. State trademark applications are no substitute. Unless a mark is in actual, genuine, commercial use, the only way to obtain trademark rights is by entering the Federal application process.

a. Reserving the Corporate Name—An Option for Small Businesses

The unavailability of state trademark registration prior to use of a mark may present a problem to a small, local business that intends to use its corporate name as its mark, but the ability to reserve a corporate name might provide an alternative, though imperfect, for interim deterrent effect. Suppose small business “A” has yet to start operating, and does not have a mark in commercial use. That business may lose its ability to use its corporate name as its mark if small business “B” registers the same name before “A” has a chance to submit its Federal trademark application. Reserving a corporate name with the Secretary of State can provide a temporary solution to this problem, so long as small business “A” only intends to operate locally. However, this name reservation is effective for only a short time, and it does not prevent others from acquiring trademark rights during the interim before the business begins operation. Legally, marks take precedence over the reserved corporate name that is not actually in use in connection with goods or services. Nevertheless, while the legal effect of reserving a corporate name is thus negligible from a trademark point of view, it does make it less likely, as a practical matter, that another company would start up a new business under the same name in the same state during the few intervening weeks before the business can start offering its services. It nevertheless is important to note that the Secretary of State might allow another business to select another name that is not identical but still so close that it would prevent the use of a similar name as a mark.

G. Registering Trademark Rights

Trademarks can be registered with the United States Patent and Trademark Office and/or with the trademark offices of each of the various states.

1. State Trademark Registration

At the state level, the registration process involves the filing of an application for registration, providing information as to the date and manner of use of the mark, and examples of how the mark is used. While the various state trademark offices differ, it ordinarily takes from two weeks to three months to obtain a state registration. Typically, the state trademark examiners search only their own records for apparent conflicts; and make limited objections as to the legal basis for registrability. Hence, the cost of state registrations is fairly inexpensive. The scope of protection also is fairly low, being limited to the state boundaries and in some cases not even affording a presumption that the mark is entitled to protection. However, state registration of a mark will entitle the registered owner to request

damages and attorneys' fees from infringers within the jurisdiction of the state, if suit must be brought for infringement of the mark.

State registration can be a viable alternative to Federal registration where use of the mark will be entirely local and/or cost is a major consideration. It also can be a valuable part of a protection portfolio for major marks because it increases the mark's visibility and lessens the chances that someone else would innocently adopt the same or a similar mark. While conflicting uses can be stopped, it often is less expensive to take preventive measures.

2. **Federal Trademark Registration**

a. The Principal Register & The Supplemental Register

The Federal application process is more complex. Depending on the type of mark, registration may be available on the Principal Register or on the Supplemental Register. An application on the Principal Register is not available for descriptive marks which have not yet become distinctive. Such marginally protected marks can only be registered on the Supplemental Register. Once they have become distinctive, they may be re-registered on the Principal Register.

Registration on the Principal Register, for marks which qualify, establishes "constructive use" of the mark throughout the entire United States, effective as of the date of filing of the application. Thus, even though the mark owner may never have actually placed the mark in use before the application was filed, or may at the time the application initially was filed have used it only in one small town, following registration (with proof of interstate commerce use) it is considered to have priority all over the country from the date the application was filed. This gives the mark owner nationwide priority over subsequent users of the same or a confusingly similar mark. Constructive use is not available for marks which are merely descriptive. The mark must have acquired distinctiveness or be initially of a suggestive or more arbitrary nature, qualifying for Principal Registration.

In addition, the owner of a mark registered on the Principal Register may prevent importation of infringing goods by having Federal Customs agents seize and impound them. Registration on the Principal Register is considered to give notice to everyone in the world of the owner's rights; there is no good faith defense for a party adopting a trademark subsequent to the registrant's date of registration. The registration is evidence of the validity of the registration itself, the registrant's ownership of the mark, and the registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate.

Whether registered on the Principal or Supplemental Register, federally registered marks are entitled to bear the **federal registration symbol** (the letter R enclosed within a circle, ®). In addition, the owner of the registration can sue infringers in Federal court.

b. Applications

Applications for registration on the Principal and Supplemental Register are generally handled in the same way. In either case, an application that describes the ways in

which the mark is used or (for applications on the Principal Register only) is intended to be used, and the goods or services in connection with which the mark is used is filed with the United States Patent and Trademark Office. The application must be accompanied by a drawing of the mark, which must meet very specific drawing criteria if a design or stylized mark is to be registered. Actual samples of the mark in use must be submitted, unless the application was filed based on an intent to use the mark in the future, along with a check for the filing fee.

c. Examination Process

The Trademark Examining Division is divided into groups of examiners according to the type of product or services with which the proposed mark will be used. Assuming an application meets the technical requirements of an application, and is accepted for purposes of being given a filing date, it will be assigned to an individual examiner within the appropriate subject matter group. The examiner will conduct a search of prior registered marks, and will review the clarity of the description of the goods or services. The examiner may initially reject the application or require clarification of some aspect of the application, or request technical amendments. A response must be filed to any such objections. The examiner may file still further objections, which again require response. If the examiner continues to refuse registration, the refusal can be appealed to the Trademark Trial and Appeal Board.

d. What Happens If My Application Is Approved?

Once the examiner approves the application, based on information of record in the Trademark Office, the treatment varies depending on the nature of the application. Applications for registration of merely descriptive or surname marks on the Supplemental Register, once allowed, will result in issuance of a Certificate of Registration.

Applications on the Principal Register, once approved, will be published for any public opposition. Assuming no public opposition surfaces, if the application was filed based on actual use, a Certificate of Registration will issue. If, instead, the application was filed based on a bona fide intention to use the mark in commerce, a Notice of Allowance will be issued. The applicant then must submit proof of use of the mark for the goods and/or services claimed in the application, along with a further filing fee. If the proof is satisfactory, a Certificate of Registration will be issued.

3. What Rights Do I Have Once My Mark Is Registered?

An owner of a registration has the right to exclude all others from using confusingly similar marks for the same or related goods and services within the jurisdiction of the registration. If the public is likely to be confused, mistaken, or deceived about the origin of goods marked with a second-comer's trademark, then the latter's use must cease.

H. Duration and Maintenance of Trademark Registrations

1. State Trademarks

The duration of a state trademark registration varies depending on the state. The registration could last from one year to an indefinite life. In North Carolina, the term is ten

years. North Carolina law requires filing proof of continued use of the mark within 5-1/2 years after registration, or the registration will lapse. If other states are of interest, detailed information can be provided by trademark counsel or by the office of the relevant Secretary of State.

2. Federal Trademarks

All Federal trademark registrations currently have a term of ten years. A registration may be renewed for additional ten-year terms indefinitely as long as the mark is in commercial use. Generally, the longer a trademark exists, the more valuable it becomes as its reputation grows.

Between the fifth and sixth years of the first term of Federal registration, an Affidavit of Use must be filed. This affidavit verifies that the mark is still in commercial use. This is not required during the second and subsequent terms. Failure to file the Affidavit of Use, or to renew a registration, will result in loss of the registration.

I. Enhancing and Marketing Trademark Rights

1. Trademark Symbols

When printed, trademarks should be accompanied by a symbol indicating that the mark is claimed as a trademark. For Federally registered marks, the symbol ® should always be used in close association with the mark. For unregistered marks and for marks registered only at the state level, either the symbol ™ or, for **service marks**,SM may be used. Wording such as “XYZ is a [registered] trademark of ABC, Inc.” also is appropriate where space permits.

2. How Could I Lose My Trademark Rights?

Trademark rights gain value through **proper use** and, conversely, can be lost through improper use. Trademarks always should be used in a proper form that reflects their function as trademarks. Because a trademark identifies a particular version of a thing, namely the one that comes from a particular provider, it functions as a proper adjective, which modifies or specifies the item. It is not a noun; not the generic name of a product. If used generically, a mark will no longer be capable of functioning as a trademark. Aspirin was once a trademark of the Bayer Company; cellophane and elevator also were once trademarks. In each case, they were allowed to be used generically and lost their trademark significance. Their former owners saw competitors adopt the same words to describe their competitive products, and did not prevent that use. Fear of such genericism has motivated the owner of XEROX® photocopiers to conduct an extensive ad campaign that focused exclusively on telling the public that XEROX® is a trademark and not a substitute term for photocopies or the photocopying process, in general.

3. How Can I Prevent Losing My Mark?

Proper and consistent trademark usage from the beginning can help avoid the need to conduct corrective campaigns later on, and avoid loss of trademark rights. It is best to use trademarks as proper adjectives, accompanied by a noun that is the generic name for the product or services. For instance, “NABISCO® cookies,” “XEROX® photocopier,” and

“McDONALD’S® restaurants” are all examples of appropriate trademark usage with generic nouns.

4. Licensing and Transferring Ownership of Your Mark

A strong trademark is frequently a marketable trademark. Similar to patents, the owner of a valid trademark can not only use the mark himself, but also can license others to use the mark. It is important that license agreements be in writing, and that appropriate language covering quality control aspects of the relationship be included. Because a trademark is a quality symbol, the mark owner must maintain control over the quality of the goods or services in connection with which the licensed mark is used; otherwise, the trademark rights may become abandoned.

Ownership of trademarks and trademark registrations can be transferred to others by sale or gift, but ordinarily only in connection with a transfer of the goodwill of the business associated with the mark. An agreement that says, “XYZ herewith sells to ABC the trademark CAROLINA REDS” without a transfer of the business associated with the mark normally would not only be invalid, but also may result in both parties losing all rights in the mark. A **transfer agreement** need not be lengthy, but must be carefully worded.

5. Franchising

Trademark rights frequently form the basis of a franchising business. Compliance with Federal Trade Commission regulations on franchising requires that a Franchise Disclosure Document be prepared and given to all prospective franchisees at the earlier of the first meeting, or ten days before any contract is signed or money changes hands. Many states have even more stringent regulations incorporated in Business Opportunity laws or in their own state franchising statutes, including requirements that **Disclosure** Documents and proposed advertising be registered with state authorities before the franchise may be offered within that state. Franchising can be lucrative, but failure to comply with all legalities in a timely fashion can be very dangerous, not only giving the franchisees the right to revoke their contract and obtain the return of their money (possibly trebled), but also leading to criminal penalties.

J. Enforcement of Trademark Rights

1. What is “Trademark Infringement?”

A claim of trademark infringement requires proof that the alleged infringer was the later user of the mark, and that his mark is confusingly similar to the mark. Actual confusion is not required. Showing that the two marks are substantially similar, and that the goods or services in connection with which the two marks are used are either competitive or closely related, will ordinarily suffice to demonstrate infringement.

2. Stopping Infringement

Trademark rights can be enforced through lawsuits brought either in state or in Federal court. Even before a full trial is held, so long as the senior party can show it is likely to win, the judge can issue an order requiring that the allegedly infringing goods be withdrawn from the market. In fact, judges are authorized to allow the seizure of apparently

counterfeit goods without prior notice to the alleged infringer, if the senior party shows not only that it is likely to win but also that the apparent counterfeiter would probably destroy or hide the goods if prior notice were given. If the senior party does win, the judge can then order that all infringing products be destroyed. This is in addition to money damages that may be awarded.

3. Monetary Damages

Money damages are measured either by the senior party's losses due to the infringement, or profits made by the junior party from the infringement. It may be presumed that all profits from sales of goods marketed under infringing trademarks are due to the infringement, and overhead expenses are frequently not considered part of the "costs" that are deducted in determining how much profit was made. Thus, even though a company's internal accounting system may show that a particular product was marketed at a loss or minimal profit, the "profit" which must be paid over to the owner of the infringed trademark can be a very significant sum.

Where willful infringement of registered marks can be proven (for instance, where the junior user had actual knowledge of the senior party's mark, and copied it), the damages awarded typically will be trebled, and the infringer may be required to pay the senior party's attorneys' fees.

4. Potential Criminal Charges

In appropriate cases, Federal criminal charges can be brought against infringers. Passing off "counterfeit goods" is forbidden and can result not only in forfeiture of the products bearing counterfeit marks, but also in fines of up to \$2 million and prison terms of up to ten years for a first offense. Still greater penalties can be imposed for second offenders and for corporations. Usually, a preliminary case is developed with the assistance of privately retained counsel, who then enlists the help of the Federal government. Federal law enforcement officers (with the assistance of the privately retained counsel) conduct the seizure and gather evidence for prosecution, and the infringers are prosecuted by the U.S. Attorney's office.

K. Defending Against Claims of Trademark Infringement

1. I Am Being Accused of Trademark Infringement. What Do I Do?

As soon as an accusation of trademark infringement is received, experienced trademark counsel should be retained. There may well be defenses available, but because injunctions (orders to stop selling the allegedly infringing product, or providing the allegedly infringing service) can be issued on short notice, it is important to be prepared and unwise to delay. If Customs officials or Federal Marshals appear, or if criminal charges are brought, absolutely no statement should be made without having your attorney present. Even if there is no reasonable possibility of criminal charges, it is still best to consult counsel before making any response.

2. What Will an Attorney Do in My Defense?

Unless infringement is quite clear, as a part of the defense, trademark counsel often first will perform a fairly extensive search to evaluate the strength of the asserted mark. If numerous companies use very similar marks on very similar products, the mark would be considered dilute, and given protection only on a narrow range of goods and only against virtually identical marks. Conversely, a strong mark (such as Kodak) would be protected against virtually any unauthorized use by others, regardless of the goods or services.

Counsel also will explore the extent of use of the competing marks, examine dates to verify which party was in fact the first user, investigate whether the claiming party has failed to maintain quality control, research the nature of any registrations, and study various technical defenses.

Even where infringement has occurred, it often is possible for counsel in a non-criminal case to arrange a timed phase out of the infringing uses, minimizing the losses that otherwise would be incurred.

L. Domain Names and Cybersquatting

1. What is a “Domain Name?”

Domain names are the equivalent of addresses; they are used to locate websites and email addresses on the internet. Domain names can be selected at least in part by the owner¹, and as a result, when used by businesses, the selected domain names typically are closely associated with the product or services offered by the business. In fact, the domain name is often the name or word that has been adopted as a trademark by the business. Consumers have come to recognize this, and often search for the products or services of a known vendor by typing the brand name and simply appending a well known suffix such as “.com”. For example, suppose you want to visit the website for Kodak. If you were not sure of the exact web address, you would most likely type in www.kodak.com, since Kodak is the trademark of the company. In this instance, you would be correct. Thus, for many brand name owners, domain names can function as extensions of a trademark in addition to their role as addresses.

Recognizing this fact, laws, judicial decisions, and dispute resolution procedures adopted by the domain name registrars generally protect the rights of trademark owners to prevent the use of their registered marks by infringers as part of or domain name.

2. Cybersquatting— Unlawful Trafficking of Domain Names

a. What is “Cybersquatting”?

¹ Technically, what most people mean when they talk about “domain names” are “second-level” domain names. “Top-level” domain names are, in general, those agreed to by an international authority, ICANN (the Internet Corporation for Assigned Names and Numbers) or selected by national governments, and consist either of one of a pre-designated group of suffixes assigned to particular registrars by ICANN (including .COM, .NET, .ORG, for example) or a suffix identifying a particular country (.CA for Canada, or .TO for Tobago, for example). A second-level domain name is the word or other character string selected by its owner and registered with the appropriate registrar that immediately precedes a top-level domain name. For example, in MICROSOFT.COM, “Microsoft” is the second-level domain name and “.com” is the top-level domain name.

Cybersquatting is the practice of unlawfully registering, selling, or using a domain name with the intent of profiting from someone else's trademark. Cybersquatting occurs when someone buys up unregistered domain names that serve as trademarks for existing businesses. The "squatter," in essence, holds the domain name hostage, and offers to sell it back to the person or company who owns the trademark at an exorbitant price. This practice of extortion is "bad faith" use of a domain name and is, a form of trademark infringement. Large companies such as Panasonic, Hertz, and Avon have all been victims of cybersquatting.

b. Anti-Cybersquatting Consumer Protection Act

On November 29, 1999, the Anti-Cybersquatting Consumer Protection Act (ACPA) was enacted. The Act allows owners of trademarks protected under Federal law to sue persons who traffic in domain names that they have registered or are using in bad faith (using definitions similar to those adopted by ICANN). According to the provisions of the ACPA, in order to succeed in a lawsuit against a cybersquatter, the trademark owner must prove the following:

- Bad-faith intent to profit from the trademark;
- The trademark was distinctive at the time the domain name was registered;
- The domain name is identical or confusingly similar to the trademark; and
- The trademark qualifies for protection under federal laws.

If a trademark owner is successful in establishing a claim, the infringing domain name can be cancelled or transferred to the rightful trademark owner, and that infringer can be forced to pay the attorneys' fees of the complainant as well as treble damages. The Act also provides a remedy where the owner of the infringing domain name cannot be located: suit can be brought against the domain name itself, and the court can order its cancellation or transfer.

The short description above should be sufficient to illustrate the importance of carefully selecting one's domain name, using the same precautions that would be adopted with any other trademark. However, when domain name infringement occurs, there is an alternative mechanism to the court system for seeking relief—resort to the mandatory arbitration procedures available under ICANN's Uniform Domain Name Dispute Resolution Policy. Accusations of domain name infringement should be treated as seriously as any other trademark infringement accusation, since the consequences are equally severe.

M. Summary

Our society seems increasingly driven by name recognition. Children no longer are satisfied with "sneakers"; they want a particular recognized name brand. We do not stop to eat at a "hamburger joint"; we identify our favorite restaurants by name. The names and logos of products and services from pizza to computers, to electron microscopes, drive purchasing decisions on a daily basis.

Selection of an appealing and protectible trademark for a new product or service can be one of the most important decisions a company will make. Conversely, selecting an

unprotectible (or, worse, infringing) mark can mean that the entire advertising budget is wasted, and that any name recognition benefits a competitor.

Tentative name or logo choices should be presented to an attorney experienced in trademark law, who can conduct a search on a fairly rapid basis, and advise as to the likelihood that the mark is free for use and will be protectible if adopted.

Assuming the mark is free for use, applications for Federal or state trademark registration can be filed (the latter only after the mark has actually been used). Others throughout the nation are on constructive notice of Federally registered marks, and adopt competing marks at their peril. The owner of a Federally registered mark can sue to enforce these trademark rights throughout the United States, can force users of confusingly similar marks to stop such use, and can obtain an award of money damages for any confusion that has resulted from the infringing use. Where the infringement involves a domain name, recourse also may be had to mandatory arbitration procedures under the Uniform Domain Name Dispute Resolution Policy. In appropriate cases where lawsuits are brought, attorneys' fees may be awarded; and under certain circumstances, criminal charges can be brought against infringers.

Others can be authorized to use trademark rights, but because trademarks serve as an indicator of quality, the mark owner must maintain quality control over all goods or services associated with its marks. License and franchise agreements should be carefully drafted to maintain sufficient quality control while avoiding unnecessary exposure to liability for the trademark owner. Franchises must also meet the frequently complex requirements of state and Federal regulators. Properly structured, however, licensing and franchise arrangements can be highly profitable.