

Legal Update

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Selection, Clearance and Registration of Trademarks

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When properly selected and protected, a trademark can be a company's most valuable intellectual property asset. Too many businesses, however, select product and service brand names almost as an afterthought. Consider this scenario: Easy Corp. has developed an innovative device to enable disabled persons to easily lift and move difficult-to-reach objects. The company holds a brainstorming meeting to select a product brand name. From a long list of possible names, Easy Corp. ultimately chooses the EASY PICKER UPPER. The EASY PICKER UPPER beats out the other contenders because it "perfectly describes" the company's new product. Easy Corp. next hires marketing and packaging design consultants to help it bring the new product to market. No trademark search is conducted to see if the name might infringe other trademarks. Nor is any thought given to whether the name will be a legally protectable trademark.

If you were an Easy Corp. executive, would you feel confident committing your resources and marketing budget to launch the EASY PICKER UPPER? Does your own company know and follow best practices in selecting and protecting its product and service brand names? Has your company obtained federal registration of its important trademarks and service marks? In this *Legal Update*, we discuss the best practices and important considerations involved in selecting, clearing and registering trademarks.

Selecting Distinctive Trademarks

A brand name, in legal parlance, is a trademark or service mark. A trademark is any word, phrase (including slogans), design (e.g., logos), or device (e.g., sounds or colors) that is used to identify and distinguish a seller's products from those of its competitors. A trademark therefore identifies a particular product or group of products as coming from a single source. For example, the Nike "swoosh" design logo, the NIKE brand name, and the "Just Do It" slogan are all trademarks that identify athletic shoes and apparel of Nike, Inc.

The difference between a trademark and a *service mark* is that a service mark identifies and distinguishes a seller's services, rather than products. In this *Legal Update*, we will refer to trademarks, the more familiar and commonly used of the two terms. But the basic considerations and best practices for selection and clearance of trademarks and service marks are the same. Further, federal registration of trademarks and service marks provides the same substantial benefits and advantages that owners of unregistered marks do not have.

Special care should be taken in trademark selection because the choice will impact whether, and to what degree, a trademark will be legally protectable if a dispute arises and whether it will be registrable with

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the U.S. Patent and Trademark Office. Trademark counsel should play an important role in the selection process. Experienced trademark practitioners counsel their clients to select strong, distinctive trademarks. They do so for a good reason. At bottom, distinctive trademarks are legally protectable, while those that lack distinctiveness are not. In selecting a trademark, it is therefore important that companies have a basic understanding of the following types of trademarks and how they differ in distinctiveness and protectability.

Fanciful Trademarks. Fanciful trademarks consist of words coined or invented solely for the purpose of functioning as trademarks, and thus have no other meaning or significance in language. Examples of fanciful trademarks are STARBUCKS, TOYOTA, and PEPSI. Fanciful trademarks are considered the strongest of all types of trademarks in terms of distinctiveness. They are immediately protectable and are eligible for federal registration when used in commerce.

Arbitrary Trademarks. Arbitrary trademarks are words that have a meaning in language, but are used incongruously as trademarks for the products they identify – that is, they are used entirely out of the context of their ordinary meaning. Examples of arbitrary trademarks are APPLE for computers, CAMEL for cigarettes and BLACKBERRY for smartphones. Like fanciful trademarks, arbitrary trademarks are considered strong, distinctive trademarks. They, too, are immediately protectable and eligible for federal registration.

Suggestive Trademarks. Suggestive trademarks are those that hint at the nature or an attribute of the product without, however, actually describing it. Instead, some thought, imagination or perception is necessary to make an association between the trademark and the product it identifies. Examples of suggestive trademarks are COPPERTONE for suntan lotion and GLEEM for toothpaste. Although not as strong as fanciful or arbitrary trademarks, suggestive trademarks also capably serve to identify and distinguish the source of a product or service from those of others. As such, suggestive trademarks are protectable and may be registered.

Descriptive Trademarks. Descriptive trademarks describe a quality, characteristic, function or the nature of the products they identify. The EASY PICKER UPPER is an example of a descriptive trademark when used for a device that enables easy lifting and moving of difficult-to-reach objects. Many trademark owners and marketers favor such descriptive trademarks because they effectively communicate information about a product or service. Indeed, that was Easy Corp.'s thinking in adopting the EASY PICKER UPPER. Trademark law, however, recognizes that descriptive words should be available to competing sellers for use in describing their own products in the marketplace. Trademarks that are merely descriptive are therefore not considered distinctive trademarks. They are accordingly given very little – if indeed any – protection, and are not registrable on the Principal Register of the U.S. Patent and Trademark Office until they acquire distinctiveness.

A descriptive trademark acquires distinctiveness when, through wide use over a considerable period of time, consumers come to associate the trademark with a particular company or source. For instance, HOLIDAY INN was merely descriptive for hotel services for holiday travelers, but acquired distinctiveness and trademark protection through extensive use over many years. As this discussion illustrates, there is a trade-off between choosing a descriptive trademark for the benefit it may have for marketing purposes and choosing a fanciful, arbitrary or suggestive trademark that is distinctive and legally protectable. Having the guidance of experienced trademark counsel in the selection process is vital.

Generic Terms. The name of a product or service itself is a generic term and is afforded no protection under trademark law. No one can, for example, adopt the term “cell phone” as a trademark for a wireless telephone device and claim exclusive trademark rights to it. Generic terms are in the public domain. Interestingly, a number of once strong brand names have become generic terms and fallen into the public domain when their owners misused them and permitted the general public to use them in a way that they became the commonly known name of the product itself. Examples include “aspirin,” “escalator,” “thermos” and “cellophane.”

Trademark Clearance

Prior to adopting a trademark, it is essential that a company take steps to determine whether it is available for use and not precluded by another trademark owner’s prior use of the same or a confusingly similar trademark. The first step is to conduct a preliminary screening or “knock-out” search of the proposed trademark. The object of the preliminary search is to screen for obvious conflicts that might show up with a quick search and obviate the need for a more comprehensive trademark search. Typically, a proposed trademark is searched in the U.S. Patent and Trademark Office’s database for prior trademark registrations and applications. Another useful screening tool is to search a proposed trademark using one or more Internet search engines, such as Google or Yahoo.

If no conflict is found with a preliminary screening search, the next step to clear a trademark for use is a full, exhaustive trademark search. A trademark search company will formulate search strategies to uncover not just identical trademarks, but also phonetic equivalents, those having the same or similar prefixes, suffixes or root words, corrupted spellings, synonyms and homonyms, as well as other trademarks that might be regarded as confusingly similar to the proposed trademark. The search should cover not only trademarks that have been registered or are the subject of pending applications, but also trademarks that are not registered – known as “common law” trademarks – which may also preclude the use and adoption of the proposed trademark. The full search encompasses numerous government records, business, and news databases, as well as the Internet. The analysis of comprehensive trademark search reports is not an easy task and often presents difficult legal questions concerning a proposed trademark’s availability for use and registration.

Finding an available trademark for use in today’s global marketplace is more challenging than ever. For that reason, companies should have at least a few back-up alternatives if their first choice for a trademark cannot be cleared for use. Experience also shows that it is often easier to clear a proposed trademark that consists of a fanciful word or term because, by its very nature, the word or term has been invented to serve as a trademark. Trademark owners may therefore be rewarded with lower search costs by selecting a highly distinctive, fanciful trademark.

Federal Registration of Trademarks

Trademark owners can maximize their trademark rights and add significant value to the investment they make in their valuable brands by obtaining a federal registration. Indeed, federal registration on the Principal Register of the U.S. Patent and Trademark Office provides numerous substantial benefits and advantages that owners of unregistered trademarks do not have. An experienced trademark practitioner plays an essential role in advising on eligibility for federal registration and in preparing, filing and prosecuting the trademark application. Below are just some of the many significant benefits and advantages of having a federally registered trademark:

1. Federal registration provides a trademark owner with presumptive exclusive trademark rights throughout the United States. In sharp contrast, the owner of an unregistered trademark has only “common law” rights that are generally limited to the geographic area in which its products are sold. Thus, when a trademark is not federally registered, a second company may potentially adopt the same trademark, in good faith, for use in a wholly different or remote geographic area or market in the United States without liability to the first owner. Moreover, the second company may also be able to stop the first trademark owner from use of the trademark in the second company’s remote geographic area or market.
2. Federal registration also provides a legal presumption of validity and ownership of the trademark in connection with the products or services for which it is registered. The presumption makes it easier for a trademark owner to enforce its rights in court.
3. Having a federal registration also generally makes it much easier and less costly to effectively deal with trademark enforcement and protection issues out of court. Federally registering a trademark sends a powerful message that a company has protected, and will continue to protect, its trademark and intellectual property rights to the fullest extent. Being able to provide a copy of a registration certificate with a cease and desist letter generally has a substantial impact in resolving matters quickly.
4. A federal registration establishes a public record of a trademark owner’s rights that can effectively deter others from adopting the same or a confusingly similar trademark. A registration will appear in trademark searches when others seek to adopt a similar trademark and conduct a search. Registration can thus help prevent disputes and deter infringement.
5. Even apart from actual notice that third parties will have after making a trademark search, another important benefit of federal registration is that it gives “constructive notice” to others of the trademark owner’s claim of ownership in a trademark. Federal registration thereby eliminates any defense of innocence, good faith or lack of knowledge that an infringer might otherwise make.
6. Federal registration also provides the U.S. Patent and Trademark Office with the basis to refuse registration to another company that seeks to register the same or a confusingly similar trademark.
7. A federally registered trademark is eligible to become “incontestable” after five years of continuous use in commerce following registration. Once a trademark becomes incontestable, the validity of the trademark and the owner’s exclusive right to use the trademark can no longer be attacked on many grounds and defenses that can otherwise be raised when there is no federal registration.
8. Federal registration of important trademarks adds to the value of a company’s intellectual property assets. When a company is valued, an investigation is made of its intellectual property. Failure to register a company’s important trademarks may not only reflect poorly on management, but also may considerably diminish the value of its intellectual property.
9. Another benefit, particularly with the continuing tight credit market, is that federal registrations can be used as collateral to help secure loans and credit from banks and other lenders.
10. Federal registration provides a trademark owner with the right to use the “®” registration symbol for the products or services covered by the registration. The law prohibits use of the ® symbol for trademarks that have not been registered with the U.S. Patent and Trademark Office.
11. In a successful trademark infringement action, the owner of a federal registration may obtain increased damages and also possibly recover its legal fees.

12. The owner of a federally registered trademark may obtain protection from the federal government's U.S. Customs and Border Protection to stop importation of infringing products.
13. A federal registration can be renewed in perpetuity as long as the trademark continues to be used in commerce and renewal applications are properly filed.
14. A federal registration may be used as a basis for obtaining a registration in a foreign country.

Conclusion

A trademark can be a company's most important intellectual property asset. Your organization should therefore follow best practices in selecting and protecting its trademarks and be sure to work with an experienced trademark practitioner. Whenever possible, companies should federally register important trademarks because federal registration provides a number of very important benefits and protections.

FVLD represents and counsels clients on a wide variety of trademark and brand protection matters, including the selection, clearance and registration of trademarks and service marks, opposition and cancellation proceedings, and trademark litigation. FVLD publishes updates on legal issues and summaries of legal topics for its clients and friends. They are merely informational and do not constitute legal advice. We welcome comments or questions. If we can be of assistance, please call or write Glenn Rice 312.701.6895 grice@fvldlaw.com, or your regular FVLD contact.

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