

# Ten Steps to Prevent Trademark Disaster

by Arnold B. Calmann and Jakob B. Halpern

What is the worst thing that could happen to a valuable trademark? A trademark can be challenged or infringed by others and, disastrously, a valuable trademark can be entirely *lost* as a result of a trademark infringement suit.

**A** trademark is the single most important aspect of a business *identity*—it represents who you are, what you are, the reliability of your business and the quality of your products and services. A trademark protects the goodwill and reputation of the product or service that has been developed in the minds of the public through use and advertising over time. Companies spend years strategizing and millions of dollars in marketing to create a link with the mark in the minds of the public. Yet, when it comes to protecting that investment, many fail.

The ability of trademark owners to effectively protect a mark and avoid trademark disaster begins at the birth of a trademark. Following the top 10 steps to establish and protect a mark can help discourage or avoid, if not prevent, infringers as well as potential liability to other trademark owners. These steps provide a critical foundation for long-term trademark security.

## The Knockout Search

Choosing a protectable mark is the first step to trademark survival. Often, the selection of a mark is made in connection with marketing professionals, but any good trademark should first pass legal muster. Legal protection for a trademark begins with a determination of the ‘strength’ of the mark. In the event of a trademark dispute, selecting a strong mark can provide an additional measure of protection by reducing the evidentiary burden on trademark owners in demonstrating why a mark should be accorded protection.

Trademarks are classified into four groups in evaluating the strength of protection to be accorded a mark:

1. *fanciful* or *arbitrary* marks, which bear “no logical or suggestive relation to the actual characteristics of the goods” (*i.e.*,

a name that has no meaning, such as Kodak for cameras or Exxon for gasoline, or a common word used in a creative way, such as Apple for computers, respectively);

2. *suggestive* marks, which “suggest rather than describes the characteristics of the goods [and] requires consumer imagination, thought or perception to determine what the product is” (for instance, Jaguar for an automobile);

3. *descriptive* marks, which “identif[y] a characteristic or quality of an article such as its color, odor, function, dimensions, or ingredients” (for instance, an eyeglass store called VisionCenter); and

4. *generic* marks, which “function as the common descriptive name of a product class [with] no commonly used alternative that effectively communicates the same functional information,” and are never protectable as trademarks (*e.g.*, a thermos bottle).<sup>1</sup>

Fanciful, arbitrary and suggestive marks are considered ‘inherently distinctive,’ and thus automatically legally protected upon first use wherever used geographically. Descriptive terms are not inherently distinctive, and are protected only if the claimant proves the mark has become distinctive because it gained secondary meaning with the consuming public as an identifier of the source of the specific product or service.<sup>2</sup> (Distinctiveness is the term used to identify marks that have demonstrated a sufficient level of sales, marketing, advertising and association in the minds of the public in each geographic area in which protection is sought in order to be accorded secondary meaning, *i.e.*, legal protection.)

Accordingly, selecting an inherently distinctive mark provides the greatest potential for ultimate protection of that mark. While a descriptive mark can achieve sufficient distinctiveness through usage to justify legal protection, establishing it as worthy of protection requires a much more costly effort

to evidence the requisite proofs, and imposes a far greater burden upon the trademark owner.

Once a selection of the mark has been made, the knockout search can be conducted. At a minimum, the initial search of the proposed mark should utilize a common search provider, such as Google, as well as a search of the United States Patent & Trademark Office (PTO) website database, which can be found at [www.uspto.gov](http://www.uspto.gov). In conducting a search, the goal is to determine if the use of the proposed mark is 'likely to confuse' users of other products or services (or vice-versa). This test is legal in nature, but at this stage, if that mark, on its face, would be likely to confuse, then it probably should be 'knocked out' of consideration for adoption.

Likelihood of confusion is the lynchpin of trademark infringement law. To determine likelihood of confusion and whether one mark infringes upon another, the PTO or court will look to the nature of the products or services themselves, and the context in which they are marketed and either sold or provided.<sup>3</sup> Any tribunal, and thus counsel, must review and balance a number of factors, such as the degree of similarity between the marks, the strength of the mark, whether the goods are marketed through the same channels of trade and advertised through the same media, evidence of actual confusion, and the defendant's intent in adopting the mark.<sup>4</sup> If a chosen mark is likely to confuse consumers, its adopter is setting itself up for major future headaches, which could be quite costly to the company.

A knockout search can be conducted by a business owner, executive, in-house counsel or any other person, but counsel will be in the best position to evaluate the likelihood of confusion issue and whether any 'hits' on the Internet actually serve to disqualify the proposed mark. If there are one or more direct hits on a competing or substantially similar

mark in a competing field of use, then it is likely the proposed mark could not be used without potentially infringing the senior competing user of that mark. If that is the case, then it is back to the drawing board, and a different mark should be considered.

### **Get a Good Lawyer**

Once the proposed mark passes the knockout test, the next step is critical to the success of the trademark process, and to preventing future disasters. Knowledgeable counsel is a trademark imperative. Many firms have in-house counsel who can provide significant assistance with the trademark selection and registration process. Firms without in-house counsel can perform the knockout search but would be wise to obtain counsel to assist in analyzing the results. Counsel can use expert judgment regarding whether potential problems exist and whether they can be corrected. Counsel can also provide an unbiased analysis that can help insulate the mark's user from potential infringement claims by others.

A failure to obtain counsel at this stage of the trademark process could lead to serious problems later, resulting in unnecessary expenditures.

### **Building Protection: Counsel's Role**

A knockout search is not enough. Relying solely on the results of a knockout search to justify use of and an attempt to register a mark is risky business. With the myriad number of businesses around the world, relying on the limited nature of a knockout search could result in multiple infringements of senior users not identified through that search. It is for this reason that trademark search firms have developed to assist in the searching and evaluation process.

While some lawyers provide an opinion on whether use of a certain mark is lawful without utilizing a recognized

trademark search firm for a more thorough search, this is *not* advisable. Although no court has held definitively that a party is compelled to use a trademark search firm in the evaluation process, there appears to be a trend in the courts that use of an infringing mark without a prior search by a reputable firm is a factor that may lead to a finding that the use was intentional,<sup>5</sup> which can lead to enhanced remedies, such as mandatory treble damages.<sup>6</sup>

Therefore, it would be wise to analyze the results of a formal search from a search firm. A search firm performing a 'full search' ordinarily will comprehensively survey marks within the United States (and worldwide if requested) and submit a report. The report will review both possible use and appearance of identical and similar names found in federal and state trademark databases (including both registered marks and pending applications), common law use, domain names, and other business names, and will encompass a review of telephone books, business and other directories, an Internet search and other sources. Costs will depend on the extent of the search and the response time requested, among other variables.

Often similar or even identical names may be found, but those are not necessarily fatal to the use of the mark. Marks found in different geographic markets, or directed to a different consumer market, may be sufficiently distinguishable, and not present a likelihood of confusion,<sup>7</sup> which would permit usage. At the same time, counsel should consider whether there are "zones of natural expansion" for the products or services (*i.e.*, areas of likely potential expansion that are legally treated as essentially reserved for the geographical or product expansion of an existing mark).<sup>8</sup> The search results need to be reviewed with competent counsel to provide a legal analysis of the potential for any infringements and the prospects for registration.

If counsel recommends going forward, it would be wise for a party to obtain an opinion letter from counsel that may help protect against a finding of intentional infringement in the future.<sup>9</sup>

### Choosing Your Weapon

In trademark law, *use* of a mark is king.<sup>10</sup>

Although common law rights attach with *actual* use of an unregistered trademark,<sup>11</sup> registration of a trademark carries with it certain benefits, including, for example, protection throughout the United States in addition to those geographic areas where the mark is actually being used, along with providing notice to the world of a claim of rights to the mark. Conversely, without such registration, a trademark owner bringing an infringement suit would have to prove common law rights in *each* geographic area of use.<sup>12</sup>

Registration also provides *prima facie* evidence of the mark's validity, its registration, ownership of the mark, and exclusive right to use of the mark in commerce.<sup>13</sup> After five years of registration, a mark may become "incontestable," meaning that its validity cannot be challenged,<sup>14</sup> subject to certain statutory conditions.<sup>15</sup> Incontestability greatly limits the available defenses to an accused infringer of that mark.<sup>16</sup>

Once registered, the registrant has the right to affix an ® to the mark, which serves as notice to the world of the registration and ownership of the mark.<sup>17</sup> It can also carry an inherent denotation of quality.

Given these benefits, few negatives, and a relatively low fee (in relation to the benefits provided) to file a trademark application—approximately \$325—a registration is often desirable, and, most importantly, if the mark is registrable and will not infringe on other registered marks, will likely result in stronger protection against future infringers.

A trademark registration application can be based on either actual use of or an intent to use (ITU) the mark. Each carries with it different procedures that must be followed within different time periods. Registration based on actual use must be based on *bona fide* use of the mark in commerce.<sup>18</sup> Conversely, as counsel will explain, a filer may apply to register a mark that it has a *bona fide* intention to use in the future.<sup>19</sup> If an ITU registration issues, the applicant has six months, with a possible six-month extension, to verify it has begun to use the mark in commerce, or abandon its application.<sup>20</sup> In effect, an ITU registration protects a company that invests heavily in designing a mark and developing advertising to promote it, only to lose priority to another entity that leapt ahead through a prior launch.

A decision concerning which registration route to take should be based on both strategic business and legal determinations.

Similarly, based on strategic goals and as developed through conversations with counsel, a trademark owner should determine whether to explore foreign registrations based on considerations such as use and possible future use. (Note that, unlike in the past when foreign trademark protection was dependent upon obtaining a separate registration in each country, today national trademark laws of different nations have been harmonized. Trademark applicants can obtain a 'community trade mark' covering all 27 countries in the European Union,<sup>21</sup> or may extend registrations in one 'Madrid protocol' member country to other member-states through streamlined procedures.<sup>22</sup>)

### The Registration Process

The federal trademark application form is relatively simple, yet hidden within this simplicity is a stunning potential for fatal errors. The application must disclose the mark and the var-

ious categories of goods on which the mark has been used.<sup>23</sup> These categories are called international classes,<sup>24</sup> which have been established by the World Intellectual Property Organization (WIPO). A thorough understanding of the classes into which a mark falls will help speed an application along. Applications must also include samples, various certifications, and, of course, the requisite fee.<sup>25</sup>

The application will be assigned to an examining attorney, a PTO lawyer who will review the application to determine if registration is warranted. In practice, much of the registration process is informal, with informal communications between the examining attorney and applicant to discuss any perceived problems with the application. The examining attorney's communications are referred to as 'office actions,' and an applicant has six months to respond to them.<sup>26</sup> Often, an applicant can persuade an examining attorney that the identified problem does not justify denial of its registration. Therefore, counsel should understand the relevant laws and precedent relating to the PTO's review of the application. Alternatively, counsel may amend an application to eliminate a perceived problem, subject to certain limits.<sup>27</sup>

If an examining attorney ultimately concludes that a mark should be registered, the mark will be published to allow other mark holders to object to its registration.<sup>28</sup> If the examining attorney concludes the mark is not registrable, the applicant may appeal to the Trademark Trial and Appeal Board (TTAB) for an *ex parte* proceeding in which the applicant argues its case to the TTAB panel without a party in opposition.<sup>29</sup>

As noted, another critical issue that must be taken into account when filing an application is the mark's relevant market. This determination should take into account the geographic and product markets in which the mark is used. It is important to note that one of the

most effective defenses to infringement is based on a lack of overlap between marks that operate in differing relevant markets.<sup>30</sup> On the other hand, a mark owner should be leery of any “zone of natural expansion” where similar marks are likely to overlap in the future.<sup>31</sup> Competent counsel will be aware of subtleties within this area of the law.

### **The Trademark Application Verification**

One area with great potential to trip up a purported registration is the required verification, which must be submitted as part of the application.<sup>32</sup> Great importance should be placed not only on properly defining the boundaries of a mark’s use but on submitting an accurate verification, which includes, among other things, an attestation that everything in the application is correct (to the best of the verifier’s knowledge).<sup>33</sup>

Of note, the list of goods in connection with which the mark is used is part of this verification, and an overbroad list can cause problems.<sup>34</sup> Recent decisions have found an applicant committed fraud on the PTO when a mark was not used in connection with all of the claimed products or services listed in an application.<sup>35</sup> Such fraud will permit rejection of registration, cancellation of a mark obtained fraudulently, defenses to otherwise valid infringement claims, and even expose the registrant to civil liability.<sup>36</sup> For these reasons, it is especially important to be accurate in attesting that a submitted mark has been used in commerce on each type of article identified in the verification.

### **Beware Potential Disclaimers**

Depending on the nature of the mark and the trademark examiner’s adherence to guidelines (in practice, the PTO’s demand for a disclaimer will often depend upon the vagaries of the examiner assigned to an application in applying the PTO’s rules and guidelines), a

party may need to disclaim a portion of the submitted word, design, or logo.<sup>37</sup> This occurs where a mark consists of multiple words, some of which are generic or descriptive terms.

By disclaiming, the trademark owner would forego any right to exclusive use of those disclaimed terms except as part of the entire overall mark. A determination of whether or not to disclaim portions of a mark, especially those portions that might or might not be individually registrable, should be based on a thorough cost-benefit analysis, including taking into account any potential delays in registration and possible loss of coverage in exclusive use if the matter is disclaimed.

### **Policing Your Marks**

An owner should implement a comprehensive and effective program to police its marks. A policing program would include, *e.g.*, regular searches on a search engine like Google for identical and confusingly similar uses of marks; use of ‘watching’ services through a search provider; monitoring the PTO’s *Official Gazette* for confusingly similar marks with pending registrations; and last but not least, monitoring correspondence from consumers and others that might indicate another mark may be infringing. Counsel can assist in setting up such a program and maintaining vigilance.

If an owner is not alert, infringements can occur or registrations of infringing marks can issue. (Counsel can evaluate whether pending applications involve confusingly similar marks, and take steps to prevent registration if they do.) Additionally, if an owner is not comprehensively policing its rights, equitable defenses, such as laches or acquiescence, can attach. Conceivably, a mark could eventually lose goodwill and reputation by losing its significance as a source identifier, thereby losing protection as a trademark.

Other steps are available to help police

against infringements. For instance, a mark may be registered with the U.S. Customs Service, which will help prevent goods affixed with an infringing mark from entering the country.<sup>38</sup> Efforts also must be made to ensure that the mark does not *become* a generic reference to a class of goods, as did Band-Aid. If so, trademark protection will be lost.<sup>39</sup>

### **Responding to an Infringer**

Sometimes, a party will intentionally attempt to use an identical or confusingly similar mark to trade off a famous or established mark’s goodwill and reputation. Other times, infringement can be unintentional or reasonably disputed. Knowledge of an infringement can derive from a variety of sources, *e.g.*, from seeing another mark used in marketing or advertising materials, because communications from customers reveal that they *are* being confused (actual confusion), or by learning of a pending registration. Each situation is different, and an experienced attorney will be in the best position to advise on the situation and any strategic response.

In most cases, counsel will recommend contacting the infringer (or registrant) in some manner. Contrary to how some inexperienced lawyers advise, an aggressive stance is often not the best approach. For instance, some innocent infringers may not realize they are infringing or even comprehend the trademark laws. This often occurs in connection with Internet use. Often, it is simply enough to explain one’s trademark rights and the harm likely to ensue, and the offender will capitulate.

Sensitive business issues can arise if the infringer has a business relationship with the trademark owner. In such cases, a trademark owner works with counsel to balance the need for legal protection of the mark with the owner’s business interests to determine how best to eliminate infringement while attempting to preserve the relationship.

In other cases, a cease and desist letter is used, setting forth the trademark owner's legal position and demanding the recipient agree to cease his or her infringing actions. However, there are pitfalls associated with such letters, and caution is advised. For example, such a letter might instigate the alleged infringer to institute a declaratory judgment suit in a jurisdiction of its choosing, thereby preempting the trademark owner's jurisdiction of choice. Also, a failure to properly investigate the alleged infringing use might result in an assertion of rights where the alleged infringer, in actuality, is the senior user with prior established rights in a specific geographic area.

It is for these reasons that the use of cease and desist letters should be strategically evaluated and considered in advance by clients and counsel.

### The Ultimate Weapon: Use of Legal Proceedings

The 10th and final step in preventing trademark disaster—loss of one's mark and all the goodwill and reputation inherent therein along with all the time, money and effort expended to create a firm's image and develop its mark—is suing the alleged infringer for trademark infringement.<sup>40</sup> In such suits, damages, including potentially treble damages, are recoverable (although damages often are difficult to prove in trademark suits), as are attorneys' fees (which are dependent upon proving an "exceptional case" that arises from proof of intentional infringement).<sup>41</sup> The plaintiff can seek preliminary, in addition to permanent, injunctive relief.<sup>42</sup>

Different jurisdictions have different common law standards concerning infringement and injunctions, making the choice of forum an important factor in the ultimate success of the suit. An experienced advisor will be able to answer questions about these strategic decisions.

With respect to a pending registration that might infringe on a senior user's registered mark, the senior user can file an opposition proceeding with the PTO to preclude the PTO from granting the junior user's proposed registration.<sup>43</sup> In these matters, damages are not available, but they typically are substantially less costly than litigation. Other options available to parties include attempting to resolve domain name disputes before a panel applying the Uniform Domain-Name Dispute-Resolution Policy (UDRP),<sup>44</sup> as well as mediation before an expert panel of neutral attorneys certified by the International Trademark Association (INTA).<sup>45</sup>

### Conclusion

Each of these procedures has positive and negative strategic, legal and business impacts. Counsel can explain the costs, benefits and likely outcomes of each of these possibilities, and assist a trademark owner in determining which choice would be most appropriate under the circumstances and in light of the client's goals. Litigation—including investigators, lawyers, experts, loss of client time and substantial costs and fees—should be avoided unless required as the ultimate step in stopping an infringer. If the 10 steps recommended here are followed, in many instances litigation can be avoided or its prospects reduced.

Protecting a trademark from infringement requires constant oversight, strategic analysis, and a balancing of business and legal issues and choices. Failure to do so can result in the often incalculable loss of goodwill and reputation of a mark and a business. For a business or general counsel, following the critical steps to preventing trademark disaster can help prevent future litigation because others will be faced with having to consider whether to challenge the senior user or take a chance that the senior user has not created a strong foundation for trademark protection.

The steps described here are simply benchmarks, and are not intended to comprehensively detail all of the legal and business ramifications and issues involved in the protection of trademarks. However, these steps can serve as a critical checklist to educate trademark owners and provide working guidelines to protect a mark. ⚡

### Endnotes

1. *J&J Snack Foods Corp. v. Earthgrains Co.*, 200 F. Supp. 2d 358, 365-66 nn.3-6 (D.N.J. 2002).
2. *Id.* at 366.
3. *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462 (3d Cir. 1983).
4. *Id.* at 463.
5. *See Tamko Roofing Prods., Inc. v. Ideal Roofing Co., Ltd.*, 282 F.3d 23, 33-34 (1st Cir. 2002).
6. 15 U.S.C. § 1117(b).
7. *Lapp*, 721 F.2d at 462-63.
8. *See, e.g., Spartan Food Sys., Inc. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987).
9. *See, e.g., Almar Sales Co., Inc. v. Lanard Toys, Inc.*, 2003 U.S. Dist. LEXIS 3892, at \*3 (S.D.N.Y. March 17, 2003).
10. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 414-16 (1916).
11. 15 U.S.C. § 1125(a)(1)(A); *see also* N.J.S.A. 56:3-13.3, 56:4-1.
12. *See, e.g., Natural Footwear, Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1394 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985); *Blumenfeld Dev. Corp. v. Carnival Cruise Lines, Inc.*, 669 F. Supp. 1297, 1318-19 (E.D. Pa. 1987).
13. 15 U.S.C. § 1115(a)-(b).
14. *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193-97 (1985).
15. 15 U.S.C. § 1065.
16. 15 U.S.C. § 1115(b).
17. 15 U.S.C. § 1111.
18. 15 U.S.C. § 1051(a).
19. 15 U.S.C. § 1051(b).
20. 15 U.S.C. § 1051(d).

21. See Council Regulation (EC) No. 40/94, as amended.
22. See 15 U.S.C. §§ 1141-41n.
23. 15 U.S.C. § 1051(a)(2).
24. See 27 C.F.R. § 2.32.
25. 15 U.S.C. § 1051(a)(2)-(3).
26. 27 C.F.R. §§ 2.61-.63.
27. 15 U.S.C. § 1062(b); 27 C.F.R. §§ 2.71-77.
28. 15 U.S.C. § 1062(a).
29. 15 U.S.C. § 1070.
30. *Interspace Corp.*, 721 F.2d at 462-63; *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 327 F.3d 198, 215 (3d Cir. 2000).
31. *Interspace Corp.*, 721 F.2d at 462-63; *Commerce Nat'l Ins. Serv. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 441-43 (3d Cir. 2000).
32. See 15 U.S.C. § 1051(a)(3).
33. *Id.*
34. 15 U.S.C. § 1051(a)(2).
35. See, e.g., *Sinclair Oil Corp. v. Kendrick*, 85 U.S.P.Q.2d 1032 (T.T.A.B. 2007); *Hachette Filipacchi Presse v. Elle Belle LLC*, 85 U.S.P.Q.2d 1090 (T.T.A.B. 2007).
36. See 15 U.S.C. §§ 1064(3), 1120.
37. See 15 U.S.C. § 1056(a).
38. 15 U.S.C. § 1124.
39. See 15 U.S.C. § 1064(3).
40. See 15 U.S.C. §§ 1114(1), 1125(a)(1).
41. 15 U.S.C. § 1117.
42. 15 U.S.C. § 1116.
43. 15 U.S.C. § 1063(a).
44. See [www.icann.org/en/udrp/udrp.htm](http://www.icann.org/en/udrp/udrp.htm).
45. See [www.inta.org/](http://www.inta.org/).

**Arnold B. Calmann** is a member of Saiber LLC. **Jakob B. Halpern** is an associate of Saiber LLC. Both litigate and counsel clients concerning trademarks, unfair competition, and other intellectual property and trade regulation matters.