



Trademarks R Us?

Legal

A recent article in Mishpacha explored the fascinating topic of how entrepreneurs select a name for a new business, product, or service. From a legal standpoint, entrepreneurs traditionally had one question to answer before deciding on a name for their new gadget: Did somebody else in the field get there first, making the new name a trademark infringement? But developments in trademark law over the last fifteen years have complicated that question immensely, so that while it's easier to "build" a brand name than ever, it's also riskier than ever.

In the US, trademark rights are registered with the US Patent and Trademark Office, but it is not registration that "creates" trademark rights. These are acquired by a business' use of the name or logo until, over time, it develops "secondary meaning." That means when consumers see the trademark used along with a product or service, they connect it with a specific company.

Since trademark rights are based on consumers' connection of the mark with the product or service, it makes sense that courts decide claims of trademark infringement under a "likelihood of confusion" test that is also based on public perception. Essentially, courts will hold that my prior trademark A is infringed by your subsequent trademark B if consumers are likely to confuse A and B; that is, to think they both come from the same source. The likelihood of confusion analysis was based on a concern for unfair competition, and thus, courts held that confusion was unlikely to occur if the two products using the two marks didn't compete with each other or were sold in different markets.

As the US economy modernized and expanded in the mid-twentieth century, however, brands and brand names became more significant to businesses. Businesses made massive investments in well-known brands, acquiring what became known as "brand equity." In turn, businesses sought more ways to protect these investments and prevent the damage to a brand that could occur through the sale of, for instance, Coca-Cola fertilizer or Toyota deodorant. Since under traditional trademark law, such uses of these famous marks would not be infringement, the law was expanded to include a new concept: Trademark dilution.

Dilution expanded the rights of owners of the most famous trademarks to protect even against their use by completely unrelated businesses.

This change, of course, placed a new limitation on what entrepreneurs could name their new products. We often see stores, products, or services based on puns, parodies, or references to well-known brands. Entrepreneurs choose these names to quickly "connect" with consumers and tell them something about their offerings or to build

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on the well-known name by attaching it to a clever and memorable turn of phrase. The better known the name, the more effective this technique is — and the more likely it is to constitute trademark dilution. And, of course, the companies with the biggest trademarks are the companies with the biggest legal budgets. Considering the imbalance of resources, such firms

seldom have an incentive to "pay off" the entrepreneur in order to avoid the cost of litigation.

In this new world of trademark dilution, the "best case" scenario is that a new brand name that might dilute a famous trademark will be ignored by the trademark's owner — until the newcomer is successful enough to be noticed by the buying public. Then, a name change that might have been simple and cheap to do when the entrepreneur first launched his product will be a setback to the consumer recognition he has developed at great expense and over much time. By contrast, in the "worst case," an entrepreneur could be knocked out by dilution claims before his business even gets off the ground.

While most businesses depend for their success far more on dedication and capitalization than on the cleverness of their branding, a brand name still plays a significant role in the life of a business. But if the answer to the Shakespearean query of "what's in a name?" is some other business's name, let the brander beware. ●

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