Protecting Mobile Apps:
Trademarks and Other Legal Considerations
Understanding What Can Be Trademarked, Using the Mark, Minimizing Infringement Risks
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PROTECTING TRADEMARKS FOR MOBILE APPS

The explosion of mobile apps in the digital market and their ever-increasing popularity make it advisable for app developers to distinguish their products with a distinctive brand. However, there are nuances specific to branding an app that developers should take into consideration. In addition to the usual trademark considerations encountered when building any brand, app distribution platforms often have their own sets of rules about the names of apps they host. Consumer preference for short names that identify the nature or function of the product should be balanced against anonymity brought by the sheer number of competing products that offer the same function (and continue to appear from all over the globe). A distinctive rather than descriptive name and distinguishing characteristics such as logos, icons, designs, slogans, interfaces, characters, layouts, color schemes, and company names can serve to differentiate an otherwise run-of-the-mill app. However, the developer should also make sure that the names and other marks it develops are available for use and registration before adopting them.

It is advisable to proactively register marks in the relevant countries to ensure that the marks can be used and to get a head-start in keeping others from free-riding on the success of the app. Monitoring and enforcement (often of an international scope) is a key to maintaining exclusivity and fending off similarly named products, which in turn enable the app to grow in reputation and garner a loyal client base.
CONDUCTING SEARCHES

Due to the sheer number of apps that have emerged on the market, creating a unique and memorable app name and icon, although challenging, is a worthwhile investment because it distinguishes the developer’s app from others in the marketplace and increases the likelihood that consumers who buy and enjoy the app will continue to recognize its quality and purchase the developer’s other apps. As important as selecting a unique and memorable trademark, however, is selecting a trademark that does not infringe the rights of others. Before filing the trademark application, using the mark, or investing in the brand, developers should obtain a search and opinion, as discussed below, to determine whether their mark is likely to be confused with a trademark of a similar product.

App developers face a particular challenge in naming their apps because consumers tend to spend little time exploring and comparing such low-cost investments. It becomes important to create an app name and logo with enough information to ensure users find the app while searching for its functionality in an online store and to indicate to consumers that the app is what they are looking for at the point of purchase. However, overly descriptive names are difficult and costly to protect as trademarks, if they are capable of protection at all. For example, consumers searching for a calculator app may simply download the first app named “Calculator;” however, this app name is descriptive and not capable of trademark protection. Marketplace realities make walking the fine line of trademark selection an integral step in the success of an app.

The app developer should be considering the long-term goals for the product’s reach. Is the app going to be available nationally and/or internationally? For internationally available apps, it is important to account for the significant differences in the availability of trademark protection outside the United States and to plan to register the mark(s) in those foreign markets where feasible. While there is no foolproof way to determine the strength of a mark, generally marks that are fanciful (invented words, such as SHAZAM (U.S. Reg. No. 3387890)) or arbitrary (where the word bears no relation to the features or content of the app, such as MONSTER.COM for providing online information and counseling in the fields of employment, recruitment, careers, and work life (U.S. Reg. No. 2403411)) receive the highest level of protection and are the least expensive to enforce.

Developers may think that if the customer has not been exposed to the product through word of mouth or advertising and marketing, an arbitrary or fanciful mark by itself may initially conceal the app’s function and cause consumers to seek out an app with a name more indicative of the function or service. Developers may want to consider various strategies, such as pairing descriptive names with distinctive icons; pairing suggestive, fanciful or arbitrary names with descriptive terms or icons; and anticipating keywords that will prompt their apps in search results. Investing in brand promotion is also beneficial. For instance, popular game app ANGRY BIRDS (U.S. Reg. No. 3976576) has expanded its brand beyond videogames and into other product lines, obtaining registrations for goods including bed linens, apparel, and food (see U.S. Reg. Nos. 4148716 and 4200545).
When creating the artwork for the app’s icon and other graphic trademarks, developing a distinctive mark can help the app to stand out to consumers. Due to budget restrictions, developers who gravitate to stock images in their logo or icon design do so at increased risk. Stock content may be licensed for use under either a royalty-free license or a rights-managed license, many of which do not extend to the right to use the image as part of a trademark.

In order to ensure distinctiveness of an icon and other graphic trademarks of the app, many developers commission a graphic artist to design their marks. In this case, it is advisable to enter into a signed agreement with the artist or designer that assigns all rights in the commissioned work to the developer and indemnifies the developer against copyright infringement claims of third parties.

When considering possible trademarks for adoption, a developer should obtain a clearance search and legal opinion to determine whether the mark is likely to be available for use and registration. Different levels of searching are available, but initially, at the very least, a developer should consider a search for federal marks potentially similar to the app name (word mark) and possibly the app icon (device mark). The search should not be limited to mobile apps, and should consider similar marks for all software and telecommunications products and services, as well as products and services related to the function of the app. Additional jurisdictions where the app is likely to be available or used should also be searched, particularly where there is concern about the possibility of piracy or infringement. This is especially true with mobile and software goods and services, which can easily cross national borders via the internet.

Once the mark is cleared for use and registration, an application for registration may be filed in the United States and any other anticipated jurisdictions where the app will be commercialized. Many countries permit applications to be filed and grant registrations before the mark is actually used. In fact, most countries do not even recognize trademark rights until they are on the national register, regardless of whether they are used. In the United States, while intent to use serves as a basis to file an application, the registration is not usually granted until acceptable use has commenced.

**IDENTIFICATION OF THE GOODS**

Among many other possible classes in which various goods and services are categorized in countries that are parties to the Nice Classification, developers usually apply for registration in Classes 9 and 42. Class 9 covers the downloadable software as a product, while Class 42 covers access to the software as a service. A developer may also consider protection in other relevant classes that are specific to the app’s function, its industry specific content, or to possible licensing and merchandising arrangements. Except in the rare circumstance where a mark is considered “famous,” others may generally use the same mark on dissimilar goods and services so long as it would not cause consumer confusion.
Covering the bases by registering for numerous classes, while potentially beneficial, may not be a viable option for many app developers due to budget constraints. The concerns of a company that is creating an app as an extension of their already established service (for example, an airline company) may differ from those of a company whose principal good/service is the app itself. The airline company might want to consider whether their current trademark protection (if any) already offers sufficient protection. If protection is inadequate, the company will need to assess its tolerance for a different company claiming an identical or similar mark for their own app. Where the app is the primary product/service, the developer may want to consider whether the app fits in Class 9, 42 or both, depending on whether the information delivered is confined to the app’s software or is accessed from the Cloud. The app developer should closely consider every aspect of the app because even an app geared toward services in a non-software industry may have a feature that puts its product within the scope of either or both software classes, and sometimes others also.

**USING THE MARK PROPERLY**

As with all trademarks, developers should use their app’s trademarks properly in order to ensure continued protection and limit potential infringement by third parties:

- After a developer commences use, they may place a notice such as ™ or SM on the top right corner of the mark. While these notices do not themselves provide any legal rights, they put others on notice that the owner claims rights as a trademark. In the United States and some other jurisdictions, developers can claim rights even without applying to register the mark, though there are added benefits to registration. Upon federal registration developers can use the ® notice in place of the ™ or SM symbols. When the app is made available in multiple countries, further guidance about appropriate marking should be obtained.

- Apart from proper marking, the developer should use an attribution statement that aids users and others to recognize the proper owner of the rights.

- In marketing materials and other prose, capitalize, italicize, or otherwise make the trademark stand out from surrounding text.

- Always use the mark as a proper adjective, which modifies a generic or descriptive term (“Dropbox™ file sharing”), not as a noun or verb (“send the file to the Dropbox” or “Dropbox the file”).

- Adhere to proper licensing practices; in particular, ensure that the license agreement provides the trademark owner the ability to control the manner of use of the trademark. When negotiating a license agreement, consider whether the licenses extend the use into new products and/or services. Also consider whether the license extends to new jurisdictions. Availability searches should precede granting the license for such new uses.
- Educate third parties and customers regarding proper and allowed use of the trademark and include this information in an appropriately-worded End User License Agreement.

- Monitor trademark application filings, domain name registrations, and uses of the mark on the internet and in social media in order to act timely against those who are infringing on the developer’s prior rights.

- Develop a strategy for taking prompt and appropriate action against infringing activity.

**DOMAIN NAMES AND CORPORATE NAMES**

In order to guard against personal liability, developers usually use an incorporated legal entity to conduct their business, enter into contracts including licensing agreements, and register trademarks. However, mere incorporation of a business or trade name with a state government does not create trademark rights, and separate protection as a trademark may be advisable.

After obtaining a clearance search and, preferably, seeking trademark registration, app developers should consider reserving the marks as domain and social media usernames. If a third party registers and uses the domain in good faith before the developer does, the developer will usually be unable to obtain the domain other than by purchasing it. On the other hand, if the domain was registered and used by a third party in bad faith, various laws and policies may offer efficient and cost-effective means to retrieve the domain name.

As over a thousand new generic Top Level Domains (gTLDs) have begun to become available for registration, developers may wish to explore the option of reserving their marks on relevant new keyword gTLDs that relate to the mobile market, such as .app, .mobile, or the particular industry, such as .game, .art, .beauty, etc., where permissible. Owners of registered trademarks may take special steps to be entitled to early opportunities to register their marks as domains in appropriate new gTLDs or stop others from doing so.

**OTHER TRADEMARK CONSIDERATIONS FOR SMARTPHONE APPS**

Developers may wish to release their apps to a variety of distribution platforms in multiple countries, such as Google Play® and the iOS® App Store. It is important to observe the platforms’ requirements or limitations regarding app names. For example,
Apple advises that use of an app name that is a registered trademark of another party or is already in use in the iOS® App Store can result in its removal. Names of apps must also not exceed thirty-five characters. Additionally, both Google and Apple have strict guidelines with respect to use of their trademarks to indicate compatibility with their platforms.

In balancing trademark law and platform requirements, a savvy developer will also need to consider the overall perception and appearance of the app name and icon. For example, a thirty-five character app name will generally be cut-off with an ellipsis and the entire name will not appear in the iOS® App Store. Where developers seek a longer name or logo, it may be advisable to consider additional shortened versions of the name or an icon that corresponds with a larger graphic device. For example, Electronic Arts’ (“EA”) PopCap® Games has multiple variations of a game called “Bejeweled.” EA owns federal registrations for the word BEJEWELED (including Reg. No. 2864970), but not for the full name of one of the popular games, “Bejeweled Blitz,” although the combined terms may be registrable. Accordingly, EA marks the game “Bejeweled® Blitz”, showing that they have a registration for the BEJEWELED portion of the design but the whole design is marked with the ™ symbol:

The icon affiliated with the game is another design: and the abbreviated app name appears only as “Blitz.”

Considering Apple’s Terms and Conditions, it is advisable to first file a trademark application and approach completion of development before adding the app to iTunes Connect™, the website where developers submit and manage apps for distribution on the iOS® App Store. While Apple allows developers to secure the name before the app is ready for use, after an app is added and in the “Prepare for Upload,” or “Waiting for Upload” state, the developer only has 180 days (6 months) from the date of creation on iTunes Connect™ to deliver the object code to Apple. If the deadline is missed, the app is deleted from iTunes Connect™, the developer is barred from reusing the app name, and the app name may be used by another developer. Therefore, already having a trademark application on file can prevent another developer from taking the mark, preserving any resources spent on the mark’s creation and allowing the developer to use it on a different platform if he or she so chooses. During the 180-day period, other developers are prohibited from listing apps with substantially similar names on the iOS® App Store, giving an added layer of protection for the developer’s app name within Apple’s store. There is a common misconception that common law rights may arise in the United States during this period. Common law rights do not usually arise until the app is actually available for download or its corresponding services are offered to consumers. Also mere creation on iTunes Connect™ will not prevent third party use in other app marketplaces.
Google Play® allows developers to release their apps in the marketplace without going through a selection process. There are general requirements regarding app content, testing, and preparing promotional materials. However, once these requirements have been met, anyone may publish an app on Google Play®. The Developer Distribution agreement states that “Apps must not have names or icons that appear confusingly similar to existing products.” However, prior to this requirement being added in 2012, it appears there was no such prohibition and it is unclear how Google Play® is handling confusingly similar names that were published prior to this policy.

Unlike Google Play®, apps released through the iOS® App Store must be selected. The iOS® Developer Program License Agreement specifies that if an app meets the Developer Program requirements and is selected by Apple for distribution, the developer grants Apple a license to its app and appoints Apple and Apple Subsidiaries as its worldwide agent for delivery to end-users. While the developer is prohibited from selling its app via other platforms throughout the world, it has the option of selecting countries in which the app will be sold. If the app is selected for distribution, Apple is authorized to use screen shots and/or up to 30 second excerpts, which may be the subject of copyright and/or other intellectual property rights, trademarks, and logos associated with the app, and other app information for promotional purposes in marketing materials and gift cards. Additionally, upon delivery of the app through iTunes Connect™, the developer is required to submit any intellectual property rights notices associated with the app.

If the developer’s app allows for user-uploaded content, it is advisable to take steps to draft a clear policy regarding proper use of the developer’s trademarks and takedown procedures to take advantage of legal safe harbors from secondary liability for infringing conduct. If personally identifiable information is collected using the app, a privacy policy and other terms and conditions may be appropriate.

**CONCLUSION**

With the number of mobile apps on the rise, app developers should create distinctive brands that set their product apart from competing apps. This suggests a need for proper trademark protection and enforcement regimes. In a market filled with low-cost products that lead consumers to make snap decisions at the point of purchase, concise marks are favored. App developers should consider suggestive, arbitrary, or fanciful word marks and perhaps pair them with a unique icon or logo, while taking steps to ensure that their marks will not infringe those of third parties. Further, app developers should be cognizant of the global nature of the market and determine whether and when their goals for their product’s distribution and expansion merit international trademark protection, taking care to select the proper classes (where applicable) under which to apply.

Once a mark is successfully registered, developers should maintain their ownership by taking steps such as utilizing correct licensing procedures, creating end-user agreements, vigilantly enforcing their ownership, and adequately displaying the trademark right.
Incorporation and registration in new app-specific gTLDs should also be considered. In addition to trademark considerations, developers should be cognizant of any additional requirements set out by their chosen platform distributors and plan in advance to navigate these rules in tandem with their trademark registration requirements.

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As mobile apps grow, so do potential problems

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“Mobile apps” are becoming as ubiquitous as mobile phones. Today, mobile apps provide increasingly numerous functions for mobile phones to interact with you as well as with other devices. All of those interactions have significant business, technology and legal implications.

For instance, mobile app issues can include copyright, trademark, patent, trade secret, contract, tort, privacy, TCPA, Children's Online Privacy Protection Act, CAN-SPAM, Federal Communications Commission, Federal Trade Commission, licensing, open source and class-action legal issues, to name a few. These issues concern not only manufactures of mobile phone devices but app developers as well.

PATENTS

The mobile phone and mobile app industry is ripe with patent infringement risks. Headline news has been made by the patent infringement cases involving Apple and Samsung. Even the Angry Bird app has been the target of patent infringement. The lesson for mobile app developers (and manufacturers) is to be aware of the patent pool in which your technology is designed to play. Protect your intellectual property rights proactively. Promptly respond if you become aware of possible risk of infringing activity whether it’s a third party infringing your patent rights (or other intellectual property rights) or you become aware of the possibility that your mobile app may be infringing.

PROMISSORY FRAUD

In Haught v. Motorola Mobility, Inc. (8/23/2012), the U.S. District Court for the Northern District of Illinois denied a motion to dismiss a class-action lawsuit in a case example of tort law interacting with mobile apps. The case involves the manufacturer of a mobile phone announcing a future
upgrade of the operating system of its mobile device. A consumer purchased the mobile device allegedly in reliance on that representation only to find (after the return policy expired) that the manufacturer was not going to provide the upgrade. Although the outcome of this lawsuit has not yet been determined, the case provides one example of how promissory fraud (tort) issues may arise with mobile devices.

On May 25, 2012, the FCC announced an inquiry into privacy and security of information stored on mobile communication devices. The public notice solicited comments regarding the privacy and data-security practices of mobile wireless service providers with respect to customer information stored on their users' mobile devices and the application of existing privacy and security requirements to that information. The FCC’s questions include:

- How have those practices evolved since the FCC collected information on this issue in the 2007?
- Are consumers given meaningful notice and choice with respect to service providers' collection of usage-related information on their devices
- Do current practices serve the needs of service providers and consumers and in what ways
- Do current practices raise concerns with respect to privacy and data security?

The FTC and other regulators are also looking into privacy issues concerning mobile apps. As wireless service providers and mobile app developers become stewards of sensitive customer and business data, including personal identifying information, how will the law and regulations evolve? Will wireless service providers and mobile app developers be viewed differently or the same as Internet service providers?

What these developments mean for mobile app developers and the businesses hiring mobile app developers is that they, and their legal advisers, must be mindful of the evolving legal issues. When the subpoena is served with the complaint alleging violations of these and other legal rights, this is not the time to ask, "Is there an app for that?" to wish away the pending legal liabilities.
An entire new industry of Internet marketing strategists and consultants has developed to provide services aimed at helping other businesses grow their online presence. However, when either the business or the Internet marketing strategist fails to take into consideration the legal infrastructure, whatever gains the business may achieve with their e-commerce business may be wiped out by damages and a judgment or settlement due to neglecting the legal signposts.

There are a number of elements to the e-commerce legal infrastructure. One such legal element is the Anticybersquatting Consumer Protection Act (ACPA). Even though ACPA was signed into law in 1999, many businesses and Internet marketing strategists fail to take into consideration the damages that can flow from cybersquatting violations.

ACPA provides protection, with some exceptions, for trademark owners, owners of a personal name protected as a mark and names of living people. It also provides a method to deal with the characteristic of anonymity available on the Internet, whereby domain name registrants are not always who or what they appear to be in the registration. A violation of ACPA can result in a court ordering injunctive relief such as forfeiture or cancellation of the domain name or transfer of the domain name, as well as actual damages and profits, or statutory damages of up to $100,000 a domain name. This liability extends to the registrant or that authorized licensee.

Out of a number of cybersquatting complaints by some well-known brands under ACPA, some have resulted in victories for the trademark owners and some have not.

In a recent decision by the 11th U.S. Circuit Court of Appeals, the court reviewed a scenario where a company relied upon an Internet marketing company to acquire some 4,000 domain names and create a number of mini-websites, or microsites, which incorporated trademarks of others in the domain names as part of their Internet marketing strategy. In Pensacola Motor Sales Inc., d.b.a. Bob Tyler Toyota vs. Eastern Shore Toyota, LLC (11th Cir. 2012), two car dealerships squared-off over allegations that boiled down to an application and interpretation of ACPA. In Pensacola the owner of the defendant, Eastern Shore, attended a dealer’s conference where, as the court states, he was introduced to an "...Internet marketing expert" who "... offered to help the dealers revamp their websites and spruce up their technology systems."

Advanced Dealer Systems (ADS), "...pitched two Internet marketing strategies..." to Eastern Shore’s owner, "... one defensive and the other offensive." The defensive strategy was for Eastern Shore, under ADS’ guidance, to buy and hold desirable domain names to keep them out of competitors’ hands. However, those defensive strategy domain names would not be operational. The offensive strategy proposed involved the creation of a large number of microsites. By simply entering domain names into the software program and clicking a button, he could instantly mass produce microsites for Eastern Shore, each one using a name related in some way to the car business, for example, 2009camry.com. Those microsites would either automatically redirect users who clicked on them to Eastern Shore’s official websites or they would display a one-page website advertising Eastern Shore.

Several of those domain names and microsites included references to the plaintiff’s (Bob Tyler Toyota (“BTT”) marks. A general manager for Toyota’s southeastern division informed the owner of Eastern Shore who immediately notified ADS to disable the microsites. A few days later Eastern Shore received a demand letter from BTT’s attorney threatening to file a lawsuit under ACPA unless Eastern Shore agreed to pay his client $250,000 within seven days. Within 24 hours after receipt of the demand letter, all of the microsites infringing on BTT’s marks were disabled. However, a couple of months later BTT’s attorney sent another letter to Eastern Shore "... demanding the return of the domain names and a $1 million payment." About a week later BTT filed a lawsuit. After a trial by jury and an appeal, the 11th Circuit rendered its decision affirming the jury’s findings under ACPA that the defendant violated ACPA and also qualified for the protection of the act’s safe harbor provision because it had a reasonable belief that the “use of the domain name[s] was a fair use or otherwise lawful.” 15 U.S.C. §1125(d)(1) (B)(ii).

Although the 11th Circuit states, “[T] hose answers are inconsistent because a defendant who falls within the scope of the safe harbor provision necessarily lacks the bad faith intent to profit that is necessary to violate the statute. See id. §1125(d)(1)(A),” the court held that BTT waived any argument that the verdict was inconsistent by not objecting before the jury was discharged. The court listed the nine factors identified in ACPA that a court may consider when determining whether a domain name infringer had a “bad faith intent to profit” from a trademark and notes that the factors are “not limited to” these nine factors.

Those trying to improve their Internet marketing strategy and those providing strategies need to be mindful of the legal infrastructure to avoid damages.
Domain names are valuable intellectual capital assets in today’s ecommerce enabled economy. However, ownership of domain names is not always clearly understood by everyone who uses a website to do business. Just because a business has been using a domain name for years does not mean that the business owns the domain name.

Domain names are valuable for several reasons. First, they are unique – each domain name represents a unique IP address or, in other words, a unique location/address on the Internet. Second, domain names often are comprised of words or phrases that consist of valuable trademarks (e.g., Kodak.com, and Xerox.com). Third, businesses spend significant amounts of monies marketing their domain names to drive traffic to their websites. But what happens when the proverbial “digital rug” is pulled out from under the business and one morning they wake up to find that their website is replaced with a single page directing visitors to some other website?

A recent case from the United States Court of Appeals for the 9th Circuit provides an example where a business, believing that it owned its website, went to court to establish its ownership rights when their website was replaced by a page directing visitors to another website. In the case of DSPT International, Inc., vs. Lucky Nahum, the Court describes a problem that perhaps could have been avoided for $25 in 1999 only if the business owner or his attorney better understood the issues involved in owning a domain name.

DSPT is a business that designs, manufactures and imports men’s clothing, and was founded and owned by Paolo Dorigo. Its brand name since 1988 had been “Equilibrio” but in 1999 created an “EQ” brand for its clothing. Around that time Dorigo decided to create a website on this new thing (at the time) called the Internet. Dorigo had brought into the business a friend, Lucky Nahum, whose brother, a hairdresser, was also a part-time website designer. DSPT’s website, www.eq-Italy.com was developed by Nahum’s brother in consultation with Dorigo. However, Nahum registered the website in his own name.

It’s not uncommon for an employee to obtain and register a domain name, using his or her own name and email address, for a company. I have on multiple occasions represented such companies (including some very large companies). Giving the employee the benefit of the doubt, this often is done as a matter of expediency by the employee rather than with initial malicious intent. However, at some point down the road this arrangement creates problems for the business, as the DSPT case teaches.

Let’s roll the clock forward from 1999 to fall of 2005, when Nahum decided to leave DSPT and join a competitor. About a month after Nahum’s departure from DSPT, “…DSPT’s website mysteriously disappeared. If a customer typed ‘eq-Italy.com’ into his web browser, instead of seeing DSPT’s clothing line, all he saw was a screen saying ‘All fashion related questions to be referred to Lucky Nahum at: lnahum@yahoo.com.’” According to the Court, Nahum had no use for the website, and had told his new boss at DSPT’s competitor that “he had inserted that sentence in order to get Equilibrio [DSPT’s older brand] to pay him funds that were due to him.” As soon as DSPT became aware of what happen, DSPT requested Nahum to give back the website, but he refused.

For most businesses, losing control the company website would be problematic, but in the retail business this creates a serious crisis. Most retailers do a substantial portion – nearly three-fourths – of their annual business in the fourth quarter of the year, so manufacturers and wholesalers like DSPT also do a significant portion of their annual business during that quarter, supplying the retailers in addition to taking orders for spring merchandise deliveries. DSPT used its website to conduct this business and, since it didn’t have its website, sales plummeted. According to the Court, “Sales plummeted and inventory was left over in the spring from the very bad fall. 2004 had been good, and the first quarter of 2005 was the best ever, but the last quarter of 2005, and all of 2006, were disastrous. A lot of inventory had to be sold below cost. DSPT spent $31,572.72, plus a great deal of time, writing to customers to explain the situation and replacing its website and the stationery that referred customers to ‘eq-Italy.com.’”

In affirming the trial court’s decision, the Court of Appeals looked to the Anti-Cybersquatting Consumer Protection Act (ACCPA) which creates a civil liability basis for “cyberpiracy” when a plaintiff proves that (1) the defendant registered, trafficked in, or used a domain name; (2) the domain name is identical or confusingly similar to a protected mark owned by the plaintiff; and (3) the defendant acted “with bad faith intent to profit from that mark.”

There was no dispute over the first element of the ACCPA analysis – Nahum registered the domain name and was refusing to transfer it to DSPT.

Regarding the second element, the Court found that even though DSPT had not registered the “EQ” mark, the evidence presented established that only DSPT used the “EQ” mark “…for a men’s shirts line, and used the Italian fashion connection as a selling point.” Based on the evidence the Court held that DSPT had common law trademark rights and that a jury could reasonably conclude (as it had) that the domain name “eq-Italy.com” is “confusingly similar” to the mark “EQ.”
In its analysis of the third element, the Court reviewed the ACCPA statutory factors for “bad faith intent” and noted that while there was no evidence of any wrongdoing by Nahum’s original registration of the domain name, his subsequent behavior – to use the domain name as leverage against DSPT for his claim of commissions owed by DSPT – elevated the behavior to “use” of the domain name “with bad faith intent to profit” therefrom. “As for whether use to get leverage in a business dispute can establish a violation, the statutory factors for ‘bad faith intent’ establish that it can. ‘Evidence of bad faith may arise well after registration of the domain name.’ The statute contains a safe harbor provision, excluding a finding of ‘bad faith intent’ for persons who reasonably believed that use of the domain name was fair use or otherwise lawful, but that safe harbor has no application here.”

The Court held that the “intent to profit” means “…simply the intent to get money or other valuable consideration. ‘Profit’ does not require that Nahum receive more than he is owed on his disputed claim. Rather, ‘[p]rofit includes an attempt to procure an advantageous gain or return.’”

Concluding that the jury verdict awarding DSPT $152,000 in damages was supported by the evidence, the Court of Appeals states: “Even if a domain name was put up innocently and used properly for years, a person is liable under 15 U.S.C. § 1125(d) if he subsequently uses the domain name with a bad faith intent to profit from the protected mark by holding the domain name for ransom.”

The bottom line is that a business should not assume that it owns a domain name simply because it uses it. If you have not had one done recently, consider having a website legal audit done by an attorney knowledgeable in information technology law and intellectual property law (preferably someone who also has a background in the technology). Suffice it to say that the cost of this preventive legal audit will be far less (both in money and management time) than the costs if you have to go to court, as did DSPT, to establish legal rights to your domain name.

Helpful Hint

If your business uses a website, consider using generic email addresses for the domain name registrant, technical and other contact information. For example, use a generic email address like admin@yourdomain.com. Then, set up this generic email address to automatically forward any incoming emails to several individuals in the company that can act appropriately and responsively to any activity concerning the domain name (e.g., an attempt at an unauthorized transfer of the domain name, DMCA filings, etc.). This generic email address that auto-forwards all incoming emails can help avoid problems when using an individual’s personal (or work) email address (e.g., if the person goes on vacation or is out sick, the email address may not be monitored in a timely manner, or if the individual leaves the company the email address may subsequently become inactive).
Trademarks, service marks and trade names are valuable intellectual property assets. In some cases any one of them may be among the most valuable assets of a company.

Consider familiar trademarks such as Kodak, Xerox and IBM. The owners of these marks spend significant amounts of money in establishing and protecting the good will associated with their respective marks. These companies are known in their respective marketplaces by their marks. Millions of dollars are spent on marketing and promoting trademarks and service marks.

Of course, not all companies are known in the marketplace by the same name as their trademark. As one example, Special K cereal is produced by the Kellogg Co. and not the Special K Co.

A single mark can be a trademark, service mark or a trade name. It all depends on the use of the mark.

The statutory law in Ohio, the Ohio Revised Code, defines a "trademark" as "any word, name, symbol or device or any combination thereof adopted and used by a person to identify goods made or sold by him and to distinguish them from goods made or sold by others."

A trademark is used to identify goods. Goods can be anything from soup to nuts. The trademark helps to identify the source of origin of the goods.

Thus someone buying a cereal box marked with the Special K trademark should be able to rely on the supplier of that cereal being the Kellogg Co. of Battle Creek, Mich., and not some other source.

As such, the consumer has certain expectations about the taste and quality of the cereal being purchased because of the trademark.

Ohio statutes define a service mark as "a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others and includes without limitation the marks, names, symbols, titles, designations, slogans, character names and distinctive features of radio or other advertising used in commerce."

A service mark is used to identify services. Services include accounting, banking and insurance. Like a trademark, a service mark creates certain expectations among consumers.

For-instance, if a consumer buys a policy from an insurance company using a particular service mark, the consumer will have certain expectations with regard to underwriting, adjusting and claims services, among other things.

A trade name is something quite different from a trademark and a service mark. Ohio statutes define a trade name as "a name used in business or trade to designate the business of the user and to which the user asserts a right to exclusive use."

The owner of the trade name may use the trade name solely to identify his business. The goods or services of the business may be known by an entirely different identity.
In this use of the word or words making up the trade name, the owner of the trade name is not using it to identify his goods or services, but rather to identify the name of the business.

In some cases, the same word or words may be used to identify goods, services and a trade name. Xerox for example, is used in all three ways.

You can buy a Xerox copier (a good). You can have your copier maintained through the Xerox maintenance services (a service). And you can look up the company name of Xerox as a trade name.

While there can be a great deal of overlap in how the word or words are used — as a trademark, service mark or trade name — it is important to realize that each such use is protected in a somewhat different way under the law.

One such difference is that trademarks and service marks can, depending upon their use, be covered by federal law as well as state law and common law.

Trade names, on the other hand, are protected only under state law and common law. However, if the trade name is used as a trademark or service mark, then a federal law remedy may exist.

Another difference is the statutory remedy available for trademarks and service marks is not the same for trade names. This particular statutory difference will also depend upon whether the trademark or service mark is registered with the state or federal government.

While these different definitions for a trademark, a service mark and a trade name may sound confusing, the impact on a company’s bottom line when rights to these intellectual property assets are lost is clear.

For example, if you have a valid and enforceable trademark, you can potentially stop a competitor in his tracks if he uses a trademark on his goods that is likely to cause confusion with your trademark in the marketplace.

One implication for this other company is that all the money that the company has spent on creating and marketing a trademark or service mark could be lost if the right to use the trademark or service mark is gone.

The bottom line is that companies need to give serious consideration to the legal implications of obtaining and maintaining rights in the valuable intellectual property assets of trademarks and service marks.