



INDUSTRY OUTLOOK



ASSESSING TRADEMARK PROTECTION by Jim Silver and Brad D. Rose, Esq.

ROYALTIES editor in chief, Jim Silver, recently sat down with Brad D. Rose, Esq. of the law firm Pryor Cashman LLP to discuss trademark-protection law.

JIM SILVER: IS THE COST OF TRADEMARK PROTECTION REALLY WORTH IT AND DOES THE PROTECTION OF A BRAND'S TRADEMARKS TRANSLATE INTO INCREASED VALUE FOR THE BRAND?

BRAD D. ROSE: Some of the most important and valuable assets that a consumer products company may own are its trademarks. Trademarks are, generally speaking, words, logos, symbols, or designs that identify a common source or origin of goods or services. It is the trademark that enables a consumer to go to the supermarket, for example, and to consciously distinguish between brand A's and brand B's products. The more a consumer associates a company's products with quality, the more "goodwill" will be attached to that company's brand and, by extension, to the company's trademarks. This is what brings consumers back to that company's products time and again, increasing sales and building value in the brand as a whole.

For example, the Dole® trademark is primarily associated with sweet, juicy, delicious, cream-of-the-crop pineapples. It is this positive consumer association that allows Dole® to produce, or license others to produce, additional food products under the Dole® name. When a consumer, therefore, goes to the supermarket and purchases Dole® raisins over a competing brand, it is likely that this consumer will do so because of the good qualities and positive experience of Dole®'s pineapple business.

The selection and protection of a trademark is, therefore, one of the most important branding decisions a consumer products company can make. While United States law offers protection to unregistered trademarks on a "common law" basis through the simple use of a mark in commerce, it is far better for a brand owner to seek federal registration of its trademarks. Federal registrations help contribute to the strength of a mark, which ultimately helps to create a much more valuable asset, especially after a period of years, when the mark becomes "incontestable" (*i.e.*, virtually unchallengeable by third parties) as that mark is applied to a particular company's goods or services for which a registration is obtained.

It is difficult to assess whether the cost is worth it until years later, when one is able to look in the rearview mirror. However, in my experience, a company that has the foresight to seek registrations for a trademark early on will be far better poised to reap the economic benefits over the long term. Licensing partners will generally be far more comfortable paying larger guaranteed royalties or agreeing to higher guaranteed minimum sales levels for a trademark that is registered (or on the way toward being registered). Moreover, a trademark owner should be far more amenable to providing potential licensing partners with broader contractual representations, warranties, and/or indemnities concerning the licensed marks when the trademark owner is confident that it, and only it, has the exclusive right to use a particular mark on and in connection with a specific category of goods or services.

To the extent that a company is realistic in

its selection of a trademark by selecting a unique, non-descriptive, non-generic mark that is not "confusingly similar" to another's mark (as determined by a comprehensive trademark search), obtaining a domestic registration can be easily managed on a cost-effective basis. Any red flags revealed through a trademark search should be taken seriously. The cleaner the mark, the lower the costs to register, and the stronger the trademark will ultimately be in connection with enforcement rights over and remedies against third-party users.

Beyond seeking registrations for trademarks, a brand owner must also vigorously police its trademarks. Policing of one's marks need not wait for the mark to become registered. A comprehensive policing program through a variety of enforcement measures should be designed early on, in order to put the world on notice not to come even remotely close to using (or trading off of) a company's valuable trademark assets. To the extent that a trademark owner fails to properly police its marks, this once-valuable asset runs the risk of becoming diluted in the marketplace. That story is for another day. Stay tuned.

Brad D. Rose, Esq., the lead partner in Pryor Cashman's branding, licensing, and enforcement group, has clients that include individuals and entities in the entertainment industry, fashion designers, apparel and beauty companies as well as numerous licensors and licensees across a variety of industries and services. He's routinely recognized in national publications as one of the top trademark filing attorneys in the U.S. Patent and Trademark Office.