

## Don't Lose Trademark Rights by Failing to Register Your Marks

A recent case from the First Circuit Court of Appeals, the federal court whose rulings cover Rhode Island, Massachusetts, New Hampshire, Maine and Puerto Rico, demonstrates how important it is for business owners to register their trademarks as early as possible, and the consequences of not doing so.

The case involves a dispute between two hotels over the right to use the mark "Meliá" in Puerto Rico. Hotel Meliá, Inc. (HMI) has operated the Hotel Meliá in Ponce, Puerto Rico, at the same location without interruption since 1895. Although HMI claims that the Hotel Meliá is the oldest continuously operating hotel in Puerto Rico, HMI never registered its name as a trademark with either the Puerto Rico Department of State or the U.S. Patent and Trademark Office.

Sol Meliá, a public Spanish company, owns and operates the largest hotel chain in Spain and the third largest hotel chain in Europe, as well as several hotels in North America using variations of the Meliá mark. Since the late 1990's, Sol Meliá and its affiliates have registered 11 variations of trademarks containing Meliá with the U.S. Patent and Trademark Office for their hotel and resort services. In 2007, Sol Meliá renovated and reopened a luxury beach resort in Coco Beach, Puerto Rico, called "Gran Meliá," about 80 miles from Ponce. HMI predictably objected, negotiations between the two companies broke down, and the dispute moved to court.

The First Circuit noted that, in the United States, trademark rights derive from use of the mark, not from registration, and analyzed the scope of Sol Meliá's trademark rights under federal law and HMI's trademark rights under common law. Even though it was the later, or "junior" user, because Sol Meliá's federal registration was more than 5 years old, the registration could not be cancelled by an earlier, or "senior," user like HMI. The senior user could only cancel the registration if the mark had become the generic name for the product (like "aspirin" or "cellophane" or "door"), or if the registration was obtained fraudulently, or if the owner abandoned and was no longer using the mark. However, even though Sol Meliá's registration could not be cancelled, federal law also provides that HMI, as the earlier or "senior" user, could keep using its mark, and could prevent Sol Meliá from using the "Meliá" name in the area where HMI "does business" and its mark is known. The court then sent the case back to a lower court to determine the extent of the area in which HMI "does business."

The case is instructive for several reasons:

- It serves as a strong reminder that business owners should file trademark applications as early as possible. If HMI had filed its applications prior to the time Sol Meliá filed its U.S. applications in the 1990's, Sol Meliá probably would not have been able to obtain U.S. registrations, and the position of the litigation would have been much different. The modest cost of obtaining a U.S. registration is far, far less than the amounts HMI must have spent litigating this issue in the federal courts.
- By not registering its trademarks before Sol Meliá, and by not petitioning to cancel Sol Meliá's registrations within five years of registration, HMI's use of its "Meliá" mark is limited to use where it "did business" prior to the date of Sol Meliá's Certificate of Registration. For most businesses, the area in which it "does business" is going to be limited. If HMI had registered its mark first, it would be able to use its mark throughout the United States.
- Federal law also provides incentives for junior users to apply for registration as early as possible, especially where the senior user has not applied to register its marks. Even though it was the "junior" user, Sol Meliá applied to register its mark and maintained its registration for more than five years. At that point, HMI (or any other third party) could no longer petition to cancel Sol Meliá's registration for any reason other than fraud, abandonment, or if the mark had become the generic name for the product.

- By not registering its mark early, HMI lost the chance to ever register its mark, so long as Sol Meliá keeps its registration in force.

You have invested a significant amount of time, money and energy in your business.

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