Kaufman & Kahn, LLP: July 2008 Newsletter

This is the first in what we hope will be a series of regular, periodic newsletters featuring recent developments in the law and at the law firm of Kaufman & Kahn.

Trademarks

In this difficult economy, a number of clients are "shoring up" their assets by protecting their intellectual property. Trademark searches and applications for federal registration are prudent, relatively inexpensive investments that can give you the means to avoid litigation and to win if compelled to litigate. If your business is using a trademark or developing a brand, this may be the time to file and make your trademark rights more readily enforceable.

Your company can establish a trademark by continuously using the mark in commerce, and your rights are "senior" to another user if you commenced such use first. However, your rights in an unregistered mark, though protected under the common law, are more limited than rights for a registered mark: you are only entitled to protection in the geographic areas where you can prove that you used the mark (rather than nationwide); you are only entitled to actual damages (rather than statutory damages, or treble damages for willful infringement); and you cannot be awarded attorneys' fees (even though such fees are available to owners of registered marks).

Your logo may be worth a thousand words, but your protection of the words attached to that logo arguably is limited to use of the words only when they appear with the logo. Thus, we generally recommend you obtain registration for the words, alone, so you would achieve broader protection of your mark, for use in any design, font or context. However, if the application for the words alone is problematic, or if your logo is an important part of your brand identity, you may want to register a "words and design" mark for the logo. My favorite example is the design for COCA-COLA: even if you see that stylized lettering in Hebrew, and you don't understand that language, you can recognize that trademark. A logo that is similarly distinctive deserves registration, too.

If you have not yet started to sell goods or services under a trademark, don't worry, be proactive: you can file an intent to use (or "ITU") application. The ITU application, if approved and timely extended, preserves your rights for up to three years after such approval, and your constructive date of "first use" is retroactive to the date you filed the application. This allows you to develop a brand without fear that someone snatches up your clever trademark or slogan before you actually start rolling out the product.

Let's say that the ABC Company has a trademark that is federally registered. ABC can bring (or threaten to bring) a lawsuit for actual damages

(generally, the infringer's profits), treble damages (for willful infringement), and attorneys' fees. That may sound like heavier and more costly weaponry than you presently wish to use. However, the ability to threaten such consequences can actually prevent the need to bring a lawsuit.

That is, with a trademark registration (and sometimes with merely a pending application) in hand, ABC's letter to an infringing, would-be defendant, demanding that they cease and desist from using confusingly similar marks, can be surprisingly effective. Even if ABC were ready to sue to enforce such rights, lawsuits are not always necessary: objectives can be achieved based on prior or pending registrations that indicate that ultimately, the infringer will be held liable. Potential defendants often agree to stop using infringing trademarks and to pay over the profits they received while using the marks, rather than incurring the costs of a lawsuit that they are likely to lose.

In contrast, let's say that Company XYZ declines to seek trademark registration for a few years, on the basis that "I'll get to it later" or "I know my industry, and no one else in the business is using my mark". XYZ thus might allow the strength of its trademark to dissipate, and the strength of its potential claim to be compromised. In response to a demand letter, attorneys for the infringer – say, XYZ(2) -- write back and assert that XYZ(2) has been using its mark on the West Coast, and XYZ's market is limited to New York. Under these circumstances, XYZ might be compelled, at best, to enter into a "concurrent use" agreement, where both parties agree that they can use their relatively similar marks in specific geographic areas or for specific goods/services without confusing the public. However, without trademark registration, the terms of such agreements are often less favorable than they might have been if XYZ had registered the mark, first. Further, in the age of the Internet, no one wants to be limited to selling in a particular geographic area.

Copyright

Similar to trademark registration – but simpler and less expensive -- copyright registration is the first step to protecting your work. ABC (our early bird who gets the claim) files for copyright registration shortly after creating its design or other creative work; ideally, it registers the copyright even before selling or otherwise making the work public. ABC can sue or threaten to sue for statutory damages and attorneys' fees, and might settle for a significant amount.

In contrast, the dilatory Company XYZ doesn't file for copyright registration until ***after*** learning of the infringement – and even then, fails to seek registration for a few months. Unless XYZ knows that the infringer has sold a lot of infringing goods – so that XYZ's actual damages, as the sole benefit of a lawsuit, are substantial – then it might not make sense to commence litigation. A threat to sue is only as strong as the potential claim, so XYZ might send a demand letter, but be forced to settle for a nominal amount, if any.

The moral of the story: Early registration is important. Statutory damages and attorneys' fees are available only if your work is registered (a) before the infringement, (b) within three months of the first authorized "publication" of the work (for example, the work- presentation in a catalog), or (c) within one month of your discovery of the infringement. Of course, any dispute involving the last category is likely to invite a factual dispute over when you knew (or should have known of) the infringement - so, even with that one-month safety net, sooner is better.

With timely registration - and aggressive monitoring of what your competitors are touting - you are more likely to defeat and enjoin (that is, stop) actual infringers. Deals with infringers typically include injunctions against using the design again, paying over all profits, and sending the remaining inventory to the would-be defendant (or destroying the inventory, if you'd rather not fill up your office, warehouse or home with the shoddy product of the infringer!). With timely copyright registration, you can litigate, or – if you're dealing with a reasonable would-be defendant -- secure satisfactory results "without firing a shot".

Developments in the Law

Louis Vitton

After more than two years of contentious litigation In *Louis Vitton v. Dooney & Burke* (S.D.N.Y., 5/28/08), the French luxury handbag manufacturer sued a Connecticut-based rival over allegedly violating the Lanham Act, the Federal Trademark Anti-Dilution Act and state law for selling handbags that bore trademarks allegedly infringing on Louis Vitton's multi-colored mark. Although Louis Vitton had never filed for trademark registration of this logo and could not seek statutory damages or attorneys fees, it prosecuted its common law trademark rights under the federal Lanham Act. However, the court granted defendant summary judgment, dismissing Louis Vitton's claims entirely. The court weighed eight factors (including the differences between the marks, the sophistication of consumers, and the absence of evidence of predatory intent in adopting the competing logo), and held that no reasonable jury would conclude that defendant's mark was likely to cause confusion with plaintiff's mark.

For more information about these or other matters, please do not hesitate to contact us:

Mark S. Kaufman
Kaufman & Kahn, LLP
747 Third Avenue, 32nd Floor
New York, NY 10017
Tel.: (212) 293-5556
Fax: (212) 355-5009
Email: kaufman@kaufmankahn.com