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PROCEDURES AND COSTS FOR TRADEMARKS

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1. Introduction

Your business uses words, logos or packaging that have become associated in customers' minds with your business. If the words, logos or other associated images were used by a competitor, it would cause significant confusion among customers, and you want to be able to stop any competitor from such a use. Trademarks give you the opportunity to exclude others from using these valuable identifying words or logos. A trademark registration may be the best way for you to protect your rights, but how do you go about obtaining one? This is a brief outline of the major steps and some typical costs ordinarily taken by businesses toward obtaining a U.S. Trademark Registration.

Numerous cost ranges are listed below in order for you to have an idea of what steps might cost in a typical case. These should not be taken as quotes for any particular case. Additionally, we ask clients to deposit retainers with us for any estimated costs, and the retainer amount is typically the full amount for the task to be performed. If you have any questions about costs, payment or any other matter, we sincerely hope you will raise those so we can resolve them.

2. Selecting A Trademark Or Service Mark

A trademark is a word, group of words, symbol or combination of these that distinguishes the products of one competitor from the products of other competitors in the marketplace. For example, hamburgers are sold by Burger King, Wendy's and McDonald's. The trademark is the principal way that customers distinguish one competitor from the others. The goal is to select and clear a trademark that has sufficient legal strength that enables its owner to stop others from using the mark, avoids or minimizes the expenses necessary to defend or enforce it, and minimizes the

risk that its owner will be required to stop using it after having built up a reputation associated with it.

To understand how to select a trademark and what to select, clients should understand what a trademark does and does not do in the marketplace. Legal principles are based on the purpose of a trademark and poor choices are usually based upon a misunderstanding of this purpose. When a customer purchases goods or services that have a prominently displayed trademark associated with those goods and services, customers usually at least see that trademark. If they like or dislike a product they purchase, they are likely to associate their favorable or unfavorable impressions of the product with the trademark. The next time they see another product with the same trademark, they will remember the impression they gained from the prior purchase. These impressions accumulate as a result of customer experiences, which include not only the purchase of products but also their exposure to advertising and what others have said about products sold under various trademarks. Therefore, a trademark acquires a reputation, commonly called goodwill, although unfavorable experiences may create badwill and different people may have different impressions. Nonetheless, use of a trademark creates a composite reputation among the consuming public. This reputation grows in response to the length of time the trademark is used and the extent to which the trademark is promoted. One purpose of trademark law is to protect this reputation/goodwill for a trademark owner, who earned it by providing good products and/or paying for advertising. Another goal is to protect the public from being misled or deceived. Such a deception occurs if a second company later adopts a mark that is so similar to the already established trademark that customers are likely to purchase the product of the second company in the mistaken belief they are getting a product which comes from or is approved by the first company that established the reputation and goodwill in the trademark by first selling products in association with its trademark.

What should a business person choose as a trademark? Let's start with what they should not choose. Trademarks that are descriptive should be avoided. "Descriptive" means that the word, word combination, or symbol describes some characteristic or feature of the product or service sold with the mark. It gives information to the ordinary customer about the product. The reason the law does not protect descriptive marks is that all competitors in the marketplace must be able to tell their customers about the characteristics and features of their products. Examples of descriptive marks are "Commercial Door Company", "Basement Repair Specialists", or "Ohio Equities". Furthermore, many people choose descriptive terms, and therefore choosing a descriptive term also increases the probability that someone is already using something similar. Generally, surnames should also be avoided. The courts are reluctant to stop

others from using the same surname because they do not like to prevent someone from using his or her own name in a business.

Although the law seeks to avoid protecting descriptive marks, there are exceptions. If a descriptive term or surname is used so long and so extensively that ordinary customers have come to associate a particular company with that term, then such marks can be protected. Consequently, we have trademarks like MCDONALD'S, SEARS, and KROGER, all of which are surnames, and we have marks like OLD FASHIONED HAMBURGERS which was initially descriptive of the associated product. If a descriptive mark or a surname is used, it is likely that the passage of substantial time, and possibly the expenditure of a substantial amount of money, will be necessary before that mark qualifies for the exception. In the meantime the trademark owner's right to stop others from using the mark will be uncertain and may never come into existence.

Instead of a descriptive mark, the better choice is a trademark that is coined, arbitrary or suggestive. A coined mark is one that has no meaning in the language, such as KODAK or XEROX. Those who have such marks simply make up a word and, since it is unknown elsewhere, it becomes strongly associated with its owner by ordinary customers. An arbitrary mark is one found elsewhere in the language but without the meaning associated with the particular business. Examples are BIG BEAR for grocery store services or COCONUTS for music store services.

A suggestive mark is not descriptive, but nevertheless creates a favorable image or suggests a desirable connection to the product. Examples of a suggestive mark are GUARDIAN fence, HURRICANE ram-doubling software, and BUDGET car rental. None of those words is descriptive of the goods or services because they require human imagination to connect the goods/services with the mark. Nevertheless, these marks create a favorable impression because of the images that are formed in the human mind as suggested by the mark. It can also be helpful to choose recognizable portions of words and combine them into a mark. Examples include MICROSOFT, LOGITECH, or NETSCAPE, a clever combination of network and landscape.

It is difficult to think of a good mark. Many companies spend a lot of time and go to great expense to find suitable marks. Those trying to select or coin a mark should avoid thinking in terms of using the trademark to convey information, because this normally results in descriptive terms. The mark EXXON was chosen by having a computer generate hundreds of letter combinations into made-up words and having a human scan through them for something desirable. Another way is to look at lists of words. For example, one might go through a dictionary word by word. If a word is descriptive of a characteristic or feature of the goods or services, go to the next word. If it is not, think about whether it would present a desirable image to be associated with the goods or

services. This can also be accomplished by checking through text, such as advertising literature, to simply go word by word treating the text as a list of words. As noted above, one may also look for pieces of words that convey a good image and which may be combined with other pieces.

After a mark is selected, it should be cleared by finding out if someone is already using a conflicting mark. That requires a trademark search. The question is: how similar is too similar and therefore would result in a conflict. This is determined by imagining an ordinary customer who observed the mark in connection with the goods or services and observed the possibly conflicting mark used in connection with the other company's goods or services. The question is whether that ordinary customer would be likely to believe as a result of the similarity of the marks, the similarity of the products, and other market circumstances, that the product of one company comes from the other company, is approved by the other company, or that the two products come from related companies.

There are three other important items clients should remember in selecting a mark. First, the fact that one has a corporate or company name registered with the Secretary of State does not ensure that the name is a trademark or service mark that one may use in business. Second, businesses obtain important legal rights just by using a trademark in the marketplace even without obtaining a registration of the mark. Although a registration is not necessary, a trademark registration greatly strengthens the mark and the legal right to stop others from using a similar mark. Finally, it is prohibited to use the symbol for trademark registrations (the ® in a circle) until one has a trademark that is registered with the U.S. Patent and Trademark Office. Until then, it is typical to use a superscript TM to indicate to others that you consider a mark to be your trademark.

3. Trademark Search

Usually it is preferable to do a trademark search before applying to register. In a trademark search we are looking for existing uses by others of trademarks that might be in legal conflict with a client's mark. Because important legal rights to a trademark are obtained by merely using a trademark even without a registration of that mark, a registration cannot take away legal rights previously obtained by someone who has previously used the mark.

One reason to perform a search is to get some idea, before you expend the time and money to build up a reputation and goodwill in a mark, whether you are likely to encounter a conflict with someone else's mark later. It is desirable to estimate the probability that one might be forced to stop using a mark because of such a conflict.

Another reason to search is that there may already be a registered mark, or an application to register a mark, with which a proposed trademark would conflict and therefore which would prevent a client from obtaining a registration after applying. However, a search may not be worth the cost if so much goodwill in a mark has already been established that, even if there were a conflict, its owner would not change the mark.

Another consideration is that a search can cost from one fourth as much to more than the cost of applying to register, depending upon the extent of the search. Therefore, it may be preferable simply to apply and see what the United States Patent and Trademark Office finds as potentially conflicting marks. However, because the United States Patent and Trademark Office does not look for unregistered common law uses, clients should not be misled into the belief that there is no risk of conflict just because the examining attorney in the United States Patent and Trademark Office finds no conflicting mark.

This choice of whether to search first or apply without a search requires a balancing of these competing factors and evaluation of risks and costs. You must make that evaluation, because no attorney can weigh risks and costs for you. If there are any significant doubts, it is typically more prudent to conduct a search.

Although trademark searching can be conducted over a broad range of effort and expense, we believe there are two levels of searching which are appropriate for most situations. The first and most important level is to search in the U.S. Patent and Trademark Office. However, that search is limited to applications and registrations in the U. S. Patent and Trademark Office and does not extend to state registrations, domain names and common law uses.

The second level extends the search to additionally include state registrations, internet domain names and common law uses by others who have not registered, but who might have some important legal rights as a result of their use. The second level takes longer and is the most expensive search. The greater the extent of a search, the greater the likelihood that someone else with substantial rights to a similar mark would be found, but also, the more expensive the search becomes. No amount of search effort can completely eliminate all the risk of missing another user of a conflicting mark.

Ordinarily, it is desirable to perform a preliminary screening search at the first level to initially determine if there are any obvious clearly conflicting marks and then, if there are not obvious conflicts, proceed to a comprehensive search at the second level. This is especially true if you have more than one prospective mark you may be considering adopting. Although it cannot be considered sufficient, clients can do some preliminary

screening on the web site of the U. S. Patent and Trademark Office at www.uspto.gov. Of course, we recommend against relying solely on your trademark searching skills and your ideas of the law of trademarks. However, such search results could turn up one or more similar marks that we could evaluate for conflicts.

We can do the preliminary screening search that will also include our legal opinion and will cost approximately \$750. A comprehensive search at the second level, including our legal opinion, will cost \$2000. The second level is the safest and most reliable, but also is the most expensive search we make under ordinary circumstances.

4. Conflicts Between Marks

When determining whether there is a conflict between a client's mark and another mark, such as must be done in connection with a search, we must form an opinion whether there is a "likelihood of confusion" between uses of the two marks. Two marks are in conflict if their use would be likely to confuse ordinary customers into the mistaken belief that the two companies using the two marks are really one, or are related to each other, or that the product or service of one is approved by the other. To evaluate this, we compare not only the marks but also various other aspects of the use of the marks in the commercial world. For example, we consider the nature of the goods or services for which each of the marks are used, the channels of trade, the nature of the customers and the extent to which similar terms are used by others.

5. Descriptive Terms

The purpose of a trademark is to distinguish the source of the goods or services of one company from the source of the goods or services of another company. The purpose is not to convey information about the product. A competitive market system requires that all competitors be permitted to describe the characteristics or features of their goods or services. As a result, words which ordinary customers would perceive as describing characteristics or features of the goods or services cannot be protected as trademarks. If, however, words which are initially descriptive are used by one competitor so extensively that they come to be associated by ordinary customers with one competitor, then they can be protected as trademarks. Thus, while frigid air might describe what a refrigerator makes, Frigidaire can become a trademark. However, it can be difficult and risky to prove that there has been enough exposure of the term to customers that they associate it with a particular company. Similar principles apply to geographically descriptive words and to surnames. For more on this topic, see section 2 of this document (Selecting A Trademark Or Service Mark).

6. Graphics Plus Words

Sometimes a trademark consists of two principal parts. There is the word portion and there is the graphical portion. Ordinarily there are the possibilities of registering the word portion alone, the graphics alone, or the mark as a combination. The first two possibilities do not exist if the word portion and the graphics are inseparable, that is, the words and graphics are so intertwined that they do not create separate perceptions.

The registration of the combination would probably be the easiest to obtain, but it would also carry the least legal strength. Unless a client wishes to attempt to register all three ways, the client should make a practical determination whether either the graphical feature or the word feature is considerably more important to the client than the other. Ordinarily words are of greater importance because they can be verbalized by an ordinary customer and therefore are more easily remembered. Typically the more important features would be registered first.

The registration of the combination carries the least strength for the following reasons. The purpose of obtaining a registration is to stop others from using the same or a similar mark. If another adopts a mark which a client would wish to enjoin, a court would compare the mark as registered, to the mark used by the infringer. The more that is shown on the registration, the more the infringer has to point to as being differences between the infringer's mark and the registered mark. Thus, for example, if we registered the combination, a user of the word would point to the absence of the graphical feature in his mark and its presence in your mark as registered as being an important difference which would weigh against infringement. Consequently, if either the graphics or the word is clearly more important than the other portion, then the most important portion should be registered. The secondary portion may also be registered, but an application should only be filed if the secondary portion is important enough to justify the additional cost.

7. Registration Procedure

A trademark application can be filed following an actual use of the mark in business in association with the sale of goods or services, or an application may be filed upon the basis of a good faith intent to use the mark. However, although the mark in an application based on intent to use can be approved for registration before an actual use occurs, an actual use must occur and evidence of that use must be submitted before the registration will be granted. An intent to use application prevents others from learning of a company's intent to use a mark and then gaining superior rights to the mark by using the same mark itself before the company has an opportunity to do so. It also offers protection against an inadvertent innocent use of the mark by another company in that interim period between a decision to use a mark and actually using it.

The filing date of an intent to use application can also provide a legal date of first use, which is usually important in resolving conflicting rights.

The registration procedure begins with the preparation and filing of an application to register a trademark. The cost for filing the trademark application is typically \$975 if the goods or services for which registration is sought all fall into one class of goods. This includes an attorney fee of \$700 and a \$275 filing fee for each class. If clients have multiple goods or services for which they want a registration, then the attorney fee will not typically increase unless the number of classes is very large, but the filing fee will increase by \$275 for each additional class of goods or services. Additionally, if a drawing of the mark must be prepared by a draftsman, the total cost will be increased by the cost of having the drawing prepared. This typically only occurs if there are graphical features to be included in the mark sought to be registered and we cannot make an acceptable solid black drawing by photocopying or computer scanning.

After receipt in the U.S. Patent and Trademark Office, the application will await its turn. After approximately three to five months, a trademark examining attorney will read the application, perform a search for conflicting marks in the U.S. Patent and Trademark Office, and look for other matters to which he or she may object as preventing registration. The examination is very rigorous. The trademark examining attorney will then communicate in writing to us stating the initial position of the Office and will, in most instances, require various changes. It will then be necessary to make the changes in the application to accommodate the legitimate concerns of the examining attorney, or point out to the examining attorney how the concern is inappropriate, in error, or not well founded.

For example, the examining attorney may object that the mark conflicts with another mark already registered in the U.S. Patent and Trademark Office. The examining attorney may object that the mark is descriptive or a surname or does not conform to the mark as used on any specimens. Usually the examining attorney seeks a change in the description of the goods or services recited in the application because he or she wants such descriptions to conform to already accepted descriptions of goods and services to the extent possible. The application should describe the specific goods upon which the mark has been or will be used. The description is not supposed to be a claim to a class or kinds of goods for which the applicant has rights. The courts decide that issue if there is litigation involving the mark. Also, the Office does not permit a broadening of, or additions to, the goods or services that are described in the initial application, nor does it permit any changes of substance to the drawing of the mark. Consequently, the initial application must describe the services in a sufficiently broad manner to permit later changes.

In light of the possible bases for objection, it is usually necessary that we communicate at least once, if not a few times, with the trademark examining attorney. This results in additional cost. While it is impossible to predict the additional cost because we cannot predict what the examining attorney will do (and therefore what we will need to do in response), our experience is that typically you can expect the additional cost to be in a range between a few hundred to a few thousand dollars, and usually it is around the middle. For exceptionally complex or lengthy communications, the cost could be substantially more.

If the examining attorney finally approves the mark for registration, the mark will be published for opposition. Registration, of course, is not guaranteed. Any person or company that believes damage would occur to it as a result of your registration may oppose registration. In that event, a proceeding is conducted under the supervision of the U.S. Patent and Trademark Office to determine whether the objection is appropriate. Such oppositions are relatively infrequent. Cost estimates for oppositions are uncertain because they depend upon the particular facts and what the other party does. Often oppositions are settled by reaching an agreement.

If, after publication, there is no opposition or if the applicant prevails in the opposition, the mark qualifies for registration. If the application was based on actual use, it is then registered. If the application was based on an intent to use, then it will be registered only after a statement of use is filed along with specimens of that use. There are time limitations and opportunities for six month extensions of time in appropriate circumstances for up to a total of two years. The cost for filing evidence that the mark has been used is typically around \$300, plus a \$100 per class fee which needs to be paid to the U. S. Patent and Trademark Office. The cost for obtaining time extensions is approximately \$150, plus a \$150 per class fee paid to the Patent and Trademark Office.

8. Post Registration Requirements

Rights in a federally-registered trademark can last indefinitely so long as the owner continues to use the mark to identify its goods or services and files all necessary documentation in the United States Patent and Trademark Office. In order to maintain a registration, the owner of the registration must file affidavits at appropriate times.

Between the 5th year and the 6th year after registration, the owner of a trademark registration must file a Declaration of Continued Use or Excusable Nonuse (also known as a Section 8 Declaration). Failure to file this affidavit results in cancellation of the registration. Additionally, after 5 consecutive years of continuous use in commerce following registration the owner may file, but is not required to file, a Declaration of Incontestability under Section 15 of the Trademark Act (Section 15 Declaration). It is common for us to remind clients of the deadlines to file these affidavits and the need

and benefit of filing both affidavits simultaneously, but we recommend clients keep track of these dates themselves because of their importance. The cost for filing both declarations (not each) at the same time is approximately \$400 for attorney services and \$300 per class for the government filing fee.

In addition to the filings between the 5th and 6th years, it is also necessary between the 9th year and the 10th year after registration to file a Section 8 Declaration and an Application for Renewal under Section 9 of the Trademark Act (also known as a Section 9 Renewal). Failure to file these documents results in cancellation and expiration of the registration. Again, we remind clients of these dates, but because of their importance they should also be tracked by clients. The approximate cost for filing an application to renew a registration is typically around \$500 for attorney services plus \$400 per class for the government filing fee.

Once these affidavits have been filed, the owner of the registration must file Section 8 and Section 9 renewal affidavits before every subsequent 10 year anniversary for as long as he or she wishes to maintain the registration in force.

9. Conclusion

It is very important that you understand the anticipated events and costs before you proceed. No one wants you to be surprised. Therefore, please ask any questions which occur to you at any time. We thank you for your inquiry and would be pleased to have the opportunity to serve you in trademark matters.