

Curbing the copyists

Common law and Lanham Act protections afforded to unregistered trademarks provide a wealth of remedies since they are premised on use rather than registration

“My business is doing well, numbers look good, but now someone is copying my products and the copyist's products look just like mine. The copyist is using the mark associated with my products and my services on its products and signs; customers are confused. I am losing sales. As yet I have not registered any trademarks. What do I do?”

In the United States, protection is available for unregistered marks under common law and the federal statute known as the Lanham Act (§ 43(a)(1), 15 USC § 1125(a)(1) (1989)). The owner of a valid but unregistered mark can seek recourse against the copyist in state and federal courts.

A valid trademark is defined under US law as “any word, name, symbol, or device, or any combination thereof used or intended to be used to identify and distinguish his or her goods from those manufactured or sold by others and to indicate the source of the goods” (Lanham Act § 45, 15 USC §1127). A service mark is similarly defined, but is used in relation to services. The Supreme Court has clarified that under the Lanham Act almost any ‘symbol’ or ‘device’ that is capable of carrying meaning, even including shapes, sounds, fragrances and colours, can qualify as a trademark. (*Qualitex Co v Jacobson Products Co*, 514 US 1300 (1995)). “It is the source-distinguishing ability of a mark – not its ontological status as color, shape, fragrance, word or sign – that permits it to serve these basic purposes” (id at 1304).

The right to use a mark is based on its use. In the United States, first users win, unlike in some countries where priority of right flows from the mark's registration. However, although unregistered marks enjoy common law and federal law protections, US registration triggers important procedural rights. The policy behind US trademark law is

consumer protection – that is, protecting the public from being confused by the use of similar marks.

Protection of unregistered trademarks under common law

The common law of trademark protection is a subset of a broader law of unfair competition (*Hanover Star Milling Co v Metcalf*, 240 US 403, 413 (1916)). The US economy, based on free market and free competition principles, is circumscribed by laws to ensure that competition is fair. One court stated that “[u]nfair competition is not a tort with specific elements; it describes a general category of torts which courts recognize for the protection of commercial interests” (*Rehabilitation Specialists, Inc v Koering*, 404 NW 2d 301, 305 (Minn Ct App, 1987)).

US courts have considered the following activities to constitute actionable unfair competition:

- common law infringement of trademarks and service marks;
- dilution of goodwill by use of another party's trademark on unrelated products or services;
- use of confusingly similar corporate, business and professional names;
- simulation of the configuration of a product or container and of trade dress and packaging;
- palming off goods by unauthorised substitution of one brand for the brand ordered;
- bad-faith assertion of trademark rights with the intent to create confusion as to the scope of the trademark rights of competing parties (see Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, 1:10 (Fourth edition, 2010)).

Proof of infringement under common

law follows the same principles as under federal law.

Protection of unregistered trademarks under federal law

Section 43(a) of the Lanham Act is the principal federal vehicle for protection against the infringement of unregistered marks, as well as against false advertising. However, even the most expansive language of Section 43(a) is limited to a prohibition against false designation or misleading representation, and is therefore narrower in scope than that of unfair competition law (see McCarthy, *ibid*, at § 27:10).

To make a *prima facie* case for an injunction, a plaintiff must plead and prove that:

- the defendant uses either a designation of false designation or origin in interstate commerce in connection with goods or services;
- the designation is likely to cause confusion, mistakes or deception as to the affiliation, the origin, sponsorship or approval of the defendant's goods, services or commercial activities; and
- the plaintiff has been or is likely to be damaged by these acts.

A plaintiff suing under Section 43(a) for infringement of an unregistered trademark must prove both the validity of its trademark rights and infringement. Unlike at common law, a plaintiff suing for infringement of an unregistered mark under Section 43(a) must establish that the mark has been used in interstate commerce – the only commerce which is regulated by Congress.

Likelihood of confusion is the test of whether there is infringing use under both common law, Restatement of the Law Third Section 20 (1995) and Section 43(a) of the Lanham Act (*Two Pesos, Inc v Taco Caban, Inc*

(505 US 763, 769 (1992)). Various factors may affect the likelihood of confusion. For example, the courts have determined that whether an appreciable number of ordinarily prudent purchasers are likely to be misled or confused as to the source of the goods in question is a crucial issue (*McGregor-Doniger Inc v Drizzle Inc*, 599 F2d 1126, 1130 (2d Cir, 1979)). The courts have also stated that this 'appreciable number' need not necessarily be a majority (*American Association for Advancement of Science v Hearst Corp*, 498 F Supp 244, 258 (DDC, 1980)). The courts have suggested that the kind of persons confused and the degree of their confusion may be as important as the number of those confused (*Safeway Stores, Inc v Safeway Discount Drugs, Inc*, 675 F 2d 1160, 1167 (11th Circuit, 1982)). Under Section 43(a), as under common law, proof of actual confusion is unnecessary (*Borinquen Biscuit Corp v MV Trading Corp*, 443 F3d 112, 120 (1st Circuit, 2006)).

Remedies, defences and scope

Plaintiffs that are successful in the assertion of unregistered marks either under common law or under Section 43(a) of the Lanham Act may be entitled to injunctive relief, corrective advertising and monetary recovery. Defendants may assert standard legal and equitable defences "including the defense of estoppel by laches triggered by a long delay which caused substantial prejudice" (4.6 McCarthy, *ibid*, 27:14, 31:1). In addition, Section 43(a) is not limited to US domiciliaries and may be invoked by any person or company from any nation trading goods or services in US commerce: it does not apply only to plaintiffs whose home nation is a member of the Paris Convention.

Comment

Common law and federal law provide the owner of unregistered trademark rights with bases for remedies to infringement. Such protection is premised on use rather than registration. However, federal registration brings important procedural advantages in court, such as a presumption of validity for a plaintiff's trademark. In addition, aggressive anti-counterfeiting measures are available only for registered marks. Unlike federally registered marks, unregistered marks are protected only in the geographical area where use has occurred. Parties may wish to consider obtaining priority rights before first use, through an intent-to-use application. Finally, when creating a mark, parties should consider the inherent distinctive aspects of their mark and the likelihood of a consumer confusing their mark with another in relation to their particular goods and services. [WTR](#)



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