IP Advisor

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With the proliferation of bank mergers, internet banking, and loan production offices outside of banks' traditional geographic footprints, the issue of the protection of bank names has again risen to prominence. This issue affects not only de novo banks selecting a name in the first instance, but also banks which are merging, significantly expanding their territory, changing to a new name, or bringing an old name to a new location.

Many persons have been confused by the multiple sources of regulation over bank names. Some believe that if the North Carolina Commissioner of Banks approves a name, then the Commissioner's seal of approval makes the name unassailable and trumps long-established federal law concerning trademarks. This is premised upon a misunderstanding of the existing law concerning bank names. As explained in more detail below, banks names are subject to several sources of authority, including the Commissioner of Banks, federal trademark law and state common trademark law – all of which work hand-in-hand with the goal of avoiding consumer confusion and public deception.

The Commissioner of Banks

The North Carolina General Assembly has not endowed the Commissioner of Banks with the power to immunize banks from trademark disputes. Rather, the Commissioner's charge is a conservative one with respect to bank names. According to Section 53-4 of the General Statutes, the Commissioner of Banks may refuse to certify to the Secretary of State that an entity is lawfully entitled to commence the business of banking if, among other reasons, "(4) the name of the proposed corporation is likely to mislead the public as to its character or purpose; or (5) the proposed name is the same as the one already adopted or appropriated by an existing bank in this State, or so similar thereto as to be likely to mislead the public." See N.C. Gen. Stat. § 53-4. The Commissioner therefore serves as an initial check against a bank using a name that is identical to or misleadingly similar to an existing bank name in North Carolina.

Perhaps not surprisingly, no reported cases interpret this particular statutory language. No courts have established what the Commissioner should consider when determining whether names are misleadingly similar under this particular statute. And no cases conclude whether the statutory authorization to the Commissioner extends beyond bank names to include ancillary trademarks or service marks utilized by bank when offering products and services.

It is also notable that the statute neither endows an "approved" bank name with insulation from trademark disputes nor attempts to authorize the Commissioner to invest a bank name with immunity from attack. Therefore, even if the Commissioner approves a newly merged or created bank to utilize a name, that name is subject to the same types of challenges and principles generally applicable to all brands under trademark law.

Federal Trademark Law

The federal Trademark Act of 1946, as amended (the "Lanham Act"), is the dominant authority. See 15 U.S.C. § 1051 et seq. Over the years since its enactment, trademark law has become fairly well-established, although the law is very fact-specific and can produce seemingly surprising results.

Section 1125(a)(1) of the Lanham provides civil liability for those who infringe trademarks. It imposes liability upon:

"Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of which --- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or the approval of his or her goods, services, or commercial activities by another person, or..."

> style="margin-left: 2em;"
See 15 U.S.C. § 1125(a)(1) (emphasis added).

In order for a bank to prove trademark infringement against another bank using a new name, it must be established that the first bank owns valid trademark rights (either via a statutory registration or usage under the applicable common law), that the alleged infringer's use of its new name began after the first bank acquired rights, and that a "likelihood of confusion" would result from the simultaneous uses of the respective brands. See *Lone Star Steakhouse & Saloon v. Alpha of Virginia, Inc.*, 43 F.3d 922 (4th Cir. 1995).

Trademark Rights

A bank (or other claimant) can acquire trademark rights through several ways.

First and most prominently, marks can be registered with the United States Patent and Trademark Office. Registration of a trademark (a brand for goods) or of a service mark (a brand for services, like banking services) is prima facie evidence that the trademark is owned, in use, and entitled to nationwide protection. After five years of use, the registration can even be determined to be "incontestable," which provides greater ammunition if litigation is ever necessary.

Second, trademarks and service marks can be registered with the North Carolina Secretary of State's Trademark Division. State registrations are similar to federal registrations, but protection is limited to state boundaries. Case law about state registrations is far less developed.

Third, common law trademark rights can accrue in and around a bank's geographic footprint simply when the brand is used. Establishing common law rights can be difficult as it often must be proved that the mark has inherent or acquired distinctiveness. Additionally, the claimant and the alleged infringer may not have sufficient overlapping territories so as to give rise to a claim that the claimant might want to assert.

Not All Names Are Equally Protectable

One issue that arises in the context of bank names is whether a chosen name can be protected. Common or geographically descriptive names may not be protectable, or, at best, they may be afforded only very weak protection. The questions of whether a name is protectable, and how protectable it is, depend upon the nature of the mark.

At one end of a continuum are fanciful or "made-up" terms such as CLOROX bleach, EXXON oil, and KODAK photographic supplies. Courts say that such marks receive the strongest protection.

Next down the line in terms of trademark strength are arbitrary marks and suggestive marks. These marks, such as APPLE computer, OMEGA watches, ZEST soap, and SHELL oil utilize an existing word in connection with a product that typically bears no relationship to the word. Suggestive marks do not describe the product but are mere suggestive of something associated with the product.

At the other end of the spectrum are generic marks. Generic marks are often the dictionary words for the product or service at issue. They are not protectable. For example, if a bank attempted to name itself BANK, this would be an unprotectable generic mark.

On the dividing line of protectability are descriptive marks. Laudatory marks (such as NUMBER ONE or SUPER GEL) and geographically descriptive marks are examples of marks in this zone. They are words that describe some aspect, characteristic or trait of the product or service. Courts reason that consumers may not immediately associate the term as a brand as opposed to a description of the product and that other companies may have a legitimate need to use the term in order to describe their goods or services. However, if the descriptive term has acquired distinctiveness (also known as secondary meaning) in the minds of consumers as a symbol or brand of a particular company, then the mark may be protectable.

Historically, banks names have faced an assortment of "protectability" issues. The issues arose due to a variety of reasons, including the nineteenth century legal requirement that bank names bear numbers (e.g., First Bank of ...) and the tradition of denoting the bank's locality in its name. These old requirements led to names which today seem unusual, such as the Fifth Third Bank from Ohio.

These issues have not gone away as many banks continue to use names that describe their location or some feature of their banking services. In recent years, for example, the question of whether "Winchester" was protectable was litigated by two banks originating near Winchester, Kentucky. See Winchester Federal Savings Bank v. Winchester Bank, Inc., 359 F. Supp.2d 561 (E.D. Ky. 2004) (infringement found when secondary meaning was established in the claimant's bank name). In the 1990s, two expanding banks entered each other's territories and litigated whether there was a likelihood of confusion between "First National Bank in Sioux Falls" and "First National Bank South Dakota." See First National Bank in Sioux Falls v. First National Bank, South Dakota, 153 F.3d 885 (8th Cir. 1998) (infringement found despite the nature of the marks). Another prominent decision from not too long ago addressed the issue of geography and the protectability of "Sun" for banks in Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association. 651 F.2d 311 (5th Cir. 1981) (appellate court found Sun to be unprotectable). Banks in North Carolina also have confronted a variety of name conflicts.

Likelihood of Confusion

When analyzing whether there is a likelihood of consumer confusion, courts assess many factors, including the following: (i) the similarity of the marks, (ii) strength (i.e. renown, length of exclusive use, etc.) of the senior mark, (iii) the intent of the junior user when selecting its mark, (iv) the presence of actual confusion (if any), (v) a comparison of the parties' respective goods/services offered in connection with the mark, (vi) a comparison of the respective consumer audiences, (vii) the channels of trade in which the brands are offered, (viii) the relative sophistication of each audience, and (ix) a comparison of marketing methods. See, e.g., *Petro Stopping Ctrs., L.P. v. James River Petroleum, Inc*.130 F.3d 88, 91 (4th Cir. 1997), cert. denied, 523 U.S. 1095 (1998); S*ara Lee Corp. v. Kayser-Roth Corp*, 81 F.3d 455, 463 (1996), cert. denied, 519 U.S. 976 (1996). Courts sometimes also look at other factors, such as whether the respective trade dresses or ancillary marketing materials are similar, so as to enhance (or diminish) the likelihood that a consumer would be likely to confuse the marks.

Infringement can be found even if the companies are in different industries or offer different types of products. Courts have, however, examined whether the industry norm is to accommodate relatively similar brands, and whether particular government regulations might restrict or bar one of the entities from conducting activities. For example, if each party's services are regulated by the government and require particular licensing or authorization to perform those types of services, then that factor cuts against the possibility of confusion. See, *M.B. Financial Bank, N.A. v. M.B. Real*

Estate Services, L.L.C., 2003 WL 21462501 at *14 (N.D. Ill. 2003) (no likelihood of confusion despite similarity of marks because both the banking services and the real estate services required governmental licenses and each company was prohibited from legally performing the other's services without such a license).

Often, one "likelihood of confusion" factor is not dispositive by itself, and sometimes, some of the factors do not strongly influence the decision. Based upon the totality of the factors and the facts of the situation, the decision is made of whether infringement has been proven by the claimant.

What Is A Bank To Do?

Banks which cross state lines, have spill-over advertising beyond North Carolina, have customers (including credit card customers) who are from other states, have Internet banking, or even just have websites should consider taking four proactive steps.

First, banks should run a trademark clearance search for their name and brands. This applies whether a bank is merging, newly forming, or rolling out a new brand for a product or service. A search will help a bank discover what other similar brands are being used. It will help the bank evaluate its risk of violating someone else's rights as well as the bank's prospects of affirmatively registering the term. Trademark search companies perform searches and trademark attorneys can help banks evaluate the results and risk. They may also provide counsel about whether changes to the prospective name might be helpful or whether the bank should go back to the drawing board. Although not even the most expensive and complete search will provide 100% certainty, it can help banks make informed decisions.

Second, banks should consider registering their names and brands. Registration stakes out a bank's claim nationally (or at least across the state) to ward off others from using the brand. Defensively, the registrations help provide the bank and potential merger partners comfort that the bank's brand can be used as the bank grows. Offensively, a registration will help a bank stop another company from capitalizing on the goodwill the bank has developed in its brand. As time passes, the registrations should be maintained for so long as the brands remain in use.
But banks should watch out, as there are nuances and pitfalls to the registration process that can trap the unwary. With good planning and counsel, a bank can try position its registrations to provide the most value to its investors and to avoid confusing its customers.

Third, each bank should pay attention to its marketplace. The bank should be vigilant to determine whether others have begun using names that are confusingly similar to the bank's brands. If it occurs, the bank may want to contact a trademark attorney and evaluate whether the bank needs to contact the other company. If no action is taken and the public begins to confuse the names, the bank's trademark rights may erode completely, and it may lose the ability to prosecute the infringer or anyone else using the brand.

Fourth, banks should continue efforts to avoid consumer confusion between brands. After all, avoiding consumer confusion is the hallmark of trademark law. Together, the Commissioner of Banks, the federal Lanham Act, and the common law of trademarks serve the goal of protecting against consumer confusion and misleading names.

THE NEW GENETIC INFORMATION NON-DISCRIMINATION ACT

The federal government recently enacted a new law that may help open doors to new technologies and intellectual property based upon medical research. On May 21, 2008, the federal Genetic Information Nondiscrimination Act of 2008 (H.R. 493) ("GINA") was signed into law.

GINA addresses the fear that DNA test results indicating that a person has a predisposition for certain illnesses will be used against the person by his or her employer or health insurer – should they learn about the test or its results. GINA provides that a person's genetic testing can not be used against that person by employers and health insurers. GINA does not, however, prevent otherwise legally permitted action based upon current health status or a manifested disease or disorder.

In recent years, a "genetic discrimination" concern has been emerging among medical and pharma researchers and Institutional Review Boards (boards that review proposed research at hospitals and other facilities). They have been troubled, with some justification, that potentially willing volunteers for new drugs, medical procedures and medical technologies were being scared off from participating in research.

The "genetic discrimination" concern is simple to understand. More and more advanced medical research involves, to some degree, genetic testing. The data is often stored and retained electronically for use in the project or for use with future research. A fear arose therefore that a potential treasure trove of electronically accessible data was being created, and that unscrupulous entities might seek to obtain and use it to the disadvantage of the research subjects. Preexisting laws concerning patient privacy, such as HIPAA, were believed to be insufficient in preventing or penalizing such behavior. Indeed, Congress heard testimony from persons who were convinced that they had been discriminated against by insurers and employers on the basis of genetic tests.
The Genetics and Public Policy Center reports that a poll it conducted found that 92% of Americans are concerned that the results of a genetic test could be used in ways that are harmful to them. Researchers feared that if potential research subjects faced a "genetic discrimination" disincentive to participating in research projects, the pace of medical development would be retarded unnecessarily. Not only would a lesser volume of intellectual property be created, but ultimate patient care would not improve as fast as it otherwise could have.

Prior to GINA's passage, thirty-five (35) states had enacted a smattering of statutes addressing issues at the intersection of genetics, research, and discrimination. For example, some states, such as North Carolina, prohibit employers from firing or refusing to hire a person on the basis of the employee's request for genetic counseling or the results of a genetic test. See N.C. Gen. Stat. § 95-28.1A. Some other states bar employers from requiring genetic tests, while other states set forth specific penalties for genetic violations.

GINA now sets baselines of what may not be done with genetic testing results. The statute is long and complex. The following is a short list of a few of its key provisions:

GINA prohibits health insurers from using a person's genetic information in setting eligibility or premiums or contribution amounts.

GINA prohibits health insurers from requesting or requiring individuals to take genetic tests.

GINA prohibits employers from using genetic information in employment decisions such as hiring, firing, job assignments and promotions.

GINA prohibits employers from requesting, requiring or purchasing genetic information about individual employees or their family members.

GINA provides for a staggered transition period before its provisions become effective. Certain provisions, such as those concerning insurance, become effective for health plans after May 2009, whereas the employment provisions become effective in late November 2009.

Since more than 1,500 conditions are now covered by genetic tests, researchers and policymakers hope that GINA will remove or lessen the "genetic discrimination" disincentive to genetic counseling and genetic research. As stated by one Congresswoman (Biggert, R-IL), "[GINA] will accelerate research . . . and allow Americans to finally realize the benefits and health care savings offered by gene-based medicine." "This bill unlocks the great promise of the Human Genome Project by alleviating the most common fear about genetic testing."

Even if only some of these lofty predictions are realized, there will be opportunities to develop, protect, and marketize new medicines, medical procedures and other related intellectual property based upon the knowledge mined through research. Without the "genetic discrimination" disincentive to participating in research, researchers hope that patients will sign up to participate in good projects, medical projects might reach completion sooner with faster enrollment, and even more research could be completed. Consequently, chances are good that more new technology may be developed and may need intellectual property protection.

GINA will not, however, be a panacea for all that ails you. GINA will likely have unintended side-effects. GINA may force employers and insurers to adopt even more administrative and privacy procedures in order to comply with the statute. Some believe that the definitions and words used in the statute are overly broad or ambiguous, and will present challenges for those attempting in good faith to comply with the statute. Employers will likely face new types of claims as employees who are dissatisfied with employment decisions try to take advantage of GINA's protections. Additionally, since GINA is new, untested and, frankly, a long and complex statute, lawsuits will likely press upon its boundaries in order to ascertain how the statute should be understood. Lawsuits may also test GINA's interaction with the preexisting state laws.

If you have questions about how GINA might open new opportunities for technology development and protection, if you have concerns about how GINA might affect you or your business, or if you would simply like to learn more details about GINA, please contact us. A listing of some of our intellectual property, employment and health care attorneys appears at the back of this issue of Intellectual Property Adviser.
Attachments:

Attachment	Size
7_IPAdvisorJuly2008.pdf	145.3 KB