

Trademarks *and* Direct Selling

by Jeffrey Babener©

From Nothing to Everything

At first, a trademark may be the least valuable of assets. Famous marks such as Coca-Cola, Microsoft or IBM were nearly valueless at one time. However, for a mature company, the brand name may be its single most valuable asset. Valued names such as GE, Disney or Intel add billions of dollars to the balance sheet.

Similarly, there was a time when the names Avon, Mary Kay or Tupperware had little or no value. And yet decades later, the goodwill associated with those direct selling brands would allow their products, if the companies so chose,



products with the mark of a quality craftsman. As a response, the English common law system attempted to develop a body of law that would protect the trademark associated with a

products so that a craftsman could be traced in the event a product proved defective. In time, second-rate craftsmen realized the benefit of associating their

others. The most distinctive of marks are those that are purely arbitrary or fanciful. Such marks would include those that have no meaning or connotation other than that of identifying the source of a particular product. For instance, in the field of cameras, the mark "Kodak" is purely arbitrary and distinctive. As a general matter, the name of a company will not receive protection. Generic and descriptive terms are generally not distinctive and are therefore not considered worthy of protection. For instance, a company could not receive trademark protection for the generic word "Beer."

Some descriptive marks have, however, received protection because they have acquired a secondary meaning that is solely associated with the source of the product, rather than with the dictionary meaning. For instance, "TV Guide" has probably acquired a secondary meaning.

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to be sold in any retail venue in the world. As they say, "mighty oaks from small acorns...."

Protection of trademarks is as vital to direct selling companies and distributors as trademark protection in the retail field. Customer or distributor recognition of unique names or logos may well be responsible for generating billions of dollars in additional sales.

For this reason, all leading direct selling companies have devoted substantial budgets to protecting their trademarks in the United States and throughout the world. In addition, distributors will note that direct selling and network-marketing companies go to great lengths in distributor agreements and policies to outline permissible and licensed distributor use of company trademarks.

It is a good idea for direct selling companies and distributors to have a basic understanding of how our trademark system works in the United States.

The Origins of Trademarks

The use of trademarks originated in medieval England when craft guilds required their members to place their individual mark on

craftsman's goods. Today, in the United States, a trademark is protected both by common law as well as federal and state trademark-registration statutes.

A trademark may be a word, phrase, logo, etc., that is strictly associated with a product or service. It may be defined as a word, name, symbol, or device, or combination, used by a manufacturer or merchant to identify his goods and distinguish them from those sold by others.

Protecting the Trademark

To receive trademark protection, the mark must be distinctive and distinguishable from



Advertising slogans such as Wendy's "Where's the beef?" also likely achieved a secondary meaning.

Trademark protection is not achieved by adopting a trademark, but by its "use" in association with the product. Thus, the first user of the mark will probably receive primary protection. In addition, an "intent to use" application may be filed. With subsequent

demonstration of "actual use," the protection will relate back to the "intent" filing.

However, a mark that is improperly used or adopted into the general language can lose its protection. For instance, such famous marks as "Aspirin," "Thermos" and "Escalator" have lost protection because the public now views them as descriptions of generic products. In one case, the U.S. Supreme Court ruled that the mark "Monopoly" was lost because it had become the generic description of board games in general.

Once a trademark has been used and adopted, it receives common law trademark protection against confusingly similar use. Federal legislation that protects trademarks is known as the Lanham Act, under which a company can file paperwork to register its trademark with the Patent and Trademark Office, submitting a drawing of it, with specimens or facsimiles as it is actually affixed on or used in connection with the goods, and a filing fee. Assuming there is no objection, the company is issued a certificate of registration and it may use the symbol ® in conjunction with the trademark. This registration is prima facie evidence of the registrant's right to the exclusive use of the trademark. A registered mark that has been in continuous use for a period of five consecutive years generally becomes incontestable.

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After the fifth year, the trademark owner must apply for continued use of the mark. The registration period is for 20 years and the mark can be continually renewed.

As a general matter, common law and federal trademark protection should suffice. However, if the trademark owner desires, trademarks may also be registered under state law granting rights similar to those of the Lanham Act. The trademark owner may enforce his rights under common law, federal law or state law by suing an infringing party for either monetary damages or for an injunction prohibiting infringement, or for both. In some cases, the trademark owner will be entitled to punitive damages and attorney fees.

Early Investment Yields Big Dividends

The costs of a trademark search pale in comparison to the potential damage from inattention. As with other industries, the direct selling industry has its share of stories in which direct selling companies have built valuable assets in their brands only to be forced to abandon their

brand usage after being sued by another company with superior trademark rights. Not only will the careless company find that it has lost its valuable brand, but it may also be forced to pay huge damages for trademark infringement.

Any direct selling company contemplating use of a distinctive mark associated with its product or service should engage trademark counsel to do a trademark search before expending large sums of money on printing, advertising and other promotion. At the earliest possible date, companies should file a trademark application for "intent to use" or "actual use" to protect its mark. Companies should also register their trademarks when they enter international markets. ☛

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