

UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN

# Startups: Incorporation, Funding, Contracts, and Intellectual Property

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Class 13



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# Reminders

- Today
  - Review Quiz #4
  - Class 13
  - Quiz #5 – Review if time permits or after class
- Reminders –
  - Intellectual Property Project Presentations
    - Tonight! – 7pm, Room 112 Transportation Building
  - Exam #3
    - Thursday, Dec 6<sup>th</sup> - Second half of class



# What Is A Trademark?

- Identifies the origin of goods or services
- Typically a word or symbol
- Can have non-typical trademarks like color or sound, but they are difficult to obtain
  - Must establish consumer recognition
    - Sound: "D'oh!" of Homer Simpson
    - Color: The canary yellow of 3M's Post-It® notes
    - Scent: Plumeria scented sewing thread
    - Touch: Velvet material covering the surface of a wine bottle
- Trademark lasts for as long as it is used
  - Can last forever
- Two Types of Trademarks – Parallel US Systems
  - Unregistered, common-law trademarks
  - Federally registered trademarks



# Common Law Trademark - 1

- Think pre-1900 – If you are selling “Bongo” bread, then we don’t want to let someone else sell into the same market with the same mark
  - State law – not federal
  - Prevent consumer confusion
  - Don’t let later entrant unfairly benefit from earlier entrant’s hard work and good will
- How do I get a common-law trademark?
  - Just start selling goods with a mark – rights begin to arise as soon as you sell your first product and are enforceable once consumers associate the mark with you



# Common Law Trademark - 2

- Limitations on common law trademarks
  - Limited geographic scope
    - Only have rights with regard to your current market
  - May not be able to expand
    - Ex – if you want to open a store in Milwaukee and someone is already selling “Bongo” bread, you may be out of luck
  - Must prove damages – only actual damages
  - No pre-examination of TM rights
    - You go to court to enforce, but the court could determine that you are not entitled to TM rights
  - Lots of BS-ing in this area



# Common Law Trademark - 3

- What is “TM”?
    - You advertising to consumers that they should regard what is marked as your trademark and associate it with you
    - Just marking with TM does not give you any rights in itself
  - Do you have to mark with “TM”?
    - No, typically marking is not required, but it does strengthen your case that you are entitled to TM rights because you are advertising to the market that you regard the term as a TM
    - At root, if the market now associates that mark with you, then we give you an exclusive right in it
  - What can you mark with “TM”?
    - Anything you want the public to regard as your TM
    - Ex - Use of “Happytime<sup>TM</sup>” on goods provides notice that you are claiming “Happytime” as a trademark for those goods, but you may not be legally entitled to exclusivity
-  No examination process, so you will have to sue an alleged infringer to test your right

# Common Law Trademark - 4

- Infringement Standard– Consumer confusion
  - If a consumer would think that goods from a second company actually originated from the company owning the trademark, then there may be infringement
- But!
  - Same mark may be used in different fields of goods without confusion
    - Ex – “Bongo” for bread vs. “Bongo” for phones
  - Common law only – same mark may be used in different geographic areas without confusion
    - Reason - consumer would not think “Bongo” bread in Chicago is made by the same company as “Bongo” bread in L.A.



# Registered Trademarks

- Must be registered with the Patent and Trademark Office (PTO)
  - Provides registration so you can be reasonably sure of your mark's enforceability before suing
  - Federal law, not state law
  - Only mark that can use ® -and only once registered
- Geographic extent is the entire US
  - No more “Bongo” bread in Milwaukee or L.A.
- Can still use the same mark in different fields of goods without confusion
- Can still last forever if used
- Same standard for infringement – consumer confusion
- Can get statutory damages – like registered ©
  -  – No longer need to prove actual damages

# Registering A Trademark

- Trademark Search
    - Not just term itself, but consumer confusion – use lawyer
  - File TM application with PTO
    - Word(text) or Logo(graphical/special form) Mark
    - One or more classes of goods – pay per class
  - Application goes to Examiner
    - Examiner searches mark – about 50-75% rejection rate
    - Office Action if rejected – typically due to potential consumer confusion with other registered marks
    - Otherwise, mark is allowed
  - Mark is published for opposition
    - Companies monitor new marks and file oppositions if they regard the new mark as too close to their own
    - If opposition, then lawsuit or abandon
  - Mark is registered on Principal Register
-  Mark can now be enforced

# Can't Register

- 15 USC 1052
  - Flag or insignia of US, state, city
  - Name/identity of living person without their consent
  - Non-distinctive marks or generic marks
    - “Meat<sup>®</sup>” for use with steak
    - But! Could register “Meat<sup>®</sup>” for phones
  - Mark causing confusion with another mark
    - Most common rejection by Examiner
    - May adjust mark or class of goods so as to eliminate confusion



# The Slants Case

- Previously could not register
  - Immoral, deceptive, disparaging, scandalous matter
- “The Slants” – Asian rock band, attempts to register name to “reclaim” the term
  - Examiner denied, PTO Appeal denied
  - Appeal to Fed Circuit – PTO decision found unconstitutional, violation of 1<sup>st</sup> Amendment
  - Cert to Supreme Court – Decision in June 2017
  - PTO informs examiners they can no longer reject on these grounds under the 1<sup>st</sup> Amendment
- Additional Impact: Case against the Washington Redskins trademark is dropped



# Supplemental Register

- Non-distinctive marks can be placed on the Supplemental Register
- Non-distinctive marks may include:
  - Geographic description, Surname
- Good - Can still use ®; can still sue in federal court; can be cited by PTO to reject later-filed TM application
- Bad – No presumption of ownership/existence/validity of mark, must prove it in court – like common law TM
  - Can't use to seize goods at customs
- But! Non-distinctive marks can be added to the Principal register after 5 years of use in commerce



# Mark Your Goods

- Must mark your product or give actual notice
- 15 USC 1111
  - [I]n any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.
- In short, unless you mark your product, no damages are accruing until you actually inform them of your mark
  - Contrast with common law mark – can get damages in some cases even if not marked
  - Note: Just because mark is federally registered does not mean you are or are not entitled to common law rights



Common law TM rights may still be enforceable

# Statutory Damages

- 15 USC (c) 1117 - Statutory damages for use of counterfeit marks
- (1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed,
- (2) if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed



# Limitations on TM Rights

- Fair Use - “Nominative” uses that refer to the actual product or its source
  - Includes product criticism and analysis
    - Ex: Article - “Apple’s iPhone® has several useful features ...”
  - No consumer confusion as to source
- Mark becomes generic description for entire class of goods or products
  - Lose exclusive rights and others can use mark
  - Fight it! - “Kleenex-brand facial tissues”
    - “Xerox photocopy”
  - Compare with “Fax”, “Instant Message”
    - Skee-ball? “Google it”?



# Other TM Aspects

- Abandonment
  - TM rights cease if not used for 5 consecutive years
- “Intent-To-Use” Application
  - Can file a TM application before you begin use of TM, must later establish use
- Can search TMs at PTO
  - Trademark Electronic Search System (TESS)
  - [tess2.uspto.gov](http://tess2.uspto.gov)



# Trademarks For Startups

- Review USPTO records before determining your company name and other marks
  - Good time to consult with attorney
  - Remember to consider consumer confusion
- File Intent-To-Use Applications
  - Find out whether you will be rejected before you spend big money on budgeting
  - Don't rely on common law marks
  - Reserve any marks or phrases that you want consumers to know that point to your company
  - Be sure to register in all classes that you want rights
- Must police the use of your mark
  - May be favorable to look for compromise rather than iron fist enforcement
- Be cautious if you receive a notice letter
  -  Not everyone who claims TM rights actually has them
  - Consult with an attorney

# Initial Trademark Selection - 1

- Recall the two main Examiner rejections
  - Consumer Confusion
  - Merely Descriptive
- Both rejections are class-dependent
  - Conflict – you likely want to register your mark in several classes, but increasing the number of classes includes the odds that the Examiner may raise consumer confusion or descriptiveness.
    - Multiple classes also raise costs ~\$300/class in PTO fees plus attorneys fees



# Initial Trademark Selection - 2

- You can register:
  - Text and/or
  - Graphical/stylized/logo/special form marks
    - Black and white (covers all colors)
    - Particular colors
- Text marks may be broader because they may cover any usage/appearance of the text
  - Conversely, it may be more difficult to argue against a consumer confusion rejection or descriptiveness rejection of a prior mark
- Logo marks can be useful if your mark has a distinct graphical element
  - Example: Competitor uses slightly different words, but in your special font and with a similar graphic, they may still infringe
  - Use of color in mark also lessens scope of mark, but may be useful to capture a specific color scheme



# Class Selection - 1

- Determine classes of interest
  - <http://www.uspto.gov/trademarks/notices/international.jsp>
- Classes of frequent interest to tech startups:
  - Class 9 – Software Sales
  - Class 35 - Advertising/Business Management
  - Class 42 – Computer/Internet Services



# Class Selection - 2

- Example: Instagram
  - Registered in many different classes
    - 9, 35, 38, 41, 42, 45
  - Multiple registrations in same class with different description of goods (Class 38)
  - Both Text and Stylized registrations



# Class Selection - 2

- Example: Rolex
  - Just watches?
  - 14 – Watches
  - 14 – Jewelry
  - 35 – Retail Store services
  - 37 – Repair and Maintenance of watches
  - 41 – Sports timing services
  - 42 – Rental of time measurement apparatus
  - What if they provided time services through their website? Or a time app?



# Parsing Your Mark - 1

- Many marks may be suggestive of another word which may already be a mark or be descriptive
  - The Examiner can find consumer confusion by finding that difference between your mark and the other term would be insubstantial to consumers
- Many marks are a compound word formed of two or more sub-terms
  - The Examiner can find consumer confusion if replacing one or more sub-terms makes the compound word confusingly similar to an earlier mark or term



# Parsing Your Mark – 2

- Example – You want to register WISEBREAD in class 42 for an online blog.
  - Examiner may possibly reject over the following earlier marks in that class on the basis of consumer confusion:
    - RISEBREAD – Similar in appearance
    - RYSEBREAD – Similar sounding
    - SAPIENBREAD – Sapien means “Wise” in Latin
    - GOODBREAD – Mark is a compound of two terms and replacement term is suggestive of “wise”
    - SMARTLOAF – Two replaced suggestive terms
    - ANGELBISCUIT - Examiner may find that the term ANGEL is associated with wisdom in the eyes of consumer
    - Note: The Examiner’s rejections can be highly individual, but decreasing in likelihood with increasing difference between the terms



# Parsing Your Mark – 3

- Similar decreasing likelihood for descriptiveness rejection
  - still examiner dependent and individual
    - Example – Want to register a mark for scissors with a bell element on the end that is contacted when the scissor arms come together. The bell element then emits a ringing sound.
    - BELLSCISSORS - Likely Descriptive – just the names of the elements
    - CHIMESHEARS - scissors/shears are the same and “chime” could be either a noun describing the bell or the emission of sound
    - RINGSHEARS - scissors/shears are the same but “ring” is not noun describing the actual bell – more suggestive than descriptive
    - SONGSHEARS – scissors/shears are the same, but “song” is really pretty non-descriptive for the bell portion
    - RINGCUT – Not likely because article is not a “cut” – “cut” describes function, not the noun of the article itself
      - Could still be an issue when name of article is also used as verb of action of using it – Example: hammer, whip, etc.

Decreasing Likelihood



# Example Rejection

- Actual Example
- Seeking to register RHINOCEROS in Class 8 for “Gardening tools”
- Rejections:
  - RHINO in Class 7 for “Agriculture machinery, namely, front-end loaders and backhoes”
    - Note: The Examiner is not limited to class
    - Includes part of the mark
  - RHINOSCISSOR in Class 8 for “scissors and hand-operated shears”
    - Similar in class and sound



# Search Strategy

- Consider proposed mark
    - Is there a descriptiveness risk?
  - Search - Find exact term in desired class
    - Knocked out, choose alternative term
  - Find similar term in desired class? How much?
    - Any differences in marks? Large? Arguable?
    - Examine statement of goods
    - Difference in statement of goods that we could use to argue that a consumer would not be confused?
    - Is the applicant a competitor?
    - Are the goods complex/expensive?
      - Can argue that consumer is less likely to be confused
    - Search similar/variant terms in class
-  Parse mark into components and search in same class

# Proceeding to File - 1

- Best practice to get an attorney
  - Can give you a good impression of the likelihood that a rejection will be raised
  - Can also help you craft your statement of goods to avoid rejection
- TEAS, TEASRF, or TEAS+?
  - Trademark Electronic Application System (TEAS)
  - TEAS RF : All electronic, reduced fee
  - TEAS+ : All electronic and Must choose description of goods from template, but cheaper
  - If you are a new type of business/service, you will be using TEAS or TEAS RF
  - Must pay for each class
    - 2 classes = 2 times the fee



Questions	TEAS Plus	TEAS RF (Reduced Fee)	TEAS Regular
What is the filing fee per class of goods/services?	\$225	\$275	\$400
Must the application include an e-mail address and authorization for the USPTO to send application-related e-mail correspondence?	Yes	Yes	No
Must certain subsequent application-related submissions, such as responses to Office actions, be filed via TEAS?	Yes	Yes	No
Must the identification of goods/services be selected from the USPTO Trademark ID Manual?	Yes	No	No
Must the filing fee per class for all classes listed in the application be paid upfront?	Yes	No	No
Must certain statements regarding the mark be provided in the application as filed, if applicable (e.g., translation statement, claim of ownership, color claim and description, if applicable)?	Yes - see <a href="#">TMEP §819.01</a>	No	No
Is there an additional processing fee if applicant does not satisfy the relevant filing option requirements?	Yes - \$125 per class of goods/services	Yes - \$125 per class of goods/services	No

# Proceeding to File - 2

- Info needed to file
  - Owner of mark
  - Entity type – if corporation, need state
  - Owner address
  - “Standard” (text) or “Special form” (logo)?
    - Image requirements = jpg 300->900 pixels
  - At least one Class
  - Description of Goods/Services
  - Actual Use/Intent To Use
  - Correspondence Name/Address
  - Fee (can be paid with credit card)



# Trademark Prosecution

- Office Actions (Rejections)
  - Can range in difficulty, but best practice to consult attorney
  - May just want change in statement of goods
  - Conversely, may have several consumer confusion or descriptiveness rejections
- Usage of good stated in application
  - Actual use – must be using mark on all products recited in your statement of goods
    - Eliminate unused goods from statement or it may be fraud. Example: “X” for “Hats, shirts, and pants” must be used for ALL.
  - Intent To Use – Will have to file statement of use
    - Can “split” your application when using mark with some but not all of the recited goods



# Trademark Maintenance

- If you expand your product or service line, file new trademark registrations
  - Can be at the Intent-To-Use stage
- Can also trademark catch phrases
- Be sure to mark with ®
- Will have to file a Declaration of Use at 5 years from registration date



# Trademark Exercise

- Proposed mark from the class?



- Questions?

