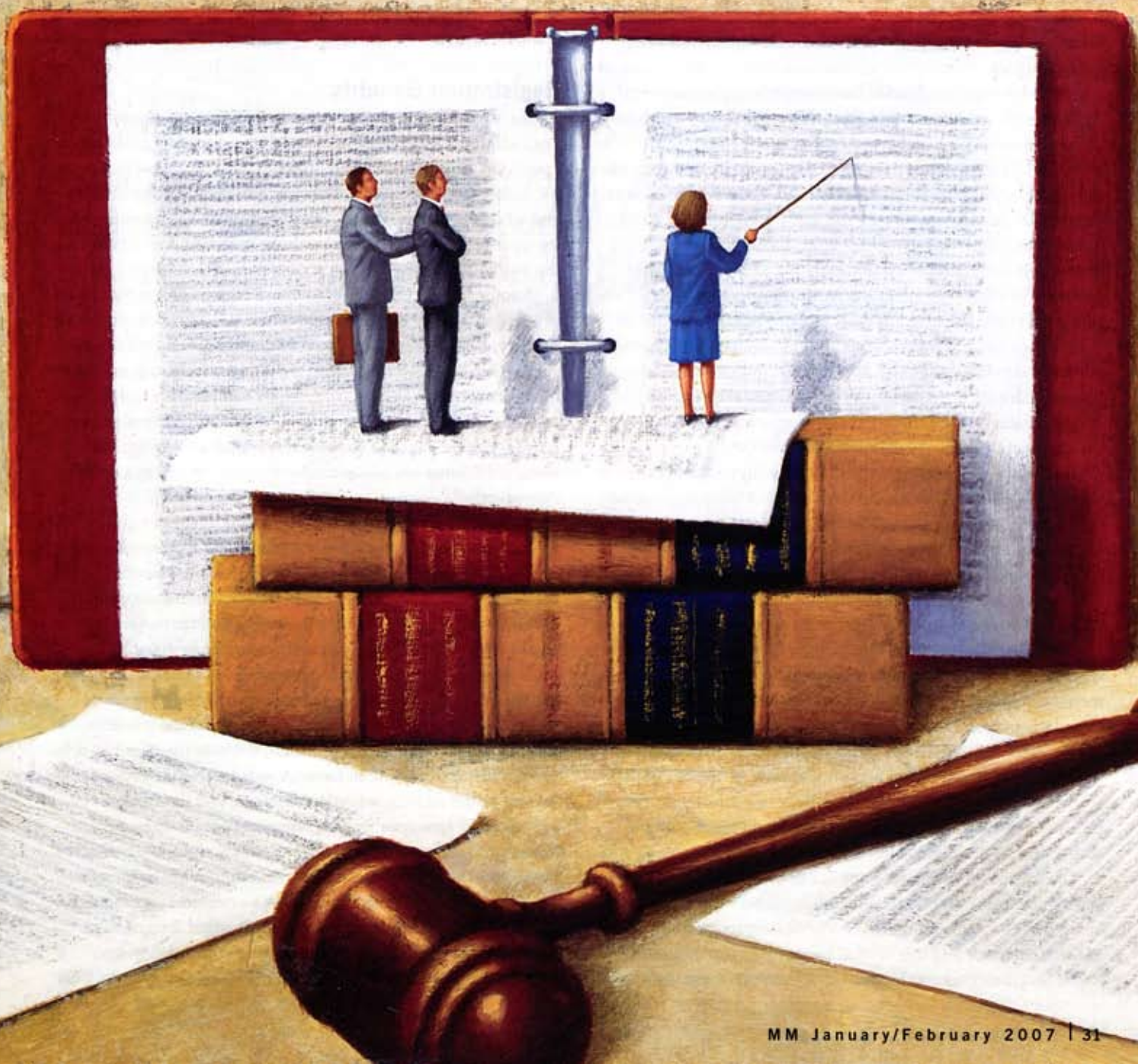


# On the Mark

BY ROB OSLER

**Ensure protection of brand names by learning the fundamental concepts of trademark law.**

**T**he greatest challenge to a successful brand-naming initiative: properly accounting for how any new name must become a registered trademark in due time, if the business behind it wishes to protect its marketing investment in that name. For marketers tasked with overseeing naming activities, a rudimentary understanding of the fundamentals of trademark law—as it relates to naming—is essential.



## EXECUTIVE briefing

Issues of trademark law, as they relate to business and brand names, are sometimes clear—but more often uncertain. Marketers who oversee naming activities must have a firm grasp of these issues; only then can they protect the significant investments that their organizations make in their names. Case law, current brand examples, and commentary from leading trademark attorneys offer them sufficient trademark know-how.

### Trademark Defined

The federal statute that governs trademark law is The Lanham Act, enacted in 1946. It defines a trademark as “any word, name, symbol, device, or combination thereof (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the Principal Register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” (This includes trade dress—consisting of the graphics, color, and shape of goods or packaging.)

Anne Glazer, chair of the intellectual property and technology practice group at multistate law firm Lane Powell, points out: “Trademark is not a verb! You can’t ‘trademark’ a word just by filing with the government. In the United States, a trademark is a trademark if and only if it is used. The most creative new brand name in the world does not become a trademark until it is used in marketing or sales.”

The exception to this rule is intent to use. The Lanham Act allows one to file trademark applications in the United States, before a name is actually in use, if the applicant truthfully states “a bona fide intent” to use the name in ways meeting the demands of trademark law.

Glazer’s argument is reflected in the requirements of the U.S. Patent and Trademark Office (USPTO): that actual use of the mark accompanies a business registration for a trademark. Before converting an application into a registration, the USPTO (which reviews, grants, and manages U.S. federal trademarks) demands to see hard evidence that the name is actually used as a trademark. It’s looking for the name on packaging, labels or tags affixed to the product, the containers, point-of-purchase displays associated with the goods or their containers, or documents associated with the goods or their sale (if the nature of the goods makes the preceding types of placements impracticable). Also, the mark must stand out from the other parts of the label or packaging, creating a separate and distinct impression. In short, the USPTO wants proof of use directly on the product. For products, ads don’t count, press releases don’t count, and business collateral doesn’t count.

The exception to this rule applies to services such as consulting, transportation, and education—where the mark is being used as a service mark. Heidi Sachs, partner and cochair of the trademark and intellectual property group at international law firm Perkins Coie, says: “When the company’s

offering is human output, there is no physical product to carry the name. In this case, the USPTO will accept examples of the name appearing on advertising, brochures, Web sites, and similar marketing materials, [as] long as those materials actually describe the service. Blank stationery or business cards that only contain the trademark, without any description of services, will never suffice.”

### Registration Benefits

Trademarks provide two major benefits to the marketplace. For customers and consumers, they are a way to avoid brand confusion among competing offers. For the business that owns the trademark, they prevent competitors from taking commercial advantage of the brand value the owner has generated—by creatively naming/distinguishing its goods and services in the marketplace.

Another advantage of a trademark registration is that it can provide its holder with the right to use the name all across the country; this is crucial if it actively does business in multiple states. Once the name has been used exclusively and continuously for five years, the business may establish an incontestable right to use it. This cannot be challenged, except in narrow circumstances. (People who want to challenge that mark are limited to certain defenses specified in The Lanham Act; no other defenses are available to them.)

Note that having interstate aspirations isn’t enough to satisfy requirements for a federal trademark. Although a state-registered trademark may be applied for and received, based on intrastate use, registered federal trademarks are available only to firms that engage in interstate or international commerce with respect to the product or service in question.

A key aspect of trademark law, which adds to the tangle, is the common law. This gives the user of a preexisting name (one that isn’t a registered federal trademark) the inherent right to use it in the geographical area where the user has a proven history of using it. In other words: Even if you get a federal trademark for a particular name, you likely won’t be able to use it in a specific area where another firm or person has established a preexisting common law right to use that name. One highly cited example of common law right is fast-food chain Burger King (BK) against Gene and Betty Hoots, proprietors of a burger restaurant also named Burger King.

In the federal court case, *Burger King of Florida Inc. and Burger King Restaurants Inc. v. Gene Hoots and Betty Hoots, d/b/a*

*Burger King*, BK sued the Hoots because they were operating their own Burger King in Mattoon, Ill. It claimed this was an infringement of its federal registration for the mark Burger King. However, the U.S. Court of Appeals for the 7th Circuit ruled in favor of the Hoots; they actually used the name in Mattoon prior to BK's federal registration for it. Common law protects the Hoots' use of Burger King, but only within a 20-mile radius of their restaurant—the decided geographic trading area. The rest of Illinois, though, is a protected trading area for BK thanks to its federal registration.

Yet a federal registration does give the business a presumption of national right to the name. This essentially freezes (from the filing date of a trademark application) any other preexisting name—protected by common law, or a state registration, in a particular trading area—from exporting or expanding the use of that name beyond the area where the business enjoys common law or state trademark protection. In addition, the federal registration denies any common law or

A TRADEMARK registration is the first step in protecting the distinctiveness of not only your name, but also your brand.

state trademark protection for similar names that begin use after filing of the federal registration application.

Karrin Klotz, lecturer at the University of Washington Business School in Seattle, indicates additional benefits of obtaining a federal registration. "Goods produced abroad, bearing infringing marks, can be blocked by U.S. Customs if they have been registered by a U.S. citizen. And enhanced remedies are available to owners of registered marks, against counterfeiters of their marks. Also, registering a trademark greatly simplifies the process of clearing title, and auditing, in the event of the sale of a product line or a company itself. Finally, registration provides a clear warning to others of your ownership of the mark—[because] they will find it when they do a trademark search—and no one else will be able to register that same mark.

"And your registered mark can last indefinitely—as long as you continue to use it, pursue infringers, use it properly, carry out appropriate licensing procedures when you allow others to license it from you, file an affidavit of use with the [US]PTO during the sixth year of registration and every tenth year of registration, and renew it with the [US]PTO every 10 years."

A trademark registration is the first step in protecting the distinctiveness of not only your name, but also your brand. And all of that makes it compelling to the marketplace.



## Trademark Symbols

The symbols <sup>TM</sup> and <sup>SM</sup> are notations for trademark and service mark, respectively. Contrary to popular opinion, anyone can adopt these symbols. Placing one of them by your name communicates to the marketplace your clear intent to use the marked name as a trademark, by establishing your common law and/or registered trademark rights to the name. The other common symbol, ®, may be used only on trademarks that have been granted a federal registration. (Alternately, one can use the phrase "Registered U.S. Patent and Trademark Office" or the abbreviation "Reg. U.S. Pat. and TM. Off.") Although using this form of notice isn't mandatory, one must do so to get damages from an infringer under some circumstances.

## Trademark Types

Trademarks are registrable not only as single words, but also as word strings, symbols, designs, colors, letters, sound signatures, and number combinations. Word strings are most easily thought of as tag lines or slogans, as in "just do it," "quality is job one," and "the toughest job you'll ever love." The most common type of trademark symbol is a logo. Famous logos that are registered trademarks include Apple Computer's apple, the

Playboy bunny, the Olympic rings, and the Chevrolet bow tie. Under some circumstances, colors and designs can become trademarks as well. Examples of colors that have received trademark registrations: Owens Corning's pink fiber glass insulation and Qualitex's green-gold press pads.

Where courts have determined that a design is essentially trade dress, it has been protectable as being inherently distinctive—such as restaurant décor (*Two Pesos Inc. v. Taco Cabana Inc.*) or unique graphics, colors, or shapes of goods and packaging (e.g., the Coca-Cola bottle). Trade dress is the total image and overall appearance of a product or business, and may include features such as size, shape, color/color combinations, texture, graphics, and even particular sales techniques.

Colors and product designs that aren't trade dress (e.g., the appliqué on a child's clothing) are protectable only when their owner can establish that a secondary meaning has attached to its product. Secondary meaning is demonstrated with proof that in the minds of the public, the product feature immediately identifies the source of the product (i.e., the company that produced it) rather than the product itself.

Letters that have received a trademark registration include IBM, GE (General Electric), and AT&T. An example of a sound signature trademark is NBC's "bing, bing, bing."

It's worth noting what isn't registrable. A business cannot get a registered trademark for material that is deemed immoral, deceptive, scandalous, or disparaging. And one cannot register a national insignia: the country's "stars and stripes," currency, and so forth. Names that are primarily surnames are also off the list, unless you can prove secondary meaning. For instance, Douglas isn't only a common surname,

but also a type of tree. Lastly, geographically misdescriptive names—as in Napa Sunshine wine, which is crafted in the hills of Nebraska—aren't acceptable.

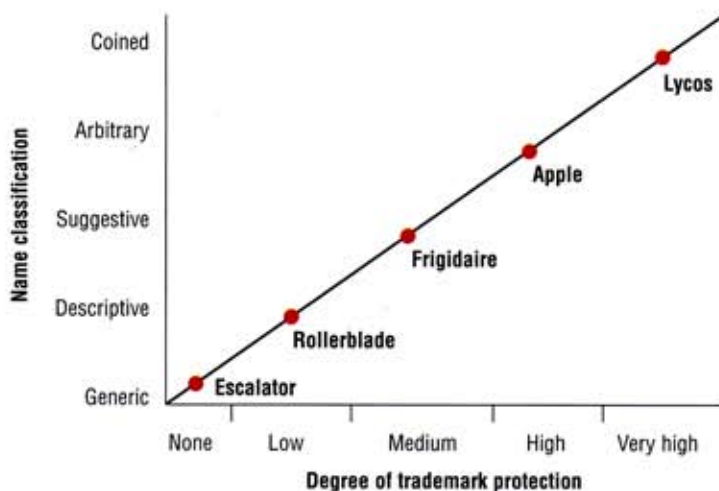
## Journey Vs. Destination

A common misconception is that once a trademark has been approved, legal protection is guaranteed indefinitely. The fact is that anyone who believes a trademark was granted by the USPTO in error—or that the owner has abandoned its rights—can challenge that trademark.

Trademark case law lays out the standard factors for determining trademark infringement:

- What is the degree of the mark's strength? (See the following "Trademark Inequality" section.)
- Consider the proximity of the trademarks. Will the customer or consumer encounter them side by side, on the same shelf, or in the same store?
- How visually similar are the trademarks?
- Is there evidence that the marks have caused confusion in the marketplace?
- Are the marketing channels exactly the same?
- To what degree does the purchase rely on trademark recognition? Is the purchase a quick, frequent one that is more likely to rely on the recognition of a brand name? Or is the purchase one that will cause customers to take great care in selecting the product or service, thereby making the trademark less crucial in representing the offer?
- Assess the likelihood of product line expansion. Is it a reasonable possibility that the trademark will be taken into another business category, which will create further competition and confusion?

Exhibit 1 Types of names



Challenges to trademark registrations may be made during the last step in the registration process. This is a 30-day comment period, which gives opponents an opportunity to challenge the registration before it is granted. These challenges are brought before the Trademark Trial and Appeal Board (an adjunct to the USPTO). Its decisions can be appealed to the federal courts.

Challenges can also be initiated in U.S. District Courts. Appeals to the decisions of these courts can be made in the Court of Appeals and ultimately the U.S. Supreme Court. One major difference between the Trademark Trial and Appeal Board and the federal courts is that the latter has more muscle. Specifically, it not only can cancel a federal registration, but also can stop the owner from using the trademark altogether.

A current challenge pits Microsoft and its application for federal trademark protection (for Microsoft Forefront, its new corporate security software) against software maker Dexter + Chaney. The latter alleges infringement of its federal trademark Forefront, a construction-related software application that has been actively marketed for more than 18 years. Microsoft argues that the modifier Microsoft, attached to the Forefront name, will dispel any confusion the marketplace could have about the two software products. This is arguable and will be decided by the courts.

Given the marketing might that Microsoft usually puts behind its products, it's reasonable to speculate that what worries Dexter + Chaney most is having the Forefront name become inextricably linked to the Microsoft brand offering. That would create a future in which it would have to constantly explain to the marketplace: "No, this software has nothing to do with Microsoft's security software. This product is construction software." As of September 2006, Dexter + Chaney's motion for a preliminary injunction was pending in the District Court in Seattle.

## Trademark Inequality

"[Although] it's true that a trademark provides valuable protection for your name, there are different categories of trademark strength that coincide with different types of names—reflecting a mark's protectability and registrability," says Klotz. She cites six types of marks, which are generally classified in categories of increasing distinctiveness: generic, descriptive, suggestive, arbitrary, fanciful, and famous.

A generic mark isn't protectable or registrable at all. Descriptive and suggestive marks are protectable and registrable only upon a showing of secondary meaning. Only famous, fanciful, and arbitrary marks are deemed inherently distinctive.

**Famous names.** This is the rarest class. Examples include Coca-Cola, Disney, Kodak, and Hallmark. In 1996, Congress enacted the Federal Trademark Dilution Act (FTDA). Its purpose was to protect

famous trademarks from being diluted by marketers attempting to use similar names—which people would associate with the well-recognized brand name—on unrelated products or services. Consequently, this protects against the use of Coca-Cola on tennis racquets or Kodak on chewing gum. Consumers aren't likely to be confused by this, because the products and their marketing channels are different. But the net effect of too many unrelated products bearing the same name might be a blurring or tarnishing of the famous trademark's distinctiveness and reputation. This is especially true if the unrelated products are inferior or unsavory.

A claim of dilution can also be based on marks that aren't exactly the same as the famous mark, but close enough to suggest it. For instance: In 1998, Victor and Cathy Moseley opened a small, adult-themed Kentucky store named Victor's Secret. The well-known brand name Victoria's Secret issued a cease and desist letter to the Moseleys, causing them to amend the name to Victor's Little Secret. Not satisfied, Victoria's Secret filed suit—arguing that the use of Victor's Little Secret in connection with the sale of “adult novelties and gifts” was “likely to blur and erode the distinctiveness” and “tarnish the reputation” of its mark.

Although the District Court and Court of Appeals agreed with Victoria's Secret, the U.S. Supreme Court reversed the

lower courts' rulings. It held that to maintain an action for dilution under the FTDA, the owner of a famous mark must establish—by appropriate evidence—that the junior user (Victor's Little Secret) lessens the capacity of the senior user's (Victoria's Secret) mark to identify and distinguish the goods or services sold by the latter. In sum, even a famous trademark has its protection limits.

**Fanciful names.** These names (also referred to as “coined”) are words you won't find in the dictionary; they're made up, having no inherent meaning whatsoever. These are generally of two types: two recognized words combined into a name that is decidedly unique (e.g., Bluetooth, Genworth, Ameriprise), and those having no easily recognizable word parts (e.g., Exxon, Fritos). By their very construct, fanciful names are distinctive—and so can enjoy a great degree of legal protection from trademark infringement.

**Arbitrary names.** These names are real words, attached to products that have very little or no connection to what you might think the business is about. Names such as Virgin, Monster, Orange, Yahoo, and Apple are considered arbitrary names. Like fanciful names, they can expect to enjoy immediate trademark protection. Again, the reasoning is that these names are so distinctive to their categories of business (and don't place an undue burden on competitors by preventing

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their use of the names) that they deserve the utmost protection.

**Suggestive names.** These names are terms that require imagination, thought, and perception to reach a conclusion as to the nature of the goods, and they are chosen for that very reason. Examples include QuadraTred tires, QuickSkip commercial editing, and Coinstar coin machines. Such names appeal to businesses because they suggest to consumers a product- or service-specific benefit. The downside is that they might provide a lesser degree of trademark protection to their owners, compared with fanciful and arbitrary names; debates can occur over whether such terms are possibly descriptive.

One hallmark illustration of how slippery suggestive names can be is the federal court case *AMF Incorporated v. Sleekcraft Boats*. AMF owned the trademark Slickcraft, which it used to market recreational boats for family enjoyment. It discovered that another boat maker, Nescher, was marketing racing boats under a very similar name: Sleekcraft. Although both were boat makers, the market segmentation was sufficiently different for the court to find it a persuasive and strong factor. Its final decision was that Sleekcraft wasn't infringing on AMF's trademark of Slickcraft. The lesson to remember: Although suggestive names are alluring, the court might not be favorable to prohibiting the marketing of similar brand names in your business category.

**Descriptive names.** These names (e.g., *The Wall Street Journal*, *Lean Cuisine*, *Quick-Print*, *HotJobs*) afford little protection to the user, because unlike suggestive names they aren't considered inherently distinctive. Absent a showing that the mark has acquired secondary meaning, descriptive names cannot be registered on the Principal Register of the USPTO; they can be registered only on the Supplemental Register.

When descriptive names have been on the Supplemental Register for five years, the USPTO usually considers them to have established secondary meaning—provided their use has been exclusive. This means it will recognize that their owners have—over time and with consistent use—created awareness in the word or word string as a brand name, which merits some degree of legal protection. This has been the case with *Holiday Inn* and *Rollerblade*.

However, legal protection is never the same from one case to the next, and no two names will ever have the identical degree of protection. Moreover, a name's strength is never really gauged until the name is challenged, and a court assesses the trademark's strength. Even in that circumstance, the court's pronouncement is relevant only within the time frame and context of the dispute.

**Generic names.** Consider the names *Aspirin*, *Cellophane*, *Escalator*, and *Walkman*. Austria's Supreme Court has ruled that *Walkman* is now a generic term, and the common trade name for portable cassette players. As a consequence, Sony loses its right to exclusive use of it. These names started out comfortably as fanciful ones, but over time became synonymous with the category name.

Other big brand names are fighting hard to maintain their trademark statuses and defend against a generic overthrow: *Jello*, *Rollerblade*, *Xerox*, and *Kleenex*. Sachs cautions trademark owners to "never use your trademark as a verb, such as 'let's go rollerblading' or 'please xerox this document.' [And never] use the trademark as a noun, such as: 'Why not buy someone you love rollerblades for Christmas?' Such practices result in trademark death." Using a registered trademark as a verb or noun helps establish it not as the brand name but as the category name—the opposite of what you want. The golden rule: Use a trademark only as an adjective for the category noun, as in "Rollerblade inline skates" and "Xerox copy machines."

## International Trademark Rights

The great news is that international intellectual property law has come a long way in founding consistency in rights and protections afforded trademark holders, in most of the major commercial markets around the world. Thanks primarily to important trademark agreements, trademark holders can expect some consistency in treatment among the most commercially important countries. These agreements include:

- the Paris Convention, which allows for a six-month grace period for filing in member countries;
- the Agreement on Trade-Related Aspects of Intellectual Property Rights, which outlines definitions of trademarks, infringements, restrictions, registrations, and cancellations;
- and the Madrid Agreement and Madrid Protocol, the World Intellectual Property Organization's successful effort in enabling the filing of just one international trademark application.

Having said that, there are many rules for and stipulations to these agreements—none more important than how the agreements apply only to those nations that are signatories to each agreement. This is another example of how complicated and nuanced trademark law is, and why an attorney specializing in trademark matters is so integral to any successful naming process. ■

**Author's Note:** I thank the trademark attorneys *Karrin Klotz*, *Anne Glazer*, and *Heidi Sachs* for graciously giving their time to be interviewed for this article, and providing their comments in review of it.

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