# Chapter 1

Trademark Law Fundamentals and Related Franchising Issues

Christopher P. Bussert and Linda K. Stevens

## Contents

I. Trademark Licensing and the Franchise Agreement . . . . . . . . . . . . . . . .3
   A. When a Trademark License Is Necessary . . . . . . . . . . . . . . . . . . . .3
   B. When a Trademark License Is Not Necessary . . . . . . . . . . . . . . . .3
   C. The Role of Trademarks in Different Types of Franchise Systems .4

II. Overview of the Basic Concepts . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .4
   A. Trademarks and Service Marks . . . . . . . . . . . . . . . . . . . . . . . . . . .4
   B. Trade Names . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .5
   C. Trade Dress . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .5
   D. Trademark Value and Goodwill . . . . . . . . . . . . . . . . . . . . . . . . . . . .6
   E. Summary of Trademark Functions . . . . . . . . . . . . . . . . . . . . . . . . . .6
   F. Sources of Trademark Rights . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .7

III. Types of Trademarks . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .8
   A. Words, Letters, and Numbers . . . . . . . . . . . . . . . . . . . . . . . . . . . .8
   B. Designs, Shapes, and Symbols . . . . . . . . . . . . . . . . . . . . . . . . . . . .8
   C. Colors . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .9
   D. Combinations of Trademarks . . . . . . . . . . . . . . . . . . . . . . . . . . . .9
   E. Slogans . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .9
   F. Trade Dress . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 10

IV. Selection and Protectability of Trademarks . . . . . . . . . . . . . . . . . . . . . 12
   A. Choosing an Appropriate Trademark . . . . . . . . . . . . . . . . . . . . . 12
      1. The Spectrum of Distinctiveness . . . . . . . . . . . . . . . . . . . . . 12
      2. Other Factors Determining the “Strength” of a Trademark . . 16
      3. Selecting an Optimal Trademark . . . . . . . . . . . . . . . . . . . . . 17

V. Choosing an Available Mark—Clearance of Trademarks . . . . . . . . . . . 21
   A. The Search Process . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 21
   B. Preliminary Considerations . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 21
   C. Why Conduct a Search? . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 22
   D. Contents of the Commercial Search . . . . . . . . . . . . . . . . . . . . . . . 24
   E. Avoiding Adverse Consequences . . . . . . . . . . . . . . . . . . . . . . . . 26
This chapter focuses on trademark law as it relates to franchising. Among the major issues addressed are the types, selection, and clearance of trademarks; state and federal registration; enforcement of trademark rights; trademark licensing in the franchise agreement; and international protection.
I. Trademark Licensing and the Franchise Agreement

Trademark licensing is, in almost all cases, the cornerstone of a franchise system. A trademark license agreement is a business agreement between the owner of a trademark and another party that desires to use the trademark, including its associated goodwill, in its business to identify its products and/or services to the public while guaranteeing a uniform level of quality.

Franchising, in its simplest terms, is a more sophisticated form of trademark licensing. Most franchise agreements grant the franchisee the right to use one or more of the franchisor’s trademarks in connection with the sale of certain goods and services, together with a system of marketing and distributing those goods and services in accordance with standards and practices that have been established by the franchisor. In return, the franchisor obtains new sources of capital, new distribution channels, and motivated vendors of its products or services. The legal exclusivity that trademark rights afford to the franchisor and its franchisees offers a competitive advantage essential to a successful franchised business. The necessity and role of the trademark license depend on the type of arrangement between the parties at issue.

A. When a Trademark License Is Necessary

A trademark license is necessary if one party manufactures and sells a product or offers a service bearing the trademark to someone other than the trademark owner or those operating under license from the trademark owner. In franchise relationships, it is not unusual for the franchisor either to be the trademark owner or the licensee of the trademark owner.

B. When a Trademark License Is Not Necessary

A trademark license is not necessary if one party merely distributes or sells the trademark owner’s products without conducting business under the owner’s trademark or name. For example, a convenience store franchisee does not need to obtain a trademark license from beverage producers to sell the branded beverages of those producers.

A trademark license is also unnecessary if one party manufactures the product for the trademark owner (or its licensees) and the trademark owner itself (or a licensee) uses, sells, or distributes the product. For example, a trademark license is not necessary in “private label” relationships such as producers of

napkins displaying a restaurant logo for the franchise system or a manufacturer of T-shirts for the trademark owner’s promotional use.

C. The Role of Trademarks in Different Types of Franchise Systems

A product distribution franchise relationship is used for the marketing of products that are made by or for the account of the franchisor. Its purpose is to provide the franchisor with a distribution system to market its products. It is similar to an ordinary supplier-dealer relationship, but the franchisee has a greater identification with the franchisor’s trademark and might be precluded from selling competitors’ products. Examples include gas stations and automobile dealerships.

Under a conversion format franchise relationship, the franchisor provides a license to use one or more trademarks and also provides a business format for the retail sale of goods or services under the trademark. The franchisor typically does not manufacture any products, but may offer to supply expertise, equipment, ingredients, raw materials, packaging materials, advertising, and so forth. The franchisee typically performs services, but may sell products in conjunction with those services. The franchisee usually deals exclusively in the franchisor's sponsored goods or services and is required to adopt the franchisor’s trademark and overall presentation format as its exclusive trade identity. Examples include restaurants, hotels and motels, auto repair, car rental, and temporary employment services.

Under a conversion franchise relationship, the franchisor recruits into its system as licensees persons who are already established in the particular line of business. Each of the businesses is required to adopt and use the franchisor’s trademark, but they may be permitted to continue using their own trademarks as secondary trademarks. Often, these businesses do not use the same overall presentation or identity format except for the trademark itself. Examples are insurance, financial, and real estate brokerage services.

II. Overview of the Basic Concepts

A. Trademarks and Service Marks

Trademarks and service marks are at the heart of the modern-day marketing of consumer goods and services. Trademarks can be symbols, words, numerals,

---

2. For simplicity, the broader terminology “trademark” will frequently be used to describe both trademarks and service marks. A trademark identifies products, while either “trademark” or “service mark” can be used to identify services. Frequently the same mark is used as both a trademark (e.g., “Taco Bell” for burritos) and a service mark (e.g., “Taco Bell” for restaurant services).
pictures, slogans, colors, configurations, sounds, scents, the appearance of three-dimensional objects, or virtually any other indicia that identify the goods or services of a particular party—be it a manufacturer, merchant, or provider of services—and that distinguish these from the goods and services of others. Simply put, trademarks and service marks help consumers select goods or services by identifying those that have been satisfactory in the past while rejecting those that have not.

By identifying the source of goods or services, trademarks convey valuable information to consumers while reducing the costs (i.e., time, trial and error, and inconvenience) of acquiring information about particular goods or services, because consumers can come to rely on a trademark and the brand image it conveys. Moreover, trademarks affix responsibility, thereby inducing higher-quality goods and services, and provide a framework for effective advertising.

**B. Trade Names**

A trade name is a word, name, symbol, device, or other designation that is distinctive of a business and is used in a way that identifies the business and distinguishes it from others. Thus, a trade name is the name by which a legal entity does business or is known to third parties, including the public. It is usually the same as a corporate name, although this is not always the case, especially in situations involving assumed names. It often, but not necessarily, contains the key trademark of the franchise system. For example, contrast Marriott International, Inc., owner of the “Marriott” trademark for lodging services, with Doctor’s Associates, Inc., owner of the “Subway” trademark for restaurant services.

**C. Trade Dress**

“Trade dress” refers to the combination of elements that together make up the look, feel, or environment of a product or business. The term can refer to individual elements of a product or business image, as well as to the image the combination of those elements creates as a whole.

There is neither a fixed list of features that constitute protectable trade dress nor a statutory definition of the term. A product’s trade dress may include its size, shape, label, packaging, color, color combinations, texture, or graphics. The trade dress of a service may include exterior and interior architectural designs and decor, vehicle decoration, clothing, signs, menus, cuisine, or entertainment features—anything and everything that individually or in combination identifies and distinguishes a business.

Trade dress protection attempts to balance three public policy objectives:

1. The protection of consumers from confusion;
2. The protection and reward of investment in unique and original features identifying a product or service; and
3. The protection of the rights of others to compete freely by having unrestricted access to the ordinary public domain features of products or attributes of providing services, or design elements that are functional in nature or necessary to allow competition.

D. Trademark Value and Goodwill

A well-recognized and respected trademark can become a business asset of incalculable value, usually referred to as goodwill. Goodwill in a trademark develops as a result of favorable consumer recognition and association. Trademark law is designed to protect business goodwill by protecting consumers from confusing various producers of goods or providers of services. The owner of a well-recognized trademark is more likely to attract business partners (i.e., franchisees) willing to make an investment and pay royalties because of their desire to market goods or services under an already established brand with goodwill.

E. Summary of Trademark Functions

Trademarks perform several key functions that are recognized and protected by the courts:

1. They identify the goods or services of the owner and/or of its licensees and distinguish them from those of competitors;
2. They signify that all goods or services bearing the trademark emanate from a single, albeit sometimes anonymous, source or connote common sponsorship;
3. They signify that all goods or services bearing the trademark are of the same or similar quality;
4. They act as a tool for advertising the goods or services with which the trademark is used; and
5. They bind a franchise system together by providing a common identity for goods and services throughout the system.

---

4. DAVID A. AAKER & ERICH JOACHIMSTHALER, BRAND LEADERSHIP 19 (2000) (value of Coca-Cola and Microsoft brands were estimated to be $83.8 billion and $56.7 billion, respectively).
F. Sources of Trademark Rights

Trademark rights in the United States, unlike most other countries, are “use-based”—i.e., they arise through use of the trademark on or in connection with particular goods or services. Trademark rights accrue automatically—that is, without any formality or paperwork—to the first party using a particular trademark to identify its goods or services. The first or “senior” user has the right to prevent competitors, including subsequent federal registrants, from using that trademark or a confusingly similar trademark in the geographic area in which the first user’s trademark has become well known, as well as in the first user’s area of natural expansion. Trademark rights that come into existence in this manner are called “common law rights.” In addition to being limited to certain specific geographic areas, common law rights are also subject to the rights of other parties who have previously filed applications for federal registration, have already obtained one or more federal registrations, or have used the trademark in geographic area in which one’s use and reputation have not yet extended.

Although not mandatory for the protection of trademark rights, federal trademark registration on the Principal Register of the U.S. Patent and Trademark Office (PTO) provides many substantive and procedural benefits and is, therefore, highly recommended, especially if more than local use is contemplated. For example, a federal registration provides a prima facie presumption of validity, ownership, and the exclusive right to use the trademark, and allows the possibility of acquiring incontestability status five years after the registration has issued. Importantly for franchised businesses, it provides constructive notice of the registrant’s registration, thereby giving the trademark owner preemptive nationwide superior rights even if the owner does not use the trademark throughout the entire United States. State trademark registrations are also available, but offer few benefits beyond common law rights and are generally recommended only in particular situations.

There is no federal registration of trade names. However, the prior user of a trade name can block another’s subsequent use or attempt to register a trademark if confusion is likely. A trade name may be registered as a trademark if it is also used as a brand to identify the source of certain goods and/or services and presented to the consuming public in the form of a trademark. For example, “Pizza Hut” is a trade name, but “Pizza Hut” is also used as a brand to identify certain food products and restaurant services.

III. Types of Trademarks

As indicated above, there are many different words, names, symbols, designs, or other devices that can serve as a trademark. Some types of trademarks are described in the following sections.

A. Words, Letters, and Numbers

Words are the most common form of trademarks. They can be recognizable existing words or new, arbitrary combinations of letters. Even an individual letter 6 (e.g., “S” for Singer sewing machines) or combinations of letters such as acronyms or abbreviations (e.g., “DQ” for Dairy Queen for various ice cream confections and food products, 7 “Ho-Jo” for Howard Johnson’s restaurants and food products 8 and KFC for restaurant services) 9 can function as a trademark.

Likewise, numbers alone (e.g., “7 Eleven” for retail convenience store services) 10 or in combination with letters (e.g., “Century 21” for real estate services, 11 and “Motel 6” for hotel services) 12 can be trademarks, provided that the numbers are in fact used as a brand and not primarily in a descriptive manner to indicate the model, grade, size, or other feature or characteristic of a product or service.

Telephone number and letter combinations (e.g., “1-800-Flowers” for receiving and placing orders for flowers and flower products) 13 have been found to be protectable trademarks as well.

B. Designs, Shapes, and Symbols

Designs (i.e. the McDonald’s “Golden Arches” for restaurant services), 14 drawings (i.e. the image of Colonel Sanders for restaurant services), 15 and symbols (i.e. the “Circle K” logo for convenience store services) 16 may serve as trademarks if they are perceived by customers as indicators of source and not only as ornamentation. 17 Realistic drawings illustrating the product or service or

C. Colors

Combinations of colors, colors as part of a design, and even single colors without any other elements can be protected as trademarks under certain circumstances. A single color alone can only be a valid trademark under the Lanham Act if it has attained secondary meaning—i.e., that the public has come to identify a particular color on a product as signifying a brand from a single source. The color, however, may not be functional and other colors must be equally available to competitors. For example, UPS has successfully registered the color brown for its shipping services.

D. Combinations of Trademarks

A product or service can be identified by more than one trademark, and labels and packages often contain a combination of several trademarks. Each designation that creates a separate commercial impression distinct from other material appearing on the label and that serves as a source indicator is considered a separate trademark. For example, many businesses use their corporate names as a “house trademark” (e.g., “DuPont” in the oval logo) in combination with one or more different “secondary trademarks” (e.g., “Teflon”) for each of its various products or services. This practice is particularly prevalent in the franchise field. For example, Burger King serves as a house mark to identify a system of franchised fast-food restaurants and “Whopper” is one of several secondary marks that identifies an individual product of that system.

E. Slogans

Slogans may serve as trademarks if they are capable of identifying goods and services and are not descriptive thereof. Examples of protectable slogans include: White Castle’s use of “The Taste Some People Won’t Live Without” for restaurant services, Chick-fil-A Corp.’s use of “We Didn’t Invent the Chicken, Just the Chicken Sandwich” for restaurant services, and UPS’s use of “What Can Brown Do For You?” for transportation and delivery of personal property.

F. Trade Dress

As indicated above, trade dress may also qualify for trademark-like protection under certain circumstances. Prominent examples of legally protectable trade dress include the exterior design of White Castle,24 Howard Johnson,25 and Kentucky Fried Chicken restaurants;26 the interior decor of Fuddrucker’s restaurants;27 the Ronald McDonald clown outfit;28 the design and layout of Apple’s retail stores;29 the Chick-fil-A cows;30 the “Marlboro Man” cowboy motif;31 the Rubik’s Cube puzzle;32 and even the inverted “Y” design on Jockey shorts.33

Trade dress protection does not, however, extend to vague or abstract images or themes. For instance, courts have refused to extend trade dress protection to the concept of a “full-service restaurant . . . serving down-home country cooking . . . in a relaxed and informal atmosphere”34 or a Scandinavian marketing theme for ice cream.35 Trade dress protection also does not extend to common elements used by competitors in a particular field, such as those used in restaurants.36 On the other hand, trade dress protection was granted to an arbitrary, extensive, and distinctive “signature” collection of interior design characteristics of a restaurant.37

---

Trade dress in a product configuration is entitled to protection only upon a showing that it has achieved secondary meaning.\textsuperscript{38} Examples of product configurations that have achieved sufficient secondary meaning to be protectable are bedroom furniture,\textsuperscript{39} notebooks,\textsuperscript{40} shoes,\textsuperscript{41} radio microphones,\textsuperscript{42} the design of a line of high-end cookware,\textsuperscript{43} and the design of the Apple iPhone cell phone.\textsuperscript{44}

Certain types of trade dress may be federally registered as a trademark on the Principal Register of the PTO.\textsuperscript{45} Other types of trade dress are unregistrable because of definition and specificity issues (such as the interior design of a restaurant). Whether or not trade dress is registered, courts may protect such rights in infringement litigation brought under Section 43(a) of the Lanham Act and similar state unfair competition laws.\textsuperscript{46} To succeed on a claim for trade dress infringement, a trade dress owner must establish all of the following:

1. The specific nature and scope of its trade dress;
2. The trade dress is nonfunctional, in that it has no function other than being an embellishment added for purpose of identification.\textsuperscript{47} However, the combination of otherwise unprotectable functional features can create trade dress that is protectable as a whole;\textsuperscript{48}

\begin{itemize}
\item \textsuperscript{39} Ashley Furniture Indus., Inc. v. Sangiacomo N.A. Ltd., 187 F.3d 363, 51 U.S.P.Q.2d (BNA) 1609 (4th Cir. 1999).
\item \textsuperscript{40} Stuart Hall Co. v. Ampad Corp., 51 F.3d 780, 34 U.S.P.Q.2d (BNA) 1428 (8th Cir. 1995).
\item \textsuperscript{41} L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117 (Fed. Cir. 1993).
\item \textsuperscript{42} In re Motorola Inc., 3 U.S.P.Q.2d (BNA) 1142 (T.T.A.B. 1986).
\item \textsuperscript{43} Belk, Inc. v. Mayer Corp., 679 F.3d 146 (4th Cir. 2012).
\item \textsuperscript{45} See, e.g., Dwyer Instruments Inc. v. Sensocon, Inc., 103 U.S.P.Q. 2d (BNA) 1444 (N.D. Ind. 2012) (design of lines on the lens of a pressure gauge).
\end{itemize}
3. The trade dress either is inherently distinctive\textsuperscript{49} or has acquired secondary meaning;\textsuperscript{50}
4. There is a likelihood of confusion between the parties’ trade dress;\textsuperscript{51} and
5. The trade dress owner has been or is likely to be damaged.

IV. Selection and Protectability of Trademarks

The selection of a trademark can be crucial to the success of a franchised business. The centerpiece of the franchise system’s unified marketing efforts, the system’s brand becomes the focal point of the goodwill to be developed among its customers and the system’s most important asset. Failure to devote sufficient attention to the selection and usage of this valuable intellectual property can have catastrophic results, including expensive litigation, increased advertising costs, and/or inability to expand use of the trademark to new goods or services or to new geographic areas. Counsel can be instrumental in guiding the selection process\textsuperscript{52} and encouraging the franchisor to choose trademarks that are legally protectable, culturally appropriate, and available for use in the target markets.

A. Choosing an Appropriate Trademark

1. The Spectrum of Distinctiveness
First, the trademark must be legally protectable. In assessing their protectability, trademarks are often grouped on a continuum called the “spectrum of distinctiveness.”\textsuperscript{53} The spectrum ranges from the weakest, most generic terms on one end, to the strongest, most distinctive trademarks on the other end:

\textsuperscript{52} See generally Mary LaFrance, Initial Impressions: Trademark Protection for Abbreviations of Generic or Descriptive Terms, 45 Akron L. Rev. 201 (2012); Laurence R. Hefter, Selection of Marks, 2 Franchise L.J. 3 (Spring 1982).
\textsuperscript{53} See, e.g., Hornady Manufacturing Co. v. DoubleTap, Inc., 746 F.3d 995 (10th Cir. 2014).
As this graphic illustrates, the more fanciful the mark, the more distinctive it is—and the more protectable it is likely to be. When one considers examples of each category, their arrangement on the spectrum makes sense:

- **Generic:** These are words that describe the general category to which the underlying product belongs, or the names that people use to talk about things in a general way (the “generic” name for a product), e.g., “Milk.”
- **Descriptive:** These are words that describe what is being marketed without any imagination or deductive leap, e.g., “Fresh Milk” or “Farm Milk.”
- **Suggestive:** These are words or designs that require thought, imagination, and perception to associate them with the product or service they identify. These trademarks indirectly suggest characteristics or features of the goods or services without describing them, e.g., “Barn-Barn Milk” or “Greenfield Milk.”
- **Arbitrary:** These are dictionary words or designs having a meaning that bears no relationship to the product they are meant to identify. “Barnbarnfish Milk” or “Omega Milk” milk would be an example of an arbitrary mark. 54
- **Fanciful:** These are coined new words that have been invented to serve as trademarks and have no other meaning besides their identifying function (e.g., “Br-ssssh” Milk).

---

The closer to the right-hand end of this spectrum, the “stronger” the mark is considered to be. The strength of a trademark defines the scope of protection it is accorded—the stronger the trademark, the more extensive the scope of legal protection against infringing trademarks over a wide range of goods and services categories or geographic markets and a wider range of appearance, sound, and meaning variations.

**Generic and Other Non-Protectable Terms**
Generic terms (words that are the common name of goods or services or that describe the category of goods to which the product belongs) can never be trademarks because they cannot distinguish those goods originating from a particular business from other goods of the same kind (e.g., “discount mufflers” is generic for repair and replacement muffler services or “shredded wheat” for cereal). And even if a mark is protectable at the time use is commenced, it can become “generic” over time—and subject to cancellation. Some words that used to be trademarks but became generic and non-protectable are “aspirin” (formerly a trademark of Bayer AG), and “escalator” (formerly a trademark of Otis Elevator Company).

**Descriptive Trademarks**
Descriptive trademarks include (1) trademarks that merely describe in words or pictures the intended purpose, function, quality, size, ingredients, characteristics, class of users, or intended effect on the user of the goods or services they identify; (2) trademarks that primarily describe the geographical origin of the goods or services; (3) trademarks that primarily constitute a person’s surname; and (4) trademarks that primarily describe laudatory aspects of the goods or services. Descriptive marks tell us something about the product. Examples of marks that have been held to be descriptive are: “Giant Hamburgers” for hamburgers and restaurant services, “Pestaway” for pest control services, “Beef

---

56. Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921);
& Brew” for restaurant services, 60 “Vision Center” for optical clinic services, 61 “First Bank” for banking services, 62 “Platinum” for home loan mortgage services, 63 and “Fast-Fix Jewelry Repairs” and “Jewelry Repair Center” for jewelry repair. 64 Trademarks found by courts or the PTO to be merely descriptive will be denied protection and will also be found unregistrable, unless and until a “secondary meaning” can be shown. Secondary meaning occurs when, as a result of extensive use and advertisement, the relevant consuming public associates the trademark, not in its descriptive or surname sense, but as indicating a single source of the goods or services, as in the case of “Holiday Inn,” “All Bran,” and “Supercuts.” 65

Inherently Distinctive Trademarks

Inherently distinctive trademarks are legally protectable and registrable from the moment they are used in commerce. The following types of trademarks are inherently distinctive: fanciful, arbitrary, and suggestive. Suggestive marks do not describe, but merely “suggest,” the product being sold (e.g., “Cork ’N Cleaver” for restaurant services). 66 Arbitrary marks are actual words, but are not generally associated with, and do not suggest, the product at issue, such as “Domino’s” for pizza and “Apple” for computers. Fanciful marks are made-up terms, such as “Exxon” and “Xerox.” 67

All three of these categories of inherently distinctive marks are immediately protectable and registrable without requiring proof of secondary meaning. Although fanciful and arbitrary marks are “stronger” and more likely to be available, suggestive marks are popular because they are considered to be inherently distinctive (and thus immediately protectable and registrable with-
out requiring proof of secondary meaning) while also being more satisfactory marketing tools because they convey some information about (i.e., “suggest”) the goods or services.

2. Other Factors Determining the “Strength” of a Trademark

As the foregoing makes clear, strength is a relative notion, with trademarks falling on a continuum ranging from very strong to weak. In addition to descriptiveness, the relative strength of a particular mark will be determined by these additional factors.

How Common the Trademark Is in the Field of Use

Consumers are aware that laudatory terms such as “Star,” “Gold Medal,” “Best,” “Platinum,” and “Universal” are used as trademarks by many unrelated businesses. Therefore, they are weak source identifiers. Additionally, when many similar trademarks exist in the marketplace, the field is said to be “crowded,” each of the respective trademarks in the “crowd of trademarks” is not very distinctive, and such a mark is weak and has a relatively narrow scope of protection. Generally, trademarks consisting of one or two letters or numbers also are considered weak.

The Degree of Fame and Marketplace Recognition of the Trademark

Even if a trademark is fanciful or arbitrary, it might be relatively unknown to the public because of minimal sales and is thus commercially weak. Conversely, after significant use and advertising, a descriptive trademark initially classified in the weaker part of the spectrum may become a strong trademark. For example, “Kentucky Fried Chicken” (consisting of a geographic term and a generic term) and “McDonald’s” (a surname and thus descriptive) have accumulated an amount of secondary meaning that far exceeds the minimum required for protectability and qualifies these trademarks as strong. The use of “McDental” for dental services was enjoined based on McDonald’s strong family of “Mc” trademarks, even though fast food and dentistry are not related.

When selecting trademarks, marketing people are often attracted to descriptive terms because they believe that the more descriptive the term is, the

more it communicates about the goods or services to the consumer. Legally, however, such terms tend to be less distinctive and thus less protectable. Therefore, the owner of a weak trademark needs to invest significantly in marketing and advertising to educate the public that the trademark is proprietary and thereby has acquired secondary meaning. On the other hand, fanciful and arbitrary trademarks are inherently distinctive and strong, but they convey little or no message to the consumer about the goods or services and might require extensive advertising to teach the consumer to remember a particular trademark. One way out of this dilemma is to avoid both extremes and select a trademark that is marketable and attractive and yet suggests features of the goods or services.

3. Selecting an Optimal Trademark

In selecting an optimal trademark, the following principles should be considered:

**Avoid Descriptive Terms—No Matter How They Are Spelled**

Clever word play might, or might not, transform a descriptive mark into one that is more distinctive. A simple misspelling is not enough, especially if the misspelling follows the pronunciation of the descriptive word (e.g., “nite” for “night”). However, the trademark “Muff-Funs” for mini-muffins was found registrable because it plays on the words “muffin” and “fun.”\(^\text{72}\) The simple translation of a descriptive term into a foreign language is insufficient (e.g., “saporito” as the equivalent of “tasty” in Italian).\(^\text{73}\) However, a combination of foreign and English words may result in a suggestive trademark (e.g., “Le Crystal Naturel”).\(^\text{74}\)

**Suggestive Trademarks Are Often the Answer**

Suggestive trademarks do not describe, but instead simply suggest a link to the goods or services. Drawing the line between suggestive and descriptive trademarks is often difficult. The amount of “imagination, thought, and perception” necessary for a term to be recognized by the PTO and the courts as “suggestive” rather than “descriptive” has not been defined. As a rule, if the term in question has been frequently used by competitors, it is likely that it will be found to be descriptive.\(^\text{75}\)

---

Avoid Geographic Names
Geographic names are particularly weak if the goods or services are generally expected to, and in fact do, originate from that area. For example, “St. Louis” for ribs and “Chicago” for deep-dish pizza would be among the more risky choices. If, however, an area is not known for the particular type of goods or services, use of that geographic area in the trademark may be protectable. For example, “Philadelphia” for cream cheese was found to be an arbitrary trademark because this cheese is made in the small city of Philadelphia, New York, not in the more obviously recognized city of Philadelphia, Pennsylvania, and neither of these cities has a reputation for the production of cheese.76

Avoid Surnames
Surnames are not optimum choices for trademarks because they are likely already in use as common law trademarks or as part of trade names somewhere in the United States, creating both distinctiveness and potential prior rights issues. Registration on the Principal Register will be denied, without proof of secondary meaning, if a trademark is primarily merely a surname.77 A key inquiry in this determination is whether the consuming public perceives the term at issue as a personal name.78 On the other hand, marks that consist of or include surnames can present additional registrability problems on an international level, because many countries are more restrictive than the United States as to the registration of surnames.

Avoid Choosing a Functional Feature as a Trademark
Certain product features (e.g., color, shape and configuration) can sometimes function as trademarks, which are often referred to as “trade dress.” However, features that are essential to the use or purpose of the goods or services or that affect the cost or quality of the goods or services cannot be appropriated as trademarks or trade dress. Examples of trade dress held to be functional (and


78. 815 Tonawanda St. Corp. v. Fay’s Drug Co., 842 F.2d 643, 6 U.S.P.Q.2d (BNA) 1284 (2d Cir. 1988); but see Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 49 U.S.P.Q.2d (BNA) 1507 (6th Cir. 1999) (while Carmax mark admittedly is a combination of first names “Carson” and “Max,” no secondary meaning evidence required because public does not perceive the mark that way).
hence unprotectable) are clamshell packaging for video cassettes,\textsuperscript{79} a pizza delivery box with folding perforations and tabs and holes to vent heat,\textsuperscript{80} and a black plastic make-up compact.\textsuperscript{81} Otherwise, a producer would obtain a perpetual monopoly over a useful feature even if it does not qualify for patent protection, thus inhibiting legitimate competition.\textsuperscript{82}

\textbf{Avoid Marks that Deceive as to Characteristics or Connection}

A trademark cannot claim or suggest a characteristic or endorsement that the product does not have. The Lanham Act prohibits registration of deceptive terms—i.e. terms that falsely suggest a connection with any person, living or dead, or with any institution or business organization.\textsuperscript{83} It also prohibits from serving as a trademark any immoral or scandalous matter or trademarks consisting of the flag or coat of arms of any country.\textsuperscript{84}

\textbf{Appropriate, Marketable, and Attractive—Everywhere You Want to Be}

In addition to being legally protectable, a trademark should be suitable and appropriate for use in all advertising and other materials, easy to remember and pronounce, and free of undesirable hidden connotations. This analysis should be undertaken with regard to the languages spoken in all of the countries and areas where the trademark will likely be used.

A trademark should be chosen bearing in mind possible future growth—both geographic expansion and expansion into new types of goods or services. A trademark describing the nature of goods or services to be marketed today might be inappropriate if applied to different goods or services in the future, thus forcing the owner to create and introduce new trademarks for future goods or services and losing the goodwill transfer benefit of trademarks. Consideration should be given to whether the selected trademark is appropriate and legally acceptable in most target international markets. Every country has its own trademark laws containing different requirements regarding the protectability of trademarks. Surnames, geographic names, and terms with “official” or religious

\begin{itemize}
\item \textsuperscript{80} Bayline Partners L.P. v. Weyerhaeuser Co., 31 U.S.P.Q.2d (BNA) 1051 (N.D. Cal. 1994).
\item \textsuperscript{81} Mana Prods., Inc. v. Columbia Cosmetics Mfg., Inc., 65 F.3d 1063, 36 U.S.P.Q.2d (BNA) 1176 (2d Cir. 1995).
\item \textsuperscript{83} 15 U.S.C. § 1052(a).
\item \textsuperscript{84} 15 U.S.C. § 1052(a), (b), (c).
\end{itemize}
connotations are likely to cause problems in many foreign countries. Even if the trademark is legally protectable, available, and registrable in the foreign country, it might nevertheless be unacceptable for cultural reasons or because it sounds offensive (e.g., “Banana Republic” in a tropical nation). The trademark may have an unacceptable meaning or connotation in the language of the foreign country. For example, the trademark “Nova” for automobiles unfortunately means “does not go” in a Spanish-speaking country, and the trademark “Mist” translates into “manure” in the German language. When used in a foreign language, a suggestive trademark will probably lose its hidden message or even have an unwelcome one (e.g., “Coppertone,” although used in Italy, does not suggest suntan in Italian, but rather “car tire”). Some trademarks, like “Whirlpool,” are puzzling to pronounce for non-English speakers and are likely to be misspelled.

One strategy for addressing the varied cultural and linguistic landscape across which franchise systems typically seek to expand is the adoption of a design, or logo, as a unifying marketing focal point. Design/logo trademarks, together with other non-verbal source identifiers, such as site design and other trade dress, may help achieve cross-border consistency of message and recognition.

In today’s “wired world,” no business can afford to dismiss or ignore this issue. The ubiquity of the Internet—which transcends geographic boundaries—means that such cultural and linguistic concerns are more relevant than ever. And even if the mark is intended for use only in the United States, our increasingly multi-cultural population also mandates this type of analysis.

Prior Use of Similar Names and Trademarks by Others
The selected trademark must be clear from potential claims by others with prior rights. Potential barriers to registration and use include a confusingly similar trademark that has been previously federally registered, is the subject of a prior pending application, or was previously used as a common law trademark or trade name in connection with the same or related goods or services. Intent is not a necessary element of an infringement case, so even an innocent second-comer can be blocked from use and registration, and can be liable for any damages arising from its infringing use of the mark. As a consequence, a comprehensive trademark search should be conducted to ensure that a proposed trademark is available for use by the franchise system. The next section describes the “clearance process” for determining the availability of a trademark.