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## Focus

### Avoiding Minefields Inherent in Buying Another's Trademark

By Janene P. Bassett

Obtaining new trademark rights, whether through creation of a new mark or assignment from another entity, can be a great opportunity for your company to expand its brands and grow a new business area. However, you should be mindful of several important issues to avoid pitfalls.

Buying another's mark can be a minefield. When structuring an assignment of trademarks or service marks, attorneys should keep in mind the following points and advice.

**Assignments require goodwill.** If your company seeks to acquire another entity's trademarks through an assignment, the goodwill associated with the mark must be transferred too. 15 U.S.C. Section, 1060(a)(1). Simply stating in the assignment document that goodwill is transferred is not enough. *Glow Industries Inc. v. Lopez*, 273 F. Supp. 2d 1095 (C.D. Cal. 2003). On the other hand, transfer of tangible assets is not required, although it certainly is helpful to show that goodwill has been transferred.

To determine whether goodwill has been transferred, courts will evaluate whether an assignee's use of a mark maintains sufficient continuity with the assignor's prior use. In making that determination, courts will consider whether tangible assets were transferred, whether technical information and know-how were transferred, the similarity of the products, continuity of management and other facts.

**Intent-to-use applications generally cannot be assigned.** If another entity seeks to sell your company its federal intent-to-use trademark application, be careful. Although the Lanham Act allows for applications to be filed based on a bona fide intent to use the mark in commerce,

the application will not proceed to registration until the mark is used in commerce and evidence of that use has been submitted to the U.S. Patent and Trademark Office. 15 U.S.C. Section 1051(b).

An intent-to-use application cannot be assigned to another entity unless the applicant has provided that evidence of use

prove abandonment. *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151 (9th Cir. 2001).

If your company seeks to "buy" an unregistered mark, investigate the use of the mark over its life to determine whether trademark rights in fact were created and maintained. Without continuous and significant use, there may be no trademark

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to the Trademark Office or the assignee is the successor of the assignor's business. 15 U.S.C. Section 1060(a)(1). In fact, if your company does get an assignment before evidence of use has been submitted, both the application and any resulting registration will be void. *Clorox Co. v. Chemical Bank*, 40 U.S.P.Q.2d (BNA) 1098 (T.T.A.B. 1996).

**Abandoned trademarks cannot be assigned.** This was made clear in *Auburn Farms Inc. v. McKee Foods Corp.*, 51 U.S.P.Q.2d 1439 (T.T.A.B. 1999). Absent an express abandonment or cancellation of the registration, to establish that a federally registered trademark has been abandoned, the party trying to demonstrate abandonment must prove nonuse of the mark combined with an intent not to resume such use. 15 U.S.C. Section 1127.

Nonuse for three years is prima facie evidence of intent not to resume such use. For unregistered marks, abandonment is easier to establish because the mark owner must show continuous and significant use of the mark in interstate commerce in the United States in order to have existing trademark rights, so the burden is on the mark owner rather than the party trying to

rights to assign, rendering any assignment worthless.

As part of the assignment of an unregistered mark, seek documentation from the assignor evidencing use of the mark over time, and make the assignor obligated to testify about such use if needed. Without such evidence, it will be difficult to prove that common-law rights were established.

**Assignments of registered trademarks must be in writing.** Any assignment of a federally registered trademark must be in writing and executed. 15 U.S.C. Section 1060(a)(3). In order to be recorded, the assignment must be in English, or an English translation must be provided. 37 Code of Federal Regulations Section 3.26.

Although written assignments are not required for common-law trademarks, a written assignment is preferred for practical reasons. *Speed Products Co. v. Tinnerman Products Inc.*, 179 F.2d 778 (2nd Cir. 1949).

**Assignments should be recorded within three months.** Assignments of federal trademarks should be recorded with the Trademark Office. Recordation acts as prima facie evidence of execution of the assignment. 15 U.S.C. Section 1060(a)(3). If an assignment is recorded within three

months of execution or before a subsequent purchase, then recordation acts to void an assignment to any subsequent purchaser for consideration without notice. 15 U.S.C. Section 1060(a)(4).

Adopting a new mark creates a different set of issues. Paying attention to these issues can help maximize the protection for the new mark and guard against loss of your company's investment in the mark.

**Pick a distinctive mark.** In selecting a mark, it is important to adopt something distinctive. The more distinctive a mark is, the stronger its conceptual strength will be, which ultimately will impact the scope of protection for the mark.

Certain types of marks are inherently distinctive and strong: arbitrary marks (marks unrelated to the good/service); fanciful marks (the mark is a made-up word); and suggestive marks (some imagination or level of abstraction is required to reach a conclusion about the goods/services). Descriptive marks (terms that describe the nature, use or characteristics of goods/services), on the other hand, are not inherently distinctive, are weak and require secondary meaning (the primary significance of a mark to the public is to identify the source of the product rather than the product itself) to enforce the mark. Generic terms (the common name for goods/services) are never entitled to trademark protection.

**Conduct a clearance search, and consider getting an expert opinion.** Parties creating a new mark should conduct a clearance search to evaluate whether the mark may be used without undue risk of infringement. Initial searches typically involve searching publicly available trademark databases, like the federal government's trademark database, [www.uspto.gov](http://www.uspto.gov), and conducting investigations using Internet search engines.

More extensive searches can be conducted through outside search firms specializing in trademark clearances, which, for a fee, will search massive databases they have collected. Clearance searches can help minimize the risk of a charge of infringement and avoid unnecessary expenses associated with launching a brand that later might prove to be problematic.

If your company is charged with trademark infringement, a favorable

opinion of counsel may be helpful to show that your company acted with good intent in selecting and adopting its mark. Intent is relevant to the "likelihood of confusion" test for trademark infringement liability, as well as to potential recovery of the defendant's profits and the plaintiffs' attorney fees.

**Consider seeking a trademark registration.** Although a federal trademark registration is not required to protect a mark, it provides certain benefits, including prima facie evidence of validity of the mark, validity of the registration, ownership of the mark, constructive notice of the registrant's claim of ownership and the exclusive right to use the mark in commerce on the cited goods/services, as well as the right to certain remedies. 15 U.S.C. Sections 1057(b), 1072, 1115(a), 1117. If your company is not yet ready to use the mark, you should consider filing an intent-to-use application, which reserves rights in a registration for you while you make plans to actually start using the mark in commerce. 15 U.S.C. Section 1051(b). The filing date of an intent-to-use application acts as a constructive first-use date, which means that, upon registration, that application generally will confer priority over marks first used after your filing date. 15 U.S.C. Section 1057(c). Your company's filing date can trump another entity's later actual first-use date, even though your company's actual first use took place afterward. Note, however, that, except for certain foreign-based applications, until the mark is actually used in commerce and evidence of that use is submitted to the Trademark Office and a registration issues, the intent-to-use application confers no substantive trademark rights on you and no constructive first-use date. 15 U.S.C. Sections 1051(a)-(d), 1057(c).

**Use trademark symbols.** If you are claiming trademark or service mark rights in a mark, use the appropriate trademark symbols to signify such a claim. Where your company has common-law rights or a federal application has been filed but has not yet resulted in a registration, a superscript "TM" (for goods) or "SM" (for services) should be used next to the mark. This signifies to the public as well as to potential junior users that your company intends for the mark to act as a trademark or

service mark (that is, to provide a source-identifying function and to distinguish goods/services from others' goods/services).

Potential junior users may be more likely to avoid your company's mark if they see that your company is claiming rights in the mark.

Where your company has a federal registration, ® or "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." should be used. 15 U.S.C. Section 1111.

These symbols can be used only for federally registered marks and only in connection with the goods or services cited in the registration; simply filing a trademark application is not enough.

Although use of the ® symbol (or its equivalents) is not required, failure to use it with your registered mark will result in a loss of the ability to recover the defendant's profits or your damages in a trademark infringement case, unless you can show that the defendant had actual notice of your registration. 15 U.S.C. Section 1111. Note that improper use of registered trademark symbols risks a potential finding of fraud on the Trademark Office that could result in a cancellation of the registration, a claim for false advertising, or a defense of unclean hands.

**Use the mark properly.** This goes for print materials as well as material on the Internet and elsewhere. A mark should not be used as a noun or verb but rather should be used as an adjective, that is, "ACME widgets." Also, the mark should not be used in possessive form ("ACME's widgets").

Distinctive lettering is also helpful to signify to the public and potential junior users that your company is using the word(s) as a trademark.

Taking proper steps to obtain your company's trademark rights can help avoid problems with development of your company's brand and enforcement of its marks. It also will help protect your company's investment in the new marks.

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