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# BRAND PROTECTION

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A PRIMER ON PROTECTING  
YOUR COMPANY'S MOST VALUABLE ASSETS



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# BRANDS AND BRAND PROTECTION

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## INTRODUCTION

Branding was first adopted so that farmers could identify their cattle by a distinctive symbol burned into the cow's skin. In the 13<sup>th</sup> century, the Parliament of England passed legislation requiring every baker to place a distinctive mark, or brand, on the bread they produced. By the end of the 19<sup>th</sup> century, brands had expanded beyond simple marks on cattle and bread to include names, logos, colors, graphics, shapes and other symbols used to identify the source of goods and services. The use of brands allows consumers to identify a company or source of the products they are buying and assures consumers of the consistent nature and quality of those products. A Brand is strong when the owner can use it and no one else can. Brand Protection is concerned with preventing others from using a trademark or a "colorable imitation" of a trademark that it does not own on its competing products. We will discuss trademarks, which are marks used on products. For purposes of this memo, we will group together the usual types of trademarks, words, logos symbols and shapes and refer to them as "marks." Service marks function in the same way to identify the supplier of a service.

In this memo we will describe how trademarks and brands are created, how the owner can learn about wrongful conduct concerning its trademarks, conduct that that we call "Attacks", things like infringement of a trademark or counterfeiting of the product with the trademark, and the actions that the owner can take to stop or control the scope and types of Attacks.

## BRANDS ARE BASED ON TRADEMARKS

### HOW ARE BRANDS CREATED?

The words, symbols or designs used in connection with the sale of goods come to function as trademarks because of their use as such. When a seller uses words or symbols, a connection is created between that mark and the seller. With sufficient use, the word or symbol becomes associated in the minds of the buyers exclusively

with the seller. The mark Exxon, for example, has no use or connotation except to identify the oil company that has that name.

## **REGISTERING TRADEMARKS**

You have likely observed the ™ and ® symbols next to hundreds of marks. The ™ is a brand owner's assertion that it claims the mark, while the ® indicates that a brand owner has registered the mark with a national trademark office. In the United States, that office is the United States Patent and Trademark Office ("USPTO"). Registering a mark with the USPTO provides several advantages to brand owners, including additional rights and protection in lawsuits against those who are wrongfully using the mark.

To register a mark, a brand owner must submit an application to the USPTO that provides information about the mark, including the owner and date the mark was first used. Once an application is filed, a trademark examiner reviews the application to determine whether the mark should be permitted to receive registration. If the examiner raises any objections to registration, she will issue an Office Action to notify the applicant. An applicant may oppose the refusal by amending the application or by supplying additional evidence or making arguments to the USPTO to show that registration is proper. When an examiner has no objections to registration, the USPTO publishes the mark so that any member of the public believing that his or her rights may be damaged by the registration of the mark can oppose the registration. If there is no opposition, the USPTO will issue a certificate of registration to the applicant. At this point, the owner may use an ® adjacent to the newly registered mark.

## **RULES OF THUMB FOR SELECTING A MARK**

Registering marks with the USPTO is a good starting point in an effective brand protection program. Thus, during the initial stages of naming and designing a brand, it is prudent to think about problems that may come up in the registration process.

First, select a mark that the USPTO isn't likely to refuse to register. If you choose a mark that will be refused registration, you can expect a time-consuming and expensive fight with the USPTO. One type of mark that the USPTO is likely to refuse is a descriptive mark, or a mark used with products or services that are directly related to the mark's meaning. If a hot dog manufacturer registered the

marks SPICY and ALL BEEF, all other hot dog manufacturers would be prohibited from using those marks in connection with their products. Another mark the USPTO is likely to refuse is one that is the same or similar to a mark that is already registered for the same type of goods or service. A new hot dog company would be unable to register the mark OSCAR MEYER because it is already in use, and the company would likely be refused registration of the mark OSKAR MAIER because it is phonetically and visually similar to OSCAR MEYER. The USPTO also frowns upon foreign translations of registered marks or of words deemed to be descriptive. HEBREO NACIONAL, a Spanish translation of the registered mark HEBREW NATIONAL, is likely to be refused by the USPTO, and if the mark PERRO CALIENTE (the Spanish word for "hot dog") were to be registered to a hot dog manufacturer, it could cause confusion to customers who began to associate that mark with a particular manufacturer.

Second, select a mark that is considered “strong”: a word which currently is not being used for the goods and is completely unrelated to the goods. Select a mark that is short and easy to remember. SPICY – the mark that was descriptive of hot dogs- might be an excellent mark for bed linens assuming that it is not being used for a similar product. SPICY is not a characteristic of such goods. It is a word related to a strong human reaction and if an association is created between SPICY and bed linens, the mark will be easy to remember.

## **MAINTAINING REGISTERED TRADEMARKS**

Once a brand owner has a registered mark, he needs to ensure that the registration is maintained. As long as a brand owner files periodic statements that the mark is in use, the USPTO will allow the brand owner to hold the marks for an indefinite time. After 5 years from the date of registration, the owner may file a document under Sections 8 & 15 of the Lanham Act (The Trademark Act) that states that the mark has been in continuous use since it was registered. The filing and acceptance of the Section 15 document renders the mark “incontestable.” Incontestability is a powerful weapon against potential infringers. After 10 years from the date of registration, the owner may file another document with the USPTO to renew the mark. The mark can be renewed every 10 years as long as it is in use. If the owner or a licensee fails to use the trademark continuously and fails to file the required statements of continuing use, the USPTO will consider the mark to be abandoned and it will remove it from the register of marks.

## FOREIGN TRADEMARK APPLICATIONS

In this era of globalization, most brand owners sell in the U.S. and internationally. Thus, they want to protect their marks in all the places they sell their goods and services. After the registration of a mark in the United States, the owner is entitled to a priority in many countries over applications filed after its application to register in a foreign jurisdiction. Currently, the priority period for most countries is 6 months. International conventions allow the owner of a mark registered in the U.S. to file a single application for registration of the mark in other countries. The most important of the conventions is The Madrid Protocol, which has been adopted by over 60 countries. Brand owners can identify the countries in which it wants to seek registration. During the process, the application is examined by an examiner from a group of nations, such as the EU or by an examiner of one country. If the mark survives the examination process, it is published for opposition, a registration fee is paid and the mark is registered in the requested country.

## ATTACKS ON BRANDS

To protect a brand, you must be aware of the attacks it may face. In this section, we will describe some of the attacks that brands and marks may encounter.

### COUNTERFEITING

A counterfeit trademark is the owner's trademark applied to goods that are not the owner's goods in order to fool consumers into buying the counterfeited product. Usually the counterfeiter applies the counterfeit trademarks to goods that are cheaper and less serviceable. Whether they are cheap handbags, fake drugs or cosmetics that don't work correctly, the consumer usually gets a less desirable product. The product can be more than just inexpensive and shoddy, it can be dangerous as in the case of fake pharmaceutical drugs.

### TRADEMARK INFRINGEMENT

An infringement is an attempt to pass off another company's goods as that of the owner of the mark by using the owner's mark or a mark or packaging that is confusingly similar. Buyers of the goods or services are likely to be confused as to whether the goods or services they are buying originate with the trademark owner or with someone else.

For example, consider Shell Oil Company's logo – a stylized yellow scallop shell outlined in red. A gas station prominently displaying a stylized yellow seashell with a slightly different shape but with a bold red outline would be likely to confuse and deceive consumers, who may mistake it for a genuine Shell station or believe that it is run by the same company. In either case, the Shell brand is harmed.

## **TRADEMARK DILUTION**

Rolls Royce is the name and trademark for prestigious automobiles. If a delicatessen is identified as the “Rolls Royce of Deli’s” consumers are unlikely to believe that the deli delivers prestigious automobiles. But the prestige of the Rolls Royce brand is injured. The reason for this is that when such a recognizable mark is used, there is a presumption by the public that the product must be produced by that company. If a non-competing product is allowed to use the famous trademark unabated, it will weaken or “dilute” the brand.

## **PRODUCT DIVERSION**

Diversion occurs when genuine goods intended to be sold only in limited channels of distribution are diverted from that channel. Diverted products appear for sale by unauthorized retailers or in unauthorized locations. Goods intended for limited distribution are usually expensive and profitable goods and the limited distribution gives them panache. Diversion allows sellers who do not contribute to the value and quality of the brand to make quick profits. Their sales undermine the perceived value of the goods and hurt sales by authorized resellers. Diversion is one of the most pernicious problems that limited distribution brands suffer. Diversion often results in demands by authorized resellers for discounts or other costly concessions. Because diverted product is often warehoused for long periods of time outside of the control of the brand owner, the products may lose their efficacy and become dangerous.

Diversion may subject the brand owner to legal action by states that have restrictive regulatory requirements. For example, some states limit the amount of volatile organic compounds (VOC) in products such as hairsprays. When a product manufactured for sale in a state with less restrictive regulations is diverted into a state with stricter regulations, the manufacturer may be charged with violating the regulations even though it sold the products into a state where they



were legal. In such circumstances, the brand owner may be subject to civil and criminal enforcement actions because an illegal product was found in the jurisdiction.

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## ELEMENTS OF A BRAND PROTECTION PROGRAM

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Brand protection starts when a company takes actions to protect its brand and trademarks from misuse and works to prevent conduct that causes harm to them.

### PREVENTATIVE BRAND PROTECTION

In this section, we will explain actions a brand owner can take to deter attacks, discover attacks, and prepare for a timely response to those attacks.

#### BRAND GUIDELINES

Brand owners should have brand guidelines which specifically address how the company and any licensees are to present the brand. Such guidelines can prevent accidental misuse of the brand.

Guidelines should include a brief statement describing the brand, the marks and owner's goals, provide images trademark and logos, explain when they should be used and how they should be displayed on products, advertisements, print communications, and electronically. The guidelines should point out any particular typefaces, colors, or designs associated with the brand and clarify the style of photographs or images that should be used alongside it. A guideline is better if it contains clear images of correct and incorrect uses of the brand. If authorized parties use the brand incorrectly, a company can refer them to this document.

#### PRODUCT TRACKING

With today's technology, it is easy and inexpensive for companies to add a coding system to their manufacturing process. The products are tracked by their codes by scanners located at each stage in a supply chain. A company can determine exactly where in its authorized distribution network a product is or should be. In the event that a recall is required of the products, a manufacturer knows exactly where its

products are and can respond quickly. If diversion is detected, the brand owner can determine exactly where a product left the supply chain and who is responsible.

## **PROOFS OF GENUINENESS**

Companies can also introduce items on their products which identify them as genuine. The proof can be a code or seal on the product that is difficult for counterfeiters to imitate. Often, it's advisable to have multiple proofs in case one of them is tampered with.

## **CONTRACTS**

Many companies do not sell their products directly to consumers. Instead, they sell their products indirectly through one or more third parties, they may be distributors, dealers or retailers. The contracts with these third parties should specify how the goods are to be displayed and sold and should prohibit misconduct such as diverting the goods outside of the trade channel selected by the brand owner.

When the brand owner has licensed others to use its brand, the license should contain restrictions on the way the brand or mark may be used. The restrictions should ensure that only uses reflecting creditably on the brands are allowed.

## **RECORDING MARKS WITH GOVERNMENT ENTITIES**

U.S. Customs and Border Protection (CBP) examines cargo entering the United States. One of the things that is checked is whether products entering the country infringe a brand owner's trademark. CBP allows brand owners to record their federally registered trademarks with CBP. In addition to recording its marks, a brand owner can provide CBP with product identification guides and product training sessions that make it easier for CBP officers to recognize infringing goods.

## **PROVIDING A WAY FOR PEOPLE TO CONTACT YOU**

Often, the first indication of an attack, whether counterfeit or infringements, comes from consumers. It is wise to have an easy method in place for consumers, employees and dealers to report the attack. Brand owners can establish email addresses, hotlines and/or web forms through which people can submit information.

## PASSIVE INVESTIGATION

In order to actively protect a brand, the owner must know what type of attack or misuse is occurring. A brand owner may passively learn of an attack on its marks through consumer reports that products are not performing correctly or have changed. In this section, we describe how the brand owner can take measures to learn about market conditions and activities that are harmful to its brands.

### MONITORING THE MARKET

Often, a brand owner will discover attacks on its brand through a tip from a consumer or dealer. However, this should not be a brand owner's only source of information. A brand owner should monitor physical and electronic marketplaces so that it can quickly discover any potential attacks and respond to them accordingly. A brand owner should consider stores, tradeshow, auction houses, websites, trade publications, and advertisements in determine which physical and electronic spaces to monitor.

Brand owners can outsource their monitoring to licensed investigators or to internet watchdogs like MarkMonitor, or they can use their own employees in an in-house monitoring program. Any monitors must be trained in what to look for and given specific instructions on how to report any potential attacks.

### MANAGING YOUR INFORMATION

The information that you receive through consumers, dealers and investigators should be stored for future use. If you do decide to pursue a lawsuit as a result of an attack, any information of customer confusion will help your lawyers argue your case.

The information must be described in a uniform and consistent fashion in order to catalogue it and store it in a formal location such as a database or spreadsheet. Include information describing where the product was acquired, the date of acquisition, and the name of acquirers. Include images of the product acquired that show relevant circumstances, such as errors in spelling and printing errors and damage to the label.

The information obtained can be used to: decide on what active policing you wish to engage; and determine whether the Attacks detected are sufficiently harmful that

you need to immediately commence some specific action, such as filing a law suit, which was previously authorized by management in such circumstances. The information can be reported to management to help it determine whether changes should be made in the company's activities in order to prevent this type of activity from recurring, such as changing distributors, changing advertising, changing marketing, changing packaging, or changing its contracts with distributors or sellers.

## ACTIVE INVESTIGATION

Active investigation occurs after a brand owner has identified an attack on its brand, either through consumer reports or through the proactive investigation measures described above, and determines the attack warrants further action and investigation.

### AREAS OF INVESTIGATION

The goal of your investigation should be to create a comprehensive picture of the attack. You want answers to questions which will help you determine your response. How big is the attack? How much product is involved? How many wholesalers and retailers are involved? Who are those wholesalers and retailers? Is it a one-time event or a large, ongoing attack?

Investigators should work to locate the source and amounts of the products constituting the attack. If the products appeared in a retail chain, investigators should visit other stores of the same chain to determine whether other locations sell the Offending Products. Investigators should seek to determine how much of the Offending Product exists and where it was or is. In investigations of Internet sales, use either a vendor's software or the companies' own methodology to find sellers on the Internet.

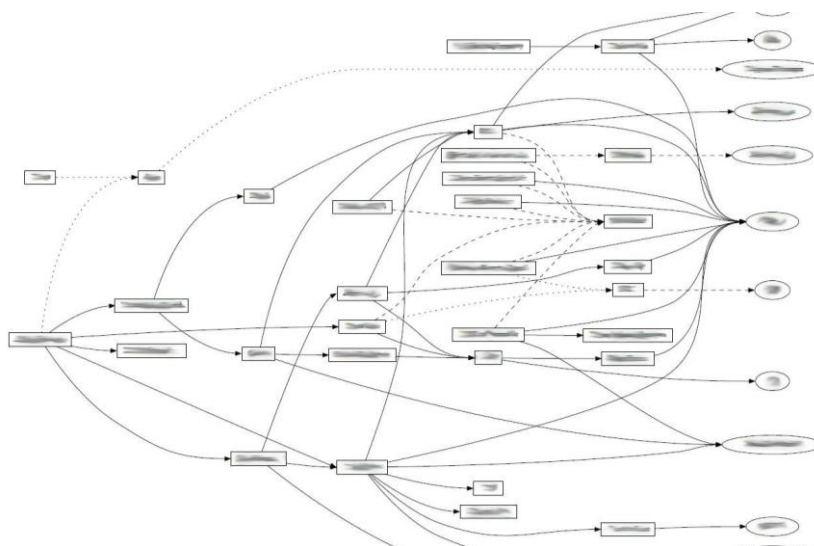
### OBTAINING INFORMATION FROM INFRINGERS

Ask the seller to stop carrying the infringing products. Ask for inventory levels and ask if they will give you all their inventory. From this information, compile a list of companies that have the Offending Products and where they obtained them from. Contact the sources of the Offending Products and ask the same questions as above.

## ANALYSIS

### ANALYZING AND VISUALIZING ATTACKS

Both the investigation and your prior activities will allow you to paint a picture of the size and scope of the Attack. It's possible that you'll find the counterfeiter manufacturing thousands of products in his bathtub and selling them himself through a website which he owns and operates. In most cases, however, counterfeit and diverted products go through many more steps between manufacturer and end retailer and many more individuals and entities are involved. In order to best understand the relationships between persons and entities and the number of counterfeit or diverted units they handled, graphical representations can be created. As more data is gathered, you will begin to fill in any "blanks" you have in regards to parties involved or the number of units sold. As an example, Figure 1 shows a redacted relationship map created for a counterfeiting case. This visualization displays the complexities that can be involved in determining the movement and relationships of products and sellers.



*Figure 1: Sample Supplier Map*

### ESTIMATING THE DAMAGE OF AN ATTACK

Create a process for estimating the damage that an attack causes. The estimate should be first suggested by the brand protection department and approved by management. In an era of limited budgets, there must be a ranking of the risks that various types of conduct can cause.

## CLASSIFYING THE ATTACK TO DETERMINE A RESPONSE

Create a process for classifying an attack and determining how the company should respond. In your classification process, you should take into account the following:

- The size of the attack
- The breadth of the attack
- Was it a single episode, or is it continuing?
- Are consumers are being deceived?
- How good is the counterfeit or infringement?
- Are the products harmful?
- What is the extent of dealer and consumer complaint?
- Information on whether the infringements are causing replacement of sales and losses of future sales

Based on this information, you can classify the results into the following categories:

<b><i>Class</i></b>	<b>Description</b>	<b>Response</b>
<i>Critical</i>	Large loss of sales and customers	Prepare immediate legal response
<i>Significant</i>	Some loss of sales and customers	Management must decide what response to bring
<i>Not Significant</i>	No or minor loss of sales and customers	Problem is not big enough to warrant expense of legal action

## USING THE LAW TO COMBAT ATTACKS

### GOVERNMENT ACTIONS

#### INFORMING GOVERNMENT AUTHORITIES

Inform governmental authorities, including:

- FDA in cases of counterfeiting.
- Air Resources Board in the case of products containing volatile organic compounds (“VOC”) such as hairspray and mousse for which states have different regulatory standards.
- Customs Authorities. Companies can submit allegations of infringing shipments or conduct to the CBP. The CBP can then use this information to target the infringing activities or pursue criminal investigations.

#### LITIGATION BY GOVERNMENT: CRIMINAL OR CIVIL

Many believe that an action by the government, whether criminal or civil, is the best type of remedy. They point to the fact that the brand owner is not paying the fees of the lawyers prosecuting the case and think that the case is costless. They also salivate at the possible press release stating that the federal government is bringing a criminal case against counterfeiters. Each of these benefits is overblown.

The first problem with a government action is that the brand owner loses control of the legal matter and is beholden to the government, usually the Federal government. The brand owner is unable to ensure that swift legal action is brought and that an application for seizure is made immediately and the counterfeits are seized. The brand owner is usually unaware that it will be required to provide extensive information and be engaged in legal proceedings and that it will be paying its lawyers to represent it during those proceedings. Finally, there is no assurance that the government will actually pursue the case as it said it would. The brand owner may use valuable time, often months, waiting for the promised lawsuit. For all of these reasons, legal action by the government sounds better than it actually is.

## CIVIL ACTIONS

### PRELIMINARY MEASURES

Before you file a lawsuit, there are some things you **may** wish to do. Many brand owners reach out to the wrongdoers and try to get them to stop their activities without the need and expense of filing a lawsuit against them. When a letter is sent from the legal/enforcement department of a company or from the company's lawyers, it is generally referred to as a "cease and desist" letter. This is a good step in some circumstances.

In other circumstances, this may not be the best way to handle the matter. If your product is being knocked off or diverted in a foreign jurisdiction, you may wish to file a lawsuit in the home jurisdiction of your company or the location of your litigation counsel so that you can avoid having to appear in a court that is not in your area or not familiar or convenient for your lawyers. If you file a lawsuit, the enemy knows you are serious. It is a good way to bring about a settlement and have people stop infringing your brand.

### SURVEYS TO MEASURE LIKELIHOOD OF CONFUSION

In trademark infringement lawsuits, the Plaintiff must show that the Defendant's product causes a "Likelihood of Confusion." Factors courts take into account when determining Likelihood of Confusion include the similarity of the two marks (look, phonetic similarities, and meaning); similarities of the goods and services involved; strength of the plaintiff's mark; evidence of actual consumer confusion; and intent of the defendant.

Consumer surveys are used to gather data on the beliefs and attitudes of consumers. In trademark infringement lawsuits, consumer surveys can provide evidence about consumer confusion.

### TEMPORARY RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS

When a suit for infringement is brought, it is possible to obtain an injunction, a court order that requires the defendant to cease all sales of the infringing products. To obtain an injunction, the brand owner must show it is likely to succeed in the suit and that continued infringement by the defendants will cause harm that cannot be cured simply by the defendant's payment of money. Only if both of these requirements are satisfied should an injunction be sought.



## SETTLEMENT STRATEGY

In actions for infringement and counterfeiting, the brand owner's goal is to stop the infringement as quickly as possible. If the infringement cannot be stopped by the Court enjoining the conduct of the defendant, the brand owner must work to convince the defendant that continued infringement is unwise because a money judgment at the end of the case may cripple the defendants.