Imagine this scenario: You have just received a cease-and-desist letter charging that one of your company’s product names infringes someone’s prior trademark. The letter demands not only that you cease using the mark, but that you also submit an accounting of your sales and prepare to disgorge your “wrongful” profits. It threatens litigation where multiple damages and attorneys’ fees may come into play. You talk to the operational and marketing staff, and learn from them that the product at issue is not a big seller — definitely a second-tier offering — and they never intended to seek registration of the mark. For that reason, they did not think trademark pre-clearance was necessary. They tell you that they still have a lot of inventory of this product to be sold, and now, it is up to you to negotiate some sort of resolution with the trademark owner. Worse, the letter might state that your company has already been sued, and the plaintiff is seeking preliminary injunctive relief. You are looking at six-figure legal bills, the prospect of having key personnel tied up with depositions and hearings, and the possibility of having to shut down or withdraw a product line (at enormous cost in dollars, opportunity and good will) if the injunction is granted. How could this have been prevented?
In-house counsel at brand-owning companies are already well aware of the importance and value of the due diligence that should go into the introduction of any major company trademark (e.g., the company name or logo, tagline or flagship product name). Due diligence involves a comprehensive clearance search followed by registration in those jurisdictions in which the mark is used or expected to be used. What many companies lack, however, is a consistent policy for handling less critical marks, such as second-tier product names, taglines or other promotional marks that may only be used for a limited time, or marks that may only be used in a limited area. Use of such marks can expose a company to liability just as easily as a flagship mark if it turns out the mark infringes upon the rights of another. And third-party infringement or misuse of even a lesser mark can still cause significant headaches and disruptions to both the operational and legal functions of a company, not to mention exposing the company to legal proceedings and significant commercial embarrassment.

We all have trademarks
Any business that sells anything to anyone — whether it’s tangible goods or services, business-to-business or business-to-consumer, high volume or custom-made — owns at least one trademark. Typically, that will be the company name or a shortened version of the company name. Other things like logos and taglines can also satisfy the legal definition of a trademark: a word or design (or sound or symbol, such as NBC’s chimes or Owens Corning’s color pink for insulation) that identifies your company as the source of the product or service. As a business grows and its offerings expand, individual product names can also come to serve that same source-identifying function and become protectable trademarks.

As trademarks are used in the marketplace and become known to your customer base, they become more than mere source-identifiers. They accumulate the goodwill of the company. Entwined in that word, phrase or design is the reputation of the mark as a symbol of quality and the reputation of the company as provider of high quality products and services. Thus, trademarks evolve into brands and become an enormously important intangible asset of a business — and not just for big consumer products companies. Even for small, single-product (or service) companies, your identity and reputation are inherently wrapped up in your trademarks.

Many companies have additional second-tier trademarks that may be used less prominently than the house marks, but are still critically important for identifying individual product lines or other offerings. For a food company, these might be names of varieties or flavors. For a bank, these might be names of account features (e.g., an overdraft protection plan). For technology companies, these might be the names of components or embedded technology. Other examples of such lesser marks might be names used for promotions or products only intended to be used for a limited time or to a limited customer base.

Such second-tier marks may not need to be registered — they may not have enough value to the business to merit the expense of a full-blown clearance and federal registration. But whether a mark is suitable for registration is not the only question that counsel must ask. Use of such a mark — whether registered or not — can still expose the company to trademark infringement liability. How can you manage and minimize that risk?

Nine-step program
Adopting and consistently following a program for screening and approval of any new mark, whether top-tier or less important, will go a long way toward preventing the nightmare scenario described previously. We have identified nine key components to a successful trademark diligence program.

Have a protocol in place
The first and most important piece of advice is to implement a policy or protocol for how all trademarks are selected and screened and to make sure that that policy is consistently followed in all cases. The goal of such a policy is to make sure that all stakeholders (i.e., legal, creative and operational) are involved at the appropriate juncture, that the clearance process becomes familiar, predictable and built into the entire product development cycle, and that the decisions are properly documented — all so as to minimize the occurrence of ugly surprises. What follows will outline the components of such a policy.

Identify the responsible personnel
A company should identify and designate the people in the organization who will be required to sign off on any new trademark before it can

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be introduced. This should include someone in legal, someone on the operational side, and someone on the marketing/creative side (if the company is large enough to have a separate marketing/creative function). Every company will have its own established workflows, but it is important that each of these stakeholders be involved at the earliest stage of the process. You want to avoid the situation where, for example, operations and marketing invest several weeks of effort into developing a mark, only to submit it to legal at the end and discover there is a problem. Thus, once you identify the responsible personnel, you also will need to establish a chain of communication to make sure the right people are informed at the right time. You should also identify who will decide when to involve outside parties in the process (e.g., outside counsel or consultants, other departments in the company, etc.) and when.

Educate the business

It is the job of counsel to educate the business lines responsible for trademark development (i.e., marketing and operations) about the value and procedures for trademark selection, clearance, registration, maintenance and enforcement prior to the creation of a new mark. Early understanding of key trademark concepts, such as distinctiveness, the clearance process, the importance of proper usage, likelihood of confusion and dilution, is critical to a successful and efficient development process. While the creative and operational teams do not need to become trademark experts, a basic understanding of these concepts can save time, energy and resources. Too often, a company will invest in a trademark that is fundamentally weak (e.g., a mark that merely describes the product, or a mark that features laudatory terms like “Superior” or “Easy”), a reality that ends up costing the company handsomely in protection and enforcement over the lifetime of the mark. Once those responsible for coming up with new trademarks understand these basic concepts, they can focus on developing marks that are stronger and, ultimately, more protectable.

Develop a new trademark request form

Once the approval chain has been identified, you should then develop a form that must be completed for approval of any new trademark. The form should include blanks where the responsible stakeholders can sign off and should require the operational and/or marketing functions to provide the following information:

- the word element of the mark or marks for which clearance is sought;
- any logo treatment (describe in words and attach an image);
- the product or service on which the mark will be used;
- any special meaning or significance of the mark;
- business goals sought to be achieved;

Advantages of state registration

The United States has a two-tier system for trademark protection: federal and state. These registration systems work in parallel — there is no federal preemption in the trademark sphere, and each system has its benefits. Federal registration gets most of the attention, but registering trademarks at the state level is an option that is often overlooked for both important and lower-level marks. Indeed, state registration can be a particularly valuable tool for protecting so-called second-tier marks (i.e., marks that may not merit the investment of time and money required for federal registration, but which you still would not want to see a competitor copying). State registration can also be a very useful tool for smaller businesses with correspondingly smaller legal budgets. Registration at the state level has a number of advantages, including:

- Filing fees are low — typically $50 to $100 per class of goods/services, compared to the federal fees of $275 and up;
- State applications are generally simpler than the federal form, and the state registries conduct a much less extensive examination of applications, so registrations are granted much more quickly — typically in weeks or even days after filing;
- Having a state registration will get your mark listed in all the commercial trademark search databases, which will have a deterrent effect on parties running searches thereafter;
- Having a state registration will block others from registering identical or closely similar marks in that state; and
- State registrations often confer statutory rights and remedies not available for common law (unregistered) marks. For example, Massachusetts law includes dilution protections for state-registered marks, which are more generous than the federal dilution law.

To be sure, state registration is not the best solution for every mark, particularly important brands. State registration does not permit you to use the ® symbol; it does not grant you access to federal court for infringement suits; it conveys no rights against parties operating entirely out-of-state; it does not permit you to register your mark with the Customs Service to block counterfeit imports; and in many cases, it is insufficient for pursuing certain administrative remedies against infringing internet domain names. But given the relatively modest costs, and the ease and speed of securing a registration, registration at the state level is an excellent value for the trademark dollar.
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• timetable for public launch;
• how widely, how long and in what media the mark is expected to be used;
• whether corresponding domain names will need to be registered or acquired;
• any information on possible conflicting marks known to be already in use in the marketplace;
• whether there is a deadline by which a decision on the mark must be made; and
• any other pertinent fact.

The business and creative staff should be encouraged to submit multiple potential marks for clearance at the same time (and not to get emotionally attached to any of them at this early stage). This makes the process faster, more efficient and less stressful than searching one mark after another. An initial list of a dozen or more potential names can thus be quickly and easily whittled down to one or two finalists for further research or final review and approval.

This form should be submitted to each of the approving parties, who can then direct that the appropriate next steps be taken. The form should include check boxes to indicate whether the various clearance steps have been taken, when and by whom.

Preliminary “knock out” searches
Once a new trademark request form has been submitted, the first step in the search process is to conduct a search of the proposed mark/name using Google, Bing or any other general internet search engine in order to get an initial read on whether and to what extent the proposed mark may already be in use. In the United States, trademark rights are established through use, so it is critical to consider the prior rights of registered and unregistered trademarks before adopting a mark. Typically, this is done by a member of the legal function who has a clear idea of the importance of the mark to the company, is familiar with the underlying product or service, and understands the anticipated geographic scope and length of time that the company intends to use the mark. Depending on the mark itself (e.g., whether or not it is an ordinary English word), your search queries may have to be tailored in order to return useful results. For best results, it is important that your search also includes terms that look or sound similar to your proposed mark. Given that trademark infringement hinges on the “likelihood of confusion,” it

While the creative and operational teams do not need to become trademark experts, a basic understanding of these concepts can save time, energy and resources.

Online brand enforcement and social media
In today’s digital economy, it is increasingly important to build and maintain a successful online brand presence that both reaches your customers and promotes your products and services. The key to managing a positive online brand presence comes down to control, awareness and enforcement.

Losing control of your brand puts its distinctiveness at risk and diminishes the brand’s overall value. A company must be aware of how and where its brand is being used and by whom — looking for misuse of its brand in domain names, in content on websites and across social media. Given the explosive growth in the social media space, companies that are considering a social network presence are well-advised to register their social media profile names across all existing platforms — not just Facebook and Twitter — and maintain a plan for proactively managing their social media communications with customers. However, a successful social media monitoring plan should expand beyond direct interactions on your company’s profiles and watch key words related to your products, services and industry. For instance, it is important for trademark owners to also monitor blogs and other user-generated content sites to keep tabs on what the public is saying about their brand in order to quickly address anything of concern. Expedited action can often assuage negativity and impact favorably on the brand.

Brand owners can conduct their own internal online brand policing strategy, which can be something as simple as periodic online searches using widely-available tools like Google Alerts, or you can enlist an online search service to do everything from identifying newly registered domain names that incorporate any of the company’s trademarks to monitoring the unauthorized use of these marks in website content. If a misuse is discovered, a company must be prepared to take prompt and appropriate action to enforce and protect its brand’s position in the marketplace. Failure to pursue adverse infringing uses impairs brand distinctiveness and strength. Companies should develop a cease-and-desist letter that can be customized to adapt to each individual infringement incident. In many cases, a well-written cease-and-desist letter will prompt immediate response from both innocent infringers and willful competitors who are aware of the infringement but wish to avoid the expense of defending their claim.
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is important that these preliminary searches go beyond merely identical terms. Once you’ve conducted the internet search, the proposed mark should be searched on TESS, which is the US Patent and Trademark Office’s free search engine for registered and pending federal trademarks. (Go here www.uspto.gov/trademarks/index.jsp and click the TESS button.) Running these two searches will give a reasonably good picture of both the use status and the registration status of the proposed mark.

A word of caution about TESS: This search tool was built more than 20 years ago and retains some of the rigidity of search programs of its day. As mentioned above, any proposed top-tier mark should always be referred to trademark counsel for further review — even if the preliminary search results were clean. Because of the investment and exposure involved in such high-profile marks, you will always want the comfort of a comprehensive availability search before going forward. A comprehensive trademark search will go much broader and deeper than the knock-out search. These are usually done by outside vendors, such as Thomson CompuMark or Corsearch, and the search will check not only the federal and state registers, but also the internet, trade periodicals, trade directories, business name and telephone listings, and other such “common law” sources in order to ascertain as best as possible whether there is anyone out there using a potentially conflicting mark, whether registered or not, who could object to your proposed mark. If the preliminary search answers the question “Would I be able to register this mark?”, then the full search answers the potentially more important question “Will I get sued if I use this mark?” These comprehensive searches are the best way to assess the availability of a proposed trademark for use or registration, but they take several days and are expensive, so they may not be appropriate for less expensive marks.

While no search can be considered 100 percent reliable, a comprehensive search will typically reveal potential problems in the form of prior uses and registrations that should be considered potential impediments to the use of a proposed trademark.

More in-depth searching

If your Google/TESS results are unclear (e.g., if they reveal a mark that is somewhat similar, or used for only tangentially related goods or services), this should be reported back to the business line with the recommendation that they find an alternative that presents no such ambiguities. If the business line insists that this is the mark they want, then the proposed mark should be referred to trademark counsel for further review. Experienced trademark counsel, whether in-house or outside, will have access to more reliable and robust trademark search tools, and can supplement your search in very little time and for little to no cost, giving you a more definitive answer.

As mentioned above, any proposed top-tier mark should always be referred to trademark counsel for further review — even if the preliminary search results were clean. Because of the investment and exposure involved
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A somewhat neglected option that should be kept in mind for both top-tier and second-tier marks is registration at the state level. For an uncontested case. Consider also that, as part of the process, the applicant must declare and submit evidence that the mark is in use in interstate commerce. Thus, if a mark is only expected to be used for a seasonal promotion, or only on a local basis, or on a low-volume product line that generates limited revenues, then federal registration is probably not appropriate.

For your more important marks, however, federal registration confers a number of significant benefits, including:

- the presumptive exclusive right to use the mark — and to stop others from using it — anywhere in the country;
- preventing the registration of confusingly similar marks filed after yours;
- access to the federal courts for infringement actions;
- numerous evidentiary presumptions supporting your prima facie case in any infringement action;
- an array of statutory remedies including money damages, injunctive relief, seizure of infringing goods and (in exceptional cases) attorneys’ fees;
- the ability to register your mark with the Customs Service to stop the import of counterfeit products;
- the right to use the ® symbol, which carries a certain in terrorem effect; and
- listing of your mark in the various trademark search databases, which will deter others from adopting similar marks.

A somewhat neglected option that should be kept in mind for both top-tier and second-tier marks is registration at the state level. State trademark registrations are generally fast and inexpensive and convey some significant benefits that are not otherwise available (see sidebar). They are a surprisingly good value for the investment.

Finally, legal, creative and operations should coordinate with the IT staff to ensure that corresponding domain names are promptly acquired and properly maintained.

Documentation and file management
Once a trademark has been settled upon and a decision has been made whether to seek registration, a formal file should be created for the mark and maintained by a designated person. The file should be kept in the legal department, in order to shield it as much as possible behind the attorney-client privilege. In this file should be kept the original request form; paperwork relating to any searches that were done; copies of trademark registration paperwork, if any, and documenta tion showing use of the mark over time, which should be supplemented annually since extended lapses in use can lead to abandonment of registered marks; specimens showing use of the registration notice (®) with the mark; any third-party correspondence alleging infringement or confusion and responses thereto; and copies of any license agreements related to the mark.

Guidelines for ongoing proper usage
Just as there are requirements that must be met to obtain rights in a trademark, there are also rules to be followed to avoid loss of these rights. Rights can be lost as a result of the improper use of a mark by either the mark’s owner or the public at large. To address internal use, a company should implement an organization-wide program of education on proper usage and develop a written set of brand guidelines. Such guidelines typically include detailed instructions about color and logo treatments, but should also incorporate these trademark law considerations by including rules about:

- use of mark only in reference to the designated product or service;
- use only as an adjective and not as a generic noun.

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ACC has more material on this subject on our website. Visit www.acc.com, where you can browse our resources by practice area or search by keyword.
The key to protecting and enforcing proper external use of one's trademarks is a combination of communication and vigilance.

- use of typography (e.g., ALL CAPS, italics, etc.) to distinguish a word mark from other words and information printed near it on the page; and
- use of ™ or ®, as appropriate, etc.

These guidelines should be strictly followed in order to protect the integrity and strength of the mark. An organization that has properly educated its employees on correct use of a company mark can often rely on those employees to spot potential problems and bring them to the attention of management.

If a trademark is properly used within the company, there is far greater likelihood that the public will accurately use the mark. The key to protecting and enforcing proper external use of one's trademarks is a combination of communication and vigilance. A company can put the public on notice of its rights and policies regarding use of its trademarks in its website's Terms of Use. Likewise, a company must maintain oversight of the use of its marks in the marketplace and act expeditiously against possible infringers in order to prevent damage to its marks. There are a number of externally hosted monitoring services and internet tools available to help companies keep on top of potential conflicts (see sidebar).

Conclusion

Conducting the appropriate “due diligence” even on seemingly less important marks is an incredibly important and valuable tool from a business, legal and risk management perspective. Asking the right questions early helps identify top-tier versus second-tier marks, and encourages the selection of marks that are stronger and easier to protect. Having appropriate screening processes in place for all marks helps spot problems before they arise and prevents seemingly minor marks from turning into major headaches. Making sound decisions about which marks to register and where helps deter copycats, and makes policing and enforcement that much easier down the road. Good file management practices, usage guidelines and internal monitoring reduce aggravation and costs over the life of the trademark. ACC