

**TRADEMARKS AND SERVICE MARKS:
WHAT EVERY BUSINESS PERSON
FACING COMPETITION MUST KNOW**

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I.

Introduction

The trademarks and service marks used in your business may be the most valuable assets of your business. Unfortunately, persons or companies who wish to label their products or identify the services of their businesses under specific names or logos are often faced with a confusing maze of advice. It is difficult to know who to ask for advice or what questions to ask once you find the right person.

This article will attempt to provide a general overview of the principles surrounding trademarks and service marks and to alert you to many of the questions which you should consider in selecting and protecting your trademarks and service marks.

II.

What Are Trademarks and Service Marks?

When you start to choose a "name" for your new product or service business, whether you realize it or not, you are entering the legal world of TRADEMARKS or SERVICE MARKS. If you provide a service (insurance agency, restaurant, retail store, etc.), the "name" on your sign, or on brochures promoting your services, may be considered a service mark. If you put a "brand name" on a product (a screw driver, an appliance, a garment, etc.), that "brand name" may be considered a trademark. A mark may, in some cases, be both a trademark and a service mark (consider SEARS⁷, for example, for tools and house paint, and for insurance and auto repair services).

It is very important to understand that not every "name" can serve as a trademark or service mark. A trademark or service mark may be any word, phrase, symbol, design, or combination thereof, which serves, not just to identify a good or service, but to distinguish one vendor's products or services from those of other vendors. For example, "light bulb" cannot be a trademark for light bulbs made by your company, because "light bulb" only says what the product is, not who produces it or stands behind it. The public at large has the right to use a word or phrase which simply identifies a product or service -- everyone can use "light bulb" on light bulbs. Conversely, "Pleasure-Glo™" is a perfectly suitable trademark for light bulbs. "Pleasure-Glo™" does not identify the product and could clearly identify one producer's brand of light bulbs while distinguishing them from bulbs made by General Electric, Phillips, etc. These latter companies market their light bulbs under their own distinguishable trademarks (i.e. "Mizer⁷"), each of which tells the public which company produces or stands behind which bulb.

III.

Why Are Rights in Trademarks and Service Marks Available?

The use of trademarks and service marks to help consumers distinguish between vendors is at the very heart of our trademark system. Our society's economic well-being is enhanced by the ability of consumers to quickly and efficiently distinguish between the products or services of different vendors. Conversely, society is often harmed, and commerce is slowed or interrupted when consumers are confused or misled as to the true source or quality of the goods and services offered in the marketplace.

Trademark principles help move commerce along at a more efficient pace than would otherwise be possible. Once a person knows what to expect when dealing with each "brand name," he or she does not have to start over in evaluating such branded products or services each time a purchase is to be made. For example, if anyone could open a hamburger restaurant under the McDONALD'S⁷ mark, simply seeing a restaurant sign which displays "McDONALD'S⁷" would have no meaning to the consuming public. Consumers would have no way of knowing what to expect when they entered each different "McDONALD'S" restaurant. Because of our trademark system, however, consumers know precisely what to expect when they see McDONALD'S⁷ on a hamburger restaurant, and they need not even enter the

restaurant to know whether or not they want the products offered there. You can see, then, how illegal use of another's trademark leads to confusion, slows down commerce, and potentially injures consumers.

Trademark ownership, and the rights which flow from it, represent a bargain with society. Consistent with the fundamental objective of trademark law -- to foster trade by preventing confusion in the marketplace -- trademark and service mark owners must control or "police" use of their trademarks and service marks. In other words, they must maintain control over the quality of all goods and services which are offered under their trademarks and service marks. Absent such control, either by failing to require sufficiently stringent license provisions as to quality ("naked licensing"), or by failing to pursue infringers, consumers will no longer be able to rely on a brand name as an indication of quality of the particular product or service. Trademark or service mark owners who shirk their duty to police their marks are often stripped of their trademark rights, for they have allowed use of their trademarks in a manner inconsistent with the public good.

IV.

How Far Do Trademark and Service Mark Rights Extend?

It is important to understand the boundaries of trademark protection, whether for infringement analysis purposes, or so that existing trademark or service mark rights are maintained. Trademark or service mark rights are tied to the particular kind of goods and services in association with which the marks are used. With very few exceptions, owning a trademark or service mark does not mean that you can prevent everyone from using the word or symbol for all purposes. Trademark rights arising from use of a mark on one kind of good or service extend only so far as is necessary to prevent confusion in the marketplace. Also, specific trademark rights most often survive only for so long as the user continues to use the mark in the original field of commerce.

An example of these principles may be helpful: The simultaneous use of SUNSETTM for a cosmetics line would not likely create confusion with respect to SUNSETTM as used for auto parts -- consumers would not likely believe that the same company produced both cosmetics and auto parts. Therefore, one company dealing strictly in cosmetics could "own" SUNSETTM

for cosmetics, while a second, unrelated company dealing only in auto parts could "own" SUNSET™ for auto parts. Neither company could likely prevail on a claim of trademark infringement against the other. However, either company would have a valid claim against any third party who used "SUNSET" for like or similar goods, so long as this use caused a likelihood of confusion among consumers. Many factors contribute to a finding of likelihood of confusion, and a discussion of those factors is beyond the scope of this brief article.

Continuing our example, in order for the cosmetics company to perpetuate its rights in SUNSET™ (for cosmetics), it must continue using SUNSET™ on cosmetics or on closely related goods. Were the cosmetics company to discontinue its cosmetics line altogether, and begin producing computers under the SUNSET™ mark, its rights in SUNSET™ as a trademark for cosmetics would end, and its rights in SUNSET™ for computers, if any are available, would begin only as of the first use of the mark on computers (subject to any prior user's rights in the mark for like or similar goods). Once abandoned by the cosmetics company, trademark rights in SUNSET™ for cosmetics could be appropriated by any newcomer to the industry who begins to use SUNSET™ on cosmetics.

V.

Fully Protecting Trademarks and Service Mark Rights

A. What Does it Mean to "Own" a Trademark?

To "own" a trademark or service mark is to have the right to prevent others from using the mark (or marks similar thereto) in such a manner as to create confusion in the marketplace. In some cases of infringement, the trademark or service mark owner may collect damages from the infringer(s). In other cases the infringer(s) may simply be enjoined through court order from further infringement. In still other cases both remedies (together with court orders for destruction of infringing products) may be available. Trademark rights may be asserted through the courts in trademark infringement suits, and in certain instances, through federal agency administrative actions such as in the United States Customs Service and the Federal Trade Commission.

Trademark and service mark rights can be virtually invaluable to any business. Accordingly, loss of important trademark or service mark rights has often meant the end of many a once-thriving business.

Trademarks or service mark rights are not actually created by trademark registrations alone. Trademark rights are initially created by proper use of a mark, so long as rights in the mark are not already owned by another person or company. However, trademark rights are greatly enhanced by trademark or service mark registration(s).

B. Patents and Copyrights and Assumed Name Registrations Do Not Help.

Many business people (and even lawyers who do not truly know trademark law) often mistakenly ask about patents or copyrights when seeking to protect their trademarks or service marks. Patents and copyrights can provide very valuable legal protection in certain circumstances, but do not relate in any way to protecting trademarks or service marks.

Also troublesome is the fact that many persons are advised that a trademark or service mark can be "protected" by registering it in the assumed name registry at a county court house (or at the state level for corporations). This is possibly the most widespread and damaging myth surrounding trademarks and service marks. Assumed name registrations have one purpose -- to provide the true identity of persons or entities operating other than under their own name so that the proper parties for lawsuits can be identified. For example, assume that a sole proprietor operates a plant nursery called "Green Genes", and one of the "Green Genes" truck drivers backs into a car and speeds away. The assumed name registry simply tells the owner of the damaged car, whom to contact, and perhaps whom to sue.

If you rely solely on an assumed name registration to "protect" your trademark or service mark, you will be very disappointed if you ever try to prevent someone else from infringing your trademark or service mark rights on that basis alone. So far as trademark law is concerned, you have done nothing if you have only filed a "DBA." The only rights which accrue in relation to assumed name registrations are those which the state has against you if you do not file a registration. In other words, you must comply with the laws requiring assumed name registration, but doing so will provide no protection for your trademark and service mark rights.

C. State and Federal Registrations and Trademark Notices.

Two things should be done to fully protect your trademark or service mark rights: 1) use a trademark or service mark notice beside any use of your mark(s); and 2) register the mark(s), either at the state or the federal level, or both.

1. Trademark Notices

Different types of trademark or service mark notices are appropriate under different circumstances. A "TM" symbol next to a trademark, or a "SM" symbol next to a service mark will tell the public that you claim the mark as your own and that no one else should use it. By using these notices, you are telling the public that you claim the particular mark as your own, and may sue anyone who uses the mark in a manner which is likely to cause confusion (i.e. infringes your trademark rights). The "TM" or "SM" indicates that you are either relying on common law trademark or service mark protection (you do not yet have a registration) or you have obtained only a state registration. If on the other hand you have a federal registration, you may use a ® symbol. You must never use a ® symbol next to your trademarks or service marks unless you actually have a federal trademark or service mark registration.

2. State and Federal Trademark Registrations.

If you do business only in one state, and are not involved in interstate commerce activities, you are most likely eligible only for state registration. If you do business across state lines, or somehow affect interstate commerce (you operate a truck stop on an interstate highway, for example) then you may be eligible for a federal registration.

What does registration do for you and what is the difference between state and federal registration? When you register a trademark or service mark with the state or federal government, federal law and most state laws provide that you are putting the public on notice that the registered mark belongs to you or to your business. The make-up of the "public" depends on whether you have a state or federal registration. In most states, a state registration means that no one in that state can claim that they did not know about your trademark or service mark rights -- the law says that they "know" whether they actually know or not (this is known as "constructive notice"). If you have a federal registration, everyone doing business in the United States "knows" about your trademark or service mark rights (including importers from abroad). The constructive notice provided by trademark registrations helps prevent anyone who

infringes your mark from claiming to be an "innocent infringer" and avoiding having to pay full damages for their infringing activities. Your federal registration also prevents any third party from developing new or additional rights in your chosen trademark or service mark, even if others had used the mark in a local area. Once you have your federal registration, all other users of the mark (if any) are "frozen" in the geographic areas in which they used your registered mark, and they cannot expand or change their use afterwards.

Federal and most state registrations also provide their owners with valuable presumptions in trademark infringement actions. Presumptions in the registrant's favor, such as ownership and validity of the mark as a trademark or service mark, are typical benefits of trademark registrations. Absent a registration, a trademark owner would bear the burden in court of proving such matters, even absent a challenge from the alleged infringer. In this respect alone, the cost involved in obtaining trademark and service mark registrations is many times offset by savings in the litigation context. In many instances, because they can serve as such a potent deterrent to infringers who are challenged and made aware of the registration, the mere existence of a registration is enough to stop the infringement and prevent litigation entirely -- an enormous cost savings to the trademark owner.

3. Federal Intent-To-Use Registrations.

One fairly recent development concerning federal trademark registrations is worthy of mention -- the availability of intent-to-use registrations. In the past, one could only file for federal trademark or service mark protection if the mark had already been in use. This presented a serious problem. To put a mark in use requires considerable investment of money, time and other resources. In the past, many trademark users placed their marks in use, filed for registration, learned of a conflict which prevented registration, and then had to undertake selecting and clearing a new mark. This represented a tremendous waste of resources and a source of great frustration to the business community.

Now, anyone who legitimately intends to use a mark in such a manner as to qualify for federal trademark protection can file a federal trademark application and receive a registration when the mark is actually placed in use (with certain time restraints and nominal additional expense associated with a later-filed statement of use). Accordingly, for the first time in U.S. history, trademarks can, more or less, be "reserved". This process allows a would-be

trademark or service mark user to seek registration of the mark, and then only proceed when (or if) the registration is granted.

While even a federal trademark registration is not a guarantee that one will not face a challenge from another trademark or service mark owner on the basis of an alleged infringement, the odds are far better with, as opposed to without, a registration.

This intent-to-use procedure is available only at the federal level. The eligibility for such federal protection should be discussed with your trademark attorney.

D. Duration of Trademark Rights and Registrations

While trademark rights are potentially unending, trademark registrations are not. Federal and most state registrations have renewable terms of ten years. In the case of federal registrations, certain declarations which demonstrate continued use of the mark must be filed during the term of the registration, if the registration is to continue in effect. Therefore, it is very important for a trademark registrant to have the services of an experienced trademark specialist who will inform the registrant of the continuing duties and deadlines which accompany trademark registrations.

E. Foreign Trademark Protection

This booklet is too general in scope to effectively discuss foreign trademark protection. It is important to note, however, that a trademark or service mark user should discuss foreign trademark issues with a trademark specialist any time the potential exists to market goods and services in other countries. This is of particular importance in light of the recent activities concerning the North American Free-Trade Agreement.

A problem faced by many U.S. companies is that of entering a new foreign market and encountering a trademark or service mark registration in that country which was filed by a person or company who anticipated the U.S. company's entry into that market. In such situations, U.S. companies have paid millions of dollars in "ransom" to permit their continued use of valuable, well-established trademarks and service marks in foreign markets.

At present, there is no truly effective international trademark registration system available to U.S. citizens, although there are such systems under consideration. For now, obtaining foreign trademark protection is a country-by-country process. However, this process is made

easier (and much more cost effective) through use of your U.S. trademark specialist's network of foreign associates.

VI.

Selecting a Good Trademark or Service Mark

(Staying Out of Trouble)

Keep in mind that "constructive knowledge" of trademark and service mark rights provided by registrations goes both ways. You have constructive knowledge of the trademark or service mark rights of everyone who has registrations with the United States Patent and Trademark Office. In many cases, you also have constructive knowledge of the rights of persons who have state registrations in states where you do business.

How can you keep from infringing someone else's rights and getting sued? It is almost impossible to be completely risk-free any time you select a trademark or service mark. You must realize that anyone can sue anyone else and allege trademark or service mark infringement (whether they are right or wrong). Also, trademarks and service marks do not have to be exactly the same before infringement can occur. This complicates the matter even further. As explained above, the controlling question with respect to trademark rights and the infringement thereof, is whether or not there is a likelihood that the consuming public will be confused about the sources of goods or services.

When selecting a trademark or service mark, you (and your trademark attorney) must ask whether or not the trademark or service mark you are using (or intend to use) is so similar to someone else's mark that the public might confuse which goods or services come from which source (you or another vendor?). If there is no likelihood of confusion, there will be no infringement. This, however, is a very difficult judgment to make, and must be made with the assistance of an experienced trademark practitioner. Even with considerable experience in the field, there is no scientific precision to the judgment of trademark availability. A trademark examiner, considering the results of his/her own trademark search, will consider this same question when you attempt to register your trademark or service mark as will a court and jury if you are involved in trademark infringement litigation.

You can greatly improve your odds against being sued for trademark or service mark infringement by having a trademark and service mark search done before adopting a new mark. This helps to avoid wasting substantial time and money in promoting a mark (or filing an intent-to-use application) only to find out that you must change your mark because of conflicting rights already held by someone else. Trademark and service mark searches are designed to spotlight registrations of trademarks and service marks which are the same as, or which are confusingly similar to the mark being searched. The search will encompass marks registered at the state level (in all 50 states) and at the federal level. Some searches also reveal marks which are in use, but which are not yet registered ("common law marks"). Trademark and service mark searches provide very valuable guidance in adopting a trademark or service mark at a very reasonable level of expense.

You should not be surprised if asked by the attorney doing your trademark and service mark searches to submit several different marks for consideration. Roughly half of the marks searched by this author are not available (this alone emphasizes the importance of searching a mark before using it -- it shows how many marks might have been used and brought about an infringement action had the trademark searches not been done). Providing two or three alternative marks can save you a great deal of money by permitting your trademark attorney to switch to alternative mark(s) during the search if conflicts are found. This is a much more cost effective approach than conducting wholly separate searches for a long succession of individual marks as made necessary by repeated rejections. It is important to realize that trademark searches vary widely in scope and expense. Quite frankly, a certain measure of financial realism figures into the selection of a trademark search in any given case. The large, multi-national corporation seeking a new trademark for a major new product may spend tens of thousands of dollars on trademark searches so as to "turn every stone". This is due, in part, to the substantial investment which such a corporation will make in its new trademarks and product line, and, in part, to the fact that such corporations are inviting targets to anyone who might hold even an arguable infringement claim.

The situation is somewhat different for the small business or individual. The costs for the most thorough trademark searches, even if within the means of the client, are probably not justified in most cases involving small businesses and individuals. A point of diminishing returns

is reached very early in the progression toward truly exhaustive trademark searches. For a few hundred dollars, probably 95%+ of the reasonably problematic, pre-existing marks will be disclosed (even if only state and federal registrations are reviewed). For slightly greater expense, a reasonable degree searching for common law marks can be done. The substantially greater expense of the most thorough searches is most often directed toward bridging (most of) of the last few percentage points of probability that an unregistered, conflicting mark might already be in use and might cause problems for the new user. However, even the most expensive searches do not guarantee trouble-free use of a mark - there is no perfect trademark search.

In short, you should consult your trademark attorney, weigh the many factors involved, and select a trademark or service mark search which is most reasonable in light of your particular circumstances, always keeping in mind that a certain degree of risk is inherent in adopting any trademark or service mark.

VII.

Are Trademarks Worth All the Effort?

A trademark or service mark can become the most valuable asset in your business. Millions of dollars have been paid for the use or transfer of certain trademarks and service marks. If you sell your business (especially if it is successful), do not be surprised if your trademark or service mark and the associated goodwill account for a significant amount of the purchase price.

Your trademark(s) or service mark(s) tell the public that the goods or services which you provide are yours, and that only the goods or services bearing your mark(s) are yours. Certainly, you do not want to lose your customers to unscrupulous competitors who use a confusingly similar trademark or service mark, i.e. "trading on your goodwill." Properly selecting and fully protecting your trademarks and service marks is your best defense to such a problem.

VIII.

Conclusion

The way to help prevent confusion between your business's products or services and those of someone else is to properly select and then fully protect your trademarks and service marks. Otherwise, you are playing "Russian Roulette" with your business's public image and with possible lawsuits.

This article is intended to provide an overview of the trademark and service mark field and not to provide specific legal advice for any reader. Each specific situation involves variables which determine the precise path which business persons should take to properly protect their trademark and service mark rights. Questions in any specific situation should be promptly addressed to an experienced intellectual property attorney (usually a registered patent attorney).

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Mr. Henry's private practice includes prosecuting patent and trademark applications before the United States Patent and Trademark Office and in patent offices throughout the world. His clients range from Fortune 100 companies and University Systems to individual "backyard inventors" and small businesses. As an active intellectual property litigator, Mr. Henry is also involved, at any given time, in a number of federal court actions throughout the U.S. (and some in Canada) concerning claims of patent, trademark, or copyright infringement.

Mr. Henry is a Lieutenant Colonel in the United States Air Force's Auxiliary where his unit flies humanitarian, search and rescue and disaster relief missions under auspices of the U.S. Air Force and a variety of federal and state emergency services agencies. Mr. Henry also channels his passion for aviation into his private practice as he flies, nation-wide, to meet clients and manage his various patent and trademark projects and cases. In it, in part, because of his well-known stance that "geography is never an issue when working with me", that Mr. Henry's practice extends throughout the United States (and beyond).