

Trademark Basics

A Guide For Business



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What is a Trademark?

Trademarks are often among the most important and valuable assets of a business. A distinctive trademark allows a business to build public goodwill and brand reputation in the goods or services it sells.

A trademark is any word, name, symbol or device (or any combination thereof) that identifies and distinguishes the source of the goods of one party from those of others. Similarly, a service mark is any word, name, symbol or device (or any combination thereof) that identifies and distinguishes the services of one party from those of others. Service marks are often referred to as trademarks for convenience or because certain jurisdictions may not recognize the term service mark.

A trademark or service mark can be a word, logo, slogan, package design or other source indicator (or a combination thereof), or any other cognizable thing that serves to indicate a particular source, good or service.

For example, BIG MAC is a word mark for hamburgers, THE SHELL design is a logo for gasoline, THE ULTIMATE DRIVING MACHINE is a slogan for automobiles, and the COCA-COLA bottle is a package design mark (also called trade dress) for soft drinks. VISA, MASTERCARD and AMERICAN EXPRESS are service marks for credit card services. Even a sound, smell, color, color combination or a shape can be a trademark under certain circumstances. For instance, the color pink has become a well-known trademark for insulation used in building construction, the color brown has become a service mark for package delivery services and the sound of certain chimes representing the notes G-E-C has become a trademark for NBC, a television broadcast company.

Many countries also recognize “collective marks” and “certification marks.” Collective marks indicate

membership in a group (such as AAA (the American Automobile Association) in the United States). Certification marks – like CE (European conformity) and THE GOODHOUSEKEEPING SEAL OF APPROVAL – “certify” that products or services meet a particular standard of quality, regional origin or the like, even though the products may come from various unrelated companies.

The Basics of Trademarks

Trademarks, often known and used as brand names, are a part of everyday life. The main purpose of a trademark is to enable the public to recognize the goods or services as originating in a particular company or being a particular product or service. Trademarks are protected by law in order to serve this source-indicating function and prevent the public from being confused about the source of the goods or services. By doing this, a trademark also helps to assure that the trademark owner, and not an imitative competitor, will reap the rewards associated with a desirable product.

By acting as indicators of source, trademarks and service marks promise a consistent level of quality, helping the consumer to decide whether to purchase a desirable product or service again or to avoid an undesirable one.

This pamphlet explains some of the basic principles of trademarks. It defines trademarks and how they differ from patents and copyrights, and discusses the process for registering a trademark, the rights of trademark owners, the need for protecting a trademark, how trademark rights can be lost, and more.

While this brochure will not make you a trademark expert, it will help you to understand why companies, both large and small, make a significant investment to develop, promote and protect their marks.

Selecting a Trademark

What works? What doesn't?

Selecting a trademark may not be easy. It may be tempting to choose a word that seems “catchy” and describes a feature or characteristic of your goods or services. However, as a general rule, terms that are merely descriptive of products and services can be difficult to protect as marks, and the more descriptive your mark is of your goods or services, the more difficult it may be to stop your competitors from using it. Similarly, in many countries it is difficult to protect geographic terms and surnames as trademarks.

The more distinctive a mark is, and the more well-known the mark becomes, the wider the mark's scope of protection will be. The strongest marks typically have no meaning in relation to the goods or services for which they are used, although marks that suggest positive qualities of the goods or services can also sometimes be strong marks.

Trademarks can be categorized as having the following levels of distinctiveness or strength:

Fanciful or coined marks

These marks are words that are made up and have no meaning other than as a brand name (e.g., KODAK for cameras and EXXON for petroleum products). Such marks generally receive the broadest scope of protection.

Arbitrary marks

These marks include words that may have a common meaning but not in relation to the goods or services for which they are used as brand names (e.g., APPLE for computers and SAMSUNG for televisions).

Suggestive marks

These marks suggest some attribute or benefit of the goods or services, but do not describe the goods themselves (e.g., MICROSOFT for software for microcomputers, AIRBUS for airplanes, and VOLKSWAGEN for automobiles).

Descriptive marks

In most countries, terms that describe goods, services or their characteristics cannot be protected as a mark unless the public has come to recognize them as marks, in which case, the term is said to have “acquired distinctiveness” or “secondary meaning.” Terms can acquire distinctiveness through extensive use and advertising (e.g., RICH ‘N CHIPS for chocolate chip cookies and HOMEMAKERS for housekeeping services). Included within this group are laudatory words (e.g., GOLD MEDAL for flour and BLUE RIBBON for beer), geographically descriptive terms that truly imply an association with a place (e.g., CANADIAN for beer), and surnames (e.g., FORD for automobiles).

The generic word for a type of product or service (such as lawn mower, razor, candy or credit card) can never be a trademark or service mark for that product or service. This is because the generic word defines the product or service, but not its source.

A deceptive mark (such as SUPER SILK for nonsilk shirts) or a geographic term that falsely implies an association with a place (like MADE IN PARIS for perfume manufactured in the United States) can never be registered as a trademark or service mark.

Before adopting a new mark, it is advisable to have a search conducted and evaluated by a qualified attorney or service provider. Someone else may already have rights to virtually the same mark, and it is better to know about that or other potentially conflicting marks before you have made an investment in your new mark. Lack of knowledge is normally not a defense to trademark infringement.

The extent of searching that is warranted depends on the nature of the mark, the goods or services for which it is to be used, and the countries in which the mark is intended to be used. Basic searches typically focus on trademark registration databases. More extensive searches include numerous other sources, such as company name databases, trade publications and the Internet.

How do you establish rights in a trademark?

Depending on the country, trademark rights are typically established either through use or registration. In some countries, particularly those with legal systems based on English common law, using a mark can establish common law rights in the mark. These include Australia, Canada, the United Kingdom and the United States. In these countries, a trademark registration may provide broader rights than the common law rights that arise from simply using the trademark.

For example, common law rights are typically limited to the geographic area in which the mark is actually used, while the rights obtained through trademark registration may extend throughout the entire country or region that is covered by the registration. Significantly, in countries that do not recognize common law trademarks, the first registrant of a mark acquires exclusive rights.

Usually, an application to register a trademark is made to the national trademark office in the country or region where the applicant wishes to protect the mark. The application will usually include the name and address of the applicant, a representation of the mark, a listing of the goods or services that are desired to be covered by the registration, and the official filing fee. In some jurisdictions, it may also be necessary to file specimens showing how the mark is used. However, most countries do not require a mark to be used before it is registered.

After a trademark application is filed, an examiner in the trademark office examines the application and may raise questions about it. In certain countries, examination will be on “absolute grounds” only, evaluating the nature of the mark (for example, whether the mark is descriptive and, therefore, not registrable) and the format of the application (i.e., whether the formal requirements of the application process have been met). In other countries, examination will also be con-

ducted on “relative grounds,” evaluating whether the mark is sufficiently unique when compared to other marks registered in that country. Once the trademark examiner is satisfied that the trademark application meets the appropriate requirements for registration, the trademark application is typically published by the trademark office. In most jurisdictions, others who believe they might be damaged by the registration of the mark will have a limited period of time after this publication to oppose the application. If no opposition is filed in this time period, the registration is issued.

A trademark registration can remain valid forever, provided that the registration is periodically renewed. In some countries, such as Portugal and the United States, it is also necessary to submit evidence showing continued use of the mark for the registration to remain in force. Most countries also have cancellation procedures that enable third parties to request cancellation of a trademark registration if a mark is not used in the country for a certain amount of time, often a three-year or five-year period.

How do you properly label or identify a mark?

Certain symbols or designations, including ®, Reg., TM and SM, are often used with marks. These designations could be described as notices advising the public (both consumers and competitors) of the status and ownership of the mark or marks. The ® symbol and the abbreviation Reg. indicate that the mark is registered in one or more countries. They provide notice of the owner’s registration and, in some circumstances, entitle the owner to claim monetary damages against infringers.

The designations TM and SM are often used for trademarks and service marks that are not registered, and serve as informal notices to the public that a word, logo, slogan, design, etc., is being used as a mark and reflects the owner’s intent to claim trademark rights in

the mark. However, the right to use one of these symbols does not guarantee that the owner will succeed in a claim under the trademark laws.

Certain countries have other symbols and designations, including “Marca Registrada” or “MR” in some countries where Spanish is the dominant language, and “Marque Déposée,” “Marque de Commerce,” or their abbreviations, “MD” and “MC,” in some countries where French is the dominant language.

It is important to remember that trademark rights vary from country to country. So, before using a mark or asserting rights in any country, take steps to verify what these rights are and conform your use to any requirements of local trademark law. Marking should be in the local language(s) or otherwise be meaningful to the people in the country in which the products or services are advertised and sold. Different countries have different rules about when to use such symbols (and what happens if these symbols are misused). As such, it is a good idea to consult a qualified attorney in those countries where you plan to use a mark.

How can you lose your rights in a mark?

The most common way to lose rights in a mark is to stop using it with no intention to use it again. This is called “abandonment.” However, there are also ways in which trademark rights may be unintentionally lost.

For example, in some countries, it is possible to lose rights in a mark by licensing the mark to others without controlling the nature and quality of the goods or services the licensee offers under the mark. This concept is often referred to as “naked licensing.”

Another way in which rights may be lost is by misusing the mark – or by failing to police against the mark’s misuse by others – so that the mark ceases to indicate the source of goods or services and becomes a generic word (like escalator and cellophane, which

originally were trademarks but came to be understood by the public as the generic names of the products for which they had been used as brands). Moreover, whether a mark loses its trademark significance may vary from country to country, as is the case with ASPIRIN, which is a generic term in the United States but a protectable trademark in Canada and Germany.

To help prevent the loss of your rights in a mark, follow these standard trademark use rules:

- Use trademarks as an adjective with the generic name of the product following the mark (e.g., KLEENEX tissues)
- Do not pluralize singular marks. (e.g., OREO cookies, not OREOS)
- Do not modify a trademark from its possessive form, or make a trademark possessive. (e.g., LEVI'S jeans, not LEVI jeans)
- Do not use marks as verbs or nouns. (e.g., You are NOT xeroxing, but photocopying on a XEROX copier.)

How are Trademarks Protected Internationally?

The protection offered by many trademark registrations is limited to the country in which they are obtained. As such, individual trademark applications are typically filed in each country in which protection is sought. However, there are initiatives that enable trademark owners to cover multiple countries with a single trademark application. For example, the Office for Harmonization in the Internal Market ("OHIM") (<http://oami.europa.eu/ows/rw/pages/index.en.do>) is the official name for the European Union's (EU) trademark office, where a registered trademark (also called a "Community Trade Mark" or CTM) or registered design is valid in all member countries of the European Union. Africa offers a similar filing alternative through the African Regional Intellectual Property Organization (ARIPO) (<http://www.aripo.org/>).

It is also possible to file a single international trademark application to obtain registrations in multiple countries under the provisions of the Madrid Agreement or the Madrid Protocol, further reducing the complexity and costs associated with obtaining trademark protection in multiple countries. To learn more, visit the World Intellectual Property Office's (WIPO) website (<http://www.wipo.int/madrid/en/index.html>). Both treaties permit an international trademark application to be filed with the trademark office in the home country in a single language.

Other benefits of an international trademark registration include the ability to transfer the rights in all of the covered countries through a single assignment of the registration (assuming the assignee is in a member country) and the ability to renew the registration through a single filing. It is also possible to designate additional countries after the application is filed. There are over 80 countries that can be designated in an international trademark application under the Madrid Protocol. These countries are located primarily in Asia and Europe, but other notable countries are Australia and the United States.

While the failure to file patent applications in particular countries within a specified time waives the right to protect the invention in that country, the filing of trademark applications in most countries can be made at any time. However, because priority rights in a trademark in most countries are based on the early filing of trademark applications, it is generally best to apply to register a trademark as soon as possible – preferably before its use or adoption is announced. Delaying filing an application until after a new business or new product announcement is an invitation to unscrupulous competitors or trademark opportunists to apply to register trademarks to block the new adopter and force either a financial settlement or litigation.

Because of the particular filing requirements in each country, there are often significant advantages to consulting a trademark attorney or agent in each country (unless you are using the Madrid Protocol or filing for a

CTM in the EU). The application process itself usually begins by sending filing instructions to a local trademark attorney or agent. In some countries, the local attorney or agent must file a locally accepted form of a Power of Attorney. Thereafter, the trademark application procedure proceeds as previously described: the application is examined for registrability and prior conflicts, published for opposition and, if all goes well, finally registered. Please note, however, that in some countries, there are significant backlogs and delays.

Terms You Should Know

You should be familiar with the following terms used in the trademark field:

Assignment – an arrangement by which a trademark owner transfers ownership of the mark. In many countries, an assignment is invalid unless it includes the goodwill of the business symbolized by the mark. Some countries have other formal requirements, such as the recordation of the assignment with the Trademark Office, and may impose a transfer tax.

Counterfeit – a spurious mark that is identical with, or substantially indistinguishable from, a registered mark, or non-genuine goods or services. Substantial criminal and civil penalties may be levied against those who intentionally traffic in counterfeit goods or goods bearing counterfeit marks.

Dilution – a term primarily used in the United States to refer to the unauthorized use of a famous mark by another in a manner that tends to blur the mark's distinctiveness or tarnish its image even if it does not create a likelihood of confusion. For example, if a disreputable bar adopted the mark ROLLS ROYCE, thereby capitalizing on or disparaging the unique name of the automobile, dilution laws might permit a court to prohibit that use – even if there were no likelihood of confusion that the service was provided by the owner of the famous ROLLS ROYCE mark.

Goodwill – the intangible asset of a company consisting of the reputation of that company or its product resulting from association of a trademark with that company or product that provides added value to a company's worth (such as a recognizable brand). Protection of goodwill is one of the main purposes of trademark law.

Gray Market Goods – genuine trademarked articles (not counterfeits) that are only authorized for distribution in a particular country, but are diverted for sale into a different country. Gray market goods may or may not be physically different from local goods, and the legality of gray market goods is a controversial issue.

Infringement – the use of a mark so similar to another's mark for the same or related goods or services that confusion, mistake or deception is likely to occur. Courts protect marks against infringement and may issue injunctions, compensate the owner for damages, take away the infringer's profits, award attorney's fees, and even order goods to be seized or recalled from the market and destroyed. Some jurisdictions also offer criminal remedies.

Licensing – an agreement by which a trademark owner permits another party to use a trademark. Licenses may include a variety of terms such as requiring periodic payments and limiting the ability of the licensor to grant licenses to other parties. A license is invalid in many countries unless the owner has the right to – and actually does – control the nature and quality of the goods or services of the licensee. Some countries require licenses to be recorded, or licensees to be officially entered as Registered Users, and many countries impose a withholding tax on trademark royalties paid to a foreign licensor.

Trade Dress – the packaging or design of a product. Consumers may be guided by the product's familiar look rather than the words on it, in which case the product's trade dress can be protected like any other

trademark. In some countries, packaging trade dress may be entitled to immediate protection and registration under trademark law. However, product design can generally only be protected or registered after a period of exclusive use and promotion.

Trade Name – the name used by a company in its business activities. Also known as a “commercial name,” a company’s trade name may also be its corporate name, and it may or may not also be used as a trademark. An officially approved corporate name can be used on legal documents, but if it infringes another’s trade name, trademark or service mark, it cannot be used in ordinary trade.

Are trademarks the same as patents or copyrights?

The simple answer to this question is NO! While trademarks, patents and copyrights are all forms of intellectual property, they are quite different from each other.

A patent is a government grant of an exclusive right to prevent others from practicing a new invention for a limited time. A patent is the only way in most countries to protect a new and useful invention and it must generally be applied for before any public disclosure of the invention. In some jurisdictions, such as the United States, a grace period is provided so that an application can be filed up to one year after disclosure. The subject matter of a patent may be a new and useful process, machine, article of manufacture or composition of matter, or any new and useful improvement thereof. Depending on the country, patents may also be granted for business methods, computer programs and living organisms, as well as ornamental designs.

A patent is granted by the national government and the procedure to apply for one can be quite expensive. The application undergoes a rigorous examination process that can take several years. Once issued,

the patent term may vary depending upon the type of patent, but generally lasts for 20 years from the filing date if periodic maintenance fees are paid. The phrase "Patent Pending" means that a patent application has been filed. On the other hand, an article may be covered by a patent even if it has no notice on it because patent notices are optional.

Copyright is a bundle of rights that the author or creator of works entitled to copyright protection enjoys in regard to those works. Copyright protects these original works of expression, not the idea itself. The subject matter of a copyright may be a writing, publication, book, play, song, dance, painting, sculpture, print, photograph, movie, video or recording, but this list is not exhaustive. Copyrights can also be granted to protect computer programs, and even buildings.

Copyright rights exist automatically in some jurisdictions as soon as the work has been fixed in a tangible medium, such as on paper or in a recording. Registration may not be required under international conventions, but may, as in the United States, be a prerequisite for certain benefits of registration to take effect, such as filing a lawsuit for infringement and requesting certain remedies. In other jurisdictions, registration is required. Copyright registration is usually inexpensive because it is subjected to a low level of examination. The duration of a copyright depends on the country, but can last for as many as 70 years after the life of the author or creator, or 95 years from the date of publication or 120 years from the date of creation of works authored by companies. You cannot necessarily count on the absence of a copyright notice to decide whether a work is in the public domain, because copyright notices are optional in most countries.

As discussed above, a trademark is a word, logo, symbol, package design or other source indicator used to identify the source of a particular product or service in the marketplace. Trademark rights may continue indefinitely, as long as the mark is neither abandoned by the trademark owner, nor loses its significance in the

marketplace as a trademark by becoming a generic term. Trademarks are statutory protections of commerce designed to protect consumers from confusion.

Thus, each form of intellectual property protects different subject matter and has different requirements, durations and costs.

INTA Resources

Available online, free of charge.

Fact Sheets—get quick, clear answers to your questions about trademarks.

Presentations—learn about trademark basics or explain them to your staff, colleagues or others.

Glossary—access terms and definitions often used when talking about trademarks.

Visit www.inta.org/trademarkbasics.

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