

## Five Trademark Law Strategies for Managing Brands

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Title: Five Trademark Law Strategies for Managing Brands

Abstract: For businesspeople looking to improve their ability to manage brand names, the article offers a selection of five trademark law strategies for protecting and managing brand names more effectively. The assortment of legal strategies introduces readers to a variety of trademark issues that are often overlooked in the management and protection of brand names, even by sophisticated business people.

Key Words: Trademarks, brand names, intellectual property, business law

## WHAT'S IN A BRAND NAME? THAT WHICH WE CALL A TRADEMARK

William Shakespeare's famous line in *Romeo and Juliet*—"What's in a name? That which we call a rose / By any other name would smell as sweet"—may raise deep philosophical questions about identity and meaning. But if the folklore is true, it may also be a sarcastic jab at the Rose Theater, an allegedly unsanitary and foul-smelling rival of Shakespeare's Globe Theater ("A rose by any other name," Nov. 3, 2010). It seems the challenge of managing one's brand name goes back a long way.

So, to paraphrase Shakespeare, what's in a brand name? The answer: A valuable piece of intellectual property that lawyers call a trademark. Every brand name is a mark—a trademark if used for products, a service mark if used for services, or a trade name if used as the name of a company, but all of which are often lumped together for convenience under the term "trademark." Because all brand names are trademarks, the management of brand names inevitably involves issues of trademark law. From the moment a firm picks a name for itself or its products and services, it must begin to navigate a host of trademark issues in order to protect and manage its brand name effectively.

The degree of legal knowledge and sophistication about trademark matters varies among firms and their managers. Some business people have little understanding of trademark law, while others have just enough of an understanding to know when to contact an attorney. Still others have a functional knowledge of specific tasks, like how to register a mark and when to use the "®" symbol (for registered marks) or the "™" symbol (for unregistered marks). In contrast, at firms with large trademark portfolios containing valuable brand names, managers are often more knowledgeable and sophisticated about trademark law than many lawyers. Whatever their level of trademark knowledge, however, managers will face increasing pressure to understand

and address trademark legal issues as brand names become an increasingly valuable marketing tool in an ever-more-crowded marketplace.

For people looking to improve their ability to manage brand names, the following is a selection of five trademark law strategies for protecting and managing brand names more effectively. The list is not exhaustive, and does not include other important aspects of a comprehensive trademark management strategy (like trademark registration). Rather, the following assortment of legal strategies is aimed at introducing readers to a variety of less commonly discussed trademark issues that are often overlooked, even by sophisticated business people.

#### 1. BE AS ARBITRARY AND FANCIFUL AS POSSIBLE

The first challenge facing firms is the selection of a brand name. In doing so, firms face a strong temptation to adopt brand names that describe their products and services. Such descriptive brand names have the benefit of immediately conveying information about the real (or at least alleged) benefits of their products and services. This explains the seemingly endless supply of business names like PAYLESS SHOES, product names like 5-HOUR ENERGY DRINK, and service names like ONE-HOUR PHOTO. But the short-term benefits of such descriptive marks come at the expense of the long-term strength of the brand name. Descriptive brand names get lost in a marketplace crowded with other descriptive brand names, often incorporating adjectives like “affordable,” “reliable,” “speedy,” and “easy” (or the ubiquitous rebus “EZ”). As many firms later discover, it can take an extraordinary amount of time, energy, and money to distinguish a descriptive brand name in a crowded marketplace.

The strongest and most potentially valuable brand names are those that are the least descriptive but the most *distinctive* (i.e., the most capable of identifying one firm’s good or

services and distinguish them from those of competitors). Trademark law categorizes each mark as fanciful, arbitrary, suggestive, or descriptive, based on the inherent distinctiveness of the mark. The most distinctive marks are “fanciful” marks (made-up words—like KODAK, EXXON, and XEROX—that have no meaning other than as brand names) or “arbitrary” marks (words with ordinary meanings that are completely unrelated to the goods or services for which the marks are used, such as APPLE for computers, DOMINO for sugar, or CANON for printers) (International Trademark Association, “Considerations for Selecting a Trademark,” n.d.; Bitlaw, n.d.). More distinctive trademarks receive a greater scope of legal protection.

There are obvious tradeoffs involved in the choice between more distinctive or more descriptive marks. Descriptive marks come with their own built-in marketing message. As a result, less marketing is required in the short term to convey the qualities or characteristics of the product or service. But a great deal more marketing is required in the long term to develop the distinctiveness of a descriptive mark, which is necessary to build brand name loyalty based on consumer recognition of the firm’s products and services. Distinctive marks come with their own costs and benefits. Firms must spend more time and money in the short term to build public recognition of distinctive brand names and to convey information about the qualities and characteristics of the brand’s products or services. But firms who incur the short-term cost of fanciful or arbitrary marks can reap long-term advantages. Fanciful and arbitrary marks receive the broadest scope of legal protection under trademark law, and have the greatest potential to grow and become “famous” among consumers. As evidence of this, consider the notable presence of such distinctive marks—and the *absence* of descriptive marks—on Interbrand’s latest ranking of the most valuable brand names in the world (Interbrand, 2010).

Depending on a firm's marketing strategy, the best strategy for picking a brand name may be a counterintuitive one. Instead of succumbing to the allure of descriptive brand names, firms should consider choosing brand names that are comprised of fanciful or arbitrary marks, even if a bit more obscure. In the end, the increased cost of advertising fanciful or arbitrary marks can be dwarfed by the long-term benefits and growth potential of such strong and distinctive brand names.

## 2. DO TRADEMARK SEARCHES

Finding an appealing brand name is only the first step in selecting a brand name. As some firms have learned the hard way, it is also important to assess the potential legal risk (under trademark law) involved in choosing a particular brand name—what some businesspeople jokingly refer to as “letting the lawyers piss all over it.” Contrary to the sentiment expressed in such an expression, the goal is not to pick a brand name that creates no risk of legal liability whatsoever, but simply to understand the potential risks well enough to allow the firm to make an informed decision. Firms often evaluate the level of legal risk for multiple potential brand names, and use it as one of several factors in making their choice.

To assess the potential legal risk of a brand name under trademark law, firms need to conduct a trademark search and obtain a clearance opinion. Trademark searches often involve a search of the U.S. Patent & Trademark Office (USPTO) database of federal trademark applications and registrations, a search of state government databases (usually kept by the Secretary of State) of state trademark registrations, and a search of publicly available resources such as the Internet, telephone directories, business directories, Dun & Bradstreet's company name database, and the Thomas Register of U.S. manufacturers (International Trademark Association, “Trademark Searching,” n.d.; Meredith and Jaya Shrivastava, 2009). The results of

the trademark search—showing other trademarks that are similar to the firm’s proposed brand name that have been used for other goods or services that are similar or related to the firm’s product or service—are used to assess the risk that the proposed brand name will infringe or dilute another’s trademark. Large firms with substantial resources often hire legal counsel—from outside law firms or as in-house counsel—to obtain a trademark search from a professional search service, review the results, and draft a clearance opinion that assesses the potential legal risks. Firms with more limited resources often conduct rely on more perfunctory but less expensive searches of publicly available sources, known as “knockout searches,” that are conducted and analyzed by outside counsel or by the firm’s own personnel.

A firm’s choice of search-and-clearance strategy usually depends on the costs involved and the amount at stake if the firm fails to discover a potential legal problem. But firms often fail to consider the *scope* of their potential future operations when crafting a search-and-clearance strategy. Firms should be careful to search not only in existing markets, but also in markets that the firm anticipates entering in the foreseeable future. This includes searching in geographic areas (including foreign countries) and market segments into which the firm may wish to expand its operations and/or its offering of goods and services under the brand name. The ability to exploit the value of a strong brand name across a broad line of products and services in a broad range of markets can be very valuable. This is particular true for firms that hope to operate in different countries under the same name and using the same advertising slogan or tagline. But many firms find themselves selling their products and services under different brand names in different areas for no reason other than their failure to plan ahead when picking and clearing a brand name.

### 3. DO TRADEMARK AUDITS...FOR EVERYTHING

As all good brand managers know, the brand image for a product or service can encompass more than just its name or logo. Although traditional trademarks like names, slogans, and logos are often the most visible part of a brand's image, other aspects of a product or service—like the color, texture, shape, smell, taste, movement, and other aspects of a product or its advertising and packaging—can all be part of the distinctive brand image that consumers identify with a firm's products or services. Consider the following examples:

- Color: Many U.S. consumers recognize United Parcel Service (UPS) by the characteristic brown color of its delivery persons' uniforms and delivery trucks, and recognize products and marketing materials by various cellular telephone service providers by their consistent use of the color red (Verizon), blue (AT&T), orange (Cingular), or pink (T-Mobile, familiar to European consumers as Deutsche Telecom).
- Sounds: Many U.S. consumers recognize NBC's television programming by the well-known "NBC chimes" that are played on the network ("NBC Chimes," n.d., para. 1); recognize Metro-Goldwyn-Mayer's films by the roar of a lion ("Leo the Lion," n.d., para. 4); and recognize computers that run on Microsoft's Windows-brand operating system by the distinctive music—now known as "the Microsoft Sound"—that plays when the computers are started ("Brian Eno," n.d., "The Microsoft Sound").
- Taste: Many U.S. consumers can recognize their favorite soft drink beverage by its taste, such as discerning consumers who can distinguish between Diet Coke<sup>®</sup> and Diet Pepsi<sup>®</sup> and are able to tell—with just a sip—if the server at a restaurant has given someone the wrong drink.

Like the brand name, these distinctive elements of a firm's product, service, advertising, or packaging can be protected as trademarks or trade dress in many countries ("Non-conventional trademarks," n.d.). To protect its trademarks, however, a firm must first be aware of everything that may function as a trademark.

Identifying a firm's trademarks is not much different than taking stock of any other asset. Many firms conduct routine audits of their trademarks in much the same way that they audit their inventory or other assets: They adopt routine procedures, performed at regular intervals, to identify everything that may function as a firm trademark (Gottlieb, n.d.).

Trademark audits can be performed by the firm's own employees or by outside legal counsel. To be effective, however, trademark audits must be correctly designed and executed. The audit should be conducted at regular intervals (at least once a year, if not more frequently) by someone with an understanding of trademark law who is capable of identifying trademarks. The audit should also be comprehensive: It should include a review of all aspects of a firm's existing and planned operations (products, services, packaging, marketing, business plans), and should seek to identify all types of potential trademarks (both traditional and non-traditional trademarks). Finally, the audit should make sure to identify a full range of information about each trademark, including any different versions of the mark that are used, the products and services for which the mark is used, the manner in which the mark is used, if the mark is used with the "®" or "™" symbols, and when the mark was first used. This information can be useful in identifying and protecting potential trademark assets through marketing, sales, distribution, registration, and enforcement efforts.

#### 4. DOCUMENT CONSUMER COMPLAINTS

Many firms have systems in place that allow consumers to contact the firm with questions, complaints, comments, suggestions, and other types of feedback about the firm and its products and services. Often, these systems also handle feedback from retailers and other customers who sell the firm's products to the end consumer. Firms use these consumer feedback systems for a range of purposes, including handling refunds, detecting problems with product quality or customer service, gauging consumer sentiment, and even developing new marketing campaigns or new lines of products and services. Often, however, firms fail to realize that these systems can also be a source of valuable information in trademark disputes.

Consumer feedback systems can provide valuable evidence in trademark disputes. Trademark disputes turn on the likelihood that consumers will confuse similar trademarks used by unrelated firms (trademark infringement), or will associate one firm's trademark with another firm's famous trademark (trademark dilution). Consequently, the most valuable evidence in a trademark dispute is documented instances where consumers have actually confused or associated trademarks used by different firms. For example, consumers may contact one firm about a product (e.g., to ask a question, lodge a complaint, place an order, schedule a repair, use a coupon or discount card, obtain a refund, etc.) that, upon investigation, turns out to have been made by another firm. Or consumers may inquire or make comments about the connection or relationship between two firms that are in fact unrelated. Such instances are evidence that consumers are confusing or associating the two firms and/or their products and services. If that confusion or association is the result of similarities in the firms' trademarks, it is evidence that one firm is infringing or diluting the other firm's trademark.

Consumer feedback systems can serve as a powerful tool for collecting such evidence. They can collect and record individual complaints that, when aggregated, can be used to detect

potential trademark problems and identify the source of those problems. Once a problem has been identified, those individual complaints can serve as evidence of consumer confusion or association that can be cited in communications with the offending firm, and often can be used in any ensuing litigation (both as documentary evidence and as a method of identifying witnesses who can give testimony in a lawsuit).

## 5. ADOPT A TRADEMARK MANAGEMENT SYSTEM

Once firms have identified trademarks that they wish to protect, the challenge is developing a reliable system for protecting those trademarks. Some firms have an ad hoc approach of applying to register marks only after some event occurs (e.g., a potential dispute or a proposed transaction), and relying on notices from the relevant government agency to alert them when it is necessary to make additional filings to maintain or renew a registration. Other firms hire outside legal counsel or professional services to manage their trademark portfolios using a trademark portfolio management system. The most sophisticated firms (often the firms with the most trademarks and considerable resources) develop their own trademark management system, staffed by their own trained employees.

The purpose of trademark management systems is to establish routine procedures and systems to ensure that the necessary steps are taken to protect each of the firm's trademarks. There are several ways to protect trademarks, including collecting evidence of the firm's use of each trademark, obtaining and maintaining registrations for each trademark, monitoring the use of trademarks by licensees, and opposing others' attempts to use or register any trademark that could potentially infringe or dilute one of the firm's trademarks. Each of these steps require a firm to collect and store information, such as the date that it first used the trademark, the products and services for which it uses each trademark, the status of any existing licenses or

pending disputes involving the trademark, and information about any registrations or pending applications for the trademark (such as deadlines to file required documentation, renew registrations, or complete certain other actions) (INTA, “Trademark Portfolio Management Strategies,” n.d.). For firms that have to protect multiple marks in multiple countries, a trademark management system can be an absolute necessity to ensure that all of the necessary steps are taken to protect every trademark in every market. Even for firms that hire outside legal counsel or professional services to manage their trademark portfolios, it is still important for the firms to maintain their own internal trademark management systems in order to collect and store the information needed by the outside service providers and to manage those providers effectively.

In the end, every firm should at least consider using a trademark management system as an important part of its strategy for managing its brand names. Some firms may decide against it, while others may pursue such a strategy in very different ways. The design of each firm’s trademark management system ultimately will depend on a variety of factors, including its size, its resources, the scope of its operations, the number and value of its trademarks, and its preference for developing an internal system or hiring an outside service provider. But regardless of the course that each firm chooses, the choice should be a thoughtful decision based on an awareness of the risks and benefits.

#### COME OUT SMELLING SWEET

The legal strategies discussed above are just a few of the ways that firms can improve the legal protection and management of some of their brand names, among their most valuable intellectual property assets. There are of course many other facets to a comprehensive trademark management strategy. But by increasing their awareness of trademark law and their sensitivity

to these legal issues, business people can more effectively manage their firms' brand names by preventing legal problems before they arise. In the long run, firms that are willing to spend the time and resources to understand and manage the trademark issues facing their brand names will have a significant competitive advantage over their competitors. Firms who fail to understand or address these issues may end up with brand names that, like the Rose Theater mentioned at the beginning of this article, may not smell so sweet.

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