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## **SECONDARY MEANING MUST BE ATTRIBUTED TO BUSINESS TO AFFORD TRADE MARK PROTECTION UNDER US LAW**

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*OBX-Stock, Inc. v Bicast, Inc.*, 558 F.3d 334 (4th Cir. 2009) 27 February 2009

**An arbitrary term that, through the trade mark owner's promotional activities, became recognized as a synonym for a geographic location, was not protectable under US trade mark law.**

### **Legal context**

Under US trade mark law, it is well recognized that an arbitrary or suggestive term can be entitled to trade mark protection. Even when a term is deemed descriptive, to the extent that secondary meaning is developed, ie the term becomes well known to consumers as a brand name, the mark may nonetheless be entitled to trade mark protection. *OBX-Stock* is the story of a trade mark owner who was commercially successful in promoting a coined term to develop widespread recognition of the term as referring to a particular geographic location. The issue raised in *OBX-Stock* is whether the development of such fame for an otherwise arbitrary term is enough to impart on the promoter of such term trade mark rights.

### **Facts**

James Douglas, founder of *OBX-Stock*, coined the term 'OBX' to refer to 'Outer Banks' North Carolina (558 F.3d at 337). He developed a company, *OBX-Stock*, to use the letters OBX on a variety of products, including oval stickers for automobiles, souvenirs, and other sundries, as a way of indicating that the products were sold at the Outer Banks.

*OBX-Stock* was commercially successful in its business of selling products with OBX letters affixed to them, obtaining four US trade mark registrations for the OBX mark:

- No. 2,593,347 ('metal licence plates' and 'sports clothing');
- No. 2,837,794 ('stickers');
- No. 2,939,252 ('entertainment services in the nature of conducting and sponsoring music festivals, chili cook-off contests, ethnic festivals, and sporting events, namely, fishing contests and boat racing'); and
- No. 3,137,690 ('magnets and computer mouse pads', 'non-metal key rings', 'beverage glassware, bottle openers, and bottle squeegees', and 'bottled drinking water') (558 F.3d at 338).

The conceded significance of the coined mark OBX was that it referenced geographic location. Despite efforts at policing the OBX mark, the Courts recognized that there was an extensive use of OBX as a synonym for the Outer Banks as a specific geographic location.

Bicast sold products using the designation 'OB' to refer to the 'Outer Banks' followed by the word 'Xtreme' to denote the wide variety of extreme sports available at the Outer Banks (558 F.3d at 338). OBX-Stock objected to Bicast's sales of oval stickers with pink script writing of 'OB Xtreme', and brought a trade mark infringement action.

The US District Court granted Bicast's motion for summary judgment of non-infringement, finding that the mark was invalid because OBX had become either generic or geographically descriptive without secondary meaning. However, the US District Court declined Bicast's request to cancel the OBX trade marks from the Principal Register.

Both parties appealed. OBX-Stock challenged the grant of summary judgment in favour of Bicast, while Bicast appealed the denial of summary judgment to strike the OBX registrations from the Principal Register.

## Analysis

The Fourth Circuit provided a useful explanation of the fundamentals of US trade mark law. At the heart of this case was whether, when a trade mark owner successfully promotes an arbitrary term in such a way that it becomes synonymous with a geographic location, the term is entitled to protection as a trade mark. The Fourth Circuit explained it is not.

Specifically, as the US District Court recognized and the Fourth Circuit affirmed, 'OBX' had become 'a geographically descriptive or generic term for the Outer Banks' and no evidence was presented to show that 'any consumer associates OBX with Plaintiff's products or Plaintiff itself' (558 F.3d at 339). Both Courts drew a distinction between the plaintiff's instrumental development of the secondary meaning of 'OBX' as another name for the 'Outer Banks', and the kind of secondary meaning necessary to make a geographically descriptive or generic term otherwise protectible. The Court gave as examples of geographical terms that do have secondary meaning American Airlines and Kentucky Fried Chicken.

The failure of the plaintiff to develop any kind of association between the OBX mark and its business caused its trade mark to fail. As the Court recognized, 'from the beginning, Douglas, the inventor of "OBX" never intended that OBX become associated with a product as its brand or source. Rather, Douglas intended solely that OBX become associated with and descriptive of a geographical location, the Outer Banks' (558 F.3d at 340–41). This type of secondary meaning was simply not the right kind of secondary meaning that imparted trade mark rights under US law.

With respect to Bicast's cross-appeal, the Fourth Circuit affirmed the US District Court's decision to decline to strike the OBX registrations from the Principal Register. In particular, the Fourth Circuit agreed that Bicast's 'evidence does not conclusively establish that every one of [OBX-Stock's] trademark registrations should be cancelled'. The Fourth Circuit also agreed that 'Bicast never filed a counterclaim for cancellation, choosing simply to argue the point as part of its motion for summary judgment on OBX-Stock's claims' (558 F.3d at 342–43). Moreover, the Courts based their denial of this relief on the findings that 'Bicast has received an adequate remedy through the district court's summary judgment in its favor, and the court's final adverse decision on trademark validity will preclude OBX-Stock's marks from becoming incontestable' (558 F.3d at 343).

## Practical significance

*OBX-Stock* is a helpful reminder of the dangers that a trade mark owner may suffer when it does not adequately develop the correct type of secondary meaning to its marks. Here *OBX-Stock* sought to promote the relationship between its coined mark 'OBX' and the 'Outer Banks', instead of 'OBX' and its business. *OBX-Stock* became a victim of its own marketing success. Thus, it is not enough to be famous, if the fame is not attributable to the trade mark owner as the source.

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