This fact sheet is intended to provide you with general background information and is not legal advice. You should consult with an attorney before taking any of the actions or relying on any of the information discussed below.

What is a Trademark?
Trademarks are the means by which we establish brands in the marketplace. When a merchant creates an association in the minds of customers between his brand and the goods or services being offered to the market, trademark law grants that merchant exclusive rights to the use of the brand (referred to in trademark law as a “mark”) in commerce. There are two kinds of marks – trademarks and service marks. Trademarks are generally associated with products, while service marks are generally associated with services. For the purposes of this fact sheet, we will refer to both trademarks and service marks as “marks,” as the protection afforded to either is based on the same legal concepts. Although marks are commonly words, they can actually take many forms including words, numbers, letters, symbols, slogans, colors, characters, graphic designs, smells, configurations, trade dress, sounds, and any combination of these items. Examples of famous word marks are General Electric, Coca Cola, Nike and Microsoft. Other marks include the three-tone jingle for NBC, the distinctive pink color used in Owens Corning Fiberglas, the “swoosh” used by Nike apparel, and the shape of the “Hershey’s Kisses” chocolate candies.

Distinctiveness
The public policy basis for trademark law is to make it easier for consumers to identify the origin of goods or services, therefore only words or phrases that are capable of distinguishing the goods or services of the mark’s owner – a trait known as “distinctiveness” – are protected. Trademarks vary in distinctiveness, and the scope of protection afforded to the mark holder is a function of the mark’s degree of distinctiveness. The more distinctive a mark is, the greater the scope of protection.

Arbitrary and Fanciful Marks
The most distinctive marks are those based on the use of either fanciful or arbitrary words. Fanciful marks – like Exxon, Kodak, and Clorox – are “made up” words. Arbitrary marks – such as Apple computers or Dutch Boy paints – are existing words used in ways that have nothing to do with their traditional meaning. Fanciful and arbitrary marks are afforded the greatest protection.

Suggestive Marks
If a mark suggests some qualities of the product, without actually describing it (for example, Coppertone tanning lotion, Roach Motel bug traps, and Greyhound bus lines), it is considered a suggestive mark. Generally, suggestive marks are only protected against use of similar marks for related goods and services. By contrast, when a mark directly describes the qualities of the product, it is not considered distinctive unless it first acquires “secondary meaning,” which arises when the public equates the term with the source of the product more so than as a description of the product. International Business Machines (IBM) is an example of a descriptive mark that has acquired secondary meaning (i.e., it is understood to refer to the company behind the product and not merely a description of the product). Secondary meaning is difficult and time-consuming to establish.

Generic Marks
An interesting and final category is for those generic terms that are, or have become the common name for a product or service (e.g., “car” for automobiles). Such terms are not granted any protection under trademark law, because to do so would make it difficult or impossible for other companies to describe their products. In some instances, marks have fallen into generic use because the public has adopted what was originally a product name as the name of the class of products. “Escalator,” “aspirin,” “kerosene,” “trampoline” and “zipper” were all once product names. When a mark falls into generic use it is no longer protected.

Establishing Trademark Rights
The rights to a trademark provide for exclusive use of the mark for a class of goods and services within a geographic market and a reasonable “zone of expansion” thereof. Although federal registration is generally recommended, the common law recognizes trademark rights from first use, whether or not the mark has been registered. Such “usage” arises from any bona fide sale or transaction involving the goods or services associated with the mark.

A common misconception is that rights to a mark can be secured by activities other than a bona fide sale. However, except in rare circumstances, mere advertising is not sufficient to establish such rights. Similarly, securing an Internet domain name, incorporating a business, printing business cards and such are all insufficient to establish trademark rights. There must be a bona fide sale or transaction – a “mere sham” transaction, which involves sale to a family member, is not sufficient. The sale must arise from use within the general stream of commerce.

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TRADEMARKS

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Infringement arises when a junior (subsequent) user adopts the same or similar mark that a senior (previous) user has already established. Under both North Carolina law and the federal Lanham Act, the test for infringement is whether the junior user’s mark creates a “likelihood of confusion.” The courts will consider a variety of factors in assessing whether such a likelihood exists, including (1) the strength or weakness of the mark; (2) the similarity of the plaintiff’s marks, including a comparison of sound, appearance, and meaning; (3) the similarity of the products or services; (4) the similarity of the purchasers and channels of trade; (5) the similarity of advertising media; (6) the degree of care purchasers are likely to exercise; (7) the intent of the subsequent user; and (8) evidence of actual confusion. Once a plaintiff has established infringement, such a finding gives rise to a variety of equitable and monetary remedies. These may include (1) recovery of all or a portion of defendant’s profits; (2) compensation for any damages sustained by the plaintiff; and (3) recovery of the costs of legal proceedings. In addition, the court may award up to treble damages and, in exceptional cases, recovery of attorneys’ fees to the prevailing party.

Frequently, infringement disputes arise over contested Internet domain names. The Anticybersquatting Consumer Protection Act (ACPA), enacted in 1999, created a cause of action against any defendant who, in bad faith, registers or uses a domain that (1) is identical to or confusingly similar to a distinctive mark; or (2) is identical to, confusingly similar to, or dilutes a famous mark. Alternatively, Internet disputes may be settled through arbitration procedures established by the Internet Corporation for Assigned Names and Numbers (“ICANN”). Under these procedures, the disputed domain name will be transferred to the complainant if (1) the domain name is identical to or confusingly similar to a mark in which the complainant has rights; (2) if the registrant has no legitimate interest in the domain name; and (3) the domain name has been registered and used in bad faith.

Choosing and Registering a Mark
Choosing a new mark, therefore, should be based on (1) distinctiveness and (2) the absence of infringement. Initially, a merchant can eliminate direct conflicts by conducting a free online search through the records of the Patent and Trademark Office, accessible online at http://www.uspto.gov. This search can be expanded to include state registrations and other Internet sources. Ideally, the process may also involve an experienced trademark lawyer to advise on the merits of state or federal registration. Federal registration provides, among other benefits, nationwide protection. State registration is generally faster and easier to obtain, although the scope of protection is only within the state.