

Intellectual Property & Technology Law Journal

Edited by the Technology and Proprietary Rights Group of Weil, Gotshal & Manges LLP

ASPEN PUBLISHERS

VOLUME 22 • NUMBER 8 • AUGUST 2010

When Marketing Through Social Media, Legal Risks Can Go Viral 1

The exponential rise in popularity of social networking Web sites and other social media outlets such as Facebook, Twitter, LinkedIn, and individual blogs is due in large part to their viral nature. Social networking sites are essentially self-promoting in that users spread the word for the sites. The viral quality of social media makes it an appealing way for businesses to market products and services, and marketers have long recognized and tapped the potential of social media outlets. Incorporating social media into a marketing campaign is not, however, without legal risks. The authors of this article, **Melissa Landau Steinman** and **Mikhia Hawkins** of Venable LLP, advise companies using the power of social media to be cognizant of the relevant legal issues in order to protect themselves from liability risks.

Will Internet Businesses Ever Become Interested in Complying with Tax Laws? 10

The decade-long debate on multi-jurisdictional taxation of electronic commerce that intensifies in the United States every time the federal moratorium on Internet state-imposed taxes is about to expire takes a new twist in the face of the US credit crunch turned world economic crisis and the resulting state budget deficits. Desperate to close gaps in their budgets, states might try and tap into Internet sales before 2014, when the current extension of the moratorium expires. **Oleksandr Pastukhov**, the author of this article, believes that, as the Internet industry matures,

tax compliance online can become a mainstream behavior, a result of educated choice between an immediate lesser harm and future bigger evil, a willful act of a taxpayer who sees himself or herself as a government's partner in preserving law and order in the on- and offline worlds.

False Patent Marking Claims: The New Threat to Business 22

Michael R. O'Neill of McDermott Will & Emery, LLP, explains that the Federal Circuit recently rewrote the law on false patent marking claims, dramatically increasing the penalties that potentially can be assessed against companies that improperly mark products or product advertisements with patent numbers. The Federal Circuit's ruling has encouraged parties that have suffered no actual harm to file false patent marking claims and has created a cottage industry of litigants who have been filing false patent marking claims against a variety of companies *en masse*. In light of this, the author suggests precautions that companies should take to avoid being sued for false patent marking.

Trademark Registration: What Every Corporate Counsel Needs to Know 34

In this article, **David N. Cohan** of Gentry Locke Rakes & Moore LLP explains how trademark protection differs from copyright registration and patent protection. In addition, he details the benefits of federal registration, the application process, post-filing and post-registration issues, and the duration of trademark protection.

Trademark Registration: What Every Corporate Counsel Needs to Know

By David N. Cohan

You are corporate counsel for a growing company that does business in several states, or perhaps nationally through Internet sales. Or, your company does business in one state and plans to expand into neighboring states within the next year. You advise the CEO to obtain a federal trademark for a new product called FIX-A-BUG (an online, downloadable software program that detects and repairs software errors). The CEO wants to know how trademark protection differs from copyright registration and the patent application that you recently filed for the software program. In addition, the CEO wants to know about the benefits of federal registration, details of the application process, and how long it will take to obtain registration. How do you respond?

Trademark vs. Other Intellectual Property Rights

First, you should clarify that what the CEO wants is trademark protection for branding and marketing purposes rather than copyright or patent protection, as these intellectual property rights are often confused. *Trademarks* are words, phrases, symbols, or designs that identify and distinguish the source of the goods or services of one party from those of others.¹ Examples are the “Pepsi” name, the Nike “swoosh” logo, and the McDonald’s “I’m lovin’ it” slogan.² A trademark protects the identification of the source of the goods or services by allowing a seller to be the only one to benefit from its marketing and reputation.

In contrast, *copyright* refers to an original work of authorship fixed in a tangible medium of expression. A company may choose to register a copyright in the company’s original text, photographs, manuals, and graphics contained in its marketing materials or on its Web site to enhance the company’s

rights and remedies against competitors who might copy those items for their own use. A *patent* provides a person or company with exclusive rights for making, using, or selling a concept or invention and excludes others from doing the same for the duration of the patent.

Benefits of Federal Registration

Since your company plans to market its goods or services nationwide or in several states, it will be easy to convince your CEO of the benefits of federal trademark registration. Perhaps the most important advantage is that, unlike the limited geographic range of common law trademarks or state registered trademarks (discussed later), federally registered trademarks provide nationwide protection regardless of the actual geographic use of the mark. Additional benefits include:

- Providing *prima facie* evidence of trademark ownership and use, making it easier to prove an allegation of trademark infringement;³
- The ability to recover profits, damages, and costs for infringement, including treble damages in certain circumstances;⁴
- The right to sue for infringement in federal courts;
- The ability to recover attorneys fees in infringement actions;
- The incontestable status that a mark can achieve after five years of registration, which serves to eliminate most arguments that the registrant does not have the exclusive right to use the mark;⁵
- The right to use the ® symbol in connection with the mark, which may deter potential infringers;

David N. Cohan is a partner at Gentry Locke Rakes & Moore LLP. Based in Roanoke, VA, the author can be reached at dave_cohan@gentrylocke.com.

- Increased ease of discovery by those doing trademark searches, which helps to prevent the adoption of confusingly similar marks by third parties; and
- The ability to have the US customs service block the importation of goods bearing an infringing mark.

Is the Mark Distinctive?

You have confirmed that the CEO wants to protect the name of the company's product with federal trademark registration, and you have convinced the CEO of the numerous benefits of federal registration. Now you must determine whether the name FIX-A-BUG is distinctive enough to be entitled to protection; in other words, whether the mark is capable of distinguishing the company's goods or services from those of others. The four categories along the "spectrum of distinctiveness" are arbitrary/fanciful, suggestive, descriptive, and generic.

- A *fanciful* mark is completely made up for the sole purpose of trademark protection. For example, "Kodak" and "Xerox" had no meaning before they were adopted and used as trademarks.
- An *arbitrary* mark is a real word that is not related in any way to the product. For example, "Apple" for computers or "Camel" for cigarettes.
- A *suggestive* mark tends to indicate the nature, quality, or a characteristic of a product or service in relation to which it is used and requires a consumer's imagination to identify the product or service. For example, "Coppertone" for suntan lotion, "Roach Motel" for a pest control product, or "7-Eleven" for a convenience store open from 7 a.m. to 11 p.m.
- A *descriptive* mark explains what the actual product is and describes a quality of the product. For example, "Vision Center" for an optics store, "The Weather Channel" for a television channel that broadcasts weather-related items, or "Baby Superstore" for a retail store selling baby-related products.
- A *generic* term is the common name for the product or service in connection with which it is used,

such as "salt," "apple" (for the fruit), or "aspirin." It tells what the product is rather than indicating a source of goods or services.

Fanciful and arbitrary marks are easy to identify and are clearly entitled to trademark protection. Suggestive marks are also able to receive trademark protection.⁶ Descriptive marks are not entitled to protection initially. However, a descriptive mark can become distinctive and entitled to trademark protection if, over time, the public begins to associate a mark with a particular source.⁷ Generic terms are never entitled to protection no matter how much marketing a company uses in order to create source identification.

It is often difficult to determine whether a trademark examiner will consider a proposed mark to be suggestive or descriptive. Based on the guidelines above, it is reasonable for you to determine that the product name FIX-A-BUG is probably suggestive and therefore capable of being registered.

Conduct a Trademark Clearance Search

Before applying for registration, a trademark clearance search should be conducted. Although not required, a search will help determine the extent of any use of the proposed mark prior to filing. If the mark (or a mark that might be confusingly similar) is already in use for the same or similar goods or services, your company may be liable for trademark infringement by using a mark that is already registered or in use by another company. Further, your job may be in jeopardy if your company spends tens of thousands of dollars to brand and market a product only to receive a cease-and-desist letter from a competitor and prior user whose similar mark you would have discovered had you conducted a search.

Knock-Out Search

The first level of search is commonly called a "knock-out" or "direct-hit" search. This is a quick online search of the US Patent and Trademark Office (USPTO) database for an exact match to your proposed mark. This type of search can quickly and cost-effectively knock out a proposed name and save the time and expense of proceeding further.

Full Search

If the proposed mark clears the knock-out search, the next step is to have a full search conducted by a professional search company in order to determine the full extent of the use of the mark and similar marks. This is important because neither federal nor state registration is necessary to develop rights in a mark. For example, if another company is using the mark in the Los Angeles metropolitan area, that company may have developed common law rights to use the mark and may be able to prevent you from using the mark in that geographic area. If the company owns a state registration, that company could prevent your company from selling your goods and services bearing that mark anywhere in California. The search company will search not only the federal registry and state registries for names or logos that are similar in sight, sound, or meaning but also common law uses through sources such as Internet domain names, databases containing tens of thousands of company names, trade journals, newspaper articles, and telephone book listings.

Analyze the Search Results

Once the search results have been obtained, they should be analyzed by someone with experience. If the results turn up marks that could possibly be viewed by the USPTO examining attorney or another trademark owner as likely to cause confusion with Fix-A-Bug, such as Fix-A-Glitch or Bug Fix, consideration should be given to choosing another mark.

Likelihood-of-Confusion Standard

A determination as to whether a mark is confusingly similar to another involves a two-step process. First, the marks themselves are compared for similarities in appearance, sound, and connotation, that is, the commercial impression of the trademark. Second, the goods or services are compared to determine if they are related or if the activities surrounding their marketing are such that confusion as to origin is likely. The goods or services need not be identical or directly competitive to find a likelihood of confusion. They need be related only in some manner, or the conditions surrounding their marketing are such that they could be encountered by the same purchasers under circumstances that could give rise to the mistaken belief that the goods and services come from a common source.

Common Law Rights

When reviewing a search report, it is important not to disregard the marks listed as abandoned or cancelled or marks contained within domain names, as common law rights may exist in these marks if they are still in use. A trademark examiner will not cite abandoned or cancelled marks against an application, nor will an examiner cite state-registered marks or domain names, but prior and continuous users of non-federally registered marks can assert rights against your company in an infringement action or opposition proceeding if they believe that your company's proposed mark is confusingly similar to theirs. If any of these abandoned or cancelled marks are similar to your company's proposed mark, an investigation should be conducted into the extent and geographic scope of the use of such marks.

The Application

Intent to Use vs. Actual Use

If the proposed mark passes the clearance search, the next step is to file a Trademark/Service Mark Application for Registration with the USPTO. If your company's product is already in use in commerce, an application may be filed based on "actual use"⁸ of the mark in the ordinary course of trade and not merely to reserve rights in the mark. For federal trademark purposes, "in commerce" means all commerce that may be regulated by the US Congress, for example, interstate commerce or commerce between the US and another country. It is important to keep in mind that, for federal trademark purposes, "in commerce" does not mean local commerce only within one state.

If your company is not yet using the mark in commerce, an intent-to-use application may be filed,⁹ stating that the applicant has a *bona fide* intention to use the mark in commerce.¹⁰ If such an application is filed, you will have to show actual use of the mark in commerce before the USPTO will grant registration of the mark.

Filing Date Is Critical

The filing date of a federal trademark application is critical in determining prior rights to a mark. Once an application becomes registered, whether based on actual use of the mark or an intent to use the mark, federal trademark rights will relate back to

the date of filing the application.¹¹ For this reason, once a mark is chosen it is generally advisable to file an intent-to-use application rather than waiting until actual use of the mark before filing the application.

The Specimen

If the application is based on actual use in commerce, a "specimen" of the mark (proof of use of the mark in commerce) must be submitted with the application. A specimen for goods must show the mark as used on or in connection with the goods in commerce. It can be a label, tag, or container for the goods or a point-of-sale display associated with the goods. So, for online, downloadable software where there is no tangible product on which to display the mark, an acceptable specimen might be a page from your company's Web site on which the customer orders the software program.

In contrast to goods, a specimen for a mark used in connection with services must show the mark used in the sale or advertising for the services. It can be a sign, a brochure, or Web site pages describing the services, an advertisement for the services, a business card or letterhead showing the mark in connection with the services, or a photograph showing the mark as used in rendering or advertising the services.

Post-Filing Process

The application will be assigned to a USPTO examining attorney approximately three to five months after the filing date. The attorney will:

- (1) Refuse the mark based on certain grounds (discussed below);
- (2) Request certain modifications or clarifications to the application;
- (3) Suspend the application pending the disposition of certain prior applications; or
- (4) Approve the mark for publication in the Official Gazette.

Refusal

The most common basis for refusal by the examining attorney is that the mark is likely, when used on or in connection with the goods or services of the applicant, to cause confusion with another

mark.¹² Other common bases for refusal are that the mark is "merely descriptive" of the goods or services of the applicant, "primarily geographically descriptive," or "primarily merely a surname."¹³ If an office action is issued refusing a proposed mark, the applicant will have six months to respond to the office action in order to overcome the refusal, or the application will be deemed abandoned.¹⁴

Modifications

Trademark applications must include a description of the goods or services on which the mark is or will be used, a designation of the international class of goods or services,¹⁵ a drawing of the mark that conforms to the USPTO's specifications, and, for applications based on actual use, a specimen of the mark showing that it has actually been used in commerce. The examining attorney may issue an office action if the application is defective in any of these areas. The application will be deemed abandoned if the applicant does not respond to the objection within six months.

Publication and Registration

If the examining attorney raises no objections to the application or if the applicant overcomes all objections, the examining attorney will approve the mark for publication in the Official Gazette, a weekly publication of the USPTO.¹⁶ Once the mark is published, any party who believes that it may be damaged by registration of the mark has 30 days from the publication date to file an opposition to registration.¹⁷ If no opposition is filed, the USPTO will either (1) register the mark and issue a registration certificate approximately ninety days after the date the mark was published, if the application was based on actual use in commerce, or (2) issue a notice of allowance if the application was based on an intent to use the mark in commerce.¹⁸ A notice of allowance gives the applicant six months to file either a statement of use showing that the mark is being used in commerce, or a request for an extension of time to file a statement of use.¹⁹ A six-month extension of time to file a statement of use will be granted automatically upon the first such application, and five additional extensions may be applied for. In order to obtain extensions of time after the first extension, the applicant must provide proof of actual efforts being made to achieve use in commerce or a satisfactory excuse why such actions have not occurred.

Post-Registration

Trademark Symbols

Once the registration is issued, you should make sure that your company begins to use the registered trademark symbol ® on the mark.²⁰ Until then, your company should use the TM (trademark) or SM (service mark) symbol with the mark to indicate its claim in the mark. In fact, anyone who claims rights in a mark (whether or not such claim is valid) may use the TM or SM designation to alert the public to the claim, even if that person or entity does not intend to file a trademark or service mark application. Therefore, as soon as you begin to market a product or service and desire to claim rights in a mark, the TM or SM designation should be used.

Duration and Renewal

The duration of trademark registration is 10 years from the registration date,²¹ with 10-year renewal terms. Trademark protection will last indefinitely as long as the mark is continuously used in commerce and the proper filings are made. The first filing is between the fifth and sixth years after the registration date, when a declaration of use and a specimen proving continued use in commerce must be filed.²² An additional filing must be made between the ninth and tenth years after the registration date, and every 10 years thereafter.²³

After sharing this information, the CEO suggests that you outsource this project to an attorney who specializes in trademark registration. You breathe a sigh of relief and pick up the phone.

Notes

1. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a *service* rather than a *good*. The terms “trademark” and “mark” in this article, as well as throughout the Trademark Act of 1946, as amended (commonly known as the Lanham Act), refers to both trademarks and service marks. Lanham Act § 3 (15 U.S.C. § 1053).
2. Sounds and colors can also be protected by trademark, for example, the NBC chimes sound and the UPS brown color are registered trademarks with respect to certain goods and services of those entities.
3. Lanham Act § 7(b) (15 U.S.C. § 1057(b)) provides, “A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner’s ownership of the mark, and of the owner’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any limitations contained in the certificate.” See also Lanham Act § 33 (15 U.S.C. § 1115).
4. Lanham Act § 29 (15 U.S.C. § 1111).
5. Lanham Act § 15 (15 U.S.C. § 1065).
6. Suggestive marks are very attractive in marketing terms, as they remind consumers of the product and the (hopefully positive) image of the product they associate with it. However, they are weaker than fanciful or arbitrary marks in trademark terms, as competitors may use one or more portions of the mark in branding their own goods or services.
7. The owner of a mark who believes that the mark has acquired distinctiveness can apply for registration on the basis of the mark having acquired “secondary meaning.” Lanham Act § 2(f) (15 U.S.C. § 1052(f)). Secondary meaning “occurs when, ‘in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.’” *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000).
8. Lanham Act § 1(a) (15 U.S.C. § 1051(a)).
9. In contrast to federal applications, which may be filed based on a *bona fide* intention to use a mark, state applications generally cannot be filed unless a mark is in actual use in commerce in that state.
10. Lanham Act § 1(b) (15 U.S.C. § 1051(b)).
11. Lanham Act § 7(c) (15 U.S.C. § 1057(c)).
12. Lanham Act § 2(d) (15 U.S.C. § 1052(d)). See *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973) for a discussion of factors relating to likelihood of confusion.
13. Lanham Act § 2(e) (15 U.S.C. § 1052(e)).
14. Lanham Act § 12(b) (15 U.S.C. § 1062(b)).
15. The applicant must pay a separate filing fee for each class of goods or services designated in the application. There are 34 classes of goods and 11 classes of services from which to choose. (37 C.F.R. § 6.1). So, if your company uses FIX-A-BUG as the name of a software product and also as the name of a company that provides in-home computer diagnostic and repair services, you may choose to file one application for the goods (Class 9), and another for the services (Class 37).
16. Lanham Act § 12(a) (15 U.S.C. § 1062(a)).
17. Lanham Act § 13(a) (15 U.S.C. § 1063(a)).
18. Lanham Act § 13(b) (15 U.S.C. § 1063(b)).
19. Lanham Act § 1(d) (15 U.S.C. § 1051(d)).
20. Lanham Act § 29 (15 U.S.C. § 1111).
21. Lanham Act § 8(a) (15 U.S.C. § 1058(a)).
22. Lanham Act § 8(b) (15 U.S.C. § 1058(b)).
23. Lanham Act § 9(a) (15 U.S.C. § 1059(a)).