

Twelve common misconceptions about US trade marks

Despite the value put on trade mark rights in business, there are many myths about them. **Cary A Levitt** and **Luke S Curran** explore 12 costly and common misconceptions

Trade marks frequently rank among a company's most valuable assets. Marks operate as source identifiers by distinguishing the goods or services of one business from those of another, while facilitating consumers' purchasing decisions. Despite trade marks serving as an essential component of a company's corporate arsenal, even the most seasoned executives, lawyers and marketing officers can be susceptible to several common myths and misconceptions regarding US trade mark law and practice.

Below are 12 costly and commonly shared trade mark misunderstandings.

1

"All trade marks are created equal."

Not all trade marks are created equal. To evaluate the strength of a proposed mark, it is critical to understand that trade marks are viewed within a spectrum of distinctiveness. Ranging from generic to arbitrary or fanciful, a mark's scope of protection is categorised along a vibrant continuum. Ranging from unprotectable to highly distinctive, the level of descriptiveness or distinctiveness may be appraised by examining the mark in relation to the goods or services offered in connection with that designation. A trade mark may be compartmentalised into four main categories: generic, descriptive, suggestive or arbitrary/fanciful.

A) Generic: On one end of the distinctiveness spectrum, generic terms are common words that name goods or services; these are incapable of functioning as trade marks. Registration of a generic term would prevent others from rightfully utilising

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Trade marks are a key component of a company's corporate arsenal, yet many executives, lawyers and marketing officers still believe in myths about trade mark law and practice. Twelve of the most common myths include: 1) all trade marks are created equal; 2) a USPTO search is all you need; 3) competitors' marks are off limits; 4) we might use a competitor's brand name as a metatag; 5) we will use a competitor's name in keyword ads; 6) a competitor registered our domain name; 7) we have the trade mark based on a domain or corporate filing; 8) we created the term; 9) we can stop anyone from using our mark; 10) slogans are not trade marks; 11) a registration means we are always protected; 12) we don't need to worry about the rest of the world. Understanding the tension between legal and marketing departments is key to strategic brand planning.

Spectrum of distinctiveness



the common word and serve no source identification function.

B) Descriptive: Moving up the band, a mark is considered merely descriptive if the primary significance of the term immediately describes an ingredient, quality, characteristic, feature, function or purpose of the specifically delineated goods or services. Although adopting a descriptive mark simplifies marketing efforts by conveying features of the product or service to the purchaser, it also presents hurdles at both the registration and enforcement stages. Common examples of descriptive marks include Arthriticare (for arthritis medication), Car Freshener (for car deodoriser), and World Book (for encyclopedias).

C) Suggestive: Suggestive trade marks indirectly refer to the goods or services with which they are associated. The mark requires an intellectual leap, imagination, thought or perception in order for the consumer to reach a conclusion as to the nature of the goods or services. For example, Coppertone (for tanning lotion) and Chicken Of The Sea (for tuna) are considered suggestive marks. Traditionally, marketing professionals prefer suggestive marks due to their inherent ability to evoke ideas in the minds of consumers, suggesting the nature of the goods or services offered. By subconsciously linking a mark to a product or service, this approach enhances brand awareness while reducing costs associated with marketing campaigns. However, a fine line separates descriptive and suggestive trade marks. What a marketer may deem suggestive, the examining attorney may find descriptive.

D) Arbitrary or fanciful: Finally, arbitrary or fanciful marks are afforded the broadest scope of protection. An arbitrary mark is a word that exists but has no meaning when used on the product itself, whereas a fanciful mark is a word not recognised by the dictionary. For instance, the marks Pepsi and Exxon are deemed fanciful because they have no meaning or common usage. Alternatively, Apple used in connection with computers is considered an arbitrary mark because it is a known term used in an uncommon fashion.

2

"Searched the USPTO and no one has registered the mark – let's move forward."

Merely performing a quick search for the proposed mark on the United States Patent and Trademark Office (USPTO) Elec-

tronic Search System is insufficient to determine whether the trade mark is available.

For instance, other companies may own common law rights that compromise the value and availability of a trade mark. Common law rights arise from actual use of a mark in commerce even absent federal registration. Although federal registration affords additional rights that are unavailable under the common law scheme, rights still develop without registration. These limited rights are cabined to the geographic area in which the mark is used. Within that specific territory, rights are based on the priority of use of a mark. Occasionally, a federal registrant may not be the first user of a trade mark in a specific territory; therefore, an unregistered prior user may enjoy superior rights. Thus, when applying for a trade mark, even a company with common law rights may file an opposition based on first use in commerce.

Further, if the USPTO has deemed a trade mark cancelled or abandoned, that designation does not ensure that your agency may use the mark without complications. A mark may be deemed cancelled or abandoned for a bundle of reasons. As stated above, trade mark rights continue at the common law level if a company continues to employ their mark in commerce. Marketers should not take the USPTO's designation that a mark is cancelled or abandoned as absolute without investigating the actual use of the mark in commerce.

The USPTO Trademark Electronic Search System is only one tool used to determine the registrability of a proposed mark. Whether you hire a trade mark attorney or purchase a professional clearance search, multiple considerations must be made when determining a mark's registrability. There are many sources in addition to the USPTO, such as common law sources, state trade mark registries and industry publications.

3

"Our competitors' trade marks are off limits in our marketing materials."

Although less clear, utilising your competitor's trade mark in your marketing materials does not *per se* constitute trade mark infringement or unfair competition. Under certain conditions, you may employ a competitor's trade mark to fairly and accurately describe or compare its products or services. This pre-

carious practice can be an effective positioning tool enabling your company to showcase the brand's attributes.

Approach comparative advertising with caution because this practice will likely be scrutinised, as it tends to place the competitor's brands in a less than favourable light. When commencing a comparative advertising campaign, the following non-exhaustive list of factors should be considered:

- i) ensure that you are accurately depicting the mark at issue without misusing, altering or portraying it in a negative manner;
- ii) confirm that the statements made in the ad are informational, substantiated and accurate regarding the distinctions between the goods or services;
- iii) do not falsely imply an affiliation, endorsement or sponsorship;
- iv) include proper trade mark notice in addition to a clear and prominent disclaimer stating that the mark is owned by your competitor;
- v) use of the mark should not create a likelihood of confusion;
- vi) guarantee that the representation, omission or practice is not materially misleading from the perspective of consumers to the extent that it would affect the consumer's conduct or purchasing decisions; and
- vii) consult your IP counsel prior to launch or substantial investment.

4 "We might use our competitor's brand name as a metatag."

Search engines may use metatags to identify the content hosted on a website although the current trend for modern search engines is to employ their own algorithms. Improperly employing a competitor's trade mark as a manipulative metatag to divert that competitor's traffic towards your site may be actionable as trade mark infringement. Although consumers are no longer confused when they land on a competitor's website, nevertheless there may be initial interest confusion. The fact that confusion as to the source is ultimately dispelled does not eliminate the infringement that has already occurred – you cannot unring that bell. What is critical is not the duration of confusion; it is the misappropriation of the rights holder's goodwill. For example, if a competitor-carbonated beverage company brazenly embedded the metatag "Pepsi" or "Coca-Cola" within their website to commandeer traffic, this practice likely creates a viable cause of action for the respective rights holders.

However, not all use of trade marks in metatags may result in sustainable claims. The Lanham Act does not categorically preclude one who lawfully sells a branded good or service from accurately describing it by a brand name, provided that there is no implication of an affiliation, endorsement or sponsorship with the rights holder. Further, it may be permissible for a company to use a term that a competitor claims as a trade mark in a descriptive manner rather than as an actual trade mark. For instance, if a craft beer company employs the trade marked name Sierra Nevada, then another company could likely use the metatag "Sierra Nevada" for their goods or services that originated in that geographic region without violating the brand's

rights.

5 "We will use our competitor's brand name in our keyword ads."

On its face, purchasing your competitor's brand name as a keyword sounds enticing. A consumer may perform a quick internet search for your competitor and this practice will enable your company to appear high up on the search results. However, this issue is rather problematic and must be approached with discretion because this area of law is currently under construction.

Using a competitor's trade mark as a keyword may be appealing. If a keyword ad is phrased in such a manner that consumers follow the ad believing they will land on the desired company's webpage they searched and instead reach your brand, this misdirection could constitute trade mark infringement. The critical question when engaging in this practice is one of degree because confusion must be more than momentary and more than a mere possibility. The customer is lured to a product or service by the similarity of the trade mark, even if the customer subsequently recognises the true source of the goods or services before the sale is consummated. Although the likelihood of confusion may cease the moment the internet user reaches the incorrect webpage and discerns the readily apparent error, the keyword advertisement may have resulted in viable claims of infringement and unfair competition.

6 "We missed out – a competitor just registered our domain name."

Cybersquatting disputes may arise from abusive registrations of trade mark-based domain names, which can be addressed by a number of means. If you have rights in a mark and a competitor or cybersquatter purchases the related domain name in an effort to sell it to you at a profit or disrupt your campaign – under certain circumstances – relatively inexpensive recourse exists, including administrative proceedings pursuant to the Uniform Domain Name Dispute Resolution Policy. The rights holder may initiate this proceeding to recover the domain name by filing a complaint with an approved dispute-resolution service provider when the registrant has no rights or legitimate interests in respect to the domain registered in bad faith. This proceeding enables rights holders to retrieve domain names in an expedited manner.

From a practical standpoint, when filing a trade mark application, you should also secure domain names and social media profiles concurrently. Recently, there has been a rapid expansion of generic top-level domain names (such as .com, .org and .net) in an attempt to enhance competition and consumer choice. Therefore, forward-thinking brand owners may choose to embrace the new domain name system and purchase their domain with one of the many new extensions. For those who hold a registered mark, it may be prudent to consider purchasing the domain in connection with the new .review or .sucks domains. Why wait for a disgruntled competitor or customer to use it

against your brand?

7 "We have the trade mark because we purchased the domain and/or completed the Secretary of State corporate filings."

It is a rather common misconception that the successful formation of a corporate entity through the requisite filings also secures statutory trade mark protection. Thus, a critical distinction must be made between what qualifies as a trade name versus a trade mark.

A common method to establish a trade name involves the registration of the corporate name with the relevant state agency. However, proper entity formation under a certain name does not necessarily confer trade mark rights in that name. Unlike the USPTO requirements, states do not subject companies to rigid criteria when approving trade names. Thus, common law must be considered when a company employs a trade name as a source identifier of its goods and services because that name is also operating as a brand. It is therefore essential to confirm that another existing company is not already using that name or a substantially similar designation in a manner that may be likely to cause consumer confusion in the marketplace. Just because you have successfully organised an LLC under a specific name does *not* equate to trade mark rights in that name or that confusion with a similarly named entity will not occur.

Likewise, purchasing the related domain name from a domain name registrar does not mean you have secured any trade mark rights. Therefore, if you own a portfolio of domain names that are not being used in commerce in connection with the provision of goods or services, no trade mark rights are created.

8 "We created the term – obviously we own the mark."

The requirement of using a mark in commerce stresses the unforgiving nature of US trade mark law. For example, if a competitor launches a similar product or service before you and your mark is likely to cause confusion as to sight, sound and commercial impression with theirs, your company will probably be prevented from using your independently created mark. Although you have coined a term, it does not mean you own the underlying trade mark rights. You must use the mark in commerce.

Until you actually use the mark in commerce in connection with specifically delineated goods or services, the company does not own the underlying IP rights in the term. Conversely, if the marketing department has coined a term that is not yet used in commerce (but will be), an intent-to-use application may be the appropriate route. The benefit of this application is that the filing date will serve as the first use of the mark, which is key in the event of a conflict.

9 "We can stop anyone from using our trade mark."

This declaration is off base. The owner of a trade mark only has rights in that mark in connection with specific goods or services that are used in the marketplace. Keeping this in mind, courts consider the zone of natural expansion and will grant mark owners space to grow by reasonably assuming where they might expand.

Thus, a company may enjoy protection over a registered mark used in connection with, for instance, the provision of custom guitars. However, it likely cannot prevent another from using the same or a substantially similar name for dissimilar goods or services (such as aftermarket automotive performance parts) not found within the natural zone of expansion (such as other musical instruments and accessories). Because protection is compartmentalised into classes of goods and services, your company may derive protection from one class, but not another. Having trade mark rights does not necessarily mean you can preclude others from operating under a similar name with dissimilar goods or services.

10 "Slogans are not trade marks."

Slogans can also be protected when used in connection with marketing campaigns that advertise products or services. Although the slogan may face obstacles – such as being deemed merely ornamental or descriptive – these concise phrases may acquire protection when consumers readily associate the phrase with a specific product or service. As a result, like any other trade mark, a clearance search is necessary. Slogans can add value to your portfolio while affording protection.

11 "Once we receive trade mark registration, we're always protected."

Mark owners are shouldered with the affirmative obligation to personally police violations of their IP rights. Rights holders can even lose trade mark protection through a number of oversights. Loss of trade mark rights can occur based on the following non-exhaustive actions or inactions: 1) abandonment and non-use; 2) improper assignment or licensing; 3) improper use of the mark; 4) failure to police; 5) genericide; 6) failure to renew; and 7) cancellation.

Abandonment occurs when the rights holder stops using the mark with no intention of using it again. Three consecutive years of non-use create a rebuttable presumption that the mark at issue has been abandoned. Second, the careless practice of "naked licensing" occurs when the owner fails to control the nature and quality of the goods or service used in connection with the mark that is being offered by a third party licensee. Third, rights may also be lost if the owner improperly uses the mark so that it no longer engenders a source identification function.

Fourth, failing to police the use of a mark results in the erosion of the mark's distinctiveness. This may occur when third parties use a mark that is likely to cause confusion with the owner's registered mark. If the owner sits on its rights, the mark will gradually lose its value as an indicator of origin. Fifth, genericide occurs when a mark has been judicially determined to forfeit its value as an indicator of source to such a degree that the purchasing public considers the mark to represent the general class of goods or services. The safest road to genericide is the gradual one. Once famous trade marks such as Cellophane, Zipper, Escalator and Thermos slowly slipped into the public domain because their owners permitted the marks to be used as common names for unique goods. Finally, trade mark registrations are commonly cancelled for a number of reasons, such as a failure to renew or a successful petition to cancel.

12 "We're protected in the US – don't worry about the rest of the world (yet)."

Ideally, a comprehensive US and international trade mark search may sound appealing, but rather unrealistic in most cases. When developing a brand plan, it is critical for IP counsel and marketing to share a mutual understanding of the brand's goals. From setting parameters on the scope of the trade mark search to forecasting possible areas of international expansion, a legion of factors must be taken into account. Marketing should consult IP counsel in order to determine whether it is judicious to search and file trade mark applications in other countries where they may intend to use the brand. Use of a mark in commerce is not always a prerequisite in every country and multiple international agreements enable companies to file a single application to register the mark in multiple countries.

Legal and marketing in harmony

By understanding the tension between marketing and legal departments – regardless of the trade mark portfolio size – every company can benefit from strategic brand planning. Recognising that trade marks can serve as a company's most valuable asset, it is critical to consider the above-mentioned issues that arise during the selection, clearance, registration, use and enforcement stages of a trade mark's life. Accordingly, implementing a detailed brand planning strategy early on safeguards IP rights while strengthening marketing campaigns.



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