

TRADEMARK BASICS— FIVE THINGS EVERYONE SHOULD KNOW ABOUT TRADEMARKS

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TRADEMARK BASICS—FIVE THINGS EVERYONE SHOULD KNOW ABOUT TRADEMARKS

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Most people know what a trademark is, or at least they know one when they see one. Everyone recognizes the terms NIKE, GOODYEAR, and COCA-COLA as trademarks. Technically, a trademark is a word, name, or symbol adopted and used by a company to identify and distinguish its goods or services from the products and services of others. In practice, trademarks are symbols of the identity, goodwill, and reputation of the source of a product or service and are used by consumers to make purchasing decisions. When consumers see familiar brands¹ like TIDE for detergent or MCDONALDS for hamburgers they make assumptions about the products that they are buying. These assumptions come from the consumers' relation of the brand name with a level of quality and/or value they have learned to expect from the producer of the products.

But did you know that not all trademarks are equally protectable? Or that ownership of a trademark can only be sustained if you use the trademark? This advisory discusses some basics about trademarks that may be particularly important to know if you use a name or symbol to identify your company in the marketplace.

NOT ALL TRADEMARKS ARE CREATED EQUAL

Trademarks come in two basic flavors: (a) “*inherently distinctive*” and (b) “*not inherently distinctive*.”

Inherently distinctive trademarks are *fanciful*, *arbitrary*, or *suggestive* in relation to the products or services with which the mark is used. *Fanciful* marks are the strongest and easiest trademarks to protect. Fanciful marks are coined terms such as KODAK for photographic materials and VERIZON for telecommunication services. *Arbitrary* marks are common terms used outside of their normal context, such as APPLE for computers and AMAZON for an online bookstore. *Suggestive* marks suggest a quality or ingredient of a product but require some “mental gymnastics” to be understood—for example, GREYHOUND for bus service and ODOR EATERS for deodorizing shoe insoles. Marks in this inherently distinctive category are accorded broad and strong protection because they are unique.

Marks that are *not inherently distinctive* are generally given less protection. The category of marks that are not inherently distinctive include descriptive marks—marks that identify or describe the goods or their attributes (BATTERY EXTENDER for battery chargers), *personal or surname marks* (LES SCHWAB for retail tire stores), and *geographically descriptive marks* (SONOMA HILL CELLARS for wine). Due to the lack of uniqueness these marks will not be accepted for trademark registration without affirmative proof that the marks have acquired “secondary meaning” or are recognized by consumers as trademarks.

The distinction between the inherently distinctive suggestive trademark and the not-inherently distinctive *descriptive* trademark is a gray area and whether a particular mark qualifies as suggestive or descriptive is often the subject of debate in litigation or before the US Patent and Trademark Office.

Inherently Distinctive No Secondary Meaning Required	Not Inherently Distinctive Secondary Meaning Required
Fanciful Arbitrary	Personal or surname Geographic
Suggestive	Descriptive

The last category of trademark is, in fact, not a trademark at all. A generic term is the name of a thing itself, such as “wine,” “café,” and “shop” and cannot be claimed as proprietary or protected under any circumstances. Generic terms cannot be registered.

TRADEMARK CLEARANCE: AN OUNCE OF PREVENTION IS WORTH A POUND OF CURE

Before adopting a trademark or investing significant sums into a branding strategy it is important to determine if the name you wish to use is available for use. The tools you use to make this determination depend on your plans for the name. If the name is merely a corporate name only to be used on official documents, then a search of the state corporate name database may be all you need. However, if the name will be visible to your clients or customers (which includes most company and brand names) you should confirm that no one else is using the same or similar name in connection with the goods or services related to yours.

Trademark clearance research can range from “quick and dirty” to comprehensive and can vary in cost from a few hundred dollars to tens of thousands of dollars (for research in multiple jurisdictions). However, for marks to be used solely in the United States the minimum standard in most circumstances is a search for the proposed mark (and marks similar in sight, sound and meaning) in the U.S. federal and state trademark databases and various common law resources.²

How much research you do will often depend on (a) where you plan to use the mark (locally or globally?), (b) how important the mark is (is it your house mark or a sub-brand?), and (c) your budget. Also, it is important to understand that the “trademark clearance” process will not result in a “Yes” or “No” answer to the question, “Is this mark available?” but will result in a risk analysis that is used as a tool to make a business decision. Nevertheless, the more you know the more informed your decision will be, and spending a thousand dollars on the front end to conduct a search can save you hundreds of thousands of dollars on the back end by avoiding costly disputes.

Furthermore, what you don’t know can *really* hurt you—if no searching is done and the mark you adopt infringes someone else’s mark, your adoption of the mark may be deemed “willful infringement,” which can triple the amount of damages you must pay to a trademark owner and may also subject you to payment of the trademark owner’s attorneys’ fees.

TRADEMARK RIGHTS: USE IT OR LOSE IT

In most countries of the world you must obtain a trademark registration to gain trademark rights. However, in the United States and other common law countries³ trademark rights are established as a result of *use* of the trademark. Accordingly, if you sell products or provide services in connection with a trademark or brand name you are developing trademark rights. These so-called “common law rights” develop over time. Likewise, in order to maintain trademark rights, the trademark must *stay in use* and must appear *prominently and consistently* on the goods or services.

Directly related to your use of a trademark is the scope of your trademark rights. The scope of trademark rights—the right to use a mark and to exclude others from using a confusingly similar mark—is based on your own scope of use. This scope is defined in terms of (1) the goods and/or services you provide in connection with the mark and (2) the geographic territory of your use. Therefore, when relying on common law trademark rights you can only exclude others from using a *confusingly similar mark in connection with the same or related goods (or services) within the same territory* as your use.

To illustrate the geographic scope of common law rights take a doughnut shop that has been located in downtown Grand Junction, Colo., for 20 years. Let’s call it DIPPEN’ DO-NUTS. DIPPEN’ DO-NUTS primarily serves local residents, but also periodically serves people from Denver who visit the area. Although they have no trademark registration or other locations, they have common law rights to use and exclude others from using the DIPPEN’ DO-NUTS trademark on doughnut shops in Grand Junction where their trademark is recognized. They may also have rights in Denver and other parts of Colorado and neighboring states assuming the DIPPEN’ DO-NUTS trademark is recognized and consumers associate the name with the shop in Grand Junction. However, doughnut eaters in

New York, Los Angeles, or Portland, Ore., are not likely to recognize the trademark and therefore the owners have no trademark rights in these other jurisdictions. Now let's assume DIPPEN' DO-NUTS opened last week. In this case, consumers have not yet come to recognize the name and associate it as a source of delicious doughnuts, and therefore the owners of the shop would not have very strong trademark rights.

Similarly, with regard to the scope of rights related to goods/services, DIPPEN' DO-NUTS mark may have difficulty prevailing in an infringement action against the user of the mark DIPPEN' DIPSTICKS for an automotive-repair business.

For some businesses, particularly well-established, localized small businesses, common law rights may be all the trademark protection you need. However, for goods or services providers that have wide distribution across state or international borders, a trademark registration provides better and more valuable protection.

A SWORD AND A SHIELD – U.S. FEDERAL TRADEMARK REGISTRATION

Trademark registration is not for everyone, but most trademark owners are better off with a trademark registration than without one. At the very least, a trademark registration can be used defensively as a shield to help ensure that your use of a trademark is not easily challenged. But a trademark registration is often the most useful as an offensive tool, or sword, to prevent would-be users of the same or similar mark from encroaching into your territory and preserving the uniqueness of your brand.

A federal trademark registration confers valuable benefits and presumptions. A federal trademark registration provides a presumption of trademark validity.⁴ That is, the holder of a trademark registration is deemed to have trademark rights in the registered mark for the registered goods and/or services without any additional proof. As a result, if an accused infringer challenges the validity of the trademark rights the burden is on the challenger to prove that rights do not exist.⁵ In contrast, a trademark owner relying on common law trademark rights must first prove the validity of its rights before making a claim of infringement. Accordingly, the presumption of validity often provides significant leverage against an accused infringer.

The other major benefits associated with a federal trademark registration are the opportunity to receive an award of reimbursement of attorneys' fees by the infringing party, and an award of up to triple your damages in the most egregious of infringement cases. Again, the mere possibility of these awards is often a deterrent to litigating trademark disputes that involve trademark registrations, and therefore can lead to favorable settlements for the trademark owner.

Despite the strategic advantages of a trademark registration, whether you file a trademark application often depends on your business' needs and plans. For local-oriented businesses like a single-location restaurant or a boutique clothing store, a federal trademark registration may not be necessary (or available)⁶ to achieve its business goals or to protect the localized reputation of the establishment. However, for those businesses that invest significant resources into developing a reputation or identity among its customers and that rely at least in part on this identity to sell their wares, a trademark registration is a wise investment.

YOU'RE ON YOUR OWN—THERE ARE NO TRADEMARK POLICE

Trademark rights confer a right of exclusivity of use of a trademark for particular goods and/or services. However, it's a right, not a mandate; there are no trademark police whose mission it is to protect and serve trademark owners. As a trademark owner it is your responsibility to police and protect your trademark from infringers and careless use of the mark.

Trademark policing usually includes at least two fronts: (1) stopping infringers (and counterfeiters), and (2) maintaining proper and consistent use of the trademark. The latter front requires education of authorized users and the media as to the correct use of your mark. This can be accomplished by providing trademark usage guidelines (e.g., "the mark should appear in text as 'eBay,' not 'EBay' or 'ebay'") and correcting the media when mistakes are made. The former front requires vigilance in the marketplace and a willingness to take quick action against wrongdoers when necessary.

If you fail to police your trademark, the strength of your trademark rights will erode and may be lost altogether (e.g., cellophane and escalator were once proprietary trademarks, and KLEENEX and XEROX are examples of trademarks that have flirted with losing their trademark significance, also known as “genericide”).

While trademark enforcement efforts often require significant resources and rarely provide an immediate monetary return, the costs of policing your mark must be balanced against the long-term value of having a strong, protectable symbol of your goodwill, reputation, and identity associated with your products or services.

CONCLUSION

Trademarks are ubiquitous features of doing business today. While navigating the intricacies of trademark law is usually best left to trademark lawyers, having some familiarity with the concepts described above will help identify ways you can develop and protect your trademark rights and make smart, brand-related business decisions that will serve you and your company well into the future.

FOOTNOTES:

¹ The term brand is synonymous with trademark. However, the term brand is most often used in connection with house marks or high-profile trademarks.

² These searches are usually conducted by trademark search vendors and then reviewed by your trademark attorney.

³ Including the United Kingdom, Canada, Australia, New Zealand, and Israel.

⁴ The federal registration referred to here is registration on the Principal Register. Registration on the Supplemental Register (reserved for descriptive marks that may be CAPABLE of distinguishing goods and services, but at the time of registration have not achieved the requisite secondary meaning to be registrable on the Principal Register) does not confer the presumption of validity.

⁵ Furthermore, after five years of registration on the Principal Register, the bases upon which a registration can be challenged are significantly limited providing even further protection of the mark.

⁶ Federal registration is not available unless you have sales or transportation of goods or services bearing the trademark across state lines. However, the threshold can be satisfied if you have out-of-state customers or, in some circumstances, if you have an Internet presence.

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