

Nuts and Bolts of Trademark Law

ChamberlainD'Amanda

Training Series

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What is a Trademark?

- Words, symbols, devices, designs, sounds or other distinctive items that serve to identify the source of goods or services and to distinguish them from those sold by others.
- Trademarks symbolize and protect a Company's good will associated with a good or a service.
- Trademarks confer "exclusive" rights, i.e., use of a confusingly similar mark in connection with similar goods or services by another can result in an action for unfair competition or infringement under both federal and state law.

Examples of Trademarks

- *Words*: “Kodak” for film and digital imaging goods; “Gorbel” for cranes;
- *Graphic Designs or Logos*: such as the Blue Frog frog and the Red Brand spade graphic;
- *Characters*: “Mr. Clean” for cleaning products;
- *Combinations of Words and Graphic Designs*: the Preferred Care head and arms graphic with the words, Preferred Care;

Examples of Trademarks

- *Sounds*: The rumble of a Harley-Davidson motorcycle;
- *Trade Dress*: package designs (the Kodak yellow box with the red K) or product configurations (the Coca Cola classic green coke bottle);
- *Scents*: floral scent for Clark sewing thread;
- *Colors*: The color “pink” for fiberglass insulation.

Types of Trademarks

- Two basic types of trademarks:
- A “trademark” identifies the source of “goods” offered for sale by a person or entity and generally *must be affixed to the goods* with which it is associated.
 - Example: Gleason “Curvic” coupling;
- A “service mark” identifies the source of “services” offered by a person or entity and are *used on advertising brochures and materials*.
 - Example: A “ChamberlainD’Amanda” brochure for legal services;

Creation of Trademark Rights in the USA

- Trademark rights are created by “use in commerce,” i.e., actual use in connection with the sale or distribution of a good or a service.
- Trademark rights can be acquired both under common law or by statute, under federal law, (the Lanham Act) or state trademark statutes.

Creation of Trademark Rights in the USA

- Even without a registration, common law trademarks afford legal rights to the owner of the mark.
- Common law trademark owners may still sue an infringer for infringement and unfair competition under both state law and the Lanham Act.
- But, common law rights only extend to the actual geographic area in which the owner can prove the trademark is actually used and any “natural zone of expansion.”

Creation of Trademark Rights in the USA

- Trademark rights commence upon “first use in commerce” *regardless of whether or not the trademark is actually thereafter registered with either a state or federally with the USPTO.*
- This is what is meant by “common law” trademark rights.
- Once a trademark is actually used in commerce, rights attach from the “first use in commerce” date.
- Like in real estate law, first in time, is first in right.

Common Law Rights in the USA

- The owner of a common law trademark who can *prove first use in commerce* has superior rights in the area of actual use and the natural zone of expansion.
- So long as the federal registration has not become incontestable, a common law trademark owner can petition the US Trademark Trial and Appeal Board to *cancel* a federal trademark registration *if* it can prove *first use in commerce* of a similar or identical mark used in connection with similar or identical goods or services.

Common Law Rights in the USA

- But, common law cases are hard to prove and very expensive to litigate;
- There is also no presumption of national rights in a common law trademark, to the exclusion of all others, as in the case of a mark registered with the USPTO;
- A federal registration also confers a right to treble damages and attorneys fees if intentional infringement can be proven in a contested proceeding;
- It is for these reasons that we recommend federal registration for important trademarks, as a federal registration provides maximum protection to the trademark owner;

Benefits of Federal Registration

- In general, the first to file a federal trademark application in good faith obtains national priority over all others *except a prior user in commerce of an identical or similar mark in connection with identical or similar services*;
- Federal registration also provides protection against “dilution” even in the absence of proof of likelihood of confusion *if* one can prove that the affected trademark is a “famous” trademark;

Benefits of Federal Registration

- Federal registration of a trademark is highly technical; don't be deceived by the seemingly simple online application forms;
- Words that consist entirely of company names, trade names, surnames, first names and geographic names generally may not be registered as trademarks;
- Trademarks also must be used *on goods* or *in connection with services* and cannot merely describe a business or a good or service;
- But a trademark does function to identify its owner as the source of the good or service with which it is associated in the marketplace;
 - *For example, The trademark, “Gorbel” is associated in the minds of consumers with Gorbel, Inc. as the source of Gorbel cranes.*

Benefits of Federal Registration

- It is now possible in the US to obtain an international registration, in addition to a US registration, by filing for a trademark application with the USPTO under the Paris Convention and Madrid Protocol;
- Under certain circumstances, because of timing and cost issues, it may still make better sense to file separately in each country;

Benefits of a Federal Trademark Registration

- Federal registration confers the benefit of nationwide, constructive notice of use and a priority of use over all subsequent users or filers as of the applicant's filing date;
- Registration is also constructive notice of the owner's rights as of the registration date and *prevents acquisition of common law rights by the innocent adoption and use of the same or a similar trademark by another;*

Benefits of a Federal Trademark Registration

- Registration is prima facie evidence and often conclusive evidence of the owner's right to exclusive use of the trademark and the validity of the trademark's registration;
- After 5 years, the registration becomes incontestable, i.e., it cannot be invalidated by a cancellation proceeding based on prior use of a conflicting mark or descriptiveness;
- Even if incontestable a cancellation can still be successful based on proof that the registered mark is *generic*, has been *abandoned* or was *fraudulently obtained*.
- Trademark applications are filed under penalties of perjury.

Benefits of a Federal Trademark Registration

- Registration permits the use of the ® symbol or other statutory designations of registration (Registered in the US Patent and Trademark Office);
- Goods bearing a trademark that infringes a registered mark may be excluded from entry into the US by recordation of the trademark with the US Custom Service;
- Finally registration provides the legal basis for foreign registration under the Paris Convention and the Madrid Protocol;

Trademark Selection

- The scope of protection of a trademark (and its utility as a mark) is directly related to its strength as a mark;
- The strength of trademarks are generally categorized along a “spectrum of distinctiveness” or a “scale of protectibility”

Trademark Selection

- Coined or Fanciful Marks:
 - Highest on the scale of protectibility;
 - Strongest trademarks;
 - Inherently distinctive;
 - Have no meaning in the English language other than as a trademark;
 - Do not suggest the product or a quality associated with the product;
 - Examples: “Gorbel” cranes, Gleason “Curvic” couplings, “Kodak” film, “Xerox” machine, “Coca Cola” soda;

Trademark Selection

- Arbitrary Marks:
 - Next highest category of protectibility;
 - Can be actual words which have meaning but its meaning does not *describe or suggest* the product or *a quality* associated with the product:
 - Examples: “Pledge” furniture polish,” “Candies” shoes

Trademark Selection

- Suggestive Marks:
 - In the middle of the scale of protectibility;
 - Marks that do suggest a quality or characteristic of a product but that do not merely “describe” it;
 - Some degree of thought is required to connect the mark with the product;
 - Examples: “Sprint” long distance communications,” “Fresh Cuts” vacuum packaged apple slices;

Trademark Selection

- Descriptive Marks:
 - Toward the end of the scale of protectibility;
 - Words that merely describe the goods or services and that cannot be protected as trademarks on the Principal Register;
 - But, these marks can over time acquire “distinctiveness,” i.e., become associated in the minds of the consumer with the source of the product with which they are used and become protected;
 - These marks may be registered on the Supplemental Register but do not have the same protections as marks registered on the Principal Register:
 - Examples: “Park ‘n Fly” for airport parking services;
“Woodworker’s Closet” for retail sales of woodworking tools;

Trademark Selection

- Generic Marks:
 - The bottom of the scale of protectibility;
 - Apt names for goods or services;
 - *Can never be exclusively appropriated or protected as trademarks* since competitors and the public need to be able to use them to refer to the goods and services;
 - Examples: “Supermarket,” “Elevator,” “Skyscraper,” “Accountant,” etc.

Trademark Registration Issues

- Large topic that requires another seminar;
- Generally speaking, one cannot register a trademark that is “likely to cause confusion in the marketplace” because it is similar or identical to another similar or identical trademark, whether or not registered, that is used in commerce by another in connection with a similar good or service;

Trademark Registration Issues

- “Likelihood of causing confusion” is a very fact specific inquiry controlled by case law;
- It is the overall “commercial impression” created by the trademark that is determinative;
- When making this determination, USPTO examining attorneys and the Courts consider:
 - Are the marks similar or identical?
 - Identical marks are almost always found to be likely to cause confusion;
 - Are the marks associated with similar goods and services?
 - Are they sold in the same geographic area?
 - Note the Internet has complicated this latter factor;
 - Are the marks sold through the same channels of distribution?

Trademark Registration Issues

- When a client comes to us and wants to register a trademark, our primary job is to determine whether or not the proposed mark is “likely to cause confusion in the marketplace.”
- If the mark is already in use by another, adoption of a similar mark is deemed to be likely to cause confusion;
- Our client should not then *adopt or use this mark*;
- Such use serves only to create good will for the actual owner of the mark;
- If use is contested by the owner, the client will have to abandon the mark and perhaps pay money damages;

Trademark Registration Issues

- Counsel your clients *not* to spend a lot of time and money on creating fancy graphics and printing expensive collaterals until the proposed trademark has been vetted by a competent attorney for registration;
- *This happens all the time.*
- We will perform a cursory “knock out” search here and if the trademark appears available, then we order a “full search” from a reputable search agency;
- This is money very well spent!

Trademark Registration Issues

- Also, counsel your clients not to rely on graphic artists to advise them as to the registerability of trademarks;
- They have a vested interest in doing the design work;
- Often are insensitive to the legal issues presented;
- Trademarks that can't pass the "likelihood of confusion test" will be rejected by the USPTO and all fees forfeit;
- Fees are substantial.

Trademark Registration Issues

- Even if the Examining Attorney does not deny registration, a prior user may formally “oppose” the registration;
- Accomplished by filing an opposition proceeding with the Trademark Trial and Appeal Board;
- Until the opposition is resolved, the registration will not be granted;
- Expensive proceedings, best to be avoided, by vetting the trademark at the outset.

Trademark Registration Issues

- Trademarks ideally should be an integral part of an overall branding strategy;
- The strength of the marks under consideration must be thoroughly explored in the context of the legal issues and the business reasons for using or adopting the trademark;
- It may or may not make sense to spend the money to adopt an arbitrary or descriptive mark at the outset;
- Fanciful marks are optimal.

Trademark Registration Issues

- Under some circumstances, depending on the purposes for which a trademark is to be used and the anticipated “shelf life” of the market for the product, registration may not make economic sense;
- It is perfectly ok to rely on common law rights so long as the reasons for this choice are clearly articulated and understood by the client.

Termination of Trademarks

- Trademarks can be refused registration based on an opposition or can be terminated after issuance based on:
 - *Abandonment*, i.e., failure to continuously use the mark in commerce or failure to file required statements of continuous use and renewals;
 - *Cancellation* by a prior user by filing of a cancellation proceeding with the Trademark Trial and Appeal Board;
 - By the USPTO for *fraudulent procurement*.

Termination of Trademarks

- Trademarks can also be lost based on a failure to defend or to “police” the trademark by the trademark owner;
- This is the “laches” defense;
- Typically arises in the context of a contested proceeding for infringement;
- Clients should be advised of their obligation to police their trademarks at the time of registration;
- Services can be hired to keep track of competing uses.

Trademark Existence

- Depending on whether the trademark was filed before or after November 1989, federally registered trademarks have either a 20 year or a 10 year existence;
- Trademarks must be maintained and renewed;
- Requires filing of certifications of continuous use and renewals;
- Time frames are strict and if not met, the trademark is deemed *abandoned*;
- Must also file a certification of incontestability with the USPTO after five years to obtain this statutory benefit.
- Any assignment of a trademark legally requires assignment of the associated “good will;” failure to include this magic language will result in abandonment of the trademark.

State Trademarks

- Most states also have trademark statutes
- It is possible to register trademarks in NY and most other states;
- Not typically done because of limited benefits;
- Registration only extends to use of the mark within the state boundaries;
- Will not prevent another user from adopting a similar mark in connection with a similar good or service in another state;
- State registrations can present legal issues in the context of federal registration of a competing mark;
 - Lanham Act creates a cause of action for unfair competition for unregistered marks in which prior rights have accrued based on first use in commerce;

Trademark Services

- ChamberlainD'Amanda provides all of these trademark legal services:
 - Vetting of trademarks for registration;
 - Registration of trademarks;
 - Maintenance of trademarks;
 - Enforcement of trademarks:
 - Cease and Desist Letters
 - Trademark Trial and Appeal Board Proceedings
 - Federal Court Proceedings
 - State court proceedings

Trademarks Distinguished from Other kinds of Intellectual Property

- **Patents:** give the inventor the right to exclude others from making, using, offering to sell or selling of an invention within the US, its territories and possessions for a period of 20 years from the date the patent application is first filed. (34 USC Section 154(1)(2)).

Trademarks Distinguished from Other kinds of Intellectual Property

- **Know-How:** Technological information usually related to a patented technology but not encompassed by the patent but that is usually required to exploit the patent.

Trademarks Distinguished from Other kinds of Intellectual Property

- Know-How includes such things as technical information & specifications, design models, mental impressions and technical knowledge of the inventors, testing programs & data, documentation & proprietary IP tools.

Trademarks Distinguished from other kinds of Intellectual Property

- **Copyright:** may be obtained for original works of authorship fixed in a tangible medium of expression that can be perceived, reproduced or otherwise communicated for a period of more than a transitory duration. (17 USC Section 102).

Trademarks Distinguished from other kinds of Intellectual Property

- **Copyright:** confers on the owner the exclusive right to reproduce the work, prepare derivative works, distribute the work by sale or otherwise and display or perform the work. (17 USC Section 106).

Trademarks Distinguished from other kinds of Intellectual Property

- **Copyrights** protect the expression of an idea, but not the idea itself.
- **Copyrights** are available for literary works, musical works, computer programs, tests and test answers, videos or motion pictures or sound recordings, photographs or sculptures. (17 USC Section 106; see also, *Nichols v. Universal Pictures Corp.*, 45 F2d 119 (2d Cir. 1930), cert. Denied 282 US 902 (1931); *Financial Information v. Moody's Investor Service, Inc.*, 751 F2d 501 (2d Cir. 1984), cert. Denied, 84 US 800 (1987)).

Trademarks Distinguished from other kinds of Intellectual Property

- **Trade Secrets:** in NY, a trade secret is any confidential, secret business information that is created through the expenditure of time and money, is not generally known to the public, is kept confidential and disclosed on a “need to know” basis, is not readily available from a public source and that provides its owner with a competitive advantage in the marketplace.
(Restatement of Torts, Section 757).

Trademarks Distinguished from other kinds of Intellectual Property

- **Trade Secret** protection may be used in lieu of patent protection or to complement patent protection.

Trademarks Distinguished from other kinds of Intellectual Property

- Trade Secret protection may also be used independently to protect confidential business information.
- For example, a proprietary formula (like that for Coca Cola) may be protected as a trade secret.

Trademarks Distinguished from other kinds of Intellectual Property

- **Trade Secret** protection is not subject to any time constraints (unlike patents and copyrights) and is available so long as the confidentiality of the trade secret is maintained.
- Confidentiality is maintained through a formal, internal Trade Secret Policy and Procedure and by Confidentiality and Non-Disclosure contract provisions and agreements.

Trademarks Distinguished from other kinds of Intellectual Property

- **Trade Secret** information includes such things as proprietary formulas, business & manufacturing specifications, methods & processes, customer & supplier lists, identity of key decision makers in target accounts, profit margins & other financial information, sales & marketing plans & data, or any other information that fits the legal definition.