

Intellectual Property Newsletter

- Business Guide Edition-

March 2002

DISTINGUISHING YOUR BUSINESS AND PRODUCTS THROUGH TRADEMARKS

By: Gregory A Triber¹

1. INTRODUCTION

(a) Brand Loyalty Through Trademark Use

Running a successful business generally requires giving your customers ways to distinguish the names of your business and products from those of your competitors. Consumers use brand names to identify the source of a business' goods and services. After long and consistent use of a brand name or logo with high-quality goods and services, consumers will purchase those products based on brand recognition alone.



When developing a brand name or logo, one should consider protecting the right to use the brand under trademark law. Brands that qualify for trademark protection are provided with several benefits, the most important of which is to give the

trademark owner the right to exclude all others – particularly the competition – from using identical or confusingly similar brands.

(b) Trademarks for Goods and Services

Most people are familiar seeing the ™ or ® symbols displayed with the brand of tangible goods. The service sector is the most rapidly expanding consumer market in the world, yet many service providers have not discovered the benefits of adopting, using, and registering “service marks.” Service providers should understand that trademark benefits also apply to those who offer services. A business' service marks uniquely identify and distinguish the quality and professionalism of the services they provide from those of their competitors.

SAN FRANCISCO
Embarcadero Center West
275 Battery Street
Suite 2000
San Francisco, CA 94111
Telephone: (415) 986-5900
Fax: (415) 986-8054

SAN DIEGO
101 West Broadway
Suite 1600
San Diego, CA 92101
Telephone: (619) 696-6700
Fax: (619) 696-7124

LOS ANGELES
One California Plaza
300 South Grand Avenue
Suite 2075
Los Angeles, CA 90071
Telephone: (213) 576-5000
Fax: (213) 680-4470

EDITORS

Gordon I. Endow
gendow@gordonrees.com

Marc E. Hankin
mhankin@gordonrees.com

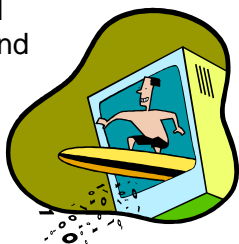
Richard P. Sybert
rsybert@gordonrees.com

Gregory A. Triber
gtriber@gordonrees.com

¹ Gregory A. Triber is an Associate at the San Francisco office of Gordon & Rees, LLP. Mr. Triber specializes in international trademark prosecution and protection, intellectual property, and corporate matters. For questions or comments, Mr. Triber can be reached at (415) 986-5900, or gtriber@gordonrees.com.

(c) Modern Trade: the Internet

The Internet is an important and growing source of information and conduit for sales around the world. Most products, both goods and services, can be found for sale on the Internet.



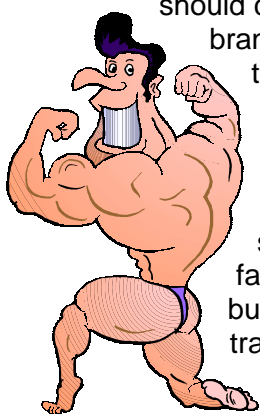
Worldwide access to the Internet allows millions of potential and existing customers to find, review, compare, discuss, and purchase products. Merely having a web site, including the business name, a product for sale, and a method to contact the business, usually means that the business is using trademarks to identify products to consumers around the world. This new media underscores the importance of trademarks for modern businesses.

The purpose of this article is to assist the business owner to choose strong trademarks and to provide a basic understanding of how to achieve trademark protection. By protecting their investment in branded products through trademark registration, business owners improve the quality of their marketing and advertising efforts, prevent others from using similar trademarks in competition, and create brand loyalty among customers.

2. WHAT MAKES A STRONG TRADEMARK?

A business wishing to develop a product brand should consider first whether the brand qualifies as a legal trademark and, if so, how strong is the mark. Generic and descriptive marks cannot receive trademark protection. On the other end of the spectrum, arbitrary and fanciful marks not only qualify, but are the strongest types of trademarks.

Stronger trademarks receive greater protection in terms of the ability to preclude competitors (or sometimes even non-competitors) from using similar marks. In other words, the stronger the mark, the more dissimilar another mark must be in order not to infringe or dilute the protected mark. With a stronger mark, then, it is easier for the consumer to associate the mark with the name and products of your business.



(a) Generic and Descriptive Marks

A generic term simply identifies the product it is associated with. An example of a generic brand name would be to use APPLE to identify apple fruit products. The word "apple" should be available for use by all in order to identify the fruit or products made with the fruit. Thus, generic terms are not granted any trademark protection.

Descriptive terms create an immediate association between the content of the mark and the product it identifies in the minds of consumers. The association between a descriptive term and the product it identifies is so obvious that others ordinarily should be permitted to use the term to identify their products. Like generic terms, descriptive terms cannot initially benefit from trademark law protection.

(b) Suggestive Trademarks

Suggestive marks, on the other hand, require the consumer to use his or her imagination in order to create an association between the trademark and the associated product. While suggestive trademarks may suggest a quality or feature of the product related to the mark, the suggestion is not one that is so obvious that the mark is merely descriptive of the product. Thus, suggestive trademarks may be granted trademark protection.



The demarcation between what is a protected suggestive trademark and an unprotected descriptive term is often encountered by new businesses that wish for their trademark to at least partially identify the product the mark is associated with. The desire to adopt a brand name that identifies the associated product must be balanced against the need to create a strong trademark that the trademark owner can use to the exclusion of its competitors. The difference between "suggestive" and "descriptive" for a particular trademark is primarily relevant when the trademark is the subject of a federal trademark application.

A common mistake is to choose a brand name that too closely identifies the associated product. An example of a descriptive term might be GOLDEN GOURMET used with restaurant

services. A consumer would immediately associate GOLDEN GOURMET with food or food related services. Terms like “great” or “golden” are laudatory, and do not add to the strength of the mark. The word “gourmet” clearly references eating or enjoying food. Thus, GOLDEN GOURMET would likely be refused federal registration based on its descriptive nature.

A suggestive trademark requires the consumer to use his or her imagination to identify the associated product. An example of a suggestive mark is GOLDEN WOK associated with restaurant services. GOLDEN WOK may be suggestive of a restaurant because of its association with a cooking utensil, but it does not create an immediate association with restaurant services. Thus, GOLDEN WOK was likely considered at least a suggestive trademark and was federally registered in 1981 (Registration No. 1,159,548).

(c) Fanciful and Arbitrary Marks

The strongest trademarks are those that are unique, fanciful or arbitrary, rather than merely descriptive or suggestive of the associated product. The strongest trademarks contain no commonly understood or recognizable word or picture elements, and have no meaning beyond the products with which they are associated. These are called fanciful marks. Fanciful trademarks are only limited by one’s imagination, for example, EXXON, KODAK, and CISCO.



The next strongest trademarks are arbitrary marks. Arbitrary trademarks consist of one or more common words or images that are used in such an arbitrary manner that there is no association between the trademark and the product it identifies. For example, APPLE (a real word, but arbitrarily used when associated with personal computer goods) may only be used by Apple Computer, Inc. as a trademark to identify certain computer hardware and software products.

Fanciful and arbitrary trademarks are strong trademark choices for marketing and advertising

purposes. Because of their uniqueness, fanciful and arbitrary trademarks are easily distinguished from other brand names and identifying slogans found in the marketplace. Fanciful and arbitrary marks are given the maximum protection under the law and thus make the best trademarks.

Ultimately the business owner must decide what is more important: an immediately identifiable association between the product and the brand name, or a unique trademark that is afforded the maximum protection under the law. For purposes of legal protection, federal registration, and the ability to enforce the trademark, an entirely fanciful or arbitrary mark is highly recommended. The next best choice is a mark that may suggest the product, but requires substantial imagination in order to associate the trademark and the product. Descriptive and generic terms should be avoided as brand name choices, since they afford the owner little to no trademark protection.

3. THE IMPORTANCE OF REGISTERED TRADEMARKS

(a) Why Register?

Registration on a state or federal register is not required to give your brand name trademark protection. Common law trademark rights inure as soon as a brand name is used as a trademark with an associated product and the branded product is made available to the consuming public. However, unregistered common law trademark protection is limited to the scope of actual use, namely, the geographic area in which the product is marketed and only for the specific product sold. In addition, common law trademarks provide little or no notice to others of the trademark



owner’s claim to common law trademark rights. Since a common law trademark is not recorded in a trademark register, the common law trademark owner will expend great time, effort, and money notifying others of its common law rights, and attempting to police and prevent competitors from using similar trademarks.

Registering your trademark provides notice to the public and competitors that the trademark is associated with your business, and they should not adopt, use, or apply for a similar trademark associated with similar products. State or federal

trademark registration provides legal protection for the trademark in the entire geographic area of the register: in the case of state registers, the particular state of registration; and in the case of the federal register, all of the United States and its territories. Notice provides a great deterrent to competitors and lowers the ongoing policing costs associated with enforcing and protecting trademark rights. Finally, trademark registration provides numerous legal advantages over common law trademarks, including, presumptions of validity and ownership of the trademark, and federal trade enforcement and access to the federal courts.

(b) Choosing a Register – State and Federal Registers

State and Federal trademark registers are distinguished by (1) the geographic area of notice provided, and (2) the bundle of legal rights

afforded by each. State trademark registrations are entirely adequate if the trademarked product will only be marketed within a single state. However, if the trademarked product is to be distributed



between two or more states, or beyond, it is much more efficient to seek a federal registration that provides trademark nationwide notice, protection, and federal court jurisdiction. A federal registration is a trademark owner's most efficient and powerful tool for enforcing its trademark use throughout the United States.

(c) Consideration of Foreign Trademark Use

Most foreign countries establish trademark rights based on the filing and successful registration of trademark applications. It is therefore important to consider whether a trademark will be used in one or more foreign countries at an early stage. Use in the United States or a United States federal registration gives the trademark owner absolutely no rights to use that mark in any other country. However, under the Paris Convention for the Protection of Industrial Property, a United States federal trademark application does give the applicant priority filing rights in certain countries.

This "foreign filing priority" must be taken advantage of within six months of filing a United States federal trademark application. If a business will use its trademark to market products in other countries, it is vital to consult with a trademark attorney regarding the coordination of trademark searches, applications, and registrations in each relevant foreign market.

4. SELECTING AND CLEARING THE TRADEMARK FOR USE

(a) Selecting Available Trademarks

When developing a branding strategy, it is best to have at least two to three fanciful or arbitrary, or three to four more suggestive choices to choose from. An owner should be flexible regarding its proposed trademarks since it will not know whether someone else is already using any of the choices in the relevant market.

It is also important not to begin marketing or advertising a proposed mark until a trademark clearance search is conducted. If a business begins marketing a product with a trademark, and then is forced to stop by another trademark owner with prior rights, any investment in the trademark and goodwill may be forfeited. Trademark clearance searches help determine whether a particular mark is a good choice before a business begins using it as a significant product brand name.

(b) The Trademark Clearance Search

In order to avoid squandering resources, a trademark attorney should conduct a clearance search in order to determine the amount of risk involved with adopting a particular trademark. The trademark attorney conducting the clearance search will gather information regarding the business and products that are or are going to be associated with the trademark. The trademark attorney should also acquire information about competitors and the relevant market, whether the brand name was used as a trademark before the date of the



search, and if in use, the details or manner in which the mark was used. The trademark attorney uses this information to search for potential trademark conflicts. Whether another trademark poses a barrier to the adoption and registration of a proposed trademark depends on, among other things, the similarities of the respective marks, the products associated with the marks, the channels of trade in which the products travel, and the marks' relative distinctiveness.



(i) Preliminary Trademark Clearance Searches

At the minimum, a trademark owner should direct the trademark attorney to conduct a preliminary trademark clearance search. A preliminary clearance search consists of reviewing the pending and registered trademarks currently listed in the United States Patent and Trademark Office ("USPTO") online Federal Trademark database and Internet business search resources. Often, an inexpensive and quick preliminary search is used to remove trademark choices that would clearly conflict with senior trademark owners and registrants. However, a preliminary trademark search is true to its name in that it does not cover state or other common law trademark usage.

(ii) The Comprehensive or "Full" Trademark Clearance Search

Once the proposed trademark has cleared the preliminary clearance search, a more comprehensive third-party search should be conducted. The trademark attorney orders full searches from a third-party trademark search company. Full searches cover federal trademarks, state law registrations, common law use, business name use, and Internet domain name availability and use. The trademark attorney and owner review the search results for

possible conflicts with senior trademark users. A comprehensive trademark clearance search will usually disclose if there are any threats to the adoption, use and registration of a proposed trademark.

5. TRADEMARK USE AND PROTECTION

(a) The Importance of Use – Trademark Use Equals Trademark Rights

Whether a trademark is registered or not, the most important aspect of protecting a trademark is to actually begin using it in commerce. In the United States, *unlike* most other countries, trademark rights are established by using the mark and not the filing of trademark applications or receiving trademark registrations. "Use" is best described as substantial, arms-length sales of the product in the normal course of business; also referred to as *bona fide* use. Free samples, shipments within the business, or sales to family and friends are not considered *bona fide* use for purposes of establishing trademark rights.



(b) "Do" and "Do Not" Advice for Trademark Use

(i) Do use the trademark to identify the source of the product. As stated above, "use" is best thought of as *bona fide* commercial sales, and is usually established by a reasonable volume of trade considering the particular nature of applicant's business and the industry in which it operates. In addition, trademarks should be prominently *displayed*, and displayed often, either in text or graphic representation, in all marketing and advertising materials, on the Internet and business websites, and by any distributors or business partners through licensing agreements.

Do's & Don'ts

(ii) Do use the trademark symbols appropriately. This *notifies* the public that the word or symbol is being used as a trademark. The trademark owner should indicate its brand name is a trademark by placing the TM symbol

next to unregistered marks or the ® next to federally registered trademarks.

(iii) Do use and require others to use the mark in a *consistent* manner – always. A trademark’s strength is severely weakened if the mark is used in an inconsistent manner. For example, if the trademark is TECRESPONSIVE, it should not appear as TECREPONSE, TECRESPONSIVENESS, or even TEC RESPONSIVE.

(iv) Do not use the trademark in a descriptive manner. As a general rule, if the trademark appears in text advertising, the trademark should be used as an adjective, not a



noun.

(v) The trademark and the product(s) it identifies should be directly *associated*. That is, the trademark should appear near or directly reference the product it is branding, and the trademark should stand out so that the public can easily and quickly identify the product the trademark is related to. A good rule of thumb is that a trademark used in text should be used as an adjective that modifies a noun.

Based on these guidelines, below are fictional examples of proper and improper trademark use in text form.

- “TECRESPONSIVE™ brand services are the most outstanding computer repair services in the Pacific Rim.”
- “For the best in fiber optics, think FIBRECOM® fiber-optic cables and accessories.”

In the above examples the trademark stands out in all capitalized letters. The ™ symbol indicates that the user considers the term its trademark, but that the mark is not yet federally registered. The ® symbol indicates that the trademark is a registered trademark. The trademark is an adjective that modifies a product. Finally, the trademark is immediately associated with a

product. The more times a trademark is used in a proper manner the stronger the trademark becomes.

Below are examples of weak or improper use:

- “We’re Number 1 in Tecresponsiveness, and have the highest tecresponsive rating in the area.”
- “Our tecresponsive services are the best on the net.”

Used in a weak, inconsistent or descriptive manner, the term “tecreponsive” loses its strength as a trademark, and may even become a generic term through continued improper use. Examples of strong, fanciful trademarks that, over time, have become generic terms through improper use are “escalator” and “aspirin.”

(c) Symbols, Colors, Sounds, Design Marks, and Design Marks with Text

Symbols, colors, sounds and graphic design elements can also be used as trademarks – either alone or with text. Symbols, colors, and design elements can add to the distinctiveness of a trademark, and often, because of their uniqueness, are some of the strongest trademarks in both the eyes of consumers and the law. Even certain sounds, such as the widely known NBC tones, can qualify for trademark protection.

Businesses that adopt a trademark that includes both graphic design and text elements should consider whether to file two separate trademark applications. If the text is fanciful on its own and will be used alone as a term in advertising literature or elsewhere, then the text element should be the subject of its own trademark application. The trademark’s design element should be the subject of a second trademark application. Two separate applications



ensure that the individual design and text elements of the unitary mark are each individually provided the broadest protection. Both the design and text are protected individually and therefore can be used independently or in conjunction with the other.

(d) Protection for Intentions: Intent-to-Use Federal Trademark Applications

Although trademark rights in the United States are established by use, one can protect an intention to adopt a trademark without having first actually used the trademark. Because the intent-to-use (“ITU”) application provides notice to the public that the applicant is planning on adopting and using the trademark, the trademark is granted priority over later filed applications, and even later use of similar marks by others. Of course, an ITU application does not give an applicant priority over a prior user of a similar trademark.



The ITU applicant must eventually demonstrate commercial use of the mark in order to perfect its priority and to register the trademark. The benefits of filing an ITU

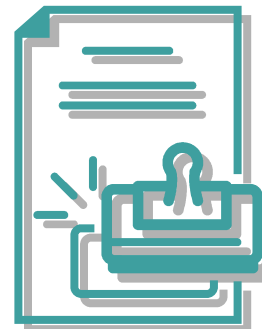
application are the priority the ITU filing date provides, and the time it provides for developing marketing plans and actual use of the trademark. The benefit of an early filing date is clear when one considers that the federal trademark registration process can take up to two or three years to complete.

6. THE TRADEMARK APPLICATION AND ROLE OF TRADEMARK COUNSEL

A brand name that is unique or distinctive and does not appear to infringe upon any other trademark owner’s rights is the best candidate for adoption, use and potential trademark registration. If the trademark is to be used in more than one state, or between the United States and a foreign country, a United States federal trademark application is the best means to provide notice and to protect the investment in the brand name. The trademark owner should consult with experienced trademark counsel to determine if the brand is a strong trademark candidate, to conduct the clearance searches, and to draft and file the trademark application. The trademark attorney can help the applicant determine if an intent-to-use application is appropriate and whether a state or the federal register is proper.

Trademark counsel guides the trademark through the registration process and responds to state trademark offices or USPTO trademark application inquiries. Using experienced trademark counsel to draft, file, and “prosecute” the trademark through the labyrinth of the USPTO can actually lower the costs of creating a trademark portfolio.

Upcoming trademark articles from Gordon & Rees will discuss foreign trademark protection, the trademark prosecution process and post-registration protection of an established trademark portfolio.



7. CONCLUSION

A strong trademark portfolio is a powerful tool in the modern marketplace. Modern consumers rely on trademarks to distinguish one product from others. Businesses must develop a unique trademark portfolio in order to distinguish their business from their competitors. With a clear understanding of what constitutes a strong trademark, business owners can develop a strong trademark portfolio for their business and all its products.

The Firm’s San Francisco trademark prosecution practice includes attorneys Gordon I. Endow and Gregory A. Triber.

To obtain additional copies of these materials, to enroll others or to recommend colleagues as subscribers to future issues of the *Intellectual Property Newsletter*, please e-mail Susan Roe at sroe@gordonrees.com

The Intellectual Property Law Group at Gordon & Rees Is:

San Francisco

Gordon I. Endow
415.986.5900

gendow@gordonrees.com

Gregory A. Tribler
415.986.5900

gtribler@gordonrees.com

Los Angeles

Marc E. Hankin
213.576.5000

Mhankin@gordonrees.com

San Diego

Miles D. Scully
619.696.6700

mscully@gordonrees.com

Richard P. Sybert
619.696.6700
rsybert@gordonrees.com

Kevin W. Alexander
619.696.6700
kalexander@gordonrees.com

Keith C. Cramer
619.696.6700
kcramer@gordonrees.com

**Intellectual Property Law Group
Gordon & Rees, LLP
Embarcadero Center West
275 Battery Street, Suite 2000
San Francisco, CA 94111**