



Newsletter

December 1999

Professional Legal Assistors

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Our office will be closed for the following holidays:

September 3rd through 7th – Labor Day

October 11th – Columbus Day

November 25th & 26th – Thanksgiving

Our next newsletter will be mailed out the beginning of April 2000.

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 March 15th for our April newsletter. ♦

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REMINDER – CALIFORNIA CORPORATE FILING

KEEPING YOUR REGISTERED TRADEMARK

Between the fifth and sixth year after federally registering your mark, you should complete and file, with the U.S. Patent and Trademark Office, an important form called “Sections 8 and 15 Affidavit.” By filing this single document, you’ll protect your mark in two extremely important ways. The Sections 8 and 15 Affidavit officially advises the Patent and Trademark Office that:

- Your mark is still in use and that your registration should continue in force, and



- Your mark has been in continuous use from the date of registration and therefore deserves extra protection against potential challengers. In Patent and Trademark Office jargon, you’re requesting “incontestability status” for your mark.

You’ll need to briefly evaluate the use of your mark to make sure you’re eligible to file the important Sections 8 and 15 Affidavit. Here’s how:

a. Can You File on Time?

The form must be signed and filed with the Patent and Trademark Office between the fifth and sixth years of registration. Your timing is crucial because there are no extensions. For that reason, it should be filed well before the six-year deadline. That way you’ll have time to clear up questions or provide the Patent and Trademark Office with more information, if needed.

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FEES GO UP TO \$715 January 1, 2000

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Example: If your mark was registered on May 15, 1995, you must sign and file your Sections 8 and 15 Affidavit between May 15, 2000 and May 15, 2001. It would be best to file it in June or July of 2000 so there is plenty of time to make corrections.

Failure to file the Sections 8 and 15 Affidavit on time will result in your federal registration being canceled. This means you will have to re-register if you still want the benefit of federal registration.

b. Is Your Mark Still in Use?

You must still be using your mark in the manner described in your registration certificate; otherwise your registration will be canceled. This means that you must still be using it on the same products or services and in the same way (on packaging, or pamphlets, etc.) as you originally stated.

c. Has Your Mark Been in Continuous Use for Five Years?

You'll qualify for incontestable status if your mark is in continuous use for five years after being placed on the Principal Register. More specifically, your mark can become "incontestable" if all of the following apply:

- Your mark was placed on the Principal Register at least five years ago and you have used the mark continuously—without a lapse—since that registration date in the same manner and on the same goods or services for which it was originally registered. (If you are using the mark for some of those original goods or service but not for others, it may become incontestable for the goods and services you are still using.)
- No court has rendered a final decision (that is, one that is not on appeal) that affects your ownership claim since the date of registration.
- No court or the Patent and Trademark Office has challenged to your ownership claim is pending.
- You file the Sections 8 and 15 Affidavit on time.
- The mark is not and has not become generic.

Incontestability status makes it more difficult—but not impossible—for anyone to challenge the validity of your mark. The result is that it will be easier for you

to protect your mark from infringement. Even though an incontestable mark can still be challenged on a number of grounds, it is safe from attack on the basis that it lacks distinctiveness. This is a key benefit—once a mark is considered distinctive beyond argument, it gets very strong protection.

Example: *Park 'N Fly, Inc.* sued *Dollar Park and Fly, Inc.* for trademark infringement. *Dollar Park and Fly* defended on the ground that *Park 'N Fly* was too weak to deserve protection. But the U.S. Supreme Court ruled that the *Park 'N Fly* mark had obtained incontestability status and couldn't be challenged on that ground.

Of course, even after the mark attains incontestability status, if you stop using it for a sufficiently long time, the mark may be deemed abandoned and dropped from the federal register.

Example: In 1993, Frank Brown invents an inexpensive but highly accurate blood pressure testing kit and starts distributing it under the trademark *F/B Stresstest*. After five years have passed, in 1998, the mark will be entitled to incontestable status if Frank has kept the mark in continuous use for this five-year period. But if he then stops using it for two years or more, he'll not only possibly give up the incontestable status but may abandon his federal registration altogether.

CONTACT US AT PROFESSIONAL LEGAL ASSISTORS TO HAVE YOUR SECTIONS 8 AND 15 AFFIDAVITS COMPLETED AND FILED. Our fee is \$100 and the federal filing fee is \$100.

Incontestability Only Means Harder to Contest

Paradoxically, you can contest an incontestable trademark in quite a few ways. The upshot is that "incontestability" really means "harder to contest."

You can challenge a mark that is incontestable on any of the following grounds:

- The registration or its incontestability was obtained fraudulently.
- The mark has been abandoned by the registrant.
- The mark is being used to misrepresent the source of the goods or services with which it is being used (for instance, use of the mark involves the unfair trade practice known as palming off).
- The infringing mark is an individual's name being

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used in his own business (that is, a trade name and so not registrable).

- The use of the infringing mark is prohibited or reserved under the Lanham Act.
- The infringing mark was used in interstate commerce before the incontestable mark, and before it's registration.
- The infringing mark was registered before the incontestable mark, or
- The mark is being used to violate the anti-trust laws of the United States. ♦

California Corporations Filed on or Before January 1, 2000 are Exempt From Minimum Franchise Tax

Assembly Bill 10, which was chaptered on July 6, 1999, exempts every corporation that incorporates or qualifies to do business in California on or after January 1, 2000, from the minimum franchise tax prepaid to the Secretary of State for it's first taxable year and the minimum franchise tax for the second taxable year.

Assembly Bill 10 shall not apply to any corporation that reorganizes solely for the purpose of avoiding the minimum franchise tax.

Our previous newsletters indicated that the California Secretary of State Corporations Division had planned to raise the filing fee from \$415 to \$715. Assembly Bill 10 has changed that. Effective January 1, 2000, the California corporate filing fee will be \$115 (\$100 filing fee + \$15 expedited over-the-counter fee.) --

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Errors to be dangerous must have a great deal of truth mingled with them. It is only from this alliance that they can ever obtain an extensive circulation. From pure extravagance, and genuine, unmingled falsehood, the world never has, and never can sustain any mischief.

Sydney Smith

ALMOST 90 PERCENT OF ALL PUBLICLY TRADED CORPORATIONS PROTECT THEIR BOARDS WITH INDEMNIFICATION AND INSURANCE

Nevada Corporations Liability Protection Strategies

Director's Insurance

Even though Nevada law provides unmatched liability protection for corporate officers and directors, it is nevertheless a good strategy for knowledgeable directors to insist upon indemnification by the corporation for any suit brought against them resulting from their corporate duties. To make the indemnification even stronger, the company could consider obtaining director liability insurance. Without this type of insurance, few outside directors would be willing to take the risk of service.

When the corporation purchases the insurance, instead of requiring the individual director to purchase his or her own policy, the defense of claims is less complicated, the writing-off the cost of the premiums is less problematic, and the policy is generally less expensive.

When shopping for director insurance, look carefully at the following items:

- How much coverage does the policy provide? In today's litigious world, a policy should provide a minimum of \$1 million in coverage per occurrence. Larger corporations involved in riskier activity, such as hazardous waste, will need more.
- What is excluded from coverage? Does the policy exclude claims based on dishonesty, fraud, libel, slander, securities violations, insider trading, or

other activities. These exclusions may be negotiated back into the coverage at a certain cost.

- What are the deductibles? Many policies use a “split deductible” approach to claims, where the policy only provides, for example, 95% coverage on any claim. However, if a large judgment exists, 5 percent can amount to a lot of money. Also common are policies that have a flat deductible of \$5,000 per director.
- Must the company notify the directors upon cancellation of the insurance coverage?
- Will any supplemental insurance exist to cover deductibles, lapses in coverage or exclusions?
- Is the insurance company stable and highly-rated?

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ADDRESS CORRECTION REQUESTED

favorable jurisdiction.

The bottom line is that there are very few creditors who are determined enough or have the resources required to bring an action in the U.S. and then again in the foreign jurisdiction. The main objective of offshore asset protection is to discourage creditor claims. With such a plan in place most creditors will look for a “deep pocket” elsewhere.

It is important to keep in mind, however, that asset protection must be planned in advance of any creditor claims in order to avoid a potential fraudulent transfer. Clients must be wary of fly-by-night techniques and professionals that promise tax-free transfers that eliminate U.S. tax liability. These techniques are illegal and could result in a total loss of your assets or significant tax consequences if established improperly. Engaging a true legal professional to handle the transaction is of utmost importance. ♦ *Law Offices of Bryan S. Gadol (949) 631-6595*

