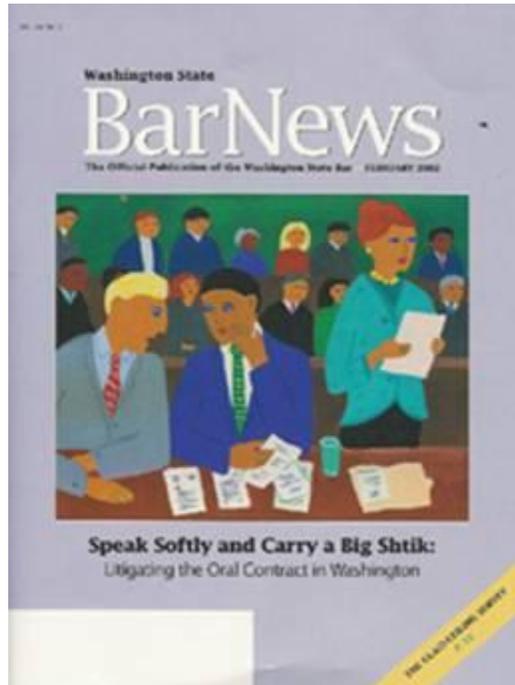


Advising Clients: The Truth About Trademarks

BY TIMOTHY B. MCCORMACK



Published In: Washington State Bar News
February 2002

mccormack
Intellectual Property Law
Business Law ps

617 Lee Street
Seattle, WA 98109 USA
p.206.381.8888 / f.206.381.1988
tim@McCormackLegal.com

Every attorney with a business client has a client with a potential trademark issue. This article is intended to help attorneys and business leaders unravel some of the myths and complexities of trademark law and practice.

Defining Trademarks, Service Marks and Other Marks

A "trademark" or "service mark" can be made up of any word, name, symbol, logo, color, sound, product shape, or any combination of these elements. Typically, a trademark is used to mark goods. Alternatively, a service mark is used when selling services. This article refers to trademarks and service marks synonymously.

A trade name, which is similar to a trademark, merely represents the name of a company. Similarly, a domain name is part of a unique address that identifies a particular Web site. Typically, trademarks trump trade names and domain names; therefore, registering one's trade name with the state is not good enough to protect rights in the name. The same is true of domain names.

Protecting One's Marks

Generally speaking, trademarks can be protected in four different ways:

- Trademarks can be nationally registered through the U.S. Patent and Trademark Office;
- Trademarks can be registered on a state-by-state basis;
- Trademarks can be protected within specific geographic areas under the common law of particular states;
- Trademarks can be protected internationally.

As an aside, charitable groups, nonprofit corporations, professional and fraternal groups, and educational and religious institutions receive the same protection against confusing use of trademarks and corporate names as for-profit business organizations.

Benefits of Federal Trademark Registration

The benefits of federal trademark registration are numerous. Some of the advantages are:

- One registration covers 50 states;
- The ® symbol can be used with your mark;
- Once a federal registration is filed, any common-law rights being developed by competitors are stopped dead;
- Federal trademark registrations add value to a company's intangible asset portfolio;
- Tactical and substantive advantages in domain-name disputes are gained;
- When filing for additional trademark registrations, international priority is given in many foreign countries;
- Court-ordered damages can sometimes be tripled for federally registered trademarks;
- The federal court system can be used to stop infringement of marks;

- A federal trademark registration can be entered into evidence in court to prove your trademark is valid and that you own the mark;
- The U.S. Customs Service can be asked to stop goods marked with infringing trademarks from entering the United States; and
- The registered mark will show up prominently in other people's trademark clearance searches (including the searches conducted by the Patent and Trademark Office), making it less likely that other businesses will choose to use your mark.

Importance of Trademark Searching and Clearance

Before a company invests substantial money on advertising, business cards, store signs, customer recognition, etc., a comprehensive trademark search should be conducted and reviewed. A comprehensive trademark search typically examines marks on the federal registry, all 50 state trademark registries, common-law sources including business records and newspapers, and Internet sources such as domain-name registrations. A comprehensive search looks for marks that are exactly the same as the suggested mark, as well as "look alike" and "sound alike" marks. A full trademark search also considers marks that share common elements with the suggested mark, even if the marks appear quite different; this can be important in some cases. A written opinion interpreting the search results in light of legal trends and case law is also a must.

Sometimes, the process of conducting a trademark search and reviewing the results with a knowledgeable attorney results in a business modifying their mark or identity. In these cases, an ounce of prevention is worth a pound of cure. No one wants to face expensive litigation that results in being forced to change a mark, pay damages to the other side, and risk losing customer recognition.

In many cases, a full trademark search and written opinion results in specific strategies that help mitigate the risks described above. Often these same strategies help in actually getting your trademark registered with the U.S. Patent and Trademark Office as well.

Choosing a Strong Trademark

Choosing a strong trademark can be one of the most important decisions a business owner makes. Sometimes businesses are wed to a particular mark, and will not consider a new or modified version. In these cases, it is important to understand the strengths and weaknesses of the mark from a protection and registration standpoint, allowing for the appropriate development of registration and protection strategies that can help make a weak mark stronger. The process of understanding the relative strength of an existing trademark is the same as the first step in choosing a new mark from scratch.

Whether a mark has been predetermined or not, the first step in choosing a strong mark is to determine where the mark exists on a spectrum of protectability. Trademarks range from very weak and nonregisterable, to very strong and easily registered.

On the weaker end of the spectrum are marks classified as "generic." A generic mark is not protectable as a trademark. Use of such a mark is not recommended, since anyone could use the same mark in the same way without legal consequence. A generic mark is one that has become so widespread that the consuming public no longer associates it with a particular company. Ironically, owners of some of the most famous marks have had to fight to keep their once-unique marks from becoming generic. KLEENEX for tissues and JEEP for small, four-wheel-drive vehicles are examples of marks that have come dangerously close to becoming generic.

One step up from a generic mark is a group of marks referred to as "descriptive" or "merely descriptive." These marks are exactly what their name implies — descriptive of particular goods or services. The fictional trademark CANNED GOODS for canned food products would be considered descriptive of canned goods. This mark might also be considered generic. Using the same mark to sell books, however, would be considered arbitrary (which is a good thing, as described later).

The mark TIMCO for a company selling services by someone named Tim might also be considered descriptive. Sometimes descriptive marks can be registered and protected when it can be shown that the mark has become well-known or, in other words, has "acquired distinctiveness." A descriptive mark can often be placed on the supplemental federal registry, and after five years it can often be registered as having become "distinctive," and therefore no longer "descriptive." Marks that are merely descriptive of goods and services should be used with caution and avoided when there is a choice. It is also important to note that even a mark that has a weak placement on the trademark spectrum can be considered strong if the mark is widely recognized and has "commercial strength."

One step up from descriptive marks are marks referred to as "suggestive." Many times the argument can be made that a mark appearing to be descriptive is actually suggestive. A suggestive trademark, while not the strongest of marks, is registerable. A suggestive mark is one that requires some degree of imagination to associate the mark with the goods and services it represents. An example of a suggestive mark would be TECHNOLOGY for mechanical parts and computer hardware. The word technology describes the goods (to some extent), but the exact nature of the goods is not clear from the mark alone. As a practical matter, the further away from generic, descriptive and suggestive marks, the stronger the trademark.

The best kind of mark is described as "arbitrary or fanciful." An arbitrary mark is made of common words, like CANNED FOOD, but applied to goods and services where there is no rational connection between the goods and the mark (like CANNED FOOD for the sale of paperback books). In an etymological sense, the association between the goods and the mark is "arbitrary."

A fanciful mark is one that has no current existence in our lexicon (it is simply made up). Obviously, intellectual property rights are strongest in marks that did not exist before they were "invented." So, whether you have a mark or are thinking of a new mark, you should try to conceptualize where on the generic-descriptive-suggestive-arbitrary-fanciful spectrum the mark might fall. The further away from fanciful, the more important it is to consult a trademark attorney about trademark searches and registrations, and in some cases, trademark and/or advertising insurance.

Obtaining a Federal Registration

Filing for a federal trademark registration can be an involved and lengthy process. A complicated trademark might take up to five years or more to register. With the right planning, the process can be shortened to a little as six months. Obviously, quicker turnaround time results in lowered costs and increased business certainty.

Once the trademark application is filed, the Patent and Trademark Office assigns a trademark examining attorney to review the application. If the mark passes first muster, it is published for opposition in a government publication called the *Official Trademark Gazette*. Once the mark is published, anyone wishing to oppose the mark has 30 days to do so (unless they ask for an extension).

If the trademark examining attorney, on the other hand, identifies issues that need to be addressed, an "office action" is issued. Some office actions are *pro forma* and others are quite substantive. The timeline for responding to an office action is six months. Once all outstanding office actions are properly addressed, the application is published for opposition as described above. Complicated cases can take years to resolve; simple cases can be taken care of in as little as six months. In both simple and complicated cases, federal trademark rights are backdated to the application date.

Trademarks and the Internet

In the United States, trademark protection emanates from state statutes, and common-law and federal statutes. Trademark rights can be enforced for two primary reasons. First, trademark rights can be enforced to avoid consumer confusion as to the source or sponsorship of goods and services.¹ Secondly; trademark rights can be enforced to avoid dilution of famous trademarks.² Both Washington state law and the Federal Lanham Act offer protection to unregistered famous marks.³

Trademark infringement is another common area of dispute on the Internet. Trademark infringement actions can cover everything from domain-name disputes and improper use of a company's name, mark or symbol, to infringement of the distinctive elements used to distinguish a Web site. Some trademarks are registered with the federal government; some on a state-by-state basis. Other trademarks are protected without any registration under state common law. In comparative advertising, it is usually acceptable to use another's trademark so long as the advertisement does not cause consumer confusion as to the source or sponsorship of goods.

Trademarks "Trump" Domain Names

Trademark law also applies to the Internet and domain names. Domain names are important marketing devices for corporations or businesses using the Internet, because customers and search engines use domain names to locate online businesses.

A growing number of domain-name trademark cases suggest that a trademark holder has no absolute right to use its trademark as a domain name. The test for determining whether a trademark holder is able to stop someone from using a similar domain name is the "likelihood-of-confusion" test. The likelihood-of-confusion test embodies the primary principle of traditional trademark law, namely that consumers should not be confused or deceived into buying goods or services based on false or confusing sponsorship. Other recent trademark cases suggest that a trademark holder might have an advantage in a domain-name dispute.

International Trademark Law Strategy

International trademark strategy has two primary components. The first involves acquiring and protecting trademark rights. The second is making sure that trademarks are not infringing a mark protected in a foreign jurisdiction. An international trademark strategy should reflect the concerns and conditions of a company, its target markets, and its industry. Company concerns involve considerations such as marketing strategy, budget, distributor relationship, and risk management.

Understanding and refining an international marketing plan is critical to developing an effective international trademark-protection strategy. The following five steps should be considered when refining an international marketing plan: (1) define the geographic area of the target market; (2) identify the target markets of immediate importance; (3) identify target markets of secondary

importance; (4) develop a timetable for entering into specific target markets; and (5) if possible, create a budget to spread costs over time. When defining target markets, don't forget to account for worldwide Internet sales, if appropriate.

Trademark Law in Other Countries

Because of the national, regional and international components of international trademark protection strategy, local and national laws as well as international agreements and treaties must be considered. Other relevant factors relate to a particular country's intellectual property trends, culture and local policy.

Trademark law can be grouped roughly into two categories. The first category is based on what is called the "first-to-use" rule. The second is based on what is known as the "first-to-file" rule. The United States follows the first-to-use rule; while China, for example, uses the first-to-file rule.

In first-to-use countries, trademark priority is given to the first party that actually uses the mark in that particular country. In first-to-file countries, trademark use alone does not establish any rights to a mark. As a matter of practical importance, consider the risk that a junior user will register "your" mark, and prevent you or your client from using it in many first-to-file countries (this might happen even though your client was the first one to actually use the mark).

Sometimes, strategic trademark filings can be used to minimize the risk posed by "mark sharks." Additionally, some countries offer what is known as a defensive mark filing. When allowed, an applicant does not need to intend use of the defensive mark in the filed for country if use of the mark by another party in the country, even on dissimilar goods, would be likely to cause confusion. In many cases, strategic filings and defensive marks can be used to preserve rights in countries where future use and marketing is anticipated, but where there is no immediate intention or ability to enter a particular market.

Taking Advantage of International Treaties and Conventions

Different conglomerations of countries around the world have joined various collections of trademark treaties and conventions. The Paris Convention and the Madrid Protocol are among the more famous of these trademark treaties.

When two countries are members of the Paris Convention and file a second trademark treaty application within six months of a first application filing, the countries are allowed to use the earlier application's filing date on the new application.

Presently, the United States is not part of the Madrid Protocol; however, if the United States does become a member, U.S. companies will be able to take advantage of new rules and procedures for some international trademark matters. Currently, some U.S. companies incorporate a foreign subsidiary in a Madrid Protocol country when they anticipate filing large volumes of trademark work in the countries that are members of this protocol.

The European Union also has special rules and regulations for registering European-wide trademarks. Of course there are different costs, benefits and strategies involved with taking advantage of different international trademark treaties, conventions and agreements.

International Trademark Marking Requirements

In many countries, use of the ® is either optional or there is no provision for marking. In some countries, like the United States, specific benefits are offered for using the ® appropriately, such as eliminating certain damages defenses. In other countries, like China, Chile and Costa Rica, for example, a proper registration notice is required in order to maintain the registration and trademark rights. There is a danger, however, of using the ® too freely on international packaging. In some countries, false or misleading use of the ® can result in fines, imprisonment and other liability; Germany is one example.

International Strategy and Recommendations

If cost is not an issue, business owners doing substantial international business should consider filing trademark applications in all target countries, at the same time using the broadest possible description of goods and services allowed in each country. When cost is an issue, Paris Convention priority filings can be used to help spread costs over a six-month period. Last, business owners should consider evaluating marketing plans in light of the advantages and disadvantages of filing for trademark protection under particular trademark conventions, treaties and agreements, such as the Madrid Protocol and the trademark regulations of the European Union.

Conclusion

A trademark can be almost anything, including words, logos, colors and sounds. The benefits of properly protecting trademark rights are extremely important. In the United States, federal trademark protection is the best. It is recommended that a trademark search and written opinion interpreting the same be prepared for all businesses with important trademarks.

The first component of international trademark strategy involves acquiring and protecting trademark rights. The second component of international trademark strategy is making sure that trademarks are not infringing a mark protected in a foreign jurisdiction. An international trademark strategy should reflect the concerns and conditions of your company, such as marketing strategy, budget, distributor relationships and risk management. In addition, your international trademark strategy should reflect the conditions of your industry and target markets, including the laws, policies and cultures of your target countries.

Timothy B. McCormack is an intellectual property and business attorney, practicing in trademark registration and counseling, patent litigation, technology licensing, entertainment law, and emerging and growth business. He may be reached at 206-381-8888.

NOTES

1. *See generally*, J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, §§ 232-234 (2000).

2. *Id.*

3. Wash. Rev. Code § 19.77.160 (2000); 15 U.S.C. § 1125(a) (2000); *see also*, J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 214 (2000).