

Trademarks:
What a®e they and how are they used?™

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§ 1 Trademarks: What a®e they and how are they used?™

1.1 Introduction

A trademark is any logo, symbol, phrase, or word (or a combination) that identifies the source of goods or services. This allows a business to distinguish itself and its products in the marketplace from its competitors as well as protecting the public from “consumer confusion” as to the source of those goods or services.

For example, take the famous “golden arches” for the restaurant chain, McDonald’s. As you drive down the highway on your long road trip, screaming kids in the back seat, your stomach starts to growl; all you really want is some fast food. You’re in a place you don’t know, possibly in the middle of nowhere, then you see the “M” at the next exit. You know what you are likely in for: relatively clean bathrooms and food quality you expect in a place you are not familiar with. That is the power of trademarks, and that is what companies spend a lot of money on to protect.¹

Trademarks can also protect other aspects of goods including its color or packaging. For example, Coca-Cola comes in a distinctive curved bottle. These features are referred to as a “trade dress”.

Trademarks serve to protect business and consumers. By making goods easy to identify, companies may be more inclined to increase the quality of the goods or services in order to create public goodwill for their brand. If a person wore shoes with the Nike “swoosh” and they fell apart after only a few uses, that customer may know to avoid shoes with a “swoosh” on them in the future.

1.2 What Law Governs Trademarks?

Trademarks are governed by both state and federal statutory and common law. Trademarks are federally controlled by the Lanham Act². For purposes of this introductory document, the focus will be on federal law and the Lanham Act as it provides the most extensive protection to consumers and business owners.

Congress has delegated control over the registration and maintenance of federally registered trademarks to the United States Patent and Trademark Office (“USPTO”).

1.3 How Does a Mark Serve as a Trademark?

A mark *must* be distinctive. A mark is “distinctive” if it is capable of identifying the *source* of a particular good or service. Federal courts categorize distinctiveness based upon the relationship of the product/service and the mark itself. The four categories of distinctiveness are: 1) arbitrary/fanciful, 2) suggestive, 3) descriptive, and 4) generic.

¹Interestingly enough, McDonald’s is not in the top 10 values for trademarks, according to Forbes Magazine (<http://goo.gl/22cp2z>). That honor belongs to Google, Inc.’s plain-word trademark for “Google”, which was valued in 2011 at \$44.3 billion!

² Enacted July 6, 1946, codified at 15 U.S.C. §1051 et seq.

The strongest mark is one that fits the first category; one that is arbitrary or fanciful; these are also sometimes referred to as “coined terms”. These marks have nothing to do with the underlying good or service. For example, Apple’s trademark logo has nothing to do with computers. Other classic examples of “arbitrary” trademarks are “Blackberry” (cell phones), “Camel” (cigarettes), and “Exxon” (petroleum products and services).

“Suggestive” marks is the next category of distinctiveness. These are marks that suggest a characteristic of the good or service. Examples of suggestive marks are “Coppertone” (sun lotion), “Blu-Ray” (video discs), “Greyhound” (bus services), and “Q-Tips” (person hygiene products).

Everything that fits the above categories are considered “inherently distinctive” and are rewarded with a lot of protection. The next category of distinctiveness is called “descriptive” marks. These are types of marks that describe the underlying good or service. These types of marks generally do not receive protection unless they acquire distinctiveness through a secondary meaning. Examples of registered marks that are descriptive, but have achieved distinctiveness are “World Book” (encyclopedias), “Lasergage” (tool), and “Fast Baud” (computer modems). Surnames are also traditionally treated in this category: “Hyatt Hotels” and “McDonald’s” (however both of these marks have achieved secondary meaning).

“Secondary meaning” means that the mark has become so distinctive that in the mind of consumers, the descriptive mark has separated itself from others in the class. The 5th Circuit has determined the following test to determine if a mark has achieved secondary meaning: 1) the amount and manner of advertising, 2) the amount of sales, 3) the length and manner of the term’s use, and 4) the results of consumer surveys.³

The final category of marks are those that are deemed “generic” and are not considered trademarks. Even if a mark achieves secondary meaning, it cannot become a trademark. This is to discourage companies from trying to trademark a word that generically identifies a product or service. An example of a generic term that likely cannot be registered is the mark “stapler” for office products.

There are examples of otherwise valid trademarks deemed to have become “generic”. Classic examples of this happening are “Aspirin”, and “Cellophane”. Another (potential) example is “Xerox”; however, Xerox has spent a lot of money to convince consumers that “Xerox” is a brand of photocopiers; likewise, “Kleenex” brand tissues.

1.4 What Can Be Protected as a Trademark?

1.4.1 Trademarks, Trade Names, and Service Marks

The classifications of marks that are registered (or unregistered) are either “trademarks”, “trade names” or “service marks”. Marks that serve to identify goods are referred to as “trademarks”.

Trademarks are letters and words, logos, pictures, slogans, colors, product shapes, sounds,

³ *Zatarain’s, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir. 1983).

or a combination of these. Service marks are the same thing as trademarks but are for services rather than goods.

Trade names are the names for businesses that a business has either registered with a state's secretary of state or as they are commonly known to the public (an individual or company's "doing business as" registration). This provides certain protections against other companies using your trade name as their own.

1.4.2 Certification and Collective Marks

There are types of trademarks that act as assurances to consumers and other companies as to the origin of a good or service. "Certification" marks are those marks that act to assure the public that an agreement or contract exists between a mark holder and a nationally accredited testing and certification organization. These types of marks may be used by any company whose goods or services comply with certain standards. The classic example of a certification mark is the Underwriters Laboratories ("UL") certification on goods.

Traditionally, trademarks serve to advertise the origin of a good or service. On the other hand, "collective" marks allow a variety of companies to utilize the same mark in advertising their goods and services. Collective marks are only usable by companies in the membership to use them (as opposed to certification marks that are usable by any company).

1.4.3 Trade Dress

A trade dress is a way to protect the characteristics or the visual appearance of a product or its packaging. Essentially, it is a design that creates a visual impression which functions like a trademark. Trade dresses serve to protect consumers from products designed or packaged in a way to imitate another. Examples of trade dresses are the design and layout of a magazine cover, the decor of a Mexican restaurant, and the color and shape of pill capsules. Trade dresses cannot be *de jure* functional, which means that the design of a product cannot be in such a way that competitors must use it in order to compete effectively. An example of this is a stapler: Swingline cannot receive a registered trade dress for their line of staplers for their "V" shape: that is *de jure* functional. If the USPTO were to grant a trade dress, it would essentially shut out competition for "V" shaped staplers.

1.4.4 Colors, Smells, and Sounds

Colors can also function as a trademark. For example, the green and gold colors of a sponge and the pink color of fiberglass insulation can function as a trademark. In order for colors to act as a trademark, a secondary meaning must be established.⁴

Likewise, the fragrance of a product may serve as a trademark, however this is very rare. In fact, there are less than 10 current olfactory registrations with the USPTO. A scent must have a consistent, commonplace, unadulterated scent intelligible to the majority of the public in a straightforward and written description. Primarily, these are scents added to distinguish goods (e.g. grape scent for industrial lubricants).

⁴*Qualitex Co. v. Jacobson Products Co.*, 115 S.Ct. 1300 (1995).

Sounds can also serve as a trademark. An example of sound as a trademark is NBC's tri-tone.

1.5 Establishment of Trademark Rights

1.5.1 Priority

If a mark otherwise qualifies for trademark protection, rights to a trademark may be acquired by 1) being the first to use the mark "in commerce", or 2) being the first to register the mark with the USPTO. "Use in commerce" means that a good or service is currently available to the public.

By being the first to use a mark in commerce, a company or individual automatically receives common-law rights to that mark whether or not the mark is actually registered. However, if the mark is not registered, the protection is only for a limited geographic area.

The other method to obtain rights is to be the first to register it with the USPTO. This gives the trademark registration certificate holder the right to use a name nationwide.

1.5.2 Trademark Registration

Registration is not required for common-law trademark rights, however, registration confers very strong rights and tools for a business owner. As stated, registration allows the protection of a trademark nationwide by giving constructive notice to other potential users of said mark. Registration also enables a party to file a lawsuit in federal court, wherein the plaintiff may be entitled to remedies such as injunctive relief, damages, and attorneys' fees.

An application for registration is subject to approval by the USPTO, which may reject the application for registration on a number of grounds: generic marks, descriptive marks that have not achieved secondary meaning, immoral or scandalous marks, geographic marks, surname marks, and marks that may cause confusion in the minds of consumers.

1.5.3 Trademark Classes

Trademarks are organized into "classes". A class is a division of the marketplace into easily identifiable sects. During the application process, a class must be selected. A person only acquires trademark rights in the class they select. Multiple classes may be selected (for a fee) during the application process. Goods are divided into Classes 1-34. Services are divided into Classes 35-45. An example of a class is: "Class 42: Computer & Software Services and Scientific Services."

Think about Delta. What is the first thing that comes to mind? For most people, it is probably the airline company, but how then, can "Delta" be used as a trade name for faucets or steel? This is due to trademarks being organized in "classes". The more classes a mark is registered in, the broader its protection.

1.5.4 §1(a) vs §1(b) Applications: Current Use or Future Use?

If a mark is in use in commerce at the time of registration, the application will be called a §1(a) application and no further documentation other than the initial application will most likely be necessary. However, if a mark is not in use in commerce, but an applicant wishes to acquire trademark rights, the application can be filed as a §1(b) application, which means that after the registration review process by the USPTO, an application will not become registered until the mark is in use in commerce. This requires an additional filing subsequent to the application (and an additional fee). Flowcharts illustrating the general process for each application are included in §1.8, *infra*.

1.5.5 Incontestable - What Every Registered Trademark Strives To Be

After five (5) years of consistent use, a trademark registration may achieve “incontestable” status if an application for same is approved by the USPTO. This lowers the burden of proof in a federal lawsuit as the registrant’s exclusive right to use the mark is conclusively established.

1.6 Infringement

1.6.1 Likelihood of Consumer Confusion

If a trademark is registered and a subsequent party uses a mark that is the same or similar enough as to confuse the public as to the source of the goods or services, a lawsuit may be brought in federal court. The standard test that the district court uses is “likelihood of consumer confusion”. Common factors for this test include 1) the strength of the mark; 2) the proximity of the goods or services; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the similarity of marketing channels used; 6) the degree of caution exercised by the typical purchaser; and 7) the defendant’s intent.⁵

1.6.2 Dilution

In addition to bringing a lawsuit for trademark infringement, trademark owners may bring an action for “dilution”. Dilution is a claim that any use of another mark dilutes the distinctiveness of the Plaintiff’s mark. Likelihood of confusion is not considered in a claim for dilution. An example of dilution would be “Xerox” brand cigarettes. Xerox may have a claim of dilution based on their mark for photocopies being tarnished by being associated with cigarettes.

A dilution claim may only be brought if the mark is very well known, or “famous”. In determining if a mark is “famous” courts apply the following factors: 1) the degree of inherent or acquired distinctiveness; 2) the duration and extent of use; 3) the amount of advertising and publicity; 4) the geographic extent of the market; 5) the channels of trade; 6) the degree of recognition in trading areas; 7) any use of similar marks by third parties; 8) whether the mark is registered.⁶ Toys “R” Us often uses dilution cases to its advantage.⁷

⁵ *Polaroid Corp. v. Polarad Elect. Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961).

⁶ 15 U.S.C. §1125(c)

⁷ *Toys “R” Us v. Akkaoui*, 40 U.S.P.Q.2d (BNA) 1836 (N.D. Cal. 1996)

1.7 Defenses to Trademark Infringement or Dilution

1.7.1 Abandonment

If the registrant has abandoned its trademark, even if the mark is currently registered, its federal lawsuit in enforce their trademark rights may be disallowed based on its abandonment of the trademark. A trademark is only a mark if it is used continuously. Only short periods of non-use are excused. Defendant must show that Plaintiff intentionally abandoned their trademark for three or more years.⁸ An action may be brought up in a petition to the Trademark Trial and Appeal Board (“TTAB”) to cancel a mark. TTAB functions as an appeal board for trademark registration issues: i.e. to cancel a registration or to oppose a potential registration.

1.7.2 Fair Use, Nominative Use, and Parody

Defendants in trademark infringement or dilution lawsuits may assert the affirmative defenses of fair use, nominative use, and parody. Fair use occurs when a mark is used in good faith for the primary meaning, rather than its secondary meaning, and no consumer confusion is likely to result.

Nominative use is similar to fair use, but differs in that nominative use occurs when use of a mark is necessary to identify Defendant’s use of the mark. For example, if a newspaper publishes a poll to determine someone’s favorite professional football team, and uses trademarks as options to chose from such as “Dallas Cowboys”, “Houston Texans”, etc., that newspaper’s use would be likely considered nominative as the group would not be readily identifiable without using the marks, the use of the marks was limited as to reasonably identify it, and there was no suggestion of endorsement by the trademark owners.

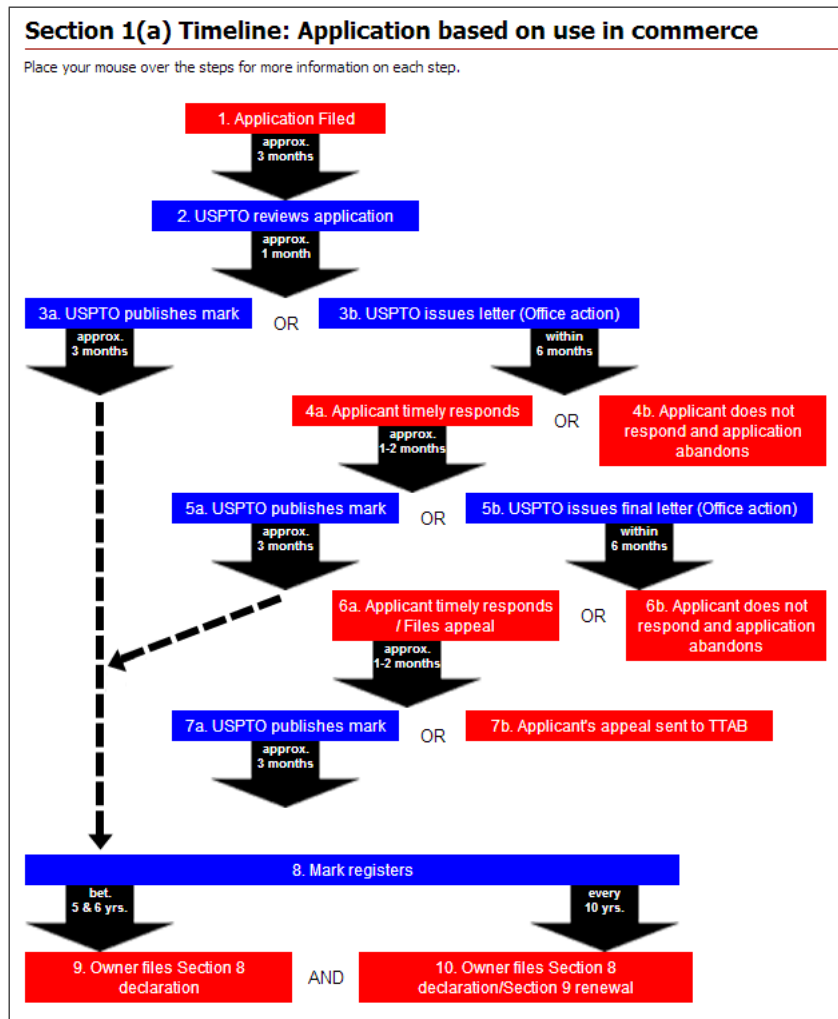
Finally, parodies of trademarks may be permissible if they are not directly tied to commercial use. This is a basic first amendment principle. The reason for allowing this type of defense is to encourage public discourse and artistic and editorial uses.

1.8 Conclusion

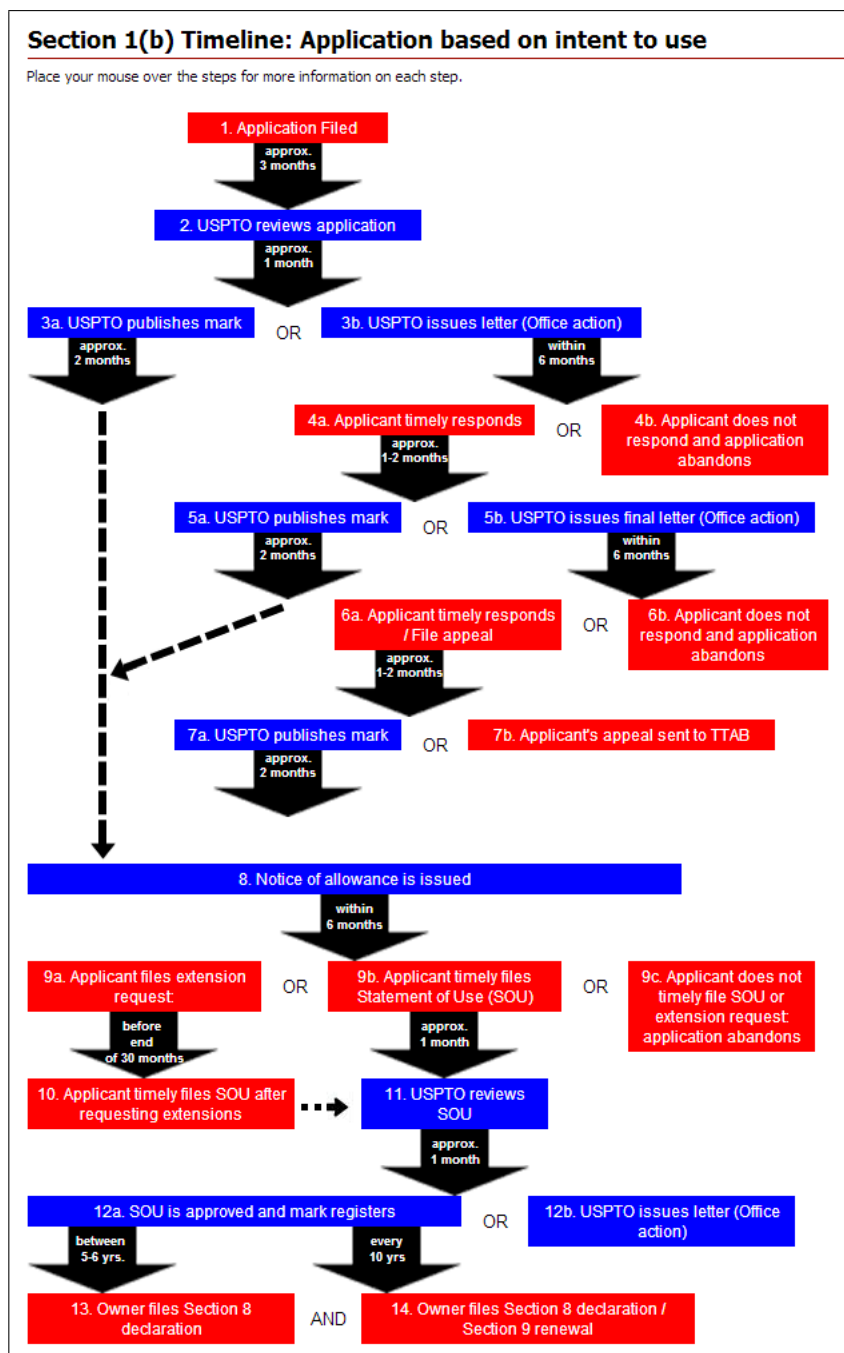
As discussed, trademarks serve as an important asset for a business to acquire and maintain. They act to protect the reputation of a business or individual in the marketplace, as well as to protect consumers by allowing them to identify the source of goods or services. With proper maintenance, prosecution, and defense, trademarks will provide the owner and consumer with years of protection both at the federal and state level.

⁸15 U.S.C. §1127

1.9 Trademark Procedure Flowcharts



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