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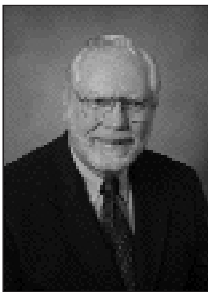
Baseline Protection of Intellectual Property: Trademarks

This third installment of a three-part series about intellectual property rights discusses trademarks.

Section 45 of the Lanham Act defines "trademark" as follows: "The term 'trade-mark' includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." (15 U.S.C. 1127) The trademark is a means by which a business entity becomes known to the public. A trademark is used to set apart the goods or services of one business entity or individual from those of another. Trademarks are therefore designations of the source of the item and not a means to describe products or services. The entity establishes good will by reliably supplying quality goods and services that bearing the entity's trademark in the marketplace. The good will of a business is the reputation—either positive or negative—created in the marketplace through which the business is perceived as a reputable supplier of goods or services.



The trademark is a "handle" attached to the goods or services that serves to identify their source. Because the consuming public recognizes the particular manufacturer or supplier of the goods or services from the familiar mark or image, that consumer is prepared to then recollect whether the image recalled is that of a reliable supplier providing high quality or otherwise. Ironically, the more associated the goods or services become through a particular mark, the more likely it is that the entity and/or the consumer will use the mark as the term to specify the goods per se, and not the goods or services of a *particular* supplier. For example, zipper was once the trademark of the Talon Corporation for a type of garment closure, escalator was the mark of Otis, aspirin was the mark of Bayer A.G., and nylon was the mark of the E.I. du Pont de Nemours Company.

A trademark is the only intellectual property asset that is protected by three separate bodies of law. There are federal trademark laws and state trademark laws as well as the body of general trademark law that evolved through the common law. Under the common law aspect, the trademark springs into life from the use of the term or symbol when it is attached to the goods or services traveling through commerce. Once the mark comes into existence, it may be perfected through registration according to either the federal or state statutory procedures.

Unlike the other forms of intellectual property rights, the trademark property right offers its owner a perpetual right to sell and market his or her wares under the trademark. If the product or service is a success in the marketplace, the value of the trademark is incalculable. (For example, McDonald's letter M, Coca-Cola, Kleenex, and Xerox are continuing subjects of "corrective" advertising aimed at reorienting consumers' focus to the source of the relevant goods or services.)

Trademark Protection

Trademark protection is available to a manufacturer or merchant who adopts and uses a particular term, phrase, or design to identify its goods or services from those of another. The trademark may consist of the following:

- a word, letter, or combination of words and/or letters;
- a number or a combination of numbers;
- an arbitrary choice of colors;
- a design or device;
- a cartoon character or caricature;
- a distinctive packaging design or distinctive appearance or arrangement of fixtures (such as fast food restaurants claiming rights to the aesthetic image associated with the counter, dining room, or decorative layout); and
- the nonfunctional configuration of the product itself.

The distinctiveness of a mark is the measure by which a trademark sets the source of goods and services of the entity apart from others' marks. Distinctiveness is found in the fanciful and arbitrary character of the mark. Trademarks having these attributes are the marks that are registered most easily. Descriptive (or deceptively "misdescriptive") trademarks or generic (commonly descriptive) trademarks are those marks that cannot be registered because the image created by their use or the connection evoked in the

consumer's mind is so identified with the kind or character of the goods that the consumer is unable to make the connection to the source of the goods. Some marks are held to be so descriptive as to be incapable of ever distinguishing the goods (creating the identity to the source rather than to the kind of goods) and thus are not suitable for registration. Other marks, despite being found to be descriptive by the U.S. Patent and Trademark Office, may be less objectionable and therefore are allowed to be placed in a 'holding' status (on the Supplemental Register), and, if found to later develop "secondary meaning" or the requisite association with the source of the goods, these marks are allowed to gain full registration. Marks may also be descriptive because of a reference to a geographical area or a surname.

A fanciful trademark, as its name implies, is a trademark incorporating features or elements that are wholly unrelated to the product or services associated with that mark. An example of a fanciful design trademark is the AT&T blue-and-white sphere; examples of arbitrary trademarks are Kodak for photography products and Exxon for service stations.

A suggestive trademark is a mark that connotes certain features about the products or services but falls short of actually describing them. For example, Chicken of the Sea for tuna fish, Handi-Wipes for disposable dusting cloths, and Hula-Hoop for plastic hoops were all held to be suggestive and not descriptive and were therefore found suitable for registration.

Generic or commonly descriptive trademarks are those marks that have become so familiar to the consuming public and have been referred to by the public so informally as to have become a designation of the goods or service. If the operative function of the trademark is to identify the source of goods or services, the generic or commonly descriptive marks that never had or have lost that capacity, cannot be registered, or, if they have been registered, the registration may be canceled by a third-party petition to the U.S. Patent and Trademark Office.

The uniqueness of a trademark that an entity has selected has direct bearing on the extent to which the trademark owner will be able to protect the mark from the attacks of others who might adopt a similar mark. Once the U.S. Patent and Trademark Office finds the mark suitable for registration, the mark is subjected to potential opposition by competitors in the market. The battles of descriptiveness or confusing similarity might have to be fought again if these were close issues with the trademark examiner. The same issues are again faced in an infringement suit if a business entity's mark bears some similarity to a competitor's mark. Thus, the importance of designating a trademark as arbitrary or fanciful cannot be overemphasized.

Trademark Clearance

All trademarks should undergo a screening before they are adopted. Because business today is conducted on a global scale, trademarks that are acceptable in domestic (U.S.) markets are not necessarily acceptable in European or Asian markets. Because the business entity's selection of a trademark triggers the investment of substantial resources (money and marketing and promotional efforts), a later finding that the mark is similar to a competitor's mark or not suitable for registration under a foreign legal standard may precipitate a subsequent need to withdraw the mark and substitute another mark. Change prompted by threat or actual litigation subjects the entity to the costs of litigation and damages in addition to loss of time, negation of promotional efforts, and perhaps diminished prestige or product/supplier confusion in the marketplace.

A domestic trademark search to determine the existence of the same mark or similar marks for similar goods is strongly advised. In those instances where the business entity is marketing the goods in another country or intends to do so, an international search is advised. With the advent of online computer searches for trademarks, the search can be done quickly and efficiently, as well as with a higher degree of accuracy. The days of manual searching through desk volumes containing lists of registered trademarks or physically examining the files of the U.S. Patent and Trademark Office have passed. Assuming that the business entity has evaluated any potential problems revealed by the search report, the trademark may then be adopted and used freely. The issue of acceptability for use is a separate one from the issue of registerability. Differently stated, the entity may be free to use the mark without affecting any prior users' trademark rights and still be unable to register the mark (such as in the case of commonly descriptive marks, merely descriptive marks, and laudatory marks).

Trademark Registration

Prior to the Trademark Revision Act of 1988, the need to register a trademark could arise only when it actually came into use. Now, however, even though the actual use associated with trademark is still a registration requirement, the trademark applicant may file an Intent-to-Use (ITU) application, based on a bona fide intent to use the trademark in the future. This alternative allows the prospective user to "reserve" the trademark for his or her own use for a limited period until actual use begins. The filing of an ITU application gains a priority over applications that are submitted later—even if they are based on use.

A trademark application based on actual use of the mark includes a statement that the applicant has used the trademark in some prescribed fashion and has used it in interstate commerce prior to the date the application was filed. Although significant inquiries are often made into the nature and extent of the use, it is sufficient to state that shipment or sale of goods or

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services across state lines satisfies the "in-commerce" requirement set forth by trademark law. The shipment must represent continuing business—not a token sale. Similarly, in accordance with the intent to use provisions of trademark law, the trademark must be used in interstate commerce within the prescribed statutory period of time.

Trademarks are important tools for the entrepreneur to use when establishing consumer recognition and a niche in the marketplace. With the choice of the right mark, one secures a right to exclusive use. The registration may be renewed for unlimited terms, as long as the trademark continues to be used. Once established, the entrepreneur builds equity in the mark—on the business's balance sheet as well as in the marketplace. This good will is an asset that may be later mortgaged or sold, contributing wealth to the owner of the trademark.

Ownership of Intellectual Property: The Human Resources Side of IP

As should be recalled from previous columns, the rights in patents, trade secrets, and copyright start with an individual. It is of paramount interest to the business entity for these rights to immediately flow to it from the employees, consultants, and contractors who may create the rights. Further, it is imperative for the business entity to assure itself prior to establishing a relationship with the employee, consultant, or contractor that the engaged individual has the right and the ability to convey these rights. Similarly, the business entity should have in place such mechanisms in respect to these employees, consultants, and contractors that, at the end of the relationship, whether by natural end of the engagement or some variety of termination, the rights stay with the business entity and the departing individuals have continuing restrictions on any disclosure or use of the subject matter of the rights. The following materials provide what is viewed as the minimum procedures that need to be followed in order to assure ownership and control of the rights to intellectual property.

Pre-Employment Clearance

The normal hiring process, particularly in those instances when a business is searching for creative people, involves a real conflict. The employer searching for a qualified employee is looking for relevant experience—the closer to that required for the job, the better. An immediate suspicion arises with the employer who has lost a qualified employee if the employee then heads to a competitor's business for a job. Hiring people who gained technical experience while employed by a competitor brings with it the probability that the job function will invite the newly hired employee to use the proprietary information absorbed during that prior employment. Should that previous employer feel that the company's competitive position might be compromised if the former employee uses and/or divulges the firm's trade secrets, there is some likelihood that the employee will be the subject of an action seeking to enjoin the employee from continuing his or her employment with the new firm. Depending on how egregious the sharing and tainted use of the proprietary information is and the reasonableness of any contractual restraints on the employee who moves to a competitor, the new employer may be drawn into the enforcement to the degree that the company's development programs may be slowed or halted—as could be the result of a court order. This conflict calls out for a well-orchestrated policy and procedural compliance to ensure that the hiring process identifies potential conflicts and also takes steps to prevent them.

Policies and Procedures for Human Resource Managers

It is important for managers involved in a company's hiring process to have a basic understanding of issues involving intellectual property as it relates to a candidate for employment. These managers need to be aware of common employee contracts (such as noncompete clauses, nondisclosure agreements, or assignment of technology developed), to understand prior employers' (both immediate past and earlier employers) sensitivity to an employee's exposure to the company's technology, and to recognize the need to establish what constraints are in the initial phase of the interview process. Responsibility for evaluating the potential compromising disclosure and/or use of protected technology must be determined at some managerial level. Even though the newly hired employee is free to apply his or her professional expertise, including that acquired in a prior job, the proprietary information generated with that growing expertise may not be disclosed *or used*. As should be expected, there is no bright-line test to determine where previously gained knowledge ends and newly acquired knowledge begins. At best, a valued judgment is called for, including weighing the benefit and the risk that new employee brings to the enterprise.

Interviews with Candidates

At the outset of an interview with an applicant for a job, the employer must establish ground rules, including the extent of the prospective employee's obligations to the current employer. It is strongly suggested that the candidate provide any written agreements he or she had with the current or previous employer at the outset of the interview. Second, the candidate should be made aware of the conflict and the likelihood of legal action if there is a breach of

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physician may well have "philosophical or political loyalties to the medical profession" and may not wish to give an opinion about the proper standard of care for either party. Assuming the treating physician does not object, is the only proper contact with opposing counsel through a deposition?

The cost of a deposition is significantly greater than the cost of an informal discussion between the treating physician and counsel. However, as the California committee noted, opposing counsel and the treating physician are hardly the appropriate people to determine the existence or extent of any waiver. Consequently, irrespective of court rules or ethical mandates, the attorney who wants to contact the other party's treating physician should give some notice to the patient.

If at all possible, in order to manage costs, the parties should arrange some method of informal discussion, perhaps with both attorneys present. Even if state rules apply and contain the "only" language relied upon by ABA Formal Op. 93-378, the parties can agree to an informal procedure. When Federal Rule of Civil Procedure 26 was amended to include detailed expert disclosures, one of the reasons for the change was to eliminate the need for parties to incur the expense of deposing all experts.

Even some of the courts that have held that counsel can hold ex parte interviews with the other party's treating physician without the other party's permission seem to assume that the patient has notice of that discussion. For instance, in an Indiana case, *Shots v. CSX Transportation*, 887 F. Supp. 206 (S.D. Ind. 1995), the court held that the defendant's counsel could communicate ex parte with the plaintiff's treating physician, but the ruling was stated in terms of compelling the plaintiff to execute a medical authorization. Consequently, the plaintiff *in fact* had notice of the intent and an opportunity to make an argument to the court. Such notice seems to be the least intrusive means of protecting an extremely important privilege. It seems even more fundamental that counsel should not send an affidavit to any witness without having contact with that witness first.

Physicians are significantly different from other fact witnesses. The contact between physicians and laypersons is always guarded more closely. Frequently treating physicians are in possession of facts that are not relevant to the particular litigation. When approaching them, counsel must treat them with care, whether they limit themselves to just the facts or move into a dual role as both a fact witness and an expert.

If the jurisdiction prohibits contact outside of formal discovery, counsel's approach is obvious. If it does not, at the very least, the desire to have ex parte contact with a treating physician should be made known to the patient through appropriate notice. **TFL**

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any previous agreements. If the newly hired employee breaches agreements with the prior employer, one of the most expeditious cures for the new employer is to terminate the newly hired employee. That probability should be brought to the candidate's attention as should the hiring employer's policies regarding intellectual property. Should the candidate not be forthright during the hiring process, the hiring company may still be able to minimize its exposure to damages if it makes its own good faith effort with respect to others' intellectual property rights. Even though it is improper to inquire specifically into the candidate's duties in his or her previous position during the job interview, the interviewer can identify the specific area of technology involved in the new job and the objectives of the position and require the candidate to state whether there would be an unavoidable overlap of function. Notes of this discussion could be kept and acknowledged by the participants in the interview. Some employers send letters to the previous employer of a newly hired employee providing a statement of the new employee's particular obligations to the prior employer and indicating that the employee has been admonished to respect those obligations. It should go without saying that the statement be truthful and supportable.

Measures to Take after Hiring

It is advisable that the new employee understand and execute the new employer's agreement regarding intellectual property and receive a briefing on avoiding issues related to a previous employer's intellectual property. The hiring employer might also give the new employee the new company's intended cor-

respondence with the prior employer regarding the new employee's obligations and the expectation that the agreements will be honored. Although the temptation to shortcut the development of technology always exists, tempting an employee to disclose another company's proprietary information brings a potential harm that is likely to outweigh the time gained. And the other shoe can drop when that employee leaves for greener pastures.

Termination

The process of terminating an employee is essentially the reverse of the hiring process. It is advisable to review the IP agreement, conduct a briefing on the obligations included in the agreement that remain in force after an employee's departure, provide signed terminal interview sheet itemizing the process followed and have it signed by all parties, and send correspondence to the employee's new employer advising of the continuing obligations of the departed employee and the expectation that the obligations will be honored. Whether the termination was initiated by the company or the employee, the contractual obligations continue. The practical impact of origination may be reflected on a shift in the expertise/proprietary information line, if a breach is adjudicated.

Summary

Effective management of intellectual property management begins with the recognition of the varied types of rights obtainable. The first step in acquiring those rights is to establish the appropriate legal relationship with the creator of the right such that ownership or some equivalent relationship (a license, for example) is put in place. After that point, the business management function comes into play wherein the perfecting of the rights (patents, trademarks, copyrights, and trade secrets) are evaluated and their acquisition, management, and enforcement are incorporated into the entity's overall business plan. Thereafter, as with technology development, marketing, and business growth, the contribution of intellectual property rights to the business plan must be continually assessed and managed. **TFL**

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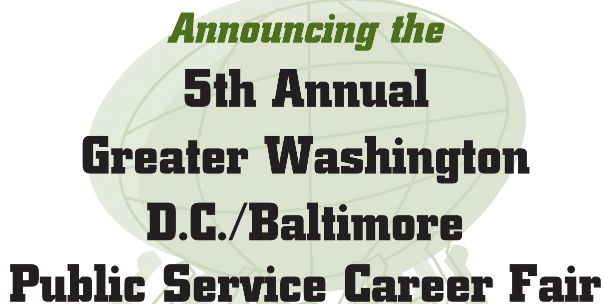

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