

U.S. State Trademark and Unfair Competition Law

NORTH CAROLINA

CONTRIBUTOR:

Martha Barber

Alston & Bird LLP

Charlotte, NC

U.S. State Trademark and Unfair Competition Law, provides a singular comprehensive source for facts, commentary and analysis on U.S. state trademark and unfair competition law.

Topics covered in profiles of each of the 50 U.S. states and Puerto Rico include: registration statute, dilution, unfair business practices, deceptive trade practices, trademark counterfeiting, false advertising, corporate name reservation prior to incorporation, trade name registration, fictitious name statutes, unfair competition or passing off, personal name statutes, right of publicity, trade disparagement and franchising or business opportunity statutes. Also included are a comprehensive bibliography and quick reference charts.

North Carolina

Alston & Bird, LLP*
Charlotte, NC

A. State Trademark Registration Statute

1. Code Section

The North Carolina Trademark Registration Act is set forth in N.C.G.S. §§80-1 et seq.

2. Model Act Provisions

The North Carolina Trademark Registration Act conforms substantially to the Model State Act except for the omission from the North Carolina Act of the paragraph directed to trademark dilution, which has not been adopted in North Carolina.

3. Administrator

All communications, correspondence, and documents should be addressed to:

Deborah Butler, Trademarks Supervisor
The Trademarks Section
Department of the Secretary of State
Mailing Address:
P.O. Box 29622
Raleigh, NC 27626-0622

Physical Address:
2 South Salisbury Street
Raleigh, NC 27601-2903

(919) 807-2162

* Alston & Bird, LLP, founded in 1893, with its I.P. Law Group dating back to 1922, has become one of the largest intellectual property law groups in the United States. With offices in Charlotte and Raleigh, and other I.P. Law Group offices in Atlanta, Washington, D.C., Dallas, Los Angeles, New York, and Silicon Valley the firm's one hundred eighty I.P. attorneys provide a full range of services in the fields of domestic and foreign intellectual property and technology law including patents, trademarks, copyrights, trade secrets, licensing, antitrust, unfair trade practices, international trade matters, computer law, biotechnology, and all related litigation.

Fax: (919) 807-2215
Email: trademrk@sosnc.com
web site: www.secretary.state.nc.us/trademrk

To report counterfeit trademarks, please contact:

Cheri L. Myers
Phone: (919) 807-2050
Email: cmyers@sosnc.com

Please note that the Trademark Section does not accept faxed applications. All applications must be originally signed and filed either by hand or mail.

4. Procedure for Applying for Registration

a. Forms

The North Carolina Act provides that any person who uses a mark or controls the nature and quality of the subject goods or services in the state may file an application for registration of the mark with the Secretary of State on a form furnished and required by the Secretary of State. *See* Form TM-01: Application for Registration or Renewal of Trademark or Service Mark, available at www.secretary.state.nc.us/trademrk/TmForms.aspx. A separate application must be filed for each mark and each class.

b. Number of Copies

One copy only of the form is required.

c. Specimens

Three original specimens. Original means either a sample of the good with the mark affixed; or a photograph of the mark affixed to the good. A photocopy, blueprint drawing, or facsimile computer print-outs, or camera-ready layouts are not acceptable specimens.

d. Fee

An application fee of \$75, payable to the Secretary of State pursuant to N.C.G.S. §80-3(b), is required. Fees will not be refunded in the event of final refusal or abandonment of the application.

e. Drawing

No special drawing of a mark is required, but the Secretary may require that a drawing of the mark accompany the application in a form specified by the Secretary. *See* §80-3(c).

5. Intent to Use Provision

None. Proof of use or distribution, however, is required.

6. Classification

N.C.G.S. §80-9 provides for a classification system which conforms with that of the prior United States schedule of classes of goods and services as from time to time amended. As of July 6, 2009, the secretary of state adopted the international classification of goods and services as the primary classification used by the North Carolina Trademark Registration Office for all applications filed on or after July 6, 2009.

7. Search Prior to Application

Trademark records are available for online searching at www.secretary.state.nc.us/trademrk/search.aspx. The Office of the Secretary of State will also conduct a computer word search requested by telephone or letter prior to the filing of an application.

8. Search Prior to Registration

The Office of the Secretary of State searches other North Carolina registrations and registered corporate names prior to issuing a registration. The searches are conducted by the mark searched, regardless of class.

9. Doing Business Requirement

There is no doing business requirement other than that the applicant is required to have used the mark within the state prior to filing an application for registration. *See* N.C.G.S. §80-3.

10. Types of Marks Registrable

Trademarks and service marks are registrable. There is no provision for registration of collective or certification marks, which are not included within the definition of the term “mark” contained in N.C.G.S. §80-1; however, the Secretary of State will register these marks within the miscellaneous services class.

11. Restrictions

N.C.G.S. §80-2 sets forth the restrictions and prohibitions regarding registration of a mark. This section is identical to Section 2 of the Model State Trademark Act.

12. Use in State

Current use of the mark in North Carolina is a prerequisite to the filing of an application for registration. *See* N.C.G.S. §80-3.

13. Term of Registration

Ten years from the date of registration. *See* N.C.G.S. §80-5.

14. Renewal

Registrations are renewable for successive terms of ten years upon the renewal application being filed within six months prior to the expiration of any term. A \$35.00 renewal fee is required. Within six months of the expiration of five years from the date of registration or last renewal, an original specimen showing evidence of current use and a signed statement verifying use are required. *See* N.C.G.S. §80-5.

15. Renewal Forms

All applications for renewals must be filed with the Secretary of State on a form furnished by the Secretary of State specifying the information called for in the original application and that the mark is still in use in this state, setting forth those goods and services for which the mark is registered with which the mark is still in use. *See* N.C.G.S. §80-5. Failure to provide the signed statement of use, or the specimen, will result in cancellation of the mark's registration. The Application for Registration or Renewal of Trademark or Service Mark is available at www.secretary.state.nc.us/trademark/TmForms.aspx.

16. Other Forms

Assignment of a Trademark or Service Mark and Affidavit of Use forms are available at www.secretary.state.nc.us/trademark/TmForms.aspx.

17. Post-Registration Forms

The use of the renewal form furnished by the Secretary of State is mandatory. *See* N.C.G.S. §80-5. Use of assignment forms is optional. *See* N.C.G.S. §80-6.

18. Fees After Registration

Post-registration fees are prescribed by statute as follows: Renewal, \$35 (*see* N.C.G.S. §80-5); Recordation of Assignment, \$25 (*see* N.C.G.S. §80-6); Corporate name changes, \$10 (*see* N.C.G.S. §80-7). For copying, comparing and certifying a copy of any filed document: \$5 for certificate, \$1 per page for copying or comparing copy to originals. *See* N.C.G.S. §80-7.

19. Use Requirement for Renewal

Use is required for renewal. There is no provision for excusable non-use in the North Carolina Trademark Act. *See* N.C.G.S. §80-5.

20. Presumptions

The North Carolina Trademark Act does not provide registrant with

any presumptions and does not create the presumption of doing business for personal jurisdiction or for qualifying as a foreign corporation.

a.–b. Not applicable.

21. Remedies

The remedies available for infringement of a registered mark or for fraudulent registration of any mark are those remedies that normally accompany a violation of N.C.G.S. §75-1.1, the unfair competition statute. *See* N.C.G.S. §80-12. Those remedies, which include state administrative enforcement, criminal enforcement, civil penalties, and private remedies, are explained at C.4, below. *See Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789 (4th Cir. 2001).

22. Persons Entitled to Sue

Any owner of a registered mark may sue for infringement.

B. Dilution

North Carolina does not have a statute directed to dilution, and there are no reported decisions of North Carolina courts addressing this subject.

1.–10. Not applicable.

C. Unfair Business Practices Act (Little FTC Acts)

1. Code Section

N.C.G.S. §75-1.1.

2. Scope

This statute is broadly worded and directed to unfair competition and deceptive acts or practices in or affecting commerce. Elements of a claim for unfair and deceptive trade practices are: (1) an unfair or deceptive act or practice, or an unfair method of competition, (2) in or affecting commerce, (3) that proximately causes actual injury to the plaintiff or his business. *See Shamoon v. Turkow* 08 CVS 18850, 2011 WL G153606 (N.C. Super. Dec. 6, 2011); *Lorillard Tobacco Co. v. R.J. Reynolds Tobacco Co.*, 10 CVS 11474, 2011 WL 3477155 (N.C. Super. Aug. 8, 2011); *Shepard v. Bonita Vista Properties, L.P.*, 131 N.C. App. 614, 664 S.E.2d 388 (2008); *Carter v. West American Ins. Co.*, 190 N.C. App. 532, 661 S.E.2d 264 (2008); *Birmingham v. H & H Home Consultants and Designs, Inc.*, 189 N.C. App. 435, 658 S.E.2d 513 (2008); *Eley v. Mid/East*

Acceptance Corp. of N.C. Inc., 171 N.C. App. 368, 614 S.E.2d 555 (2005); *McLamb v. T.P. Inc.*, 173 N.C. App. 586, 619 S.E.2d 577 (2005). To prove a claim for deceptive trade practice, the plaintiff does not have to show deliberate acts of deceit or bad faith. See *Edwards v. West*, 128 N.C. App. 570, 495 S.E.2d 920 (1998) (citation omitted). This statute excludes services within a learned profession. Additionally it excludes acts done by persons in publishing or disseminating advertisements in the various media (newspaper, radio, TV) if the person in the medium did not have knowledge of the false, misleading, or deceptive character of the advertisement and the medium did not have a direct financial interest in the sale and distribution of the advertised product or service. See *Bhatti v. Buckland*, 328 N.C. 240, 400 S.E.2d 440 (1991). *Hill v. Stubhub, Inc.*, COA11-685, 2012 WL 696223 (N.C. Ct. App. Mar. 6, 2012). Securities transactions are not subject to the UDTPA. See *Shamoon v. Turkow* 08 CVS 18850, 2011 WL 0153606 (N.C. Super. Dec. 6, 2011). Mere existence of an employer-employee relationship does not in and of itself serve to exclude a party from pursuing a statutory unfair trade or practice claim. See *Mayes v. Moore*, 419 F. Supp. 2D 775 (M.D.N.C. 2006); *Dalton v. Camp*, 353 N.C. 647, 548 S.E.2d 704 (2001); *Durling v. King*, 146 N.C. App. 483, 554 S.E.2d 1 (2001). An objectively reasonable lawsuit does not constitute an unfair trade practice. See *Lorillard Tobacco Co. v. R.J. Reynolds Tobacco Co.*, 10 CVS 11471, 2011 WL 3477155 (N.C. Super. Aug. 8, 2011). Also, the General Assembly did not intend for the Act to regulate purely internal business operations. See *White v. Thompson*, 364 N.C. 47, 691 S.E.2d 676 (2010). It has generally been held that because of the similarity in language of this section and the FTC Act, it is appropriate for the courts to look to the federal decisions interpreting the FTC Act for guidance in construing the meaning of this section. See *Johnson v. Phoenix Mut. Life Ins. Co.*, 300 N.C. 247, 266 S.E.2d 610 (1980); *Ken-Mar Fin. v. Harvey*, 90 N.C. App. 362, 368 S.E.2d 646, cert. denied, 323 N.C. 365, 373 S.E.2d 545 (1988).

3. Prohibited Activities

The statute prohibits “unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce.” A consumer need only show that an act or practice has the tendency or capacity to mislead or create the likelihood of deception in order to prevail. The test for deceptiveness in trade practice is whether the act possesses a tendency or capacity to mislead or creates a likelihood of deception. See *McDonald Bros., Inc. v. Tinder Wholesale, LLC*, 395 F. Supp. 2d 255 (2005). Unfairness is broader than and includes deception, and a practice is unfair when it offends

established public policy as well as when the practice is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers. See *Blis Day Spa, LLC v. Hartford Ins. Group*, 427 F. Supp. 2d 621 (W.D.N.C. 2006); *Miller v. Rose*, 138 N.C. App. 582, 532 S.E.2d 228 (2000); *Walker v. Branch Banking and Trust Co.*, 133 N.C. App. 580, 515 S.E.2d 727 (1999); *Johnson v. Beverly-Hanks & Assoc.*, 328 N.C. 202, 400 S.E.2d 38 (1991); *Marshall v. Miller*, 302 N.C. 539, 276 S.E.2d 397 (1981); See *Branch Banking and Trust Co. v. Thompson*, 107 N.C. App. 53, 418 S.E.2d 694 (1992), *cert. denied*, 332 N.C. 482, 421 S.E.2d 350 (1992). *Spartan Leasing Inc. v. Pollard*, 101 N.C. App. 450, 400 S.E.2d 476 (1991); See *Blackwell v. Dorosko*, 95 N.C. App. 637, 383 S.E.2d 670 (1989). *Overstreet v. Brookland, Inc.*, 52 N.C. App. 444, 279 S.E.2d 1 (1981). When a party engages in conduct manifesting an inequitable assertion of power or position, such conduct is an unfair act or practice under the statute. See *Central Carolina Bank and Trust Co. v. Security Life of Denver Ins. Co.*, 247 F. Supp. 2d 791 (M.D.N.C. 2003). Section 75-1.1 has been specifically applied and discussed in trademark infringement actions tried in federal courts. See *Microsoft Corp. v. Computer Serv. & Repair, Inc.*, 312 F. Supp. 2d 779 (E.D.N.C. 2004); *Polo Fashions, Inc. v. The Gordon Group*, 627 F. Supp. 878 (M.D.N.C. 1985) *Slep-Tone Entertainment Corp. v. Mainville*, 3:11-CV-00122, 2011 WL 4713230 (W.D.N.C. Oct. 6, 2011); *Djarum v. Dhanraj Import Inc.*, 3:11-CV-262 2012 WL 874870 (W.D.N.C. Mar. 14, 2012).

4. Remedies

a. State Administrative Enforcement

The Attorney General may bring an action to enjoin a violation of N.C.G.S. §75-1.1, and the presiding judge upon a final determination of the case may order restitution of any moneys or property and the cancellation of any contract obtained as a result of a violation. N.C.G.S. §75-15.1.

b. Criminal Enforcement

N.C.G.S. §75-13 provides that the Attorney General has the right to send bills of indictment to any grand jury in any county in which a violation of the provisions of the Chapter is alleged.

c. Civil Penalties

N.C.G.S. §75-15.2 provides that if in a suit brought by the Attorney General, the acts or practices are found to be a violation of §75-1.1 or specifically prohibited by court order, or a knowing violation of a statute at the time they were committed, the court may in its discretion impose a civil penalty of up to \$5,000 for each violation to

be paid to the Civil Penalty and Forfeiture Fund. *See Atlantic Purchasers, Inc. v. Aircraft Sales, Inc.*, 705 F. 2d 712 (4th Cir. 1983).

d. Private Actions and Remedies

N.C.G.S. §75-16 provides for private actions by any injured person including any injury to the business of any private person. One business is permitted to assert a claim against another business under the North Carolina Unfair and Deceptive Trade Practices Act (UTPA) only when the businesses are competitors, potential competitors or are engaged in commercial dealings with each other. *See Food Lion, Inc. v. Capital Cities/ABC, Inc.*, 194 F.3d 505 (4th Cir. 1999). This section and N.C.G.S. §75-1.1 were not intended to apply to cases involving innocent and unintentional infringement of unregistered trademarks. *See Sideshow, Inc. v. Mammoth Records, Inc.*, 751 F. Supp. 78 (E.D.N.C. 1990). If the injury is of a continuous nature and will result in irreparable injury or damage to the injured party if the conduct is not restrained, the injured party may seek injunctive relief. *See Yellow Cab Co. v. Creasman*, 185 N.C. 551, 117 S.E.2d 787 (1923). *See Bhatti v. Buckland*, 328 N.C. 240, 400 S.E.2d 440 (1991). If damages are assessed, treble damages shall be awarded. *Djarum v. Dhanraj Import Inc.*, 3:11-CV-262 2012 WL 874870 (W.D.N.C. Mar. 14, 2012). The award of attorney's fees to a prevailing party as a part of an award of court costs is discretionary with the presiding judge pursuant to N.C.G.S. §75-16.1. *See Canady v. Crestar Mortg. Corp.*, 109 F.3d 969 (4th Cir. 1997). An essential element of an action under this section is that the aggrieved person must prove not only a violation of N.C.G.S. §75-1.1 but also actual injury as a proximate result of the violation. *See McLamb v. T.P. Inc.*, 173 N.C. App. 586, 619 S.E.2d 577, *rev. denied*, 360 N.C. 290, 627 S.E.2d 621 (2005); *Ellis v. Smith-Broadhurst, Inc.*, 48 N.C. App. 180, 268 S.E.2d 271 (1980); *Mayton v. Hiatt's Used Cars, Inc.*, 45 N.C. App. 206, 262 S.E.2d 860, *cert. denied*, 300 N.C. 198, 269 S.E.2d 264 (1980); *See Bailey v. LeBeau*, 79 N.C. App. 345, 339 S.E.2d 460, *modified and aff'd*, 318 N.C. 411, 348 S.E.2d 524 (1986). *Evans v. Full Circle Prods., Inc.*, 114 N.C. App. 777, 443 S.E.2d 108 (1994). If the same course of conduct gives rise to a judicially recognized claim for relief as well as a claim under N.C.G.S. §75-1.1, the aggrieved party must elect his remedy. *See Marshall v. Miller*, 47 N.C. App. 530, 268 S.E.2d 97, *cert. denied*, 301 N.C. 401, 274 S.E.2d 226 (1980), *modified and aff'd*, 302 N.C. 539, 276 S.E.2d 397 (1981); *Bicycle Transit Authority, Inc. v. Bell*, 314 N.C. 219, 333 S.E.2d 299 (1985). The determination of a violation of N.C.G.S. §75-1.1 is a question of law for the court based upon findings of fact. *See Chastain v. Wall*, 78 N.C. App. 350, 337 S.E.2d 150 (1985), *cert. denied*, 316 N.C. 375, 342 S.E.2d 891 (1986); *La Notte, Inc. v. New*

Way Gourmet, Inc., 83 N.C. App. 480, 350 S.E.2d 889 (1986), *cert. denied and appeal dismissed*, 319 N.C. 459, 354 S.E.2d 888 (1987); *Love v. Pressley*, 34 N.C. App. 503, 239 S.E.2d 574 (1977), *cert. denied*, 294 N.C. 441, 241 S.E.2d 843 (1978); *Budd Tire Corp. v. Pierce Tire Co. Inc.*, 90 N.C. App. 684, 370 S.E.2d 267 (1988). The showing of federal trademark infringement does not establish a per se violation of N.C.G.S. §75-1.1. *See Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789 (4th Cir. 2001).

e. Class Actions

In class actions the Attorney General may sue on behalf of the state. The statute is silent regarding private class actions. *See Crow v. Citicorp Acceptance Co., Inc.*, 319 N.C. 274, 354 S.E.2d 459 (1987).

f. Notice

No requirement.

g. Standing

Competitors may sue for violations of N.C.G.S. §75-1.1. *See Harrington Mfg. Co. v. Powell Mfg. Co. Inc.*, 38 N.C. App. 393, 248 S.E.2d 739 (1978), *cert. denied*, 296 N.C. 411, 251 S.E.2d 469 (1979). *See McDonald v. Scarboro*, 91 N.C. App. 13, 370 S.E.2d 680, *cert. denied*, 323 N.C. 476, 373 S.E.2d 864 (1988).

h. Consumer Products

Not applicable.

i. Jurisdiction of Courts

There are no jurisdictional limitations within the courts of the state.

j. Rules

The statute does not include any rule-making authority.

k. Administrative Investigative Authority

The Attorney General has the authority to investigate unlawful trade practices and to institute and prosecute civil actions in the name of the state under the Act pursuant to N.C.G.S. §§75-9, 10, and 15.

5. Administrator

The Attorney General of North Carolina, i.e., the North Carolina Department of Justice.

6. Leading Cases

The leading cases under this statute are cited at C.2, C.3, C.4.d, above.

D. Uniform Deceptive Trade Practices Act

North Carolina has not adopted the UDTPA; see C, above, for deceptive practices provision.

1.–5. Not applicable.

E. Trademark Counterfeiting

1. Specific Statutes

N.C.G.S. §80-11.1 outlines the criminal penalties for use of a counterfeit trademark or possession of goods with a counterfeit trademark, including penalties for use or possession of equipment designed to produce or reproduce a counterfeit mark.

2. Definition**a. Registration Requirement**

If registered, the original mark must be registered on the Principal Register of the United States Patent and Trademark Office or with the Trademark Division of the Department of the Secretary of State. If the original mark is unregistered, that mark must be protected by section 110 of the Amateur Sports Act of 1978 (Title 36, U.S.C. §380).

b. Identity of Type of Goods

The goods or services with which the counterfeit mark is associated must be identical to or substantially indistinguishable from the goods or services with which the mark is used or registered.

3. Who Can Sue

The Secretary of State may refer any available evidence concerning violations of the counterfeiting statute to the proper district attorney, who may, with or without such reference, institute the appropriate criminal proceedings. In addition, the attorneys employed by the Secretary of State shall be available to prosecute or assist in the prosecution of criminal cases when requested to do so by a district attorney and the Secretary of State approves. *See* N.C.G.S. §80-11.1(f).

4. Remedies**a. Civil**

Use of a counterfeit trademark or the reproduction or counterfeiting of a registered mark is included within the definition of infringement under the North Carolina Trademark Registration Act, N.C.G.S. §80-11. As such, the civil remedies available for that section constitute the

civil remedies available for injury due to counterfeiting. See A.21 and C.4, above.

b. Criminal

If the goods or services with which the counterfeit mark is associated have a retail sales value not exceeding \$3,000, the person is guilty of a Class 2 misdemeanor. A Class 2 misdemeanor carries a maximum fine of \$1,000 and a maximum prison sentence of 30, 45, or 60 days, depending upon the number of prior convictions. If the goods or services with which the counterfeit mark is associated have a retail sales value exceeding \$3,000 but not exceeding \$10,000, the person is guilty of a Class I felony. A Class I felony is punishable by a fine for an amount within the discretion of the court, and a maximum prison sentence of between 4 and 12 months, depending upon the number of prior convictions. If the goods or services with which the counterfeit mark is associated have a retail sales value exceeding \$10,000, the person is guilty of a Class H felony. A Class H felony is punishable by a fine for an amount within the discretion of the court, and a maximum prison sentence of between 5 and 25 months, depending upon the number of prior convictions. The possession, custody, or control of more than 25 items having a counterfeit mark thereon or in connection therewith creates a presumption that the person having possession, custody, or control of the items intended to sell those items. *See* N.C.G.S. §80-11.1(b)(1)-(3), §15A-1340.17.

Any person who knowingly uses or has possession, custody, or control of any equipment associated with the production or reproduction of a counterfeit mark is guilty of a Class H felony. *See* N.C.G.S. §80-11.1(c). A Class H felony is punishable by a fine for an amount within the discretion of the court, and a maximum prison sentence of between 5 and 25 months, depending upon the number of prior convictions. Any goods that have or are used in connection with a counterfeited mark, and any equipment used in connection with the production or reproduction of a counterfeit mark, are subject to seizure and forfeiture and shall be disposed of appropriately. *See* N.C.G.S. §80-11.1(d), §15A-1340.17.

5. Protective Provisions for Defendants

There are no protective provisions for defendants in N.C.G.S. §80-11.1.

F. False Advertising

1. Statute

There is no statute covering false advertising apart from the Unfair Business Practices Act addressed in C, above.

2. Prohibited Practices

See C.3, above.

3. Limitations

An advertisement which is neither false nor misleading is not an unfair method of competition nor an unfair or deceptive trade practice. Whether puffing exceeds the bounds of fairness must be determined on the basis of all the relevant facts. *See Harrington Mfg. Co. v. Powell Mfg. Co. Inc.*, 38 N.C. App. 393, 248 S.E.2d 739 (1978), *cert. denied*, 296 N.C. 411, 251 S.E.2d 469 (1979).

4. Who Can Sue

See C.4.g, above.

5. Remedies

See C.4, above.

6. Leading Cases

See C, above.

G. Corporate Name Reservation Prior to Incorporation

1. Statute

N.C.G.S. §55D-20 *et seq.* outline the provisions for reservation and registration of a corporate name regarding corporations for profit and nonprofit corporations; and N.C.G.S. §55B-5 relates to corporate names for professional corporations.

2. Reservation**a. Time Period**

A corporate name for both a profit corporation and a nonprofit corporation may be reserved for a period of one hundred twenty days. *See* N.C.G.S. §55D-23

b. Renewal

The name for both a profit corporation and a nonprofit corporation may not be renewed beyond the one-hundred-and-twenty-day period, but a new reservation application may be submitted at the end of the term.

c. Fee

The fee for reserving a corporate name is \$30.

d. Prerequisite to Incorporation

It is not necessary to reserve a corporate name prior to filing the articles of incorporation.

3. Conflicting Names

A foreign corporation may be qualified in North Carolina in the event of conflict with a domestic or other corporation under the same name by adding a reference to the state of incorporation of the foreign corporation (e.g. "New York" or "of New York"). Additionally, the foreign corporation may adopt an assumed name under which to do business in North Carolina. *See* N.C.G.S. §55D-22.

4. Restrictions on Use of "Corp." and Similar Terms

There is no specific restriction in North Carolina regarding the use of "Corporation," "Inc.," etc., if an entity is not incorporated; however, it is the position of the Secretary of State that those terms should not be adopted by entities other than corporations.

5. Required or Authorized Use of "Corp." or Similar Term

By statute, North Carolina corporations for profit and nonprofit corporations must include in the corporate name the wording "Corporation," "Incorporated," "Limited," or "Company," or an abbreviation of one of those words. *See* N.C.G.S. §55D-20.

6. Search Provision

The Office of the Secretary of State conducts a search for conflicts with corporate names previously registered.

7. Policy Regarding Identical Words

If identical words are used in corporate names, particularly if it is the first word in the names, the Secretary of State will inquire as to the types of businesses to determine if they are distinctive. The Secretary of State has wide latitude in determining conflicts between corporate names. Generally, the same test is used regarding corporate name conflicts as is used traditionally in regard to conflicts between trademarks.

8. Substantive Rights

There are no substantive rights arising under state law regarding trademark and service mark protection as a result of incorporating under a specific name. *See* N.C.G.S. §55D-20(e).

9. Prohibited Terms

A corporate name shall not contain any word or phrase which is likely

to mislead the public or which indicates or implies that it is organized for any purpose not contained in its charter. *See* N.C.G.S. §55D-20(c). A corporate name shall not be deceptively similar to a corporate name previously reserved or registered. *See* N.C.G.S. §55D-21(b).

10. Administrative Agency

Cheri L. Myers
Corporations Director
Mailing Address:
Corporations Division
P.O. Box 29622
Raleigh, NC 27626-0622

Physical Address:
2 South Salisbury Street
Raleigh, NC 27601-2903

(919) 807-2225
Fax: (919) 807-2039
email: corpinfo@sosnc.com
Web site: www.secretary.state.nc.us/corporations

11. Forms

The Secretary of State provides forms for articles of incorporation. *See* N.C.G.S. §55-1-21.

12. Fees

The fee for a reservation of a corporate name is \$30. There is no separate fee provision relating to a corporate name apart from the filing fee for articles of incorporation.

H. Trade Name Registration (Fictitious Name Statutes)

1. Purpose

N.C.G.S. §§66-68 et seq. The purpose of this statute is to identify the owner of a business operated under an assumed name by any person, partnership, limited partnership, or corporation and to prevent fraud or imposition upon those dealing with a business conducted under an assumed name. *See Wilder v. Hobson*, 101 N.C. App. 199, 398 S.E.2d 625 (1990).

2. Entities Required to File

Individuals, partnerships, limited partnerships, limited liability com-

panies and corporations transacting or conducting business under any name or designation other than its real name must file a certificate in the office of the register of deeds in the county in which it is conducting business that states the name under which the business is to be conducted and the name and address of the owner, or if there is more than one owner, the name and address of each. *See* N.C.G.S. §66-68(a). Professional services partnerships are exempt from filing a certificate as long as they file a listing of the names and addresses of their partners with the licensing board responsible for regulating the rendering of such professional services at an interval prescribed by that licensing board. *See* N.C.G.S. §66-68(e).

3. Limited Partnerships

Limited partnerships are no longer exempt from filing.

4. Where to File

A Certificate of Assumed name for Sole Proprietorship, Partnership, Limited Partnership must be filed with the Register of Deeds in the county or counties where businesses plan to engage in business. The certificate is available at www.blnc.gov/start-your-business/business-forms.

5. Fees

One-page form, \$26 per county.

6. Publication

No requirement.

7. Foreign Corporations

All corporations engaged in business in any county in North Carolina are included within the scope of the statute.

8. Civil Penalties

Any party subject to filing under the statute but failing to do so shall be liable in the amount of \$50 to any person demanding that the certificate be filed if the guilty party fails to file the certificate within seven days after the demand. *See* N.C.G.S. §66-71(a)(2).

9. Criminal Penalties

Any party subject to filing who has not filed shall be guilty of a Class 3 misdemeanor. *See* N.C.G.S. §66-71(a)(1). A Class 3 misdemeanor carries a maximum fine of \$200 or imprisonment for not more than 20 days. N.C.G.S. *See* §15A-1340.23.

10. Certificate

The applicant files the certificate in the office of the register of deeds in each county in which filing is required. Each office of the register of deeds of each county is required to maintain an alphabetical index of every assumed name filed in that county. Each such index shall also contain notations of any certificates of withdrawal and certificates of transfer filed in the county. *See* N.C.G.S. §66-69.

11. Renewal or Deletion

If a partnership is required to file, whenever a partner withdraws or a new partner joins the partnership a new certificate must be filed. *See* N.C.G.S. §66-68(c). If the business is discontinued, this should be duly noted on the index of each register of deeds in which a certificate has been filed. Upon ceasing to engage in business in North Carolina, any individual, partnership, limited partnership, limited liability company or corporation may withdraw or transfer the assumed name by filing a certificate of withdrawal or transfer in the office of the register of deeds of each county in which the certificate of assumed name is filed. *See* N.C.G.S. §66-68(f).

12. Substantive Rights

No rights or interests in a trade name are conferred by filing; however, a copy of the certificate duly certified by a register of deeds shall be prima facie evidence of the facts required to be stated therein. *See* N.C.G.S. §66-69.1.

13. Search

Since an alphabetical index is maintained in each county, it is possible to search all assumed name filings in each county.

14. Agent

The statute by its terms does not require designation of a registered agent for service of process.

15. Mail Registration

Filing can be made by mail.

**I. State Statutory and/or Common Law Unfair Competition
or Passing Off Provisions**

There are no state statutes prohibiting unfair competition, imitation of unregistered names and marks, or passing off, other than the state unfair trade practice or competition statute discussed in C, above.

1.-5. Not applicable.

6. Common Law Action for Unfair Competition

Generally state common law of unfair competition has been subsumed by the statute directed to unfair acts or practices of competition or trade practices; see discussion at C, above. See N.C.G.S. §75-1.1.

7.-9. Not applicable.

J. Statutes of Special Application and Personal Name Statutes

1. Special Statutory Sections

(a) *Lubricating Oils*. N.C.G.S. §§119-1 *et seq.* It is unlawful to substitute any lubricating oil designated by a trademark or distinctive trade name for another without explanation to the person giving the order. It is unlawful not to display the brand or trade name of lubricating oil for internal combustion engines or to misrepresent brands for sale. Violators shall be guilty of a Class 2 misdemeanor punishable by a fine of not more than \$1,000 or imprisonment for not more than 30, 45, or 60 days depending upon the number of prior convictions or both, and shall forfeit to the manufacturer whose trade name or trademark was improperly used \$100 per offense, to be recovered by a lawsuit. Neither can liquid fuels, lubricating oils, greases, or other similar products be sold under misrepresentation of the name and trademark, which shall be a Class 1 misdemeanor punishable by a fine for an amount within the discretion of the court, and imprisonment for not more than 45 or 120 days, depending upon the number of prior convictions, or by either or both.

In addition, N.C.G.S. §119-13.2 provides that it is unlawful to offer for sale or sell or deliver previously used oil that has not been rerefined or reprocessed in a sealed container unless that container is labeled or bears a label on which the brand or trade name of the oil is expressed along with other requirements. See §119-13.2. Violators shall be guilty of Class 1 misdemeanor, punishable by a fine for an amount within the discretion of the court, and imprisonment for not more than 45 or 120 days, depending upon the number of prior convictions. A person who commits a second or subsequent offense under this statute shall be enjoined from selling or distributing previously used oil for not less than one year nor more than five years.

(b) *Agricultural Trademark*. Repealed by Session Laws 1987, c.244, S.1(g), effective June 2, 1987.

(c) *Frozen Foods*. N.C.G.S. §§106-253, *et seq.* It is unlawful for any person, firm or corporation to use the words "cream," "milk," or "ice cream" in connection with any product which is not in fact made by dairy products under and in accordance with the regulations of the

Board of Agriculture. Any person, firm or corporation who violates this statute shall be guilty of a Class 3 misdemeanor, and upon conviction thereof, shall be fined not to exceed \$25 for the first offense, and for each subsequent offense in the discretion of the court. *See* N.C.G.S. §106-255.

(d) *Fertilizer*. N.C.G.S. §§106-663, *et seq.* To make any false or misleading representation or use any misleading or deceptive trademark or brand in connection with fertilizer shall be a Class 1 misdemeanor punishable by a fine for an amount within the discretion of the court, and imprisonment for not more than 45 or 120 days, depending upon the number of prior convictions. In addition, the commissioner, is authorized to refuse, suspend, revoke, or terminate the license of any manufacturer or to refuse, suspend, revoke, or terminate the registration of such commercial fertilizer for any violations of this section.

(e) *Timber*. N.C.G.S. §§80-15 *et seq.* Timber marks may be adopted and registered and shall be exclusive property of the person adopting them. The owner of the trademark shall cause it to be plainly stamped, branded, or otherwise pressed upon each piece of timber upon which the trademark is displayed.

(f) *Mineral Waters and Beverages*. Repealed by Session Laws 1987, c.402, effective June 18, 1987.

(g) *Farm Names*. N.C.G.S. §§80-33 *et seq.* Any owner of a farm in North Carolina may have the name of the farm registered with the register of deeds in the county in which the farm is located.

2. Use of Personal Name

See K, below.

K. Right of Publicity

1. Recognition

The leading case discussing the right of publicity decided in North Carolina is *Flake v. Greensboro News Co.*, 212 N.C. 780, 195 S.E. 55 (1938).

2. Applicable Statute

None.

3. Elements of Cause of Action

In *Flake, supra* K.1, the plaintiff, a professional soloist, was mistakenly identified by a photograph used in an advertisement as being a member of a traveling roadshow chorus line. The court recognized a

claim for the unauthorized use of a well-known person's photograph in connection with an advertisement or other commercial enterprise. This would also be true regarding the use of the person's name, face, or features. *See, also, Renwick v. News and Observer Renwick v. Greensboro News*, 310 N.C. 312, 312 S.E.2d 405 (1984); *Merritt, Flebotte, Wilson, Webb & Caruso, PLLC v. Hemmings, et al.*, 196 N.C. App. 600, 676 S.E.2d 79, 88 (N.C. 2009).

4. Survivability

This has not been addressed.

5. Term of Survival

Not applicable.

6. Secondary Meaning Requirement

This has not been addressed.

7. Remedies

Injunctive relief and damages are available; however, without the allegation and proof of special damages, the recovery of damages would be nominal. Injunctive relief is available if and when the wrong is persisted in by the offending party. *See Flake, supra* K.1.

8. Limitations

None.

L. Criminal Statutes

1. Statutory Provision

N.C.G.S. §14-117 makes it a Class 2 misdemeanor to falsely advertise a product, punishable by a maximum fine of \$1,000 and a maximum prison sentence of 30, 45, or 60 days, depending upon the number of prior convictions. *See* N.C.G.S. §80-11.1 provides criminal penalties for any person who knowingly and willfully uses a counterfeit mark. *See* E, above. For criminal penalties resulting from violations of special application statutes, *see* J.1, above.

M. Trade Disparagement or Trade Libel

There are no reported decisions on this subject by North Carolina courts.

1.-7. Not applicable.

N. Franchising or Business Opportunity Statutes

1. Statute

N.C.G.S. §§66-94 et seq. regulates business opportunity sales. There is no statute regulating franchises; however, under *General Tire & Rubber Co. v. Distributors, Inc.*, 253 N.C. 459, 117 S.E.2d 429 (1960), a distributor must be given a reasonable period of time to recover its investment, as well as reasonable notice of termination, if duration of distributorship is indefinite and distributor has expended substantial sums to establish and promote distributorship which was within contemplation of the parties.

2. Registration

Every seller of a business opportunity must file two copies of the disclosure statement required by N.C.G.S. §66-95, accompanied by a fee of \$250, with the Secretary of State prior to placing any advertisement or making any representations to prospective purchasers within this state. *See* N.C.G.S. §66-97. The disclosure statement must be updated as any material change occurs, but not less than annually.

3. Forms

No specific forms are required; however, N.C.G.S. §66-95 sets forth the required information in the disclosure statement.

4. Fees

\$250 filing fee. N.C.G.S. §66-97

5. Approval Procedure

The Office of the Secretary of State examines the disclosure statement.

6. Bond

N.C.G.S. §66-96 requires a bond or trust account in an amount not less than \$50,000 in favor of the State of North Carolina if a seller guarantees the purchaser will derive income from the business opportunity which exceeds the price paid for the business opportunity or that the seller will refund all or part of the price paid for the business opportunity already purchased, or repurchase any of the products, equipment, supplies, or chattels supplied by the seller if the purchaser is unsatisfied with the business opportunity and paid the seller an initial consideration in excess of \$200.

7. Waiting Period

None.

8. Penalties

Failure to file is a Class 1 misdemeanor. *See* N.C.G.S. §66-97(e).

9. Required Disclosures

At least forty-eight hours prior to the time the purchaser signs a business opportunity contract or the seller receives any consideration, whichever occurs first, the seller must disclose, inter alia, the following information: the identity and history of the seller and the principals of the seller; the history of the seller offering the business opportunities; the services which a seller will perform; the seller's financial statement; any training to be done for the buyer by the seller; the nature of any services to be performed by the seller in setting up the buyer's place of business; whether the seller is required to secure bond; and, if the seller makes any statement concerning sales or earnings, a history of previous buyers within three years prior to the date of the disclosure. *See* N.C.G.S. §66-95. Whether particular representations guaranteed income for purposes of the definition of business opportunity contained in North Carolina's Business Opportunity Sales Act must be assessed with reference to their objective manifestations rather than any undisclosed intentions of the person making them. *See Martin v. Pilot Industries*, 632 F.2d 271 (4th Cir. 1980).

10. Standing to Sue

Any purchaser injured by violation of the article may sue for recovery of damages, including reasonable attorney's fees. *See* §66-100(b). N.C.G.S. §66-100(e) makes a violation of the article an unfair trade practice under N.C.G.S. §75-1.1. The Attorney General has authority to bring an action for violation of N.C.G.S. §75-1.1; therefore, the Attorney General likewise has authority to bring action for violation of the article.

11. Remedies

N.C.G.S. §66-100 sets out the remedies for a violation of this article. If a business opportunity seller uses any untrue or misleading statements, fails to give proper disclosures as required, or fails to deliver equipment, supplies, or products necessary to begin operation within forty-five days of the delivery date stated in the business opportunity contract, or if the contract does not comply with the contract requirements of the article, the purchaser may within one year of the date of the contract, upon written notice to seller, void the contract and be entitled to receive all sums paid to the seller but is not entitled to unjust enrichment through the remedies of this provision. Any purchaser injured by a violation of the article, by a seller's breach of

contract, or any obligation arising therefrom, may bring an action for damages including reasonable attorney's fees. A violation of any of the provisions of the article constitutes an unfair trade practice under N.C.G.S. §75-1.1 (for discussion of this statute and its remedies, see C, above).

12. Contract Requirements

Under N.C.G.S. §66-99, every business opportunity contract should be in writing with a copy given to the purchaser at the time he signs the contract. It shall also include the terms and conditions of payment; a full and detailed description of the acts or services that the seller undertakes to perform for the purchaser; the seller's principal business address, the name and address of the agent in North Carolina authorized to receive service of process; and the approximate delivery date of any products, equipment, or supplies that the business opportunity seller is to deliver to the purchaser.

13. Exceptions

A "business opportunity" does not include the sale of an ongoing business when the owner of that business sells and intends to sell only that business. It does not include the not-for-profit sale of sales demonstration equipment, materials, or samples for a total price of \$200 or less. *See* N.C.G.S. §66-94.

14. Registered Marks Exception

The article does not apply to the sale of a marketing program made in conjunction with the licensing of a federally registered trademark or service mark. *See* N.C.G.S. §66-94(4).

15. Federal Registration

See N.14, above.

16. Use of UFOC

The Secretary of State may accept the Uniform Franchise Offering Circular (UFOC) or the Federal Trade Commission Basic Disclosure Document, provided that the alternative disclosure document shall be accompanied by a separate sheet setting forth the caption and statement and any other information required by N.C.G.S. §§66-95. *See* N.C.G.S. §§66-97.

17. Other Forms

See N.16, above, regarding the acceptance of the Federal Trade Commission Basic Disclosure Document by the Secretary of State.

18. Amendment

Not applicable.

19. Other Franchise Regulations

General Tire v. Distributors, *supra* N.1, provides that the franchisor or distributor must give a franchisee or distributee a reasonable time to recoup its investment prior to termination, and termination must be made upon reasonable notice. Franchise relationships are not covered by statute in North Carolina.

20. Liability of Franchisor for Torts of Licensee

The issue of whether a franchisor may be held liable for the torts of franchisees has been addressed in North Carolina under an apparent agency theory. See *Hayman v. Ramada Inn, Inc.*, 86 N.C. App. 274, 357 S.E.2d 394, *rev. granted in part*, 320 N.C. 631, 360 S.E.2d 87 (1987); *Clark v. Inn West*, 89 N.C. App. 275, 365 S.E.2d 682 *rev'd in part on other grounds*, 324 N.C. 415, 379 S.E.2d 23 (1989), and *Crinkley v. Holiday Inns, Inc.*, 844 F.2d 156 (4th Cir. 1988).

Permissions Statement

Users are permitted to provide copies of particular jurisdictional profiles to clients in response to their queries for such information. A copyright notice will automatically print at the end of each search when you use your browser's search function. Please note that this permission applies only to duplication or transmission of portions of the contents of this work and does not extend to duplication or transmission of the entire contents by any means.

Disclaimer

All information provided by the International Trademark Association in this document is provided to the public as a source of general information on trademark and related intellectual property issues. In legal matters, no publication whether in written or electronic form can take the place of professional advice given with full knowledge of the specific circumstances of each case and proficiency in the laws of the relevant country. While efforts have been made to ensure the accuracy of the information in this document, it should not be treated as the basis for formulating business decisions without professional advice. We emphasize that trademark and related intellectual property laws vary from state to state. The information included in this document will not be relevant or accurate for all states.



Copyright © 1989-2012 International Trademark Association, 655 Third Avenue, 10th Floor, New York, NY 10017-5617 USA
t: +1 (212) 768-9887 | f: +1 (212) 768-7796 | www.inta.org | customerservice@inta.org