

Trademark Opinion Basics

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Introduction

A client calls with a proposed mark for a new product to be launched in the next few weeks and needs to know right away if the mark is available. How quickly can outside counsel provide an opinion? How detailed should the search and opinion be? This article offers an overview of the trademark search and opinion process to assist clients in making reasoned decisions on adopting trademarks, while expending no more time and money than necessary. The discussion below generally addresses United States law and practice, but specific case law varies among circuits. Issues in international searching are also addressed in a separate section.*

Managing Expectations

Whether you are outside counsel, or in-house counsel advising your marketing or sales department, you have a client to service, and managing your client's expectations can go a long way toward delivering effective results, regardless of whether the bottom line is a green light to adopt the mark. If possible, explain the trademark search process to your client in laymen's terms and provide a realistic time table for a risk-assessment that takes into account the urgency of the project, as well as the risk of litigation that could threaten to interrupt or end sales of the new product or service.

In deciding how much time, effort, and money to invest in clearing the mark, it is important to understand the goals, benefits, and shortcomings of a legal opinion based on a trademark search.

- **Goals:** The client needs to know whether the mark is available for use and registration, in the United States, and perhaps internationally as well.
- **Benefits:** The client will receive a realistic assessment of possible obstacles to adoption of the mark, based on a comprehensive search of most available resources, including the Internet and extensions of international registrations seeking trademark protection in the U.S.
- **Shortcomings:** The best answer outside counsel can usually offer is a qualified, "the mark looks available," or "it appears that the risk of adoption of this mark is low." Unfortunately, no one can guarantee that the client will not be sued, or that it will be successful in obtaining a trademark registration.

* This article is provided for information purposes only, and is not legal advice. The examples given are hypothetical and not exhaustive.

Brief And Basic Trademark Principles For Understanding Search Results

Understanding the basis of trademark rights in the U.S. will help the client interpret outside counsel's analysis of references to marks in search reports, to decide whether to proceed from a preliminary "knock-out" search to a full search (both discussed in more detail below), to decide which references to investigate and what to do based on the results, and to explain the risks to sales or marketing executives, so that a business decision can be made about whether to adopt the proposed mark or to seek an alternative.

U.S. trademark law is based in statute, The Lanham Act, as well as case law. Trademark law is designed to prevent consumer confusion as to the source of goods and services based on a second user's mark that is similar to the first user's mark. The analysis of whether a mark is likely to infringe a senior user's mark is a likelihood of confusion analysis.

The first user or "senior" user of a trademark is typically considered to have rights over the second or "junior" user. However, certain provisions of the Lanham Act can sometimes provide for the second user to be granted an earlier constructive date of first use, and thus to become the "senior" user.

The strength of a party's rights in its mark depends on many factors, including the mark's inherent distinctiveness, as measured on a spectrum from strong to weak. Coined terms and marks that are arbitrary for the goods are considered the strongest, while suggestive and descriptive marks are considered progressively weaker, and generic terms cannot function as trademarks at all. Strength is also measured by acquired distinctiveness of the mark, meaning, how well-known the mark is, often gauged by the extent of sales and advertising, the length and exclusivity of use of the mark, or by surveys measuring the recognition of the mark among consumers.

In addition to the strength of a senior user's mark, a likelihood of confusion analysis takes into account several other factors, including the similarity of the marks, the relatedness of the goods and services, whether there are overlapping channels of trade, whether the goods are marketed to the same types of consumers, and the junior user's intent in adopting the mark. U.S. trademark law also seeks to prevent dilution of the strength of famous marks by prohibiting use of a mark that calls to mind the famous mark, even when used on unrelated goods, without any likelihood of confusion.

In the United States, rights in a trademark accrue through use of the mark in connection with goods or services. Use "in commerce" is required for federal rights, but common law rights and state rights can be created through use that does not otherwise meet the "in commerce" requirements, such as intrastate use. It is not necessary to register a trademark to obtain rights in a mark. However, a federal trademark registration does provide certain legal presumptions, including presumptions as to the validity of the mark and nationwide rights in the mark.

Because trademark rights accrue through use, and not merely through registration, full trademark searches look not only at the universe of trademark registrations and applications, but also at other uses of unregistered marks. Just because a mark is not registered does not mean it is available for adoption by the client.

Trademark applications in the United States are often based on a party's actual use of the mark in connection with its goods or service. However, U.S. trademark applications can also be based on a bona fide intent to use the mark in the future, or on a foreign application or registration.

In conducting a search and offering an opinion, outside counsel seeks to alert the client to potential obstacles to adoption and registration of the mark, based on likelihood of confusion or dilution, and advise the client as to the chances of overcoming such obstacles. A potential obstacle could take the form of a rejection of the trademark application by the United States Patent and Trademark Office ("PTO"), based on potential confusion with a mark in a prior application or registration. Such citations can sometimes be overcome by arguments submitted to the PTO.

Alternatively, the client could decide to seek consent to register its mark from the owner of the blocking mark. If the client and the owner of the blocking mark believe that there is no likelihood of confusion, the PTO will often accept a written agreement between the parties, and will allow the client's application to proceed. Outside counsel can advise as to the pros and cons of entering into a consent or coexistence agreement, and draft the consent in a way that minimizes the client's vulnerability in potential future litigation against third parties involving the client's mark.

A potential obstacle could also take the form of a challenge by another trademark owner, such as an opposition to the client's trademark application, a petition to cancel the client's trademark registration, or an objection to the client's use of the mark, any of which could escalate to a lawsuit seeking a preliminary and/or permanent injunction, as well as damages and attorneys' fees. Thus, in an opinion, outside counsel may advise the client as to the risk of objections by third parties, as well as the potential vulnerability of such third parties' rights.

A registration may be vulnerable to cancellation if the owner has never actually commenced use of the mark, or used the mark but later abandoned it. Such marks may be available for use by others, so cancellation could clear the way for the client's adoption of the mark. However, a cancellation proceeding is a litigation before the Trademark Trial and Appeal Board, entailing discovery (which can be drawn-out and expensive) and submission of written testimony and trial briefs, as well as the possibility of oral argument and appeal. A zealously defended cancellation can easily cost more than tens of thousands of dollars in legal fees and take several years to conclude.

What Type Of Search Should Be Done, And How Long Will It Take?

Whether a full search will be conducted depends on numerous factors and circumstances, of which the top two are time and money. If the client is in a hurry to get the mark on file, consideration can be given to filing an application for the mark and only later conducting a search, as long as the client is aware of the risks. If a major obstacle is uncovered, the client can withdraw the application or abandon it, but consider how much time and money will have already been invested in establishing and promoting the mark. Moreover, the client may feel confident enough to forego a search if it has already been using the mark for some time without encountering obstacles. However, this does not mean that a search might not uncover significant risk of a challenge to the client's continued use of the mark.

Even if the client has not yet used a mark, there is no legal requirement to conduct a full search before adopting a mark. *Streetwise Maps, Inc. v. Vandam, Inc.* 159 F.3d 739 (2d Cir. 1998) (failure to conduct a search does not, standing alone, prove that an infringer acted in bad faith). However, in many cases, some kind of search is worth the trouble and expense. In certain industries, such as pharmaceuticals, few would proceed without a full search.

At the outset, outside counsel may suggest a preliminary "knock-out" search, a search of the PTO database, which includes pending trademark applications and existing registrations. Often, the main goal of such a search is to locate a direct hit (a similar mark for identical or related goods), which is so likely to present an obstacle to the client's use or registration of the mark that it "knocks out" the candidate mark from consideration. The good news is that such preliminary searches can be done very quickly and can sometimes produce clear-cut results. The bad news is that the clear-cut answer may be that the mark is not available.

Take the hypothetical example of a proposed mark, FIT AND SLIM, for a new nutritional snack bar. Outside counsel runs a preliminary knock-out search for the exact mark, as well as a few variations on the mark, for the goods of interest. The knock-out search raises a red-flag: the results include a recent use-based registration for a diet shake called FIT & SLIMMER, owned by a medium-sized health food company. Counsel confirms use of the mark on the registrant's website. If desired, outside counsel can engage an investigation firm (which can expedite the investigation and generally give results within a day or two if necessary) to determine the exact nature and extent of use of the mark. In this case, the investigator reports that the mark is in fact in use for the shake sold through health food stores and supermarkets, which are the same channels of trade the client plans for its new snack bar. The bottom line: such a similar mark in use for such a closely related product means the mark is not available, and it is time to look into an alternate trademark.

However, such a clear cut scenario is somewhat rare. Most often, a preliminary search raises a few possible marks to look into, and simply cannot cover the range of possibly conflicting marks, so outside counsel may also suggest conducting a full search.

For example, a preliminary knock-out search could uncover a recent trademark application, based on intent to use, for SLIM CRUNCH for cereal. The preliminary search will not determine if the mark is in use, or if it will ever be in use. There may be no references to the mark on the Internet, but this is not determinative of the issue of use, and further investigation is needed to conclude whether the mark is in use, and to understand the nature of the use. Also, are there several SLIM-formative marks coexisting in the market place, so that the client's product could squeeze in without significant risk of consumer confusion? In that case, perhaps a full search, followed by a handful of use investigations to gauge how diluted the mark is in the marketplace, will provide the knowledge and facts needed to make an informed decision.

Outside counsel will usually engage a search firm to conduct the full search for a flat fee. Full searches generally arrive four or five days after they are ordered, but can usually be expedited for an additional fee. A full search covers not only the PTO database, but also reviews many common law sources, such as business names, publications, the Internet, and any specialized sources of particular interest to the client's industry. Full searches cast a wider net than preliminary searches, not only in the source material search, but in the variations on the mark, and in some cases, the breadth of the related goods on which the marks are used. These parameters are particularly important, because the more closely related the goods are, the more dissimilar the marks can be, and yet still be considered likely to create confusion. Similarly, identical marks for even distantly related goods could be problematic, especially if the client's goods are within the senior user's natural zone of expansion for its mark.

When And How Deeply To Investigate, And What To Do With The Results

If there is an existing dispute between the client and the owner of a potentially conflicting mark, there may be ethical limits to the extent the client or attorney can go to investigate the owner.¹ However, in the typical search situation, there is no litigation or other pending dispute, so the client, outside counsel, or the investigator are permitted to contact another trademark owner directly. Typically, the goals of an investigation are to determine the goods or services for which the mark may be in use, when such use began, and whether there is evidence of abandonment. If the client is evaluating the risk of adopting a somewhat similar mark, but the investigation determines that the goods and services differ widely, counsel may be able to conclude that there is a low risk in adopting the mark for the client's proposed goods.

How far to go in gathering more information with which to analyze potential obstacles is a case-by-case question. Some questions to consider in deciding how much

¹ Transactions With Persons Other Than Clients; ABA Model Rule 4.2 Communication With Person Represented By Counsel: In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order.

time and money to invest can include: How central a product is this for the client? Is the client clearing a house mark for a wide range of goods and services, or is the mark a sub-brand to be used for a short time? Is the proposed mark a brand new mark, or a variation on an existing mark in which the client has already established goodwill? Is the client's mark an existing mark that will now be used with new goods in its natural zone of expansion? As for the potential obstacle, how big and important is its owner in its industry? A larger company may have the resources to sue, but a small company could also view the client's adoption of the mark as a financial opportunity, and be just as litigious as a large one. Has the owner opposed or sought to cancel any other marks, or sued others for infringement? Is its mark vulnerable to attack based on abandonment? Has the PTO allowed similar marks to go through, or has it blocked them? Additional factors apply in different cases.

Suppose that an investigation into a potentially conflicting federally registered mark is conducted and shows that the mark is not in use. The client may still want to consider petitioning to cancel the registration before using the mark, and leave itself enough time to pursue this tactic before a big launch under a new trademark. For a high profile client, which could attract some press attention if sued for infringement, filing the petition to cancel as soon as it files an intent-to-use application should be considered. Also, this would prevent the owner of the registered mark from attempting to resume use of the mark before the petition to cancel is filed. Any use of the mark by the registrant after the petition for cancellation is filed would not constitute evidence before the TTAB to rebut abandonment.

If the client investigates and finds no use of a mark, a less expensive route than cancellation may be to contact the owner to confirm that it has abandoned the mark. However, the owner may claim that it is using the mark and has no intention of abandoning it. At that point, going ahead and using the mark could be risky (depending on all the factors considered for likelihood of confusion). If the client is sued for infringement, the plaintiff could point to this contact, coupled with its ownership of the federal registration, as evidence that the client considered plaintiff's mark to be a significant obstacle, but went ahead and used the mark anyway, with full knowledge of the potential for likelihood of confusion, and therefore in bad faith. Thus, if the marks are very similar and the goods are related, or there are other important factors that would support a finding of likelihood on confusion, it makes sense for the client to be prepared to walk away and choose another mark.

Additional Benefits Of A Thorough Opinion: To Rebut Evidence Of Bad Faith

When a search is conducted, if time is of the essence, the client may ask outside counsel to provide a bottom line answer without much written analysis. However, a more thorough and detailed written opinion could be useful if the client is sued for trademark infringement, and the plaintiff asserts that the infringement was willful.

An allegation of willful infringement can potentially triple the damages awarded in a case, or allow for damages based on the client's profits, as well as attorneys' fees. In

such a case, outside counsel's opinion that the proposed mark would not be likely to infringe could serve as a defense to willfulness. *Mattel, Inc. v. Robarb's, Inc.*, 139 F. Supp. 2d 487, 495 (S.D.N.Y. 2001) (reliance on the advice of counsel is indication of good faith). Also, a defendant's good faith in adopting the mark is a factor that weighs against a finding of infringement. In trademark cases, relying on a search opinion is optional, not mandatory; however, note that introducing the opinion into evidence is usually a waiver of attorney-client privilege of communications surrounding the opinion.

To make it more likely that the opinion would tend to show the client's good faith in adopting the mark, the opinion should include analysis explaining the documentation relied on (the date and parameters of the search) and the conclusion reached. A superficial opinion may not be of much help. *Bear U.S.A. Inc. v. A.J. Sheepskin and Leather Outerwear, Inc.*, 909 F. Supp. 896, 907 (S.D.N.Y. 1995) (defendant lost on preliminary injunction in which it sought to rely on an opinion letter from its attorney as evidence of good faith; court held that the letter could be "described, at best, as superficial, containing no analysis explaining the conclusion reached and no documentation of search material supposedly supporting the conclusion").

Effective opinions should be written by an impartial attorney, with no stake in the outcome of the litigation. *See Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 21 F. Supp. 2d 366 (S.D.N.Y. 1998) (willful infringement (in a patent case) found when the authoring attorney had a stake in the outcome of the litigation). And the opinion will likely be considered more reliable if written rather than oral. *See Minnesota Mining & Mfg Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992) (oral opinions in patent cases disfavored because "they have to be proved perhaps years after the event, based upon testimony which may be affected by faded memories and the forces of contemporaneous litigation).

Note that if outside counsel suggests investigating a reference, but the client chooses not to investigate, there is a risk that this fact could weigh in favor of bad faith, even though the opinion advises that the mark is likely available. The Pfizer TROVAN case is a cautionary example. Pfizer was planning on using the mark TROVAN for antibiotics. Pfizer's lawyer suggested in a trademark opinion that the client investigate a reference to TROVAN for an animal-locating microchip device. Because of the differences in the goods, Pfizer did not investigate before adopting the mark. A California jury found that Pfizer adopted the mark in bad faith and awarded the plaintiff \$135 million in punitive damages. *Pfizer Is Dealt A Trademark-Suit Defeat*, Wall St. J, Oct. 13, 1999, at A2. The district court later reversed the jury verdict on bad faith and vacated the punitive damages award, granting Pfizer a new trial, *Trovan Ltd. v. Pfizer, Inc.*, 2000 Westlaw 749149, *25-28 (C.D. Cal. 2000), and ultimately, Pfizer prevailed on summary judgment when the court held that the goods were not related, and the Ninth Circuit affirmed. *Trovan Ltd. v. Pfizer, Inc.*, 2004 WL 1859900 (9th Cir. 2004). Though Pfizer was vindicated in the end, it was not without considerable effort and expense that perhaps would have been avoided if the investigation had been conducted.

A client may be able to rely on a well-written opinion based on a preliminary knock-out search—it has been held that it is not necessary to have conducted a full search to rely on the opinion to rebut bad faith. *International Star Class Yacht Racing Assoc. v. Tommy Hilfiger* 1997 WL 108739, *2 (S.D.N.Y. 1999), *aff'd*, 205 F.3d 1323 (2d Cir. 2000), *cert. denied*, 531 U.S. 873 (2000).

Moreover, a thorough and well written opinion need not be long and full of disclaimers. Rather than putting a lot of disclaimer language in an opinion, which could be open to interpretation by the courts as advice to take further steps to clear the mark, some outside counsel may include a standard memo with each opinion to explain how to interpret a search report and opinion. Such a standardized form may be less likely to be interpreted by a court as specific advice to investigate further before adopting the mark.

Also, if a client relies on outside counsel for a high volume of searching, consider whether outside counsel should provide a private attorney-client privileged seminar or training session, in which outside counsel teaches the client the basics of understanding search reports and opinions. This could also minimize the need to put a lot of the standard disclaimers in the opinion.

Sharing The Opinion With Third Parties: Avoiding Waiver of the Attorney-Client Privilege

A client may seek to share the legal opinion with a potential investor, a purchaser, or a licensee. Avoid waiving the attorney-client privilege, which could be exploited later by a third party, by documenting that the disclosure is being made to someone with a “common legal interest,” and that no waiver of the attorney-client privilege is being made. If litigation is ongoing, it is common to enter into a joint defense agreement, but there need not be an ongoing litigation to take advantage of the common interest privilege.

In drafting a common interest agreement, be sure to state the purpose and nature of the common interest, and describe the circumstances of any potential or impending litigation if possible. Consider addressing whether the agreement creates an attorney-client relationship or fiduciary relationship between the client and the other parties. Also, the agreement could address who controls further sharing of the information given by each party, and provide how the parties can exit from the agreement.

The common interest rule is an extension of the attorney-client privilege, and thus the substance of the communication must be for giving or receiving legal counsel. Be sure to consider whether the common interests between the parties are entirely legal, or also commercial—discussion of business issues could jeopardize the privilege. *Gulf Island Leasing v. Bombardier Capital Inc.*, 215 F.R.D. 466, 472 (S.D.N.Y. 2003) (communications between the lender and seller regarding the seller’s dispute with the borrower were not protected by the attorney-client privilege, because the substance of the discussions was primarily commercial, not legal).

International Searching and Opinions: Registering And Using The Mark In Other Countries

If the client intends to market its goods or services internationally, then a global trademark searching strategy may be necessary. Unfortunately, there is no single database to search to clear a mark internationally; rather, searching must often proceed country by country, with some centralized searching available based on international treaties and agreements. The process can be very expensive and time-consuming, and thus, it makes sense to prioritize by first searching the jurisdictions in the most important markets for the client, and once the mark is cleared there, proceeding to the smaller markets.

U.S. trademark counsel coordinates the services of local trademark agents or attorneys in foreign countries to conduct the searches and render the opinions. U.S. counsel analyzes and synthesizes the opinions to help the client judge whether the proposed mark is available in the chosen foreign markets.

Countries have widely different requirements for registrability, including the minimum level of inherent distinctiveness, and whether the mark must be in use before it can be registered. Thus, foreign trademark agents or attorneys will first address the threshold question of whether the proposed mark is registrable in the foreign jurisdiction, and confirm that the local language equivalent of the mark does not present a problem.

Assuming the mark is registrable, the next question is whether the country is a member of a treaty, pact, or agreement on trademarks. These include the European Union Community Trademark (“CTM”), the Paris Convention, the Madrid Agreement, the Madrid Protocol, and the Andean Pact. A CTM registration provides protection of a mark in all 25 member states of the European Union. Moreover, use of the mark in any member state is sufficient to maintain a CTM registration. Under the Madrid Protocol and the Madrid Agreement, which have 77 member countries throughout the world, an owner of a national registration or application in a member country can seek extension of protection to one or more of the other common member states.

A country’s participation in an agreement or treaty could be very significant to the search and opinion. For example, suppose that the client’s primary intended foreign market is the U.K. Because the U.K. is a member of the European Union and the Madrid Protocol, U.S. counsel would engage U.K. counsel to search the national U.K. register, the CTM Register, and the Madrid International Register. Any of these registers could show prior trademark registrations that are valid in the U.K. They may also provide additional useful information—for example, an International Registration would reference a party’s national registration, and reveal whether it has sought protection in any other member states, which could indicate that it would have priority in other jurisdictions of interest.

Foreign trademark agents or attorneys with expertise in their local laws will advise how widely it is necessary to search, depending on their countries’ laws regarding relatedness of goods, and will give outside counsel their opinions as to the risks presented

by the references in the search reports in their countries. This often includes an analysis of how likely it is that a trademark owner would oppose the client's application, and if so, the chances of success in defending the opposition. This could also include a look at the vulnerabilities of the senior user's registration, such as the age of the registration, and whether it could be cancelled based on non-use.

It is often possible to obtain consent from trademark owners in foreign jurisdictions to avoid the possibility of costly oppositions. In addition, while many European countries' trademark offices do not examine applications for confusion with existing registrations, the U.K., like the U.S., does, and a consent could also be helpful in overcoming a blocking citation there.

Conclusion

Trademark searches and opinions can be indispensable in assessing the risk of adopting a new trademark. An understanding of basic trademark principles used in analyzing search results allows the client to set priorities, and to decide on the appropriate level of analysis, investigation, and other follow-up.