



# FEDERAL CONTRACTS



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## REPORT

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### Intellectual Property

In the federal government contracts environment, issues associated with the protection of contractors' rights in trademarks and domain names have not received as much attention as have those issues associated with other types of intellectual property (IP), such as patents and data rights. In recent years, however, there has been an increasing emphasis in the government marketplace on the use of trademarks and domain names to gain or protect an entity's market advantage over third parties. Consequently, contractors should understand the basics of trademark and domain name law, both to protect their property and avoid liability and other pitfalls lurking at this somewhat less illuminated intersection of government procurement and IP law.

### Trademarks and Domain Names: Some Issues Affecting Contractors in the Federal Government Marketplace

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This article is not intended to provide legal advice or opinion.

#### Trademarks

**T**rademarks or service marks (marks) are proprietary marketplace symbols that indicate to consumers the source or sponsorship of the marked goods or services. Generally, a mark represents that the goods or services bearing the mark meet the level of quality that consumers have come to associate with that mark. Accordingly, it is in the owner's interest not only to prevent the unauthorized use of its mark, but also to maintain the quality of goods or services bearing the

mark, whether those goods or services are manufactured or provided by the owner of the mark or by a licensee.

Marks can be product or service names (e.g., Coca-Cola), slogans (e.g., “Be All You Can Be”), company or agency names (e.g., Lockheed Martin), logos or seals (e.g., the eagle design of the United States Postal Service), acronyms (e.g., OSHA), or product packaging or configuration (i.e., trade dress, such as the well-known Coke bottle design). Trademark rights allow owners of marks to prevent others from using the same or similar marks for the same or similar goods or services (e.g., a contractor might be precluded from using the slogan “Be What You Can Be” to identify its weapons training services). When a mark becomes famous, the owner of the mark may protect that mark from unauthorized use by others across all categories of goods and services (e.g., a contractor cannot use the name Coca-Cola to identify its shoes, unless it is permitted to do so by The Coca-Cola Company).

The same statute governs both trademarks and service marks.<sup>1</sup> The types of marks (trademarks vs. service marks) that are important to the government and its contractors differ, however, as a result of their different roles with respect to the provision of goods and services for the benefit of their consumers.

Trademarks are connected with goods (e.g., machine guns) as opposed to services (e.g., weapons training services). The government typically does not manufacture goods itself, but instead uses contractors to do so. Thus, contractors can expect to encounter issues associated with the establishment, use, and protection of trademarks more frequently than the government.

As the name implies, service marks are connected with services. The government’s central functions are service-oriented. Government entities, such as the General Services Administration (GSA) and the United States Postal Service, use service marks to “compete” in the marketplace, both directly and indirectly. Like their commercial counterparts, government entities use distinctive marks to identify their services and thereby to build public confidence and esteem. Consequently, both government agencies and contractors encounter

issues associated with the establishment, use, and protection of service marks.

## Basic Issues Government Contractors Can Expect to Encounter

### *The Attempt to Establish ‘Government-unique’ Marks*

In August 2001, the government attempted to revise the rules governing the ownership of trademarks associated with products made for the government.<sup>2</sup> The government wanted the trademark rules to function in a manner similar to the rules governing the ownership of rights in other types of IP created in the course of performing government contracts. Specifically, through a proposed amendment to the Federal Acquisition Regulation (FAR), the government attempted to acquire trademark rights in what it called “government-unique marks.” It defined “government-unique marks” as: “any mark that identifies and distinguishes goods [or services] first developed or manufactured [or rendered] in the performance of a government contract.”<sup>3</sup>

The government’s effort to revise trademark-related IP rules in this manner was unsuccessful, and with good reason. Fundamentally, the principles underlying U.S. trademark law support granting trademark rights to the source of goods or services (generally, contractors), rather than to any consumer of those goods or services (in this context, the government). Unlike patents and copyrights, the value of a trademark can vary over time based on the source’s attention to the quality level of each product manufactured or each instance of service delivery that is associated with the mark—a variable

<sup>1</sup> The Trademark Act of 1946, 15 U.S.C. § 1051, *et seq.*, as amended (“Lanham Act”).

<sup>2</sup> See Proposed Rule, Federal Acquisition Regulation: Trademarks for Government Products, 66 Fed. Reg. 42,102-42,103 (Aug. 9, 2001). See also “Missing the Mark: The Proposed FAR Rule on Trademarks Presents Another Roadblock in the Path to Developing a Rational IP Policy,” which appeared in the Dec. 4, 2001, issue of *Federal Contracts Report* (76 FCR 584).

<sup>3</sup> *Id.* at 42,103.

### Practice Tips:

- Contractors should remember that the government is a potential competitor with respect to trademarks and domain names. The government can own and police trademarks, service marks, and domain names, and is increasingly doing so.
- Contractors should remember that, assuming no third-party priority, they own marks that they have used and associated with their goods or services developed under a government contract, unless they assign their rights to the government. There are no “government-unique marks.”
- Contractors should search and clear marks to be used to identify their goods or services, even if the government selects the marks. There is no immunity from liability for infringement for government-selected marks, the government is unlikely to provide indemnification, and the foreign location of the contractor provides no “safe haven.”
- Contractors should be wary that if the government obtains the right to use the phrase “government version of [mark of contractor’s product],” that arrangement should be treated by the contractor as a type of license of the mark. The contractor should ensure that it can monitor and maintain the quality of the “government version” goods to protect the value and validity of its mark.
- Contractors should register domain names broadly, do so in their own names, and police the domain name registry for cybersquatters. Contractors should moderate their registration efforts, however, to be commensurate with the scope of their own marks.

that is extrinsic to any characteristic of the mark itself. Consequently, the owner of a trademark, to preserve or enhance its value, must maintain or improve the quality of the product or service with which the mark is associated; it is not the job of the consumer of that product or service to do so.

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An owner of a mark preserves or enhances the value of that mark by controlling the design and manufacture of the product or the substance and method of delivery of the service. For example, if an airframe manufacturer were to sell a fighter jet named the F/A-50 Terminator to the U.S. government, the government consumer, as well as the taxpaying public, will identify that manufacturer as the source of any planes connected with the mark F/A-50 Terminator or similar trademarks. Moreover, the design, engineering, and manufacturing reputation of that airframe manufacturer—not the reputation of the U.S. government in those skill areas—hinges upon the performance of those planes. Thus, even in situations where a contractor produces products used exclusively by the government, there is no principled rationale supporting the proposition that a contractor should lose rights in its marks on that basis alone.

Although the government ultimately did not amend the FAR to acquire rights in “government-unique” marks, contractors should remain alert to any attempts by contracting officers to assert comparable rights in a product or service derived solely from its initial production or provision under a government contract. Although a direct assertion of such rights may be infrequent, at least one attempt by a contracting officer to block a contractor’s effort to establish a trademark in this category of products or services, has already occurred. Consequently, contractors must remain aware of their rights and alert to any attempts to limit those rights.

**The Government May Acquire And Protect Trademark Rights**

Notwithstanding the failure of its effort to acquire greater trademark rights under its procurement contracts by regulation, the government has mechanisms to acquire trademark rights, including by decree. Certain marks are the property of the U.S. government pursuant to statute (notably Olympic and the five-ring Olympic logo;<sup>4</sup> Smokey Bear and “Give a Hoot, Don’t Pollute;”<sup>5</sup> Red Cross;<sup>6</sup> and the flag or an insignia of the

United States<sup>7</sup>). Moreover, pursuant to statute, the U.S. Patent and Trademark Office (PTO) will not register marks that may disparage or falsely suggest a connection with national symbols, or which consist of or comprise the flag, coat of arms, or other insignia of the United States.<sup>8</sup> Further, an international convention enables the government to prohibit the registration and use of flags, emblems, or official signs of the United States; as well as flags, emblems, official signs, abbreviations and names of international intergovernmental organizations to which a U.S. government entity is a party.<sup>9</sup>

Perhaps more commonly, though, the government acquires rights through its own use or licensing of marks. Various government agencies have trademarked their products and services in the same manner that many commercial contractors use to obtain protection—by using them in commerce and registering them based on that use. For example, FirstGov<sup>®</sup> is the service mark of the U.S. government’s official Web portal; GSA Advantage!<sup>®</sup> is the service mark of GSA’s on-line shopping and ordering system.

U.S. government agencies can also police their marks. Like contractors, they may police the registry of the PTO. They can oppose conflicting trademark applications or petition to cancel conflicting registrations. Agencies can also police the U.S. consumer marketplace by sending cease-and-desist letters and filing suit in court; they might even include a claim of false advertising or misuse of names to indicate federal agency.<sup>10</sup> Consequently, under some circumstances, contractors can expect to face competition from the government in the trademark arena.

**The Government Can Be Sued For Trademark or Service Mark Infringement**

Although Congress long ago waived the sovereign immunity of the federal government in cases involving disputes arising under government contracts,<sup>11</sup> Congress waited until 1999 to waive the sovereign immunity of the federal government in cases alleging trademark violations.<sup>12</sup> Unlike the limited waiver of sovereign immunity for disputes under government contracts—where the government is amenable to suit only by its contractors—the government’s consent to suit under the Lanham Act is not limited to a specific class of plaintiffs. Just like a private party, a U.S. government entity may be sued for trademark infringement, trademark dilution, and possibly unfair competition<sup>13</sup> by anyone; a contractual relationship is not a prerequisite to suit.

<sup>7</sup> 15 U.S.C. § 1052(b).

<sup>8</sup> 15 U.S.C. § 1052(a), (b).

<sup>9</sup> Article 6ter of the Paris Convention for the Protection of Intellectual Property.

<sup>10</sup> 18 U.S.C. § 709.

<sup>11</sup> See Contract Disputes Act of 1978, Pub. L. No. 95-563, 41 U.S.C. § 601 *et seq.*

<sup>12</sup> 15 U.S.C. §§ 1114(1), 1122(a).

<sup>13</sup> Under the Trademark Amendments Act of 1999 (TAA), Pub. L. No. 106-43, 113 Stat. 218, Aug. 5, 1999, Congress waived the sovereign immunity of the United States for suits alleging any violation of the Trademark Act of 1946 (Lanham Act). 15 U.S.C. § 1122(a). Despite the apparently all-encompassing nature of the statutory waiver language, one could question whether the TAA waived the sovereign immunity of the United States for allegations of unfair competition.

<sup>4</sup> 36 U.S.C. § 220506.

<sup>5</sup> 16 U.S.C. § 580p-580p-4, 18 U.S.C. § 711a.

<sup>6</sup> 18 U.S.C. § 706.

Suits alleging trademark infringement by the government may be brought against the government in any U.S. district court or state court.<sup>14</sup> By contrast, patent and copyright claims against the government must be brought in the U.S. Court of Federal Claims.<sup>15</sup> Finally, if found liable, the government is subject to all trademark remedies available under the Lanham Act.<sup>16</sup> Those remedies include monetary damages, which can be trebled for intentional infringement of a mark that is federally registered.

### **The Party Using a Mark Is Liable If the Mark Is Determined to Be Infringing**

Unlike its rights with respect to patents, the government has no right to use a mark it does not own or control, nor is a contractor who uses a mark at the direction of the government immune from suit. If the government selects or requires that a specific mark be used by a contractor, the contractor may find itself being sued for trademark infringement, unfair competition, and/or trademark dilution, if the contractor's use of the mark is alleged to violate the rights of a third party. Although, under certain circumstances, the contractor might be able to join the government as a party to the litigation, the contractor enjoys no immunity for the use of government-selected marks. Consequently, when the government selects or requires use of a specific mark in the performance of a contract, contractors should not assume that the mark is non-infringing solely due to its specification by the government, but should search and clear the mark prior to agreeing to use it, that is, prior

The TAA amended the general definition of the term "person" in Section 45 of the Lanham Act to include "the United States, [and] any agency or instrumentality thereof . . ." 15 U.S.C. § 1127, but left the preface for the general definitions with its statement of limitation: "[i]n the construction of this Act, unless the contrary is plainly apparent from the context . . ." *Id.* This statutory language could support an argument that the term "person" could have different meanings in different subsections of the statute if a subsection defines the term differently than does the general definitions section.

In fact, Section 32 of the Lanham Act, as amended by the TAA, 15 U.S.C. § 1114(1), which proscribes *infringement of a federally registered trademark*, now expressly provides that states and the U.S. government fall within the definition of the term "any person," as used there. By contrast, after the TAA, Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which proscribes *unfair competition*, continues to expressly include states and their instrumentalities, but *not* the United States and its instrumentalities, within the definition of "any person" used in that subsection.

Given the principle that waivers of sovereign immunity are strictly construed, *United States v. Mitchell*, 445 U.S. 535, 538 (1980), one could argue that Congress did not intend to waive the sovereign immunity of the United States for suits alleging unfair competition under the Lanham Act. On the other hand, one might argue that the express language in Section 40(a) of the Lanham Act, 15 U.S.C. § 1122(a), waiving the sovereign immunity of the United States "for any violation under this Act," overcomes the implicit non-waiver in Section 43, such that the U.S. government and its agencies may also be sued based on unfair competition.

Consequently, unless Congress clarifies the scope of its waiver of the federal government's sovereign immunity under the TAA, the immunity, if any, of the federal government from suits alleging unfair competition will be left to the courts to decide.

<sup>14</sup> 15 U.S.C. § 1122(a).

<sup>15</sup> 28 U.S.C. § 1498(a) and (b).

<sup>16</sup> 15 U.S.C. § 1122(c).

to signing the contract or agreement with the government.

In the current budgetary environment, contractors also should expect that, despite the government's requirement to use a specific mark in the performance of a contract (or other government-related or sponsored activity), the government will be unlikely to agree to indemnify the contractor against any liability for use of that mark. In addition to the government's general reluctance to indemnify contractors outside of narrowly defined circumstances, agencies are also reluctant to incur contingent liabilities and to risk violations of the Anti-Deficiency Act<sup>17</sup> by offering such indemnity.

Moreover, the location of a contractor (or the source of the contractor's products) in a foreign country provides no "safe haven" against a suit for trademark infringement. Use of a mark on goods or services provided to the government in the United States, although originating in a foreign country, is still governed by U.S. trademark law. Thus, to minimize its risk of suit in the United States, if a contractor located in a foreign country wants to provide goods or services to the government in the United States, rather than in the contractor's home country (where it may very well have a registration), the contractor's trademarks and service marks must be cleared in the United States as well.

### **Watch Out for the 'Government Version' Mark —A License 'in the Wings'**

The government funds a large number of activities that give rise to new products. In many of those circumstances, the government acquires IP rights (usually patent and data rights) in those products. This situation occurs when the government funds a procurement contract under which the development of the new product is required for performance.<sup>18</sup> It can also occur when the government funds a contractor's research and development effort through a Cooperative Agreement, Cooperative Research and Development Agreement (CRADA),<sup>19</sup> or through an Other Transaction Agreement.<sup>20</sup>

When the government funds product development that results in an invention subject to government rights (a "subject invention"), it usually obtains a non-exclusive, non-transferable, irrevocable, paid-up license to practice the invention and to have the invention practiced on its behalf.<sup>21</sup> Notwithstanding its limited role in the manufacture of a product using a subject invention, if the product is identified by a trademark, the government might also try to assert trademark rights relating to those goods for which it has paid developmental costs, in addition to its patent or data rights. Sometimes, the government attempts to obtain the right to use the phrase "government version of [insert mark of developed product]." The government will seek such rights when it anticipates acquiring the same goods or services from different contractors, but wants to identify them to the public or government employees by using the same mark. The Army Materiel Command, for

<sup>17</sup> See 31 U.S.C. § 3141(a).

<sup>18</sup> See FAR Subparts 27.3 and 27.4.

<sup>19</sup> See 15 U.S.C. § 3710a.

<sup>20</sup> See 10 U.S.C. § 2371 [Department of Defense]; 6 U.S.C. § 391 [Department of Homeland Security].

<sup>21</sup> FAR 27.302(c) [procurement instruments]; 15 U.S.C. § 3710a(b)(1)(A) [CRADAs].

example, has suggested the use of the following clause addressing trademarks in its CRADAs:

*Trademark use.* The parties recognize that the Collaborating Party may seek to obtain trademark protection for goods developed under this Agreement which it subsequently commercially markets. The parties agree that the Government may indicate on similar goods produced by or for the Government that the goods are a Government version of the goods produced by the trademark. The Government shall also have the right to use the trademark in print or communications media.<sup>22</sup>

When this clause is used in a government contract, it is arguably a form of license back to the government for use of the mark. Although a contractor might not consider allowing a commercial entity to sublicense its mark, should the contractor agree to allow the government to indicate that a particular product is a “government version” of the contractor’s mark, the government can, through the exercise of related patent or data rights, license the mark to a competing contractor in a follow-on procurement. Under these circumstances, the contractor should monitor the quality of the government version of its product to protect the integrity of the mark being “used” by the government in this manner. If a contractor permits the government to use the designation “government version” in reference to its mark without monitoring that use and objecting to the continued use of its mark on products that fail to conform to the appropriate level of quality or performance, it can place its own rights in the mark in jeopardy.

## Domain Names

Related to trademarks, domain name registrations give owners the exclusive right to use Internet addresses that correspond with their marks (e.g., [www.cocacola.com](http://www.cocacola.com) for The Coca-Cola Company). The Anticybersquatting Consumer Protection Act (ACPA)<sup>23</sup> prohibits registering, trafficking, or using a domain name that is identical to, or confusingly similar with, a registered or unregistered trademark owned by another party where there is a bad faith intent to profit from the name (e.g., registering [www.cocacola.com](http://www.cocacola.com) when one does not own the mark Coca Cola).<sup>24</sup>

## Basic Issues Government Contractors Can Expect to Encounter

### There Is No Sovereign Immunity

Contractors may sue U.S. government entities under the ACPA.<sup>25</sup> All remedies are available against the government, including the election of statutory damages (\$1,000 to \$100,000).<sup>26</sup> Moreover, suit under the ACPA may be brought against the government in any U.S. district court, not just the Court of Federal Claims.<sup>27</sup>

Contractors also can use the cost-effective Uniform Domain-Name Dispute Resolution Policy (UDRP) of the

Internet Corporation for Assigned Names and Numbers (ICANN) to reclaim domain name registrations.<sup>28</sup> Briefly, the UDRP ICANN procedure involves filing a complaint and evidence electronically, along with a fee that can amount to a few thousand dollars, depending upon the number of panelists requested (one or three). Monetary damages are not available, although decisions typically are issued quickly.

The government can and does participate in this procedure. For example, the U.S. Office of Personnel Management used the UDRP ICANN procedure to reclaim the domain name [usajobs.com](http://www.usajobs.com). Today, [www.usajobs.com](http://www.usajobs.com) is the official jobs Web site of the U.S. government.

### Register Domain Names Aggressively, But Not Too Aggressively

Many contractors have already taken steps to protect their marks by registering the domain names that contain those marks, or variants of them, under the common extensions [.com](http://www.com), [.org](http://www.org), [.net](http://www.net), [.info](http://www.info), and [.biz](http://www.biz). Similarly, the government is protected with respect to some of its marks through the use of the government-only extensions [.gov](http://www.gov) (for both federal and state governments), and [.mil](http://www.mil) (for U.S. military departments).

Contractors should be aware, however, that the universe of possible domain names—and thus the universe of possible domain names that could be protected by, or vulnerable to actions under the ACPA—became larger recently with the addition of several domain name extensions. For contractors, in addition to the more common extensions listed above, there are other domain name extensions that can be available to contractors or individuals who meet the prerequisites for use. For example, [.aero](http://www.aero) is reserved for the aviation community, [.coop](http://www.coop) is reserved for certain cooperatives and cooperative service organizations, [.name](http://www.name) is reserved for individuals, and [.pro](http://www.pro) is reserved for certified professionals and related entities. (Government entities usually do not fall within the categories of entities that use these extensions.) Finally, domain names with the extension [.museum](http://www.museum) are reserved for the museum community, including both privately owned and government museums.

Contractors should take steps to ensure that their marks are protected against cybersquatting under each of these extensions, where applicable, but also should be careful to avoid trying to foreclose so many domain names that they themselves fall prey to an ACPA allegation. This could occur where a contractor seeks to foreclose use of a government or third-party contractor’s mark, or a variant of that mark, as a domain name. Contractors should consider registering domain names that match their marks along with those that are phonetic equivalents or hyphenated versions of their marks. To avoid potential ACPA liability, however, contractors should consider their intent carefully before registering domain names that extend beyond their core marks, i.e., derivations of the actual marks themselves, to determine whether their strategy would encroach upon existing marks.

### Uncertainties in Ownership Can Be a Time Bomb

Contractors should ensure that they own—in their own names—the registrations for all domain names

<sup>22</sup> Pamphlet, *Cooperative Research and Development Agreements*, Department of the Army, Headquarters, United States Army Materiel Command, Intellectual Property Law Division, Office of Command Counsel, March 15, 1997, Appendix III, *Sample CRADA*, ¶ 9.1, p. 32.

<sup>23</sup> 15 U.S.C. § 1125(d).

<sup>24</sup> 15 U.S.C. § 1125(d)(1)(A).

<sup>25</sup> 15 U.S.C. § 1122(a).

<sup>26</sup> 15 U.S.C. §§ 1122(c), 1117(d).

<sup>27</sup> 15 U.S.C. 1122(a).

<sup>28</sup> <http://www.icann.org/dndr/udrp/policy.htm>.

that correspond with the Internet addresses they use. Sometimes parties inadvertently leave ownership in the name of an outside advertising agency or independent contractor such as a Web master. Similarly, if a special Web site is to be created jointly by the government and a contractor, ownership of the domain name registration and control of its password should be negotiated by the parties and stated clearly in the contract. Problems can be expected to erupt when one party thinks it controls the domain name but does not, or when the owner fails to renew the registration or refuses to transfer it.

## **Conclusion**

Notwithstanding the historically limited scope of government rights and interests in trademarks, as compared to government rights in patents and data, government contractors should understand the basics of trademark and domain name law. With a host of ancillary trademark and domain name issues about which to be vigilant, contractors should check periodically with counsel who monitor this intersection of government procurement and IP law for developments of which they should be aware.

### Authors' Clarification Re: Olympic and Red Cross Trademarks

The U.S. Government has used federal statutes as a special way to grant and acknowledge trademark rights not only for itself, but also with respect to non-governmental entities. The Olympic mark and logo, and the Red Cross mark, are examples of marks addressed in such statutes. The Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. §220506, grants the United States Olympic Committee (which is not part of the U.S. government, but is a federally chartered corporation) exclusive rights to use the Olympic mark and logo, subject to certain pre-existing and geographic reference uses. A federal criminal statute, 18 U.S.C. §706, does not explicitly grant trademark rights in the Red Cross mark, but implies that interests in the Red Cross mark are held concurrently by the American National Red Cross (a federally chartered corporation), the U.S. government (specifically, sanitary and hospital authorities of the U.S. armed forces), and lawful pre-existing users.