



Newsletter

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Our office will be closed for the following holidays:

May 26th, 2008 – Memorial Day

Our next newsletter will be mailed out the beginning of July 2008.

Remember if you have an article that you would like to contribute to our newsletter just fax it to us for our review. We must receive the article no later than June 15th for our July newsletter.

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TRADEMARK BASICS

Without a doubt, trademarks are one of the most important intellectual property assets a business can have. In simplest form, trademarks allow customers to identify which products, goods, or services come from a particular source and, based on a personal preference or dislike, to buy or avoid the products in the future. Indeed, simple mention of the following trademarks brings forth immediate recognition and some opinion of the quality of the provided goods: Harley-Davidson, Coca-Cola, McDonald's and Exxon. The mind grabbing nature of a healthy trademark is seldom achieved overnight, but rather is the result of prolonged years of effort involving research and development, product sales in the marketplace, and all the goodwill that a business has methodically worked to earn.



The tie between a business's goodwill and a healthy trademark cannot be overstated. Few if any other business practices can match the capital generating or perpetual sales income power of a healthy trademark. If we were to take all of the physical assets of a company such as Coca-Cola and eliminate them from the face of the earth, there is no question that the Coca-Cola Company could acquire new capital and billions of dollars in new financing simply on the goodwill represented by the mark Coca-Cola. When the mark Barbie is mentioned, the famous Barbie doll immediately comes to mind. Mattel receives one half of its worldwide sales from the sale of Barbie dolls, Barbie accessories, and Barbie related merchandise. In 1991 this amounted to \$700 million in sales. Harley-Davidson, Inc., after decades of trademark languishing,

has constructed a formidable trademark portfolio which it vigorously enforces, licenses, and operates as a profit center. The licensing income today is estimated to be over \$20 million per year compared to only \$250,000 in 1982.

A trademark is the only intellectual property asset that is protected by three separate bodies of law. There are over one million federally registered marks, and each state has provisions for the state registration of a mark. In addition, trademarks are protected at common law.

Functions of Trademarks

Trademarks are used to identify and distinguish goods or services in the marketplace as originating from a single source.

Occasionally, despite extensive name selection and market study, some trademarks do not fare well with the public. For example the trademark Edsel brings to mind on the most significant failures of new car introduction in the United States.

If a company's products are sold overseas, great care must be taken to find out the connotations of the trademark in foreign languages. For example, Nova, the trademark for a well-known car, in Spanish means *won't go*. The word bimbo has a negative connotation in the United States, but in Spain and Mexico, Bimbo is a well-known trademark for high-quality premium bakery products.

Types of Trademarks

Theoretically, a trademark can be anything that identifies a single source for a product or a service. Legally, a trademark for federal registration is defined as:

Any word, name, symbol, or device or any combination thereof (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of goods, even if that source is unknown.

NAFTA defines a trademark as: any sign, or any combination of signs, capable of distinguishing the goods or services of one person from those of another including personal names, designs, letters, numerals, colors, figurative elements, or the shape of goods or their packaging.

Words constitute the most common form of trademarks. A simple word such as Apple for

computers is an excellent example. Stylized logos, artistic designs, and graphic symbols constitute a second category of commonly used trademarks. The five interlocking rings designating the Olympics fall into this category. Colors may function as a trademark. Even the single color pink for fiberglass insulation has been held to be exclusively owned by Owens-Corning. Sound may function as a trademark. For example, the theme song of the "Heartbeat of America" campaign is a trademark owned by General Motors. A slogan also may be a trademark; one example is Clairol's use of the words "color so natural, only her hairdresser knows for sure."

Although these represent some rather obvious and important types of trademarks, a configuration of a product and the container of a product also may constitute valuable trademarks. For example, a few years ago 7-Up had trademark rights to the image of an upside-down Coca-Cola glass. This was part of their "Un-Cola" campaign. Indeed, the share of a franchise unit building and the interior design of a restaurant can function as protectable trade dress, which is a form of trademark eligible for protection. The five-sided shape of Bose speakers and the pebbled silver, blue and white wrapper of a Klondike bar have been held protectable.

Many characters function as valuable trademarks: the Pillsbury Doughboy, the California Raisins, the 7-Up Dot, Spuds Mackenzie and so forth. The Old Joe Camel character is so well known that in a survey of children aged three to six, more than 50 percent matched him with a picture of a cigarette; furthermore, 98 percent of teenagers correctly identified the cigarette brand.

Holographic three-dimensional images have been used to prevent counterfeiting (especially of bank notes and credit cards). Such images are being accepted for registration.

Scents or smells are also proper subject matter for trademark registration.

It is not surprising, therefore, that a single product and the marketing of that product can involve a number of different trademarks. The McDonald's Corporation trademarks provide an interesting illustration. The physical device of the golden arches has become one of the first symbols learned by a young child, one readily recognized worldwide. Yet, McDonald's Corp. uses many more trademarks to protect its rights, including the name McDonald's, the roof design of its franchise units, the names of its various products, the shape of its containers, and so on. The next time you visit a McDonald's restaurant, look at the napkins, the cups, the containers, and the wrappings for good products; you will be amazed at all of the different visual trademarks.

Trade Names Distinguished

A trade name is the name of a business and is not generally a trademark. Local governments require filing a trade name affidavit at the county level, the state level, or both. These requirements vary from jurisdiction to jurisdiction. The primary purpose of trade name registration is to provide a means for the creditors of a business to find out who is the real party in interest is for purposes of debt collection. The trade name of the company that markets Coca-Cola soft drinks is The Coca-Cola Company.

Service Marks

Trademarks are for products. "I Can't Believe It's Not Butter!" is a trademark for a food product. "Big Sur" is a service mark for a retail store that sells waterbeds. "Wendy's" can function both as a trademark and a service mark, because it is used on fast-food products and on a retail business that sells fast-food items.

The federal Lanham Act defines service marks as those used to:

Identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

NAFTA also protects service marks.

Certification Marks

Federal certification marks are those used to:

Certify regional or other origin, material, mode of manufacture, quality accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

Examples of certification marks are the UL symbol from Underwriters Laboratory and the Good Housekeeping Seal of Approval. Under NAFTA, certification marks are protected.

Collective Marks

The federal Lanham Act defines collective marks as being "used by the members of a cooperative, an association or other collective group or organization... and includes marks indicating membership in a union, an association or other organization. For example, a famous collective mark is AMA for the American Medical Association.

State Trademarks

Most businesses are involved in the interstate sales of goods and services; therefore, they are primarily concerned with obtaining federal trademark rights. Some businesses, however, are solely located within the confines of a particular state and may prefer to seek only state trademark protection. State trademark protection is generally much less expensive to obtain and is usually registered much more quickly than a corresponding federal registration. Each state has its own set of unique requirements for obtaining state trademark protection.

Common Law Trademarks

Trademarks are protected at common law everywhere in the United States. To have common law trademark protection, a business must simply *adopt* the mark and *affix it* to a product or service and *use it* in commerce. Placing a label or hang-tag onto the product constitutes affixation. Common law trademarks provide exclusivity only in the physical territories of actual use. For example, if a business uses the mark Poorhouse for dog food in Havre, Montana, only, it will be protected, at common law, only in an area around Havre. The extent of the area depends on how far the market influence of the mark extends from Havre. Because of this geographic limitation, reliance on common law trademark protection is a fallback position, and all businesses should file for either state or federal protection.

Duration of Trademarks

Previously, federal trademarks received a 20-year registration that could be renewed forever. This changed with the Trademark Revision Act of 1988, and federal trademarks now receive only a 6-year duration, but they can still be renewed forever. This also corresponds to NAFTA's requirements. State trademark registrations are typically for 10 years and they also can be renewed forever. For common law trademarks, there is no specific duration. Duration at common law continues for as long as the mark continues to be used in its geographic territory.

Whether a mark is protected federally, at the state level, or at common law, when a company stops using the trademark, it is at definite risk that it may have abandoned at the federal level, it commences when a federal registration number and certificate is issued. At common law, it commences when a business starts sale of the product in commerce with the mark affixed to the product.

Another hotly litigated area is the fuzzy concept of *preparation to use a trademark*. Having a graphics shop draw up a trademark, filing papers using the trademark with government officials (for example, filing plans in a

city for a real estate development), or putting a sign up on a business without opening the business (such as a restaurant prior to opening) may constitute simple preparation to use and may not lead to any exclusive trademark rights of ownership.

It is not surprising that some businesses, especially large companies, carefully guard as a trade secret new product names before the date of production introduction.

Trademark Distinctiveness

The distinctiveness of a trademark is an important factor in the legal strength of the trademark. It is a goal of all businesses to select and use highly distinctive, legally strong trademarks. By doing so, they greatly minimize their trademark infringement legal exposure and greatly maximize their right to stop infringing uses.

Fanciful Trademarks

Fanciful trademarks are words created and coined to function as trademarks. Such words never existed before. Examples are Kodak for cameras, Clorox for bleach, Polaroid for cameras, Exxon for oil and gas products, and Advil for headache and pain reliever medicine. Fanciful trademarks are legally the strongest trademarks, because each one has been created to function as an exclusive property right. Fanciful trademarks are protectable at the outset without the need for proof of secondary meaning.

Arbitrary Trademarks

Arbitrary trademarks are well-known words arbitrarily used. For example, the word "apple" is commonly used and is also arbitrarily applied to

computers. The word "fox" is arbitrarily applied to a television and cable network, and the word "camel" is arbitrarily applied to cigarettes. In choosing an arbitrary trademark, a business tries to pick a mark that will aid in the sale of the product. For example, the word "apple" has traditional significance in the educational industry. "An apple for a good student" and "An apple for the teacher" are both well-known usages in the educational context. A significant part of the Apple computer business relates to the educational marketplace.

The arbitrary words "coyote" and "weasel" could not be as successfully used for a network as the word "fox" because they have negative connotations. Most people think of foxes as clean, quick, and intelligent, all positive attributes. Likewise, the word "camel" suggest a Turkish blend of tobacco.

Legally, arbitrary trademarks may be either strong or weak. The strength of such marks depends upon how frequently they are used by others as trademarks. For example, the word "mustang" is used in the vehicle industry by a number of different companies (for example, different companies own federal trademarks on the word "mustang" for cars, for tires, and for batteries). Hence, although the trademark is arbitrary, its legal strength is weak, and each owner of the word "mustang" has rights of exclusivity narrowly limited to its particular product or product line. The trademark Apple was not previously being used in the computer industry; hence its selection, adoption, and use have been legally strong enough to foreclose other companies from using it on related computer and software products.

In selecting an arbitrary trademark, it is important to research it thoroughly to make sure that it is not common in common use as a trademark by others. Arbitrary trademarks are inherently distinctive and legally protected from the outset. Proof of secondary meaning is not necessary.

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