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ARTICLES

THE CURSE OF HISTORY: GOOD BANK BRANDS MAKE BAD BANK TRADEMARKS

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I. INTRODUCTION

“What’s in a name!” Juliet exclaimed to Romeo.³ Judges deciding trademark cases have turned her exclamation into a question that they have been asking ever since. An examination of the roster of bank trademarks might lead one to respond, “Not much.” A dull, gray landscape is littered with First, Second . . . nth National Banks of This, That, and The Other Place, broken only by such rare bursts of imagination as Wachovia, Shawmut, or Fleet. It is a particularly forlorn scene for trademark lawyers, whose first piece of advice is usually to choose a name that is creatively arbitrary.

Much of this sameness has a historical explanation. When banking was a purely local enterprise, being the First National Bank of Somewhere was distinctive enough. As a matter of fact, in the nineteenth century, the National Bank Act required banks

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3. WILLIAM SHAKESPEARE, ROMEO AND JULIET act 2, sc. 1. Many readers remember this as a question, but most texts render it as an exclamation.

to have such names.⁴ Moreover, state laws have long protected banks against the use of “bank” and related terms by nonbanking entities.⁵ Finally, until 1982, it was not even clear whether and to what extent trademark law applied to bank names.⁶

All this changed in the latter part of the twentieth century. Tightly-regulated local banks with a headquarters and a couple of branches metamorphosed into statewide, then nationwide, then multinational corporations competing in the free-fire zone of the global financial services market. Where a bank’s name had formerly been a taken-for-granted bit of local knowledge, irrelevant to everyone outside a particular city or town, it quickly became a major corporate asset, the subject of major investment and fierce litigation. These developments have not been lost on the courts. In 1990, the Fifth Circuit noted that “the deregulation of the banking industry and the advent of branch banking, in conjunction with the current banking crisis, may have led to the problem of competing banks with the same name,”⁷ while the Third Circuit has more recently characterized bank trademark litigation as “an outgrowth of aggressive and expansionist banking flowing from the Congressional liberalization in recent years of national banking laws.”⁸ In case after case, the courts tell stories of

4. LISSA L. BROOME & JERRY W. MARKHAM, REGULATION OF BANK FINANCIAL SERVICE ACTIVITIES: CASES AND MATERIALS 26-27 (2d ed. 2004) (quoting BRAY HAMMOND, SOVEREIGNTY AND AN EMPTY PURSE: BANKS AND POLITICS IN THE CIVIL WAR 345 (1970)). An early requirement that national banks bear numbers in their names and that “existing banks give up their original names and be designated by numbers, as if bankers long and successfully in business were without sentiment and would as soon bear a number as an older and honored name,” clearly discouraged many banks from the national charter. When the rule was eliminated, the popularity of the national charter increased so that there were 469 national banks at the end of 1864. However, this historical artifact helps to account for the names of many banks . . . such as Fifth Third Bank, which has its antecedents in the Third National Bank, organized in 1863, and the Fifth National Bank, which received its name in 1888. These two institutions merged in 1908 to become the Fifth Third National Bank of Cincinnati. The bank is now a state chartered bank. *Id.*

5. *See, e.g.*, N.C. GEN. STAT. § 53-127(e) (2005).

6. *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 9.03[3] (1996).

7. *Union Nat’l Bank of Tex., Laredo v. Union Nat’l Bank of Tex.*, Austin, 909 F.2d 839, 841 n. 4 (5th Cir. 1990).

8. *Citizens Fin. Group, Inc. v. Citizens Nat’l Bank of Evans City*, 383 F.3d 110, 112 (3d Cir. 2004).

once-sleepy, small-town banks suddenly emerging as protagonists in national or even global trademark wars.

In light of this background, it is not surprising that the current state of bank trademark law is unsettled and unsatisfactory to many of those who must live with it. Names chosen in the distant past for reasons unrelated to modern trademark theory are now forced to do radically different duty. As often as not, they do not do it well. In other words, banks that have spent years investing in their *brands* now find that they have little legal standing as *trademarks*.

The purpose of this paper is to attempt to impose some thematic order on this chaotic law. In Part II, we will give a brief overview of trademark protection and infringement as those concepts apply in the banking context. In Part III, we will identify and comment on some of the major themes that have emerged in the cases, including the meaning of “distinctiveness” in the banking context, the standards for proving likelihood of confusion, both direct and reverse, the nature of the banking market from the trademark perspective, and the application of trademark law to nontraditional banking services. In Part IV, we conclude with some practical suggestions for those who must live with bank trademark law in its present form.

II. OVERVIEW OF GENERAL TRADEMARK PRINCIPLES

A trademark is not “intellectual property” in the same sense that a copyright or patent is: a pure, if limited, property interest held by the proprietor. Instead, trademark theory combines elements of both property and consumer protection. Thus, trademark law pursues two goals: “(1) to protect consumers against confusion and monopoly, and (2) to protect the investment of producers in their trade names to which goodwill may have accrued and which goodwill free-riders may attempt to appropriate by using the first producer’s mark, or one that is deceptively similar.”⁹

9. *Union Nat’l Bank*, 909 F.2d at 843-44.

These dual objectives dictate that protection be limited to marks “by which the goods [or services] of the applicant may be distinguished from the goods [or services] of others.”¹⁰ (For purposes of this article, trademarks, which relate to goods, and service marks, which relate to services, can be viewed as identical in all material respects.)¹¹ If a mark is not distinctive—that is, it does not have the capacity to distinguish the source of goods or services—then the public cannot be confused by multiple uses. If Company A sells soap but simply calls it “soap,” then the public loses no valuable distinguishing information if Companies B, C, and D refer to the same product as “soap.” Likewise, unless Company A’s investment in its mark leads to a distinctive association between source and product or service, then there is nothing on which a competitor could be accused of free-riding.

Accordingly, the first and most important requirement for trademark protection—and the one that proves most troublesome in the banking context—is that the mark be distinctive. Courts typically lay out marks along a continuum from least to most distinctive.¹² At the weak extreme are *generic* marks that simply name the category of goods or services; thus, “soap” would be a generic mark for soap. Generic marks are inherently unprotectable. *Descriptive* marks are somewhat stronger. As the word suggests, they go beyond simply naming the product and describe it, as in “pure soap.” Descriptive marks are protectable only on a showing of “secondary meaning,” which requires evidence that the mark has become associated with the source in the minds of consumers. Surveys are often introduced for this purpose.

At the stronger end of the continuum are *suggestive* marks and *arbitrary* or *fanciful* marks, both of which categories are deemed inherently distinctive. Suggestive marks ultimately describe the product but only after an act of imagination on the part of the consumer: for example, “Ivory Soap.” Strongest of all are arbitrary or fanciful marks, which are defined as having no

10. Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051-1141 (2000).

11. See § 1053 (service marks registrable and protectable to same extent as trademarks).

12. See *First Bank v. First Bank System, Inc.*, 84 F.3d 1040, 1045 (8th Cir. 1996).

descriptive relationship to the product or service. Such marks are often made-up words. In the soap category, think of “Camay”; other examples would include some of the world’s most powerful trademarks, such as Nike, Kodak, and Apple.¹³ Over the history of American banking, the majority of marks have probably been descriptive, including all of the First National Banks of _____, and the [name of town] Savings Banks. Inherently distinctive bank marks have been rare. “Wachovia,” the name of the original Moravian settlement in that bank’s home region of North Carolina, is suggestive to those who know their North Carolina history, and arbitrary or fanciful to others.

A common law trademark can be acquired by use.¹⁴ A mark can also be registered with the United States Patent and Trademark Office (PTO), either after use¹⁵ or prospectively, if “intended for use.”¹⁶ In addition to lack of distinctiveness, registration may be refused on a number of other grounds, including, most importantly, that the proposed mark “so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely . . . to cause confusion, or to cause mistake.”¹⁷ In appropriate circumstances, the PTO may grant concurrent registrations on the same mark, with “conditions and limitations as to the mode or place of use.”¹⁸ Registration proceedings sometimes fail to discover unregistered previous users of an identical or similar mark; they generally retain rights in their existing territories of use.

The substantive standards for protection under the common law and the various state trademark statutes tend to be very similar to those that apply to marks registered under the Lanham Act. Federal registration, however, confers a number of significant advantages. Registration constitutes *prima facie*

13. The “Apple” mark for computers illustrates the point that a mark can be descriptive for one class of goods but arbitrary for another.

14. *See, e.g.*, *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F. 2d 1260 (5th Cir. 1975).

15. 15 U.S.C. § 1051(a)(1) (2000).

16. § 1051(b). Actual use is required to perfect the registration; it is possible, by seeking extensions, to delay actual use for as long as thirty-six months. § 1051(d).

17. 15 U.S.C. § 1052(d) (2000).

18. *Id.*; *see* *Application of Beatrice Foods Co.*, 429 F.2d 466, 469 (C.C.P.A. 1970).

evidence of the validity of the mark and the registrant's exclusive right to use it.¹⁹ In addition, whereas a common law mark is enforceable only in the area of actual use, registration constitutes constructive nationwide use of the mark and provides constructive notice of the registrant's claim to the mark.²⁰ Taken together, these provisions mean (1) that no subsequent (or "junior") user can claim any rights in the mark anywhere in the country based on use commenced after the first (or "senior") user's registration, and (2) that any unregistered senior user will be limited to the territory it occupied at the time of the junior user's registration.²¹ Finally, after five years of use without successful opposition, a registered mark acquires qualified "incontestability," meaning that the registrant's right to use the mark can be challenged only on the basis that it infringes upon a mark in use prior to the registration, has become generic, has been abandoned, or is no longer under the control of the registrant.²²

Federal infringement actions typically proceed on two complementary theories. The basic definition of "infringement" is to "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale . . . of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive."²³ In addition, the Lanham Act's unfair competition provision, section 43(a), imposes liability on:

any person who, on or in connection with any goods or services . . . 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 fact, which—

19. 15 U.S.C. § 1057(b) (2000).

20. §§ 1057(c), 1072.

21. *See infra* Part III (discussing these principles at length).

22. 15 U.S.C. §§ 1065, 1064(3)(5) (2000).

23. § 1114(1)(a).

(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 approval of his or her goods, services or commercial activities by another person.²⁴

Logically, any act of direct trademark infringement will also violate section 43(a), so it is the usual vehicle for asserting common law infringement claims based on unregistered marks. Section 43(a) also reaches false advertising and a number of other acts of unfair competition. Successful trademark infringement actions typically lead to injunctive relief.²⁵ Courts, however, are authorized, “subject to the principles of equity,” to award “(1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.”²⁶ The court may triple the amount of the plaintiff’s actual damages “according to the circumstances of the case.”²⁷ In practice, however, “an injunction is the preferred Lanham Act remedy,” and awards of trademark damages are rare.²⁸

The operation of these basic principles in the banking context is well illustrated by a recent federal case involving Kentucky banks, *Winchester Federal Savings Bank v. Winchester Bank, Inc.*²⁹ Plaintiff (WFSB), a savings and loan, opened in 1934 as Winchester Federal Savings and Loan Association. At that time, its competition included The Winchester Bank, an entity unrelated to the defendant, and Winchester Building and Savings Association. The three institutions’ names and financial structures changed on several occasions; the plaintiff adopted its present name in 1988, and both of the other “Winchester” banks had dropped “Winchester” from their names by the 1990s. The defendant, The Winchester Bank (TWB), opened for business in

24. § 1125(a).

25. § 1116.

26. § 1117(a).

27. *Id.*

28. *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247-48 (8th Cir. 1994).

29. 359 F. Supp. 2d 561 (E. D. Ky. 2004).

early 2003. In an illustration of the banking industry's historically cavalier approach to trademarks, at the time of the lawsuit, WFSB's corporate parent, WinFirst Financial Corp., had registered "Winchester" and "Winchester Federal Savings Bank" with the State of Kentucky, but had yet to complete its federal registrations. For that reason, the complaint alleged only federal unfair competition in violation of section 43(a) of the Lanham Act, common law unfair competition, and state trademark infringement.

The court began with the question of "whether the marks are protectable."³⁰ The parties agreed that both state and common law protection should attach to the complete name, "Winchester Federal Savings Bank." The stand-alone mark "Winchester" was held to be geographically descriptive and a showing of secondary meaning was therefore required.³¹ Following Supreme Court precedent,³² the district court looked at seven factors: (1) direct consumer testimony; (2) consumer surveys; (3) exclusivity, length and manner of use; (4) amount and manner of advertising; (5) amount of sales and number of customers; (6) established place in the market; and (7) proof of intentional copying.³³ The court placed little reliance on limited direct consumer testimony (the first factor) and found no evidence of direct copying (the seventh factor). A consumer survey showing that "approximately 35% of the respondents identified WFSB in connection with the word 'Winchester' as a bank in [the relevant county]," favored the plaintiff, as did the plaintiff's continuous use of the word "Winchester" since 1934 and the exclusive use of it since 1990; WFSB's modest, but effective, advertising; its large loan portfolio; and its long-established place in the market.³⁴

Having found secondary meaning, the court moved to likelihood of confusion. The various circuits employ roughly similar multi-factor analyses; the Sixth Circuit's involves a balancing of (1) the strength of the mark; (2) the similarity of the

30. *Id.* at 564.

31. *Id.* at 565.

32. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

33. *Winchester Federal Savings Bank*, 359 F. Supp. 2d at 565.

34. *Id.* at 566-67.

competing marks; (3) the relatedness of the plaintiffs' and defendants' goods or services; (4) evidence of actual confusion; (5) the marketing channels used by the parties; (6) the likely degree of purchaser care; (7) the intent of the junior party in selecting the mark; and (8) the likelihood of the parties' expansion of their product lines.³⁵

The *Winchester Federal* court concluded the evidence of likelihood of confusion was so strong as to support summary judgment for plaintiff WFSB. With respect to strength, despite the geographically descriptive nature of "Winchester," the plaintiffs' continuous, exclusive, and well-advertised use of the mark made it "strong in the local market."³⁶ The similarity of the parties' names was very high, given that the word "Winchester" was the predominant feature of both banks' names. Although the parties' logos (also in dispute) were easily distinguishable from each other when viewed together, the relevant legal test requires that they be viewed separately. "When viewed alone, each logo's emphasis on the word Winchester creates the potential that consumer with a general understanding of the WFSB mark could confuse the two logos and believe that the services offered by the defendant are related to those offered by the plaintiff."³⁷ With respect to the third factor – the relatedness of the plaintiff's and defendant's services – the court held that the parties' banking services were nearly identical. Significantly, it found that "although traditionally a number of distinctions existed between the services offered by commercial banks and those of savings and loan associations, those distinctions have all but disappeared."³⁸

The court then described actual confusion (the fourth factor) as "the best evidence."³⁹ It gave strong weight to anecdotes about telephone calls intended for the defendant but received by WFSB, misdirected mail and deliveries, customers coming to the wrong bank, deposits and payments made out to the wrong bank, and a single inquiry about whether the parties were

35. *Frisch's Rest., Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982).

36. *Winchester Federal Savings Bank*, 359 F. Supp. 2d at 568.

37. *Id.*

38. *Id.* at 569.

39. *Id.*

the same bank. (The practical lesson here is that a prospective trademark plaintiff can do itself a great deal of good by keeping track of such incidents.) Finally, despite the fact that most of the plaintiff's customers were individuals and most of the defendant's were commercial enterprises, the court found significant overlap in the parties' respective marketing channels, including billboards, local newspapers, and local event sponsorship. There was no useful evidence of purchaser care or the defendant's intent, and likelihood of expansion was irrelevant because the parties already occupied the same market.

Winchester Federal is especially effective in highlighting several significant and recurrent issues in bank trademark disputes. First, since so few bank trademarks are inherently distinctive, secondary meaning is likely to be critical. Consequently, both sides are likely to require consumer surveys. In addition, the history of investment in the mark, especially through advertising, is likely to take on great importance. If a case proceeds to the likelihood of confusion phase, the same evidence of goodwill-creation will once again be relevant. The comparison of the competing marks will be done on a holistic, common-sense basis, so those who are thinking of adopting a mark that looks or sounds like an existing one should not place great reliance on technical differences. In addition, a court may well say that "banking is banking," and may well ignore differences in customer base that may seem highly material from a business perspective. Finally, and critically, a prospective trademark plaintiff can greatly help its cause by keeping a record of all incidents of actual confusion, however trivial they might seem in isolation.

III. SPECIAL ISSUES IN BANK TRADEMARK CASES

A. *The Problem of Inherently Weak Marks*

As we have already noted, the history of banking has made the predominance of descriptive, inherently nondistinctive marks almost inevitable. As several cases have demonstrated, however, banks may fail even when they make a conscious effort to overcome this problem.

That point is amply demonstrated by *Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association*.⁴⁰ Plaintiff Sun Banks was a multi-bank Florida holding company that began using the “Sun Banks” name in 1974 and registered it as a service mark in 1977. Defendant Sun Federal did business in Tallahassee under a different name until 1975; it then opened a branch near Sarasota, changed its name to Sun Federal Savings and Loan, and obtained state—but not federal—registration for a logo that featured its name. Both parties indicated intent to expand statewide.⁴¹ The trial court found in favor of Sun Banks on its claims for trademark infringement and common law unfair competition, permanently enjoining Sun Federal from using the name “Sun” alone or in its logo. The Fifth Circuit held that the trial court’s finding of likelihood of confusion was clearly erroneous and reversed.⁴²

The most interesting element of the case is that both banks began with geographically descriptive marks—First at Orlando for the plaintiff, and Leon [County] Federal Savings and Loan Association for the defendant. Then, as both contemplated expansion, each looked for “a less parochial name” that would also have stronger trademark value.⁴³ At one level, both of them succeeded. The Fifth Circuit agreed with the district court that the name “Sun,” although evocative of Florida, was “too broad to be geographically descriptive.”⁴⁴ Indeed, the district court characterized “Sun” as arbitrary, a finding that the Fifth Circuit did not disturb.⁴⁵ The problem, however, was that a lot of other people had the same idea: “In 1976, over 4400 businesses registered with the Florida Secretary of State used the word ‘Sun’ in their names,” and a significant number of them fell within the category designated “financial institutions.”⁴⁶ The significance of this extensive third-party use was that it rendered a nominally arbitrary trademark unenforceable. The Fifth Circuit acknowledged that “Sun” had no descriptive or even suggestive

40. 651 F.2d 311 (5th Cir. 1981).

41. *Id.* at 313-14.

42. *Id.* at 313.

43. *Id.* at 314.

44. *Id.* at 317.

45. *Sun Banks of Florida*, 651 F.2d at 315.

46. *Id.* at 316.

value with respect to banking services. Nonetheless, it concluded, the ubiquity of this arbitrary term precluded the possibility of confusion *between these two parties*. In other words, even a facially arbitrary mark can lose its capacity to distinguish one company's services from another's if it has come into near-universal usage. Moreover, in the case of such a weakened mark, "minor additions may effectively negate any confusing similarity," meaning that such details as "banks" versus "federal savings and loan associations," as well as differences in logo design, may be legally sufficient to preclude confusion and avoid infringement.⁴⁷

Finding as a matter of law that a trademark is simultaneously arbitrary and unprotectable has a certain illogic to it. Nonetheless, the Fifth Circuit's conclusion is defensible on a number of grounds. The court might have analogized to "genericide," whereby an originally arbitrary name for something is captured by the everyday language: cellophane, aspirin, and trampoline are well-known examples.⁴⁸ Here, "Sun" had not become a generic term for anything but, rather, a trade name for almost everything. It might also be said that any "Sun" mark plaintiff had been guilty of a kind of abandonment, suffering the proliferation of its mark. Just as in the usual case of abandonment, the mark's owner stood by while circumstances eroded its distinctiveness.⁴⁹ And finally, there is the court's chosen logic: that if a mark becomes so widely used that everyone is confused, no one user can complain of the particular confusion caused by any other user. The original instinct to avoid the "parochial" and thus descriptive was sound, but the chosen solution was fatally flawed.

So-called "affinity cards" provide another example of a failed attempt to escape the legacy of descriptiveness. Affinity cards are credit cards that target geographic areas or various sorts of interest groups, such as alumni of particular universities or members of organizations. *In re MBNA America Bank, N.A.*⁵⁰

47. *Id.* at 316.

48. *See, e.g., King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F. 2d 577 (2d Cir. 1963) (holding that "thermos" had become a generic term for "vacuum insulated container").

49. *See* PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 238-40 (rev. 5th ed. 2004).

50. 340 F. 3d 1328 (Fed. Cir. 2004).

involved MBNA's efforts to register the marks "MONTANA SERIES" and "PHILADELPHIA CARD" for geographically-targeted affinity credit cards.

In support of the applications, the bank argued that the marks were "not merely descriptive, but suggestive or arbitrary, because they do not immediately convey information concerning MBNA's credit card services."⁵¹ The marks, in other words, had no more relation to credit card services than the word "Nike" does to athletic shoes, and were thus inherently distinctive. Both the PTO and the Federal Circuit disagreed, however. In their view, the relevant business was not "credit card services" but "*affinity credit card services*."⁵² This particular business consists of "providing both credit card services *and* a feeling of social pride or connection through the particular affinity card with words and images identifying a particular city or state."⁵³ In a striking instance of being hoist by one's own petard, the court quoted MBNA's ad for its "TEXAS SERIES" cards, which depicted credit cards with Texas scenes and contained the text "Celebrate your pride in Texas with the Texas Series credit cards *and* a special low rate!"⁵⁴ Having thus redefined the relevant service, the court agreed with the PTO that the marks applied for were "merely descriptive of a significant feature or characteristic of the affinity card services, *i.e.*, feeling of pride in identification with a specific regional location," and affirmed the PTO's rejection of the mark.⁵⁵

It is difficult to see what MBNA could have done to bring about a different result. Its application originally sought coverage for "credit card services," which it amended to "credit card services featuring credit cards depicting scenes or subject matter of, or relating to," Montana and Philadelphia only at the insistence of the PTO's Examining Attorney.⁵⁶ Moreover, as a dissenting

51. *Id.* at 1333.

52. *Id.* (emphasis added).

53. *Id.*

54. *Id.*

55. *In re MBNA America Bank* 340 F. 3d at 1334. The rejection was based on 15 U.S.C. § 1052(e)(1), which prohibits the registration of "merely descriptive" marks, although the PTO also made reference to 15 U.S.C. § 1052(e)(2), which prohibits geographically descriptive marks.

56. *Id.* at 1333.

opinion pointed out, the bank repeatedly argued that it was seeking to register its marks for credit card services, not cards with particular geographic affiliations.⁵⁷ By its formulation of the relevant business, the court thus seems to have erected a virtual *per se* rule against the registration of affinity card marks that name the targeted group. This rule is of particular importance because the Federal Circuit has exclusive jurisdiction over appeals from PTO decisions.⁵⁸

B. *Proving Secondary Meaning*

Two cases illustrate the difficulties that almost always ensue when a bank tries to prove that an inherently weak descriptive mark has acquired secondary meaning. Both emphasize the difference between attempting to impart secondary meaning and successfully doing so, while the second also discusses the role of survey evidence. In *First Bank v. First Bank System, Inc.*,⁵⁹ plaintiff First Bank (FB) made an unsuccessful effort to enjoin defendant First Bank System (FBS) from using First Bank or any colorable imitation in FB's primary market area in Iowa. From 1938 to 1993, FB was a federally chartered bank known as First National Bank of West Des Moines; it became an Iowa state-chartered bank in 1993, its business still limited to the Des Moines area. Defendant FBS is a multi-state bank holding company headquartered in Minneapolis. It entered the Iowa market in the 1970s by providing mail-order banking services, and then acquired several Iowa branches in 1994, the names of which it changed to First Bank Iowa.

FB never attempted to register a mark, while FBS obtained Iowa registration of "First Bank" in 1968, and a series of federal registrations beginning in 1971. FB was thus relegated to asserting a common law service mark, which would be subject to the same standards of validity as a registered mark. Because FBS's

57. *Id.* at 1337.

58. 15 U.S.C. § 1071(a) (2000). Alternatively, a party aggrieved by a PTO decision may challenge it by filing a civil action in a United States district court. § 1071(b). Civil trademark actions in the district courts are appealable to the geographic circuits. § 1121(a).

59. *First Bank v. First Bank System, Inc.*, 84 F.3d 1040 (8th Cir. 1996).

registrations constituted constructive nationwide use of the mark, FB could claim a right of priority only in the area where it actually used the mark prior to FBS's registration.⁶⁰

Because FB conceded that "First Bank" was descriptive and thus not inherently distinctive, it had to prove that the mark had acquired secondary meaning. Toward that end, FB offered the testimony of its chairman, two advertising agents, and an advertising expert that as early as 1969, it had undertaken a campaign "to establish the concept of 'First Bank'" as a substitute for its original name of "First National Bank." The stated purpose of this initiative was to head off FBS's incursion into its market. FB's efforts included adopting a new logo that emphasized the words "First" and "Bank," printing the logo on various items, and answering the phone "First Bank." However, aside from the "impression" of one of the advertising agents, there was no evidence that these efforts worked in the marketplace; in the court's judgment, FB failed "to establish sufficient proof that consumers identified First Bank with the services provided by FB."⁶¹ On the contrary, FB's own expert admitted that this had not happened by the mid-1980s.⁶²

The case makes the important point that in establishing secondary meaning, effects are more important than efforts. That is, there must be evidence that the secondary meaning has taken hold in the minds of consumers. In addition, the case provides yet another reminder of just how casual banks have been in the treatment of their trademarks. When such careless trademark proprietors appear as plaintiffs, it is extremely difficult for them to persuade the courts to take seriously marks that they themselves have all but ignored.

In the second case, *Bank of Texas v. Commerce Southwest, Inc.*,⁶³ plaintiff Bank of Texas was a neighborhood bank in northeast Dallas that had done business under that name since

60. 15 U.S.C. § 1057(c) (2000).

61. *First Bank*, 84 F.3d at 1045.

62. *Id.* at 1043. It is also significant that as late as 1985, one of the advertising agents was still urging a formal name change and a trademark lawyer—who referred to his client as "First National" in his correspondence—was pointing out a possible conflict with FBS if the name change were made. *Id.*

63. 741 F.2d 785 (5th Cir. 1984).

1973. It sued under section 43(a) of the Lanham Act (because—surprise!—its mark was unregistered) after a bank holding company named Commerce decided to rename its Dallas County banks “BancTEXAS.” The jury found that “Bank of Texas” had acquired secondary meaning within the plaintiff’s trade area of Dallas County, and that “BancTEXAS” would be likely to confuse consumers. The district judge entered judgment notwithstanding the verdict in favor of the defendant on the ground that the plaintiff had failed to establish secondary meaning for its mark, and the Fifth Circuit affirmed.⁶⁴

The Fifth Circuit found that the mark “Bank of Texas” was geographically descriptive, and thus required a showing of secondary meaning to establish distinctiveness. It described the plaintiff’s burden as showing “that the primary significance of the term in the mind of the consuming public is not the product, but the producer.”⁶⁵ Bank of Texas emphasized its nine years of exclusive use of the mark before the defendant’s name change, as well as the money it expended on advertising to promote its name. Like the court in the First Bank case, however, the Fifth Circuit focused on effects rather than effort: “[I]t is not the amount of money spent on advertising that is important, but the results achieved with the money spent.”⁶⁶ Bank of Texas also pointed to instances of actual confusion in which wire transfers were sent to the wrong bank. However, it was personnel of other banks who were confused, not the consumers who must be the target of the secondary-meaning inquiry. Moreover, even this confusion was limited to the short period of time immediately after Commerce’s name change.⁶⁷

Plaintiff Bank of Texas also offered a survey, a common method of proving both secondary meaning and likelihood of confusion in trademark cases. In a telephone survey of people who had numbers in the exchanges surrounding Bank of Texas, 58.7% of respondents said that they had heard of Bank of Texas; the plaintiff argued that this name recognition was evidence of

64. *Id.* at 786.

65. *Id.* at 787.

66. *Id.* at 788.

67. *Id.* at 788-89.

secondary meaning. The court emphasized that since Bank of Texas “sought to enjoin the use of the name BancTEXAS in all of Dallas County, which is the area appellant claimed as its trade area,” it had the burden of proving secondary meaning throughout the county.⁶⁸ The survey, however, apparently covered only the portion of the county surrounding the plaintiff’s banking facility, and the survey designer was forced to admit that the results could not be assumed to be representative of the entire county. Moreover, even if 58.7% of the respondents had heard of Bank of Texas, only 11% could identify its location.

The case law on surveys is extensive and inconsistent.⁶⁹ One can infer a few general principles but no bright-line rules. In another context, a court might well have relied on a survey just like this one. It is hard to avoid the conclusion that the longstanding suspicion of weak and poorly-policed bank trademarks conditioned the Fifth Circuit to find that the glass was half-empty in this situation.

C. *Proving Likelihood of Confusion*

A “First National” case illustrates the difficulty of proving likelihood of confusion, even when an inherently weak mark has been supported by a showing of secondary meaning. In *First National Bank, in Sioux Falls v. First National Bank, South Dakota*,⁷⁰ the plaintiff (SF) had operated as a national bank in Sioux Falls since 1885, adopting its present name in 1952 and using it continually except for a period between 1976 and 1985. No other Sioux Falls bank had used any variation on “First National” since 1929. The defendant (SD), located ninety miles away in Yankton, South Dakota, operated as a state bank with a different name until 1994, when it converted to a national bank with its present name. When SD applied to the Office of the Comptroller of the Currency in 1995 to open a branch in Sioux Falls under the

68. *Id.* at 789.

69. See generally Shari Seidman Diamond, *Reference Guide on Survey Research*, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE (2d ed. 2000) (providing an excellent introduction to survey research for litigation); see *supra* notes 63-65 and accompanying text (providing further development of the survey issue).

70. 153 F.3d 885 (8th Cir. 1998).

name of First National Bank, South Dakota, Sioux Falls Branch, SF sued to enjoin use of that name under the common law and the Lanham Act.⁷¹ After a bench trial, the district court entered a very limited injunction in favor of plaintiff SF (prohibiting SD from using any version of the “First National” mark within a ten-mile radius of SF’s main office) and the Eighth Circuit affirmed.

The otherwise successful plaintiff SF appealed from the district court’s single adverse finding: that the defendant’s use of its full name, First National Bank, South Dakota, and/or logo would not create a likelihood of confusion, even within a ten-mile radius. Applying the usual multi-factor analysis, the district court found, and the Eighth Circuit agreed, that SF’s marks were strong; that the parties would be in close competitive proximity; that the competing marks were very similar; that SD intended to target SF’s customers, even if it was not attempting to confuse them; and that a newspaper advertisement placed by SD had caused actual confusion. But both courts also found that because “consumers tend to exercise a relatively high degree of care in selecting banking services,” they are more likely to be attentive to relatively minor differences in names.⁷² Consequently, the Eighth Circuit concluded (citing the *Sun Banks* case), there may be “minimal or no likelihood of confusion even where the names of financial institutions share the same dominant terms.”⁷³

The message could not be clearer: even when a showing of secondary meaning is made, courts will find any available rationale to limit the enforcement of traditional and common bank names. Here, both courts found in favor of the plaintiff on five of six likelihood of confusion factors. Nonetheless, defendant SD emerged from the litigation with total freedom of trademark action outside a ten-mile radius of SF’s premises, and even within that radius as long as it used its full name and/or logo.

71. Although the court did not specify, this was presumably a Lanham Act section 43(a) suit, since the case makes no reference to any registrations.

72. *First National Bank*, 153 F.3d at 889.

73. *Id.* at 889-90 (citing *First Savings Bank, F.S.B. v. First Bank System, Inc.*, 101 F.3d 645, 653 (10th Cir. 1996)).

D. Proving “Reverse Confusion”

First National Bank is a typical “direct confusion” case, where the earlier, or senior, user of the mark attempts to prevent the later, or junior, user from free-riding on the goodwill it has created. This was precisely SF’s allegation: that SD, a late-comer, was threatening to capture the brand value that SF had established in the various “First National” marks. Consumers, it was alleged (albeit unsuccessfully), would be confused into thinking that SD was really SF. As is typical in such cases, the senior user’s mark was strong and well-promoted in its geographic area, which would support a facially credible charge of free-riding by the junior entrant into the senior’s market.

Banking practices in today’s largely unregulated national market may also give rise to claims of “reverse confusion,” where the junior user is substantially more powerful. Instead of trying to take advantage of the senior user’s name, the junior seeks to obliterate it by “saturat[ing] the market with a similar trademark.”⁷⁴ Rather than being deceived into thinking that the junior user’s services are really those of the senior, “the public comes to assume the senior user’s products are really the junior user’s or that the former has become somehow connected to the latter.”⁷⁵ Thus overwhelmed, “the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.”⁷⁶

Two recent Third Circuit cases illustrate the contours of the “reverse confusion” theory and the difficulties likely to be encountered in using it in the banking context. The more recent of the two, *Freedom Card, Inc. v. JP Morgan Chase & Co*, presented a would-be David and Goliath story that is typical of the genre.⁷⁷ A company called Urban Television Network (UTN) had begun issuing a “Freedom Card” credit card in late 2000 to the

74. *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 471 (3d Cir. 2005).

75. *Id.* at 471.

76. *Id.*

77. 432 F. 3d 463 (3d Cir. 2005).

“subprime” credit market.⁷⁸ The consumers in this market are disproportionately African-American, so UTN contracted with Queen Latifah to promote the card, which had very low credit limits and very high interest rates and fees. UTN registered the Freedom Card mark. UTN marketed the card for only a year, and stopped taking new accounts at the end of 2001.

Meanwhile, Chase was developing a card that was tied to a gas station rebate program.⁷⁹ In January 2003, Chase announced its “Chase Freedom” card in a *Wall Street Journal* ad. In contrast to UTN’s target audience, Chase’s customers typically had substantial incomes, high credit ratings, and owned their own homes; Chase’s cards had high credit limits and low interest and fees. Upon seeing the ad, UTN’s CEO objected; Chase suspended its marketing efforts while the parties conducted unsuccessful negotiations.⁸⁰ In February 2003, Chase filed an action for a declaratory judgment of non-infringement, and UTN counterclaimed for trademark infringement and unfair competition in violation of section 43(a) of the Lanham Act. The district court granted summary judgment for Chase upon finding that there was no likelihood of confusion between the two marks and the Third Circuit affirmed.⁸¹

UTN had no basis for a traditional claim of direct confusion, since it was clear that Chase was not trying to misappropriate the goodwill that UTN had established in Freedom Card. Instead, it relied on a theory of reverse confusion, alleging that the more powerful junior user—Chase—was attempting to obliterate its mark, with the result that consumers would come to associate “Freedom Card” with Chase. The Third Circuit acknowledged the validity of the theory in the abstract, observing that “[w]ithout the recognition of reverse confusion, smaller senior users [such as UTN] would have little protection against larger, more powerful companies who want to use identical or confusingly similar trademarks.”⁸² Such protection must be balanced,

78. *Id.* at 466.

79. *Id.* at 466-67.

80. *Id.* at 467.

81. *Id.* at 468, 482.

82. *Freedom Card*, 432 F.3d at 471.

however, against the possibility that “innovative junior users, who have invested heavily in promoting a particular mark, will suddenly find their use of the mark blocked by plaintiffs who have not invested in, or promoted, their own marks.”⁸³

The problem for UTN was at the factual level, as the two courts found an absence of the effort to “overwhelm” a junior user that is the hallmark of the reverse confusion theory. On the contrary, when Chase announced its Freedom Card, UTN had been out of the market for over a year. Moreover, Chase supported its entry with a single ad—hardly “saturation”—and desisted as soon as UTN complained. Nonetheless, the Third Circuit went through the ten factors it has prescribed for analyzing reverse confusion, which are nearly identical to those used in direct confusion cases.⁸⁴ None offered any support to UTN’s position. On the contrary, on the similarity factor, Chase’s inclusion of its “housemark” (corporate name) on its Freedom Card helped to persuade both courts that market confusion was unlikely. Moreover, as in the *Sun Banks* and *First National* cases, UTN was found to have undercut itself by making a showing in its PTO registration proceeding of the widespread use of “freedom” marks.

The earlier, more complex case of *Citizens Financial Group, Inc. v. Citizens National Bank of Evans City*⁸⁵ demonstrates what is necessary for a victim of reverse confusion to prevail. Citizens Financial Bank of Evans City (CNBEC) is a 16-branch community bank in northwestern Pennsylvania that has used the apparently unregistered “Citizens National Bank” and “Citizens” marks since 1878. Citizens Financial Group (CFG) is subsidiary of Royal Bank of Scotland that purchased the Pennsylvania retail

83. *Id.* at 472 n. 17.

84. *Id.* at 471, 473-74. The only differences relate to mark strength and “other factors.” With respect to the former, in a direct confusion case the court should look at the strength of the plaintiff-senior owner’s mark, whereas in a reverse case the court should consider both “a commercially strong junior user’s mark and a conceptually strong senior user’s mark in the senior user’s favor.” In the “other” category, a direct case requires consideration of other factors that might suggest to consumers that the senior plaintiff would be likely to enter the defendant’s market; in a reverse case, the question is whether consumers might expect the more powerful junior user to offer both services or to expand into the plaintiff’s market. *Id.*

85. 383 F.3d 110 (3d Cir. 2004).

operations of Mellon Bank in 2001 and renamed all the branches “Citizens Bank,” simultaneously registering that mark with the PTO. Nine of the CFG branches were near CNBEC branches, sometimes on the same street. When CNBEC sent it a cease and desist letter, CFG sued for a declaratory judgment of non-infringement, and CNBEC counterclaimed under Lanham § 43(a).

CNBEC advanced a theory of reverse confusion, alleging that the “expansionist” larger bank was attempting to obliterate its longstanding mark.⁸⁶ Its evidence showed that it had spent millions of advertising dollars over the years in promoting variations on the name “Citizens.”⁸⁷ Since its acquisition of Mellon in 2001, CFG had also invested heavily in promoting itself as “Citizens” or “Citizens Bank.” CNBEC employees claimed to have recorded more than 2,000 instances of actual consumer confusion, and CFG customers testified about their mistaken efforts to transact CFG business at CNBEC branches.⁸⁸ In addition, CNBEC produced two university professors as experts. The first opined about the likelihood of confusion given consumers’ tendency to shorten brand names in memory and speech. The other presented a survey of consumers in the Pittsburgh area that showed that “an overwhelming majority shortened the bank’s name and referred to Citizens Bank as “Citizens.”⁸⁹ CFG offered its own registrations as well as some equivocal cross-examination testimony by CNBEC executives about the strength of their marks.

In a special verdict, the jury found that CNBEC had used “Citizens” as a mark, that the mark was suggestive, arbitrary, and fanciful, and that there was a likelihood of confusion between CFG’s marks and CNBEC’s “Citizens” mark. However, the jury found no likelihood of confusion with CNBEC’S “Citizens National Bank” mark, and no injury to CNBEC as a result of CFG’s infringement. The jury then informed the judge that it had found a verdict “in favor of CFG.”⁹⁰ The district court found the

86. *Id.* at 112-13.

87. *Id.* at 114.

88. *Id.* at 115.

89. *Id.*

90. *Citizens Financial Group*, 383 F.3d at 117.

individual elements of this verdict to be inconsistent and thus undertook to “mold” them into a judgment.⁹¹ In a convoluted set of findings, it ruled that CNBEC had not proved bad faith or deliberate infringement; “that a full injunction directed to CFG would have devastating effects on its business and customers,” not only in northwestern Pennsylvania but throughout the state;⁹² that the public interest would be harmed by an injunction against CFG, since even if it changed the name of its branches consumers would still have to be told of the affiliation with Citizens Bank; and—talk about blaming the victim—that CNBEC was guilty of “unclean hands” because it had dropped the word “National” from its advertisements after CFG had entered the market.⁹³ Not only did the court deny the injunction that CNBEC sought, it decided *sua sponte* to issue a mandatory injunction requiring CNBEC to use the word “National” on all its documents and in all its promotional activities. It also entered the declaratory judgment requested by CFG.

On appeal, the Third Circuit affirmed a number of trial court rulings pertaining to evidence and jury instructions, but took issue with the district court’s perceived need to mold an “inconsistent” verdict. On the contrary, the Third Circuit held, “[t]aken together, these responses constituted a finding that CFG had infringed on CNBEC’s trademark” and “the jury’s findings in this case were not inconsistent, and no molding was necessary to harmonize them.”⁹⁴ In particular, the jury’s finding that CNBEC had suffered no “injury” should have been read as pertaining only to money damages, since “trademark injury amounts to irreparable injury as a matter of law.”⁹⁵ With this reinterpretation, the purported inconsistencies vanished.

In consequence of its rehabilitation of the jury’s verdict, the Third Circuit ordered the entry of a declaratory judgment in favor of CNBEC. Turning to the injunction, it heavily criticized each of the district court’s subsidiary findings, especially its attribution of

91. *Id.* at 113.

92. *Id.* at 117.

93. *Id.* at 117-18.

94. *Id.* at 124.

95. *Citizens Financial Group*, 383 F.3d at 125 (citations and quotations omitted).

unclean hands to CNBEC. Concluding that there could be “no doubt of a strong likelihood of reverse confusion in this case,”⁹⁶ the Third Circuit remanded for the framing of an injunction tailored to protect CNBEC’s mark within—but not beyond—its trade area and to minimize the confusion to CFG’s customers whose bank would suddenly be renamed.

One of the evidentiary points on which the Third Circuit affirmed the trial court is also worthy of mention. The trial court excluded the testimony of one of CNBEC’s survey experts on the grounds that he surveyed the wrong “universe,” or population, of consumers. The expert had surveyed consumers both within and beyond CNBEC’s traditional market base, on the theory that “the universe at issue consisted of *potential* customers of both parties.”⁹⁷ Both courts disagreed: since reverse confusion is concerned with obliteration of the smaller senior user’s identity in the minds of *its* customers, “the proper universe under CNBEC’s theory of reverse confusion was limited to CNBEC’s customer base, not to CFG’s customer base.”⁹⁸ In other words, since “the relevant issue is whether consumers mistakenly believe that the senior user’s products actually originate with the junior user, it is appropriate to survey the senior user’s customers.”⁹⁹

Several inferences emerge from a comparison of these reverse confusion cases. First, the courts have a solid conceptual understanding of the harm that larger companies can do when they lay siege to the trademarks of established local businesses. But they will require more than the mere ritual recitation of words like “saturate” and “overwhelm.” The senior local company must prove that it has a distinctive mark, either inherently or through secondary meaning, and that it has a history of taking steps to enhance and protect its goodwill. Finally, there must be evidence that the powerful junior is actually attacking that mark by offering similar services in the same geographic market under a confusingly similar name.

96. *Id.* at 131.

97. *Id.* at 119.

98. *Id.* at 120.

99. *Id.* at 121 (quoting *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 741 (2d Cir. 1994)).

E. *Defining Relevant Markets*

In antitrust cases, courts have long had to define relevant geographic and product markets. Similar concepts apply in trademark cases, as likelihood of confusion usually requires a showing that the parties are offering similar products or services through similar channels of commerce in the same geographic area. For most of the history of American banking, geography was non-controversial, as banks were limited by law to counties or other circumscribed local markets. Product markets were similarly easy to define, as banks offered essentially the same services, at least within the broad categories of “commercial” and “savings” banks.¹⁰⁰ Now, however, banking has suddenly come to look like other industries, with constantly changing “product” lines and no geographic limits.

Several of the cases already discussed have dealt with the two elements of market definition. With respect to geography, *First National Bank* emphasized that the holder of an unregistered common law trademark will be able to enforce it only in the area where it actually does business, however limited that may be.¹⁰¹ The *Citizens* case also analyzed the relationship between registered and unregistered marks in the context of geographic expansion, this time in the reverse confusion context.¹⁰² The Third Circuit found that the equities lay almost entirely on the side of CNBEC, the smaller, senior user of the *Citizens* mark. But nonetheless, because CNBEC was also an unregistered user of that mark, it was entitled to injunctive relief against its expansionist junior rival only in the geographic area where it had actually been doing business—a single county. In both cases, the cost of failing to register was high.

100. Cf. *United States v. Philadelphia National Bank*, 374 U.S. 321 (1963) (holding that the “cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) denoted by the term ‘commercial banking,’ composes a distinct line of commerce [or product market]”); *United States v. Connecticut National Bank*, 418 U.S. 656 (1974) (declining to include savings banks in the product market although noting that “[a]t some state in the development of savings banks it will be unrealistic to distinguish them from commercial banks for purposes of the Clayton Act”).

101. See *supra* notes 70-73 and accompanying text.

102. See *supra* notes 85-99 and accompanying text.

The *MBNA* and *Freedom Card* cases, which dealt, respectively, with affinity cards and subprime credit cards, illustrate emerging problems of product market definition in the contemporary banking industry. In *MBNA*, both the PTO and the Federal Circuit held that affinity cards comprise a discrete service, which led to the conclusion that a mark that names or describes the target affinity group lacks inherent distinctiveness.¹⁰³ In *Freedom Card*, the court's conclusion that there was no likelihood of confusion rested in significant part on the finding that there was little overlap between the customers for one issuer's low-credit-limit, high-fee card and the other's high-limit, no-fee offering.¹⁰⁴ In both cases, the message is that banking is no longer a monolithic industry. Rather, it is a multi-faceted, rapidly evolving business whose product and customer markets may have complex trademark implications.

Two earlier cases reflect further variations on this theme. In *Canadian Imperial Bank of Commerce v. Wells Fargo Bank, N.A.*,¹⁰⁵ Wells Fargo (actually, its predecessor, Crocker National Bank) successfully opposed CIBC's (it is referred to commonly and on its website as CIBC – not Canadian) attempt to register COMMASH as a service mark for “banking services.” The PTO and the Federal Circuit agreed that the CIBC mark was likely to cause confusion with the COMMUNICASH mark that Crocker had previously used and registered, also for “banking services.”¹⁰⁶ The key issue was the meaning and significance of the term “banking services,” which both parties had designated as their category of use in their respective registration applications.

At the time of the controversy, both parties used their marks “only in connection with the highly specialized service of electronic cash management,” which at that time was “used solely by large corporations and banks.”¹⁰⁷ CIBC argued that the “discerning and sophisticated” nature of such customers and the high degree of care they exercised in purchasing these services

103. See *supra* notes 77-84 and accompanying text.

104. See *supra* notes 77-84 and accompanying text.

105. 811 F.2d 1490 (Fed. Cir. 1987).

106. *Id.* at 1491-92.

107. *Id.* at 1491.

precluded a finding of possibility of confusion between the two marks.¹⁰⁸ The problem with this position, both the PTO and the court found, was that the relevant market could not be so limited. On the contrary, the likelihood of confusion must be resolved not on the basis of a registration applicant's current use of the mark, but "on consideration of the goods [or services] named in the application." Moreover, the PTO and the courts must bear in mind that "although a registrant's current business practices may be quite narrow, they may change at any time from, for example, industrial sales to individual consumer sales."¹⁰⁹ Because both Crocker's earlier registration and CIBC's disputed application claimed the unlimited general category of "banking services," the likelihood of confusion had to be assessed in that broader and far less sophisticated consumer market.

It is interesting that in both *MBNA* and *Canadian Imperial* the applicants were denied registration because of the implications of their designation of the relevant services market, even though the two applicants took opposite approaches. MBNA was denied because its narrow definition ("affinity credit card services") led to its marks being found to be merely descriptive. CIBC lost because its definition was too broad, prompting the inference that the consumers of undifferentiated "banking services" were likely to be confused. This "heads I win, tails you lose" situation is yet another indication of the problems that banks have long faced and continue to encounter in protecting their trademarks.

A final case, *Union National Bank of Texas, Laredo v. Union National Bank of Texas, Austin*,¹¹⁰ further illustrates the geographic complexities that can result from the interaction of registered and unregistered bank marks. Plaintiff UNB-Laredo had been doing business under its present name in Laredo since 1987, and in San Antonio since 1988. Its marks were unregistered. Defendant UNB-Austin was a subsidiary of an Arkansas holding company that had done business in Arkansas and Oklahoma for many years prior to the establishment of UNB-Laredo; all of its banks were named "Union National Bank of [geographic

108. *Id.*

109. *Id.* at 1492.

110. 909 F.2d 839 (5th Cir. 1990).

designation],” which was registered as a federal mark. UNB-Austin’s parent entered the Texas market for the first time in 1988 when it acquired the assets of a failed Texas institution and opened for business in Austin as “Union National Bank of Texas, Austin.”¹¹¹

After UNB-Austin opened, UNB-Laredo demanded that it cease and desist from using its chosen name. In response, UNB-Austin changed its name to “Union National Bank, Austin, Texas.” UNB-Laredo rejected this compromise and filed suit under Lanham section 43(a) and the common law, seeking to enjoin UNB-Austin from using either “Union National Bank” or Union National Bank of Texas.” The district court interrupted the testimony of UNB-Laredo’s first witness and held *as a matter of law* that “Union National Bank” was descriptive and thus required proof of secondary meaning. When UNB-Laredo stipulated that it could not prove secondary meaning in the Austin market, the district court reasoned that there was nothing left to try and entered judgment for UNB-Austin.¹¹²

The Fifth Circuit reversed on the straightforward ground that “the categorization of a term is properly considered a matter of fact,” not law;¹¹³ it remanded the case to give UNB-Laredo a chance to present evidence on the alleged distinctiveness of its mark. In the course of its instructions to the district court, it reviewed some of the significant principles pertaining to geographic conflicts between trademarks. A preliminary but critical issue in this case would necessarily be which of the two parties was the senior user. That in turn would raise the question, “What is the ‘market’ for purposes of determining who is the ‘senior user’?”¹¹⁴ Although the Fifth Circuit ultimately left that issue for the district court on remand, it did ruminate on the possibilities at some length:

111. *Id.* at 841.

112. *Id.* at 842.

113. *Id.* at 846. There is no record of what happened to the case after the remand order.

114. *Id.* at 843 n.9.

For example, UNB-Austin is the senior user if we define the market as being the nation, or even the South or Southwest. On the other hand, if we define the “market” as limited by state boundaries, then UNB-Austin is the senior user in Oklahoma and Arkansas, but UNB-Laredo is the senior user in Texas. But there is no particular reason to define “the market” on the basis of national or state boundaries if it does not conform to the commercial reality.¹¹⁵

The related determinations of market and seniority could have great practical impact in a convoluted factual context such as this one. Generally, a senior user can exclude junior users “in the market it actually serves plus its ‘natural zone of expansion.’”¹¹⁶ Outside of that market-plus-zone-of-expansion, there will be no likelihood of confusion, and thus no basis for an injunction. When the senior user has registered its mark, it obtains constructive nationwide use, “conferring a right of priority,” as of the date of its application,¹¹⁷ as well as constructive notice to all as of the date of registration.¹¹⁸ These provisions mean that a registered senior user should be able to enjoin any junior user, anywhere in the country: senior’s “market” is, by operation of law, nationwide, and everyone coming along later is presumed to know that. Nonetheless, there is old, much-disputed, but still-cited case law to the effect that even a registered senior user will not be entitled to an injunction outside of its *actual* market-plus-zone-of-expansion.¹¹⁹

An unregistered senior user is not entitled to these constructive benefits, and acquires the common-law rights to use

115. *Id.*

116. *Union Nat'l Bank of Tex., Laredo*, 909 F.2d at 842 (quoting *Dawn Donut Co. v. Hart's Food Stores*, 267 F.2d 358, 358 (2d Cir. 1959)). See *supra* notes 110-15 and accompanying text.

117. 15 U.S.C. § 1057(c) (2000).

118. § 1072.

119. See *Dawn Donut Co.*, 267 F.2d at 363-65; see also *Union Nat'l Bank*, 909 F.2d at 842 n.6 (discussing criticism of *Dawn Donut*). The constructive notice provision was part of the original Lanham Act, which took effect in 1947, while the constructive use provision was added in 1988.

its mark and exclude late-comers only in its area of actual use (plus natural zone of expansion, of course). When a junior user registers the mark first (presumably innocently), its rights will be subject to those of the senior user within the latter's "area [of] continuous prior use," even after the registration has become incontestable.¹²⁰ The PTO is authorized to issue concurrent registrations where concurrent use is unlikely to cause confusion, subject to appropriate "conditions and limitations as to the mode or place of use."¹²¹

Application of these principles to the *Union National Bank* facts yields a range of combinations and permutations. Assume, for example, that the relevant market is the entire nation. UNB-Austin was the first to use the UNB mark *somewhere* in the United States, as well as the first to register: UNB-Laredo should have no rights, and UNB-Austin would apparently be entitled to an injunction. If, however, the relevant market is Texas, then UNB-Laredo was the first to make *actual* use of the mark in that market, and could be characterized as an unregistered senior user. But UNB-Austin's registration antedated UNB-Laredo's use, and that registration created constructive nationwide use, as well as notice. So is it then correct to say that UNB-Laredo had appropriated a mark already in use everywhere, including Texas, of which it had notice? If so, would UNB-Austin's rights to an injunction be limited to its actual market-plus-zone-of-expansion? Finally, what if each bank's market was determined to be entirely local? Would each be a senior user in its own markets? Again, however, how could such a finding be reconciled with the nationwide constructive use and notice doctrines?

As the case disappeared from the record after the Fifth Circuit's remand order, these questions remain unanswered. It is difficult to see any set of answers that would adequately reconcile the relevant provisions of trademark law, equity, and common sense. The obvious lesson of the case is to register one's marks. Had FNB-Laredo attempted to register, it presumably would have encountered UNB-Austin's "Union National Bank of ___" mark.

120. 15 U.S.C. § 1115(b)(5) (2000).

121. § 1052(d).

This might have been a situation for the granting of concurrent registrations with appropriate limitations on geographic use and, perhaps, the details of the parties' respective names. In any event, the result would have been to frame and, perhaps, clarify the issues at an early stage.

IV. CONCLUSIONS

From a normative standpoint, it is clear that trademark law has never offered any special accommodations to the banking business, and shows no likelihood of doing so in the future. Nor should it. Unlike patent and some aspects of copyright law, which have developed highly technical and frequently unpredictable doctrines, trademark decisions have consistently been based on common-sense assessments of how consumer markets work. Although new technologies have sometimes posed novel questions (for example, whether use of someone else's trademark as an Internet metatag is infringement), the framing of the analyses has been remarkably consistent and the answers given tolerably predictable over time and across industries. Neither banking's economic and social significance nor its quirky history creates a mandate for special treatment.

This means that banking must come to terms with trademark law in its present state. As the case law we have reviewed indicates, banking has seemingly ignored trademark law for much of its history. There may have been understandable reasons for this in the past, but those reasons are now irrelevant. As bankers (and their lawyers) show increasing interest in making aggressive "offensive" use of trademarks, they must do the work of understanding how trademarks are established, strengthened, and protected. With that in mind, we offer the following practical thoughts:

"Registration" is to trademarks what "location" is to real estate. Yet, as is evident from the cases, even large and sophisticated banking companies continue to be sloppy in their registration practices. The benefits are great; conversely, failure to register invites a wide range of problems. The cost is minimal, so minimal that we sometimes think that banks would prefer not to

find out that a chosen trademark might be invalid. But is it not better to learn that before spending money on a mark? So, first and foremost, register.

Do not assume that a brand or a product line will automatically enjoy trademark status. The mere fact that a brand or line is successful does not make it a valid trademark. "Trademark" has a precise definition that must be satisfied in every instance.

Remember that the primary criterion for validity is that the mark be *distinctive*. Many of the marks that have been litigated seem to have been chosen in almost-willful ignorance of this most fundamental of trademark principles. What is distinctive to a banking insider may be descriptive or even generic to a judge or juror. At a minimum, experienced trademark counsel should participate in the choice of a new mark or the decision to defend an existing one; in some cases, before-the-fact survey research may be required.

Relatedly, do not make assumptions about what are and are not confusingly similar marks. Bank litigants have repeatedly found out that small differences between marks that seem material to them are insignificant to the courts. Before investing in a mark that may overlap with someone else's, seek trademark counsel and, in especially close cases, conduct a preliminary survey.

Do not assume that insiders' understandings of the banking market will be shared by the courts. The latter have appreciated large-scale differences between commercial and consumer banking, but subtler product market distinctions have often been lost. As for the judicial response to geographic markets, expect the unexpected. The issue itself has always been complicated in trademark law, and it is especially difficult to predict results in a rapidly changing business like banking.