On Your Mark: Common Myths About Trademarks and Business Names
--Trademark Basics and Federal Registration--
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Virtually every business possesses trademark rights, which are often valuable and often undervalued. Yet, most people harbor significant misconceptions about trademarks and trademark rights. This article attempts to correct the misconceptions that often lurk behind the following statements:

“Can we trademark this?”
“We need to register this mark!”
“This mark isn’t taken.”

This article will define a trademark, explain what trademark rights are and how they are acquired, and outline the benefits of federal trademark registration. It will then delve into the standards for determining whether a mark is protectible and enforceable, or whether it conflicts with another mark.

This article uses a practical approach, and does not attempt to exhaustively catalog the law. It is intended merely to assist trademark owners in spotting some of the most common trademark issues. Those seeking a full understanding of the law should refer to the Lanham Trademark Act, 15 USC §§ 1051 et seq., and a treatise such as McCarthy on Trademarks and Unfair Competition.

A. What is a Trademark?

“Can we trademark this?”

“Trademark” is not a verb! In the United States, a trademark is a trademark if and only if it is used. Registration does not create a trademark, and one may own an enforceable trademark without any registration.

The Lanham Act does not generally preempt state trademark statutes or common law rights. Nevertheless, it is enormously influential in the development of US trademark law and is the basis for the vast majority of court decisions in the area. The Lanham Act defines a trademark as follows:

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.
[or services], including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

Note that registration is not part of the definition.

The scheme and principles of trademark law are entirely different from the scheme and principles of copyright law or patent law. However, there is some overlap between trademarks and copyrights. A trademark may receive copyright protection if it meets the requirements of the Copyright Act. A word mark, trade name or brand name is not entitled to copyright, but some logos and other designs may be.

B. Use as a Trademark

As the definition makes clear, a trademark is a trademark because of its use. First, a “word, name, symbol or device” must be used in order to be a trademark. The most creative new brand name in the world does not become a trademark until it is used in marketing or sales. (The exception, “intent to use,” is discussed below.)

Second, the mark must be used “to identify and distinguish” the owner’s goods or services. “Not everything that a party adopts and uses with the intent that it function as a trademark necessarily achieves this goal or is legally capable of doing so and not everything that is recognized or associated with a party is necessarily a registrable trademark.”

For instance, the following generally are not trademarks: a book title, the name of a musical group, a model, style or grade designation, a common geometric shape used as a vehicle for the display of a word mark, or an informational slogan. However, any of these may be trademarks in the right circumstances.

A company name or trade name used as such is not a trademark, because it is a noun directly identifying the source of the goods or services, not a brand identifying the goods or services themselves. However, a company name or trade name may be used as a trademark, and may be the most important mark owned by a services company. A tag line or advertising phrase may be used as a trademark, but not, for instance, when it is used as a verb phrase within a sentence.

For registration, the US Patent and Trademark Office (“PTO”) requires the submission of specimens of use. In determining whether a specimen shows use “as a trademark,” the PTO takes a somewhat stricter view than the courts. However, its rules are useful starting points for understanding what constitutes trademark use.

For trademarks, the PTO generally requires use directly on the goods or on their packaging, labeling or point of sale materials. It will not accept use in advertising, correspondence, business cards or other items which appear separately from the goods or their sale. Since service marks
cannot appear “on” services, the PTO accepts service mark specimens showing use on advertising, business cards and the like.

In sum, in the US, a trademark is virtually anything that is used as a trademark. Our federal and state trademark registration systems do not alter this principle. It is important to note, however, that in many foreign countries trademarks are created by registration rather than by use.

C. Rights based upon use

“We need to register this mark!”

So, the company appears to have a trademark, or plans to adopt a new trademark. Before assuming that the mark should be registered, it is important to understand the rights the trademark owner may already possess and then assess the benefits of registration.

Merely using a trademark can create the right to use the mark and to prevent others from using confusingly similar marks under federal and state law. The benefits of the federal Lanham Act are not limited to owners of federally registered marks. The “unfair competition” provision provides a cause of action for infringement of an unregistered trademark.

However, the rights of an unregistered trademark owner are limited to its actual geographic trading area. This can cause serious problems when the trademark owner attempts to expand, and can create conflict when the owner of a conflicting mark expands into the territory.

In general, a trademark that otherwise qualifies for federal registration (see discussion below) may be registered after it has been used “in commerce.” Due to the “intent to use” procedure (also discussed below), it is not necessary to use a mark in commerce before applying for federal registration. However, the mark must be so used before registration will issue.

According to the PTO, use “in commerce” essentially means the sale or transport of goods, or the rendering of services, across state or international boundaries. However, marketplace activity that fails to meet these technical requirements may still be use “in commerce.” In principle, “in commerce” refers to commerce that may be regulated by Congress. Nevertheless, the “use in commerce” requirement prevents many local businesses from obtaining federal registration.

D. Benefits of Federal Registration

1. Territory and priority

Federal registration provides numerous benefits which can often be crucial for a company. First, a federal registration is prima facie evidence of the registrant’s right to use the mark nationwide,
the validity of the mark, and the registrant’s ownership of the mark. After a registration has been in force for five years, if the registrant files an affidavit that it has continuously used the mark, it can obtain an acknowledgment that its right is “incontestible.” This converts the *prima facie* evidence into conclusive evidence and deprives opponents of certain defenses in litigation. However, a federal registration, even if it is incontestible, does not extinguish the prior common law rights of an unregistered mark owner.

Nevertheless, one important benefit of federal registration is the advantage it affords over common law mark owners. First, the filing of the application is constructive notice of the applicant’s nationwide right to the mark. Therefore, any party adopting a confusingly similar mark anywhere in the US after the date of filing is a potential infringer. Second, a registration freezes the territory of a common law mark owner, which means the registrant will much more likely be able to expand nationwide and confine the common law owner to its pre-existing local area. Besides resulting in substantive rights, these registration benefits can effectively reduce the likelihood of conflict and reduce costs and uncertainties in the event of conflict.

Since the revision of the Lanham Act in 1988, federal registration can provide another benefit which leads to improved substantive rights: “intent-to-use” priority. The general rule of priority is that the first party to use a mark anywhere in the US has the superior right to it. Under the common law and Lanham Act § 43(a), this right is limited to the party’s actual market area. Registration provides a presumed nationwide right, but the registrant’s priority is still determined by the date of first use.

The “intent to use” option is an important exception to the rule of priority based upon first use. To apply for federal registration, one need not yet be using the mark. The applicant may merely state a “bona fide intention” to use the mark in commerce in connection with the goods or services identified in the application. The federal application provides constructive nationwide priority as of the application date, even though the mark is not yet in use on that date:

Contingent on the registration of a mark on the principal register . . ., the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing –
(1) has used the mark;
(2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
(3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 44(d) to register the mark which is pending or has resulted in registration of the mark.
Foreign and treaty-based trademark rights are beyond the scope of this article, but the last provision above is included to serve notice that these may come into play.

Sorting out the priorities of registered and unregistered users can be confusing, but you can go a long way keeping the following principles in mind:

- There are no enforceable rights without past or current use of the mark;
- The rights of an unregistered mark owner are generally limited to its market area;
- Registration does not extinguish any prior statutory or common law rights; and
- The first to use or first to file has priority.

2. Other benefits.

Federal registration also has several practical benefits. The PTO examines all trademarks for registrability, and refuses to register a mark confusingly similar to a prior mark. However, for practical reasons, the PTO will search for and cite only federally registered marks as grounds for refusal of registration. This provides registrants with some protection that unregistered mark owners do not enjoy. Similarly, many parties conduct a search of the federal register before adopting a new mark, and are more readily deterred from adopting a mark similar to a registered mark than one similar to a common law mark.

Federal registration provides several ancillary benefits as well. A federal registration gives important advantages both offensively and defensively, in disputes over Internet domain names. Only a federally registered mark can be registered with US Customs to enlist its assistance in preventing counterfeits and other infringing imports. US applications and registrations can provide substantive advantages in obtaining foreign trademark registrations under treaty. And finally, only a federally registered mark may appear with the “®” registration symbol.

3. Procedure and Costs of Federal Registration

Many people are surprised at the high cost and delay involved in obtaining federal registration. The PTO (like most states and foreign countries) separates all goods and services into 42 separate classes. The filing fee for an application is $325 per class. Due to delays in processing and examination, registration usually takes at least 16-18 months. Obtaining a trademark registration, while not as labor-intensive as obtaining a patent, requires diligent monitoring of the application’s status and often one or more interchanges with the PTO. Close and thorough consultation of the Trademark Manual of Examining Procedure (“TMEP”) at all phases is strongly recommended.

The basic term of a trademark registration is now ten years; the registration may be renewed by filing proof of use. Proof of use must also be filed between the fifth and sixth years in order to
maintain the registration. Therefore, registration maintenance requires continued diligence and a reliable docketing system.

E. Should the company adopt this mark?

The Lanham Act states numerous requirements for registrability of a mark. These are detailed in the statute, the TMEP, and elsewhere, so this article will not attempt to list them all. The following are most commonly relevant:

- Required manner of actual or intended use.
  - Must be used as a trademark (i.e. not merely informational, ornamental, model or grade designation, trade name, etc.).
  - Must be used in connection with a good or service.
  - Must be used in interstate commerce (cross-border sale or transportation).

- Unregistrable if lacking trademark significance.
  - Generic term for the goods or services.
  - Merely descriptive (or deceptively misdescriptive) as to ingredient, quality, characteristic, function, feature, purpose or use of the goods or services (see discussion below).
  - Geographically descriptive (or deceptively misdescriptive) of the goods or services.
  - Primarily merely a surname.

- Likelihood of confusion, mistake or deception with a mark or name previously used or registered. Likelihood of confusion with:
  - Federally registered mark
  - State or common law mark
  - Telephone number or domain name
  - Company name or trade name

The most important requirements are that the mark be “distinctive”, i.e. that it have trademark significance, and that it not be confusingly similar to a prior mark.

1. Descriptiveness

To be registrable on the principal register (and to be enforceable), a mark must be “distinctive.” Distinctiveness, or “strength”, “measures [a mark’s] capacity to indicate the source of the goods or service with which it is used.” Distinctiveness may be inherent or acquired.

There are no clear lines between inherently distinctive marks and inherently nondistinctive marks. All marks fall somewhere along the “spectrum of distinctiveness.” “As with tonal shade
variations in the colors of the visible spectrum of sunlight, the categories of the trademark spectrum often become difficult to distinguish at the boundaries.\textsuperscript{12}

The most inherently distinctive mark is one that bears no relation to the goods or services with which it is used. This is known as an “arbitrary” mark. “For example, IVORY soap is not made of ivory, OLD CROW whiskey is not distilled from old crows, and ROYAL baking powder is not used exclusively by royalty.”\textsuperscript{13} One type of arbitrary mark is a “fanciful” mark, which is a coined term. Examples are CLOROX, KODAK and POLAROID.

One of the most difficult tasks in trademark law is to define the border between “suggestive” marks, which are inherently distinctive, and “descriptive” marks, which are not. A descriptive mark is one that describes a feature, quality or characteristic of the product or service.\textsuperscript{14} A suggestive mark, on the other hand, requires some thought or imagination to determine the nature of the product or service.

The following marks have been held descriptive: BEER NUTS, CHAP STICK, HOLIDAY INN and RAISIN BRAN.\textsuperscript{15} The following marks have been held suggestive: COPPERTONE, HULA HOOP, L’EGGS, ORANGE CRUSH, PLAYBOY, Q-TIPS, ROACH MOTEL and 7-ELEVEN.\textsuperscript{16}

Because the line between suggestive and descriptive marks is so hard to draw, courts sometimes arrive at inconsistent results. The Court of Customs and Patent Appeals (PTO) held CHICKEN OF THE SEA to be non-descriptive for tuna fish, but other federal courts held it to be descriptive.\textsuperscript{17}

A descriptive mark cannot be registered on the principal register and cannot be enforced in court, unless it has acquired distinctiveness through long or extensive use. The PTO usually applies a presumption that a descriptive mark which has been in use for at least five years has acquired distinctiveness and may be registered on the principal register.\textsuperscript{18}

A descriptive mark which has not acquired distinctiveness may nevertheless be important and valuable to the company. It may therefore be worthwhile to pursue registration on the supplemental register. Registration on the supplemental register does not provide evidence of the registrant’s exclusive right to the mark. However, the PTO will cite a supplemental register mark to refuse registration of a confusingly similar mark. Other benefits include the right to use the registration symbol, “®” with the mark.

It may also be worthwhile to obtain a state trademark registration for a descriptive mark. This is considerably faster and less expensive than federal registration. Most states do not examine trademarks for registrability. A state registration for a descriptive mark will at least provide public notice of the owner’s claim of right, and will be more easily found by searchers.
At the far end of the spectrum of distinctiveness, a generic term is not and can never be a trademark because it is a noun commonly used to identify the product or service. The following are examples of terms held generic: BABY OIL, BATH OIL BEADS, BUNDT (coffee cake), COLA, LIGHT BEER, MULTISTATE BAR EXAMINATION, SHREDDED WHEAT, SPACE SHUTTLE and SUPER GLUE.

2. Likelihood of Confusion

"Likelihood of confusion" is probably the most important concept in trademark law, because it is the test of infringement as well as a ground for refusal of federal registration. People commonly assume there is no liability for infringement as long as there is no actual customer confusion, but this is not the case.

The Lanham Act mentions the likelihood of confusion standard in the sections providing statutory causes of action for infringement of registered and unregistered marks. Likelihood of confusion is also the test of infringement under state statutes and the common law.

The following provision provides the federal statutory cause of action for infringement of an unregistered mark:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, . . . which -- [] is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.19

For a registered mark:

Any person who shall, without the consent of the registrant -- [] use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant . . . .20

One determines the likelihood of confusion by considering multiple factors and all the circumstances of the case. There are few hard-and-fast rules. However, a statement such as the following (once heard from a client) spells infringement:
“We chose this because it will remind our customers of our competitor’s mark for their successful product!”

These statements, often heard, reflect common misunderstandings of the law of infringement:

“**We can adopt this mark because . . .**

- It’s not identical to the other mark.”
- The other mark is used for different goods.”
- The other mark is not registered.”
- The other mark doesn’t appear with a “tm” or “®.”

In the Ninth Circuit, the factors for determining the “likelihood of confusion” are stated as follows:

1) strength of the mark;
2) proximity of the goods;
3) similarity of the marks;
4) evidence of actual confusion;
5) marketing channels used;
6) type of goods and the degree of care likely to be exercised by the purchaser;
7) defendant’s intent in selecting the mark; and
8) likelihood of expansion of the product lines.21

These factors are not exhaustive. Their purpose is simply to assist the courts in predicting the subjective state of mind of the average relevant consumer.

The first factor, “strength of the mark,” refers to the mark’s degree of inherent and acquired distinctiveness. A mark with a very high degree of acquired distinctiveness may be “famous.” Famous marks (for example, MCDONALD’S and COCA-COLA) receive a very broad scope of protection; even a very weak showing on the other factors will not necessarily defeat an infringement claim.

**A note about trademark dilution**

Indeed, a famous mark may be protected, and its owner may have a cause of action for injunction, even in the absence of a likelihood of confusion. State laws have long protected well-known or famous trademarks against “dilution,” and this principle has now been codified in the Lanham Act:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such
use begins after the mark becomes famous and causes dilution of the distinctive quality of the famous mark, and to obtain such other relief as is provided in this subsection. 22

The “other relief” referenced in the last clause is monetary recovery for defendant’s willful intention to trade on the owner’s reputation or to cause dilution. 23

A discussion of dilution is beyond the scope of this article. Suffice it to say that an identical or closely similar famous mark appearing in a search report should give rise to extreme caution and a careful analysis of the dilution risk. Some courts have given “famous” status to marks that are not at all household words.

The second likelihood of confusion factor, “proximity of the goods,” refers to the “relatedness” of the goods (or services). Direct competition is not required to establish infringement. For instance, are the goods likely to be used together or sold in the same outlets? Are they in the same class? This factor refers to the question whether the ordinary consumer would reasonably think that the two products come from the same source, or are affiliated with, connected with or sponsored by the trademark owner. 24

For example, the mark LIFE used with television sets was held likely to cause confusion in relation to LIFE magazine. 25 In contrast, the mark T.I.M.E. used with trucking services was held not likely to cause confusion in relation to TIME magazine. 26

The third factor, “similarity of the marks,” involves a three-fold inquiry often called the “sight-sound-meaning” trilogy. Two marks may be similar if they look similar, sound similar, have similar meanings, or some combination of the three.

The important point about the fourth factor, “evidence of actual confusion,” is that it is not required. The absence of actual confusion may weigh in favor of the junior mark owner (defendant) if the two parties have long been using their marks in the same marketplace. Any evidence of actual confusion usually weighs very strongly in favor of the senior mark owner (plaintiff). Evidence of actual confusion also often leads to damages awards. 27

3. Searching

Before a company commits to a new trademark, it is usually advisable to conduct a search of existing marks. This helps to determine whether the new mark may infringe the rights of another, draw an objection from another, or be unregistrable. Although a few courts have caused much consternation by drawing adverse inferences from failures to conduct sufficient searching, searching is not required. Nevertheless, the cost of conducting a search is dwarfed by the cost of defending a lawsuit or of changing a trademark after having made the initial investment in advertising, labeling, packaging, etc.
Unfortunately, even the most diligent searching virtually never leads to an unequivocal positive conclusion. There are significant blind spots in the databases, there is no way to uncover all unregistered uses, and some trademark owners may be surprisingly aggressive about enforcement. The goal of searching is risk reduction and quantification, not risk elimination.

Most practitioners divide trademark searches into at least two general types. First, there is the “elimination” or “knockout” search. This is a search of federal (or federal and state) applications and registrations only, so it will not uncover unregistered marks. Usually, limited search logic is used, so that only identical and closely similar marks are uncovered. One can perform this type of search in the office, using one of several database services.

After doing only an elimination search, it is virtually impossible to advise that “the mark is available.” Generally, the advice will be that the mark either is or is not eliminated from consideration.

If the elimination search is clear, a “full search” is generally advised before adoption of a new mark. Commercial search firms can generally conduct more thorough and cost-effective full searches than can be performed in the office. Besides federal and state applications and registrations, a full search should include common law sources to discover unregistered marks, such as industry and news databases and directories. A federal search should also include a search of Internet domain names. The federal and state portions of a commercial search are generally done using more powerful search logic than is feasible for in-house searching, so that less similar marks and some synonyms will appear.

These days, it has become useful and cost-effective to conduct a search for common law uses on the World Wide Web. At a minimum, the company should conduct such a search itself.

4. Search analysis

Just because a mark appears in the search results does not mean it is a bar to the company’s adoption, use or registration of the proposed mark. Trademark rights in the US stem from use, and the search report often will not tell you whether a mark is in use. Even a registration does not represent any enforceable rights if the owner has legally abandoned the mark. Non-use of a mark for three consecutive years is prima facie evidence of abandonment, which may be rebutted with evidence of an intent to resume use.28 If no proof of use has been filed in the PTO within the last three years, it may be worthwhile to investigate the registrant’s marketplace activity.

Conversely, just because an application or registration is abandoned, expired or canceled does not mean the applicant or registrant has no enforceable rights. If the mark is in use, there may be common law rights. Here too, it is often advisable to investigate.
To determine whether a reported mark is of concern, one must slow down and consider the factors involved in the “likelihood of confusion” determination, keeping in mind that the search provides only partial information. Place yourself in the shoes of the potential buyers of the product or service.

F. So the company plans to adopt the mark . . .

Whether or not the company files an application to register its trademark, it should use the trademark properly. Proper use increases the value of the mark, provides notice to others of the owner’s trademark rights, and can prevent the mark from losing distinctiveness.

First, the company should use the “™” symbol with an unregistered mark, and the “®” or other notice of registration with a federally registered mark. Whenever possible, it should set the mark apart and distinguish it from surrounding text or other material. A word mark should not be used as a noun or verb. If it is used in text, it should be used as an adjective modifying the generic name of the product. For instance, Kimberly-Clark would say, “Hand your friend a KLEENEX tissue,” not “Hand your friend a KLEENEX.” Finally, a mark should not be used in a modified or altered form unless the company has decided to change it.

The value of a trademark and registration may be significantly reduced if infringers go unchallenged. Many companies actively monitor the marketplace and the federal register for marks that may infringe their own, so they can take appropriate action. The cost of a subscription service to monitor the federal register is only $155 per year, and employees may monitor the marketplace in the normal course of business.

Conclusion

A company that pays proper attention to its trademarks can measurably increase their value. A bit of up-front investment in searching and registration is usually well worth the cost. Trademark infringement and unfair competition suits are increasingly common, so an ounce of prevention may well avoid a bet-the-company lawsuit.

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1 A service mark is essentially the same as a trademark, except it is used with services rather than goods. For convenience, this article will refer to both service marks and trademarks as “trademarks.”
2 15 USC § 1127 (emphasis added)
4 TMEP § 1202
5 15 USC 1125(a)
6 15 USC §§ 1057(b), 1115
On Your Mark: Common Myths About Trademarks

7 15 USC § 1051(b)
8 15 USC § 1057(c)
9 15 USC § 1052(d)
10 15 USC § 1052
11 Restatement (Third) Unfair Competition § 21, cmt i. (1995)
12 McCarthy § 11:2
13 McCarthy § 11:11 (citing Chaffee, “Unfair Competition,” 53 Harv. L. Rev. 1289, 1294 (1940))
14 15 USC § 1052(e)
15 McCarthy § 11.24
16 McCarthy § 11.72
17 McCarthy § 11:70
18 15 USC § 1052(f)
19 15 USC § 1125(a)(1)(A)
20 15 USC § 1114
21 AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979)
22 15 USC § 1125(c)(1)
23 15 USC § 1125(c)(2)
24 McCarthy § 24:6
27 See 15 USC § 1117
28 15 USC § 1127