Pepper Hamilton LLP
Attorneys at Law

Orange County Update

www.pepperlaw.com

Fourth Quarter 2008

message from partner in charge

In this issue of *Orange County Update*, Pepper provides clients and friends with vital information to protect – and yes, even grow – business in these challenging times.

When developing and protecting branding is at stake, balancing the perspectives of a company's marketing and legal professionals is crucial. Mike Rule's article on internal battles over trademarks is a must-read for anyone involved in marketing and advertising, from both the creative and the legal perspective.

We also point readers to a Pepper webinar that outlines the new amendments to the Americans with Disabilities Act, which change the standards for employees to be considered disabled and thereby eligible for accommodations.

Also online, a new Peppercast features Pepper partner Todd Reinstein as he discusses some of the many favorable renewable energy tax provisions contained in a surprising place—the federal financial bailout legislation.

As always, comments about and suggestions for our newsletters are welcome.

Sharon R. Klein
949.567.3506
kleins@pepperlaw.com

in this issue

1 Marketing vs. Legal: The Internal Battle Over Trademarks in Today's Business Climate
2 News from the Bench and the Trenches: Navigating the ADA Amendments Act
3 Peppercast: Bailout Legislation Contains Many Favorable Renewable Energy Tax Provisions

Marketing vs. Legal: The Internal Battle Over Trademarks in Today's Business Climate

Make no mistake about it: It's a war out there. Consumer dollars are scarce and becoming scarcer. The ongoing economic downturn has brought renewed attention to the epic battle for these dollars, which historically has pitted business against business, company against company and industry against industry. And if defeating external competitors was not enough of a Herculean task, today's companies face the potentially devastating results of divisive and potentially destructive internal battles, pitting department against department, in the quest for the parent company's funding, resources and recognition of results.

A prime example is the internal warfare that often arises between the Marketing Department and the Legal Department, once the parent company determines a new ad campaign should be developed and launched. Marketing, quite logically, will immediately focus its efforts (and limited dollars) on the creative and production elements of the campaign, while Legal, usually much later in the process, will be brought in to review Marketing's product and advise the parent company about any legal issues the ad campaign might create. All too often, this formula creates unfortunate but predictable tension between the two departments.

Marketing often will recoil against Legal's paternal oversight and may even accuse Legal of being unnecessarily conservative in its protectionism and/or unrealistic in its criticism and demands. Legal typically will counter defensively with its own claims that Marketing intentionally sought to avoid making Legal aware of the campaign, or otherwise waited until the last minute before making Legal aware of it, and that Marketing's expectations of both timing and risks are unrealistic.

All businesses that advertise, whether they realize it or not, have this inherent internal conflict: On the one hand, they want and need their marketers to generate eye-catching,

pleasing-to-the-ear, repetitive-to-the-tongue campaigns that will drive business and increase revenues. On the other hand, they look to their legal counselors to ensure that no laws are broken and no lawsuits arise from making these creative efforts public. As a result, the creative and the legal contingents of companies often butt heads.

Sizzle vs. Fizzle

The last thing a company wants from its ads is a cease and desist letter and/or lawsuit that shortens the life of pre-purchased print space and media time, or worse, that costs the company money to defend or settle a dispute with parties claiming infringement of their purported rights. So, how does a business keep the "sizzle" in its ads without incurring the "fizzle" that accompanies legal woes? The answer involves equal parts cooperation, ego-checking and a basic understanding of trademark law.

Cooperation and Ego-Checking

Often, Marketing simply does not review advertising materials with Legal, prior to public dissemination. Whether due to tight production deadlines, creative delays or otherwise, skipping this step is often the recipe for disaster. Given today's regulatory climate and litigation propensities, all materials that will be for public consumption, in any media, absolutely should be pre-screened by competent legal counsel. But the legal personnel reviewing the advertising materials must not be so conservative and protectionist to the point that they automatically veto anything truly creative, thereby giving the marketing people a disincentive to seek counsel in the first place. Thus, the Legal person who appreciates Marketing's practical issues and the Marketing person who understands (and anticipates) Legal's risk-reduction concerns, can together generate ads that maximize effectiveness and minimize risk and cost.

Basic Trademark Issues

When Marketing first brings its creative ideas to Legal, two fundamental questions must be asked and answered: (1) Are these marketing materials safe to use without infringing another entity's intellectual property, and (2) if safe to use, is it worth the cost of pursuing formal trademark protection (the word "trademark" is often converted into a verb about this point, e.g., "Should we trademark this slogan?").

News from the Bench and The Trenches: Navigating The ADA Amendments Act

Employers will face significant challenges in the ways in which they deal with disabled employees after January 1, 2009. New amendments to the ADA will permit millions of people to qualify as disabled under the broader definitions of major life activities and will put new emphasis on the interactive process as employers determine their employees' potential disabilities. Employers will soon discover that their managers may create new liabilities through their actions towards individuals who are not disabled but who can claim that they are "regarded as" disabled.

In order to prepare for the sweeping changes of these new amendments, employers must understand their profound impact and prepare their supervisors to deal with them.

This unique Pepper Hamilton webinar provides perspectives from the bench, in-house counsel and trial counsel on these critical developments.

FEATURED SPEAKERS

- **James T. Giles**, Of Counsel, Pepper Hamilton
- **Mark Suprenant**, General Counsel and
- Secretary, Wawa, Inc.
- **Robert C. Ludolph**, Partner, Pepper Hamilton

Visit Pepper's webinar section at www.pepperlaw.com to view the webinar recording and download the PowerPoint slides from this online event.

In order to answer the first question, a trademark search must be crafted and conducted. Proper searches at the federal, state and common law levels can provide a fairly reliable summary of who else might be using a slogan, phrase, name, mark, etc. that is the same or confusingly similar to what your team is preparing to use. To answer the second question, an analysis must be conducted as to both the strength of the mark under consideration and the company's ultimate branding strategy for this mark into the future.

The Strength of a Mark

A mark will fall into one of five categories: (1) generic (not protectable, e.g., "aspirin"); (2) descriptive (weak protection at best, e.g., "Flame-grilled Burgers"); (3) suggestive (protectable, due to some required effort by the consumer to link the term with a property of the good or service, e.g., "Gardenburger®" for a veggie patty); (4) arbitrary (strong protection, consists of a common term applied in an arbitrary way, e.g., "Hamlet®" for a restaurant instead of a small village); and (5) fanciful (also strong protection, since the term is completely made up with no dictionary meaning, e.g., "Salsabration®").
Once the relative legal strength of Marketing's new creation is determined, an educated cost-benefit analysis can be conducted in order to discern whether (and/or to what extent) any further costs of "trademarking" the mark should be pursued. In order to make such an analysis, the strategy and goals for future uses of the new mark, i.e., its branding strategy, must be analyzed.

The Branding Strategy

Sometimes a branding strategy is very clear and obvious, while other times it can be quite difficult for a company to arrive at a strategy that feels right. Multiple factors must be considered, including: whether the mark is potentially "catchy" or has lasting "pop;" whether the mark positively portrays the image sought; whether the product being identified by the mark will exist for a long or short period of time; and, of course, whether the mark is strong enough to warrant protection at all. No matter how catchy or how perfectly it fits the desired image of the company, if a mark is generic, it is incapable of protection and if a mark is merely descriptive, the costs of pursuing formal trademark protections are probably prohibitive.

Here is an example of a situation where the branding strategy for a mark was immediately clear and obvious. One of my clients, upon its Marketing Department's creation of the term "Pollo Bowl®," did not hesitate to pursue and obtain a federal registration of the mark. "Pollo Bowl" was a strong suggestive mark. It pertained to a core product—chicken and rice meals served in a bowl—which was perceived by the company to have positive public perception as well as the potential to become a mainstay on its menu.

Peppercast: Bailout Legislation Contains Many Favorable Renewable Energy Tax Provisions

On October 3, President Bush signed into law the much-publicized bailout legislation. As part of the legislation, there were three separate tax acts including the Energy Improvement and Extension Act of 2008, or the 2008 Energy Act.

Listen to this podcast with Todd B. Reinstein, a partner in Pepper Hamilton's Tax Practice and resident in our Washington, D.C. office, as he discusses some of the many favorable renewable energy tax provisions contained in the new bailout legislation.

Listen today by visiting the Sustainability and Climate Change section of Pepper's podcenter at www.pepperpodcasts.com.

On the other hand, many times clients have presented me with slogans and asked me to protect them, when it was clear that no effective branding strategy had been developed. Examples include terms that were either too descriptive for meaningful protection, e.g., "Fried Ice Cream" (for a dish consisting of a scoop of ice cream, dipped in batter and quickly deep fried), and terms that were otherwise fairly strong marks that simply had no lasting value to the company's business (e.g., "Irish I Were Mexican" for a Mexican restaurant's one-time promotion of a St. Patrick's Day event) and "New Year's Resolution Solution" (for a limited-time-only promotion of a reduced-calorie packaged food product).

In the case of the latter example, while the mark was extremely catchy, very strong and even possessed a number of other positive qualities, it still proved unworthy of costly federal trademark protection due to the disconnect between the mark and the ultimate branding strategy of the company; the promotion was never intended to be a permanent feature -- catchy mark or not. That is not to say, however, that making application for a federal registration was not warranted. It was. In fact, because nobody knew whether this mark was going to be used into the future or not, making the application was absolutely the right thing to do at the time. Thus, in this case, a federal application was actually pursued and obtained, but ultimately abandoned for lack of use. But, had the branding strategy been closely examined at the outset, a great deal of money that was ultimately spent in pursuit of the federal registration process might have been saved. In other words, had the client recognized the strong likelihood of future non-use and appreciated the trademark ramifications of such non-use, it could have opted for less costly protections, e.g., reliance on common law protections through proper markings on its promotional materials and/or pursuit of a state registration, which is usually cheaper and easier to obtain than a federal registration.

Conclusion

Sometimes a mark initially perceived as "great" by Marketing and deemed both "safe" and "strong" by Legal, can turn out to be simply "costly" to the company. However, when the branding strategy of a particular mark is analyzed by both a Marketing person educated in the basics of trademark law and a Legal person who understands the goals of the advertising campaign for that particular mark, they can together combine their knowledge and, using tangible criteria, make an educated analysis and decide how (or whether) to spend money formally protecting the mark.

What's the lasting results of this cooperative professionalism? Consistently creating and disseminating public marketing materials that not only grab and hold the attention of the desired consumer demographic, but do that in a way that maximizes cost-effectiveness and minimizes legal risks. And isn't that what we're really after?

Author:

Michael A. Rule
949.567.3507
rulem@pepperlaw.com

Pepper Hamilton LLP
Attorneys at Law

The material in this publication is based on laws, court decisions, administrative rulings and congressional materials, and should not be construed as legal advice or legal opinions on specific facts. The information in this publication is not intended to create, and the transmission and receipt of it does not constitute, a lawyer-client relationship.
Please send address corrections to phinfo@pepperlaw.com.

www.pepperlaw.com
Berwyn | Boston | Detroit | Harrisburg | New York | Orange County
Philadelphia | Pittsburgh | Princeton | Washington, D.C. | Wilmington

© 2008 Pepper Hamilton LLP. All Rights Reserved.
This publication may contain attorney advertising.