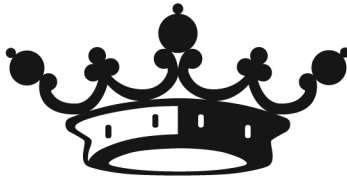


I N S I D E T H E M I N D S

Trademark Protection and Enforcement

*Leading Lawyers on Evaluating Options for the
Client, Strategically Registering a Mark, and
Resolving Disputes*



ASPATORE

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Trademarks as Competitive Tools—Obtaining and Protecting Them

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ASPATORE

Introduction

My practice focuses on assisting U.S. and international clients in building a strong trademark portfolio in the U.S. and internationally, advising on trademarks, copyrights, unfair competition, Internet issues, advertising law and contentious matters, and drafting and negotiating license agreements.

A particularly rewarding and challenging area in my professional practice is the assessment of the strength of a case in a trademark dispute and guiding clients in deciding whether to settle at an early stage, or go to trial. The process requires educating clients about the risks of litigation, including exposure to a possible injunction, damage awards, and attorneys' fees.

Overview of Trademarks

One of the most basic forms of intellectual property a business or individual can own and protect is a trademark. When we talk about trademarks, we mean names, service marks, trade names, and trade dress.

Simply defined, a trademark is a distinctive word, symbol, phrase, or design used to identify goods or services and to distinguish them from the goods or services of others. A trademark signifies goods or services identified with a single source, or those licensed by a single source.

Trademarks act as competitive tools, excluding everyone but their owner or the licensee from the use of that mark or name, or marks similar to it.

Arbitrary, Suggestive, Descriptive, Generic

Court decisions and treatises divide potential trademarks into four categories: (1) arbitrary or fanciful, (2) suggestive, (3) descriptive, and (4) generic. *Two Pesos Inc. v. Taco Cabana Inc.*, 505 U.S. 763 (1992); Thomas McCarthy, *McCarthy's on Trademark and Unfair Competition*, § 11:2, 11-7 (4th ed. 2008).

Arbitrary or fanciful marks, along with suggestive marks, are marks without proof of secondary meaning—for example, KODAK® and EXXON®. Descriptive terms may become protectable as trademarks once they have

acquired secondary meaning through sales and advertisements. Generic names can never become trademarks, regardless of the number of sales or advertisements of products or services bearing these names.

The most common type of trademark is that which covers a unique word mark. Trade dress, designs, slogans, numbers, and even scents and sounds can also function as trademarks—but in many cases, proof of secondary meaning is required.

Perhaps the most difficult form of trademark to protect is “trade dress.” Trade dress refers to the overall impression or total image, design, and appearance of a product, and may include features such as size, shape, color, color combinations, textures, or graphics. To prove trade dress in litigation, a plaintiff must clearly identify each of the features that it claims as part of its trade dress. For trade dress to be protected it must be distinctive and signal that the associated goods or services originate from a single source. This distinctiveness may be empirically proven through consumer testimony or survey evidence.

In addition, the trade dress must be non-functional. Factors considered in determining whether trade dress is functional include whether the trade dress or feature has a utilitarian purpose, the inherent utility of the trade dress or feature, whether there is a utility patent covering it, the nature of the advertising used in connection with the trade dress, the intent in adopting the trade dress, and the number of alternative designs available. A combination of functional features may be protected as trade dress if the overall combination is non-functional.

The Supreme Court has ruled that the configuration of a product is not inherently distinctive, and requires proof of secondary meaning (i.e., sales, advertising, etc.), in order to be protected. *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205 (U.S. 2000). An example of product configuration is the shape of a bottle or other container. Product packaging, on the other hand, may be protected as a trademark without proof of secondary meaning so long as it is inherently distinctive. A combination of features, even if some of them are in the public domain, may function as a trademark or trade dress under certain circumstances.

While trademarks are protectable under state and federal statutes, the protection is not absolute. There is no prohibition against copying a functional design feature of a product, nor is there a prohibition from copying names or designs that are in the public domain, or that have become abandoned for non-use or uncontrolled licensing.

Additionally, fair use may be asserted as a defense when the use of a term or device is a use other than a trademark use, which is descriptive of and used fairly and in good faith to describe a third party's goods or services. In such a case, a third party accused of trademark infringement may validly assert "fair use" as an affirmative defense to trademark infringement.

Steps to Securing a Trademark

The first step in securing a trademark is to search the availability of the trademark. For any significant trademark, the search should cover marks that are pending or registered in the United States Patent and Trademark Office (USPTO), state registrations, and common law or unregistered marks, online usages, and trade names.

Once the mark has been cleared, the second step is to apply for registration of the mark in the USPTO. An application for registration may be filed based on a bona fide intent to use the mark, even before the required use in commerce has commenced. This step is highly recommended as once the "intent to use" application has been filed, the applicant obtains a federal constructive use priority, meaning that if use of the mark is made thereafter and the application is eventually approved, the protection dates back to the time of filing the application. This means that after the intent to use application has been filed, the applicant has priority over third parties that commence use of the same or similar mark after the date of filing such application. That priority is conditioned upon the applicant's mark issuing to registration.

Advantages of Federal Registration

In the U.S., trademark rights are acquired by use and reinforced by registration. This is because the U.S. legal system is based on common law. While use of a mark in commerce creates rights, registration on the

Principal Register of the USPTO provides numerous advantages. It affords nationwide protection—and not just protection in the geographic areas in which the mark is used; it is prima facie evidence of the validity of the mark; and it entitles the trademark owner to registration of its mark before the Bureau of Customs and Border Protection; it provides the basis to use the trademark as collateral for a loan; and it assists in the protection from the registration of an Internet domain name that incorporates the trademark.

In addition, a trademark owner who has used a registered mark continuously for five years, is able to file an “affidavit of incontestability” under the Trademark Act, which, when accepted, means that the mark can only be attacked on a limited number of grounds—such as fraud or abandonment—but not on others, such as descriptiveness.

The application process, once successfully concluded, results in the application being published for opposition purposes, and if not opposed by third parties, in the issuance of the application to registration.

Use and Abandonment

Registration of a mark is not sufficient for purposes of enforcing a trademark. With trademarks, “if you don’t use them, you lose them.” “Use” means applying the mark to goods or their containers sold or distributed in interstate commerce, or using it in connection with the rendering of services. In the U.S., a mark that has not been used for a period of three years is presumptively considered abandoned and may be challenged by a third party by petitioning to cancel it before the Trademark Trial and Appeal Board (TTAB).

In addition to ensuring a mark remains in continuous use, trademark owners need to police the mark and take steps to stop the use of the same or similar mark to protect their investment in the mark. This entails a process of vigilance and monitoring of the mark in the marketplace, along with the monitoring of third party filings, and taking appropriate and prompt action to stop such unauthorized uses or registrations.

Confronting Trademark Enforcement

When faced with a potential trademark infringement, a trademark owner can approach the situation in a number of ways. I will outline here five commonly used options:

1. *Trademark Office Proceedings*

Assume a third party has applied for the registration of a potentially conflicting mark in the USPTO, and the application has been approved and published for opposition purposes for thirty days after publication (“the opposition period”). A trademark owner who believes the third party mark infringes his trademark rights may file opposition before the TTAB. The trademark owner may be aware of the conflicting application even before it is published for opposition purposes, if it has effective policing procedures or a watch service in place. The trademark owner can elect to send a letter of protest to the USPTO, and simultaneously contact the third party to negotiate withdrawal of the application.

If the negotiations are unsuccessful and the application is published for opposition, the trademark owner’s next option is to engage in opposition proceedings before the TTAB, under the new expedited TTAB rules. 37 C.F.R. § 2 *et seq.* These rules, in effect since November 2007, are designed to expedite cases and to encourage greater disclosure and early settlement. Responding to these rules, trademark owners need to formulate their plans earlier, and need to decide whether to go through with opposition and cancellation proceedings before the TTAB.

2. *Negotiations for Adverse Marks That Are in Use*

If a trademark owner detects an infringing mark in use in the marketplace (rather than a pending application in the USPTO), the enforcement options usually commence with contacting the adverse party by sending a cease-and-desist letter setting forth the basis for the claim and requesting that use of the adverse mark cease. In some instances, where the parties know each other, it may

make sense for the trademark owner to contact the adverse party directly, rather than through counsel, to negotiate early settlement.

When sending a cease-and-desist letter, a trademark owner must be mindful that such a letter may be sufficient to trigger an action for a declaratory judgment of non-infringement by the adverse party, thus giving the adverse party the advantage of choosing the forum where the matter will be litigated. The cease-and-desist letter must be drafted with an awareness of this possibility.

After an exchange of letters, a period of negotiations usually ensues in which a number of options may arise, such as an offer by the adverse party to take a license, enter into a coexistence agreement, or settle on some other basis.

3. *Litigation*

If the cease-and-desist letter and ensuing negotiations do not result in settlement of the dispute involving the use of an adverse mark, the next option is to consider federal court litigation in order to stop the infringement. In some instances, the strategy may consist in filing but not serving a federal complaint, followed by sending a copy to the adverse party indicating that it will be served if no settlement is achieved by a certain deadline. This strategy applies pressure, forcing the potential defendant to be responsive or otherwise face the time and expense of litigation.

If litigation is ultimately pursued, a plaintiff/trademark owner would usually want to have defendants stop the alleged infringing act immediately, pending decision on the merits of the case. In such case, the plaintiff may seek a preliminary injunction or temporary restraining order (TRO), which, if successful, in most instances would resolve the matter without going through a full trial.

A preliminary injunction is an extraordinary remedy, the granting of which is within the equitable discretion of the trial judge. The plaintiff must show by clear and convincing evidence that it is

entitled to this extraordinary and drastic remedy. The criteria for obtaining a preliminary injunction varies from circuit to circuit, but in essence, a plaintiff must show that it is likely to succeed on the merits of the case, that it will suffer irreparable injury unless the preliminary injunction is granted, and that the balance of hardships favors the plaintiff.

A motion for a preliminary injunction requires a hearing before a judge with both parties appearing. Because it is an expedited proceeding, it entails substantial costs in a short period of time. Affidavits and a hearing must accompany the moving papers, usually with the presence of witnesses. Plaintiff must persuade the judge of its probability of success at the ultimate trial on the merits. In many cases, such a showing is likely to require a consumer survey. A consumer survey is also very useful in proving likely confusion in the marketplace at trial, and if properly conducted, a judge and/or jury may very well be persuaded by the findings in the survey. The cost of the survey, which is conducted by experts, can be substantial.

When there is counterfeiting, special relief is available. Counterfeiting is the most blatant and egregious form of trademark infringement. A counterfeit mark is one that is identical with, or substantially indistinguishable from, the genuine mark. Thomas McCarthy, *McCarthy's on Trademark and Unfair Competition*, § 25:10, 25-24 (4th ed. 2008). A counterfeit mark is popularly referred to as a “knockoff.” Counterfeit products are those that bear a counterfeit or fake mark that is an intentional reproduction of the genuine trademark. While counterfeiting is more common with respect to highly priced goods, it is not confined to such items. Powerful civil and criminal sanctions exist under U.S. law to combat the counterfeiting of trademarked goods. The Trademark Counterfeiting Act of 1984, 18 U.S.C.A. § 2320; Lanham Act, § 34(d)(1)(B), 15 U.S.C.A. § 1116(d)(1)(B).

Ex-parte TROs are particularly appropriate for large-scale counterfeiting, especially where the defendant is likely to disappear or quickly dispose of existing inventory. Under current law, the

courts in civil cases have the power to grant ex-parte seizure orders and mandatory monetary remedies, including statutory treble damages and attorney's fees if the violation is willful. In addition to civil remedies, counterfeiting is a crime, and if the statutory requirements are met, the charge could potentially result in a felony.

The popularity of Internet sales has in recent times opened up new channels for the sale of counterfeit goods. In *Tiffany (NJ) Inc. v. eBay Inc.*, No. 04 Civ. 4607 (RJS), 2008 U.S. Dist. LEXIS 53359 (S.D.N.Y. July 14, 2008), the U.S. District Court for the Southern District of New York held that eBay is neither directly nor contributorily liable for sales of counterfeit Tiffany silver jewelry on its Web site. This decision is in contrast with European divisions where eBay has been found liable for the sale of counterfeit products on its Web site. For trademark owners, the Tiffany decision underscores the need to police their marks and go after infringers if they wish to combat this illegal trade and protect their investment. The Tiffany case has made it clear that Internet auction sites need to have procedures in place to deal with infringers and must be responsive to complaints of trademark owners.

Another litigated area involving the Internet concerns the question of whether the use of a company's trademark purchased by third parties as keywords is prohibited trademark use or permitted for use. The fact scenarios include the following: (1) when an end user types the purchased keyword as a search term, pop-over advertisements are triggered on the end user's computer screen; and (2) when an end user types in a domain name on a computer that has spyware or adware, typing the domain name may trigger pop-up advertisements by third parties. Trademark owners have claimed that the sale of their trademarks to a competitor to trigger pop-up third party advertisements constitutes trademark infringement and should not be permitted. The question is unresolved as the courts are split on this issue.

4. *Customs Enforcement*

An effective approach to dealing with imported or infringing counterfeit goods is to seek the assistance of the Bureau of Customs and Border Protection (Customs), which acts pursuant to the Tariff Act and its own regulations. This avenue requires in most instances that the trademark owner register its mark with Customs. The trademark owner may contact Customs and seek enforcement of its rights, including detention and destruction of the imported goods, if the merchandise is counterfeit. Customs may also act on its own when detecting potentially infringing goods. In some cases, the trademark owner may succeed in having Customs preclude the importation of gray market or parallel goods.

Customs has the authority under the Tariff Act to impose civil penalties on importers of counterfeit goods in the amount of the entered value (market value) of the merchandise attempted to be imported, in addition to seizing and destroying the counterfeit merchandise unless the trademark owner consents to the importation of the goods. Tariff Act of 1930, 19 U.S.C.S. § 1526(e). The remedies available under federal law for counterfeit marks apply only to marks that are registered on the Principal Register. Recordal with Customs is highly recommended as an additional tool in the enforcement of trademarks against foreign manufactured goods that infringe trademark owners' rights.

5. *Infringement of a Trademark Used as an Internet Domain Name*

A trademark owner whose trademark is used by a third party as part of an Internet domain name may seek to have the domain name transferred or canceled if the trademark has been registered or used prior to the third party's registration of a domain name which includes the mark. One tool available for this purpose is to commence administrative proceedings under the Uniform Domain Name Dispute Resolution Policy (UDRP).

The UDRP, adopted by ICANN since 1999, provides trademark owners with an administrative mechanism for the expedited

resolution of disputes arising out of a bad faith registration and use by third parties of Internet domain names corresponding to those trademark rights. Uniform Domain Name Dispute Resolution Policy, § 4 (1997). The UDRP has its shortcomings. Among others, UDRP proceedings are not appropriate for the resolution of domain name disputes involving complex factual issues, and does not provide for the award of monetary damages.

An alternative for those trademark owners seeking monetary damages for domain name infringement is to litigate pursuant to the Anticybersquatting Consumer Protection Act (ACPA), which requires plaintiff to prove that its mark is distinctive or famous, that the defendant's domain name is identical or confusingly similar to the plaintiff's distinctive or famous mark, or dilutive of plaintiff's mark, and that the defendant used, registered, or trafficked in the domain name with a bad faith intent to profit from plaintiff's mark. Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d).

International Considerations

An enforcement program for U.S. companies whose goods may be manufactured and sold abroad or exported to the U.S. requires consideration of the need to protect the trademark in the countries where the goods are manufactured or may be sold, in addition to registration in the USPTO, particularly in civil law countries where generally the first to apply for trademark registration gets the rights. The process of protection of a U.S. trademark, particularly in Asia and Europe, is facilitated by the U.S. joining the Madrid Protocol, which permits the owner of a U.S. trademark application or registration to apply for an international registration in Geneva under WIPO and then extend the international registration to other countries that are members of the Madrid Protocol. Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, 1989 U.S.T. LEXIS 241.

The Madrid Protocol improves efficiencies of international trademark portfolios by cutting costs, eliminating the fees charged by foreign counsel for preparing and filing national applications, and centralizing certain tasks such as filing applications and renewals and recording assignments.

There are disadvantages to the Madrid Protocol, particularly when the basic U.S. registration or application is a new untested mark, or one that is descriptive. Extensions of an international registration under Madrid to other countries are subject to the “Central Attack” feature of Madrid, which makes international registrations dependent on the basic mark, the dependency lasting five years from the date of registration. If in those first five years the basic mark is canceled because of a successful opposition or cancellation, or if it is allowed to lapse by failure to file the required affidavits of use or renewals, the international registration will be invalidated, which in turn will result in cancellation of the Madrid extensions. The Madrid Protocol has not been adopted in Canada or Latin American countries, as well as some other jurisdictions.

Alternatives to going through Madrid, particularly in terms of European protection, include filing an application under the European System (CTM), which covers all countries that are members of the European Union in one filing.

In view of the proliferation of counterfeit products manufactured in foreign countries, a trademark owner should consider taking steps to stop counterfeits or infringements at the source. Assuming, as an example, that the products are manufactured in China, the trademark owner that has registered a mark in China can identify through investigations the factories producing counterfeit goods and enlist the assistance of the local authorities (AIC) to conduct raids and confiscate the counterfeit merchandise.

If the offense is repeated and the value of the counterfeit products meets the thresholds required under local law, it may be possible to have the case transferred to the Supreme People’s Court for criminal proceedings and obtain the arrest of the counterfeiters and monetary sanctions.

Alternative Dispute Resolution

Alternative dispute resolution (ADR) may provide a more efficient and less costly alternative to going to court to resolve a trademark dispute. ADR includes not only arbitration, which adjudicates the dispute, but also mediation, which does not. Many federal courts today have mandatory mediation proceedings.

The disadvantages of ADR are that it is not binding precedent, it may not serve as a deterrent to other infringers, there is no appellate review, third parties cannot be compelled to participate by means of subpoenas, and ADR tribunals are not bound by the rules of evidence.

Mediation, which is not adjudicative, may be preferred to arbitration because in mediation the involved parties know sooner whether the matter will be resolved, and if it is not, they can proceed through civil litigation.

Due to the increased costs of litigation, ADR is becoming more prevalent. The advantage of court litigation, particularly federal court litigation, is that federal judges are generally more knowledgeable about intellectual property issues than arbitrators who may be businesspeople. In cases dealing with a trademark, resolving an issue by arbitration or mediation that may be resolved by splitting the trademark or “cutting the baby in half,” may be detrimental to the integrity of the trademark, and therefore, not the best option for a trademark owner. However, each case must be evaluated on its own merits, and depending on the economic stake, the value of the trademark, the need to reach a quick resolution, and other factors, a decision can be made in each instance as to whether to use ADR or litigate.

The Impact of the Trademark Dilution Act

The Federal Trademark Dilution Act (FTDA) was enacted in 1996 and revised in 2006. The Trademark Dilution Revision Act of 2006 (TDRA) eliminated the requirement that a plaintiff establish actual dilution to prove its claim. The standard is now “likelihood of dilution.”

Under the TDRA, the owner of a famous and distinctive mark may be able to stop the use of the dilutive junior mark used on unrelated, non-competing goods and services without producing evidence of actual confusion if certain requirements are met.

One of the initial areas of criticism was that the TDRA would create uncertainty. The idea was that trademark owners would be unduly concerned when adopting new marks that they would be violating trademarks of others in unrelated areas, and that clearance of a mark through searching would become more difficult and expensive. Because of

the TDRA, it has become, in fact, more difficult to clear a descriptive or suggestive mark if a similar reference for unrelated goods or services is found in a search report, since the possibility of dilution needs to be considered.

The 2003 FTDA required proof of actual dilution while the standard under most state dilution laws is more lenient, requiring only a showing of “likelihood of dilution.” The 2006 TDRA has changed the standard to likelihood of dilution. However, the courts interpreting the standard have made it very difficult to prove a likelihood of dilution. The law is still evolving in this area.

Dilution and infringement are very different concepts. In a trademark infringement case, a plaintiff must show likelihood of confusion. In a dilution case, plaintiff need only show that the use of the dilutive mark reduces the capacity of the famous mark to identify the goods or services of its owner by blurring or tarnishment. Dilution by blurring is defined as an association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the famous mark. Thomas McCarthy, *McCarthy’s on Trademark and Unfair Competition*, § 24:69, 24-171 (4th ed. 2008). Dilution by tarnishment is an association between a mark and a famous mark that disparages the famous mark and reduces its value. *Id.* at § 24:70, 24-173.

As noted above, the TDRA has changed the standard for finding dilution from actual dilution to likelihood of dilution. However, the TDRA eliminated geographic and market-niche fame, defining a famous mark as one widely recognized by the general consuming public in the U.S.

Clarification Needed

The TDRA requires a showing that (1) the plaintiff’s mark is famous and distinctive; (2) the defendant began using its mark after the plaintiff’s mark became famous; and (3) the defendant’s mark is likely to dilute the famous mark by blurring or tarnishment. Court decisions interpreting the TDRA have left a number of unanswered questions, including the burden a plaintiff must bear in demonstrating the fame of its mark, the required degree of similarity between the plaintiff’s mark and the dilutive mark, and

what plaintiff needs to show to establish dilution by blurring beyond a mental association between the famous and dilutive marks.

In the *Moseley v. V Secret Catalogue Inc.*, 537 U.S. 418 (2003), for example, the court found dilution by tarnishment but not by blurring, leaving unanswered the question of how one proves a likelihood of dilution by blurring. The inference from *Victoria's Secret* and other recent decisions is that, at least where the marks are not identical, proof of mental association is not enough to show likelihood of dilution. In practice, while actual dilution need not be shown to prove dilution by blurring, a plaintiff may have to show something very close to actual dilution or economic injury to prevail.

In *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. Va. 2007), the court found that defendant's use was a "successful parody" and that it would not blur the distinctiveness of the famous mark as a source identifier. The holding implies that the more famous the mark, the less likely that dilution by blurring will be found.

Things to Consider Before Initiating an Action of Trademark Protection

In preparation for taking any action, a trademark owner needs to investigate the strength of its own case and the facts of the alleged infringement.

Whether a client seeks to enforce a registered or unregistered trademark, a basic tenet of the federal trademark statute is that to establish a trademark infringement claim, the plaintiff must establish that the defendant is using a mark confusingly similar to a valid protectable trademark. While a federal registration creates a presumption of validity, the defendant can rebut the presumption by showing that it used the mark in commerce first, since another fundamental tenet of trademark law is that ownership is governed by priority of use.

As a result, it is very important for the client to review the details of its own use, and to investigate the use by the defendant to confirm that the client's use is first in time, and that the client's mark has not been abandoned for non-use.

In connection with a potential dispute, and generally as a best practice, trademark owners should preserve materials indicating that the mark is in use; for example, promotional and advertising materials, and articles regarding the fame and acceptance of its mark. This information is essential in litigation, because a court will protect a mark that is shown to be distinctive or has become well known through use. In practice, if a client waits until litigation, accumulating this type of evidence will be more difficult and time-consuming. Therefore, with respect to major trademarks, the best practice is to set up a file with information on the trademark and to update it with press coverage, advertising, and sales figures.

The importance of preparation and accumulating the type of information previously discussed cannot be overly emphasized. Having a file with this type of materials will reduce the cost of litigation and cut time required to prepare a case.

A Successful Enforcement Action

To prevail in a trademark claim in federal court, whether with respect to a registered or unregistered mark, a plaintiff must demonstrate that it has a valid mark entitled to protection and that the defendant's use of the mark is likely to cause confusion. Assuming that the plaintiff has a valid protectable trademark, an evaluation of the chances of success in a trademark infringement action requires an analysis of the likelihood of confusion factors, known in the Second Circuit as the "Polaroid Factors." *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. N.Y. 1961).

Briefly stated, these factors are as follows:

1. *Strength of the Mark* This factor considers the distinctiveness of the mark, its tendency to identify the goods as coming from a particular source. When evaluating this factor, the courts classify marks in one of four categories in decreasing order of inherent distinctiveness: arbitrary, suggestive, descriptive, and generic.

Even if classified as arbitrary, this does not guarantee a determination that the mark is a strong one. A mark may be arbitrary and still lack commercial strength in the marketplace and ultimately be deemed a

weak mark. An evaluation of the strength of the mark requires a review of sales and promotional activity and documentation to support it. Proof of widespread commercial recognition is of great significance in evaluating this factor.

2. Similarity of the Marks In determining if two marks are similar, and thus likely to result in confusion among the purchasing public, a court will look at the overall impression created by the marks and the context in which they are found. In the case of trade dress, the totality of factors that could cause confusion among prospective purchasers is taken into account. As distinguished from an opposition proceeding, in which the TTAB will look only at the applied-for marks, in a court case, the court will look at how the marks are presented in the marketplace and the circumstances surrounding the sale. In sum, in a court proceeding, the marks would be viewed in context.
3. Proximity of the Products This is the extent to which two products compete with each other, and the likelihood that customers may be confused as to the source of the products, rather than the products themselves. A court will compare all aspects of the products, including price, style, intended uses, target clientele, and typical distribution channels, among others.
4. Bridging the Gap This factor focuses on the likelihood that the plaintiff will enter the defendant's market.
5. Actual Confusion Actual confusion is not a requirement to a finding of likelihood of confusion. However, if the plaintiff can point to and document actual confusion, this factor will go a long way in persuading a court of the likelihood that the defendant's mark infringes the plaintiff's mark.

Documentation of actual confusion requires the plaintiff to instruct employees to record every instance of actual confusion that comes to their attention. For example, if a customer or third party inquires whether a product as seen in the market originates with plaintiff, the employee should obtain the name and contact information of the

person making the call and document the details of the call for future use in connection with potential litigation.

6. *Defendant's Intent* The question in evaluating this factor is whether the defendant adopted its mark with the intention of capitalizing on the plaintiff's reputation and goodwill. The selection of a mark or trade dress that reflects the product's characteristics, the existence of a trademark search, and reliance on the advice of counsel are factors that support a finding of good faith. The mere knowledge by a defendant of a senior user's mark is not inconsistent with good faith. The court will evaluate this factor to determine the whether defendant sought to capitalize on any confusion between its products and services and those of the plaintiff's.
7. *Quality of Defendant's Products* A court will evaluate whether the senior user's reputation could be jeopardized or tarnished because of the junior user's products being of inferior quality.
8. *Sophistication of Customers* The court considers the overall impression of the ordinary purchaser buying under the normal prevailing conditions of the market and the attention such purchasers give in buying the particular class of goods. Generally, more sophisticated consumers reduces the likelihood of confusion.

In addition to federal claims, a client/plaintiff may be able to avail itself of common law claims, such as trademark or trade dress, infringement, misappropriation, or unfair competition under state law. State law claims include anti-dilution statutes and right of publicity. In New York, likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name is ground for injunctive relief, whether or not the mark is registered, or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of actual confusion as to the source of the goods or services. *Vaudable v. Montmartre Inc.*, 20 Misc. 2d 757 (N.Y. Sup. Ct. 1959); *Maison Prunier v. Prunier's Restaurant & Cafe Inc.*, 159 Misc. 551, 556 (N.Y. Sup. Ct. 1936).

Client Expectations and Misconceptions

One misconception that trademark owners often harbor is the idea that a trademark registration covering specific products gives them the right to stop others from using the same or a similar mark on unrelated products. As discussed in the section dealing with dilution, such rights apply only to strong and well-known marks, such as KODAK® and EXXON®. If the mark is not distinctive or has not been extensively used, the scope of protection will be narrower.

Another misconception relates to the cost of enforcement and litigation in the U.S. The cost of litigation is a major disincentive to doing business in the U.S. Clients, particularly foreign companies, often misperceive the complexities and cost of litigation before the TTAB and the courts. In part, these misconceptions derive from the differences in the common law and civil law systems. Civil law countries generally do not provide for discovery and motion practice. In federal courts in the U.S., cases are on a tight schedule, which often requires litigants to produce substantial information in a short time during discovery. Depositions of key witnesses, a feature of U.S. litigation, are costly and time consuming.

Additional Steps to Ensure Protection

As this chapter has demonstrated, strong trademark protection requires a number of steps. Search of a mark and registration are the first steps. From there, a mark must be used in order to avoid abandonment. In this connection, developments in the law since the *Medinol* case, decided in 2003, require that owners of U.S. registrations pay careful attention to the statements of use that are filed in order to maintain a registration. *Medinol Ltd. V. Neuro Vasx Inc.*, 67 U.S.P.Q.2D (BNA) 1205 (I.T.A.B. 2003). Filing a use-based application or a statement of use listing more goods than those in which a mark has been actually used subjects the registrant to a potential cancellation of the registration based on basis of fraud.

Recent cases show that amending a registration once it has issued to registration cannot shield a registration from a cancellation action for non-use. However, amending the application prior to publication for opposition may save the application. The TTAB has held that a misstatement in an

application with respect to use of a mark on goods or services does not rise to the level of fraud where the applicant amends the application prior to publication. *University Games Corp. v. 20Q.net Inc.*, 2008 WL 1944635 (TTAB May 2, 2008). The following are recommendations on steps to be taken in the aftermath of the Medinol case to protect registered marks from a potential cancellation based on fraud and to take corrective actions with respect to pending applications:

1. *Conduct Due Diligence to Monitor Trademark Use*

Signed documents, such as affidavits of use, claiming trademark use should be filed with the USPTO only after someone with knowledge within the client company specifically confirms each use.

Issued registrations should be reviewed to determine whether there are any alleged uses for which there is no proof of use as of the time of filing of the application.

2. *Review Applications Based on Use Prior to Publication*

If a mistake regarding an allegation of use is discovered before publication, the application should be amended to correct the error prior to publication, thus protecting the resulting registration from a potential cancellation based on fraud.

3. *Mistakes Discovered after Publication*

If the mistake is discovered after publication of an application based on use, a new application for the mark should be filed listing only the goods/services for which use can be proven.

4. *File New Application to Replace Those That Are Vulnerable.*

This recommendation applies to marks that list products for which there have not been sales for a period of three or more years after registration. Under U.S. law, non-use of a mark for three years after registration raises the presumption of abandonment.

5. *Madrid Applications*

Extensions of protection to the U.S. under the Madrid Protocol should be carefully reviewed in consideration of the following:

- (a) A Madrid extension to the U.S. requires an allegation of intent to use the mark in the United States. An extensive list of goods that goes beyond the scope of the normal activities of the applicant could trigger an attack by a third party or competitor claiming that it is not feasible that the applicant could have a bona fide intention to use the mark on such an extensive list of goods/services. Such an attack could potentially invalidate the application/registration.

- (b) When filing affidavits of use with respect to a U.S. registration obtained under Madrid, as with any other U.S. registration, a registrant should make sure there is evidence of use for each product or service.

The foregoing recommendations affect registered or pending trademarks in the USPTO. With respect to enforcement, a trademark owner needs to be vigilant of the marketplace and take appropriate action against infringements and counterfeiting of its products when such infringements are detected.

Conclusion

Business owners need to secure and protect their trademarks if they want to use them to create barriers to entry to competitors. As the economic climate becomes more difficult and competitive, a comprehensive mix of intellectual property protection, including trademarks, becomes an essential competitive tool. Trademarks can enhance the value of a company and provide greater visibility and sales. Incorporating trademarks and trade dress into the design of a product at an early stage can help differentiate a trademark owner's products from those of others. Trademark protection requires careful registration and maintenance of registrations and taking actions against those who attempt to capitalize on the trademark owner's goodwill by selling products using the same or similar trademarks.

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