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Winning With Trademarks

Creating valuable assets is a goal for many of us. Your business name and slogans can grow into valuable assets by taking the right steps. This will show you how to win with trademarks.

Registering a trademark is an important step in any business venture – one that should not be overlooked. By protecting the name of your business, products or services, you ensure that others cannot use the trademarked words or designs. If you fail to secure such protection, anyone can start using your ideas, and in some cases they may demand that you stop using what they now claim is their trademark.

When you have secured the rights to your trademark, it is an asset that increases in value and can be sold or licensed to others. Therefore, registering a federal trademark is an essential component to any business and wealth building strategist.

This document focuses on the federal trademark aspect of intellectual property protection. You should promptly secure federal trademark protection when forming your corporation or other business entity. If your entity will exist only to hold personal assets or real estate, you may not need trademark protection.

However, a trademark is essential when forming a business because it protects your name and is an asset that can be sold or licensed to others. And, as will be discussed further in this booklet, you may want to set up a separate entity to hold your trademarks and other intellectual property for greater asset protection.

Once you have read this information and have decided that it is time to protect your intellectual property rights, you may want to consider calling our office. Although it is possible for individuals to navigate the federal trademark registration process on their own, it is suggested that you consult an attorney to discuss your options when it comes to securing protection for your intellectual property.

You are dealing with a valuable asset here. We have seen too many entrepreneurs stumble when they try to go it alone. If you do not already have a trademark attorney, our office can provide you with a referral. Sutton Law Center does not handle trademark matters. But the process is important which is why we offer this information.

All Right. Let's Start Winning with Trademarks

What type of intellectual property do you have?

It is common for people to get the three main forms of intellectual property confused, intellectual property is divided into patents, copyrights and trademarks.

Trade secrets can also fall under the heading of intellectual property, but they are not forms that you would register. (A well-known trade secret is the recipe for Coca-Cola. It is not registered with any government agency and kept very secret.) Although there are some similarities among patents, trademarks and copyrights, they are very different forms of intellectual property with different purposes.

If your objective is to protect a new, useful and non-obvious invention, then you must secure patent protection. For example, you were the first person to discover that you can have an object with a long tail you call a mouse do some of the functions a keyboard would normally perform on your computer; you have a new, useful and non-obvious invention on your hands.

A copyright is the form of intellectual property protection provided to the authors of “original works of authorship.” This can include literary, dramatic, musical, artistic, and certain other intellectual property works, both published and unpublished.

Keep in mind that copyrights protect the form of expression rather than the subject matter of the writing.

Finally, if your objective is to protect an identification that distinguishes your goods or services from those of others, then you should apply for federal trademark protection. A filing is made with the U.S. Patent and Trademark Office (USPTO) and it is either accepted or rejected.

By reading this document you will learn how to move toward an accepted registration, and how to asset protect your valuable trademarks.

The USPTO is an agency of the U.S. Department of Commerce. The Trademark Office of the USPTO only handles the trademark applications. Correspondence is through the Commissioner for Trademarks.

Filings for patents are still made with the USPTO, but all correspondence goes through the Commissioner for Patents. For information and registration of copyrights, the U.S. Copyright Office, a division of the Library of Congress, handles this area.

A Trademark – What is it?

As briefly mentioned above, a trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of the goods of one party from those of others.

There are two basic types of marks: Trademarks and service marks. A service mark is the same as a trademark but with a twist. A service mark identifies and distinguishes the source of the service rather than a product or good.

An example, where Dodge is the trademark for a brand of automobile, “Ram Tough” is the service mark for the services offered – durable and reliable transportation.

Trademarks can be seen in various places. As you are driving down the street you may see the TM or ® symbol attached to the name of your favorite restaurant. (You probably will start noticing these marks everywhere when you finish reading this.) The importance of these symbols will be discussed ahead.

Placement of the trademark may differ as well. The trademark that identifies a product or good can generally be placed on the packaging or the good itself. Since the service mark is not selling an object, the mark that identifies the services can be seen in the marketing or advertising campaigns.

Federal Trademark Protection – Significant Advantages

Generally, trademark protection exists on three levels: Federal registration, state registration, and by common law. Because of the significant benefits afforded by federal law, federal registration will be the focus of this booklet.

Basic trademark protection is used to protect your good name. A federally registered trademark gives constructive notice to the public of your claim to ownership of the trademark. Once you are registered, there is a legal presumption of your ownership and that you have the exclusive right to use your trademark nationwide in connection with the goods and/or services listed in your registration.

You can use federal trademark protection in order to prevent others from copying or using your federally registered trademark.

You will have the ability to bring an action concerning your trademark in federal court. This is especially important if you wish to enforce your federal trademark rights.

Without a federal registration, your rights are limited to the areas in which you use your trademark or those in which it has actually been used. So if you only obtain a Nevada trademark, you cannot send a cease and desist letter to a business that is using the same name in California. Your protection is limited to the state of Nevada.

The use of your U.S. trademark registration can be the basis to obtain registration in foreign countries if you would like to expand your business globally.

Federal registration can also give you the ability to file the U.S. registration with the U.S. Customs Service to prevent the importation of infringing foreign goods.

A federally registered trademark can also prevent others from using your trademark in a deceptive attempt to lure customers into purchasing their products or services while thinking they are purchasing your trademarked goods or services.

Federal trademark registration provides comprehensive protection and enables you to prevent others from using any trademark that is the same or confusingly similar to your trademark. A federally registered trademark can also be used to maintain the public's awareness and can ensure that you are the exclusive source of a particular product or service.

A trademark, like any other intellectual property right, is a business asset. Like all business assets, trademarks may not only be sold, but may also be licensed to others. A federally registered trademark can bring great value to your business.

For example, not only can you sell your equipment, inventory and goodwill associated with the business, you can also sell your federally registered trademark(s) for your business name, slogan or logo. You have the flexibility to retain the rights to your federally registered trademark or to receive income by licensing it to others.

And, as mentioned, we'll discuss how to asset protect your trademark in a separate entity.

One horror story I see time and again is when someone starts a business and two or three years down the line, they receive that dreaded Cease and Desist letter. At the time the business receives the letter, they have spent hundreds of thousands of dollars building up their name and goodwill in the company they created. Assuming the entity mailing the Cease and Desist letter has prior rights to use the trademark; your fight will be expensive with you most likely losing the battle.

It is better to think long term by securing a federally registered trademark from the inception of your business. It is better to see the \$1,000 or so spent on securing the trademarks as the first investment in an appreciating asset.

Before You File- Keep this in Mind

A business name, phrase or logo may be federally registered as a trademark if it is fanciful, arbitrary or suggestive. Because they are more likely to be accepted by the USPTO, a fanciful, arbitrary or suggestive business name is a good bet when choosing a potential trademark or service mark.

A fanciful trademark is generally a mark that is without a dictionary meaning. Some examples of this are the trademarks Exxon or Xerox. The first mark in this style was Kodak, a name without any meaning prior to its use as a camera company logo over a hundred years ago.

Arbitrary marks have nothing to do with the goods or services with which they are associated. Some examples of arbitrary trademarks are Apple for computers or Diesel for clothing.

Suggestive trademarks indirectly refer to the goods or services with which they are associated. Greyhound, for example, is a trademark for bus services indicating swiftness.

You Should Avoid a Descriptive Trademark

This means that the trademark describes the goods or services with which they are associated. Generally, descriptive trademarks cannot be registered. An example of a descriptive trademark would be naming a restaurant “Fast Food” if you provided food fast to your patrons.

There are other parameters to keep in mind when choosing a trademark. You should avoid surnames, geographically descriptive or deceptively descriptive trademarks.

Geographically descriptive can include the name of the city in which you are located in the trademark.

For example, “Jackson Hole Car Sales” would be considered geographically descriptive. A deceptively descriptive trademark would suggest to the consumer something false about the product or service.

Do not use generic or common words that describe an entire class of goods or services. Remember the generic packaging or non-brand trend during the 90's? When you wanted to buy cereal there was the generic version in a plain white box with the word cereal on it.

While the product was cheaper, the packaging did not convey anything that was appealing. Using only the word "cereal" is a generic way to describe your product. Generic words do not serve as an identification of the source of goods or services and should be avoided when choosing a potential trademark.

On the other hand, avoid using scandalous, immoral or deceptive names as trademarks that offend the conscience. The USPTO will not grant such registrations, so remember to be politically correct in your filings. As an example, anything with the word 'Mafia' in it will not work.

We had a client that wanted to trademark "HMO – Health Mafia Organization." While a humorous take on medical insurance plans, we warned him it wouldn't fly but it was filed anyway. The Trademark Office promptly rejected the application.

A trademark may still be federally registered if it has acquired distinctiveness through "secondary meaning." However, you may not be able to register by simply claiming secondary meaning. Secondary meaning can be described as the degree of customer identification or the status of your trademark compared to others on the market.

In other words, the trademark used has become so famous that it has garnered a secondary meaning. The USPTO will decide each trademark based on secondary meaning on its own merits.

The examining attorney with the USPTO will consider the following factors when coming to a decision:

1. How long you have used the trademark;
2. The type and amount of advertising of the proposed trademark; and
3. Your efforts to associate the trademark with the goods or services you provide.

You may prove there is a trademark recognition or distinctiveness with specific evidence such as the dollar amount of sales generated from the trademark, advertising samples or figures, and consumer or dealer statements recognizing your trademark.

If this is the basis for registering your trademark, it is suggested that you seek an attorney to flesh out your plans before applying for federal registration.

A federal trademark application may be refused registration if a “likelihood of confusion” exists with another trademark or service mark that is in use. Federal trademark law, also known as the Lanham Act, provides that a trademark may be refused registration if it “consists or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive” (Lanham Act §2, 15, U.S.C.A §1052).

In addition, if you adopt a trademark that is confusingly similar to a preexisting trademark, this can expose you to potential litigation.

For example, if your trademark sounds like, looks like or has similar meaning to a federally registered trademark, the USPTO will not allow you to register your trademark.

It is strongly recommended that you conduct a comprehensive trademark search prior to applying for federal trademark registration if you intend to invest a substantial amount of money in a trademark.

A comprehensive trademark search should include not only previously federally registered trademarks, but also state and common law trademarks, domain names and the like.

A comprehensive, plain word trademark search should include a search of pending and registered marks, a search of registered state marks, and a common law search of hundreds of trade journals, publications, catalogs, directories, business names and internet domain names in the United States.

International Class of Goods and/or Services

Once you have decided on your trademark, you should determine the class of goods and/or services your trademark or entity will embody. You will need this for your trademark application. As we shall discuss, for complete protection you may need to file under more than one class, which means paying the filing fees more than once.

When determining your trademark's international class of goods and/or services, it is best to either discuss this with an attorney or look at the USPTO's website to see how they prefer your class of goods and/or services to be worded.

The section labeled Acceptable Identification of Goods and Services Manual, describes both how to word a classification and under which class it would fall.

This page lists all the acceptable terms of goods and/or services you must provide when applying for your trademark.

Let's Review a Sample Case

Suppose you want to start selling your homemade bath salts, candles and soaps. You have goods or products that can bear your trademark for your benefit. The next step is to see what class or classes this trademark would fall under.

Bath salts, non-medicated, are listed under Class 3. If you intended to sell and use the trademark for medicated bath salts, you would also have to file that trademark under Class 5.

If you plan to sell both, you should file under both classes.

Please note that by only filing under Class 3, you do not get protection for medicated bath salts under Class 5. You need to file an application under each class (and pay the filing fees for each class) to have protection for your mark in the two applicable classes.

The soap you wish to produce will also fall under Class 3, thus saving you money when applying for your registered trademark. (You were already filing under Class 3 for the bath salts.) Only one class (Class 3) need be listed if you only intend to sell non-medicated bath salts and soap.

For medicated bath salts and soap, you will have to file under Class 5.

What if you want to sell candles as well? Plain candles fall under Class 4.

So that is a third class that you need to include when filing for registration of your trademark. However, if you intend to sell candlesticks made of glass or precious metal, there are two other classes you need to include in your application.

But let's say you are not ready for candlesticks. You are going to sell candles and non-medicated bath salts. The medicated bath salts can also wait. As such, the two international classes you will file in your trademark application will be Class 3 and Class 4. But then again, if you know you are going to grow you may want to apply under every applicable class right away to preserve your future rights.

Other Pertinent Information Needed for the Trademark Application

A trademark application must include certain information before the USPTO will accept it. The application must contain the name of the applicant or owner of the trademark as well as the address at which you wish to receive correspondence from the USPTO.

You will need either the typed depiction of the proposed mark or a specimen of the mark if it is, for example, a stylized drawing. As mentioned above, you will need to have the listing of the goods or services in the application.

And last but not least, you will need to include the filing fee for each class of goods or services you list.

Trademark Registration Process

Once a search has been performed and you have determined your class of goods and/or services, you may file a trademark application with the USPTO. You will be charged a filing fee per trademark, per class.

All fees with the USPTO are subject to change but generally have been \$300 per class.

Federal registration can be based on either actual use of the mark in interstate commerce or on a bona fide intent to use the mark in future interstate commerce.

As a result, you may file your trademark application as either a “Use-in-Commerce” application or an “Intent-to-Use” application.

You only need to have a “bona fide intent to use” your trademark in interstate commerce. This means that you must want to use this trademark either now or sometime in the future.

If you have not yet used your trademark, you may file an “Intent to Use” application. For trademark applications that are filed as “Intent to Use,” it will be necessary for you to file a “Statement of Use” after filing your application.

Two important dates to record regardless of which application you file are the date you first used your trademark anywhere and the date you first used your trademark in commerce.

These two dates can be the same, but they may also be different. “Use in Commerce” must be the date of bona fide use of the trademark in the ordinary course of trade, in interstate commerce or in commerce between the United States and another country.

These are important because the USPTO will ask for them in either your application or statement of use. If you do not inform the USPTO of these dates, it could cast a shadow on your intentions to use the trademark in commerce and delay your application.

You will also need to provide the USPTO with an acceptable specimen of your trademark once it is used in commerce.

Examples or specimen may be signs, JPEG or PDF files of the website selling the goods/services, photographs of the product, brochures or advertisements that show the mark used in the sale or advertising of the goods/services provided.

One advantage to keep in mind is that by applying for federal registration, you obtain national priority rights from the date your trademark application is filed.

If you only apply for trademark registration in the state of Wyoming, the trademark will only be protected in Wyoming. Another person may apply for state trademark registration in California after your Wyoming filing. You would still only have priority in the state of Wyoming, while the other business has the right to use your name in the biggest economic state in the Union.

A federal filing giving you nationwide rights could prevent that occurrence.

It is also possible to go back and apply for additional classes attached to your original trademark once you have obtained federally registered trademark status.

Using the previous example, you have registered for two international classes under your trademark application, Class 3 and Class 4. Now you wish to sell medicated bath salts, you can file an additional application under the registered trademark (Class 5). You will need to identify in the application that you are the same owner of the previously registered trademark as any current trademark application for this new or additional class.

Your application will then be given to a USPTO trademark examining attorney. The USPTO examining attorney may initially refuse registration. This will appear in the form of an official action.

The USPTO examining attorney may initially refuse registration and require that a response be filed before agreeing to allow registration.

The trademark examining attorney may also require a disclaimer of a word or words in the trademark, resubmission of specimens of your trademark, or clarification of the identification of goods and/or services, etc.

Because each trademark is different, it is difficult to estimate what may or may not happen with your application once it goes to an examining attorney. Sometimes, you may be able to resolve the examining attorney's concerns with a simple telephone conversation. In other cases, the examining attorney may require you to provide a more complex written argument presented as a formal response.

Assuming that your application passes the examination phase, your trademark will be published in the Official Gazette. Publication in the Official Gazette gives interested parties an opportunity to file a Notice of Opposition or to request an extension to file a Notice of Opposition. If there is no opposition or the opposition is unsuccessful, the USPTO will issue a Certificate of Registration.

However, for an “Intent to Use” trademark application, the USPTO will issue a Notice of Allowance. Within 6 months of the Notice of Allowance, a Statement of Use must be filed. Once the Notice of Allowance is accepted, then the Certificate of Registration will be issued.

For a refusal based upon a descriptive mark, your options may include abandoning the application or filing an appeal. In certain circumstances with descriptive marks, it is possible to amend the application to seek registration on the supplemental register as opposed to the principal register.

Although the supplemental register does not confer the exclusive right to use the mark, there are various advantages to having the mark on the supplemental register. For final refusals based upon the likelihood of confusion with another trademark, your options may include negotiating with the holder of the trademark and executing a concurrent use agreement, obtaining a covenant not to sue, purchasing and licensing conflicting marks and the like.

The duration of the federal trademark application and registration process may take between 8 and 18 months. The most important date is the filing date of your federal trademark application.

If you are able to register your trademark, protection dates back to your filing date. During the application process, the USPTO will communicate with you at every stage of your application, keeping you apprised of your application status.

Use of the Trademark Symbols – TM, SM and ®

Any time you claim rights in a mark, you may use the “TM” (trademark) or “SM” (service mark) designation. These marks put the world on notice that you are claiming this as your trademark. You may use the “TM” or “SM” symbols regardless of whether you have filed an application with the USPTO.

Please be aware that you may only use the federal registration symbol ® once the USPTO actually registers your trademark. You cannot use the ® designation while your application is pending. Another thing to remember is that you may use the ® symbol with the trademark only on or in connection with the goods and/or services that you listed in the federal trademark registration application.

Congratulations! – Certificate of Registration

Your rights with a federally registered trademark can last indefinitely, provided you follow certain USPTO rules. As the owner of a federally registered trademark, you must continue to use the trademark in connection with the goods and/or services in the registration, and file all subsequent documentation with USPTO at the appropriate times. This important information is outlined in your certificate of registration.

For example, at the time of this writing, to keep your trademark from being cancelled, it is necessary to file a Section 8 Declaration of Continued Use, and in certain cases a Section 15 Declaration of Incontestability, between the fifth and sixth year of registration.

Subsequent filings must be made on or before the 10 year anniversary of registration. Failure to maintain your trademark can result in the loss of your trademark or the unnecessary limitation of your rights.

You should also know that another party may oppose your trademark even after the USPTO has approved it. Someone may oppose the registered mark either in a civil action or before the Trademark Trial and Appeal Board, post-registration.

For example, the Lanham Act allows someone “who believes that he is or will be damaged by the registration” to petition for the cancellation of your registration.

International Concerns

It is not surprising that every nation has different filing fees, laws and customs that affect trademark rights. This creates a myriad of requirements, but also many sources of protection. In

addition to the laws of each nation, international agreements or treaties provide a source of protection for trademark rights. Several treaties have been signed to make trademark protection and international trade uniform and easier to navigate.

When considering international trademark protection, one international treaty to take advantage of is the Madrid Protocol that has been in effect since 1996. This treaty enables owners to file for trademark registration in many countries in an efficient manner. The United States did not become a signatory to the Madrid Protocol until 2002. This treaty allows a trademark owner in the U.S. to file for international registration through the USPTO.

Once applied for through the USPTO, the application, generally called an international application, will be forwarded to the World Intellectual Property Organization (WIPO).

This international application submitted through the USPTO must be based on either (1) an application(s) that is currently pending in the USPTO; or (2) a registration(s) that the USPTO already issued. The process allows for an 18-month window to oppose the application before registration takes effect. This process has been simplified, but these steps are the essence of international trademark registration.

If you are considering using your trademark outside the U.S., it is a good idea to file an international application.

All filing fees for international applications depend on the country or countries you seek to file in as well as the number of classes you are applying for. The fees generally start around \$800 and go up. The more countries or classes you seek protection in, the greater the costs. However, loss of your trademark outside the U.S. may be even more costly.

Asset Protection for Trademarks and Other Intellectual Property

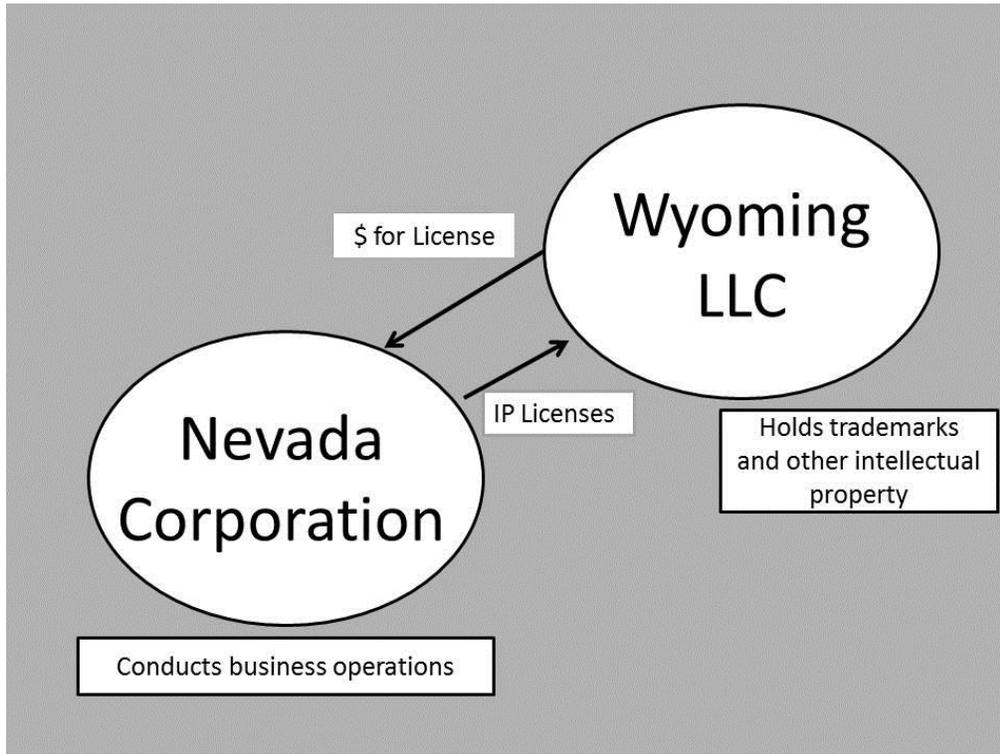
Over the last 20 years, the importance of intellectual property has increased dramatically. The rights to patents and trademarks, copyrights and trade secrets may be viewed as a company's most valuable asset.

At the very least, a somewhat sophisticated purchaser of a business is going to want to know the status of your company's intellectual property.

You can be certain that if your company has been using its very catchy, memorable and desirable name and slogans for some time, but has failed to obtain trademark protection on them, the value of your company will be reduced.

To completely win with trademarks you need to consider holding your intellectual property in a separate, limited liability entity. In this endeavor our firm can assist. Please call 800-600-1760 for a free consultation with an account representative.

A chart helps illustrate how this is accomplished:



Please note that the Nevada Corporation and the Wyoming LLC do not own each other but may be separately owned by the founders of the business.

The advantages of the intellectual property/LLC strategy are as follows:

Asset Protection. As shown in the chart, by holding the intellectual property in a Wyoming (or other tax free state) LLC separate from the Nevada (or other state) business operating company, valuable assets are protected. If the parent company is sued, the intellectual property, which is now licensed by the parent from a separate entity, can be placed beyond the reach of creditors.

Further, in some high-stakes intellectual property litigation, competitors may sue a company just to get a look at the patents and trademarks, by licensing the intellectual property from an LLC, a barrier may be erected.

In addition, should the parent company develop financial problems and file for bankruptcy, the intellectual property stays protected, as it is held in a separate entity that is not owned by, or a subsidiary of, the parent company.

Also note that a Wyoming or Nevada LLC will offer superior asset protection and advantages over an S-corporation in 49 states. With a standard corporation, creditors can reach shares of the company, thus potentially controlling the flow of money to satisfy claims. With ownership of shares, a creditor could even sell the assets (usually at a discount) to repay him or herself. In a Wyoming or Nevada LLC, the exclusive remedy is a charging order which limits a creditor to distributions the manager decides to make. As well, in one state – Nevada – the charging order protection applies to corporate shares.

In order to protect intellectual property, a Wyoming or Nevada LLC offers excellent protection, as does a Nevada corporation with less than 100 shareholders.

Please also know that tax-free Wyoming LLCs provide very affordable asset protection.

Our firm offers a complete LLC or Corporation package for just \$695, with an additional \$100 initial filing fee paid to the State of Wyoming. On an annual basis, the Wyoming fee is just \$50 with our resident agent fee in Wyoming just \$125.

So for \$175 a year you can achieve excellent protection.

For more information, visit www.corporatedirect.com.

We also offer Nevada entities, which offer similar asset protection but higher state filing fees.

Income Opportunities. By having the parent corporation or other operating entity license the intellectual property from a separate LLC, the LLC (which is usually owned by the company's founders) may be able to generate a significant amount of passive flow-through income.

As structured, the operating entity will allow license monies (an expense to the company) to flow to the LLC and the original owners who applied for the trademarks.

This flow of money gives the original owners an opportunity to direct money away from a high income state to a tax free state. While profits from the LLC may flow back to the LLC owners in high tax states, if some live in or later move to tax free states, the benefits for income opportunities become apparent.

Control Opportunities. In the event that the parent company decided to go public or received venture capital funding, there is always the chance the original owners can lose control of the parent company.

While in many cases losing control to a professional group of managers may increase a founders share value, in other situations it may not be a beneficial or pleasant experience.

By structuring the LLC intellectual property ownership strategy at the start, before any investment monies come into it, the original owners may gain leverage in any future control battles. For example, the license agreement between the LLC and the parent company (which again is best signed before any investors come in and then is fully disclosed to all investors) may give the LLC the right to cancel the contract and relicense the intellectual property to another party if certain conditions were not met.

This is the kind of hammer that original owners may need in future negotiations. As well, this strategy may allow original owners to sell the LLC in tandem with the sale of the parent entity for a greater amount than if sold in one entity.

By using intellectual property/LLC strategy, you are segregating and protecting valuable assets while at the same time creating a royalty flow of income for the founders. If later investors want the intellectual property badly enough you can always transfer the intellectual property LLC to the parent company. That is, if the money is right.

Conclusion

Now that you know the basics of federal trademark registration and how to protect your trademarks, I hope this motivates you to seek the correct protection for your valuable business assets.

A federally registered trademark protects your good name and your growing business. A trademark is an asset that can be sold as part of your business or separately through a holding LLC. An attorney's guidance during this process can streamline registration.

We can offer referrals to trademark attorneys. As well, please consider contacting us to assist you in structuring protective entities to hold your valuable trademarks. We can be reached at 800-600-1760, in the Pacific Time zone during normal business hours.

Good luck with all of your federal trademark applications and business endeavors!