

## **TRADEMARK PITFALLS**

Trademarks and service marks are valuable business assets. For businesses that have major brands being sold nationally or internationally and even for small companies that are in the early phases of establishing their brands, protecting their brands is essential. Trademark protection can be lost through lack of use, allowing a third party to use the trademark without controlling how it is used, improper transfer of ownership, improper use of the trademark so it ceases to indicate the source of goods or services, and failing to police the trademark.

### **Non-use**

In the United States, non-use of a trademark for three consecutive years creates a presumption that the mark has been abandoned. The owner can rebut that presumption with evidence that it intended to resume using the mark in the future. This applies to registered or unregistered marks. In other countries, non-use is proof of abandonment regardless of intent. The period of non-use to prove abandonment in Australia, Japan, South Korea, Canada and China is three, in most of the European countries, it is five years.

### **Lack of Adequate Control**

A trademark may be deemed abandoned if the owner licenses or otherwise authorizes another party to use the mark without exercising adequate control of how the mark is used.

### **Assignment in Gross**

A trademark may be deemed abandoned if the trademark owner assigns the mark and fails to assign the good will represented by the mark along with it.

### **Improper Use**

Using a trademark in a manner that fails to maintain its significance as an indicator of the source of goods or services can result in loss of the mark. A trademark should always be distinguished from surrounding text and should be used as an adjective followed by a generic noun for the goods or services. In other words: "KLEENEX facial tissues" not "Kleenex" or "Kleenexes". Trademarks should never be used as nouns, verbs, pluralized or used in the possessive form. To prevent the possible loss of the mark from improper

use, the trademark owner must monitor the use of the trademark by distributors and by customers.

### **Failure to Police**

A trademark can also be lost when the owner fails to police its mark against “eroded distinctiveness”, which can occur if confusingly similar trademarks are allowed to be adopted and used by third parties. For example, if third parties subsequently begin using the same or a similar mark in connection with goods or services similar to the trademark owner’s and the owner does nothing to stop this, the mark is likely to lose its value as a source identifier. As a result, the trademark will become weaker, and in some cases it may lose its distinctiveness entirely. Also, if third parties begin using the mark as a generic moniker for the goods or services, the trademark is likely to lose its value.

To avoid this consequence, the trademark owner must police its mark by enforcing its trademark rights through legal means. The various legal means include (a) sending cease and desist letters to third parties who are using the mark without permission or who are using a confusingly similar mark on similar goods or services, (b) initiating opposition or cancellation proceedings against third parties who are using confusingly similar marks on similar goods or services, (c) sending corrective letters to third parties, including retailers and distributors, who are improperly using the mark, (d) filing lawsuits against infringers who fail to respond to the trademark owner’s demand to cease infringement and/or (d) entering into licensing or other agreements with third parties where appropriate to delineate trademark rights and prevent consumer confusion as may be appropriate. Although it is not a requirement that a trademark owner sue every infringing third-party user of its mark, impermissible third-party uses can still affect the distinctiveness of the mark in the mind of the public. Optimal policing efforts vary with the particular circumstances involved, such as the nature and importance of the mark, the nature of the trademark owner and the size of its legal budget, and the number and nature of the potential third-party trademark infringements and should be decided upon in consultation with the trademark owner’s legal counsel.

How does the trademark owner police its mark? Minimally and for important trademarks at least, the trademark owner should monitor the various trademark registration offices in the countries in which the owner does its business, monitor internet usage, and monitor usage in trade journals. The task is daunting even if the trademark owner is not selling internationally. This is when a trademark watch service can be useful. Watch services are businesses that specialize in the kind of trademark monitoring that is required to police marks. They focus on recently filed applications for registration, recently published applications and recently issued registrations, domain name registrations, unauthorized uses on the internet and in trade journals, trademarks filed by competitors, secretary of state company name filings, etc. Results can be provided on a weekly, monthly, or quarterly basis. A typical watch result might include a couple of new trademark application filings and a couple of applications published for opposition, perhaps a domain name that includes at least a portion of the trademark being watched, and several questionable internet or trade journal uses by either third parties or the trademark owner’s

retailers. Results can be evaluated by the trademark owner's trademark counsel to determine if action is required and what effect taking or not taking action might have on the client's business and business goals and the value of the mark. Trademark watches are essential for businesses that have brands with strong and developed reputations and especially for major brands being sold nationally or internationally. For small businesses, businesses with a local footprint, and start-up companies in the early phases of brand development, a watch service is not always the best use of the company's resources but the value of a brand can grow quickly so even if your business does not currently need a watch service, it is a good idea to periodically revisit and reevaluate that need.

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