



Arkansas Association of Defense Counsel

March 13, 2017

TRADEMARK REGISTRATIONS: WITHOUT THEM, THINGS GET MESSY By Meredith Lowry and Brandon Middleton

Everyone has heard the old saying “the best defense is a good offense.” While this phrase is often used during sporting events, family game nights, or wartime, it is equally applicable to the realm of trademark law. And in the context of trademarks, a good offense means securing a trademark registration for your trademark. There are a number of benefits of registering a trademark, and without a registration a number of legal problems may ensue.

In the United States, trademark rights arise through the use of a trademark in connection with the sale of goods or services. Protection afforded by these trademark rights may be pursuant to state common-law principles or based on federal rights under the provisions of the Lanham Act. While the general purpose of each kind of trademark is the same — that is to identify a business as a source of its goods or services — the protection afforded by each kind of trademark drastically differs, with unregistered trademarks having significantly limited protection compared to their counterparts. There are also significant hurdles associated with enforcing the rights held by the trademark owner of an unregistered mark.

Benefits of registering a trademark with the USPTO include (1) the ability to recover profits, damages, and costs for infringement of the trademark; (2) the ability to recover attorneys’ fees in infringement actions; (3) the right to use the ® symbol; and (4) the right to sue for infringement in federal courts. Two of the most important benefits of federally registering a trademark are that the

federally registered trademarks are presumed valid and that registered trademarks are afforded national protection regardless of where the trademark is actually used. In contrast, unregistered trademark owners are forced to establish ownership for a successful case and unregistered trademarks are limited to the geographic area in which the trademark is actually used.

Problematic for businesses considering a new trademark, common law trademarks are not included in searches conducted by the USPTO when evaluating trademarks for registration, and therefore there is a real possibility that a registration for a trademark may be issued to one party even though another party may already be using the trademark in commerce (and thus has acquired common law rights). When the registrant of the trademark is not the first user of the trademark, the issue of “prior users” arises, which requires a determination of whether the prior user (common law trademark owner) or the federal registrant (registered trademark owner) has superior rights in a particular area. This exercise may be prohibitively expensive for the prior user, especially since evidence of trademark use in each separate area may not be well-maintained in the business records.

A prime example of legal issues that may arise for failure to properly register a trademark is demonstrated by a dispute between two companies, plaintiff SweeTarts, Inc. (“SweeTarts”) and defendant Sunline, Inc. (“Sunline”), over the trademark SWEETARTS (the “Mark”) in *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967). Although this case is an older case, the problems that arose in *Sweetarts* are still causing sticky situations in the present.

The case outlines the legal implications of SweeTarts's failure to properly obtain trademark registration for the trademark in connection with candy products. Although SweeTarts had obtained a registration for the trademark in connection with candied dried prunes — the original product sold under the trademark — the company began to use the trademark in connection with various types of candy, including chocolate and toffee, for which no registration was obtained. SweeTarts's use of the trademark in connection with candy was primarily in Washington, Oregon, and California, but the trademark was also used on candy products in a number of other states.

Several years after SweeTarts's registration of the trademark in connection with dried prunes, Sunline began selling candy under the name "SweeTarts" throughout the United States. Unhappy with Sunline's use of the trademark in connection with candy products, SweeTarts sued Sunline to enjoin their use of the trademark. Because neither party had a valid trademark registration for the trademark in connection with candy products, the court was tasked to determine the specific rights of each party in the trademark under common law principles — each party having common law rights in the trademark, because each party had used the trademark in commerce in connection with candy products. The ultimate questions was in what geographical areas was each party entitled to use the trademark — a question that could have been avoided altogether had a proper registration been obtained by the first user of the trademark. Ultimately, the Eighth Circuit held that SweeTarts had ownership of the trademark — and therefore exclusive use of the trademark — only in the geographic areas that it had established prior use. Thus, Sunline, which had started using the trademark years after SweeTarts's use began, was not barred from using the trademark in areas independently developed by it.

The results of this case outline precisely why it's important to go on the offensive with

regard to trademark protection from the outset of starting a business. SweeTarts's lack of proper registration for the trademark in connection with candy goods not only ultimately foreclosed its right to enjoin Sunline from using an identical trademark in certain areas, but also foreclosed SweeTarts's opportunity of brand expansion into those areas deemed the market of Sunline. In the business world, there is nothing sweet about limiting the scope of your company and reducing the number of consumers your product can reach. A lack of registration on the part of SweeTarts effectively limited its right to defend its brand from intrusion by other companies.

In the present day, the underlying problems of common law use, later users, and geographic use continue to arise. For start-ups or even established companies, the process of establishing ownership of an unregistered trademark can be messy and prohibitively expensive. From the perspective of a trademark attorney, it is heartbreaking to tell clients that trademark rights have been limited because they failed to register a trademark early on in the life of the business. Registration of a trademark early on not only secures your company's opportunity to expand nationwide as business booms but also keeps your company's brand from being overwhelmed by common-law users or later registrants in other locales. A strong offensive move from the beginning limits the necessity of defending your rights down the road, when a battle over trademark rights could drastically affect the bottom line.

**The thanks of the AADC go out to
Meredith Lowry and Brandon Middleton
of Wright, Lindsey & Jennings.**



**We are better together. Support the
AADC.**