

TRADEMARK BASICS

What Lawyers Need to Know to Protect Clients in an Internet Age

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I. What is a Trademark?

A. An indication of origin of goods or services, quality assurance, valuable goodwill.

A trademark is a form of intellectual property that serves as an indication to the consumer of the origin of goods or services. Goods or services sold under the same trademark are assumed to come from the same source – a source the consumer is familiar with, even if not known by name. A trademark is an indication that the consumer can expect a certain level of consistent quality, whether high (*e.g.*, TIFFANY for jewelry) or not so high (*e.g.*, FADED GLORY for clothing).

A trademark's value lies in the goodwill inherent in the trademark. A mark is valuable if consumers purchase the goods or services sold under it because of the trademark.

The term "service mark" (note that it is two words) means a mark used for services as opposed to goods. The term "trademark" can be used in two senses, depending on the context. Trademark can be an inclusive term for both service marks and marks for goods. Or it can be a term used specifically for marks for tangible products.

In the United States and common law countries, legal rights in trademarks come from use of the mark in commerce. Federal registration of trademarks is beneficial and desirable for reasons discussed below, but

registration is not a prerequisite to being able to assert or enforce legal rights in a trademark that one has actually used. (This is in contrast to a copyright, which must be registered before it can be enforced.) In some jurisdictions, not the United States, trademark rights come from being the first to register. Use is not required.

B. A trademark can be a word or phrase, design (logo), sound, color, smell, three-dimensional.

Many things can serve as trademarks. The most usual are words that identify the brand of the goods or services. However a slogan – a phrase used in connection with advertising or promoting the goods, for example THE PAUSE THAT REFRESHES for cola – can also be protected as a trademark. Designs or logos associated with goods or services can also be trademarks, whether or not they contain any literal elements. However, purely ornamental design elements can only rarely serve as trademarks. Sounds can serve as trademarks, for example the three-note chime for NBC. Smells, fragrances or odors can also, in some circumstances be trademarks, and can even be registered in the United States. Trademarks can also be three-dimensional or have moving elements.

A color alone can serve as a trademark, although examples are rare. It can only occur where the color of the good, itself, indicates the origin of the good to the consumer. An example might be the drug NEXIUM, which has been heavily promoted as the “purple pill” for heart burn.

C. Trade dress

Trade dress refers to the distinctive appearance of a product and its packaging, other than trademarks used for the product. Color combinations, ornamental packaging designs or container shapes, for example, can be protectable elements of trade dress. It is important to note, however, that elements that are functional cannot serve as protectable trade dress. An element is functional if it makes the product better or more useful in some way than a similar product without that

element. Thus, if competitors need to use a particular element to make a product that performs comparably, that element cannot be protected as trade dress.

Trade dress can also be associated with services. For example, in *Two Pesos, Inc v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992), the Supreme Court held that the distinctive look of a company's chain of Mexican restaurants could be protected as trade dress so that another company could not copy that look for its restaurants.

D. Trademarks are not the same as trade names or company names

The name of a business entity or a trade name or "d/b/a" under which a company does business is not a trademark and is not protectable as a trademark even where the company's trademark appears as part of the company name. For example, Acme Widget, Inc. is a company name, Acme Widget may be a trade name that company uses, but ACME is the company's trademark for widgets.

To have rights in a trademark, a business must make "trademark" use of the trademark. This means use in some distinctive manner so that the mark stands out in some fashion as the "brand name" of the good or service sold under the mark. Thus, a tag simply stating, "This mattress is a product of the Nightingale Mattress Company" would not constitute trademark use of "Nightingale." However, a tag stating, "This is a **NIGHTINGALE** mattress from the Nightingale Mattress Company" does make trademark use of "Nightingale." Different size, different type style or something else that makes the trademark stand out as different or distinctive are the hallmarks of trademark use. It is important to make sure that your clients do make *bona fide* trademark use of trademarks that they want to protect. This is particularly important for service businesses that may not be thinking in terms of branding or brand identity.

E. A trademark is not a copyright or a patent

Each of the three major species of intellectual property – patents, copyrights and trademarks – have distinctive attributes and play different roles. Clients often do not appreciate these differences and do not know what type of protection they need or could obtain. Thus, a client who says, “I want to patent this” may really need trademark or copyright protection.

A patent gives the owner of an invention that is useful, novel and non-obvious a right to exclude others from making, using or selling, the invention or products made using it for a finite period of time, typically 20 years. A copyright gives the author of a work fixed in a tangible medium a bundle of exclusive rights in the work, which may generally be characterized as the exclusive right to exploit the work, for a longer term of years, the author’s life plus 70 years for individual authors and a long, fixed period for juristic person authors.

A trademark is not the same type of property right. Although a trademark gives the owner the exclusive right to sell the same, or related, goods or services under the mark, trademark rights are as much intended to protect consumers as trademark owners. One major purpose of trademark law is to protect consumers from purchasing goods or services in the mistaken belief that they come from the source they know and trust, indicated by the trademark. Other distinctions and similarities to appreciate include:

- Although patents and copyrights provide finite protection, a trademark can last as long as it is used for the specified goods or services. Although United States trademark registrations must be renewed every ten years, there is no limit to the number of renewals as long as continued use can be documented;
- A patent requires full disclosure of the invention sufficient to enable one skilled in the relevant area to practice the invention. A trademark, however, does not require the owner to disclose

the formula for making the goods, which may remain a trade secret;

- A copyright only protects the author's particular expression of an idea. It does not prevent another author from conveying the idea using different expression. A trademark is similar in that it does not protect the owner against the sale of competing goods, it only protects against the sale of those goods under the trademark.

II. How are trademarks protected?

As noted above, trademarks are entitled to protection by virtue of use, not registration. Nevertheless, the best way to protect a client's trademark in the United States is through a federal trademark registration under the Trademark Act of 1946, also known as the Lanham Act, 15 U.S.C. §§ 1051 *et seq.* A copy of the Lanham Act is included as Exhibit 1.

A. Federal registration

A federal registration is obtained by filing and prosecuting a trademark registration application with the United States Patent and Trademark Office. The process, described in more detail below, takes approximately 12 to 15 months and, if successful, culminates in the issuance of a trademark registration certificate. Some examples of registration certificates for various types of trademarks are collected in Exhibit 2.

The process of making a trademark registration application may involve filling out a form, but the success or failure of the effort can depend on the experience, skill and knowledge of the one filling out the form. In all but the simplest cases legal knowledge, experience and skill can significantly enhance the chances for successful registration, the scope of the trademark protection obtained, and hence the value of the registration. Accordingly, clients are best advised to have an experienced trademark practitioner represent them in connection with the application. LegalZoom and other web-based services are simply no substitute.

The statutory benefits of obtaining a federal trademark registration include:

- *Prima facie* evidence of the validity of the mark and the registration;
- *Prima facie* evidence of ownership of the mark;
- The exclusive right to use the mark throughout the United States for the specified goods or services;
- *Prima facie* evidence of continuous use of the mark;
- Constructive notice of ownership and use;
- “Incontestability” of the mark after 5 years continuous use.

Obtaining a federal trademark registration also has tangible, non-statutory benefits. These include:

- Less likelihood that a third party will infringe the mark or adopt it in a different area of the country;
- The trademark is taken more seriously by the courts. Although trademark rights come from use, not registration, judges and juries tend to be more impressed with a federally registered trademark and accord it more protection than an unregistered, but protectable, mark.

Certain things may not be federally registered as trademarks (although, in theory, they may be able to serve as trademarks). These include (a) a mark that is primarily merely a surname (*e.g.*, JONES’ RESTAURANT for restaurant services), unless the mark has acquired distinctiveness as a trademark through use (*e.g.*, SMUCKER’S for jam) Lanham Act § 2(e)(4), (f), 15 U.S.C. § 1152(e)(4), (f), (b) the flag or coat of arms of any nation, state or municipality, Lanham Act § 2(b), 15 U.S.C. § 1152(b), (c) immoral, deceptive or scandalous matter, Lanham Act § 2(a), 15 U.S.C. § 1152(a) , and (d) the name, portrait or signature of a deceased President or his widow (or presumably her widower) without the spouse’s consent, Lanham Act § 2(c), 15 U.S.C. § 1152(c).

Where a client's trademark has a distinctive typeface or is associated with a particular logo, the best practice is to register the mark two ways – as a “word mark” in block capital letters, and as a “special form drawing” showing the mark or logo as it actually appears on goods or in connection with services. The first protects the wording of the mark in any form. The second protects the design elements of the mark or logo.

B. State registration

State trademark registrations are available in New York and in most, if not all, of the other 49 states. However, because federal registration is so much more valuable and desirable than state registration, state registrations are little used and rarely necessary or indicated. The only exception is for a mark that is used purely locally, *i.e.*, the goods or services, or those promoting them, never cross state lines. Such a mark could not qualify for federal registration because use in interstate or international commerce is required. In the Internet age, purely local use of a mark is rare, but such a mark would be a candidate for state registration.

There is no substantial value in obtaining a state registration in addition to a federal registration.

C. Common law

Unregistered trademarks are entitled to protection under both federal and state law. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides a federal cause of action for infringement of an unregistered trademark used in interstate or foreign commerce. State unfair competition law also provides a basis on which to sue for infringement. Nevertheless, the benefits of federal registration make it far and away the better alternative for your clients.

D. International protection

Under the prevailing internationally recognized principle known as “territoriality,” trademark rights typically exist in each country only within the borders of that country and only to the extent protected by that

country's trademark law. For this reason, with some exceptions created by international agreements, such as the Community Trademark covering the entire European Union and the Andean Pact covering member Latin American nations, trademark owners must protect their marks in each country where they need protection, usually by registration there. Territoriality is a basic principle of U.S. trademark law, *e.g.*, *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98, 103 (2d Cir. 1998); *Person's Co. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990), as well as the trademark law of most nations. Under the territoriality principle, use of a mark outside a country does not give the user any rights to use the mark, or to stop others from using it, in that country. This is true even where the user in that country is acting in arguable "bad faith" by not only using the mark but also adopting trade dress and other elements used by the foreign user in an attempt to create the impression that the user is associated with the foreign trademark owner.

Under the territoriality principle, a trademark has a separate legal existence under each country's laws, and its proper lawful function is not necessarily to specify the origin of a good or service, but rather to symbolize the domestic goodwill of the domestic trademark owner so that the consuming public may rely with an expectation of consistency on the domestic reputation earned for the mark by its owner, and the trademark owner may be confident that his goodwill and reputation will not be injured through use of the mark by others in domestic commerce. *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1171-72 (S.D.N.Y. 1984).

A comprehensive discussion of international trademark protection is outside the scope of this program. However, in general, a client should seek protection in foreign jurisdictions where it is currently doing business, and in jurisdictions to which it anticipates expanding in the foreseeable future. News of good trademarks travels fast and clients do not want to find when they seek to expand to a new country that someone

else has registered their trademark ahead of them in anticipation of reaping a profit from the client's purchase of it.

There are three primary methods of obtaining protection for your clients' trademarks in foreign jurisdictions:

- Individual registrations in the foreign countries of interest obtained through counsel in those jurisdictions;
- Various registrations that grant rights in a group of countries, typically obtained through foreign counsel. These include:
 - A "CTM" or Community Trademark registration – one registration that covers the entire EU;
 - Several groups of African nations that offer registrations covering the entire group;
 - A Benelux registration covering Belgium, The Netherlands and Luxembourg (indeed, these three countries no longer offer separate country registrations);
- An "International" registration under which protection can be obtained in certain countries that have ratified an international treaty known as the Madrid Protocol. This international registration system is administered by the World Intellectual Property Organization in Switzerland. It does not offer U.S. trademark owners protection in Canada, Mexico or Latin America and offers only limited coverage in Asia. The International application is made through the US Patent & Trademark Office by US counsel. Local foreign counsel is necessary only if there is a problem in a particular country.

Each of these choices has pros and cons and there is no clear cut preferred alternative. The best way to proceed has to be determined in each instance by an experienced, knowledgeable trademark practitioner.

III. Selecting and Clearing a New Trademark

Clients often come to their lawyers with ideas for, or decisions concerning, trademarks for new products or services. A lawyer can be of significant assistance to a client, and should be involved, in evaluating the suitability and effectiveness of a proposed mark and determining whether the mark is available in the United States for the specified products or services. The former process helps insure that the mark will be as strong, distinctive and protectable as possible, and thus capable of becoming a valuable trademark. Too often the trademarks that clients, or consultants they hire, propose are simply not good choices from a trademark protection standpoint. The latter process, called “clearing” the mark helps make sure that the client’s choice will not infringe someone else’s existing trademark rights, and that the client will not invest time, effort and money in building goodwill for a mark that may have to be changed.

A. Preliminary search

The clearance process typically begins with a preliminary screening search of federally registered trademarks and pending trademark applications to rule out a potential mark that is already federally registered or applied for for the same or similar goods or services. The search can be made on the Patent and Trademark Office’s website at www.uspto.gov. If the mark, or a very similar mark, for the same goods, or related or similar goods, comes up on the preliminary search, then a new selection should be made. If the proposed mark clears the preliminary search, the clearance process then proceeds to the next step. A preliminary search alone is never sufficient.

B. Obtaining a full availability search report

The second step in the clearance process is obtaining a search report known as a “full US availability search report.” The report is most efficiently obtained from a search firm that specializes in trademark and intellectual property searches. The turnaround time is typically three to

four days. However, the report can be obtained faster, if necessary, for additional cost.

In addition to federal registrations and pending applications, the search report will also show state registrations, common law usage (such as business names, press article usage, and other unregistered usage) and Internet usage, including similar registered Internet domain names. All of this information is important because, as noted above, trademark rights come from usage and unregistered users may have rights that could be infringed.

C. Factors that make a trademark “available” or “unavailable” and assessment of risk

Full search reports are typically 100 to 300 pages and they do not answer the question whether the mark is “available” or “unavailable.” They merely provide information. They need to be carefully read and evaluated to make a judgment as to whether the mark is “available.” Sometimes further follow up through a trademark investigator is necessary to determine whether a mark that shows up on the report is actually being used.

Many factors go into evaluating “availability.” A full description is beyond the scope of the program, however, the lawyer needs to consider both whether there are other marks in use that are the same or similar in sound, appearance or connotation to the client’s proposed mark, and whether the goods or services associated with them are the same or closely related to the client’s goods or services. Sometimes there is no definitive answer and the client can only be advised of the potential obstacles to use or registration, and the level of potential risk. Clients sometimes receive a formal opinion of counsel concerning availability of a trademark. Sometimes a client is better advised not to seek a formal opinion or does not want to pay the additional fees it would require. In such as case, the lawyer should nevertheless carefully record the advice given to the client.

D. Availability as a company name is not sufficient

It is very important to understand that availability of a company name in a particular jurisdiction or jurisdictions, based on a search in the Secretary of State's office, is not sufficient to establish that the distinctive element of the company name is available for use as a trademark. Accordingly, that the name Nightingale Mattress Corp. may be available in New York or Delaware does not mean that the trademark NIGHTINGALE is available for mattress. Similarly, registering or obtaining a company name in a jurisdiction is not the same as registering a trademark. A client may insist that it has the right to use NIGHTINGALE as a trademark because it "owns" the name "Nightingale Mattress Corp." but that notion is flat-out wrong.

E. Assessing the potential strength of a new trademark

In addition to clearing a proposed trademark, counsel should advise the client on the general strength and desirability of the mark from a trademark law standpoint. Whether the mark will sell the product is up to the client. However, whether the mark will be distinctive and protectable is something counsel should advise on. Many clients, however, choose to ignore the advice because they are wedded to their choice of a weak mark.

The strength and distinctiveness of a trademark is evaluated on a sliding scale, but there are four general categories, representing fixed points along the scale. See *Two Pesos, Inc v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976)

1. Arbitrary/Fanciful

Arbitrary or fanciful marks are the strongest, most distinctive, and hence most protectable types of trademarks. An arbitrary or fanciful mark has absolutely nothing to do with the goods or services. A coined word, such as KODAK for film, is the strongest type of trademark because it is absolutely fanciful. An actual word or words having no association with

the goods or services is also considered strong. BAZOOKA for bubble gum, or BUTTERFLY for picture frames would be good examples.

2. Suggestive

Suggestive marks are also strong, but are a notch below arbitrary/fanciful marks in strength and predictability. A suggestive mark has some relation to the goods or services, but it takes a measure of thought and perception to discern the connection. *See Stix Prods., Inc. v. United Merchs. & Mfgs., Inc.*, 295 F. Supp. 479 (S.D.N.Y, 1968). BEAUTYREST for mattresses or PASSION for perfume (*see Taylor*) are useful examples of suggestive marks. NIGHTINGALE for mattresses would probably fall between arbitrary and suggestive on the scale. On the one hand it could be arbitrary because the bird has nothing to do with a mattress. On the other hand, the mark does suggest night (when you use a mattress) and nightingales are often associated with the evening and bedtime.

3. Descriptive

Descriptive marks directly describe an attribute, ingredient or quality of the good or service. They are weak marks and are not entitled to trademark protection unless the user can establish "secondary meaning" which is a legal concept that requires that consumers associate the trademark with the company that originates the goods or services, whether or not they know the name. STRONGHOLD for nails could give rise to endless debate as to whether it is suggestive or descriptive. QUICK BURGER for fast food hamburgers or NORFOLK MARKET for a farmers market located in Norfolk, Connecticut are examples of descriptive marks. Clients should be encouraged to select stronger marks that are at least suggestive.

4. Generic

Generic marks simply represent a form of the common name for the good or service. They are never entitled to trademark protection. ZIPPER

for a fly closing device on pants or FLOWER POT for a planter for potted plants are examples of generic marks. Note, however, that a generic word for a good may still serve as a strong trademark for a good to which it bears no relation. For example, TOY SOLDIER would be generic, and unprotectable, as a mark for military action figures, but could be a trademark for apparel.

It is particularly important to advise a client to avoid adopting a generic mark when the client is introducing a new or revolutionary type of product. If the brand name becomes the generic name of the good in the public's perception, any trademark rights will be lost. Examples of trademark rights lost by being allowed to become generic include ESCALATOR for moving staircases and ASPIRIN for a headache remedy. Both were originally proprietary trademarks. XEROX is quasi-generic. The Xerox Corporation works very hard to promote the idea that a "photocopy" is a generic term and a XEROX is a brand of photocopy from the Xerox Corporation. Clients need to be counseled against using their marks, or allowing others to use their marks, as generic terms.

The "doctrine of foreign equivalents" also comes into play here. In general, that doctrine provides that a foreign language word with the same meaning as an English language trademark is confusingly similar to that trademark and, hence, not available. In the context of generic marks, it means that a generic term for the good or service in a foreign language is as unprotectable as the English word for the good or service.

5. Third party usage

Usage by third parties of the same, or similar, marks for the same or similar goods has a decided weakening effect on a trademark. Even if the mark is protectable in theory, the scope of protection will be narrow. Competitors will be permitted to use highly similar and potentially confusing marks. If there are a lot of similar third party marks in use, your client should be counseled to select a more distinctive trademark. On the other hand, third party use of the mark for goods or services unrelated to

the client's goods does not have a weakening effect, although there is some effect on the mark's distinctiveness.

IV. The Federal Registration Process

A basic understanding of the federal trademark registration process is important. The process takes typically 12-15 months from filing of application to issuance of registration, assuming a "smooth trip" with no problems being raised by the trademark examiner and no opposition by a member of the public.

It is not necessary for a client to wait until a registration is obtained before commencing use of a trademark. Indeed it is not even possible. Use must be shown before a registration may even be issued. The client should apply for the mark as soon as it has been selected and should commence use of it as soon it is able. The registration process will independently take its course.

A. Intent-to-use vs. use-based applications

Federal trademark registration applications may be filed before use of a mark begins, although (for United States marks) a registration may not be issued until proof of actual use in interstate commerce is shown.

Where a client plans to commence use in the future, but has not yet done so, a trademark application may be filed based on "intent-to-use" the mark. Lanham Act § 1(b), 15 U.S.C. § 1051(b). At some point before the registration is issued, proof of actual use of the mark must be submitted. However, through filing of an "intent-to-use" based application, a client may secure potential trademark rights in a mark for more than three years before actual use commences. As long as a registration ultimately issues, the client's nationwide priority in the trademark will date from the filing date of the application.

Alternatively, if use of a mark has already commenced, a trademark application may be filed based on actual use under § 1(a) of the Lanham Act, 15 U.S.C § 1051(a). This procedure saves the extra step of filing a

separate allegation of use or amendment to allege use, and the extra \$100 filing fee associated with it.

B. Examination

In the ordinary course of events, a trademark registration application will languish in the Patent & Trademark Office for about four or five months before being assigned to an examiner who will examine the application. If the application is found to be entirely in proper form, the examiner will pass the application to “publication,” and it will be published for opposition as described below. If the examiner has issues to raise with the application, an “office action” will be issued, as described below, and an adequate response will be required before the application can proceed.

Depending on what issues the examiner raises, the response to an office action can be anything from a telephone call to clear up something simple, for example a requirement to revise the description of the goods or services in the application, to filing the equivalent of a litigation brief, for example to respond to a refusal to register based on confusing similarity to an existing registration. If an extensive response to an office action is necessary, the cost of prosecuting the trademark application may escalate significantly. If so, the client always has the option of abandoning the application by not responding to the office action.

Some applications may require several rounds of office actions and responses. At the end of the process, the examiner will either be satisfied that all matters have been resolved, or will conclude that something cannot be resolved and issue a final refusal to register. If the former, the application will be “passed to publication” (see below). If the latter, the applicant may ask for reconsideration (usually futile), or appeal to the Trademark Trial and Appeal Board (“TTAB”), an administrative body that hears appeals from decisions of trademark examiners, among other things.

C. Publication

Once passed to publication, an application is published in the Patent and Trademark Office's "Gazette," which comes out each Tuesday. Publication triggers a thirty-day period during which any member of the public may object to registration of the mark by filing an Opposition to registration before the TTAB. It is also possible to seek an extension of time to oppose registration rather than file immediately.

If an opposition is filed, it may be possible to resolve the matter with the Opposer through some sort of settlement. If not, the opposition process becomes essentially a litigation, with discovery, depositions and a trial (not live, but on papers), and can become quite expensive.

D. Allowance (for intent-to-use applications) and statement of use

Assuming no opposition or extension of time to oppose is filed within the thirty-day period, an intent-to-use application (for which proof of actual use has not yet been filed) is issued a Notice of Allowance. This triggers a six-month period in which the applicant must file proof of actual use, known as a Statement of Use, or seek a further six-month extension of time to file a Statement of Use. An applicant may obtain up to five six-month extensions of time to file a Statement of Use, thus preserving rights in the trademark for up to three years. Once actual use in commerce is demonstrated in a statement of use, the registration is issued within several months. Although proof of use is required for only one type of good or service in each class, it is very important to be sure that the client is actually using the mark on all goods or services for which registration is sought before filing proof of use (or to delete goods or services that the client has decided not to pursue from the application). Failure to do so can leave the registration vulnerable to a later claim of fraud on the Trademark Office, which, if successful, will lead to cancellation of the registration. *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

E. Registration

After publication without opposition (or after filing of a Statement of Use for intent-to-use applications), the actual trademark registration certificate is issued.

F. Maintenance of registration and renewal

The term of a trademark registration is ten years. However, between the fifth and sixth anniversary of the registration date, a trademark owner must file an affidavit of continued use pursuant to § 8 of the Lanham Act, 15 U.S.C. § 1058, to keep the registration in force. The purpose of this requirement is to prune dead wood (marks no longer being used) from the trademark register. At the same time the § 8 affidavit is filed, if the trademark owner's use of the mark has been continuous for five years, an affidavit of incontestability may also be filed pursuant to § 15 of the Lanham Act, 15 U.S.C. § 1065. This will make the trademark registration "incontestable," which does not mean that it is literally incontestable. It means that the grounds on which the registration may be challenged are considerably narrowed.

Between the ninth and tenth anniversary of registration, an application for renewal, including proof of current use, must be filed. The trademark registration may be renewed every ten years thereafter an unlimited number of times, so long as use of the mark continues. Lanham Act § 15, 15 U.S.C. § 1059.

V. Proper use of ®, TM and SM symbols.

Attorneys need to understand the meaning and proper use of the symbols ®, TM and SM. The ® symbol may *only* be used with a federally registered trademark, and may not be used until the registration is actually issued, even though an application is pending. Once registration is issued, it is important to use the ® symbol with a trademark to give notice that it is registered. Failure to use the ® will limit the damages available in

infringement litigation unless the defendant had actual notice that the trademark was registered. Lanham Act § 29, 15 U.S.C. § 1111.

The TM and SM symbols are not statutorily regulated. They are used as a self-declared indication that the user claims trademark or service mark rights in whatever words or logos the symbols are used with. They may be used before or during the application process at the trademark owner's discretion. Use of these symbols does not confer any trademark rights. They merely indicate that the user *claims* trademark rights. Indeed, these symbols are often used for words or phrases that the user would have little hope of protecting as trademarks, usually because they are descriptive.

There is a lot of confusion concerning how often the ®, TM or SM symbols must be used. Clients often resist using them each and every time the trademark appears because they believe it interferes with the appearance of their marks or sales materials. In fact, it is not necessary to use the symbols with the trademark invariably. The purpose of the symbols is to give notice of trademark rights and it is sufficient if they are used often enough to perform this notice function. How often that is will, of course, vary from case to case based on the mark and the nature of the usage.

VI. Infringement of a trademark

A trademark is infringed when another user uses a mark that is sufficiently similar to a given mark for goods or services that are sufficiently similar to the given mark's goods or services, so that the use of the mark for the goods or services is likely to cause a substantial number of consumers to be confused concerning whether or not the goods or services come from a common source. Obviously, there is no bright line test by which counsel can determine whether there is infringement in a given situation. It is heavily dependant on an evaluation of many relevant facts and circumstances.

Courts (and hence lawyers trying to advise clients on what courts would do) determine whether there is infringement by evaluating a set of non-

exclusive factors derived from prior court decisions. The Supreme Court has never enumerated a set of factors that is applicable throughout the country. Accordingly, each federal circuit court of appeals has formulated its own test for infringement with its own set of factors, which is typically referred to by the name of the case in which the factors were first articulated. The Second Circuit uses the “Polaroid” factors, identified by Judge Friendly in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). The Ninth Circuit, for example, uses the “Sleekcraft” factors, articulated in *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir.1979). The Federal Circuit (and, accordingly, the Patent and Trademark Office) uses the “DuPont” factors from *In re E. I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973). Each other Circuit has its own name for its set of factors. This is confusing, and it would be helpful for the Supreme Court (or maybe Congress) to promulgate one set of factors for the country. However, as a practical matter, each test amounts to pretty much the same thing although different language is used.

For purposes of this program, it seems most appropriate to consider the Second Circuit’s “Polaroid” factors. They are:

- **The strength of the plaintiff’s mark –**

The “strength” of a mark refers to its “distinctiveness,” in other words its tendency to identify the services delivered under the mark as emanating from a particular, although possibly anonymous source. *W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir. 1993); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979). In evaluating this factor, courts determine whether a mark is strong or weak by determining where it falls on the Arbitrary/fanciful, Suggestive, Descriptive, Generic scale discussed above. Arbitrary/fanciful and Suggestive marks are considered strong, with the former a little stronger than the latter. They are entitled to protection without proof of “secondary

meaning.” Descriptive marks are considered relatively weak and are not entitled to protection absent a showing of secondary meaning. In general, a mark acquires secondary meaning when it is shown that the primary significance of the term in the minds of the consuming public is not the service, but the provider. *See Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1221 (2d Cir. 1987). Marks found to be generic are so weak that they are not entitled to any trademark protection.

Other factors such as long use, significant advertising and promotion and significant sales under the mark are also considered and can add strength to the mark. *See Thompson Med. Co. v. Pfizer, Inc.*, 753 F.2d 208, 217 (2d Cir. 1985). However, an otherwise strong mark is not rendered weak because of low advertising and promotion or sales. *Morningside Group Ltd. v. Morningside Capital Group L.L.C.*, 182 F.3d 133 (2d Cir. 1999).

In addition, third party use of the same or a similar mark for closely related goods can detract from the strength of a mark. *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1511 (2d Cir. 1997); *Western Pub. Co. v. Rose Art Industries, Inc.*, 910 F.2d 57, 61 (2d Cir. 1990). However, third party use on unrelated goods or services detracts less from strength.

- **The degree of similarity between the plaintiff’s and the defendant’s marks –**

Courts evaluate the degree of similarity based on both visual and aural similarity and also consider the connotations of both marks. The proper test is not side-by-side comparison of the marks, but consideration of how they will be encountered by the consumer. *See Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 538-39 (2d Cir. 2005). Thus, for marks likely to be encountered aurally, similarity of sound may be more important, and *vice versa*.

- **The proximity of the products –**

This factor considers the extent to which the goods or services sold under the two marks are similar, related or would tend to be viewed by consumers as likely to come from the same source. If the goods are virtually the same, then this factor obviously favors infringement. If the goods are very much unrelated, for example CADILLAC can be a trademark for automobiles and dog food, then this factor weighs against infringement. In a very close case, *In re Coors Brewing Co.*, 343 F.3d 1340, 1345-46 (Fed. Cir. 2003), the Federal Circuit found that beer and restaurant services are not sufficiently related for BLUE MOON for beer to infringe BLUE MOON for restaurant services. Reasonable minds could differ on that.

- **The likelihood that either owner will bridge the gap—**

This factor considers how likely it is that either the senior or junior user will expand the goods or services sold under their respective mark to include, or come closer to, the goods or services of the other. Evidence considered in connection with this factor includes actual announced plans of each user, *Lang v. Ret. Living Publ'g Co.*, 949 F.2d 576, 582 (2d Cir. 1991), and consumer assumption based on industry history and practice that expansion would be likely, *Scarves by Vera, Inc. v. Todo Imports., Ltd.*, 544 f.2d 1167, 1174 (2d Cir. 1976); *E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc.*, 1393 F. Supp. 502 (E.D.N.Y. 1975). For example, if two parties were using the same mark, one for automobiles and one for tractors, bridging the gap is possible because both goods are motor vehicles that could be produced in the same factory with some retooling. However, based on industry history, manufacturers of both automobiles and tractors usually, but not always, use different marks for each. This would weigh against a finding of infringement. However, if one party had definite plans to expand use of the mark in that direction, this might cause the “bridging the gap” factor to favor infringement.

- **The sophistication of the buyers –**

This factor considers the nature of the consumers for the product or service and how discerning they are likely to be in making their choices. Where the goods are low cost and typically bought on impulse without much thought, the sophistication factor weighs in favor of infringement because consumers are more likely to purchase the junior user's goods in the belief that they come from the senior user. *E.g., Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 941 (10th Cir. 1983) (BREW NUTS infringes BEER NUTS for sweetened salted peanuts, in part because the product is likely to be purchased on impulse without close examination). In contrast, where “big ticket” items are involved and/or the customer base has a greater degree of knowledge or greater reason to take care in making purchases, the sophistication factor weighs against infringement because customers are less likely to be fooled concerning the origin of the goods or services.

Nevertheless, sophistication alone is never dispositive. It is error to woodenly apply the general rule that likelihood of confusion is diminished when potential purchasers are sophisticated. Where there is a high degree of similarity between the parties' services and marks, ‘the sophistication of the buyers cannot be relied on to prevent confusion. *Morningside Group Ltd. v. Morningside Capital Group, L.L.C.*, 182 F.3d 133, 143 (2d Cir. 1999) (MORNINGSIDE CAPITAL for private equity investments infringed the unregistered mark MORNINGSIDE GROUP for various financial activities despite the high degree of sophistication of the customers); *accord Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) (“even though defendant's business is transacted in large quantities only with sophisticated oil traders, there is still and nevertheless a likelihood of confusion” as potential purchasers would be misled into an initial interest in Pegasus Petroleum, and that initial confusion works a sufficient trademark injury).

- **The quality of the defendant's product –**

This factor is evaluated in different ways depending on the facts and circumstances. One evaluation considers the relative quality of the parties' goods or services. If, for example, the senior user's goods are "high end" and the junior users' "bottom of the line," then consumer confusion would, in theory, be less likely and this factor would weigh against infringement. *See Plus Prods. v. Plus Disc. Foods, Inc.*, 722 F.2d 999, 1006 (2d Cir. 1983). In contrast, if both parties' goods are of relatively equal quality, then confusion is more likely, and the factor would favor infringement.

Another aspect of the "quality" factor considers the senior user's loss of control over the reputation of his or her mark. If the junior user's goods are of lower quality then their presence in the marketplace may debase consumer perception of the senior user's mark. *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 965 (2d Cir. 1996) (quality of defendant's product *Polaroid* factor "is primarily concerned with whether the senior user's reputation could be jeopardized by virtue of the fact that the junior user's product is of inferior quality"); *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1134 (2d Cir. 1982) (same). (Thus disparity in quality can weigh for or against infringement depending on the circumstances.)

In addition, the quality factor can be relevant where consumers might attribute a lapse in quality by the junior user to the senior user. For example, if two banks use similar trademarks, the senior user could be damaged if the junior user experienced regulatory problems or was considered in danger of failing. Thus, even if the alleged infringer's goods or services appear to be of high quality, the senior user has the right to insist that its reputation not be imperiled by the junior user's possible actions. *E.g., Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 858 (7th Cir. 1982).

- **Actual confusion –**

Actual confusion (as opposed to theoretical likelihood of confusion) is another factor with dual aspects. On the one hand, “[a]ctual confusion or deception of purchasers is not essential to a finding of trademark infringement or unfair competition, it being recognized that ‘reliable evidence of actual instances of confusion is practically almost impossible to secure.’” *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 761 (2d Cir. 1960); see also *Miles Shoes, Inc. v. R. H. Macy & Co.*, 199 F.2d 602, 603 (2d Cir. 1952), cert. denied, 345 U.S. 909 (1953); *W. E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 662 (2d Cir. 1970); *Scarves by Vera, Inc. v. Todo Import, Ltd.*, 544 F.2d 1167, 1175 (2d Cir. 1976). Particularly where the junior user’s mark has not been in use very long, the absence of evidence of actual confusion is not entitled to much weight.

On the other hand, however, a little actual confusion evidence goes a long way. The existence of some actual confusion is strong evidence of likelihood of confusion. *Mobil Oil Corp.*, 818 F.2d at 259, citing *World Carpets, Inc. v. Dick Littrell’s New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) (“While . . . it is not necessary to show actual confusion . . . [t]here can be no more positive or substantive proof of the likelihood of confusion than proof of actual confusion.”); see also *Best Cellars, Inc. v. Wine Made Simple, Inc.*, 320 F. Supp. 2d 60, 77 (S.D.N.Y. 2003) (while plaintiff is not required to demonstrate instances of actual confusion to prove liability, any evidence of actual confusion would be strong proof of probability of confusion).

The length of time that two marks have co-existed in the marketplace without evidence of actual confusion can also be relevant. Where there have been several years of co-existence, for example, absence of actual confusion makes it less likely that likelihood of confusion, and hence infringement, will be found. *Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169 (2d Cir. 1996); *Windsor, Inc. v. Intravco Travel*

Centers, Inc., 799 F. Supp. 1513, 1524 (S.D.N.Y. 1992); accord *Sun Banks, Inc. v. Sun Fed. Sav. & Loan Association*, 651 F.2d 311, 319 (5th Cir. 1981).

- **Good or bad faith –**

In general, a junior user's apparent good faith in adopting and using its mark does not count for much and does not weigh very heavily in determining infringement. Because intent is largely irrelevant in determining whether consumers are likely to be confused as to source, good faith alone cannot vitiate a likelihood of confusion between marks. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986).

On the other hand, if the court gets a whiff of bad faith, it can tip the scales decidedly toward infringement. E.g., *W. E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 662 (2d Cir. 1970). Bad faith usually means that the junior user adopted its mark with a conscious intent to benefit from the goodwill of the senior user's mark, or with knowledge that consumers would likely buy the product thinking it came from the senior user. The mere fact that plaintiff's mark appeared in defendant's clearance search does not establish bad faith because other information could have led defendant to adopt its mark in good faith.

* * *

It must also be stressed that application of the *Polaroid* factors is not mechanical. It is not a scoring system in which the party with the higher number of factors in its favor necessarily wins. In addition, not all factors are always relevant and "no one factor is necessarily dispositive" although any one factor may prove to be so in a given case. *N.Y. Stock Exch., Inc. v. N.Y. N.Y. Hotel, LLC*, 293 F.3d 550, 555 (2d Cir. 2002). Accordingly, it is obviously not always easy to advise a client with certainty whether or not another mark infringes the client's trademark or the client's intended mark would infringe another's mark. In cases where arguments could be

made both ways, the best counsel can do is advise on the relative degree of risk. Sometimes it is best not to try to over-analyze or over-intellectualize the infringement determination. In many cases, your gut is your best guide. If your gut tells you that use of the mark in question would be unfair to the senior user (whether he or she is your client or not), then the mark probably infringes.

VII. Different types of Confusion

Most trademark infringement questions involve traditional consumer confusion at the point of purchase, in which the consumer buys the junior user's product in the mistaken belief that it comes from the senior user. There are, however, at least two other types of confusion that practitioners need to be aware of.

A. Reverse Confusion

Reverse confusion means that consumers may purchase the senior user's goods in the belief that they come from the junior user. *Banff Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 490-91 (2d Cir. 1988). It can occur where the senior user has used the mark on a relatively small, lower profile scale and a well-financed, high profile junior user adopts the same, or a similar, mark, promotes it heavily and uses it on a large scale. Here, the problem is not that consumers may purchase the junior user's goods believing them to come from the senior user. Rather, upon encountering the senior user's goods in the marketplace, consumers may believe that the senior user (with superior rights to the mark) is attempting to confuse them or is knocking off the junior user. Even if they are not fooled, they will wrongly think ill of the senior user, which will effectively ruin the mark for the senior user. *E.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D. Colo. 1976), *aff'd in material part*, 561 F.2d 1365, *cert. dismissed*, 434 U.S. 1052 (1978) (major tire company's adoption of BIG O for tires caused reverse

confusion with senior user's smaller scale, but established, BIG O mark for tires).

B. Initial Interest Confusion

Initial interest confusion occurs when the consumer is initially attracted to the junior user's goods by use of the senior user's mark, but knows by the time of purchase that the goods do not come from the senior user. For example, if a jewelry store's use of the word TIFFANY in advertising led consumers to visit the store in the belief that the store sold TIFFANY jewelry, even if consumers learned otherwise before making any purchases, some may still buy from the store as long as they are there. Those purchases have resulted from initial interest confusion and the jewelry store has infringed the TIFFANY trademark.

VIII. Protecting Your Trademark from Infringement

A. Reasons to pursue infringers

1. Counterfeiters

Bald faced counterfeiters are not only eating your client's lunch, they are degrading the image, distinctiveness and value of your client's trademarks. They cannot be ignored.

2. Confusingly similar trademarks

Even if a user of an arguably similar trademark is not doing your client much current harm, the situation cannot be ignored. Although a trademark owner does not have an obligation to pursue every infringer, toleration of infringement weakens a trademark by allowing a third party user to exist. When a more serious infringement comes along that a trademark owner wants to pursue, he or she may find that existing or past ignored infringement has weakened the trademarks to the point where relief is not available.

Tolerating infringement also runs the risk that the reputation of your client's mark could be ruined by the infringer's conduct or poor quality.

3. Trademark dilution—a separate concept

When an existing trademark is used for completely unrelated goods or services, the use may not infringe, but it can dilute the distinctiveness of the senior user's mark. This dilution can make the mark less valuable. There are two recognized forms of trademark dilution. The first is called dilution by blurring. The theory is that additional use of the same or a similar mark, even if it is not confusing the public, is harming the mark by "blurring" its distinctiveness. Dilution by tarnishment is the other recognized form of dilution. This means that the senior mark is somehow tarnished by the junior use. For example, use of TIFFANY for "adult novelties" might not cause consumers to believe that the goods came from Tiffany, but it would cheapen the image of the TIFFANY mark.

Trademark owners thus need to consider whether they should pursue trademark dilution as well as trademark infringement. Federal law trademark dilution is governed by § 43(c) of the Lanham Act, 15 U.S.C. § 1125(c). This provision applies only to "famous" trademarks, *i.e.*, marks "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 *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), the Supreme Court held that the Lanham Act's dilution provision required a showing of actual dilution, not merely likelihood of dilution, before any relief could be granted. In 2006, Congress revised the law to make likelihood of dilution actionable. Nevertheless, the federal dilution remedy is effectively restricted to only the most well know trademarks.

State dilution statutes, which most states have, may not be restricted to famous marks, however. In New York, for example, General Business Law § 360-1 provides that "likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in causes of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as

to the source of goods or services.” Although no case law explicitly so states, the statute does not seem to be limited to “famous” marks.

B. Steps in trademark protection

1. Cease & Desist Letter

When your client consults you concerning a potential trademark infringement, and you conclude that a claim is well founded, you can, of course, commence a lawsuit immediately and in some cases this will be necessary. It is more usual, however, first to write a rather formal letter to the alleged infringer, called a “cease & desist letter” demanding that the infringement be stopped. The aim is to stop the infringement without litigation or engage the alleged infringer in a dialogue that will lead to a resolution short of litigation. However, it is a mistake to write a cease & desist letter unless the client is committed to following up with litigation. Sending a letter and then folding like a cheap camera when it is ignored or the demand flatly rejected weakens your client’s trademark rights. It is usually better to take no action than to start something the client is not prepared to finish.

A well-drafted cease & desist letter comes from counsel and contains three functional paragraphs. The first paragraph names the client and enumerates the trademarks or other intellectual property that is in issue. If registered, or if an application is pending, it should cite the registration number or application serial number. It is also impressive to enclose a copy of the certificate of registration if registered.

The second paragraph typically begins, “It has come to my client’s attention that . . . “ and proceeds to describe the allegedly offending conduct. The letter then advises the recipient that the described conduct violates enumerated federal and state statutory provisions and subjects the recipient to liability for damages and injunctive relief.

The third paragraph “demands” that the alleged infringer immediately cease the offending conduct. If merely ceasing would not be sufficient, or

sometimes for greater intimidation, the letter may also demand an accounting for infringing profits, turnover of infringing merchandise or other steps. The letter next asks that the alleged infringer, or counsel, contact you promptly to discuss the matter, or if there is less room for discussion, to confirm that the alleged infringer will meet your client's demand. The letter should close by setting a response deadline, which might be a week or two weeks, or more if warranted by the circumstances, stating that if you do not hear from the recipient or counsel by the deadline your client will conclude that the alleged infringer has no interest in settlement and will take some further described action. The description of that further action is critical and should be carefully considered. A statement such as "my client will immediately proceed to file an infringement action" is a clear enough threat of litigation to create subject matter jurisdiction for a declaratory judgment action by the alleged infringer for a declaration of non-infringement. Enclosing a draft complaint probably also provides this opening. However, a more indefinite statement such as "my client will proceed appropriately" sounds weaker but probably does not support subject matter jurisdiction for a declaratory judgment action. It may be the better strategy if you want to avoid giving the adversary the option of firing the first salvo in an unfavorable jurisdiction.

Two sample cease & desist letters are included as Exhibit 3.

2. Attempts to Settle

Assuming that the alleged infringer neither completely agrees to the demand nor utterly rejects it, there may be an opportunity to resolve the matter short of litigation. Some possible ideas to achieve a resolution that non-trademark lawyers might not think of include:

- Give the infringer a reasonable period to migrate to a new mark in an orderly manner. Typical migration periods would be three months to a year, depending on the facts and circumstances;

- Enter into a Co-Existence Agreement providing that the alleged infringer will limit use of the mark in issue to certain goods or services and not seek to expand. It may be necessary also to agree to limit your client's field of use of the mark. This may be a good idea if there are significant questions concerning infringement or which party is the senior user of the mark;
- Agree to contribute something toward the infringer's costs of changing its mark. Although clients sometimes wonder why they should pay the infringer rather than *vice versa*, it will probably be a lot more cost-effective than commencing a law suit and will achieve the desired result rather than expose the client to the risks of litigation.

3. Lawsuit

If a settlement cannot be reached within a reasonable period of time, commencing a lawsuit is the next step. Although, in theory, suits under the Lanham Act for federal trademark infringement may be commenced in state or federal court, most are commenced in federal court, and those that are not are usually removed there because there is federal question jurisdiction. A sample complaint for trademark infringement and related claims for relief is included as Exhibit 4.

IX. Responding to a cease and desist letter

If your client receives a cease and desist letter, you need to follow a similar procedure, but in reverse. First, of course, evaluate the claim. If infringement is clear think about how much time your client would need to make an orderly transition to a new mark and try to negotiate for that. If you conclude that the claim presents some risk, but is not hopeless, you should consider whether it may be in your client's interest to seize the initiative by commencing a declaratory judgment action if you have been given an opening. Otherwise, the typical response to a cease and desist letter is a denial of infringement giving the reasons why the relevant

Polaroid factors cut in your client's favor. The key part of the response letter is the closing. If you deny infringement, reject the demand and leave it at that, you are inviting a lawsuit as the next step. Sometimes that is the best strategy. On the other hand, you may want to close in a way that invites, or leaves the door open for, some settlement discussions. This could be something like, "Notwithstanding our view that there is no infringement we may be able to reach an accommodation and I will call you shortly" to "Although I doubt that there is any way to resolve this matter, if you have any thoughts please feel free to call me" There are many potential formulations between those extremes.

In settlement negotiations, the alleged infringer may want to propose some of the settlement possibilities identified above.

If settlement cannot be reached, then you will have to wait and see if your client is served with a complaint.

X. Consider Insurance

If your client receives a cease and desist letter, do not forget to consider the possibility that there might be insurance coverage. If coverage is even arguable then the matter should be promptly reported to any potential carriers. Most commercial general liability policies have limited coverage for garden variety trademark infringement. However, if the alleged infringement is related to advertising there may be coverage under the coverage part for "Advertising Injury." Details of the case law in this area are outside the scope of this program.

XI. Licensing a trademark

If your client is licensing its trademark to a third party or licensing a trademark from a third party it is important to have a written license agreement. Although trademark licenses have many important provisions, two are critical:

- **The "Grant of License" provision** – the grant of license should specify clearly whether the license granted is exclusive,

exclusive for a specified field of use, or non-exclusive. If any form of exclusive license is granted, if it is not intended that the license be exclusive as against the licensor, it is important to so specify. The grant of an exclusive license, without more, includes the licensor in the exclusivity. It is also important to specify the territory in which the license is effective.

- **Quality control** – A valid trademark license must give the licensor at least some right to control the quality of the goods or services delivered under the mark. A license with no quality control is called a “naked” license. Leaving out a quality control provision risks invalidating the trademark. Extensive quality control is not required, but there must be some.

A sample simple trademark license agreement is included as Exhibit 5. It contains other key provisions that should be in a well-drafted trademark license.

XII. Internet issues

The rise of the Internet has required courts and legislatures to face some interesting new issues that trademark use on the Internet creates. Some of the issues are still awaiting resolution.

A. Domain names

Internet domain names are primarily the “addresses” at which Internet web sites can be found, but they can also function as trademarks. When the domain name is used to indicate the source of goods or services in addition to functioning as a web site address, it is functioning as a trademark and may be registered as a trademark. For example AMAZON.COM indicates not only the address of an online bookseller, but is also promoted and advertised as the source of books and other goods on the Internet. Accordingly, it is, and may be registered as, a trademark.

Practitioners need to apply this distinction when clearing new marks for clients because domain names do not always function as trademarks or

give their registrants trademark rights. If a search report shows that the proposed mark is already registered as a domain name in a particular generic top level domain (“gTLD”) or country code top level domain (“ccGLD”), but is not being used for a website that is related to the client’s proposed goods or services, then it does not affect availability of the mark, because it is not being used as a trademark to which the proposed mark could be confusingly similar. If, however, the domain name is in use for a web site offering goods or services similar to your client’s proposed goods or services, then it may be functioning as a trademark and needs to be considered in assessing availability.

Trademark issues concerning domain names also arise when third parties register domain names that contain, or are similar to, existing trademarks. If your client finds that a third party has registered its trademark as a domain name in “bad faith” you may be able to get the registration cancelled or transferred to your client. The key fact is whether the registration was made in bad faith (to keep it away from your client or profit by selling it to our client, for example). If on the other hand, the registrant has some legitimate interest in registering the domain name, your client may have to live with the situation. For, example, if your client owns the mark NIGHTINGALE for mattresses, and the registrant of nightingale.com contacts the company with an offer to sell the domain name for \$75,000, this is evidence of bad faith. On the other hand, if the registrant is using the domain name for an informational website about nightingales, he may have a legitimate interest in the name that would defeat a bad faith claim.

If you conclude that your client is the victim of a bad faith domain name registration, there are primarily two procedures available to try to get control of the domain name.

- **UDRP Proceeding** – ICANN, the organization responsible for overseeing the Internet domain name system, has established a “Uniform Domain Name Dispute Resolution

Policy” (“UDRP”), which provides for an administrative proceeding for trademark owners to challenge domain names registered by others. It is essentially an arbitration to determine, relatively inexpensively, whether the domain name in question has been registered in bad faith. Full information concerning UDRP proceedings is available on the Internet at www.icann.org/en/udrp/. The advantages of a UDRP proceeding for a trademark owner are its relative low cost and that the arbitrator is unable to adjudicate or consider any challenges to the trademark rights. The disadvantage is non-finality. If the registrant loses, he or she can still bring a court proceeding to challenge the owner’s trademark rights.

- **ACPA Action** – As an alternative to proceeding under UDRP, a trademark owner may pursue a bad faith domain name registrant in a federal court action under the Anticybersquatting Consumer Protection Act, codified as § 43(d) of the Lanham Act, 15 U.S.C. § 1125(d). The ACPA grants the owner of a distinctive or famous mark the right to commence a civil action against a domain name registrant who acted in bad faith and seeks to profit from the plaintiff’s mark by trafficking in a domain name containing, or confusingly similar to that mark. *See, e.g., Sporty’s Farm LLC v. Sportsman’s Mkt., Inc.*, 202 F.3d 489 (2d Cir.), *cert. denied*, 530 U.S. 1262 (2000) for an example of a successful ACPA action.

B. Metatags and Metadata

The Internet uses and transmits substantial non-visual information in addition to the data that generates what a web site visitor sees. This non-visual information is referred to as “metatags” or “metadata.” For example, a web site owner is able to include metatags in a web site that

among other things indicate the subject matter of the web site or other information that the site owner wants to include. Search engines look at the metatags to locate web sites responsive to users' search requests, which are then displayed in the search results.

Trademarks can be embedded in metadata. Naturally, a website owner selling or advertising trademarked goods or services would want to put its trademark and its goods or services in the metadata so that search engines will find the site and include it in the search results in responses to searches for that mark or those goods. It also might occur to a site owner to put its competitors' trademarks in the metadata so that searches for competitors' trademarks would include the website in the results. For example, were they still rivals in the Internet age, MACY'S might want to put GIMBELS in its website's metadata and *vice versa*. This use of competitors' trademarks may give consumers useful information about alternative sources of goods and services they are looking for. It also may confuse consumers by leading them to believe that the trademarked products they are seeking are available on sites that actually sell competing products. Consumers may learn the truth when they visit a site, but they also may purchase from the site anyway. Have they been lured to the site through initial interest confusion, explained above? Is use of a competitor's trademark in metatags trademark infringement?

In addition to metatags of individual websites, banner ads, pop-up ads, and keyword sales by search engines present opportunities to use competitors' trademarks in metadata. For example, if a search engine operator sells the keyword "Nike" to ADIDAS, then ADIDAS can arrange to have a banner ad, with a link to its website, appear on the screen when a user inputs "Nike" for some purpose, such as performing a search, or for the ADIDAS website to appear as a "sponsored link" in search results for a search for "Nike." It is often difficult to tell which search results are "*bona fide*" and which are returned as a result of "keyword" associations.

Pop-up ads work a little differently, but make similar use of metadata. They are generated by “free software” that the user downloads to his or her computer, often without realizing that the software also includes pop-up ad generation. The software monitors the user’s Internet activity and generates a pop-up ad when triggered by use of a “keyword.” Thus, FORD could purchase BUICK as a keyword and cause a pop-up ad for FORD to be generated when the user was looking for information about BUICK. There can be no doubt that more variations on the above uses of trademarks as metadata will emerge.

Courts are still wrestling with questions surrounding whether use of a competitor’s trademark in metadata or metatags constitutes infringement. Case law is currently split. The dispositive issue that the courts have gravitated toward is whether use of a trademark in unseen metadata constitutes “use” of a trademark “in commerce” within the meaning of the Lanham Act.

An early case in the Ninth Circuit overlooked that issue and found that use of a competitor’s trademark in website metatags infringed the trademark because it caused initial interest confusion. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1064 (9th Cir. 1999). The court analogized metatag use of a trademark to erection of a physical billboard displaying the trademark:

Suppose [video store] West Coast’s competitor puts up a billboard on a highway reading – “West Coast Video: 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there.

Accord, e.g., Horphag Research Ltd. v. Pellegrini, 337 F.3d 1036 (9th Cir. 2003); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006);