

TRADEMARKS AND TRADEMARK LICENSING

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2 **Presentation Overview**

- The Basics of Trademarks
- Trademark Licensing Issues

3 **THE BASICS**

4 **What is a trademark?**

- “[A]ny word, name, symbol, or device,
- or any combination thereof –
- used by a person [or entity] . . .
- to identify and distinguish his or her goods . . . from those manufactured or sold by others and
- to indicate the source of the goods, even if that source is unknown.

5 **Functions of a Trademark**

- Indication of Source or Origin
- Indication of Quality
- Advertising Device

6 **Protected Trademark Interests**

- Trademark Owner
- Consuming Public

7 **Trademark Owner’s Interests**

- Product Identity
- Goodwill
- Reputation

8 **Consuming Public’s Interests**

















- Protection against confusion, deception or mistake in making purchasing decisions

24 **Types of Trade Identification**









- Trademarks
- Service Marks
- Trade Dress (Product Configuration)
- Certification Marks
 - Example: UL Seal from Underwriter’s Laboratories
- Collective Marks
 - Example: UAW United Auto Workers

25 **Types of Trade Identification**

- Word Marks
- Stylized Marks
- Logo Marks
- Product Configuration
- Any combination of the above


- 26  **Word Marks**
- 27  **Mnemonics (Abbreviations)**
BMW
NBA
- 28  **Design Marks**
- 30  **Stylized Word Marks**
- 32  **Word(s) and Design(s)**
- 34  **Breadth of Mark Variations**
- 35  **Product Configuration**
- 37  **Color**
- 39  **Sound**
- 44  **Smell**
- In re Clarke, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990).
 - Granting registration on “a high impact, fresh floral fragrance reminiscent of Plumeria blossoms” for “sewing thread and embroidery yarn.”
- 45  **Acquisition of Rights**
- Common Law
 - Adoption and “Use” in Commerce
 - What does and does not constitute “use in commerce”
 - Registration
 - Federal Registration
 - State Registration
- 46  **Three Overlapping TM Systems**
- Common Law
 - State Registration
 - Federal Registration
- 50  **Federal Registration**
- Constructive Use (Section 7(c))
 - Constructive Notice (Section 22)
- 54  **Selecting a Trademark**
- Protectability/Registrability
 - Is the mark distinctive and susceptible to protection (registration)?
 - Potential Infringement
 - Does the mark conflict with the any third party rights?
- 56  **Generic Designations**
APPLE
- (when used in relation to the fruit)**
- 57  **Arbitrary or Fanciful Marks**

APPLE**(as applied to computers)**

- 59  **Descriptive Marks**
SUPER-DUPER TOOTH WHITENING GEL
- 62  **Selecting a Trademark**
- Protectability/Registrability
 - Is the mark distinctive and susceptible to protection (registration)?
 - Potential Infringement
 - Does the mark conflict with the any third party rights?
- 63  **Potential Conflicts**
- Registration
 - Standard = “Confusing Similarity”
 - Section 2(d) – a mark is not registrable if it is “confusingly similar” to a prior registered mark
 - Infringement
 - Standard = “Likelihood of Confusion”
 - A mark may infringe the prior trademark rights of a third party if use of the mark is likely to confuse, mislead or deceive the consuming public as to the source or sponsorship of the good/services
- 64  **Factors**
- Polaroid Factors (*Polaroid v. Polarad Electronics*)
 - Strength of the Mark
 - Degree of Similarity of the Marks
 - Proximity of the Products
 - Bridging the Gap (Line Expansion)
 - Actual Confusion
 - Junior User’s Good Faith Adoption
 - Quality of the Respective Goods
 - Sophistication of the Relevant Buyers
 - No Single Factor is (necessarily) Determinative
- 65  **Summary**
- Select good distinctive marks
 - Search early in the process before the client gets emotionally or financially “invested” in a particular mark
 - Apply for registration as early as reasonably possible
- 66  **TRADEMARK LICENSING**
- 67  **Key Issues**
- Naked Licensing
 - Franchise Regulation
 - Avoidance of Confusion
- 68  **Naked Licensing**

69  **What is naked licensing?**

- Naked licensing occurs when a licensor does not exercise adequate quality control over its licensee's use of a licensed trademark such that the trademark may no longer represent the quality of the product or service the consumer has come to expect

70  **Abandonment**


- A mark shall be abandoned if . . . (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark
(15 U.S.C. § 1127)

71  **Other possible consequences**

- A break in the chain of continuous use necessary to prove priority over another
- A finding that a license is void
- Liability to charges of false advertising

72  **Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.,
289 F.3d 589, 597 (9th Cir. 2002)**73  **Background**

- Under a trademark licensing agreement, Barcamerica granted Renaissance rights to use the "Leonardo Da Vinci" mark for wine
- The agreement contained no quality control provisions
- Barcamerica later sued Tyfield for trademark infringement
- Tyfield moved for summary judgment arguing that Barcamerica abandoned the mark through naked licensing

74  **Evidence of Quality Control**


- The only evidence of quality control was:
 - Barcamerica's principal George Gino Barca's testimony that he occasionally, informally tasted the wine, and
 - Barca's testimony that he relied on the reputation of a world famous winemaker employed by Renaissance

75  **Barcamerica's Argument**

- No naked licensing because Renaissance made good wine and the public was not deceived by Renaissance's use of the "Leonardo Da Vinci" mark
(See *Barcamerica*, 289 F.3d at 597)

76  **Naked licensing?**

- Yes. The court stated "[w]hether Renaissance's wine was objectively 'good' or 'bad' is simply irrelevant. What matters is that Barcamerica played no meaningful role in holding the wine to a standard of quality"
(*Barcamerica*, 289 F.3d at 597-98)

77  **Halo Mgmt., LLC v. Interland Inc.,
76 U.S.P.Q.2d 1199 (N.D. Cal. 2004)**78  **Background**

- Under a two (2) page "License, Consent to Use and Registration Agreement," Halo

Management ("HM") granted Planet Halo a license to use the "Halo" mark

- HM later sued Interland alleging trademark infringement
- Interland moved for summary judgment arguing that HM abandoned its rights in the relevant mark through naked licensing
(Halo Mgmt., 76 U.S.P.Q.2d at 1201-1205)

79 **Quality Control Terms**

"Licensee shall employ reasonable commercial efforts to maintain the positive business value of the mark; it will limit mark use to that substantially as shown in the pending applications and with services substantially as recited; and, it shall cooperate with licensor to mitigate the confusion or likelihood of confusion between the parties' respective marks"

80 **Naked Licensing?**

- Yes. The court found the QC terms "inherently amorphous, both in obligation and in effect"
- The court also highlighted the absence of (1) an express right to inspect or to supervise Planet Halo's conduct; and (2) an express right to terminate the license should Planet Halo fail to satisfy its supposed obligations
- In addition, the court found that HM's conduct (two emails) failed to maintain adequate quality control
(Halo Mgmt., 76 U.S.P.Q.2d at 1201-1205)

81 **How Much Control is Necessary?**

- Is the control retained by the licensor sufficient to insure that the licensee's goods or services would meet the expectations created by the presence of the trademark?
(See *Eva's Bridal Ltd. v. Halanick Enterprises, Inc.*, 639 F.3d 788, 790 (7th Cir. 2011))

82 **Right of control vs. Actual exercise of control**

83 **Practice Tips**

- Include clear and enforceable quality control guidelines
- Include express rights to supervise, approve and/or inspect goods and/or services offered under the mark
- Include express rights to enforce licensee non-compliance
- Exercise actual control over the licensee's use of the mark








84 **Franchise Regulation**

85 **What is a franchise?**

- A grant of rights to use another's trademark
- Authority to exert significant control or to provide significant assistance
- Payment of a required fee (\$500 in the first 6 months)
(See 16 C.F.R. § 436.1(h))

86 **What are the consequences?**

- Disclosure requirements
 - Franchise Disclosure Document (FDD) delivered to prospective franchisee 14 days in advance
- Franchising Rules
- Registration

- Required in 15 states
 - Additional state-specific laws
- 87  **What is significant control or assistance?**
- Formal sales, repair, or business training programs
 - Site location assistance
 - Management, marketing, or personnel advice
 - Mandatory accounting practices
 - Prescribes operating hours
 - Direct assistance with sales or repairs
- 88  **What does the FTC say?**
- The FTC has articulated that it will not deem as “significant” control or assistance trademark controls designed solely to protect the licensor’s goodwill in the mark (See FTC, Franchise Rule, 16 C.F.R. Part 436, Compliance Guide, p. 4 (May 2008))
- 89  **Practice Tips**
- Be aware of the level of control given to the licensor over the licensee’s business operations
 - Ask yourself whether the control provision is strictly necessary to protect the mark or whether it goes further and seeks to control the licensee’s entire method of operation
 - Minimum payment exception (\$500 – 6 months)
- 90  **Avoidance of Confusion**
- 91  **15 U.S.C. § 1127**
- A mark shall be abandoned if . . . (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark
- 92  **Practice Tips**
- Include clear guidelines on how and where the trademark may be used;
 - Restrict licensee’s use of any variation of the mark or any word or mark likely to be similar or confusingly similar to the mark;
 - Restrict licensee’s use of mark together with third party marks
- 93  **Summary**
- All trademark license agreements should have reasonable quality control standards that demonstrate the trademark owner’s control over use of the mark