

## MEMO

To:

From: Chris McHam

Date: October 8, 2003

Re: Trademarks

You asked that I research the trademark issues presented in the suit by Company S against Mr. M . I have attempted to provide a brief overview of the impact of the Lanham act and common law trademark.

The Lanham act was an attempt to codify the common law of trademark in such a manner as to provide protection to trademark owners (Senior users) against the unscrupulous use or imitation of others (Junior users) in such a manner as to deceive purchasers into believing that a product was manufactured by the Senior user and thus generate sales for the Junior user. The Lanham act does not create any trademark right; it only recognizes a right acquired through use. The Lanham act encompasses both trademark infringement and unfair competition.

Certain marks are not valid and have no protection under the Lanham act. One such mark revolves around geographical, locational or place names. In general, where the right to the use of a geographical, locational, or place name as a mark is not subject to exclusive appropriation, the original user may not ordinarily complain of its use by competitors, in the absence of fraud or unfairness. For example the user of the mark *Dallas Cowboys* could not complain of the use of *Dallas Limousines* based on the use of the mark Dallas. The use of the term Lone Star as a geographical name is uncertain. The one case on point, *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.*, 43 F.3d 922, 932 (4th Cir.1995), was decided on other grounds and later remanded for a determination as to the possibility of confusion based on the marks. It is important to remember that courts do not look at just a portion of the mark, but the mark as a whole. Additionally the right to protection in the use of a place name may be lost by such adverse or general use of it as to render it generic.

Ownership of a mark is established under common law by showing that use of the mark was deliberate and continuous. Sporadic, casual or transitory use will not suffice. Use is also determined by establishing that the mark has become associated with the Senior user in the public mind. Sales of products bearing the trademark will suffice, and in many jurisdictions mere advertising of the mark will be sufficient. A mark may not be merely adopted and not used in an attempt to reserve it. Ownership can also be established through registration. Registering a mark is conclusive evidence of ownership and severely limits the defenses available. If the Senior owner is unable to show that any right to the mark had accrued before the proffered violation occurred, the Lanham act does not provide a remedy.

Infringement of trademark is the use or imitation by another of goods in such a manner that the purchasers of the goods are deceived or are liable to be deceived, and induced to believe that the goods were manufactured or sold by the owner of the

trademark. Marks need not be registered to support a claim of infringement. A mark is considered to be owned, under common law, as soon as it is put into use. Unregistered marks are entitled to protection under the Lanham if they could have been registered. To succeed on a claim of infringement the plaintiff must show:

1. Ownership of a valid mark
2. Infringer's actions are likely to cause confusion with the owner's mark

As has been stated above ownership of a valid mark may be shown through use of the mark. When determining the likelihood of confusion courts look to:

1. The degree of similarity between the marks
2. The intent of the alleged infringer in adopting its mark
3. Evidence of actual confusion
4. The relation in the use and the manner of marketing between the goods marketed by the competing parties
5. The degree of care likely to be exercised by purchasers
6. The strength or weakness of the marks
7. The quality of the defendant's product
8. Actual confusion of consumers
9. Likelihood of expansion of the product lines by the initial users

A finding of probability of confusion is required. Possibility of confusion is not sufficient. Probability exists were a large number of purchasers likely will be confused as to the source of the goods in question.

Intent to confuse the public is not an element of infringement. As shown above intent is a factor in determining whether confusion exists. Adopting a mark with knowledge of its trademark status permits a presumption of an intent to deceive, and an intent to deceive is strong evidence of a likelihood of confusion.

Unfair competition requires only a showing of a likelihood of confusion. Actual confusion is not required. It is not necessary to find intent to cause confusion when seeking an injunction for unfair competition. This is a recent change. In the past fraudulent or wrongful intent was required, and more likely than not still is required for any other recovery under unfair competition.

Under the Lanham Trademark Act, a person who, without the consent of the registrant, (1) uses in commerce a reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or (2) reproduces, counterfeits, copies, or colorably imitates a registered mark and applies such a reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, is liable in a civil action by the registrant.

A number of defenses are available. They are limited only by whether the right to use the mark is contested. If the mark is registered or ownership is uncontested the only available defenses are:

1. Fraudulent registration
2. Abandonment

3. Permissive use
4. Use of the Defendant's own name
5. Innocent adoption prior to the date of constructive use
6. Registration
7. Prior registration
8. Violation of antitrust law
9. Functionality
10. Equitable principles such as laches, estoppel and acquiescence.

If the ownership of the mark is contested Prior Use is a possible defense if it can be shown that the junior user adopted its mark before the senior user's registration and without knowledge of the senior user's prior use, that the trade area in which the junior user used the mark prior to the senior user's registration was limited in extent, and that the junior user has continuously used the mark in the preregistration trade area.

The equitable principle of unclean hands applies to one seeking an injunction for infringement of trademark. This applies regardless of the ownership status of the mark.

At this time I have spoken to Mr. M and performed a preliminary assessment of this case. If the pleadings are taken as true and discovery does not reveal abandonment or registration of the mark by a third party, Plaintiff has a strong case. There are a number of potential defenses available including: geographical name, innocent adoption and prior use. Mr. Montgomery has stated that the only reason the words "Bad Idea" appear on his web site is to generate a higher rate of hits on web browsers. He states that this is not an attempt to lure customers away from Company S but this is the obvious effect. In my opinion Company S has a facially valid complaint that will be difficult and costly to defeat. I have told Mr. M that it will potentially be more cost effective to simply remove the mark from his web site. He is prepared to do so if necessary.