



What's in a Name?

How trademarks can separate you from the pack.

Undoubtedly some of you, upon reading this story, will find it so chock full of trademarky goodness that you'll want to share it. Perhaps you'll Xerox® some copies for coworkers, then maybe Scotch®-tape the original to the wall of the production room, perhaps in a prominent spot above the Kleenex® box.

Notice a pattern here? The above examples all feature a trademark—an item that has become a hot topic of late in business circles. A trademark is typically a name, explains Michael Bondi, attorney and trademark group chair with Patterson, Thunte, Skaar & Christensen, a Minneapolis intellectual property firm—“something that distinguishes your product from someone else's,” he explains.

So what's in a name? And why do you have to worry about it?

Value Matters

For starters, there's the issue of value. “A trademark reduces customer resistance to your product,” Bondi notes. “Say you're driving down the street, and you see ‘Neighborhood Hamburger Joint,’ and ‘McDonald's.’ You know the Big Mac® is going to be the same whether you're in Minneapolis, Chicago, or Florida.”

A trademark develops “brand cohesiveness,” he adds. “Consider Gatorade®. The company that makes Gatorade also makes energy bars. Throwing the Gatorade trademark on them provides instant recognition. A customer who might not take a chance on an energy bar sees the Gatorade trademark, knows that Gatorade makes quality products, and says, ‘I'll give that a try.’”

“A trademark leverages your history and reputation,” he adds. “It makes customers say, ‘I've had this experience before, and it was positive.’”

That can equate to measurable bottom-line impact. As an example, Bondi points

to the Wenger Corp., an Owatonna firm that makes choral risers, music stands, and a variety of other music-related products. The Wenger name, he adds, is so strong among music teachers and band directors that when districts are procuring equipment, schools often get pressure from teaching staffs to specify Wenger-brand products. “Instead of specifying a ‘music cabinet with metal doors,’ the architects or school district will specify a ‘Wenger cabinet,’” Bondi says.

In essence, a favorable marketplace perception can cause a customer to designate a supplier's product—through its trademark—into the procurement specification.

Strong trademarks also help with banks and investors, particularly for early-stage companies looking for ways to turn an idea into a viable product or service. Without a proven track record, banks and investors usually will be wary about loosening their purse strings. By registering a federal trademark and an Internet domain name, you can essentially create assets that a bank can record as security interests.

“That's not to say you can go into a

bank and say, ‘Here's my trademark, give me a million dollars,’” explains Linda Byrne, senior partner with Merchant & Gould, a Minneapolis-based law firm with offices in Atlanta, Denver, and Seattle. Still, a trademark can be used along with other intangibles—“the good will of your company, know-how, trade secrets, and other intellectual property,” Byrne says—as collateral to help secure a line a credit.

What Makes a Good Trademark?

A strong trademark starts with a good name. Richard Berman, head of the trademark group at Faegre & Benson, a Minneapolis-based law firm, says that there are three types of trademark names: coined, arbitrary, and suggestive.

“A coined name is one that when you go to the dictionary, you can't find it,” he explains. “Kodak®,” for example. An arbitrary name is one that has no meaning in the context of the products being sold—“for example, Camel®, for cigarettes.”

In contrast, a suggestive name suggests the nature of the product. Berman cites, Hamburger Helper®, “as a wonderful sug-

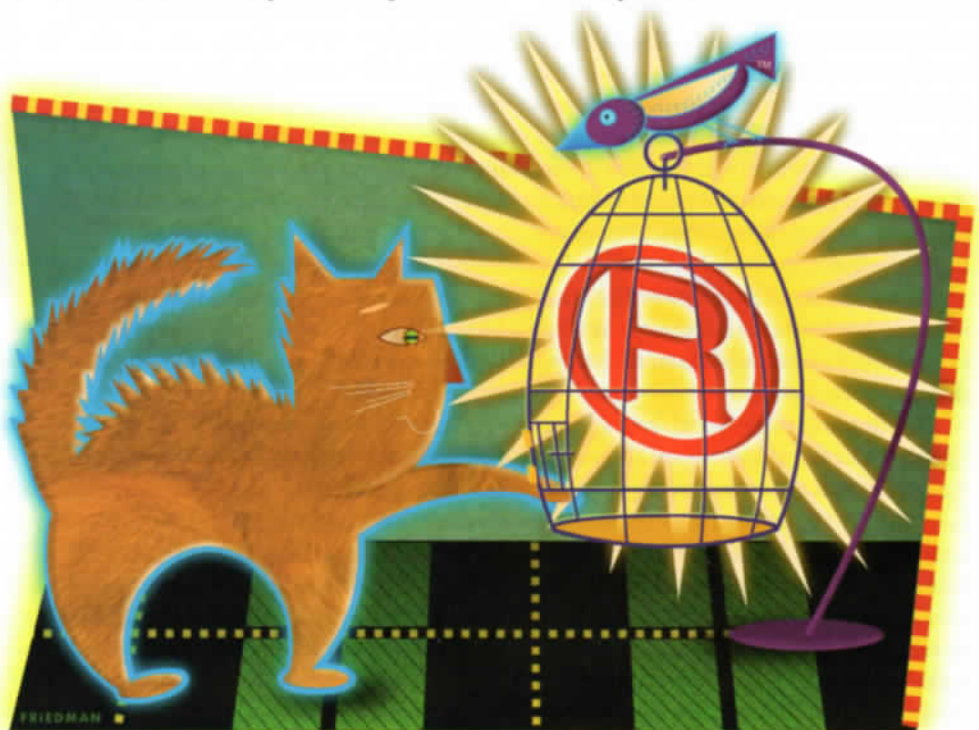


ILLUSTRATION BY BARBARA FRIEDMAN

gestive trademark"—the public identifies the product's use with the name, yet the name is distinct enough to be a trademark.

Which outlines a chief trademark naming challenge: balancing consumer recognition with the ability to register the name. While more distinct names might be easier to register as trademarks—there's less chance that someone's already using them—they are also more costly to establish in the marketplace. Says Berman: "A coined name—Kodak—initially requires spending a lot more money educating consumers about the name."

Conversely, a use-oriented name might be cheaper to advertise and establish, yet might be more difficult—if not impossible—to register. For example, companies wouldn't be able to register "Banking Services" or "Breakfast Cereal."

"Marketing people are tempted to use a trademark that refers to a feature of the product," Byrne relates. "That's problematic. That's what your competition may be doing too. The most valuable trademark is a made-up name, like Xerox®, where the company has invested money and time to educate consumers about its meaning."

"Generally, the more descriptive a name is of the nature of the product, the less likely that it will be recognized as a trademark," says Berman. "The ideal trademark from a business standpoint is usually one that is distinct, not similar to names used by other people, yet which suggests the nature of the product."

Using a Trademark

Bondi and Berman outline three types of trademark designations:

COMMON LAW TRADEMARK. In order to establish a common law trademark, you simply start using it. To make sure people understand that it is your trademark, attorneys recommend that you use the ™ symbol with the trademark. Say you have a St. Paul company, selling a stamping machine in the Twin Cities with the name, "Best Stamp." By using that name, Bondi notes, you'd have a common law right to the trademark in the Twin Cities.

Expanding into additional markets makes things more complicated. "Say you want to expand into St. Louis," he notes.

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"You also would need to establish your brand there."

And if there's a St. Louis company named "Best Manufacturing" that makes an unrelated metal product, you may have to negotiate to see who would continue using the name in St. Louis.

Ultimately, common-law rights can be determined by start dates. Say you started in St. Paul in 1980—and your business to date has been limited to Minnesota—and the St. Louis company started in 1999. The St. Louis firm most likely would have priority in St. Louis. As the newcomer, you probably would have to change your name in St. Louis.

Hence the need to register your trademark.

FEDERALLY REGISTERED TRADEMARKS.

Overseen by the United States Patent & Trademark Office (USPTO), a federally registered trademark grants nationwide rights. "If General Mills develops a new cereal, it can rely on federal trademark registration to allow you to sell your product using its trademark name anywhere in the United States," says Bondi.

Individual states also offer trademark registration. But as Berman points out, state registrations apply only to the specific states; federal registration applies nationwide. Consequently, trademark attorneys generally recommend pursuing federal registration as a first step.

Registering a federal trademark begins with a trademark application to the USPTO. While this doesn't necessarily require legal assistance, attorneys say that experienced legal trademark advice up front can allay problems—including wasted time and expense—down the road.

"If you go to the USPTO Web site [www.uspto.gov], you could fill out a federal trademark application for your business yourself," says Bondi. "The site will

readily collect the information and your filing fee [\$325 per trademark, per class]. In about six months you'll receive a report from the USPTO outlining any problems with your trademark application.

The danger, Bondi says, arises if during those six months, you've developed product advertising and packaging, only to discover your trademark name has a problem. "Maybe it turns out there was a word, not exactly the same, but perhaps with a slight variation, that precludes you from registering your trademark. You'd have to go back and start all over again."

That's where using a trademark attorney—one who is experienced with how the system works—can help. Such attorneys typically request two or three name options at the start of the process, then research state and federal trademarks for possible conflicts even before completing an application. They can also research similar company names, trade journals, and domain names.

With the trademark application filed, an examining attorney in the USPTO reviews it for compliance with statute: Is it likely to be confused with another federally registered trademark designation? Have you adequately described the goods and services with which you're using the mark? Is the proposed trademark descriptive?

Once processed, the application is published for opposition. "Say you're Medtronic, and St. Jude Medical decides the trademark for which you're applying is too similar to a product trademark of theirs," Bondi says. "They file an opposition, saying they want your application denied." That would start litigation—an administrative proceeding handled before the USPTO, to determine the right to register.

If the trademark survives the opposition period, the USPTO will register it. "Once you obtain the registration certificate," Bondi says, "you can use the circle-R (® registered trademark) designation to indicate to the world that you have obtained the rights associated with this registration."

INTERNATIONALLY REGISTERED TRADEMARKS.

While a U.S. federal trademark registration grants rights in the

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United States, what happens if you want to sell your products in another country? That's where matters can get complicated. Each country has separate trademark laws; for international trademark rights, companies need to register their trademarks individually, in each country they plan to go into.

What's more, while trademark rights in the United States are based on "actual use," trademark rights in most foreign countries are based upon registration, Berman says. Actual use in most foreign countries is not required to get a registration. (A qualifier, Berman notes: In the United States you can seek to register a trademark on the basis of "intent to use." In such cases, trademark rights based on the application won't "perfect" until you make use of the mark and the registration issues.) If someone overseas registers the mark in their country before you, in a country where rights are based on registration, his or her rights usually take precedence over yours.

You can file a foreign application to register a trademark at any time. If you're still not sure about what foreign countries you'll be going into when you file your U.S. application, Berman says you can wait up to six months to decide which countries to file in, and still get the benefit—in most foreign countries—of the important U.S. filing date. The foreign filing date becomes retroactive to the U.S. filing date.

International filing is important, Berman says, so that someone doesn't somehow spot your early success and register the name for themselves overseas. Here again, trademark attorneys can provide guidance.

Protecting a Trademark

Ensuring that value requires policing. And the place to start is with your own use. "Try and make sure, in your own literature and promotion materials, that your name is used properly," Berman advises. "You want the public to understand that they're dealing with a trademark."

Proper use means using your official trademark name with the registered trademark symbol (the circle-R designation).

You also want to ensure that the public doesn't misuse your trademark—a challenge the Internet is exacerbating. While the Web might have increased opportuni-

ties to advertise a trademarked name, it has likewise made it more difficult to track how it's being used—or misused.

Gary Brisbin, lead attorney and division general counsel with McQuay International, a Plymouth-based international manufacturer of heating, ventilating, and air conditioning equipment, can attest to that. His firm recently discovered that two European companies were using the McQuay logo online without permission. McQuay—which employs a person to regularly surf the Web for trademark misuse—discovered the Web sites, and responded with letters. "We said, 'You're misusing our logo, and holding yourself out as an authorized rep,'" Brisbin notes. The letters asked the companies to stop, and they complied—without contention. One of the companies eventually became a McQuay representative in Europe.

Byrne agrees that the Net has complicated trademark matters. "When it comes to domain names, the conventional wisdom has been to register dot-com and as many country codes as you can." This can result in hundreds of domain name registrations, which can be a maintenance nightmare—especially if you want to establish and maintain a business presence inside foreign countries that require a defined business presence to register a domain.

When Internet domain name conflicts arise, Byrne explains, there is a procedure in place to resolve them. "Say someone else has registered your important trademark as a domain name. You can use an administrative proceeding to get the trademark domain transferred back to you."

Most trademark misuse, Berman adds, occurs by accident, because people don't know or don't understand trademark rights. "When you find a situation where it's misused, send polite letters, reminding the public that this is your trademark and should be used properly," he notes.

Byrne agrees: "I would say a good portion of infringements are accidental. It's amazing, really, the coincidences that occur. Still, there are less ethical people out there wanting to trade off the good will of someone else's company."

The point, experts agree, is that a trademark is a valuable and effective asset—one worth developing and protecting. ■

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