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Conducting a trademark search is the best way to assess and reduce the business and litigation risks associated with adopting and using a new trademark. Before one can understand the benefits of a trademark search and clearance, however, it is important to understand what trademarks are and what trademark law protects. A trademark is a word, name, symbol, device, or combination of these items that is used to identify the source of one business' goods and to distinguish the goods from other businesses' goods.¹ As noted by the Supreme Court:

... a trademark is a merchandising short-cut which induces a purchaser to select what he wants or what he has been led to believe he wants. The owner of a trademark exploits this human propensity by making every human effort to impregnate the atmosphere of the mark with the drawing power of a

congenial symbol. Whatever the means employed, the aim is the same – to convey through the mark, in the minds of the commodity upon which it appears. Once this is obtained, the trademark owner has created something of value.²

Trademark law recognizes the “psychological function” of symbols, shapes, sounds and colors, and seeks to protect trademarks.³ Marks may be protected under both state common law and federal law. The scope of exclusive rights in a trademark is primarily defined by the “likelihood of confusion” test.⁴ A trademark is infringed if the use of a mark by another is likely to cause confusion of source, affiliation, or sponsorship with trademarks.⁵ For example, National trademarks also receive protection from dilution.⁶ Dilution is “the lessening of that capacity of a famous mark to identify and distinguish goods or services” regardless of a likelihood of confusion or competition between the owner of the famous mark and other parties.⁷ In short, trademark law prevents people from “poach[ing] on the commercial magnetism” of another’s trademark.⁸

Because trademarks can be “valuable business assets,”⁹ companies invest substantial resources developing, maintaining, and strengthening trademarks and brands. In the era of branding and e-commerce, the importance of developing and protecting strong trademarks (e.g., Amazon.com, Wal-Mart, Coca-Cola, NIKE, etc.) is paramount. Increasingly common

is the leveraging of trademarks from their traditional products to new products to take advantage of the goodwill associated with trademarks.¹⁰ For example, Nabisco has leveraged the Oreo trademark from cookies into other products such as cereals and snack bars. NIKE has extended its swoosh mark from athletic shoes to a wide range of sporting goods, including golf balls. Companies spend millions of dollars each year on advertising in an attempt to fix the identity of a product and the name of a producer.

When launching new products, businesses adopt new trademarks with the hope that these new marks will resonate with consumers and become a household name. Prior to selecting a new trademark, companies often conduct expensive market research to test consumers' responses to new products having new marks. After a mark is selected, additional resources are spent on packaging, advertising, and promotional material.

Businesses must be cognizant of both the business and litigation risks involved in adopting a new trademark. Whenever a business introduces new products or services that adopt new trademarks or service marks, there exists a risk that another company will claim senior rights in the newly adopted mark and seek legal action. After undertaking significant expense to launch a new product, a suit brought by a party with a similar trademark that is seeking to enjoin the introduction and sale of this new product should not be allowed to come as an unwelcome surprise.

The potential consequences of adopting a mark that may cause a likelihood of confusion can be commercially devastating. A court may issue an injunction that prevents the sale of a new product, requires the product to be recalled, or even orders that the product be destroyed.¹¹ To reintroduce this product at a later point would require spending additional money to redesign the packaging, advertising, and promotional material. After a trial where infringement is found, the newcomer may be forced to disgorge its profits and pay treble damages, costs, and attorney fees.¹² Because of the potentially severe consequences of adopting a trademark that is too similar to another company's mark, the risks of these consequences should be determined prior to the expenditure of significant money and effort in adopting a mark.

The best way to assess the risk of adopting a particular trademark is to perform a comprehensive trademark search and obtain a clearance opinion. By conducting a comprehensive search prior to the expenditure of significant resources, a business can often avoid unwanted risk and the potential of facing litigation. In litigation, having conducted a search reduces the risk of a finding of infringement. Courts generally agree that conducting a thorough search prior to adopting a mark evidences good faith and weighs against a finding of trademark infringement. Additionally, reliance on the advice of counsel is further evidence of good faith and weighs against infringement. In contrast, failing to undertake a comprehensive search increases the probability of a bad outcome in litigation. Failing to do a

search weighs in favor of a finding of bad faith, a factor supporting a finding of a trademark infringement. Bad faith also supports a finding of willful infringement, the award of attorney fees, and monetary relief in the form of the infringer's profits.

Recent Caselaw

The consequences in litigation of not conducting a proper trademark search are clearly illustrated in *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger*¹³ (ISCYRA) and *Sands, Taylor & Wood Co. v. Quaker Oats Co.*¹⁴ In *Sands, Taylor*, the dispute involved whether Quaker Oats' use of the words "Thirst-Aid" in its popular slogan "Gatorade is Thirst-Aid" infringed the plaintiff's registered mark "Thirst-Aid" for soft drinks, sundae toppings, and fountain syrups. The court found that Quaker Oats acted in bad faith when it conducted a trademark search only days prior to launching a substantial advertising campaign. And only after the first commercials were aired did Quaker Oats seek an opinion of counsel regarding potential trademark issues. The court considered Quaker Oats' conduct inexcusable and factored in this evidence when it awarded over \$24 million in Quaker Oats' profits and attorney fees. The Seventh Circuit affirmed the lower court's finding of trademark infringement, the finding of bad faith, and the award of attorney fees.

In contrast to the negative consequences for failing to conduct a thorough trademark search, conducting a comprehensive trademark search weighs in favor of a finding of good faith and

against a finding of trademark infringement. In *W.W.W. Pharmaceutical Co. v. Gillette Co.*,¹⁵ the plaintiff owned the registered trademark "Sportstick" for lip balm. The defendant, Gillette, launched a new line of deodorants under the name "Right Guard Sport Stick." Before launching this new line, counsel for Gillette performed a comprehensive trademark search and discovered the plaintiff's use of "Sportstick." With knowledge of this prior use, Gillette relied on the opinion from its counsel in going forward with the new line. The Second Circuit, in affirming the lower court's finding of no trademark infringement, considered Gillette's conduct to be evidence of "good faith," which supported the lower court's finding of no infringement.

What Is a Thorough Trademark Search?

In light of these decisions, what is a thorough trademark search? How much effort is required? When should a trademark search be conducted? Must a clearance opinion be written?

To answer these questions, it is important to first assess where the new trademark fits into a company's business plan. Is the product a key component of a business plan, or a secondary product? Will the product and trademark have extensive advertising, or little advertising? Will the trademark be high profile in the industry or market? Is the investment in the mark substantial, or insubstantial? In short, where the

stakes for the company are great, more is required. After assessing what is at stake for the company, it is necessary to determine the level of risk the business is willing to take. The level of effort should match the risk the business is willing to take.

The first step in conducting any trademark search is to identify the nature of the mark. Is the mark a word, a symbol, a logo, a slogan, or a combination? Next, the class of goods with which the mark will be used (*e.g.*, clothing) should be identified. This information is used in a preliminary “knockout” search.

A preliminary knockout search is the most basic trademark search that should always be conducted prior to adopting any mark. The purpose of a knockout search is to quickly and inexpensively eliminate from consideration any marks that would likely infringe another’s registered trademark or prevent a mark from being registered. A knockout search looks at federally registered trademarks and searches for the specific mark in the predetermined class of goods. For example, if the mark were Congo Juice for a soft drink, a knockout search would determine whether another party had registered Congo Juice for a soft drink. Knockout searches are particularly effective in eliminating problematic trademarks from a list of potential trademarks before market research is conducted. Numerous electronic resources are available to conduct these searches, including Dialog and the Patent and Trademark Office’s Web site. The *ISCYRA* case teaches, however, that a knockout search is not a thorough search. Thus, if the

mark is being used on a key product line or where a company has little tolerance for risk, a more detailed search should be performed.

If the knockout search does not reveal any confusingly similar marks, the next search would be a full trademark search. A full trademark search entails a study of federal trademark registrations, and known common law uses of the predetermined mark. Because of the rapid growth of Internet commerce, a full search should also include domain names. A full trademark search should be conducted for the predetermined class of goods and also for related goods. Additionally, the ruling in the *ISCYRA* case demonstrated that attorneys should determine the source of inspiration for the proposed mark and be wary of similar marks in that class of goods. Thomson & Thomson and Trademark Research Corporation are two companies that provide reliable full trademark searches.

The last step to complete a thorough trademark search is the test for infringement, which evaluates any potentially similar marks in view of the likelihood of confusion factors. To further reduce the business and litigation risks, a party may seek and rely upon a written clearance opinion from counsel that evaluates the likelihood of confusion factors. Bear in mind that *Sands, Taylor* teaches that a comprehensive trademark search and clearance opinion should occur prior to adopting the mark, not on the eve of a product launch or advertising campaign.

Although some companies prefer to conduct clearance opinions in-house, it is prudent to have the author of the opinion be outside counsel,

especially when the mark is high profile, on a key product, or will be subject to significant advertising. Where the stakes are high for the product, the author of the clearance opinion should be an outside counsel who will make a good witness. The outside counsel should not be your trial counsel, however, because of the potential difficulties (both ethical and practical) associated with trial counsel being both a witness and an advocate in the same case.

A clearance opinion evaluates the key legal questions arising in most trademark disputes: is there a likelihood of confusion? While each circuit court has developed its own list of likelihood of confusion factors, each circuit considers similar factors. The pertinent factors that should be considered and provided in a clearance opinion include:

1. Similarity between the marks in appearance and suggestion
2. Area and manner of concurrent use
3. Strength of the potentially conflicting mark
4. Degree of care likely to be exercised by consumers
5. Similarity of products
6. Intent of the party adopting the mark
7. Any actual confusion.¹⁶

These factors are balanced against each other because no one factor is determinative of whether there will be a likelihood of confusion.

The similarity of the marks factor hinges on the closeness of the marks in pronunciation, appearance, and verbal translation. In

considering the similarities and differences between marks, the marks are considered as a whole.¹⁷ “It is the impression that the mark as a whole creates on the average reasonably prudent buyer and not the parts thereof that is important.”¹⁸ Additionally, the degree of similarity that will avoid confusion varies with the differences in the goods or services on which the marks are used. The degree of similarity for goods and services that are directly competitive is typically less than that required for dissimilar products.

The area and manner of use factor focuses on the overlap of the promotion, distribution, and sales of the goods represented by the marks.¹⁹ The distribution and sales of goods typically focuses on the channels through which the goods are actually sold. Are the goods sold to the general public through mass retail stores such as Wal-Mart or Target, or are the goods sold only to businesses through commercial channels?²⁰ In evaluating the overlap of promotion, the particular customers being targeted by advertisements, along with the type and placement of these ads, should also be considered. Are advertisements sent to the general public over television and radio, or are advertisements placed in trade journals and direct mailings that target a specific group of sophisticated purchasers?²¹ The smaller the overlap, the less likely there will be any consumer confusion.²²

The strength of the mark factor considers the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular source. A

weak mark is less likely to be confused than a strong mark. An analysis of a mark's strength typically begins with a classification of the mark into one of four different categories:

1. Generic
2. Merely descriptive
3. Suggestive
4. Arbitrary or fanciful.²³

These categories represent a spectrum of distinctiveness and an initial gauge of a mark's strength—that is, a generic mark has little or no trademark strength, while an arbitrary mark typically has considerable trademark strength and is deserving of broad trademark protection. While these “categories can be useful for analytical purposes, the strength of a mark depends ultimately on its distinctiveness, or its ‘origin-indicating’ quality, in the eyes of the public.”²⁴ After categorizing the mark, courts next evaluate a mark's strength by considering its marketplace recognition. Marketplace recognition may be shown through long use and advertising of a mark. Extensive third-party use of similar marks undercuts the strength of a mark.²⁵

The *degree of care exercised by consumers* factor looks at a consumer's behavior when making purchasing decisions concerning the relevant product. The higher the degree of care exercised by a consumer, the less the likelihood of confusion between similar marks, and vice versa. Impulse purchases of low cost items may indicate that consumers exhibit a low degree of care, whereas purchases of high cost items may exhibit a greater degree of care.

The *similarity of the products* factor considers whether the products are the kind the public attributes to a single source, for the purposes of determining the likelihood of confusion.²⁷ When analyzing this factor, care should be given to the realities of consumer behavior in the marketplace.

The *intent of the party adopting the mark and evidence of actual confusion* factors are typically more pertinent in a litigation context. Nonetheless, if appropriate, these factors should be addressed in a trademark clearance opinion.

In evaluating any potentially similar marks, it is recommended that consideration also be given to dilution. The doctrine of trademark dilution protects famous marks from being “diluted” in their distinctiveness or identity in the marketplace by another's use of a similar mark even though the similar mark is used on different goods and in different channels of trade.²⁸ Accordingly, a proper trademark clearance opinion should address whether there will be a likelihood of dilution if the proposed mark is adopted.

In sum, whether the proposed mark should be adopted will ultimately depend on the amount of risk a business is willing to take. The case law teaches and experience has shown that this risk is greatly reduced by conducting a thorough, comprehensive trademark search and by obtaining a written clearance opinion, preferably from outside counsel, prior to the launch of an advertising campaign and promotional campaign for the product.

1. See 15 U.S.C. § 1127. Similarly, service marks identify and distinguish the services of one business from those of another. 15 U.S.C. § 1127.
2. *Misawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1943.)
3. In *Qualitex Co. v. Jacobson Prods. Co.*, 115 S. Ct. 1300, 1302 (1995), the Supreme Court upheld the registration of a particular green/gold color for a dry cleaning press pad and noted that “courts and the Patent and Trademark Office have [also] authorized for use as a mark a particular shape (of a Coca-Cola bottle), a particular sound (NBC’s three chimes), and even a particular scent.”
4. 15 U.S.C. § 1125(a).
5. *Id.*; see *Bandag, Inc. v. Al Bolser’s Tire Stores, Inc.*, 750 F.2d 903, 911 (Fed.Cir.1984) (“The law of trademark and trade name infringement or unfair competition precludes one from using the distinctive mark or name of another if it will deceive or cause a likelihood of confusion as to the origin of the goods involved.”).
6. 15 U.S.C. § 1125©.
7. 15 U.S.C. § 1127.
8. *Misawaka*, 316 U.S. at 205.
9. *Jacob Siegel Co. v. Federal Trade Comm’n*, 327 U.S. 608, 612 (1946).
10. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (“Courts afford redress or relief [in trademark cases] upon the grounds that a party has a valuable interest in the good will of his trade or business, and in the trademarks adopted to maintain and extend it.”).
11. 15 U.S.C. § 1116.
12. 15 U.S.C. § 1117(a).
13. 33 U.S.P.Q.2d. 1610 (S.D.N.Y. 1994), *aff’d in part, vacated in part, and remanded*, 38 U.S.P.Q.2d 1369 (2d Cir. 1996), *on remand*, 42 U.S.P.Q.2d. 1602 (S.D.N.Y. 1997), *vacated and remanded*, 46 U.S.P.Q.2d 1942 (2d Cir. 1998). For all of the details of this case, please see “Trademark Searching: A Barrel of Monkeys” by Richard L. Kirkpatrick and Gabrielle A. Holley *supra* this publication.
14. 18 U.S.P.Q.2d. 1457 (N.D. Ill. 1990), *aff’d in part, rev’d in part, and remanded*, 976 F.2d 947 (7th Cir. 1992).
15. 808 F. Supp. 1013 (S.D.N.Y. 1992), *aff’d*, 984 F.2d 567 (2nd Cir. 1993)
16. *See, e.g.*, *Astra Pharm. Prods. v. Beckham Instr.*, 718 F.2d 1201, 1205 (1st Cir. 1983); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *Rust Env’t & Infrastructure, Inc. v. Teunissen*, 131 F.3d 1210, 1216 (7th Cir. 1997).
17. *Henri’s Food Prod. Co. v. Kraft, Inc.*, 717 F.2d 352, 355 (7th Cir. 1983).
18. J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition, § 23.41, at 23-89 (4th ed. 1997).
19. *M-F-G Corp. v. EMRA Corp.*, 626 F. Supp. 699, 703-704 (N.D. Ill. 1985), *aff’d*, 817 F.2d 410 (7th Cir. 1987).
20. *See Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 172 (5th Cir. 1986).
21. *See Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 220 n.2 (7th Cir. 1978) (although the plaintiff expended \$1 million in advertising, “it nevertheless directed this advertising to a class of highly discriminating purchasers,” while “the defendants gear their program not to the discriminating professional but rather to the public in general,” thus “the parties herein so not complete in the public marketplace for the same prospective customers”).
22. *Atra Pharm.*, 718 F.3d at 1206-1207.
23. *See Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 392 (7th Cir. 1992).
24. *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979).
25. *Westward Coach Mfg. Co. v. Ford Motor Co.*, 388 F.2d 627, 634 (7th Cir. 1968) (a common noun that is used in connection with a variety of products is not a strong mark).

26. See *Oreck*, 803 F.2d. at 173; *Maxim's Ltd. v. Badonsky*, 772 F.2d 388, 393 (7th Cir. 1986).
27. *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d. 1163, 1169 (7th Cir. 1986).
28. 15 U.S.C. §§ 1125©, 1127. Whether a mark is famous is based on a multi-factor analysis including:
 - (A) the degree of inherent or acquired distinctiveness of the mark;
 - (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
 - (C) the duration and extent of advertising and publicity of the mark;
 - (D) the geographical extent of the trading area in which the mark is used
 - (E) the channels of trade for the goods or services with which the mark is used;
 - (F) the degree of recognition of the mark in the trading areas and channels of trade of the mark's owner and the person against whom the injunction is sought;
 - (G) the nature and extent of use of the same or similar marks by third parties; and
 - (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register. 15 U.S.C. § 1125(c)(1).