



# SELECTING AND MANAGING TRADEMARKS

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## TABLE OF CONTENTS

	<b>Page</b>
A. INTRODUCTION .....	1
B. SELECTING TRADEMARKS .....	1
C. TRADEMARK CLEARANCE SEARCHES .....	3
D. TRADEMARK REGISTRATION .....	4
E. USING TRADEMARKS .....	6
F. ENFORCEMENT OF TRADEMARKS .....	8
G. TRADEMARK SPECIMENS .....	9
H. MANAGING TRADEMARKS .....	9
I. USE OF TRADEMARKS ON THE INTERNET .....	11

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## **A. INTRODUCTION**

Brand names, slogans, and logos, protected under the law of trademarks, identify the products and services offered by your business and distinguish those products and services from those of your competitors. A trademark can be a word, symbol, logo, design, a color, a sound, or any combination of these items. Trademarks are often associated with or embody a business's goodwill — that intangible asset that arises from the reputation of a business and its relations with its customers.

The value of a trademark can be enormous. As an example, consider the purchase of Jaguar by Ford Motor Company, which occurred in the early 1990's. Considering tangible assets only, Jaguar was not a highly-valued company. Nevertheless, Ford paid billions of dollars for Jaguar. A significant portion of the purchase price was attributed to the value of the Jaguar brand, a name recognized worldwide. Not all businesses will develop brands worth so much; but with proper selection and care it is possible for every business to create highly valuable trademarks. This guide outlines how to select, manage, utilize and enforce trademarks to maximize their value and protectability. If you have specific trademark questions, consult your trademark attorney.

## **B. SELECTING TRADEMARKS**

Virtually anything can serve as a trademark:

- A name: XEROX
- A symbol: Chevron Oil's Chevron
- The shape or appearance of a product or its packaging:
  - The overall look and appearance of a Taco Cabana restaurant
  - The overall look of a Rubik's cube
  - The overall look and appearance of Blue Mountain greeting cards
- A color: Pink for Owens-Corning fiberglass
- A fragrance: The smell of flowers for a spool of yarn
- A sound:
  - The NBC chimes
  - The roar of the MGM lion

A "trademark" is used for goods, and a "service mark" is used for services; for purposes of this brochure, "trademark" will refer to trademarks and service marks unless the context indicates otherwise.

In selecting a trademark, it is important to keep in mind that marks are analyzed along a spectrum ranging from arbitrary and fanciful to suggestive to descriptive. A fanciful mark is a coined word that has no meaning except to function as a trademark. For example,

- XEROX® copiers
- REEBOK® tennis shoes

An arbitrary mark is a word with a meaning used in an arbitrary way:

- CAMEL® cigarettes
- NOVA® television series

A suggestive term is one that does not immediately describe to the target customer a quality or characteristic of the product; rather, it suggests something about the product.

- ORANGE CRUSH® soft drinks
- ROACH MOTEL® roach traps

Fanciful, arbitrary, and suggestive marks are afforded the broadest legal protection.

Descriptive marks are marks that immediately convey to the customer something about the nature, quality, or characteristics of the goods.

- SMART PROBE electronic surgical probes
- AFTER TAN after sunning lotion

A descriptive mark is not protectable unless it has acquired “secondary meaning.” Secondary meaning exists once the mark has been in use for a sufficient period of time that customers have come to recognize the mark as an indication of origin. The United States Patent & Trademark Office (“PTO”) considers five years of use as *prima facie* evidence of secondary meaning. Therefore, descriptive marks are not immediately protectable against copying by competitors. They also are not immediately registrable on the Principal Register of the PTO.

For this reason, there is sometimes a tension between the company’s marketing goals and its legal goals. The company may have a desire to adopt a descriptive term as a trademark precisely *because* it conveys something to the customer about the nature, quality, or characteristic of the goods or services. This is particularly true if the company is introducing a new product not otherwise familiar to customers. However, this runs contrary to the company’s legal goals to immediately register and protect the trademark and to prevent competitors from using it. These competing goals must be resolved before a new mark is selected.

Arbitrary and fanciful marks are typically regarded as the strongest trademarks, and companies should strive to adopt trademarks in these categories. However, that does mean that suggestive or descriptive marks cannot eventually develop into strong marks.

Generic terms are the common ordinary name of a particular thing and can never serve as trademarks because there is a competitive need for all companies to be able to identify their products by their common names. For this reason, a company must vigilantly guard against allowing terms it wants to preserve as trademarks to be used generically by the trade or the public, and the company must *never* use such terms generically itself.

Therefore, when a company adopts a new trademark, it is important that it always use the trademark as an adjective, never as a noun, followed by the generic word for the product.

- Jell-O® brand gelatin
- Band-Aid® brand adhesive strips
- Rold Gold® pretzels
- Jays® potato chips

It is also important that, if the company is introducing a new product for which there is no generic name, it create one so that the public does not use the trademark as the generic name.

- Jeep® sport utility vehicle
- Jet-Ski® personal water craft.

As referenced above, colors and shapes or overall product and package appearance can be protectable as trademarks. However, color alone is not, in general, immediately protectable. In most cases, color is protectable only upon acquisition of secondary meaning. The same is true for shapes. In most cases, color is part of product packaging and appearance, which the courts do not regard as “inherently distinctive.” Therefore, if a company desires to imbue a particular color or product shape or feature with trademark significance and increase the chances that a court or jury will protect that mark, the company should *identify* the color, product shape, or feature as a trademark in its advertising. It should also tell customers that when they see that particular color, product shape, or feature, they know the product comes from the company. This is called “look for” advertising.

- Dow Corning’s “Think Pink” Ads

### **C. TRADEMARK CLEARANCE SEARCHES**

Before a trademark is adopted and used, a trademark clearance search should be conducted. A trademark clearance search looks for marks already adopted by others that may conflict with the proposed mark. Searching can avoid the cost of launching a new ad campaign with a new trademark and building goodwill in that mark, only to have to change the mark when a challenge to it is received.

Clearing a mark involves two steps. First, a preliminary search is conducted. This type of search can be conducted using commercially available databases within a few days of an initial request and, in many circumstances, within a few hours. Preliminary searches are on the order of about 60 to 70% reliable. If a mark appears to be available for use based on a preliminary search, a more exhaustive search should be conducted. In most cases such “full searches” are well worth the extra cost and often uncover uses of, or registrations for, potentially conflicting marks not uncovered by a preliminary search. Keep in mind that trademark rights are geographically limited. Thus, if you want to use a

mark in one or more foreign countries, searches will likely have to be conducted in the foreign countries of interest to you.

Once a mark has been cleared through appropriate searches, you may wish to register the mark with the government. In the U.S. and many other countries, you may use a mark without registering it. In other countries, registration is required. Required or not, registering a mark has many benefits and is highly recommended.

#### **D. TRADEMARK REGISTRATION<sup>1</sup>**

In the United States you may register a mark with individual states and with the federal government. State registrations are relatively easy to obtain. To obtain a state registration, an applicant usually need only show that a mark is being used within the subject state and submit a nominal fee. In most cases, provided an identical mark is not already registered, a state registration is promptly issued after the application is filed. While quick and inexpensive, state trademark registrations offer few benefits other than providing some proof of ownership of a mark and, in some states, a basis for bringing a counterfeiting action under state law.

In the U.S., a federal trademark registration offers trademark owners the greatest legal protection. Registration is available for marks that are used in interstate commerce or that will be used in interstate commerce (by filing what is called an “intent-to-use application”). In today’s economy, most businesses have interstate activities and can apply for federal protection. (If your business does not engage in interstate commerce, a state trademark registration should be obtained, if possible.) In order to file a federal trademark application, the following information is required:

1. *The words, symbols, or other indicators to be registered as a trademark.*
2. *A description of all the goods and services on or in connection with which the mark is used.*
3. *The date of first use of the mark, if any, anywhere, and the date of first use, if any, in U.S. commerce.*
4. *A copy of any foreign registrations or applications for the mark.*
5. *The name and address of the applicant, including its U.S. state of incorporation, if any, or if a partnership, the names of all general partners.*

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<sup>1</sup> Before addressing trademark registration, a common point of confusion should be mentioned. Many people assume that when a business is incorporated and its name is registered with the Secretary of State that the registered name is also protected and registered as a trademark. It is not. All corporate names should be searched like a trademark to determine their availability. Further, the names should be registered as trademarks, if possible.

6. *The name and title of the person who will sign the application. If the applicant is a corporation, this person must be a corporate officer, such as CEO, President, Secretary, or the like.*
7. *The requisite filing fee of \$325.00 per class.*
8. *Two identical specimens of the mark, such as labels for goods or advertisements for services. Specimens are not required to be filed with intent-to-use applications, but are filed separately later.*

If the Trademark Office approves an application, a registration will issue for the mark. A federal trademark registration offers certain benefits, including nationwide protection for the mark beginning from the date of the application. This means that once a mark is registered, the registrant's nationwide rights relate back to the date of the filing of the trademark application, giving priority against a party adopting the same or similar mark anywhere in the country after the filing date of the registrant's application. In contrast, if a mark is not registered, the common law protection available for it will be limited to those areas where the mark has been in use or has become known.

Another significant benefit of registration is that it acts as a warning to others. In most cases, the registration will likely be found in searches done by others, in some cases causing them to choose other marks. In addition, the Trademark Office will refuse registration of marks likely to cause confusion with other marks already registered. Further still, a federal trademark registration permits a registrant to: bar imports of infringing products through U.S. Customs, if the registrant is a U.S. citizen; obtain enhanced damages from trademark counterfeiters; obtain treble damages from willful infringers; and use the "®" symbol. A trademark registration is also presumptive evidence of the ownership and validity of the trademark.

Oftentimes registering all the marks a business uses is very expensive. In order to reduce costs, registration may be limited to certain marks. Registration should be sought for those marks which: will be used for more than one year; are critical to a product or service introduction; or are not merely descriptive but are likely to be imitated by competitors. Registration should be sought only after a mark is cleared by a clearance search.

The company should also consider whether it wishes to file foreign applications in the major countries in which it is doing business. This is highly recommended because in some countries, whoever wins the race to registration owns the mark. In other countries, whoever is the first to use the mark in that country wins. Intent-to-use applications are allowed in most countries, so it is a good idea to get an application on file. Otherwise, someone could register the company's trademark and then hold it for ransom, demanding large sums of money to sell the registration back.

Finally, the company should register its trademark and any commonly foreseeable variations thereof as domain names. Such registration will avoid another registering the domain name first, forcing the company to try to buy it back or seek a court order to get it back.

## **E. USING TRADEMARKS**

Whenever making use of a trademark, keep in mind that it represents the reputation of your company, its high quality products and services, expertise, and technical knowledge. Trademarks are valuable assets and should be treated with the appropriate care due something so valuable.

If trademarks are not properly used and cared for, rights can be lost, as has happened many times in the past to various trademark owners. Prime examples of lost trademarks include such familiar designations as escalator, kerosene, corn flakes, linoleum, nylon, dry ice, cellophane, aspirin, thermos, and mimeograph.

Whenever making use of a trademark, whether in a letter, an internal note or memo, a new advertising campaign, new packaging material, a press release, or company report, proper care and attention should be taken to avoid that marks are weakened or enter the common language as descriptive or common terms for the products or services with which they are used. The following eight guidelines should be followed whenever trademarks are used.

### **1. *Make the Trademark Stand Out***

Whenever trademarks appear on labels, packaging, advertising, or other materials, it is important that they be made to stand out from their surroundings. If a special font or logotype for the mark has been adopted, it should be used whenever possible. If no logotype exists or if its use is inappropriate, the trademark should be made conspicuous by capitalizing it completely, using it with “Quotes,” or, at the very least, with Initial Caps. Trademarks that include design elements should always be used and reproduced in the exact form they were registered.

### **2. *Use Each Mark as an Adjective Followed by a Generic Term***

Trademarks should be followed by an appropriate generic product or service descriptor; for example, KODAK *cameras*, or OLSSTEN *employment services*. This is particularly important in connection with new products or services. If a generic name does not follow the trademark for a new product or service, the public may not know what to call the product or service other than by your trademark, even if they mean a competitor’s product or service, which may lead to your mark becoming generic. For example, “aspirin” was a trademark of Bayer when the product was first introduced, but because Bayer did not give the product an alternative, generic name, a consumer could not go to the store and ask for the product by any name other than aspirin, even if the product they

wanted was made by a competitor of Bayer. For this reason, companies often “invent” generic names for new products, like JETSKI<sup>®</sup> personal watercraft or JEEP<sup>®</sup> sport utility vehicle.

### 3. *Avoid use of Trademarks as Nouns or Verbs*

Since trademarks are not nouns, they should not be used in the possessive form or the plural form. In addition, they should not be used as the article in a sentence; for example, “PAMPERS have again been improved.” Never use trademarks as verbs; for example, “XEROX this document.”

### 4. *Identify all Trademarks*

Whether registered or not, trademarks should be identified by appropriate use of identifying symbols. If, and only if, a trademark is duly registered (in the country where the mark will be used), the “®” symbol should be used adjacent to the trademark. In some countries where local laws do not permit the use of the “®” symbol, another appropriate reference should be used, for example, “M.R.” in some Spanish speaking countries. Where a mark is unregistered or in countries where trademark protection can be achieved without registration, the “TM” symbol should be used adjacent to the mark. Proper use of these symbols is set out in the examples below.

- a. XEROX<sup>®</sup> brand copiers (Registered Trademark in the United States)
- b. SHUTTERS<sup>™</sup> brand software (Unregistered Trademark)
- c. NESCAFE M.R. brand instant coffee (Registered Trademark in certain Spanish speaking countries)

### 5. *Avoid Variations Unless a Family of Marks Is Intended*

A trademark should be used in a single consistent form. The trademark should not be used as an abbreviation or the basis for other language forms such as coined words. The spelling of the trademark should always be consistent, and hyphens should not be inserted or deleted haphazardly. If a family of marks is what is intended (e.g., “MCDONALD’S, MCMUFFIN, MCCHEESE), be sure to make consistent use of the common part of the marks (e.g., not MACMUFFIN and MCDONALD’S).

### 6. *Mention the Trademark Owner if Appropriate*

Whenever appropriate on labels or other packaging, a statement referring to the trademark owner should be made. Generally, the company name and the country of origin of the trademark owner should be fully mentioned. Such statements should not be used without consultation and approval by legal counsel.

7. *Watch for Infringing Uses*

Whenever a member of a company becomes aware of an infringing use or possible infringing use of a trademark, that use should be brought to the attention of company officials and, ultimately, to legal counsel so that appropriate action may be taken, if necessary.

8. *Never give Permission to Use a Mark*

Permission to use any trademark should not be granted without first consulting with company officials and legal counsel. Giving permission to a third party to use a mark without first having that party sign a written license can result in the loss of all rights to a trademark.

**F. ENFORCEMENT OF TRADEMARKS**

In general, to establish infringement of one's trademark rights and/or unfair competition, two elements must be shown: 1) ownership of a valid, protectable trademark; and 2) use by the alleged infringer of the same or a similar mark in a manner which is likely to cause customers and prospective customers to be confused, mistaken, or deceived into believing that the alleged infringer's goods or services originate with or are sponsored or authorized by the trademark owner. Factors relevant to establishing a likelihood of confusion include the strength of the plaintiff's mark; the similarity between the plaintiff's and defendant's marks; the similarity between the plaintiff's and defendant's goods and services; the similarity in trade channels for the parties' goods; the defendant's intent in adopting its mark; and any evidence of actual confusion.

In addition to trademark infringement and unfair competition, a company can be found liable under federal and state laws for trademark dilution. Dilution by tarnishment occurs where the defendant uses the plaintiff's trademark in a manner which is likely to tarnish or disparage the mark. Example: MUTANT OF OMAHA instead of MUTUAL OF OMAHA. Dilution by blurring occurs where the defendant uses the plaintiff's trademark in connection with goods unrelated to the plaintiff's products in a way that would blur the distinctiveness of the plaintiff's trademark. Example: KODAK pianos.

Only famous trademarks qualify for protection from dilution. Therefore, to assert a dilution claim, the first hurdle is to establish that one's mark is famous. This usually requires evidence of consumer recognition and efforts to promote the mark.

Under the federal trademark statutes, a successful trademark infringement plaintiff is entitled to recover its damages from the infringement; the defendant's profits; and interest and costs. In addition, if the infringement is willful, damages may be trebled and attorney's fees may be awarded. The plaintiff can also obtain an injunction against further infringement.

Fair use is a defense to a trademark infringement claim. Fair use is established by showing that the defendant is using the plaintiff's mark or a variation thereof in good faith to truthfully describe its goods or a factual situation. Example: "This fruit juice is sweet and tart" is a fair use and not an infringement of SWEETART.

If a trademark owner has chosen a protectable trademark, registered it, and used it properly, the owner will be in a strong position to assert a trademark infringement claim. If the name is not generic or descriptive, the defendant will not be able to rely on invalidity as a defense. And the stronger the mark has been made through proper use, advertising, and promotion, including "look for" advertising, the broader the degree of protection that will be accorded.

Similarly, if accused of infringement, if proper searches were done and opinions obtained, willful infringement will likely be avoided, together with awards of treble damages and attorney's fees. If a mark was adopted that is different from the plaintiff's mark and is used in connection with different products, and there is no dilution potential, the likelihood of a favorable decision will be greatly enhanced.

## **G. TRADEMARK SPECIMENS**

As noted in the two previous sections, it is important to use trademarks properly to protect your business's rights. However, proper use of a trademark is also vital so that suitable specimens may be submitted to the U.S. Patent and Trademark Office to support an application to register a mark. Surprisingly, many businesses don't use their marks in a way that meets the requirements of the Trademark Office for technical trademark use.

When promoting goods under a mark, that mark should be applied directly to them, through, for example, heat transfers, stickers, or painting. If direct application is not possible, the mark must be placed on tags or packaging for the goods.

When looking for specimens to support a trademark application, gather actual labels, tags, or packaging bearing the mark.

Preferably, the specimens should display the mark in the following form:

SHUTTERS	TM	software
mark	identifying symbol	descriptive term

Trademark specimens for services may be advertising or other brochures that prominently display the mark and describe the services offered under the mark. Generally, letterhead, business cards, and return address labels are not considered proper trademark specimens, because they do not discuss the services offered under the mark.

## **H. MANAGING TRADEMARKS**

There are several general steps that have proven to be very helpful to successfully develop and manage a trademark portfolio.

### **1. *Centralize Trademark Management***

It is important that an individual (and in some cases a few individuals) be appointed to oversee all trademarks and review their use. It is particularly important to ensure that marks are being used consistently and in a manner that projects the image and values held by the business. Oftentimes vice presidents, marketing directors, or similar individuals are in charge of divisions or specific product lines, and each person brands and markets products and services differently. However, it is important that some individual review the activities of such enterprises to ensure that separate marketing efforts within a single business are complementary, not dissonant or duplicative.

Designate a few or perhaps just one individual to oversee all trademark matters for your business. Also, coordinate control of your trademark portfolio with a single law firm or trademark attorney.

### **2. *Identify Valuable Marks***

The marks in your business's portfolio that are currently being used or are likely to be used in the near future should be identified. The remaining trademarks should be formally abandoned as they come up for renewal (every ten years) or for declarations of continuing use (between the fifth and sixth years following the initial registration of the mark) to reduce maintenance costs and attorneys' fees. Maintain and have your attorney maintain a docket of all trademarks for timely follow-up for such renewals and other filings.

### **3. *Centralize Ownership***

Usually, all trademarks identified in Step 2 should be assigned, as necessary, to a single entity, which for a business consisting of multiple divisions or companies is often the parent company. All subsidiaries of your business that will use the trademarks in the portfolio should enter into a written license agreement with the parent or other single trademark owner to ensure the proper apportionment of goodwill and clear title. All new trademarks should be filed in the same name of the parent or selected owner and licensed to the appropriate subsidiary. (A new license agreement need not be prepared for each new mark. Rather, a blanket license agreement between the main company and the subsidiaries will suffice).

### **4. *Use Trademarks Properly***

As noted above, in order to protect and preserve rights in all trademarks, they must be used correctly. The company should have formal corporate guidelines governing the use of its trademarks. These guidelines should specify the proper font, type size, and color for

the display of the trademarks; examples of the generic names of products to be used with the trademarks; the appropriate trademark marking symbols for each mark, “®” or “TM”; and the ways in which each mark is authorized to be used.

## 5. *Police all Trademarks*

Individuals in your business should be informed of the trademarks in your business’s portfolio and instructed to bring uses of similar trademarks by third parties to the attention of the designated trademark manager. The trademark manager can then consult with a trademark attorney to assess any potential infringement and formulate a suitable response.

As noted above, employees should be instructed that permission to use any trademark is not to be orally granted or included in a contract without approval from the trademark manager.

As part of the policing effort, the trademark manager should identify those marks of particular importance or value to your business. Marks that are critical to expensive advertising campaigns, have been used for many years, or are critical to maintaining the identity of your business are likely to be marks of high importance. Extra measures should be taken to protect these marks by monitoring the trademark use of other entities for the adoption of potentially conflicting marks. The actions of others can be monitored through what are known as “watch services.” A watch service can be obtained through various companies. Generally, such services watch the trademark filings made in the U.S. and foreign trademark offices for marks that are similar to the mark being watched. A watch service provider will then notify the trademark owner of all such filings, and appropriate action to oppose the filings can be made, if necessary. Watch services generally cost less than \$250 per year and are usually well worth it. They are particularly important for any company considering international business activity to reduce the likelihood that a trademark pirate registers a desired mark in a foreign country, making it impossible for the U.S. trademark owner to later use its mark in that country.

## I. **USE OF TRADEMARKS ON THE INTERNET**

The world-wide accessibility of the Internet makes using trademarks in web sites different from using trademarks in more conventional advertising media such as newspapers and broadcasting, which are, in general, limited in geographic scope. Since the Internet does not recognize national borders, a mark may easily be used in many different states and countries. However, legitimate trademark use in one country may be an infringing use elsewhere. Even within the U.S., legitimate trademark use in a particular state may be an infringing use in another state.

Accordingly, any trademark that will be used on the Internet, or any other media which has an international distribution, should be cleared by a full availability search as well as an international availability search before it is used. This is particularly true if the services offered on the Internet will be directed to foreign individuals or if foreign individuals will be permitted to either access or purchase services or goods through the

web site. The risks associated with producing a web site directed solely toward U.S. citizens are less and might in some circumstances justify conducting only a U.S. availability search.

Regardless of the extent of Internet trademark use by your business, existing trademarks should be registered as “domain names” to prevent third parties from adopting them as Internet addresses. Variations of the trademarks should also be registered as domain names. For example, “yourcompany.com,” “yourcompany.org,” “yc.com,” and “y-c.com” are some of the variations of a trademark which should be considered as candidates for domain name registration.

It is also important to note that trademark registrations are vital when attempting to invoke domain name dispute mechanisms. Many companies have attempted to register domain names only to find that another company has already registered the chosen name. If the chosen name is the subject of a preexisting trademark registration, it is possible to invoke current dispute resolution mechanisms, which in some cases can lead to obtaining an already registered domain name without civil litigation. Without a federal trademark registration, civil litigation or a negotiated purchase are the only mechanisms available to obtain a domain name already registered.



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