

Cislo & Thomas LLP[®]
presents

The Manager's Guide to Intellectual Property

SECOND EDITION

JEFFREY G. SHELDON, ESQ.



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CHAPTER 4

Selecting and Protecting Trademarks

Introduction

Almost every business has a trademark. At a minimum, the name of the business usually serves as a trademark.

Trademarks can be one of the most valuable assets of a business and thus need to be selected carefully and vigorously protected. How much is the Coca Cola trademark worth? It has been estimated to be worth 25 billion dollars. Are consumers willing to pay more for Coca Cola than a house brand cola? Yes. The answers to these questions demonstrate the value of trademarks.

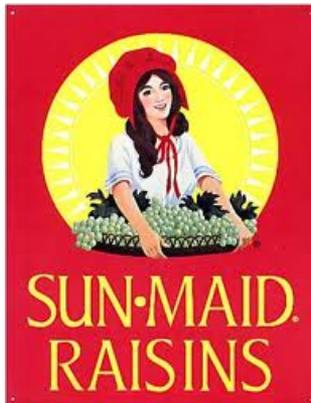
An example of how valuable trademark protection can be is with the type of trademark known as “trade dress,” which is discussed in the next section. I had a client with a very successful hair styling apparatus but did not yet have a U.S. Patent to assert against a major U.S. company that copied the appearance of my client’s product. My client believed that the marketplace would confuse the two products. Even before a patent issued that covered the competitor’s product, the client was able to have the copyist modify the appearance of its product to avoid confusion in the marketplace.

What Is a Trademark?

A trademark is a word, phrase, symbol, design, or a combination of these that identifies the source of the goods of one company and distinguishes them from the goods of others. For example, “Canon” is a trademark for cameras, which are goods. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service rather than the source of goods. For example, “Bank of America” is a service mark for banking services. “Rolling Stones” is a service mark for a band. Throughout this book, the terms “trademark” and “mark” refer to both trademarks and service marks. Many business people refer to trademarks as “brands.”

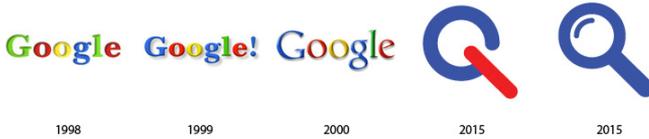
Trademarks take many forms. They can be word marks such as “Ivory,” letters such as “IBM,” symbols such as the Sun Maid raisin maid (Exhibit 4-1), sounds such as the Microsoft Windows boot up sound, and logos such as the Google logo (Exhibit 4-2).

Exhibit 4-1: Sun Maid Logo



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Exhibit 4-2: Google Logo



A very useful type of trademark is commonly referred to as “trade dress.” Trade dress is the appearance of a product or its packaging. For example, the classic Coca Cola figure 8 bottles (Exhibit 4-3) and the Perrier bottles (Exhibit 4-4) are examples of packaging trade dress. These bottles distinguish the products of Perrier and Coca Cola from the products of others, and thus serve as trademarks.

Exhibit 4-3: Coca Cola Bottle



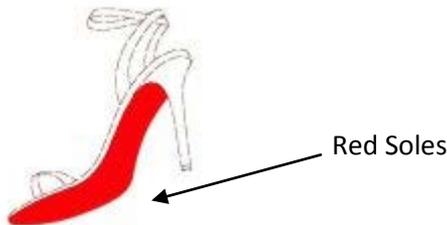
Exhibit 4-4: Perrier Bottles



Similarly, the color pink for insulation has been held to be a trademark belonging to Owens-Corning.

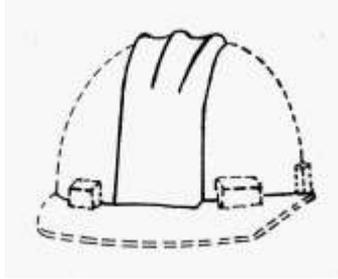
Trade dress rights can be even more valuable than patent rights in a product because trademarks can last forever; patents have a limited term. More recent trade dresses of note include the lacquered red sole on Christian Louboutin shoes (Exhibit 4-5), and the hard hat design by Bullard (Exhibit 4-6), both of which have trapped many an unwary importer at U.S. Customs.

Exhibit 4-5: Christian Louboutin Shoe



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Exhibit 4-6: Bullard Hard Hat



A tradename is not a trademark. For example, Google Inc. is a tradename. Grammatically, trademarks are adjectives (Kodak brand cameras) while tradenames are nouns (Kodak Inc. manufactures cameras). Although tradenames are protectable under unfair competition law, there is an important distinction between tradenames and trademarks. This distinction is that trademarks can be registered with the U.S. Patent and Trademark Office, but tradenames cannot. In view of the value of trademark registration as discussed below, it is important that businesses develop registerable trademarks.

Distinctiveness Is Good

A trademark serves as the source identifier for goods and services. Therefore, when selecting a mark, the more distinctive the mark, the more likely that it is protectable. Marks are classified by their distinctiveness as follows, in descending order of inherent distinctiveness: (1) fanciful and arbitrary; (2) suggestive; and (3) descriptive terms, geographic terms, and surnames. Generic terms can never be a trademark.

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Fanciful marks are terms invented for the sole purpose of functioning as a mark. Such marks comprise terms that are either unknown in the language (e.g., Pepsi, Exxon, IBM) or are completely out of common usage (e.g., Flivver).

Arbitrary marks comprise words that are in common use but, when used to identify particular goods or services, do not suggest or describe a significant ingredient, quality, or characteristic of the goods or services (e.g., Apple for computers; Old Crow for whiskey).

Suggestive marks are those that, when applied to the goods or services at issue, require imagination, thought, or perception to reach a conclusion as to the nature of those goods or services (e.g., Ivory for soap). Thus, a suggestive term differs from a descriptive term, which immediately tells something about the goods or services.

Descriptive marks are those that describe an ingredient, quality, characteristic, function, feature, purpose, or use of the specified goods or services (e.g., "Bed & Breakfast Registry" for lodging reservations services, "Coaster-Cards" for a coaster suitable for direct mailing). A geographic term can be descriptive if the primary significance of the mark is that (1) it is a generally known geographic location and (2) the goods or services originate in the place identified in the mark. For example, "Durango" is descriptive of tobacco, but "Atlantic" is not descriptive of a magazine.

Surnames are marks that are primarily recognized as a last name. Surnames that are valuable trademarks include "Gallo" for wine and "Otis" for elevators.

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Generic terms are terms that the relevant purchasing public understands primarily as the common or class name for the goods or services (e.g., aspirin, elevator, escalator). Generic terms can never serve as a trademark.

Fanciful, arbitrary, and suggestive marks are automatically protectable.

Descriptive terms and terms that are primarily merely a surname or geographic are not protectable without proof that they have acquired “secondary meaning,” i.e., the primary significance of the term in the minds of the consuming public is not the product but the producer. Secondary meaning can be proven in the U.S. Trademark Office in either of two ways: (1) proof that the mark has become distinctive because of substantially exclusive and continuous use in commerce for five years; or (2) factual evidence such as long-term use of the mark, substantial advertising expenditures, and substantial sales.

Selecting a Mark

The most important factor in choosing a mark is whether it helps to sell. Once you come up with a list of candidates, you should consider the following factors:

- Is the trademark available? Does someone else have the same or similar mark so that there is a likelihood of confusion, or is it a famous mark protected against dilution? The next section discusses use of trademark searches to answer these questions. And for trademarks to be used in foreign countries, is the mark available in those countries?

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- How distinctive is the trademark, as discussed in the prior section? The more distinctive a mark, the easier it is to protect against infringers.
- For marks that will be used in foreign countries, what does the mark mean in foreign languages? For example, should you use “apesta” for pasta? No! That is an unsatisfactory mark for Spanish speaking markets because it means “stinks” in Spanish. The flip side in considering a foreign language words as a mark is whether there are negative connotations in the English language.
- Is the domain name available? It is desirable that the principal mark of a company also be available as a domain name since so much marketing is done via the Internet.

There are many marketing consultants, public relations firms, and the like that can assist in selecting trademarks. A low-cost alternative that has worked for many start-up clients is:

- Invite good friends to a bar for choosing a mark.
- Pay for the drinks.
- Have the friends brainstorm about suitable marks.
- Stay sober and write down all the suggested marks.
- Pick one the next day.

Trademark Searches, Likelihood of Confusion, and Dilution

A trademark availability search is important before adopting a mark to avoid violating the rights of another and to make sure you are choosing a registerable mark. There are more than 4,000,000 marks on the Federal Trademark Register, and only about 100,000 words in the dictionary. It is more than a truism that if you can pronounce it, it is probably taken. Doing a search before adoption is always recommended. While a trademark application does not cost much, fighting off a trademark infringement claim can be very costly.

Sometimes managers perform their own initial low-cost screening search by using Google or another search engine and checking for already taken trademarks at the U.S. Trademark Office website (www.uspto.gov). However, identical mark searches are inadequate, as trademark coverage is broader than that. My experience is that such searches are about 90% effective: 90% of the time, if a screening search indicates a mark is available, it is. That means about 10% of the time, it turns out the mark is not available and should not have been selected. In order to avoid infringement, the search should be extended to look for possible confusingly similar marks, and this phase of the search requires legal analysis and working knowledge of the likelihood of confusion factors. It is better to have a lawyer do the screening, at least in the federal and state trademark databases. A screening search can usually be accomplished in one day.

A full U.S. trademark search utilizes commercial databases such as those provided by Thomson

Reuters and others. These searches are much more comprehensive in that they include state trademark registrations, domain names, news articles, and more. However, such searches cost more and can take a few days, unless you pay even higher costs. Therefore, full searches are typically performed only after you have narrowed down the trademark candidates to a small number. I find such searches to be 99% effective: 99% of the time, if a full search indicates a mark is available, it is. That means only about 1% of the time the mark is not actually available and should not have been selected.

Trademark searches are meant for determining if a potential mark is likely to cause confusion among the consuming public. Under U.S. law, a single set of rules named "likelihood of confusion" governs whether the use of one mark infringes another. You cannot obtain a federal registration and can be sued for trademark infringement if there is a likelihood of confusion between the use of your mark and an already registered mark. Moreover, even if there is no registered mark that creates a problem, because even nonregistered marks and domain names have some level of protection, it is possible to infringe a non-registered mark or domain name if there is likelihood of confusion. That is why full trademark searches are desirable.

The likelihood of confusion test seeks to determine, when two similar marks are used on similar products or services, whether the consuming public will be confused into believing that both came from the same source. Since the test can be quite subjective, the courts have generally broken down the test into a number of factors.

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Whether there is a likelihood of confusion depends on weighing several factors that vary from case to case. These factors can include:

1. similarity of the marks in sound, appearance, and meaning;
2. similarity of the nature of the goods or services to which the marks are applied;
3. similarity of the channels of trade where the goods to which the marks are applied are sold;
4. strength of the prior user's mark;
5. sophistication of the customers purchasing the goods or services to which the mark is applied;
6. price of the goods or services; and
7. existence of actual confusion.

The likelihood of confusion test is highly subjective. A comparison of the many trademark cases suggests that this test is applied by the courts in a highly inconsistent manner. Accordingly, whether a third party's use of a mark containing a word such as *rate*, which is a commonly used term, will be considered to create a likelihood of confusion is difficult to predict and can never be predicted with absolute certainty.

The strength of a mark (factor 4) is important in determining "likelihood of confusion" and is affected by several factors. Arbitrary and fanciful marks of a highly distinctive nature (i.e., "Google") are protected more broadly than are descriptive marks having a relatively low degree of distinctiveness. Exclusive use over a long period, with extensive sales or promotion, also can result in a strong mark. Conversely, use of

the same term by numerous different parties is an indication of a weak mark.

If you adopt a mark without a search and find out later that it conflicts with someone else's mark, the significant marketing efforts you invested in the meantime would be wasted.

You cannot use or register a mark that dilutes a famous mark. For example, use of a famous mark such as "Google" for any goods or services, even if they are unrelated, is likely to dilute the value of the Google mark and thus is prohibited.

Advantages of Federal Trademark Registration

There are many advantages to registering a trademark with the U.S. Patent and Trademark Office. There are two types of registration available: registration on the Principal Register and registration on the Supplemental Register. The Principal Register is for fanciful, arbitrary, and suggestive marks, as well as descriptive terms and surnames that have acquired secondary meaning. The Supplemental Register is for descriptive terms, geographic terms, and surnames that do not have secondary meaning. The following chart presents representative benefits of both types of federal trademark registration:

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A Dozen Benefits of Federal Trademark Registration

Benefits of Registration	Principal Register	Supplemental Register
1. Nationwide priority <ul style="list-style-type: none"> • No longer need to establish rights by first use in each and every territory 	Yes	No
2. Automatic federal court jurisdiction so your infringement case can be heard in federal court rather than state court <ul style="list-style-type: none"> • Federal judges are generally more experienced than state court judges • Smaller case backlog 	Yes	Yes
3. Litigation advantages: <ul style="list-style-type: none"> • Automatic evidence of ownership, validity, continuous use in commerce, and exclusive right to use the mark 	Yes	No
4. Registration can become incontestable <ul style="list-style-type: none"> • Eliminates most grounds for canceling a registration 	Yes	No
5. Use of ® symbol <ul style="list-style-type: none"> • National constructive notice of exclusive rights • Blocks claim of innocent infringement from defeating monetary damages 	Yes	Yes
6. Increased damages and attorney fees	Yes	No

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Benefits of Registration	Principal Register	Supplemental Register
7. Statutory damages and criminal sanctions for counterfeiting	Yes	No
8. Recordation with customs to block unauthorized imports	Yes	No
9. Foreign registrations can be based on U.S. registration	Yes	Yes
10. Prevent cybersquatting, i.e., third parties using a registered trademark as part of a domain name	Yes	Yes
11. More likely potential infringers will leave you alone <ul style="list-style-type: none"> • The registration appears in trademark searches, so others will stay clear • The Trademark Office usually refuses registration of confusingly similar marks 	Yes	Yes
12. Establishes legitimacy as trademark owner <ul style="list-style-type: none"> • Marketing advantage • Approval by the U.S. Patent and Trademark Office means that judge, jury, and government agencies will be more convinced of your protectable rights in the mark 	Yes	Yes

Federal vs. State Registration

In addition to federal registration, all states have a system for registration of trademarks, which generally is less expensive than federal registration. State trademark registration is not as valuable as federal registration because it does not provide nationwide protection and thus is usually bypassed for most marks.

State trademark registrations do have their use. It is useful if a very fast registration is needed, since most states register marks faster than the U.S. Patent and Trademark Office. For trademarks that do not qualify for federal registration because use of the trademark is not in interstate or foreign commerce, state registration may be the only option. For example, a local barbershop with little interest in expanding outside of Montana and no out-of-state customers need not incur the cost of federal registration. A state of Montana registration can be all that is needed.

How to Federally Register a Trademark

You can register a trademark by filing an application for registration with the U.S. Patent and Trademark Office. The application can be based on actual use of a mark. Alternatively, the application can be based on a bona fide intent to use the mark. Therefore, actual use is not necessary to file a trademark application. However, no registration will issue for U.S. entities until there has been actual use of the mark in interstate or foreign commerce.

The following are the steps that occur when registering a trademark:

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1. Identify the goods and services for which the trademark will be used. The U.S. Patent and Trademark Office has a classification system for all goods and services. For example, clothing is in class 025 and yarns for making clothing are in class 023. There is a separate filing fee for each class.
2. Apply to register. This is usually done electronically.
3. Receive and respond to any office actions from the Trademark Office. The Trademark Office may object to the mark because it is descriptive or generic, it conflicts with another registered mark, or the description of the goods/services is not acceptable. The Trademark Office has greatly improved its turnaround, and a first office action is now expected from 3 to 6 months from filing.
4. Once the application is accepted for registration on the Principal Register, it is published for opposition by any third party that believes it will be harmed by registration. Trademark applications accepted for the Supplemental Register are not published. The public has one month to oppose registration. Extensions of at least one month to oppose are routinely given.
5. If the application is based on actual use of the mark or an amendment to prove use was filed during the pendency of intent to use application, a registration certificate will issue. If the application is an intent to use application where an amendment to allege use has not been filed, use of the trademark has to be proven for the registration certificate to issue. Typically 6 months are provided to prove use. Up to 24 months of extension can be received in 6-month increments.

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Typical Federal Trademark Registration
Certificate

United States of America
United States Patent and Trademark Office

VILLA ALENA

Reg. No. 3,932,816

Registered Mar. 15, 2011

Int. Cl.: 33

TRADEMARK

PRINCIPAL REGISTER

SAN ANTONIO WINERY, INC. (CALIFORNIA CORPORATION)
737 LAMAR STREET
LOS ANGELES, CA 90031

FOR: WINE, IN CLASS 33 (U.S. CLS. 47 AND 49).

FIRST USE 8-25-2010; IN COMMERCE 11-1-2010.

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR.

SN 85-035,717, FILED 5-11-2010.

MICHELLE DUBOIS, EXAMINING ATTORNEY



David J. Kybas

Director of the United States Patent and Trademark Office

Typical Federal Trademark Registration Certificate (Concluded)

**REQUIREMENTS TO MAINTAIN YOUR FEDERAL
TRADEMARK REGISTRATION**

WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.

Requirements in the First Ten Years*
What and When to File:

- **First Filing Deadline:** You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date. See 15 U.S.C. §§1058, 1141k. If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.
- **Second Filing Deadline:** You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between the 9th and 10th years after the registration date.* See 15 U.S.C. §1059.

Requirements in Successive Ten-Year Periods*
What and When to File:

- You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between every 9th and 10th-year period, calculated from the registration date.*

Grace Period Filings*

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

The United States Patent and Trademark Office (USPTO) will NOT send you any future notice or reminder of these filing requirements.

***ATTENTION MADRID PROTOCOL REGISTRANTS:** The holder of an international registration with an extension of protection to the United States under the Madrid Protocol must timely file the Declarations of Use (or Excusable Nonuse) referenced above directly with the USPTO. The time periods for filing are based on the U.S. registration date (not the international registration date). The deadlines and grace periods for the Declarations of Use (or Excusable Nonuse) are identical to those for nationally issued registrations. See 15 U.S.C. §§1058, 1141k. However, owners of international registrations do not file renewal applications at the USPTO. Instead, the holder must file a renewal of the underlying international registration at the International Bureau of the World Intellectual Property Organization, under Article 7 of the Madrid Protocol, before the expiration of each ten-year term of protection, calculated from the date of the international registration. See 15 U.S.C. §1141j. For more information and renewal forms for the international registration, see <http://www.wipo.int/madrid/en/>.

NOTE: Fees and requirements for maintaining registrations are subject to change. Please check the USPTO website for further information. With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at <http://www.uspto.gov>.

Post Registration Actions—Keeping Your Registration Alive

It is advisable to use ® by a mark once it is actually registered. The symbol ® cannot be used until a registration certificate actually issues; it cannot be used just because an application is pending, even if that application has been allowed by the Trademark Office.

A registration lasts forever if all post-registration maintenance documents are timely filed. It is necessary to file a Declaration of Use under Section 8 between the fifth and sixth years following registration to maintain the registration.

It is also desirable for trademarks registered on the Principal Register to file a Statement under Section 15 to make the registration incontestable at the same time. Such a statement can be filed if the registered trademark has been in continuous use for five consecutive years since registration.

In addition, it is necessary to file a combined Declaration of Use and Application for Renewal under Sections 8 and 9 between the ninth and tenth years after registration, and every 10 years thereafter.

Use in Commerce

Unlike the registration-based system in many countries, the U.S. trademark system is largely based on use. U.S. entities acquire common law rights in a mark in the geographical location where you trade by using the mark. Registration extends the scope of the rights in the mark, but registration and maintenance of trademark registrations generally require use of

the mark. The use has to be a bona fide use, as in regular sales and shipment. Samples or occasional uses do not suffice. It is important to retain evidence of the earliest use.

For federal trademark registrations, the qualifying use has to be in commerce that can be regulated by the U.S. Congress, generally interstate or international commerce. The applicant or registrant has to present sworn declarations of such use (or continued use) in the initial application and subsequent renewals. In general, no federal trademark registration will issue until and unless a sworn statement of use has been filed. The only exceptions are federal registrations based on foreign trademark applications or registrations. Under those situations, a federal trademark registration can be obtained without showing use of the mark in the United States. However, before the end of the sixth anniversary, the foreign registration still has to show Use in Commerce in order to maintain the registration.

Sworn statements attesting to the Use in Commerce are required during certain critical junctures of federal trademark application/registration, including those (a) filed as part of an application based on use; (b) filed after a Notice of Allowance issues on an application based on intent to use; and (c) filed with each renewal of a registration. If the products and services listed are different than what the applicant has actually used the mark on, the resulting registration can be subject to cancellation.

Continued nonuse of a trademark over a substantial period may be presumed to be abandonment of the mark.

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Proper use is needed. For goods, the mark needs to be used on the goods, packaging for the goods, a display associated with the goods, or on a website where the goods can be purchased. For services, the mark needs to be used in a manner associated with the services, such as a website, promotional materials, menus, order forms, a sign in front of a location providing the services, or invoices.

Foreign Trademark Protection

Trademark rights are territorial. This means that for the most part, trademark rights in the United States arising from use and registration do not provide protection against infringement in other countries. If a trademark is to be used outside the United States, it is advisable to register the trademark in all countries where the mark will be used. This is particularly important because in many countries trademark rights are based on registration. In the absence of a registration, it may not be possible to stop an infringer.

Also, in many foreign countries, pirates register trademarks of U.S. trademark owners and hold the owners hostage—the legitimate owner has to pay exorbitant sums to register its trademark. Also, distributors have been known to pirate trademarks. So filing for trademark protection in foreign countries is desirable.

By treaty, most countries will accord a trademark application the same filing date as that of a U.S. application if the application is filed within 6 months of the filing of the U.S. application.

When filing foreign applications, there are multiple options. How best to obtain foreign registration depends on many factors, including the

countries of interest, cost, number of classes and the specific countries of interest. To determine the best strategy, it is important to involve an attorney knowledgeable in this area.

Protecting Trademarks—Actions beyond Registration

Registration of a mark in the U.S. Patent and Trademark Office is only the first step in developing valuable trademark rights. Other steps to take include the following:

- Use “TM” by unregistered trademarks and “SM” by unregistered servicemarks.
- Use ® by the mark after it is registered (but not before).
- Use a monitoring service to determine when a third party is trying to register a confusingly similar mark.
- Take action to stop infringers.
- Do not let the mark become generic.
- Prove use in the U.S. Patent and Trademark Office after the registration is in effect for five years.
- Render a registration on the Principal Register incontestable after exclusive use for five years.
- Renew the registration every ten years.
- Register the mark in foreign countries where there are or may be sales.
- For marks registered on the Supplemental Register, apply for registration on the Principal Register after five years of continuous and exclusive use.

FAQs

When can ® be used?

The federal registration symbol should only be used on goods or services that are the subject of the federal trademark registration. Filing an application is not sufficient. It is necessary to have a federal registration issue. It is permissible to use “SM” for servicemarks and “TM” for trademarks for unregistered marks.

Is it necessary to register a mark to have trademark rights?

Not in the United States. There are rights associated with use so that even an unregistered mark can be used to stop an infringer. However, registration provides significant advantages, as discussed above.

Does a U.S. registration provide rights in foreign countries?

No. Trademark rights in foreign countries require use in that country and, for many countries, a trademark registration.

How long does a trademark last?

As long as the mark is used, forever. If a trademark registration is properly renewed, the registration can last forever.

How long does it take to get a federal trademark registration?

It is difficult to predict exactly how long it will take an application to mature into a registration, because there are so many factors that can affect the process. Generally, an applicant will receive a filing receipt

approximately three weeks after filing, which will include the serial number of the application. All future correspondence with the U.S. Patent and Trademark Office must include this serial number. You should receive a response from the Trademark Office within months from filing the application. However, the total time for an application to be processed may be anywhere from almost a year to several years, depending on the basis for filing, and the legal issues that may arise in the examination of the application.

Is a trademark search necessary?

It is advisable to conduct a search of at least the records of the Trademark Office before filing an application, but it is not legally required.