

Chapter I

Trademarks—United States

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I. INTRODUCTION

Trademarks are at the heart of modern-day marketing of goods and services. Indeed, virtually all industrialized countries including the United States are increasingly becoming brand-savvy. Although federal unfair competition law originally protected trademarks only against direct “passing off,” trademarks no longer merely indicate the origin of their associated goods and services, but instead have themselves become critical commodities, often identifying a source of licensing, sponsorship, or endorsement. For example, the driving force in many stock and asset transactions today is the seller’s trademark portfolio. Trademarks are also often offered as collateral to secure loans, qualify for capital gains treatment, and are property of the estate under the U.S. bankruptcy code. Today the importance of distinctive trademarks is such that they may be among a company’s most valuable assets.

The owners of well-known trademarks such as Apple, Google, McDonald’s, Microsoft, and Coca-Cola did not, however, come to enjoy their assets by chance. Rather, the strength of such trademarks reflects the culmination of a process beginning with careful selection and ending with proactive maintenance and enforcement by their owners. Undertaken and executed properly, such strategies can often yield returns far exceeding those attributable to other forms of capital investment.

II. BASIC TRADEMARK PRINCIPLES

A. TRADEMARK FORMS AND TYPES

Trademarks can take many forms, including words, numbers, letters, symbols, slogans, colors, characters, graphic designs, smells, building shapes, containers, and other three-dimensional configurations, sounds,

or combination of these items. Possible trademark formats include the following:

1. Words

English language words such as Apple for computers and Burger King for restaurant services constitute the most common type of trademarks. “Coined” words (e.g., Exxon for gasoline products and Quizno’s for restaurant services), which are words created by trademark owners, are a species of trademarks that are capable of great strength and distinctiveness. Acronyms, abbreviations, or nicknames (e.g., Maaco for automotive services, DQ for restaurant services, and Beetle for automobiles) are recognized species of trademarks as well.

2. Numbers

Numbers alone or combined with letters can be trademarks, provided, however, that the numbers or number-letter combinations are in fact used in a trademark sense and not primarily to describe the model, grade, size, or feature of a product. For example, A-1 for steak sauce, K-10 for flying discs, V-8 for juices, and 4711 for cologne have each been successfully registered as trademarks. These, however, are often not considered optimal trademark choices at their inception, requiring a certain amount of sales and advertising to gain consumer recognition before achieving trademark protection.

3. Number and Word Combinations

Telephone number and letter combinations have also been found to be protectable as trademarks (e.g., 1-800-MATTRESS for bedroom furniture, 1-800-GOT-JUNK? for trash removal services, and 369-CASH for mortgage broker services).

4. Slogans

In recent years slogans have been increasingly adopted and used as trademarks (e.g., Are You in Good Hands? for insurance services and What’s in Your Wallet? for credit card services).

5. Designs

A wide variety of designs used alone and in combination with words have been accorded trademark protection (e.g., the Circle K design for convenience store services, the Dairy Queen “red lips” design, and the golden arches design for McDonald’s restaurant services).

6. Images

Images of real or fictitious individuals have long been used as trademarks (e.g., the Colonel Sanders image for restaurant services, the Betty Crocker

image for bakery products, the Paul Newman image for food products, the design of a girl with pigtails for Wendy's restaurant services).

7. Colors

Single colors, combinations of colors, or colors as a part of a design can be protected as trademarks under certain limited circumstances. A single color or combination of colors can be recognized as valid trademark(s) if they serve an ornamental, as opposed to a utilitarian, function and have obtained a high level of "secondary meaning"; that is, the public has come to identify the color or combination of colors used in connection with a good or service solely as signifying a brand. In one of the leading cases involving color trademarks, Owens Corning was successful in protecting the color "pink" as a trademark for its brand of fiberglass insulation.

8. Sounds

Marks consisting of distinctive sounds have become an important and highly recognizable species of trademarks (e.g., the NBC "three chimes" for broadcasting services and the Intel "five chimes" for computer products).

9. Smells

Smell marks, although somewhat rare, have also been recognized as capable of being viable trademarks (e.g., "a high-impact, fresh, floral fragrance reminiscent of Plumeria blossoms" for sewing thread).

10. Three-Dimensional Configurations

Packaging, and the appearance of a product or of structures where services are performed, can be protected as trademarks if they are inherently distinctive or have achieved secondary meaning (e.g., the distinctive shape of the fluted Coca-Cola bottle, the Hershey's teardrop-shaped candy, and the exterior design of White Castle, International House of Pancakes, and Kentucky Fried Chicken restaurants).

B. TRADEMARK FUNCTIONS

Trademarks convey valuable information to consumers by identifying goods and services that have been satisfactory in the past while rejecting those that have not. They reduce 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 in making future purchases. Moreover, because trademarks identify goods or services from a single source, they often induce the trademark owner to provide higher-quality goods and services. Trademarks further provide a framework for effective advertising of goods and services.

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

- They identify the goods or services of the trademark owner and/or of its licensees or franchisees and help distinguish them from those of competitors.
- They signify that all goods or services bearing the trademark emanate from a single, albeit sometimes anonymous, source or connote common sponsorship.
- They signify that all goods or services bearing the trademark are of a uniform quality.
- They enable effective advertising of the goods and/or services with which the trademark is used.
- They provide a common identity for goods and services from a license or franchise system.

State and federal law protect not only trademarks but also service marks, collective marks, and certification marks. A service mark is the counterpart of a trademark, but is used to identify services rather than goods. (Throughout this chapter, the term “trademark” is used to refer to both trademarks and service marks.) Some designations can serve as both a trademark and a service mark (e.g., Kroger grocery stores and product brands and Weight Watchers dietary counseling services and product brands). A collective mark is owned by a cooperative, association, or other collective group and distinguishes the goods or services of the members from those of others, as well as indicating membership in the collective group or organization. An example of a collective mark is the Realtor mark, which is owned by and used by members of the National Association of Realtors.

A certification mark represents a certification by the owner of the mark that the goods or services of others meet the owner’s standards. The applicable standards can relate to quality, method of manufacture, regional origin, or some other characteristic. The owner of a certification mark (e.g., an entity formed to certify goods as made of Harris Tweed or Icelandic Wool) cannot itself be the source of goods or services under the mark or rights to the mark will be lost.

C. SPECTRUM OF DISTINCTIVENESS

To be eligible for protection under trademark law, a trademark must be distinctive—that is, capable of identifying and distinguishing the goods or services of the trademark owner or its licensees from those of competitors. Trademarks vary in distinctiveness, and may be either inherently distinctive or, alternatively, may acquire distinctiveness as a result of recognition by the relevant public after a period of use. The degree of inherent or acquired distinctiveness of a trademark is relevant to the scope of protection to which it is entitled. A highly distinctive and famous trademark is

considered conceptually “strong” and often will be protected against use by others even on unrelated goods or services (e.g., Rolls-Royce hotels). On the other hand, a nondistinctive or “weak” trademark may be entitled to only limited protection against use of identical or closely similar trademarks on identical or closely related goods or services.

In assessing their protectability, trademarks are often grouped on a continuum called the “spectrum of distinctiveness.” *See, e.g., Hornady Manufacturing Co. v. Double Tap, Inc.*, 746 F.3d 995 (10th Cir. 2014). The spectrum ranges from “fanciful” trademarks, which are arguably the most protectable, to generic terms, which are not protectable at all.

1. Fanciful Marks

The most distinctive and protectable trademarks are unique, coined terms having no inherent linguistic meaning. Examples of coined trademarks include the invented words Starbucks, Verizon, Exxon, and Pepsi. Such trademarks generally receive a wide scope of protection because prohibiting their use by others does not deprive business competitors or the public of any terms they need to compete or fairly use.

2. Arbitrary Marks

Arbitrary trademarks, which are next in order of distinctiveness, are words having a common meaning but no connotation in association with the user’s goods or services. *See Florida Van Rentals, Inc. v. Auto Mobility Sales, Inc.*, Case No. 8:13-cv-1732-T-36EAJ, 2015 WL 179294 (M.D. Fla. Jan. 14, 2015) (citing *Investacorp, Inc. v. Arabian Inv. Banking Corp.*, 931 F.2d 1519, 1522–23 (11th Cir. 1991)), *cert. denied*, 502 U.S. 1005, 112 S. Ct. 639, 116 L. Ed. 2d 657 (1991). Consequently, even if the term is in common use, a trademark composed solely of that term may nevertheless be considered arbitrary if it is applied to a good or service unrelated to its meaning, such that the trademark neither describes nor suggests the good or service. Examples of arbitrary trademarks include Apple computers, Domino’s pizza, Sonic restaurants, and Subway restaurants. Like coined terms, these trademarks typically are entitled to a broad scope of protection because they do not deprive competitors of the ability to describe their own goods or services.

3. Suggestive Marks

The third category of distinctiveness includes suggestive trademarks, which, as the name indicates, suggest one or more of the qualities of the trademark owner’s goods or services but do not directly describe them. The courts and the US Patent and Trademark Office (USPTO) have generally found that a term is suggestive if it requires imagination, thought, and perception by a consumer to understand the essential characteristics of the goods or services. Examples of suggestive trademarks are Holiday Inn for hotel services and Java City for coffee bar services. Suggestive trademarks

are considered inherently distinctive and capable of protection against use of similar trademarks upon their adoption.

They typically do not, however, receive as broad a scope of legal protection as coined or arbitrary marks. In general, suggestive marks that have not acquired a high degree of fame are likely to be protected only against use of similar trademarks for related goods and services.

4. Descriptive Terminology

The fourth category of trademarks consists of descriptive terms. Descriptive “trademarks” include:

- Trademarks that merely describe the intended purpose, function, quality, size, ingredients, characteristics, class of users, or intended effect on the user of the goods or services they identify (e.g., 24 Hour Fitness for a fitness facility and Vision Center for an optical clinic).
- Trademarks that primarily describe the geographical origin of the goods or services (e.g., Washington Speakers Bureau for a lecture agency and Madison’s Progressive Talk for a radio political talk show).
- Trademarks that primarily constitute personal names such as a surname (e.g., McAlister’s Deli for restaurant services and Goddard for educational services) or a first name (e.g., Amy’s Ice Cream).
- Trademarks that primarily describe laudatory aspects of the goods or services (e.g., Best Buy for retail store services).

Trademarks that are deemed to be merely descriptive of the goods and/or services with which they are used will be denied protection and, as discussed in further detail later, will also be found unregistrable, unless “secondary meaning” can be shown (i.e., that the trademark has become recognized as a brand for specific goods and services from a single source). In keeping with the concept of a continuous spectrum of distinctiveness, however, some trademarks are only slightly descriptive, and need only a minimum level of usage to acquire secondary meaning, while others may be highly descriptive and need substantial evidence of public recognition to establish secondary meaning. Significantly, the U.S. Supreme Court has held that product shapes are considered to be descriptive marks at best, and therefore always require a showing of secondary meaning for protection. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000).

Despite the initial burden trademark owners face in establishing protectable rights in marks that consist of descriptive terminology, it is possible for such trademarks to acquire a high degree of secondary meaning and in some cases even become extremely famous. When that happens, the trademark is entitled to a broader scope of protection. For example, Kentucky Fried Chicken and Baskin-Robbins are trademarks that were originally considered descriptive, but have become well known as designations

of origin and are therefore entitled to substantial trademark protection. In the absence of such a high degree of fame, descriptive trademarks, even if they have acquired sufficient secondary meaning to be protectable, generally are entitled to protection only against use of closely similar marks for closely related goods or services and therefore may not be the best of trademark choices.

Both direct and circumstantial evidence tending to prove that the relevant consuming public associates a trademark with the trademark owner can be used to prove secondary meaning. Evidence that will support a finding of secondary meaning includes:

- *Direct consumer testimony.* Testimony establishing that customers perceive a term as a trademark rather than as a descriptive term may be the most relevant persuasive evidence in proving secondary meaning. Unfortunately, such testimony is often very difficult to obtain.
- *Consumer studies or surveys.* A properly conducted survey of the relevant consuming public may also provide persuasive evidence of the secondary meaning. However, such surveys can be expensive.
- *Length, manner, and exclusivity of use.* Under the federal trademark act, proof of substantially exclusive and continuous use of a trademark in commerce for five years is “prima facie” evidence of secondary meaning.
- *Advertising expenditures.* Because direct evidence of secondary meaning can be very difficult to obtain, advertising, promotional, and publicity expenditures can help establish secondary meaning. The greater the exposure of the mark, the greater the number of buyers who may associate the mark with the trademark owner. Thus, substantial advertising, promotion, and publicity raise an inference that the purchasing public has come to associate a trademark with a single source.
- *Amount of sales and number of customers.* Like advertising expenditures, the volume of sales is relevant to secondary meaning. Substantial sales volume supports an inference of secondary meaning on the theory that such sales are more consistent than not with the existence of secondary meaning.
- *Other evidence.* In addition to the traditional categories of secondary meaning evidence discussed previously, other evidence may be probative as well, including evidence of copying the mark by third parties, registration by unrelated third parties of closely similar terms without a disclaimer, unsolicited media coverage, Internet traffic evidence, use of the trademark as a brand, or other evidence of industry recognition. *See, e.g., River Light V, LP v. Lin & J Int’l, Inc.*, 114 U.S.P.Q.2d 1282, 1291 (S.D.N.Y. 2014) (quoting *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 226 (2d Cir. 2012)).

5. Generic Terminology

The final category of the continuum is composed of generic terms, which cannot under any circumstances be trademarks. A generic term is a common name for a good or service, such as “restaurant” for an eating establishment, “car” for automobiles, or “carrot” for a particular vegetable. *See Sandshaker Lounge & Package Store LLC v. Quietwater Entertainment, Inc.*, No. 14-14481, 2015 WL 1245462 (11th Cir. Mar. 19, 2015) (“Bushwacker” is a generic term for an alcoholic beverage). In some cases, a generic term was at one time a trademark that fell into common usage as a common term for a category of goods or services and, therefore, lost its distinctiveness as an indicator of origin. Examples of trademarks that have become generic terms include “linoleum,” “cellophane,” “aspirin,” “kerosene,” “shredded wheat,” “yo-yo,” and “escalator.” The owners of several prominent trademarks, including Jell-O, Band-Aid, Kleenex, and Xerox, have spent millions of dollars educating consumers about the brand significance of their marks to avoid having their trademarks become generic terms. For this reason, the creators of new kinds of goods and services are strongly encouraged to provide generic terms for the goods and services upon their introduction so as to identify them while preserving their marks as specific source designations (e.g., NutraSweet brand aspartame).

6. The Suggestive/Descriptive Conundrum

The majority of marks in use today fall in the suggestive or descriptive category. Unfortunately for trademark owners, although the consequences of a trademark being legally categorized as suggestive or descriptive may be significant in terms of protectability and registrability, the line separating these categories is hardly clear. As a general rule, a trademark will not be deemed descriptive if a multistage reasoning process, or the use of imagination, thought, or perception, is required to discern the nature or attributes of the goods or services associated with the trademark. For these reasons, the following categories of trademarks have been held to be suggestive as opposed to descriptive:

- double entendres (e.g., Sugar & Spice)
- alliteration, rhyming, or other distinctive verbal usage (e.g., Light & Lively)
- incongruous grammatical use (e.g., Uncola)
- incongruous use of foreign and English terms (e.g., La Yogurt)
- incongruous use of individually descriptive terms (e.g., Snorake)

D. STRENGTH OF TRADEMARKS

The more distinctive, unique, and well known a trademark is, the “stronger” it is considered to be. The strength of a trademark defines the scope of protection it is accorded by the courts and the USPTO. The stronger the trademark, the more extensive its scope of legal protection against

infringing trademarks over: (1) a wide range of goods and services categories; (2) a wide range of geographic markets; and (3) a wider range of appearance, sound, and meaning variations. Strength is a relative notion, and trademarks can range from being very strong to weak. Three factors play significantly in determining the strength of a mark:

1. *How common the trademark is in general use and in the specific field of use.* Terms that are used as trademarks by many businesses in a number of distinct fields such as Star, Gold Medal, Best, Platinum, and Universal, as well as those composed solely of numbers or letters, are generally weak source identifiers as a result of such common use. When many identical trademarks exist in the marketplace, each of the respective trademarks in the “crowd” is not very distinctive and, therefore, is weak and has a relatively narrow scope of protection.
2. *The level of descriptiveness of the trademark in relation to the goods or services.* Fanciful and arbitrary trademarks are generally considered to be inherently strong and are, therefore, given a wider range of protection. Suggestive trademarks are in the middle ground, and descriptive trademarks are, at least initially, at the weak end of the spectrum. The more descriptive the trademark of the goods and/or services with which it is used, the less distinctive and thus weaker it is, at least initially.
3. *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 consuming public for a number of reasons including limited geographic use, minimum sales, narrow target market, etc. Conversely, after continuous significant use and advertising, a descriptive trademark initially classified in the weaker part of the spectrum may become a strong trademark and very well known to the consuming public. For example, Kentucky Fried Chicken (consisting of a geographic and generic term) and McDonald’s (a surname and thus descriptive) have accumulated (and continue to accumulate) substantial amounts of secondary meaning with the result that they have become both strong and famous.

E. TRADE DRESS

Combinations of elements that together make up the look, feel, or environment of a product or business, also known as “trade dress,” can achieve trademark significance and are protected under the same laws that protect trademarks. Trade dress can refer to individual elements of a product or business image as well as to the image created by a combination of those elements. There is neither a defined list of elements 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 décor, vehicle decoration, clothing, signs, menus, cuisine, or entertainment features—anything and everything that individually or in combination identifies and distinguishes the services offered by a business.

Prominent examples of legally protectable trade dress include the exterior design of certain well-known fast-food restaurants such as the International House of Pancakes and McDonald's, the interior décor of Fuddruckers restaurants, the "G" shape of a Gucci watch, the Chick-Fil-A cows, the overall design of a sports shoe, and even the appearance of a bathroom scale. Trade dress protection does not, however, extend to vague or abstract images or themes or common elements used by competitors in a particular field. *See N.Y. Pizzeria, Inc. v. Syal*, 56 F. Supp. 3d 875 (S.D. Tex. 2014) (trade dress claim in distinctive visual presentation of food items to customers rejected); *Happy's Pizza Franchise LLC v. Papa's Pizza, Inc.*, No. 10-151742013 WL 308728 (E.D. Mich. Jan. 25, 2013). 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 or a Scandinavian marketing theme for ice cream. *Haagen-Dazs, Inc. v. Frusen Gladje Ltd.*, 493 F. Supp. 73 (S.D.N.Y. 1980); *see also KIND LLC v. Clif Bar & Co.*, 111 U.S.P.Q.2d (BNA) 1795 (S.D.N.Y. 2014) (packaging design consisting of common elements held to be merely descriptive). On the other hand, trade dress protection has been granted to an arbitrary, extensive, and distinctive "signature" collection of interior design characteristics of a restaurant. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837 (9th Cir. 1987).

Trade dress protection attempts to balance three public policy objectives:

- The protection of consumers from confusion
- The protection and reward of investment in unique and original features identifying a good or service
- 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

III. SELECTION AND CLEARANCE OF MARKS FOR USE IN THE UNITED STATES

A. SELECTION

Trademark litigation in the United States can be extremely costly. The defense of an infringement action through trial in many cases will cost several hundred thousand dollars or more, with surveys and survey experts, if needed, alone frequently costing tens of thousands of dollars.

The inordinate expense and time lost in unnecessary litigation often can be avoided by a careful search and clearance process incorporating quality legal advice before adopting and commercially using a new trademark.

I. General Considerations

There are three important issues that a trademark owner should always consider when selecting a trademark:

- *Qualification.* Does the designation under consideration function as a trademark? For example, is the proposed trademark the generic name for the good or service or does it principally describe a characteristic or feature of the good or service?
- *Infringement.* Is the trademark available? Does it infringe, or will its application for registration be blocked by any other party asserting prior rights in the trademark or a closely similar trademark? The answer to this question depends on whether use of the trademark under consideration is deemed to create a “likelihood of confusion” with the trademarks of other parties.
- *Protectability.* Is the trademark distinctive, weak, or strong? Will it need time and expense to develop secondary meaning?

Moreover, the process of selection of trademarks often presents a classic “Hobson’s Choice” for trademark owners. On the one hand, trademark owners (and particularly their marketing representatives) are often attracted to descriptive terms because those terms easily communicate to potential purchasers information about the goods and services, such as their features, ingredients, or other characteristics. Unfortunately, from a legal perspective, descriptive terms tend to be less distinctive and thus less protectable. As a result, in order to enhance their protectability, owners of weak trademarks need to invest significantly greater amounts 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 convey little or no message about the good or service to the consumer and might require extensive advertising to educate 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 good or service. In selecting an optimal trademark, descriptive terms should generally be avoided because they are harder to protect and subject to higher scrutiny when federal registration is sought.

2. Avoid Descriptive Terms

a. Selection Factors

The selection of a trademark is a creative process seeking to send an attractive message to the consumer while avoiding merely describing the goods or services.

The investment required to confer secondary meaning on a weak descriptive expression might be better invested in educating the public through advertising to associate a coined or arbitrary trademark with a product. Coined trademarks may be used to create a family of related trademarks (e.g., Kodak, Kodacolor, and Kodachrome). Moreover, once a strong trademark is recognized in the market, it can be used as a magnet to introduce new goods or services with less advertising costs and with a smaller risk that a third party may have already appropriated the trademark in that category of goods or services. Descriptive and other weak types of trademarks also present increased risks of third parties having superior common law rights in local trading areas.

Success stories like McDonald's, Wendy's, and similarly famous trademarks consisting of inherently weak terminology tend to be the exception rather than the rule. On the other hand, to have a successful brand, one need not totally adopt invented names like Mr. Eastman did with "Kodak."

b. Practice Pointer—Recognizing Descriptive Marks

As indicated earlier, because descriptive marks offer a relatively inexpensive means for trademark owners to convey information to consumers about the trademark owner's goods and services, trademark owners are often strongly predisposed to adopt and use such marks. Recognizing the inherent protectability problems presented by descriptive marks, some trademark owners will go to great extremes to mask their descriptiveness, usually with a limited amount of success. In that regard, the following types of trademarks have been found to be descriptive despite the efforts of their owners to prove otherwise:

- *Acronyms and abbreviations.* Acronyms and abbreviations have been held to be descriptive and not registrable if the underlying words on which they are based are considered to be descriptive. For example, Spex was held to be merely descriptive for eyeglasses and Homo was held to be merely descriptive for homogenized milk. In addition, in view of the advent of an increasingly wide range of goods and services available through electronic means or through the Internet, the prefix "E" (e.g., "e-book") is generally recognized to be a descriptive abbreviation for the word "electronic."
- *Foreign equivalents.* A trademark owner cannot escape a finding of descriptiveness by substituting a foreign equivalent for a descriptive English word. For example, Kuhlbrau for beer was held to be merely descriptive because it was the equivalent of "cool brew."
- *Misspellings.* A finding of descriptiveness also cannot be avoided by misspelling words that are otherwise merely descriptive of goods or services. For this reason, Fom was held to be merely descriptive for foaming carpet cleaner.

3. Avoid Geographic Names

A geographic name may not be protectable as a trademark if the good or service with which the trademark is used is generally expected to, and in fact does, originate from that geographic area. If, however, an area is not known for a good or service, the geographic name may be protectable. For example, Philadelphia for cream cheese was found to be an arbitrary trademark because the cheese is made in the small city of Philadelphia, New York (and not in the more obviously recognized city of Philadelphia, Pennsylvania), and neither of these two cities has a particular reputation for the production of cheese. Similarly, California Innovations was held to be registrable for thermal insulated food and beverage bags. A geographic name may also be protectable where the trademark owner is successful in showing that the primary significance of the name is something other than its geographic significance. For example, Park Avenue was found to be protectable because it connotes high quality, and Dixie was found to be protectable because it has many non-geographic meanings. A trademark owner may also be able to protect a geographic name where it is able to show that there are a multiplicity of locations sharing a common geographic name that demonstrates no direct consumer association of the geographic term to a single location. Nonetheless, registering and protecting trademarks consisting of or including geographic names can be an uphill struggle and, generally, any protection obtained will be narrowly construed.

4. Avoid Surnames

Surnames are also not good choices for trademarks because they are viewed as another species of descriptive marks. Where a mark is categorized as being primarily a surname, registration on the Principal Register will be denied absent proof of secondary meaning. Another problem with surnames is that they are likely to be already used as common law trademarks or as part of trade names somewhere in the United States, creating both distinctiveness and potential prior-rights issues. A term that arguably has surname significance can be protected where the trademark owner is successful in showing that the primary significance of the name is something other than surname significance. For example, Fairbanks was found to be protectable because it had geographic significance equal to its surname significance.

Trademark owners are also sometimes successful in protecting names with arguable surname significance where they are able to establish that the name at issue is rare, is a recognized acronym (e.g., Sava for “Securing America’s Valuable Assets”), has another meaning (“hackler” defined in the dictionary as a person who separates long fibers of flax), or has historical significance for a place or person (Sousa for John Philip Sousa). The use by a trademark owner of initials or a first name preceding the alleged surname is a strong indicator of surname significance. 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 with regard to the registration of surnames.

5. Avoid Laudatory Terms

Terms that are deemed to be merely laudatory of the goods or services with which they are used are also not good choices for marks because they require a showing of secondary meaning to be protectable. Examples of such terms are “premium,” “best,” and “gold.”

B. CLEARANCE

I. Clearance Searches

Although not mentioned in the federal trademark statute, and not required by most courts, some reported decisions imply a duty to conduct a trademark clearance search, for example, before using a new trademark in a national advertising campaign. Moreover, once a search is undertaken, some courts have held that an obligation arises to do it in a competent manner. The process for screening new marks generally involves conducting an online search through the records of the USPTO to locate directly conflicting federal registrations or applications for registration. In the absence of such a direct conflict, online searches may be expanded to cover state registrations and certain directory and trade name sources through, for example, Dun & Bradstreet searches (which include a database with millions of trade names). Most sophisticated trademark lawyers, however, rely on private commercial research services, which maintain substantial databases, and which employ search strategies that may be difficult or too costly to replicate using online services. Therefore, if online screening for federal registrations and applications for registration does not disqualify a mark, the next step usually is a more comprehensive commercial search covering federal and state registrations, as well as common law and trade name sources, including industry publications and the Internet.

In most cases, the evaluation of a search report generated by the commercial search services requires a significant exercise of judgment based on experience and knowledge of case law. A typical comprehensive trademark search report includes the following sections:

- A federal report, containing existing, expired, canceled, abandoned, and pending claims of rights in the USPTO
- A state trademark registration section
- A common law report, containing information from a variety of published sources, including the Internet, trade directories, new-product publications, and advertising journals
- A trade name listing that includes trade names from the Dun & Bradstreet or similar database and various industry sources

- A domain name registration report that can also include links to, or copies of the home pages from, active websites used in connection with the domain names

The reviewing attorney may further investigate companies identified by the commercial search through online searches or by accessing their websites to gather additional information about potential conflicts. By comparing the marks disclosed in these sections of the reports to the proposed mark, an experienced trademark attorney often can provide a reasoned opinion as to the availability of particular marks. Through such advice, companies can greatly reduce the odds of being the target of infringement or dilution actions, or having their applications for federal registration refused by the USPTO or opposed by prior rights holders.

2. Practice Pointer—A Final Word about Clearance

Those charged with the responsibility of clearing new trademarks for businesses should note the following factors:

- *Duty to avoid conflicts.* Courts generally impose a duty on the later user to differentiate its trademark from all existing trademarks. In the federal registration process, any doubt about confusing similarity is resolved against the later applicant. If the existing trademark is sufficiently strong and well known so that it can be fairly characterized as “famous,” a later user may not be allowed to adopt the trademark even for noncompeting goods or services because the consuming public might infer a common sponsorship or because the value and awareness of the famous trademark might become diluted.
- *Good business judgment.* The decision not to search, a faulty or incomplete search, or a failure to investigate and resolve potentially problematic references properly can result in severe consequences, including the inability to obtain a federal registration; suits against the later user by the owner of a confusingly similar trademark for injunctive relief, damages, and an accounting of the later user’s profits; and loss of goodwill and investment. *See Firehouse Restaurant Group, Inc. v. Scurmont LLC*, No. 4:09-cv-00618-RBH (D.S.C. Oct. 17, 2011), *vacated*, No. 4:09-cv-00618-RBH (Aug. 3, 2012) (federal registration invalidated as a result of the trademark owner’s knowledge of existence of prior trademark rights). In some cases, multimillion-dollar judgments have been awarded to owners of prior rights ignored by later users. Moreover, in the licensing or franchising context, a loss of trademark rights could expose the licensor/franchisor to yet another lawsuit, this time from the licensee/franchisee for breach of contract, rescission, and damages.
- *Opinions of counsel.* It is typically sound business practice for a trademark owner to seek the advice of competent counsel prior to

adoption and use of a trademark in commerce. In fact, a number of courts have held in trademark infringement lawsuits that a defendant's reliance on a legal opinion of counsel as to availability of a trademark is relevant to whether the defendant is a willful infringer and therefore liable for an accounting of its profits and/or attorney's fees.

IV. ESTABLISHING RIGHTS IN A TRADEMARK

A. COMMON LAW RIGHTS

If no federal registration is involved, U.S. trademark rights are territorial in nature. In other words, the right of a trademark owner to use its trademark will generally be limited to the geographic areas in which it does business or has a reputation. *See, e.g., Janet Travis, Inc v. Preka Holdings, L.L.C.*, 856 N.W.2d 206, 217 (Mich. Ct. App. 2014) (quoting *Interstate Brands Corp. v. Way Baking Co.*, 270 N.W.2d 103, 105 (Mich. 1978)). As a practical matter, this means that another party's adoption and use of a confusingly similar mark in a geographic area remote from the trademark owner will result in the other party acquiring rights superior to the trademark owner in that other party's geographic area. This is true even where the other party's adoption and use of its mark occurs after that of the trademark owner, if the other party's adoption was both in a geographically remote area and in good faith (i.e., was done without knowledge of the trademark owner's use). *See, e.g., Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. de C.V.*, 69 F. Supp. 3d 175, 206 (D.D.C. 2014), *reconsideration denied*, 79 F. Supp. 3d 60 (D.D.C. 2015). Therefore, when the trademark owner attempts to expand its operations into the remote area where another party has established rights to a similar mark in good faith, the trademark owner may find itself subjected to a lawsuit by that other party and ultimately enjoined from expanding into that area. At the same time, however, the other party cannot expand its operations into the geographic area in which the trademark owner already operates.

B. THE FEDERAL REGISTRATION SYSTEM

Because the common law sometimes allowed junior users to misappropriate the goodwill associated with senior users' marks and then escape liability by arguing that they were unaware of the prior use, federal trademark laws were established in part to create nationwide protection for registered marks, and Congress repeatedly has expanded the protection available to mark owners.

In 1946, congressional passage of the Lanham Act recognized service marks and expanded the remedies available to the owners of federal