

A Very Brief Primer on Trademark in the United States

Rev. January 2015

by Eric E. Johnson
Associate Professor of Law, University of North Dakota

1. Foundational Principles of Trademark Law

Trademark law concerns how businesses may obtain monopoly rights in identifiers of a product's source. Names, logos, slogans, product packaging, product shape, color, sounds, and even smells can serve as trademarks, so long as they operate to indicate to consumers the source of the goods or services with which they are associated.

The rationale underlying trademark law is one of protecting the reputations of sellers and the expectations of consumers. Trademark law ensures that merchants can profit from their hard-won reputations, and the law gives consumers the piece of mind that they can come to depend upon trademarks as reliable indicators of source, and, by extension, product quality.

Thus, the ultimate aim of trademark law is to increase society's wealth and standard of living by making for a more efficient marketplace. But the means are indirect. Manufacturers of shoddy, overpriced products are just as entitled to trademark protection as those with the most exacting standards of craftsmanship. A determination of trademark protection in an individual case never turns on the commercial merit of the trademark holder. The idea is that by making trademarks reliable indicators of the source of products, producers will care enough about their reputations to deliver products of consistent quality.

The keystone concepts for trademark law are *source* and *reputation*. The leading cases come back to these two concepts again and again. What's more, from just these two concepts, it is possible to intuit much of trademark law. To the extent a putative trademark is not serving to identify the source of a product and enabling the building of a reputation, the law generally does not provide a monopoly in the form of trademark rights.

Trademarks are entirely distinct from other legal entitlements grouped under the heading of "intellectual property." Copyrights and patents, for instance, are designed to encourage people to develop creative works and technological innovations. Under those legal regimes, monopoly rights are the reward for creating something beneficial for society. In contrast, the monopoly provided by trademark law is not a reward at all. It's

a way of ensuring the integrity of information provided to consumers. Correspondingly, the intent of trademark has never been to incentivize people to develop attractive logos or clever product names. The legal entitlements of trademark are merely means to the end of an efficient marketplace, which, in turn, is capable of rewarding craftsmanship and fair dealing.

2. Key Points of Trademark Doctrine

Trademark doctrine exists simultaneously under federal statute, state statute, and state common law. The *Lanham Act* is the key piece of federal legislation governing trademarks.

REGISTRATION OF TRADEMARKS

The Lanham Act provides an important scheme for the *registration* of trademarks with the *U.S. Patent and Trademark Office*. Federal registration confers substantial advantages for trademark holders, and federally registered trademarks may be identified with a circle-R symbol: ®.

The Lanham Act distinguishes among four kinds of marks. The first category is “*trademarks*,” a word that the Lanham Act uses in a narrow sense to refer to marks that identify the source of goods, as opposed to services. An example is “Apple” for computers. The second category is “*service marks*” – for services, of course. An example “Google” for various online information services. The next two categories show up in commerce less frequently. The third category is “*certification marks*.” These are used to identify products as having been certified by some outside source. An example of a certification mark is the encircled “UL” of Underwriters Laboratories, an independent firm that does product testing, including safety testing of electrical appliances. The fourth category is “*collective marks*.” These marks owned by an association and may be used by the association’s members to distinguish their goods or services from those of non-members. “Realtor” is a registered collective mark maintained by the National Association of Realtors.

A trademark need not be registered, however, to be protectable under the law. Those sellers without federal registration who wish to notify the public that they claim something as a trademark may use the superscript TM: TM. For service marks, a superscript SM is commonly used: SM.

PROTECTABLE SUBJECT MATTER

To be protectable as a trademark, a mark must be *distinctive*. You can deduce this requirement from the concepts of source and reputation: Without being distinctive, a trademark could not perform its mission of identifying a commercial source.

Some marks are said to be *inherently distinctive*, including marks that are *fanciful*, *arbitrary*, or *suggestive*. An example of a fanciful mark is “Kodak,” which is a purely made-up word. An example of an arbitrary mark is “Apple,” at least when it is used for a brand of computers. Since apples have nothing to do with computers, such a mark is considered arbitrary. An example of a suggestive mark is “Coppertone” for sunscreen, since the word suggests, but not clearly describe, the nature of the product.

Some putative trademarks are judged to be *generic*, and therefore not distinctive. “Apple” is generic for the kind of fruit known by that name. As a result, no one is entitled to protect “Apple” as a trademark for apples.

Between the categories of inherently distinctive marks and generic marks are those that are only considered distinctive if *secondary meaning* can be proven. Secondary meaning is the association of a mark, in the mind of the consuming public, with a particular brand. Marks that are judged to be *merely descriptive*, for example, must acquire secondary meaning before being protectable as trademarks. “Holiday Inn” is an example of a merely descriptive term that has acquired secondary meaning. Since travelers have come to regard the phrase “Holiday Inn” as denoting a particular brand of lodging services, it is now protectable, and registerable, as a trademark.

If a putative trademark is *functional*, then it will be denied protection. How can a trademark be functional? The color orange, for instance, might serve as a trademark in many contexts. But the color orange is functional for traffic safety cones. Orange makes safety cones more visible to drivers; therefore, it cannot be protected as a trademark for safety cones. Similarly, the shape of a bottle might be protectable as a trademark for a beverage. But if the shape features are functional because they make the bottle easier to grasp, then those features are not protectable under trademark law. Functionality doctrine is closely related to genericness. In both cases, the law denies trademark protection in situations where conferring monopoly rights would give the trademark holder an advantage in the marketplace that is unrelated to the holder’s reputation. If an apple seller had the exclusive right to the word “apple,” and if a safety cone seller had the exclusive right to the color orange, those sellers would enjoy considerable advantage from their trademark monopolies that had nothing to do with their reputations among consumers.

OWNERSHIP OF TRADEMARKS

Trademark rights only arise when a trademark is used in commerce. In a dispute between two parties as to who owns a trademark, courts do not look at who first thought up the mark or disclosed it, but who used it first in commerce. This, too, you can deduce from the concepts of source and reputation. If trademark law cared about incentivizing design, then it might award priority to the first party to create the mark. But because trademark cares about source and reputation, priority goes to the first party to use the mark in commerce, because it is the mark’s use in commerce that can build reputation by signifying the commercial source of goods or services.

It is possible for companies to prepare ahead of time for the launch a new brand with an *intent-to-use application* filed with the U.S. Patent and Trademark Office. This will reserve a trademark pending debut of the mark. But vesting of the incipient trademark still requires commercial use. And unless extensions are obtained, actual commercial use must occur within six months of the filing of the application.

A trademark can only have one owner. If two companies use the same mark for the same goods in the same market, then that mark is not protectable as a trademark. Why not? If, from the consumer’s point of view, a given mark did not correlate with a single

commercial actor, then the mark would not indicate source, and therefore it would be meaningless for accumulating a commercial reputation. For example, two companies can maintain the trademark "Delta" if one company uses it for air transportation services and the other for faucets. But if two companies independently sold faucets in the national marketplace under the name "Delta," then "Delta" could not be upheld as a trademark.

Note that it is possible for two different businesses to use the same mark in the same line of business at the same time – so long as the businesses have separate geographical territories. Thus, two different restaurant operators can use "Burger King" so long as their territories do not overlap. Otherwise, the mark's significance in terms of source and reputation would be lost.

ENFORCING AND LOSING TRADEMARK RIGHTS

The law does not confer an absolute monopoly with regard to the use of a trademark. There is nothing actionable, *per se*, about copying and using another person's trademark. For instance, making and selling a coffee-table book of attractive logos, without permission of the trademark owners, would not constitute trademark infringement. Note that in this way the law of trademarks is very different from the law of copyright. Making and selling a coffee-table book of other persons' copyrighted photographs would constitute copyright infringement.

In order to be liable for *trademark infringement*, in addition to showing valid ownership of a trademark, the plaintiff must prove the defendant's *use in commerce* and must show a *likelihood of confusion* among the consuming public. Making and selling a coffee-table book of attractive logos, then, would not be actionable as infringement because the activity would neither constitute a use of the logos in commerce, as the law understands that concept, nor would such usage likely confuse consumers as to the source of the book.

The "likelihood of confusion" analysis is required both in cases where the plaintiff and defendant use identical marks in different contexts, and where the plaintiff and defendant use similar but slightly different marks. Courts have articulated lists of various factors to consider in judging likelihood of confusion. In particular, evidence obtained through *consumer surveys* is highly persuasive in proving or disproving likelihood of confusion.

Unlike copyrights and patents, which expire after a finite time, trademarks are capable of potentially *infinite duration*. This makes sense, because unlike art or inventions, trademarks are understood to lack inherent value. Their only legally cognizable value comes from their use to build and profit from the reputation earned by the commercial source of the goods or services marketed under the trademark. Thus, so long as a trademark continues to be actively used in commerce, and so long as the source and mark remain linked (e.g., by not losing distinctiveness), the trademark will not expire.

By the same logic, trademarks may be lost at anytime if the source/mark link is broken. Thus, *naked licensing* (also known as "*licensing in gross*") constitutes a defense to infringement. If the trademark owner allows a mark to be used by someone else, and the

owner does not retain control over the quality of the licensee's products, the trademark protection vanishes. Similarly, *assignment in gross* is the sale of a trademark to another owner without the accompanying goodwill that the mark represents, resulting in the legal destruction of the trademark. Delivery of goodwill sufficient to sustain a trademark sale can generally be accomplished by transferring ongoing business operations or tangible assets that are associated with the mark. A trademark owner will lose a trademark through *abandonment* if the owner stops doing business under the mark and has no concrete plans to reinstate it. The *failure to police* a mark, by not stopping others who are infringing upon it, also causes abandonment. The source/mark link can also be broken if the general public comes to use a trademark to refer to products of a certain kind, without regard to the brand. In such a case, the mark becomes generic. This development, leading to the death of the trademark, is sometimes called *genericide*. Examples of marks that were once protected but then became generic include "aspirin," "escalator," and "thermos."

The *remedies* for trademark infringement can potentially include an injunction, an award of plaintiff's losses, an award of defendant's profits, attorneys' fees, and the impoundment and destruction of infringing articles. Criminal actions can be brought against trademark counterfeiters.

A separate species of trademark claim is the *dilution* cause of action, which does not require the showing of a likelihood of confusion. Under the amended Lanham Act, a dilution claim lies for activity that causes or is likely to cause *blurring* or *tarnishment* of a *famous* trademark. Blurring is a loss of the strength of the association, in the mind of the consuming public, between a mark and its source. Tarnishment occurs when a mark is linked to products of poor quality or when the value of a mark is lessened through its portrayal in an unwholesome or unsavory context.

3. The Expansion of Trademark Law

In the past decades, trademark law has undergone a steady expansion, which has increased the scope of trademark monopolies. New statutes have been responsible for some, but not all, of this expansion. Other sources of expansion come from entrenched industry practice, aggressive tactics of trademark holders, and judicial opinions that might fairly be described as activist. All of these developments have led to the recognition of trademark rights in contexts not well supported by statute or precedent. In particular, toys and sports merchandising are sectors where the effective scope of trademark law has become greatly enlarged in the past few decades, with the trend driven, in great part, by asymmetrical litigation resources, outlying judicial opinions, and widespread acquiescence to powerful players.

