INTELLECTUAL PROPERTY

Losing Your Mark

By Michelle A. Cooke

We demand much from our trademarks. As symbols of quality and standards set by the trademark owner, these distinctive words, logos, and even colors, sounds and smells, provide consumers with reliable indicators of what to expect from a product or service. To fulfill this weighty responsibility, conventional practice has dictated that marks be used in a consistent, even rigid, manner.

Many companies develop brand identity manuals to help ensure proper trademark usage by all departments. Such efforts to achieve consistent trademark use minimize the risk of trademark owners sabotaging their own marks. Too often, the internal misuse of marks arises from a lack of communication between marketing and legal. Marketing sees itself as the source of innovation to keep a brand fresh and relevant, and legal tries to avoid risk and protect existing assets. While there is a natural tension between these roles, they need not be mutually exclusive. If these groups work in tandem on all trademark use, including any proposed change to logos, distinctive colors or mark variations, it can lead to developing new or enhanced corporate assets. But without the proper foundation, modifying existing trademarks potentially can undermine a consumer's ability to rely on them as source identifiers and reduce the value of the mark, as well as create unnecessary litigation risks.

The use of a mark as a verb is a traditional warning sign flagging a mark's descent toward genericness.

An owner also may struggle with the public at large over control of its marks. Owners must worry about their marks becoming generic terms. Escalator, zipper, pilates and aspirin all started as trademarks that then fell into the common vernacular. Once these marks were deemed generic terms, their owners' exclusive rights and federal registrations for the terms were cancelled. But a few marks have battled their way back from the edge of genericide. Xerox Corp. undertook a marketing campaign teaching us that only its copiers were a Xerox, and that Xerox is neither what a copier produces nor is it a verb. Even Coke has had to fight for its rights. In *The Coca-Cola Company v. Overland Inc.*, (692 F.2d 1250 (9th Cir. 1982), the 9th Circuit found that Overland's serving of Pepsi without notice to customers ordering Coke was trademark infringing despite Overland's claim that Coke had become generic for soda.

To minimize the risk of a mark becoming generic is to always pair it with the generic term, such as Rollerblade in-line skates. If you create a new product, unveil the mark simultaneously with the generic term for the product even if you have to make up the generic term. Without a generic term, your consumers and competitors may have no choice but to use your brand name as the generic for the product. Only famous marks should indulge in the luxury of dropping the generic term. For example, the Whopper is such a strong mark that both its source and nature are implied. If you asked for a Whopper at a Fatburger restaurant, there is little doubt that you would be frowned at and corrected.

Assuredly, Google Inc.'s language polices searches for and tries to stop any use of Google as a generic term for an online search engine. The first generation of users to make the Internet an integrated part of its daily living had to develop a new lexicon for the online world. As Google was part of this transformation of the Internet, it therefore may not be surprising that the public's use of Google may have exceeded the company's original plans. Have you "Googled" a company online? Or, perhaps you need to "go Google" a new medication?

Despite active enforcement measures and its ever-growing wingspan as a company, even Google may find it difficult to battle against the evolution of language. Fortunately, for the online behemoth, the Google mark is evolving in ways that are challenging common conceptions for trademarks.

The use of a mark as a verb is a traditional warning sign flagging a mark's descent toward genericness. However, perhaps it is time to re-think this. So long as the "verbs" "Googled" and "Googling" specifically reference searching on google.com, and not any other online search engine, they still function to identify the unique services offered by Google. The verb variations function no less as trademarks than when Google is used as a noun for the Web site. There are strong indications that Google may be embracing this position. The trailers for "Confession of a Shopaholic" have the lead actress admitting that "Yes, I Googled" with a clear shot of google.com in the background. This non-traditional use of a mark shows that Google is woven into the common vernacular but, where other marks have faltered, this use nonetheless points to a unique source provider and control by the owner. In a way that has eluded most others, Google has been able to let its mark evolve naturally through the public's use but uses those changes to strengthen its Google brand.

What lessons can other trademark owners take from this? Stick to the traditional wisdoms that have resulted in trademarks becoming valuable corporate assets. Failure to protect those rights properly and consistently can lead to a significant diminishment (if not extinguishment) of their value. Routine quality checks of licensees to ensure they are properly using the marks and that the products and services they offer are consistent with the brand, and policing and stopping unauthorized third-party use of confusingly similar marks, remain among the core tenants for any trademark owner. Additionally, owners need to ensure that they themselves are using their marks consistently and properly, and this generally includes not turning marks into verbs. We can re-evaluate this once you become the next Google.

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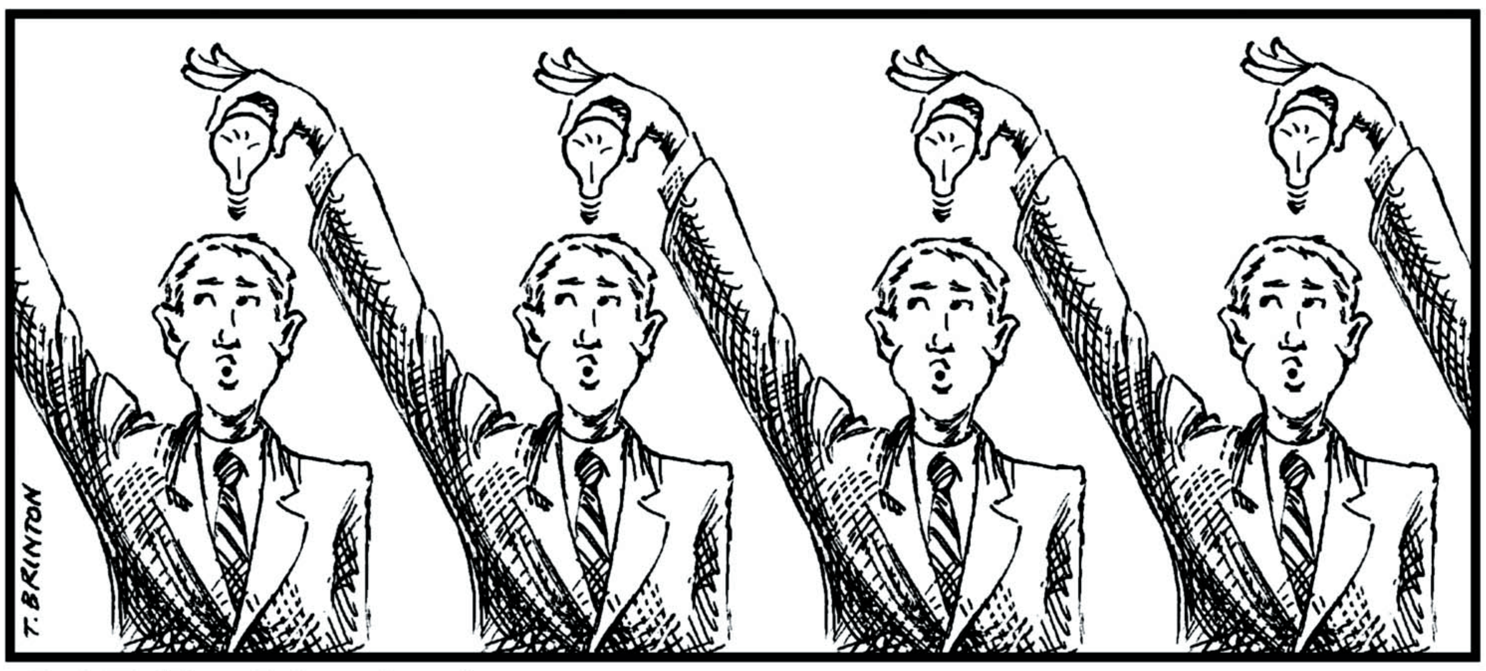
Think IP Litigation Can Wait Until Better Times? Think Again

By Steve Porter and Michelle Porter



Patentees weathering this recession with limited cash reserves undoubtedly are reluctant to invest in a litigation campaign to protect their intellectual property. Despite the potentially myriad reasons for forgoing litigation or pushing it off until economic conditions improve, patent holders who believe their property is being infringed should not hesitate to protect their rights, especially in this recession. Waiting to litigate may cause patentees to incur harm that would not occur in normal expansionary climes. Indeed, because of the economic forces peculiar to the recession, patentees who wait to litigate until economic conditions improve may find they are unable to recoup losses that stem from infringement. Those who can protect their patent rights, however, may be able to use those same market forces to their benefit.

Patentees who can protect their intellectual property will stand to control their own destinies as recessionary forces wane.

When consumer purchasing and business investment flag in a recession, sales across varied product categories can fall. A patentee selling a patented good in one of those categories, then, may observe artificially low sales due to the recession. If an infringer enters that market and steals some of that patented product's sales, the patentee may determine that lost sales and lost profits are too small to warrant litigation in the present term, or perhaps at all. But market forces may cause an infringer's presence to have unanticipated consequences as the recession ends, creating problems for the patentee beyond simple erosion of sales. When recessions end, demand tends to surge, which can cause consumer whims to yield outsized effects on product sales. As demand picks up, even a small number of consumers' poor experiences with ersatz infringing goods can pollute an entire product category. Instead of simply cannibalizing patent-holder sales, the infringing good can spark a consumer shift away from the category altogether, leaving the patentee with substantially eroded profit and little hope of recovering adequate damages. Quantifying and proving profit that the patentee would have achieved if the infringer had not polluted the market can be difficult.

Consider a related analysis contemplated in the realm of preliminary injunction proceedings against alleged infringers. In those cases, patentees may point to the likelihood of irreparable harm stemming from an inferior infringing product's pollution of the market. The logic is that if the ersatz product causes consumers to have bad experiences and shift away from the product category, damages incurred by the patentee could not be calculated and would therefore be irreparable.

The obverse of the foregoing observation is that patentees who can protect their intellectual property will stand to control their own destinies as recessionary forces wane. A patentee who litigates during the recession can either enjoin the infringer from competing in the market by the time demand returns or control — by way of license or other agreement — the infringer's marketing behavior. This will give the patentee opportunity to take advantage of post-recession demand growth and market forces not present in normal economic climates. A patent-holder who can generate goodwill in a product category by ensuring that category is not polluted with infringing goods will be positioned to cross-market other goods in its product lineup and fully exploit post-recession demand surges. This is known as a "halo" effect, and it can yield patentees additional value from their patents. Such an effect is often unattainable under normal market conditions with established products, but with rapid post-recession demand growth, it can be achieved with properly positioned, established products. An initial requirement for a patentee is establishing an untainted presence in the patented product category so that post-recession consumer whims benefit other offerings in the patentee's product lineup. This requires protecting IP in the space and weeding out infringing alternatives. The impact of succeeding in this strategy can be profound. One example of the strength of the so-called halo effect can be found in Apple's success spawned by the launch of its iPod and iPhone. Positive consumer experiences with these offerings led to improved sales of Apple's high-end personal computers and laptops. The effect is expected to persist through 2017, according to some industry analysts. While the iPod and iPhone were new product launches, the example speaks to the power of cross-product marketing. And post-recession demand growth may magnify the effect since demand will likely grow across all product categories, and companies can capture "new" participants in an expanding market as well as the harder-to-obtain brand switchers who normally are the prize of "halo" marketing.

The question, therefore, is whether there is time for a patentee to file a claim and secure a verdict or adequate settlement before this recession ends. At present, most economists expect emergence from recession will not occur before 2010. According to a recent survey conducted by the National Association for Business Economics, "[t]he country stands to lose a sizable chunk of economic activity in 2009 as consumers at home and abroad retrench in the face of persistent economic troubles." Both the association and the Federal Reserve predict the economy will rebound in 2010 with average GDP growth around 2.4 percent for the year. Time-to-trial in patent litigation (i.e. the time between complaint and the first day of trial) is a subject discussed in a PriceWaterhouseCoopers study published in February 2008. Out of 394 trials occurring between 1995 and 2007, 43 percent went to trial in two years or less from the time the complaint was filed. In some court districts, average time-to-trial was a matter of months, and the success rate for patent holders when time-to-trial was less than two years was around 60 percent. In other words, a litigation campaign mounted now can still pay dividends to a patentee and allow the patentee to use the recession to his or her advantage.

In this recessionary environment, firms will be well served to protect their intellectual property, and it is advisable that patentees exploit the recession for their gain. By eliminating infringing competition before expansionary demand is sparked, patent-holders will be situated to reap full benefit from a return to economic growth. Should patentees choose not to pursue litigation in the present term, they may find that, post-recession, there is no opportunity to recoup the losses they have incurred.

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