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Ann Schofield Baker

Christopher Bovenkamp

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WHAT IS A TRADEMARK ANYWAY?

BY ANN SCHOFIELD BAKER & CHRISTOPHER BOVENKAMP

TRADemarks play a vital role in the choices we make as consumers every day. They help us to keep track of the name-brand products and manufacturers we trust and they help companies to distinguish themselves from 'the other guys.' Just try giving a pair of LEVI jeans to your teenaged daughter when she wanted JUICY COUTURE. Or try giving your husband a set of no-name golf clubs when he wanted CALLAWAYS.

In technical terms, trademarks are words, names, symbols, sounds, scents or colors that identify the source of goods and services, and distinguish them from those manufactured or sold by others. For example, the word NIKE is a trademark, as is the Nike Swoosh symbol, for the Nike brand of athletic gear.



Sounds, like Intel's five tones, NBC's chimes, and America Online's "You've Got Mail," also function as trademarks, since we think of the source of the product or service when we hear the sounds. Even the color of a particular product, such as the color pink in the case of Owen Corning's insulation, or distinctive scents, such as floral-scented sewing thread, can serve to identify a product's unique source.

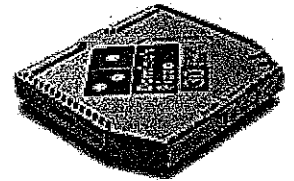


The total image and overall appearance of a product can establish protectable rights as well. This form of intellectual property is called 'trade dress.' The shape of a Coca-Cola bottle is perhaps the most well known example of protectable trade dress. Distinctive package designs and even restaurant décor can qualify for trade

dress protection. In whatever form trademarks or trade dress are found, their primary function serves to designate the source of products and services.

Trademarks differ in scope from other forms of intellectual property. In most cases, the owner of a trademark for certain products and services cannot prevent another company from using the same trademark on *unrelated* goods and services. Two different companies may use the identical mark on goods or services that do not compete with each other, as long as

consumers are not likely to be confused as to the source. For example, DOMINO serves as a trademark for both the DOMINO pizza chain and the DOMINO brand of sugar. When the sugar manufacturer sued the pizza chain for trademark infringement, the Fifth Circuit ruled that the two DOMINOs could co-exist because pizza and sugar are dissimilar food products and because consumers would not likely confuse the source of the two products.¹



Another difference between trademarks and other forms of intellectual property is the term of protection that is afforded to trademarks. A patent grants the inventor approximately 17 to 20 years of exclusionary rights. A copyright lasts anywhere from the life of the author plus 70 years to more than 100 years, depending on the nature of the work and the date and place of creation. In contrast, trademarks can last in perpetuity, as long as they are used in commerce continually, certain filing formalities are satisfied, and the owner actively protects the mark from infringers. However, the owners of some highly recognizable trademarks must take additional precautions to ensure the longevity of their trademark rights—they must ensure that their trademarks do not become generic. A trademark becomes generic when it becomes known as the product itself, as opposed to the brand name that identifies the source of the product. For example, "escalator," "thermos," "aspirin," and "cellophane" used to be brand identifying trademarks, but over time became generic descriptors of the products themselves. Today the owners of the well-known trademarks KLEENEX, XEROX, POST-IT, and ROLLERBLADE must aggressively police the use of their marks, since popular culture often links these trademarks with the generic products, namely, facial tissue, photocopies, sticky notes, and in-line skates.

How do you obtain and protect a trademark?

Protectable trademark rights are acquired by being the first

to use the trademark on particular goods or services in commerce. Trademark owners acquire additional rights and protections by registering the mark with the United States Patent & Trademark Office ("PTO"). Although registration with the PTO is not required to have and protect a trademark, registration conveys a number of benefits, including the right to use the federal registration symbol "®,"² to use the trademark nationwide, to bring a trademark infringement lawsuit in federal court, and to seek treble damages and attorneys' fees. Registration also provides constructive nationwide notice to anyone who is looking to adopt a trademark of their own, and provides *prima facie* evidence of the trademark's ownership and validity. A registered trademark can become 'incontestable' after five years, which means that it cannot be cancelled except on the grounds that it has become generic, has been abandoned, or was registered fraudulently.

To register a trademark with the PTO, the owner must submit an application along with specimens of the ways in which the mark is actually used in commerce. In the case of a mark that has not been used in commerce yet, the applicant can file an 'intent to use' application, which effectively puts the mark on hold for a limited period of time until the owner submits proof of actual use. The PTO may refuse to register a mark for a number of reasons, but the most common reasons are that the mark is likely to cause confusion with another mark, or that the mark itself is not a protectable trademark. For a trademark to be protectable, the PTO must determine that the mark is distinctive.

The scope of protection that a trademark will ultimately receive depends on the strength of the mark, or in other words, how distinctive the mark is. In determining whether trademarks are distinctive, the PTO classifies them into one of four categories: (1) arbitrary or fanciful; (2) suggestive; (3) descriptive; or (4) generic. Arbitrary or fanciful marks have no logical relationship to the underlying product, and therefore, provide the strongest trademark protection. For example, VISA is an arbitrary mark that has nothing to do with credit card services and EXXON is a fanciful mark (a mark that has no meaning other than as a trademark) that has nothing to do with gasoline. A suggestive mark is one that suggests a quality or characteristic of the underlying product. For example, the mark COPPERTONE for suntan lotion is suggestive, as is the mark SHEER ELEGANCE for pantyhose. A descriptive mark directly describes, rather than suggests, a

characteristic of the underlying product. The marks PIZZA HUT and HOLIDAY INN are descriptive.

Unlike arbitrary and fanciful marks or suggestive marks, descriptive marks may not enjoy trademark protection unless the owner can demonstrate that the mark has acquired secondary meaning or distinctiveness over time, due to extensive use and publication. Secondary meaning occurs when the public primarily associates the underlying mark with the source, rather than the product.

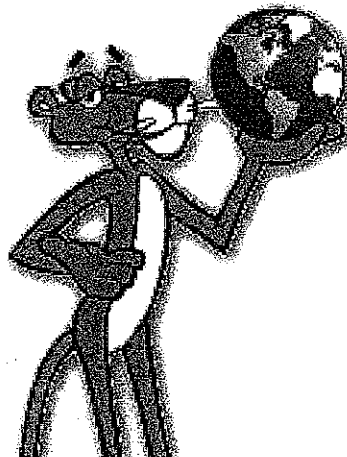
Finally, a generic mark is one that describes the general category to which the underlying product belongs, and cannot function as a trademark. For example, use of the word FREEBIES for an entity that gave away merchandise on its website was generic, and not entitled to trademark protection.³

Trademark Infringement 101

Federal law provides several causes of action that protect against infringement of registered and unregistered trademarks. Trademark infringement claims under 15 U.S.C. §1114(1) require that the plaintiff's mark be registered with the PTO, while federal unfair competition claims under 15 U.S.C. §1125(a), and dilution claims under 15 U.S.C. §1125(c), do not require registration.

To bring a federal trademark infringement claim, a plaintiff must satisfy three threshold criteria: (1) ownership of a valid registered trademark, (2) priority of use, and (3) use in interstate commerce in connection with the sale of goods/services. Then, the focus turns to whether the allegedly infringing mark is likely to cause confusion about the source of its goods/services or as to the sponsorship or approval of the goods/services. Thus, a "likelihood of confusion" analysis is the cornerstone for a trademark infringement case. Likelihood of confusion is also the standard by which federal unfair competition claims for unregistered trademarks are judged, so the analysis below applies equally to those claims.⁴

Depending upon the jurisdiction, a number of factors may be relevant when analyzing likelihood of confusion, but typical factors include: (1) the strength of the plaintiff's mark (i.e. whether the mark is arbitrary/fanciful, suggestive or descriptive); (2) the similarity of the marks at issue, (3) the similarity of the goods; (4)



the quality of the goods; (5) evidence of actual confusion; (6) the similarity of marketing channels used; (7) the degree of care exercised by the typical purchaser when purchasing the product at issue (presuming that consumers exercise more care when they purchase more expensive items); and (8) the alleged infringer's intent. Given the multitude of factors that contribute to a likelihood of confusion analysis, trademark infringement cases are extremely fact intensive.

Although all of the factors listed above must be considered, one element that can tip the scales in favor of a finding of infringement is evidence of actual confusion. In the real world, however, evidence of actual confusion is hard to come by. It doesn't happen very often that a consumer informs a company that they bought a competitor's product because they were confused into thinking that it was the company's product. More often than not, evidence of actual confusion in trademark cases is generated by the use of survey evidence that attempts to measure the level of consumer confusion that the allegedly infringing good/service generates. Consumer confusion surveys are expensive, often costing hundreds of thousands of dollars, and are difficult to exclude on *Daubert* grounds, even when the survey's methodology is flawed. Judges usually prefer to admit flawed surveys and accord them diminished weight. A number of courts draw a negative inference from a party's failure to conduct a survey, so they play an important role in most trademark cases.

Remedies for trademark infringement include temporary restraining orders and preliminary injunctions, permanent injunctions, recall and destruction of infringing goods, corrective advertising, seizure, and monetary relief. The monetary relief can include plaintiff's actual damages (which can be trebled in certain cases), defendant's profits, costs, attorney's fees (in exceptional cases) and statutory damages (in lieu of actual damages in counterfeiting cases).

Defenses To Trademark Infringement

There are a number of procedural, equitable and substantive defenses available to a defendant that finds itself on the receiving end of a trademark infringement lawsuit. The most common procedural defenses are: lack of personal jurisdiction (especially in internet based cases), lack of standing, and lack of venue. Equitable defenses such as laches, waiver, estoppel, and unclean hands are also available. Substantive defenses include no likelihood of confusion, parody, the plaintiff's mark is generic or has been abandoned, and fair use.

Statutory fair use is a defense that applies when a defendant uses another's descriptive mark, in good faith, for the mark's

primary meaning to describe the defendant's product/service, not the plaintiff's product/service. See 15 U.S.C. § 1115(b)(4). For example, Burger King owns the descriptive trademark, HAVE IT YOUR WAY. The statutory defense of fair use could potentially apply to a restaurant that used the phrase, "Have it your way" on their menu in good faith for the purpose of describing selections that could be made by the consumer.

Another common defense is "nominative fair use," or the use of another's trademark to identify the plaintiff's goods/services in a way that is not likely to cause confusion. Nominative fair use is established when: (1) the product or service in question is not readily identifiable without use of the trademark, (2) only so much of the mark is used as reasonably necessary to identify the product and service, and (3) the user does not suggest that the trademark owner endorsed or sponsored the use. This defense is most often applied in the context of comparative advertising. Other common examples of nominative fair use include repair shops that specialize in servicing BMWs or Volkswagens, or resellers of authentic, trademarked goods such as eBay.⁵

Trademark Dilution 101

Owners of famous trademarks have an additional weapon in their arsenal to protect the value of their mark—they can bring a claim for federal trademark dilution under 15 U.S.C. §1125(c). Dilution occurs when the distinctive quality of a famous mark is "blurred" or "tarnished" by another's use of the same or similar mark on goods/services, whether or not those goods/services are similar to the plaintiff's goods/services, and whether or not consumers are confused.

Dilution by blurring is defined as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. §1125(c)(2)(B). For example, a claim for dilution by blurring could arise from the sale of INTEL oranges, KODAK carpets, or PEPSI computers. Dilution by tarnishment is defined as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. §1125(c)(2)(C). For example, Hasbro, Inc., the well known manufacturer of wholesome children's games, used a claim of dilution by tarnishment to secure an injunction against a pornographic website that used Hasbro's trademark, CANDYLAND, as its domain name. Hasbro was not required to show that consumers would have been confused into thinking that it owned, sponsored, or in any way endorsed the adult website, which is an important distinction from a claim for trademark infringement.

Congress recently enacted the Trademark Dilution Revision Act ("TDRA") to clarify the scope of trademark dilution, and to overturn *Mosley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which required plaintiffs to establish proof of "actual dilution." Now, a plaintiff need only establish a "likelihood of dilution." The TDRA identifies a number of statutory factors to consider when determining whether plaintiff's mark is famous: (1) the duration, extent and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (2) the amount, volume and geographic extent of sales of goods or services offered under the mark; (3) the extent of actual recognition of the mark, and (4) whether the mark was registered on the principal register with the P.T.O. BUICK, KODAK, and NIKE are considered famous marks. In order for a mark to be considered "famous," it must be widely recognized by the general consuming public of the United States as a designation of source of the goods and services of the mark's owner.

Remedies for trademark dilution are limited to an injunction, unless the defendant "willfully intended to trade on the recognition of the famous mark," or "willfully intended to harm the reputation of the famous mark." 15 U.S.C. §1125(c) (5). When defendant's dilution is willful, the plaintiff is entitled to recoup monetary damages.

Defenses to a Trademark Dilution Claim

Defenses to a trademark dilution claim include: plaintiff's mark is not sufficiently famous, defendant used its mark before plaintiff's mark became famous, fair use, and parody. The TDRA clarified the law with regard to fair use and parody. 15 U.S.C. §1125(c)(3). Parodies that use a plaintiff's famous mark as a brand name for defendant's goods are not protected by the defense, but other uses of a plaintiff's famous trademark cannot give rise to a finding of dilution if: the mark is used in connection with comparative advertising or promotion, or the use parodies, criticizes or comments upon the famous mark owner or the goods or services of the famous mark owner, or the use is in connection with news reporting and news commentary, or the use is noncommercial.

Conclusion

Federal trademark infringement and dilution cases are extremely fact intensive, and can be expensive to litigate. In some cases, a slight alteration to the defendant's the mark, or the use of a prominent disclaimer, might satisfy the plaintiff's concerns without the need for protracted litigation. Therefore, an early settlement conference to hone in on the real issues is usually advisable.

Ann Schofield Baker is a Principal at McKool Smith P.C. in New York, where she is head of the firm's national trademark litigation practice. In addition to intellectual property litigation, she also handles complex commercial disputes. Ms. Baker is a magna cum laude graduate of New York Law School.

Chris Bovenkamp is an Associate in the Dallas office of McKool Smith whose practice focuses on intellectual property litigation with a particular emphasis on patent litigation. Mr. Bovenkamp has been involved in the courtroom and during litigation with successful cases involving technologies such as integrated circuits, telecommunications systems used in prisons and jails, point-of-sale activation of prepaid cards, metatags, and call center scheduling software. Mr. Bovenkamp also has experience with trademark, trade dress, trade secret, and copyright litigation. ★

¹ See *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980) at 264-265.

² If you have not successfully registered your trademark with the PTO, the "TM" (trademark) or "SM" (service mark) designations may be used.

³ *Retail Services, Inc. v. Freebies Publishing*, 364 F.3d 535 (4th Cir. 2004).

⁴ While false advertising claims also fall under the umbrella of federal unfair competition claims, those claims are beyond the scope of this article.

⁵ See *Tiffany (Nj) Inc. v. eBay, Inc.*, 2008 U.S. Dist. LEXIS 53359 (S.D.N.Y. July 14, 2008).