

Making Your Mark: The Basics of Trademark Law

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American businesses – from fledgling startups to vast multi-national corporations -- fight ruthlessly and spend billions of dollars each year to develop and protect their trademarks. Inability to protect your marks can cost your company its competitive edge and mean that an otherwise superior product or service line will fail in the marketplace. Trademarks are often the most valuable assets a business owns.

In This Chapter You Find Out:

- What constitutes a valid, protectable trademark
- How to develop a legally strong mark versus a weak mark
- Whether it's necessary to register a mark
- What kinds of words and symbols get trademark protection
- What happens when two businesses are using the same or similar marks

America Online, an Internet Service Provider, spends millions of dollars on an advertising campaign to promote its trademarks “YOU’VE GOT MAIL,” “BUDDY LIST,” and “IM.” AOL’s aggressive advertising makes these words a part of the everyday language of e-mail usage — something most ad agencies can only dream of accomplishing.

In 1998, when the movie “You’ve Got Mail” is playing in the theaters, a competitor, AT&T WorldNet, begins using the terms “You Have Mail!,” “IM” and “Buddy List” for its Internet services.

*America Online files suit in the U.S. District Court in the Eastern District of Virginia alleging trademark infringement. The marks are deemed to be “generic” and unprotectible. The case is thrown out **of court on summary judgment.**¹*

This chapter shows how even smart, savvy companies like AOL can “miss the mark.” By the end of this chapter you’ll understand the basic legal standards and strategies for creating and protecting a trademark.

The Power and Purpose of a Trademark

¹ AOL v. AT&T. U.S.E.D., VA, Case No. 98-1821-A. (Opinion re Order Granting AOL’s Motion for Summary Judgment)

How important is a trademark to the average consumer? There are news stories about armed robberies and even murders committed by teenagers seeking ordinary looking sneakers, like the ones shown in Figure 15-1, bearing the Nike or AirJordan logo.²

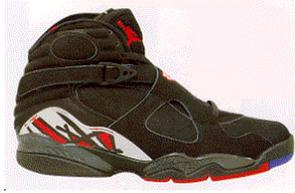


Figure 15-1.
Nike Converse® Sneakers

AirJordan® sneakers

On the positive side, the consuming public receives some degree of quality assurance that the products and services they purchase are manufactured by the company who holds the trademark, and according to the specifications and standards of that familiar company.

Trademarks are the gears of a free market economy where consumers choose from competing brands and services. Without them no brand loyalty or identity could be established. Trademarks serve as consumer shorthand for the unique characteristics of a particular brand. Sometimes they distinguish products that are otherwise indistinguishable.

If you order a Coke or a McDonald's hamburger you know, with four out of your five senses, what you're purchasing. The trademark conjures the image of the look, taste, texture and smell of the product. In reality, a Coke may be indistinguishable to your taste buds from any other carbonated, cola flavored drink, but you may nevertheless order a Coke with your hot dog and fries out of brand loyalty associated with the mark. To the Coca-Cola Company, that loyalty, known as *goodwill*, makes the trademark its most coveted asset.

A Twinkie® might taste as sweet by another name, but the trademark itself is now synonymous to the buying public with an elliptically shaped, cream filled cake. A Twinkie® describes a uniquely shaped, if not nutritionally superior, food product. Any company attempting to produce a similarly shaped junk food might find itself defending a lawsuit from Hostess® for infringing its trademark design, called *trade dress*.

Trademark laws protect a company's investment in its products and services, and the overall reputation of the company. They make it possible for companies to develop and maintain brand loyalty and goodwill. Trademark regulations also protect responsible

² Michael Jordan has publicly expressed shock and outrage at the violence associated with his trademark, stating he would rather pull the product than put teens at risk. Unfortunately, the trademark-oriented violence is not limited to Air Jordons®. A Georgetown jacket, Fila sneakers, Mercedes-Benz, Avia high tops and numerous pairs of Nike sneakers have served as motives for murder. *Your Sneakers or Your Life*, Sports Illustrated (September 1990).

companies from being undercut by unscrupulous competitors that attempt to pass off inferior goods and confuse the public as to their actual origin.

Lawyer's Note: Trademarks do not protect against *reverse engineering*, whereby a competitor develops a product that serves a similar function. Trademarks only protect the words and symbols that identify a product, not the product itself.

What Constitutes a Valid Trademark?

You literally can't get up and brush your teeth in the morning without encountering someone's trademark. By the end of any given day you've likely encountered dozens of trademarks and relegated them to your subconscious. All of these trademarks have a singularity of purpose.

The sole purpose of any trademark is to identify the source of goods and services. A trademark can be as simple as a red triangle or the Nike® Swoosh shown in Figure 15-2. Any word, symbol, slogan, logo, device or product design that uniquely identifies a product can be a trademark.



Figure 15-2. The Nike Logo

Unlike other types of intellectual property, such as patents and copyrights, trademarks bear no relationship to invention or discovery. In fact, trademarks must *not* have a function other than identifying a product. If they do provide a function, their owners must generally protect the mark as a component of a product's design under patent or copyright laws.

Legal Basis For Trademark Protection

Trademarks were used as early as the 13th century when medieval merchants inscribed their unique mark on their goods, and their right to do so was protected by statutes written on parchment.

Modern trademark protections owe their origins to 18th century English *common law*. Common law is developed by court cases that establish *precedents*. Courts generally decide new cases based on prior case precedent.

Today American companies can rely on legal protections based on the following:

- **Common law** – Court precedents interpret federal and state trademark laws and apply them to specific situations. Litigants may rely upon a precedent case if the facts and law discussed in it are relevant.
- **Federal law** – The Lanham Act is the primary federal statute that protects trademarks and regulates related forms of unfair competition.³ It provides a method for registering trademarks, remedies for infringement and standards as to what type of material qualifies for trademark protection.
- **State law** – Most states have statutes regulating the use of trademarks and providing remedies for infringement.
- **Foreign Treaties** – Protecting a trademark in a global economy is one of the toughest issues faced by entrepreneurial businesses. Currently, there are several international treaties in force. They afford American enterprises intellectual property rights in over 100 nations.

The Basics: How to Acquire Trademark Protection

Getting legal rights to a trademark is not as complicated as some lawyers might want you to think it is.

Regardless of whether you're relying on federal, state or international law, you preliminarily acquire rights to a trademark in two ways: *use* or *registration*.

These methods are overlapping rather than mutually exclusive. If you opt to register first, you still need to document your commercial use of the mark within a specified period. Similarly, if you establish rights in a mark based on prior use, you may later seek federal registration to pre-empt other parties from using your mark in geographical areas into which you intend to expand in the future.

Acquiring Rights Through Use

“Use it or lose it” sums up the legal requirements for obtaining legal, proprietary and ownership rights to your trademark. *Use* is the underlying common law tenet for federal and state trademark ownership rights.

The use requirement is fairly straightforward, with only two common sense caveats. First, the use must occur in a *commercial* context. Second, you must display your trademark so it's *physically associated* with your product or services such as, for example, on a label or tag.

To establish ownership rights, your trademark must actually be used “in commerce.” Simply displaying the mark, for the purpose of reserving it, for example, putting it on a business card or brochure, is called *token use*. Token use isn't sufficient to

³ Lanham Act, 15 U.S.C. Sec. 1051 et seq.

afford you protection. You must engage in actual business transactions. However, once you begin marketing, distributing and delivering your products to the public in a particular locality, the commercial use requirement is satisfied for that geographic area.

Caution: Use of a trademark must be established in the context of actual commercial transactions. Token use, without commercial activity, will not establish rights in that mark.

You must also display your trademark so that it's physically associated with your product or service. In most cases you do this by affixing a label bearing your trademark to your product. In cases where it's impractical to do this (for example, if you breed jellyfish), you can put the mark on documents physically associated with the sale of the product.⁴

In the case of service marks (discussed in the next section), the mark must be used in a manner so as to identify the source of the services.

Caution: The physical connection between your product and the trademark is an absolute requirement in establishing its use as a trademark. You can't establish use simply by distributing ads, brochures and other materials that are not physically connected to your product.

Registering a Trademark

Prior to 1988, businesses faced a miserable dilemma. Federal law wouldn't allow them to register a trademark unless they could prove their prior use of it. This meant they had to spend money promoting a mark and risk associating it with an emerging product or service line without the benefit of registration.

The Trademark Revision Act of 1988 provided that, after November 1989, an applicant could apply to register a mark based upon a bona fide *intent to use* the mark.⁵ Once an application is filed, the registrant must engage in actual use of the mark within a six-month period. This six-month deadline can be extended for an additional year, and then for up to 24 additional months for "good cause." Good cause might include commercial reasons related to the development or distribution of your product.

Lawyer's Note: Registration is based on imminent intent to use. It is not a system of reserving marks for undetermined future use.

After a proper showing of use in commerce, the PTO will issue a *Notice of Allowance*. This establishes that the applicant has successfully met the use requirement of the registration process. The registration dates back to the application date. Anyone else claiming rights to the trademark must demonstrate their use prior to the application date.

Federal registration has the main benefit of protecting your mark as you expand into wider geographical areas. Federal registration doesn't confer rights in areas where a

⁴ 15 U.S.C Sec. 1127 (provides definition of "use in commerce.")

⁵ 15 U.S.C Sec 1057(c)

trademark is already in use, but it's a very effective protection in those areas where no local company has already staked out the mark.

Lawyer's Note: If the trademark is already being used in several localities, federal registration may not be available or desirable. Similarly, if you plan only to use the mark locally, opting for state registration may save you some money, although the protection afforded is not nearly as great.

The *U.S. Patent and Trademark Office* handles federal registrations. This office is normally referred to as the *PTO*. Appendix 15A provides a list of state agencies that accept trademark registrations.

In summary, federal registration gives you rights to a trademark that are superior to claims anyone else may make unless:

1. Someone actually used the mark prior to the effective date of your registration.
2. Someone filed an intent to use application with the PTO prior to the date you filed your application.
3. A company who registered in a foreign country claimed that their application date precedes yours, based on a foreign treaty.

Chapter 5: How to Research and Register a Mark From Scratch explains the trademark registration process in detail, and provides you with more information about the advantages and pitfalls of the process.

Location! Location! Trademarks and Geographical Factors

Most trademarks are so simple, it can't be said that anyone actually "invents" or "discovers" them, except in the same sort of context we refer to Columbus as having "discovered" America. Today, the entrepreneur that is first to use a trademark in a given locality is given the modern day equivalent flag planting rights.

As a general rule, the first person to use a trademark in a particular geographic area acquires exclusive rights to it. However, the rights don't extend beyond that geographic area.

Suppose you have been selling Frosty snow cones in Milwaukee continuously for 10 years. You acquire rights in the Milwaukee market that can be established by affidavits, testimony and other evidence of your presence. Even if a huge multi-national ice cream company acquires both federal and state registrations to the Frosty mark, that mark is yours to promote in the Milwaukee area.

Does this seem like an unlikely scenario? It's not. Prior local usage is a sticky issue for large corporations engaged in national and international marketing efforts. The FAQ section of the Twinkie® web site, at www.twinkie.com, offers the following explanation as to why Hostess found it necessary to market the popular Ding Dong snack cake under the name King Don in several localities, despite diligent federal registration:

When Hostess introduced Ding Dongs in 1967, the advertising campaign included a ringing bell: hence the name Ding Dongs. However, the eastern United States Hostess opted to package the cakes as King Dons to avoid confusion with a competitor's product. Hostess consolidated the King Don and Ding Dong name in 1987, packaging the cakes as Ding Dongs in all regions. Six months later, Hostess decided to go back to using the King Don name in the eastern U.S., again, to avoid confusion with a competing product. But today, the issue has been put to rest and only Ding Dongs are sold nationwide.

Not For Logos Only: Categories of Trade Marks

Trademark protections are derived from principals of unfair competition -- what businesses can and can't do to gain customer loyalty.

Federal Law specifically provides for registration of four categories of marks discussed in this section.⁶ Common law recognizes a fifth form of trademark protection known as *trade dress*, which is discussed in the next section.

Trademarks and Trade Names

Don't fall into a common corporate trap of confusing trademarks and *trade names*. Legally, they aren't the same thing.

A trademark is a mark that identifies the source of goods -- cereal, sports cars or perfumes. This term is often used in a generic sense to refer to all of the types of trademark protection covered in this section.

A *trade name* is a name associated with a business. Federal law doesn't allow registration of trade names. This is because a trade name doesn't specifically identify the source of specific goods or services, which is the essence of trademark protection. However, a business name and a trade name may be one and the same, as in the case of Coca-Cola Bottling Company.

<p>Caution. Corporate registration does not provide a company with the right to use the corporate name or "doing business as" name as a trademark.</p>

Service Marks

Not every entrepreneur has a product to hawk. Fortunately, the law of trademarks doesn't slight the service-based economy.

⁶ 15 U.S.C. Secs. 1052-1054.

Service marks identify the source of services – such as dry cleaning, transportation, travel agencies, repair or consulting. In the U.S., the rules for determining how service marks qualify for protection are the same as the rule for trademarks.

Examples of service marks include Spring Green lawn service and Blue Cross health insurance. Taco Bell is a service mark for Mexican food preparation services.

Although it seems confusing, a service mark isn't the same as a trade name. McDonald's Corporation is a trade name for a business that prepares products under its service mark, McDonald's.

Certification Marks

Remember the Good Housekeeping Seal? That famous emblem is an example of a *certification mark*.

A certification mark is owned by an entity that uses the mark to signify that certain standards, set by the entity, are met.

Certification marks can signal that certain inspection criteria have been used, the type or quality of materials or the geographical origin of the product. Federal law requires that the owner of a certification mark be neutral in using the mark, and cannot manipulate certification standards for its own marketing purposes. The PTO can cancel a certification mark if an organization fails to exercise proper control over the purported standards or arbitrarily applies its certification requirements.⁷

Collective Marks

A *collective mark* is used by an organization to identify the goods and services of its members. Collective marks often identify franchises or chains of grocery or retail stores.

Trade Dress: The Entire Look

First impressions do count. In fact, they may even be legally protectible.

Trade dress is the total appearance of a product or service. For example, if you design packaging for a jar of jam that looks like homemade preserves, you may find yourself infringing on the trade dress of another jam product that is also packaged to give this overall impression.

A common type of trade dress is called *product configuration*. If the shape or appearance of a product has no function other than identifying the source of the product, it's protectible as trade dress. Examples of protectible product configurations are the RealLemon lemon juice container that looks like a plastic lemon, and the bottle for Mrs. Butterworth syrup, which looks like a plump woman in an apron. The popular For

⁷ Section 1064(5) of Lanham Act.

Dummies book series, with its distinctive yellow cover and standardized format is another example of trade dress.

Trade dress is often associated with services. For example, the Hard Rock Café offers its patron a distinctive décor and ambiance. Chuckee Cheese pizza parlors offer a combination of games, food products and entertainment that is instantly recognizable to parents and their young children.

In *Two Pesos vs. Taco Cabana, Inc.*⁸ a Mexican restaurant appropriated the distinctive décor of its competitor. In *Two Pesos*, the U. S. Supreme Court established the following standards for protectible trade dress:

- The elements of trade dress for which protection is sought must be entirely non-functional.
- The trade dress must be inherently distinctive.

The Supreme Court also stated, in *Two Pesos*, that you cannot claim trade dress protection for your business or product if the design or décor is “one of a limited number of equally efficient options available to competitors.” Thus, a donut shop with a counter and glass cabinets for viewing freshly baked donuts is probably not inherently distinctive, since there are only so many ways a donut shop can be designed. Even a glass window allowing customers to view the donut-making machine in operation has a function. But a flashy wall mural, neon colored counter tops and stools that look like donuts would probably add the element of distinctiveness the court requires to protect the donut shop’s trade dress.

Lawyer’s Note: As with other forms of trademark protection, trade dress is not protectible if it is functional and serves any purpose other than identifying the source of goods and services.

Developing a Strong Mark Versus A Weak Mark: Types of Protections

Looking to save on future legal fees? Consider choosing a strong trademark, rather than a weak one.

Some trademarks are legally stronger and easier to protect against infringers. Marks that are easy to defend in the face of misuse or infringement by a competitor are known as *strong marks*. It’s generally true that the less descriptive your mark is of the actual product, the stronger your case will be against infringers.

Many savvy and successful companies knowingly and deliberately opt to use a weak mark in the course of their overall marketing strategy. These companies feel that the weaker, more descriptive mark offers the valuable benefit of more quickly educating the

⁸ *Two Pesos, Inc. vs. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

consumer. Descriptive marks, like Yellow Pages or Oven Fresh, instantly convey product characteristics.

Terms that serve as trademarks fall into categories based on their relative legal strength. An *arbitrary* mark is afforded the highest degree of protection, while a *generic* term offers no protection whatsoever.

Unprotectible Generic Terms

Remember the generic food craze of the 1980's? The companies that sold and distributed these products in their plain green wrappers were able to take advantage of the fact those terms like "cola," "potato chip," "fruit cocktail" and "corn flakes" are generic. This means anyone can use them with abandon. With no way to establish brand loyalty, the market share enjoyed by distributors of generic brands gradually diminished; the craze withered and died.

A generic term is one that has come to be associated with a particular type of product, rather than its source. Since the term doesn't identify a product source, the critical requirement for trademark protection, a generic term can never serve as a trademark.

The PTO maintains lists of marks that are considered generic and cannot be registered as trademarks. Table 15-1 contains a sample of some of these terms.

Table 15-1: **Some Terms Ruled Generic**

Generic Term	Product
Baby Oil	Mineral oil
Aspirin	Acetyl salicylic acid
Escalator	Moving stairways
Hoagie	Sandwich
Honey baked ham	Ham with sweet glaze
Murphy bed	Type of bed that folds into wall
Shredded wheat	Baked wheat cereal
Thermos	Insulated pitcher
Trampoline	Athletic apparatus for jumping

Sometimes a perfectly good trademark term becomes generic because the owners of the trademark allow it to be misused. Aspirin, cellophane, shredded wheat, escalator are all terms doomed to the trademark graveyard because they've become generic in the public's mind over time. The section of this chapter, *Losing Your Trademark Through Misuse*, explains how happens to a mark, and how to avoid having it happen to yours.

Descriptive Marks

Descriptive marks are often so graphic you can instantly visualize the product upon seeing or hearing the mark. For example, you can almost smell the Pizza Hut trademark, in

addition to visualizing it. And you know just what you'll accomplish with a Dust Buster hand held vacuum upon hearing that mark.

Descriptive marks have the advantage of automatically conveying characteristics of your product. They also have a downside. You must establish *secondary meaning* to protect them.

Secondary meaning is acquired when descriptive terms, such as Lite & Lively or Oven Fresh, become associated with a product over time through widespread use and possibly intensive advertising.

Establishing secondary meaning requires evidence (usually consumer polls and expert testimony) that an otherwise non-distinct term has been inextricably bound to a product in the consumer psyche.

The Supreme Court held that a term is inherently descriptive in nature, and cannot acquire secondary meaning, if it's the only way of referring to a particular product. In 1989, Anheuser-Busch Company attempted to trademark the use of LA to refer to its Low Alcohol beer.⁹ The Court held that Anheuser-Busch's registration application was an attempt to pre-empt the new low alcohol beer market. The association of the initials LA with the term "low alcohol" was "inevitable."

Suggestive Marks

Suggestive marks require some thought and imagination. They don't specifically describe a product or service. They're protectible without a showing of secondary meaning. Examples of suggestive marks are Roach Motel and Sunkist. A suggestive mark provides clues about a product, but doesn't specifically describe it.

Arbitrary or Fanciful Marks

Arbitrary and *fanciful* marks are the first choice of legal departments everywhere. They're considered the strongest type of mark.

As with suggestive marks, the trademark holder need not show the existence of secondary meaning to acquire rights in the mark. To qualify as an arbitrary or fanciful mark, the mark itself must not suggest the characteristics of the product in any way.

An arbitrary mark can be an ordinary word that isn't normally associated with the product, and doesn't in any way conjure an image of the product. For example, Apple® is an arbitrary mark for a computer. Trix is an arbitrary name for a cereal, as is Snickers for a candy bar.

Fanciful marks are a type of arbitrary mark that uses coined or invented words. Arby's is a fanciful mark for a restaurant serving roast beef sandwiches. It's created from the initials for Roast Beef.

⁹ G. Heileman Brewing Company, Inc. v. Anheuser-Busch, 873 F.2d 985 (U.S. Court of Appeals, 7th Circuit).

It's important to note that simply changing the spelling of a word doesn't make it arbitrary. Misspellings, acronyms, slight phonetic variations and foreign words are all suggestive rather than arbitrary because they are derived from words with identifiable meanings. For example, Bufferin® is considered a descriptive rather than a fanciful term for buffered aspirin. Similarly IM'g, was considered a generic name for instant messaging rather than a fanciful trademark, as AOL sought to prove.

Establishing Secondary Meaning

Suppose you want to market a new type of fat-free French fry and call it the Fatless Fry. Your mark, although cute and catchy, isn't distinctive; it's merely descriptive. It's not entitled to trademark protection without a showing of secondary meaning.

If the owner of a non-distinctive mark can prove that the mark has acquired secondary meaning the mark will qualify to be registered in the Principal Register of the PTO, as discussed in *Chapter 5, How to Research and Register a Mark From Scratch*.

Proof of secondary meaning usually consists of consumer polls, expert testimony and snippets of press coverage. However, even without this proof, a non-distinctive mark that's used continuously and exclusively by its owner for a five year period is presumed, under federal law, to have acquired secondary meaning. This means that if the Fatless Fry manages to sustainable sales for five years, it will acquire full trademark protection.

Lawyer's Tip: If you can prove a descriptive mark has acquired secondary meaning, it can immediately receive full trademark protection and be registered in the PTO Principal Register. Otherwise, you can get the same protection by registering and then demonstrating exclusive and continuous use for a five-year period.

Problems With Confusingly Similar Trademarks

Suppose you're a dedicated veterinarian, with an expertise in treating dogs that have psychological barriers to being housebroken. You decide to open a special training clinic, GreatDogs, and sell materials and supplies for dogs that resist being housebroken and risk being put to sleep because of it. You adopt as your logo a silhouette of a dog with one hind leg raised. Much to your surprise, the Greyhound bus company sues you for adopting a mark that's confusingly similar to their trademark logo.

A trademark will be denied registration, and an existing registration may be voided, if the trademark is "confusingly similar" to another mark.

What exactly constitutes confusion? Federal law¹⁰ provides that a mark is confusingly similar if it's likely to cause deception or confusion as to:

¹⁰ Section 1051 of the Lanham Act.

- The source of the goods or services connected with the mark
- The affiliation or connection with a company that uses the similar mark
- Whether the mark is sponsored or approved by the entity that owns the allegedly similar mark

Trademarks need not be identical to be confusing. It's enough that they sound alike or give an overall impression of similarity. For example, Blockbuster Video was able to successfully challenge an attempt of a competitor to register the trademark Video Buster. Similarly, the Coca-Cola bottling company was able to challenge the registration of a mark for Cleo Cola. However, The Uncola was not deemed to be confusing.

The similarities and dissimilarities of the goods or services themselves are also a factor. For example, registration was denied for Bell as trademark for computers, because it was deemed confusingly similar to Dell. However, Mrs. Field's Cookies shares a registered trademark surname with Marshall Field's department stores.

Advertising and sponsorship have evolved. Companies that once sold single product lines now offer diverse goods and services to take full advantage of goodwill associated with their name. For example, Harley Davidson sells a line of clothing and accessories to capitalize on the goodwill generated from its famous line of motorcycles.

So when all is said and done, will you be able to use your GreatDog logo? Chances are good that you will. Courts usually start with a common sense inquiry as to whether products and services are similar in the eye of the average consumer. The further apart the functionality of the products, the less likelihood there is of confusion. It's unlikely that consumers are likely to confuse transportation services with dog training services.

You must be extremely careful to avoid trade marks that are similar to those used on products or services that potentially compete with yours. For example, a dog food manufacturer using the mark "Doggie Dinner" was successful in opposing the registration of "Dog E-Delite" for a competing dog vitamin product. The court determined that both products served essentially the same function, and even looked alike.¹¹

<p>Lawyer's Note: A prior user of a trademark need not prove that your mark causes actual confusion, only that there is a likelihood of confusion.</p>

¹¹ S.E. Mighton Co. v. La Pryor Milling Co., 274 F. 2d 676 (Cust. & Pat App. 1960).