



Belly Buster
TACOS

On Your Mark

Understanding and Protecting Your Trademark

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When I think of “trademark infringement,” a few examples come to mind. My favorite, though, is from the 1988 film “Coming to America,” in which Cleo McDowell (played by John Amos) hunkers down in his office in the “McDowell’s” fast-food restaurant to read a McDonald’s operations manual. McDowell’s sold the “Big Mick” burger, and the restaurant’s sign was a huge golden “M,” referred to as the “Golden Arcs.” The scenes are funny because they are so ridiculous; the infringement of trademarks and trade dress so blatant. In the real world, however, whether there is infringement is a harder determination to make.

This article will attempt to give a very basic overview of trademark terminology, discuss the importance of registering marks at the federal level, and provide a few examples of court cases involving claims of trademark infringement — and what may be learned from them.

What is a Trademark?

A “trademark” is defined as including any word, name, symbol or device, or any combination thereof, used to identify and distinguish goods from those manufactured or sold by others. A trademark is a form of “intellectual

property” (in the same family as copyrights and patents), and is an asset that can be sold, licensed, etc.

An identifying mark is “distinctive,” and therefore capable of being protected, if it is either inherently distinctive or has acquired distinctiveness through secondary meaning. For example, a mark that is only descriptive of a product (“the greatest burger”) is not inherently distinctive, and to acquire protection under secondary meaning the owner would have to show that the mark has come, through use, to be uniquely associated with a specific source in the public’s mind.

sign perspective, it may include size, shape, color or color combinations, texture, graphics or even particular sales techniques.

Functional articles, such as doors, lamp arms or clothing are not generally protectable as trade dress, but the distinctive elements (color, shape, art, etc.) can be protected as trade dress. For example, while a bottle is a functional item that does not constitute trade dress, a Coke® bottle’s unique shape is distinct, and is protected.

Generally, both state and federal laws govern trademarks, though federal law is the principal avenue for trademark protection, primarily because state

Belly Buster Tacos in Nashville. The Nashville restaurant has never registered its trademark with the USPTO. If you register your Belly Buster mark first, you will gain the rights to operate under that trade name nationally, and the Nashville operator will be limited to doing business within its original geographic area. Registration cannot undo someone’s common law rights in a mark, but it can certainly put them into a box when future use is concerned.

Infringement

Trademark infringement occurs when a party uses a mark similar to an existing trademark in a manner likely to *confuse* customers about the source of those goods.

Trademark dilution occurs when a famous and distinctive mark is weakened by its association with unrelated goods. Dilution can occur by “blurring” or “tarnishment.” Dilution by blurring occurs when a new mark is associated with a famous mark. Examples might include Dupont shoes, Buick aspirin tablets, Schlitz varnish and Kodak pianos. Dilution by tarnishment occurs when the famous mark is linked to products of shoddy quality or is portrayed in an unwholesome context.

Other benefits to registration include the fact that registration gives notice to others that the trademark is in use, because only registered marks may be labeled with the ® symbol (unregistered marks may only be labeled with ™). Finally, in the event of trademark infringement, registration entitles the owner of a mark to seek recovery of damages (including the profits the infringer made by using the mark), attorney’s fees and costs of suit. Treble damages may be available on a showing of bad faith. For trademark dilution, an owner may seek injunctive relief against a use that is likely to cause dilution and, upon a showing that the defendant willfully appropriated the owner’s good will, pursue monetary damages. In the case of trade dress, a claimant suing for dilution essentially must prove

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Some marks may not be registered at all. Examples include those that are generic, laudatory (e.g., best, greatest), immoral or scandalous, disparaging, depicting the U.S., state or foreign flags; merely geographically descriptive; the name/portrait/signature of a person without their consent; and those so similar to a mark already registered that there will be confusion, deception or mistake between the products.

“Trade dress” is similar to a trademark, and can be defined as “the total appearance and image of a business.” Trade dress may include the shape and general appearance of the exterior of a restaurant, the identifying sign, the interior kitchen floor plan, the décor, the menu, the equipment used to serve food, the servers’ uniforms, and other features reflecting on the total image of the restaurant. From a de-

trademark statutes are limited to the use of a mark within a specific state. State trademark statutes can be useful for protecting marks that are certain not to cross state lines, but realistically speaking, in the age of the Internet and our ever-shrinking world, the only protection that counts is federal.

A person or business can obtain rights to a mark by using the mark in commerce, or by registering the mark with the United States Patent and Trademark Office (USPTO). One does not have to register a mark to obtain protection, but failure to register affords only rights in a mark within the “geographic area” of the use. Registration, on the other hand, provides many worthy benefits over “common law” rights.

Let’s say, for example, you want to start a restaurant called “Belly Buster Tacos,” in Dallas, but there is already a

that the trade dress used by the adverse party is identical, or nearly identical, to the claimant's trade dress.

Covering Your Assets

So you decide to open Belly Buster Tacos. Whether you create your company with you as the sole owner, or you bring in outside investors, you should take action from Day 1 to protect your trademark.

The first hurdle is determining whether someone else is already using the mark, or one similar. There are various means to search for existing marks, including searching the USPTO's online database. The USPTO's examining attorneys will search across many layers of comparison besides the plain text of the name (including whether your mark sounds like another), but a name search is the place to start.

The second hurdle is determining who will own the trademark. The original restaurant entity could own the mark, but this can create difficulties for two reasons. First, since a trademark is an asset, the restaurant company would run the risk of losing that asset to a judgment creditor. Second, if the restaurant company owns the mark, then licensing the mark in the event of either corporate expansion with different owners or franchising gets tricky.

To avoid these concerns, many operators form a restaurant management or intellectual property holding company to separately own and register the trademark (and other intellectual property, such as recipes and business operations). Some form both a management company to operate the restaurant(s) for a management fee, and a holding company to license the intellectual property to each unit for a royalty.

Even before you open for business and use the mark "in commerce," you can seek trademark protection with an "intent to use" filing. While you will not be allowed to indefinitely reserve a mark by claiming such intent, the rules

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governing mark approval and extensions to file a statement confirming that the mark is actually being used are such that most business owners have ample time to get the marks into commerce before their “intent to use” application expires.

When the mark is filed, the USPTO will examine the mark and the “class of goods” to which it applies (e.g., restaurant and catering services, clothing and sippy cups) to see if there are any direct impediments to the registration of the mark. Upon finding no problems, the USPTO will publish the mark “for opposition,” allowing any holder of a

mark who believes your mark will wrongfully affect its mark to oppose registration of your mark until a decision can be made. Finally, if there is no opposition, the mark will be assigned a unique number and registered in the USPTO’s principal register.

Cases in Point

Examining a few cases involving restaurant/hospitality trademarks is instructive to show the variety of cases, and how long they can take to resolve.

Two Pesos v. Taco Cabana. The first Taco Cabana restaurant opened in San Antonio, Texas, in 1978. The first Two Pesos

opened in 1985 and appropriated virtually every aspect of Taco Cabana’s trade dress, which Taco Cabana described as “a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.” Two Pesos even went so far as to obtain and copy Taco Cabana’s architectural plans from one of its subcontractors.

In 1987, Taco Cabana sued Two Pesos for trade dress infringement and theft of trade secrets, and the jury found that the infringement was willful and deliberate, awarding \$1.8 million in damages and almost \$1 million as reimbursement for Taco Cabana’s attorneys’ fees.

The case was ultimately appealed to the U.S. Supreme Court, whose decision upholding the trial and appellate courts was issued in 1992.

Hooters v. Ker’s WingHouse. In a case that sounds like the Taco Cabana case on the surface, Hooters sued Ker’s Winghouse in 2003 for (among other things) trade dress infringement and dilution. The trade dress Hooters sought to protect was “the Hooters Girl uniform; rough-hewn rustic interior woodwork, including light colored wooden walls and floors; dining tables consisting of red wood of varying hues, surrounded by lighter pine wood, and covered with a shiny epoxy; a tabletop setup consisting of a wooden vertical paper towel spool, wood-weave plate-ware, and table tents; a parchment paper menu bearing the story of the restaurant on its reverse side; surfboards; wall-mounted photographs of celebrities taken with servers; pictures of girls in attractive swimwear; road signs displaying clever sayings; hula hoops; large-bulb Christmas lights; wall-mounted sports memorabilia; bumper stickers; and “beachy” music from the ’50s through the ’80s.”

Opportunity Costs: Trademark Now to Avoid Problems Later

If you have been using a particular company or product name for some time, it is important to register it as a trademark so that others can’t use it without your permission. A competitor who uses a name similar to your company’s or product’s name may create confusion among potential customers and may affect the reputation you have worked so hard to establish. Without a trademark registration, you can’t demand that the competing company stop using its name. You have a choice of either continuing to use your name and risk confusion, or changing to a new name and starting over with building your name recognition. For an established business, which has invested significant time and money in building a brand, and creating and purchasing advertising and promotional materials, this would represent a significant and unacceptable cost.

And if you have any hope of franchising or licensing your concept, having a protected trademark is vital. Without the assurance that the name will remain distinct in the marketplace, you offer very little to prospective franchisees who want to succeed on your reputation.

But you don’t wait until your brand is a household name to begin the process of protecting it. Even if you do not have a long history of using a particular name for your business, you may want to register it earlier rather than later to show that you are the first to use it, and also to make sure you do not infringe on an existing trademark. It would be a business disaster to spend time and money promoting a new name for a product line and then receive a cease-or-desist letter from a trademark owner demanding that you stop using its trademark.

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The trial court found that the only component of Hooters' trade dress that was distinctive was "the Hooters Girl," and that the remaining items were generic items often found in sports bars or grills. Unfortunately for Hooters, the court also found that the Hooters Girl was "primarily functional." The court looked to Hooters' positions in earlier court cases involving discrimination, in which Hooters claimed that the Hooters Girl was not a marketing tool, but rather that the Hooters Girl's "predominant function is to provide vicarious sexual recreation, to titillate, entice, and arouse male customers' fantasies." As mentioned earlier, functionality will eliminate trade dress protection.

The court also ruled that to prevent another restaurant from using black tank tops and shorts when the color difference was so drastic from Hooters (Hooters' orange to Ker's black) would put unreasonable burden on competition, especially since so many sports bars and grills feature servers in similar uniforms.

Finally, the trial court awarded Ker's \$1.2 million on its counterclaim for a breach of a settlement agreement with Hooters. The appeal lasted until 2006.

Starbucks v. Wolfe's Borough Coffee. In 2001, Starbucks, which has a reputation of being a very aggressive trademark litigator, brought suit for trademark infringement and dilution against the Black Bear Micro Roastery in Tuftonboro, New Hampshire, for selling a dark coffee blend (one of many coffee blends it carried) called "Charbucks."

All of Starbucks' claims were dismissed in 2008, it appealed, and the court of appeals ruled on December 3, 2009, to affirm the dismissal of Starbucks' trademark infringement claim, but reverse the lower court decision on dilution and send it back to the trial court for further proceedings.

Amazingly, this 2001 case is still not over. The trial court made its original decision, and it was appealed. In 2005, federal trademark law was amended, and the case was sent back from the appellate

court to the trial court. Starbucks then appealed after the trial court dismissed all its claims, and the parties are now (again) headed back to the trial court.

Christopher v. Perry Family Limited Partnership v. Perry's Restaurant. Christopher Perry founded Perry's in Houston in 1979. In late 2001 or early 2002 the defendant opened Perry's Restaurant in Dallas.

In 2008 the Houston Perry's filed suit against the Dallas Perry's for trademark infringement, trademark dilution, unfair competition and deceptive trade practices, alleging that the Dallas Perry's willfully created a similar atmosphere and menu, including the Houston Perry's signature menu item (a four-inch smoked pork chop). It further alleged that the Dallas Perry's wrongfully used its name and mark in advertisements and on its Web site in a manner that suggested it was affiliated with the Houston Perry's.

After litigating for some months, the Dallas Perry's made a public statement to its customers that after incurring considerable expense it had decided to stop investing in litigation and use its resources "in a manner that benefits you, our loyal guests." The Dallas Perry's announced that it would change its name, selected from entries submitted by the dining public. The Dallas Perry's is now known as "The Place at Perry's."

Three of these four cases lasted many years, and cost the restaurants involved vast sums of money. Though the Perry's case did not last long, the defendant

restaurant had a different name when the dust settled.

Bottom Line: Register Your Mark

While the vocabulary, cases and various permutations of trademark registration may seem daunting, the lesson to be learned is simple: Register your trademark to protect your good will and enhance the value of your name as an asset.

Whether your plans include running just one restaurant or expanding your concept from sea to shining sea, planning for trademark protection is an essential element of starting a new business venture. As you can see, it is critical to look at trademark issues when forming a business. It is important to remember, too, that you do not have to stop at registering the name of your restaurant. Things like signature drinks and menu items can be registered as well.

While navigating the USPTO Web site to protect your own mark is not impossible, hiring an attorney who specializes in intellectual property will help avoid procedural and legal snares and usually save time and frustration.

Please note: Legal articles are for your general information only. Legal advice must be tailored to the circumstances of each case, and laws often change. Federal laws, the laws of each state, and often each municipality vary and each may have its own procedures and time limitations that must be followed. Confer with a lawyer in your state to assess your legal rights in a particular situation. **RS&G**

Additional Sources

The following articles can give you greater insight into choosing and protecting your restaurant's name:

"What's in a Name? How to Select a Lasting Moniker for Your New Restaurant"

www.restaurantowner.com/members/506.cfm

"Grab Your Brand by the Horns: How to Build Your Brand"

www.restaurantowner.com/members/402.cfm