

from the Colorado Bar Association
Business Law Section
Ed Naylor, Editor

Trademark Basics for Business Lawyers

By Kay L. Collins, Otis, Coan & Peters, LLC

What is a trademark?

A trademark is a word, slogan, symbol, design, or combination of these elements, which identifies and distinguishes the goods or services of one party from those of another. The word “trademark” is frequently used to encompass other source identifiers such as service marks, trade dress, and trade names. Trademarks help consumers identify the source of goods and services and make choices based on past experiences with the brand. For that reason it is important to advise your clients to choose strong, distinctive trademarks that allow them to build goodwill and brand reputation in the goods or services they sell.

What makes a trademark strong?

A common mistake clients make is to choose a trademark that describes a feature or characteristic of the goods or services to be offered under the brand. However, it is quite difficult to stop competitors from using a mark that is merely descriptive of products and services. The more distinctive a mark is, the wider the mark’s scope of protection will be. Trademarks can be categorized as having the following levels of strength:

Fanciful or coined marks: These are made up terms that have no meaning other than as a brand name, such as KODAK for cameras or EXXON for gasoline. Such marks generally receive the broadest scope of protection.

Arbitrary marks: These are words that have a common meaning but are used for unrelated goods or services, such as APPLE for computers or BLACKBERRY for smartphones.

Suggestive marks: These marks suggest an attribute of the goods or services, but do not describe them, such as COPPERTONE for suntan lotion or MICROSOFT for software for microcomputers.

Descriptive marks: These are terms that describe the goods or services or their characteristics and cannot initially be protected as trademarks until they have “acquired distinctiveness” or “secondary meaning” through long and substantially exclusive use. Examples of descriptive marks that have acquired secondary meaning are INTERNATIONAL BUSINESS MACHINES for computers and other business machines, WINDOWS for windowing software and HOLIDAY INN for hotels.

Generic marks: The generic word for a type of product or service such as “paint” or “desk” can never be a trademark or service mark for that product or service. Trademark owners must be careful to properly use their trademarks to protect them from “genericide”, a fate suffered by former trademarks such as CELLOPHANE and ESCALATOR, and narrowly avoided by KLEENEX and XEROX.

Should a trademark be registered?

In the United States trademark rights are established by use of the mark. However registering a trademark with the United States Patent and Trademark Office increases the protection a trademark receives by providing a legal presumption of ownership of the mark and the exclusive right to use the mark nationwide in connection with the goods or services listed in the registration. Once registered, the owner may use the registration symbol with the trademark, which provides public notice of the claim to ownership and prevents the defense of innocent infringement. The United States Patent and Trademark Office will refuse registration to any trademarks it deems confusingly similar to a previously filed or registered trademark. Registration also provides greater remedies for infringement such as the right to recover up to triple damages and attorney's fees. Additionally the owner of a registered trademark has an automatic right to sue in federal court. Further, a United States Trademark Registration can be used as a basis for obtaining registration in foreign countries and for preventing importation of infringing foreign goods. Registration of a trademark with the Colorado Secretary of State does not afford any of these benefits, but it does provide notice of the common law trademark rights claimed in the registration within the state as of the date of filing.

What is involved in filing a trademark registration with the United States Patent and Trademark Office?

Applications for registration may be filed online at www.uspto.gov. The application can be filed based upon use or bona fide intent to use the trademark in the future. The filer must decide upon a description that most broadly identifies the goods and/or services for which the trademark will be used. A link to the Trademark Acceptable Identification of Goods and Services is provided in the online form. The filer must also choose among the 45 classifications of goods and services that best categorize the items included in the application. For a use-based application, a specimen of use for each class as well as a date of first use anywhere and a date of first use in interstate commerce must be provided. These entries are deferred to a later filing of a Statement of Use for an application based upon intent to use. The application is examined within approximately 3 months of the filing date and an Office Action may be issued to resolve any issues with the application or any ground for a refusal to register. A response to an Office Action must be filed within 6 months. Once the application is approved it is published in the Official Gazette. If the application is not opposed within thirty days, the application will move toward issuance of a Certificate of Registration for a use-based application or a Notice of Allowance for an application based upon intent to use. The Notice of Allowance triggers a series of 6 month periods within which the Statement of Use must be filed or an extension of an additional 6 months may be requested. The average time between the filing of an application and the issuance of a Certificate of Registration or Notice of Allowance is currently just under a year. This period can be much longer for applications that face challenges such as refusals or oppositions.

Can a trademark be registered in other countries?

Yes. Trademark registration should be considered in countries in which your client is offering, or intends to offer, products and services. Use of a mark is not required before filing an application in the U.S. and in most other countries. It is now possible to file a trademark application in the United States through the Madrid Agreement and the Madrid Protocol for an international registration that will cover multiple member countries. It is important to keep in mind that, unlike the U.S., the majority of countries employs a "first to file" system whereby the first party to file an application for a trademark is the first who obtains rights to use the mark.

What other actions can be taken to enhance the value of a trademark?

The quality of the goods and services must be maintained to ensure consumer confidence and to strengthen the trademark. Do not weaken the trademark by using different variations and blurring its distinctiveness. Following these rules for proper use will help protect the trademarks:

1. Use the trademark as an adjective with the generic name of the product following the mark, such as KLEENEX® tissues;
2. Distinguish the trademark from surrounding text by capitalizing the trademark, using a distinctive typeface, or at the very least, capitalizing the first letter of the trademark;
3. If the mark is registered use the registration symbol ® whenever it is used in connection with the registered goods or services;
4. Do not use the trademark in the possessive form or pluralize a singular mark;
5. Be on the lookout for potentially infringing uses and take steps to stop others from using the same or similar trademark for similar goods and services;
6. Do not let others use the trademark without a written license requiring quality assurances and proper usage guidelines.

Impact of Amended Consumer Bankruptcy Rules Effective December 1, 2011

By Britney Beall-Eder, Castle Stawiariski, LLC

Amended Rule 3001 and new Rule 3002.1, effective as of December 1, 2011, require substantially more disclosure and notice from creditors, for both pre-petition arrears and post-petition payments and assessment of fees and charges. These rules are intended to reform bankruptcy procedure and practice to ensure debtors emerge from bankruptcy with a fresh start. Many consumer bankruptcy practitioners prepared in advance of the December 1 deadline by implementing new procedures and processes to effectuate these changes. Certain challenges are already anticipated, particularly for adjustable rate loans; timely escrow analyses; and determining the actions or inactions by a creditor which will qualify as “substantially justified” or “harmless”. Litigation and issues in practice will certainly arise in the upcoming months. Thus, bankruptcy practitioners should become familiar with the changes and practical challenges involving these rules.

Amended Rule 3001

In summary, amended Rule 3001 requires greater detail in the supporting information required to accompany certain proofs of claim. In cases in which the debtor is an individual, Rule 3001 additionally imposes penalties for failing to provide the required information. The additional information includes (1) an itemized statement of pre-petition interest, fees, expenses and other charges incurred; (2) a statement of the amount necessary to cure any pre-petition default on a claim secured by the debtor’s property; and (3) for a claim secured by the debtor’s principal residence, an escrow account statement as of the petition date if an escrow account has been established.

If a creditor fails to comply, the court may bar the creditor from presenting the omitted information in a subsequent proceeding. Additionally, subdivision (c)(2) authorizes the imposition of sanctions on a creditor who fails to provide the information required. It is important to note that this amendment, to the extent applicable, applies to all creditors, not just mortgage creditors.

New Rule 3002.1

New Rule 3002.1 mandates additional disclosure and transparency regarding changes to the debtor’s mortgage during the pendency of a chapter 13 plan. Rule 3002.1 requires that specific notice be provided to a debtor during the pendency of his/her case regarding notice of payment changes, fees

assessed to the loan, and a notice of “final cure payment,” reflecting any outstanding amounts due after the debtor’s completion of all payments required under the plan. A committee note further clarifies that the rule applies in all districts, regardless of whether post-petition mortgage payments are made directly by the debtor or by the Chapter 13 Trustee.

Specifically, Rule 3002.1 requires that the mortgage creditor provide notice to the debtor regarding any change in the mortgage payment amount due to an interest or an escrow change 21 days before the effective date of the change. The rule provides that the creditor shall file with the court the notice of payment change as a supplement to the proof of claim and serve it on the trustee, debtor, and debtor’s counsel.

Rule 3002.1 also requires the mortgage creditor to provide a notice of fees, expenses and charges to the debtor reflecting any post-petition fees or charges assessed to the debtor’s loan during the pendency of the debtor’s bankruptcy when the creditor’s claim is secured by the debtor’s principal residence and provided for under 11 U.S.C. § 1322(b)(5). More specifically, the rule provides that the creditor must file with the court and serve on the trustee, debtor, and debtor’s counsel, a notice that itemizes all post-petition fees, expenses, or charges incurred in connection with the claim that the holder asserts are recoverable against the debtor or debtor’s principal residence. These notices must also be filed as a supplement to the proof of claim and served no later than 180 days after the date the service or fee was “incurred.”

Should the debtor or trustee contest the validity or amount of the fees, expenses, or charges, the debtor or trustee may file a motion requesting the court to review the amount within one year after the service of the notice. The court shall then hold a hearing to determine whether the fee or charge should be paid pursuant to the underlying agreement and applicable non-bankruptcy law in order to cure the default under 11 U.S.C. §1322(b)(5).

Last, Rule 3002.1 provides for a notice of final cure payment. Pursuant to 3002.1(f), no later than 30 days after making final payment of any cure amount on a claim secured by the debtor’s principal residence, the trustee (or debtor’s attorney) shall file and serve upon the holder of the claim, debtor and debtor’s counsel notice stating that the amount to cure the default has been paid in full. In response, under 3002.1(g), the creditor, no later than 21 days after the service of the notice, shall file and serve on the debtor, debtor’s counsel, and the trustee a statement indicating: (1) whether it agrees the debtor has paid in full the amount required to cure the default; and (2) whether the debtor is otherwise current on all payments. The statement shall further itemize the required cure or post-petition amounts, if any, that the holder contends remain due as of the date of the statement. The statement should also be filed as a supplement to the holder’s proof of claim.

Should the debtor or trustee contest the amount or any amount specified in the itemized statement, the debtor or trustee may file a motion requesting the court to review the same within one year after the service of the notice. The court shall then hold a hearing to determine whether the debtor has cured the default or paid all required post-petition amounts in full.

If the holder fails to provide the statement or other information required under 3002.1(i), the holder shall be precluded from presenting the omitted information, in any form, as evidence in any hearing, or submission in any contested matter or adversary proceeding in the case, unless the court determines that the failure was substantially justified or is harmless. Additionally, the court may, after notice and a hearing, award other appropriate relief, including reasonable expenses and attorney’s fees caused by the creditor’s failure.

Although amended Rule 3001 and new Rule 3002.1 provide a uniform procedure for creditors to file and substantiate proofs of claim, and provide notice to the debtor and trustee of payment changes and other fees and charges accruing on a loan during the pendency of a Chapter 13 plan, amended Rule 3001 and new Rule 3002.1 also present a litany of issues for the creditor and the courts to decipher. Bankruptcy courts across the nation will likely determine different standards for administering and policing the confines of these rules. Moreover, implementing these new federal requirements in conjunction with already existing local rules and decisions addressing plan language issues will likely be a challenge for consumer bankruptcy practitioners in the months to come. Accordingly, consumer bankruptcy practitioners should familiarize themselves with these rules and stay informed of any new decisions or local rules that may impact current consumer practice in the District of Colorado.

Changes to the SEC's "Neither Admit nor Deny" Consent Decrees

By Herrick K. Lidstone, Jr., Burns, Figa & Will, P.C.

The Securities and Exchange Commission (the "SEC") has the power and authority under the Securities and Exchange Act of 1934 to bring enforcement actions against persons who violate the securities laws. Most of these actions are settled well before trial by the defendant agreeing to a court-ordered "obey the law" injunction, where the defendant neither admits nor denies the factual statements alleged by the SEC to support the injunction. The SEC has received significant criticism from commentators and legislators for entering into settlements without requiring the respondent to admit allegations against it. This is a practice that commenced long before 1972, but was formalized in 1972 (17 CFR § 205.5) with the additional SEC requirement that consent judgments be accompanied by a formal written agreement by the defendant "not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis." This changed the prior practice by defendants who would deny the underlying facts immediately after entering into a consent decree with the SEC.

On November 28, 2011 in his memorandum order in *SEC v. Citigroup Global Markets, Inc.*, Hon. Jed S. Rakoff denied a joint motion by the SEC and Citigroup for approval of a \$285 million settlement of certain allegations by the SEC. Citigroup agreed to pay the penalty, accept the "obey the law" injunction without "admitting or denying" the facts alleged by the SEC. In his decision, Judge Rakoff called Citigroup "a recidivist" for having previously settled other fraud cases with the agency where it neither admitted nor denied the allegations but agreed never to violate the law in the future. In a November 7, 2011, article entitled "*Promises Made and Remade by Firms in SEC Fraud Cases*," the *New York Times* identified 19 companies as "repeat offenders over the last 15 years," including American International Group, Ameriprise, Bank of America, Bear Stearns, Columbia Management, Deutsche Asset Management, Credit Suisse, Goldman Sachs, JPMorgan Chase, Merrill Lynch, Morgan Stanley, Putnam Investments, Raymond James, RBC Dain Rauscher, UBS and Wells Fargo/Wachovia. Judge Rakoff noted that the SEC has not monitored compliance and has failed to bring contempt charges for repeat violations in at least the past ten years.

At the end of the opinion, Judge Rakoff said that he could not determine whether the SEC's settlement with Citigroup was "fair, reasonable, adequate and in the public interest," as required by law because the SEC had claimed, but had not proved, that Citigroup committed fraud. In a subsequent case (*SEC v. Vitesse Semiconductor Corp.*, 771 F. Supp. 2d 304 (SDNY 2011)), Judge Rakoff described the issue as follows:

The result is a stew of confusion and hypocrisy unworthy of such a proud agency as the SEC. The defendant is free to proclaim that he has never remotely admitted the terrible wrongs alleged

by the SEC; but, by gosh, he had better be careful not to deny them either (though, as one would expect, his supporters feel no such compunction). Only one thing is left certain: the public will never know whether the SEC's charges are true, at least not in a way that they can take as established by these proceedings.

Perhaps as a result of the outcry from Judge Rakoff and others, on January 6, 2012, Robert Khuzami, Director of the SEC's Division of Enforcement, announced that the Division would no longer permit those convicted or who otherwise admitted the facts in a parallel criminal action to settle with the SEC based on "not admitting or denying" the facts. As Director Khuzami said, "[i]t seemed 'unnecessary' for the SEC to include its traditional 'neither admit nor deny' approach if a defendant had already been criminally convicted of the same conduct." While in the last century the SEC and the U.S. Department of Justice did not normally have parallel proceedings, this has changed in the 21st century. It has been reported that more than half of the SEC's civil cases are filed in tandem with parallel criminal proceedings.

Interestingly, Bernie Madoff, who had already pled guilty, consented to an SEC injunction on the same facts, but "without admitting or denying" the allegations. That would no longer be permitted, if it ever should have been in the first place.

BUSINESS LAW SECTION ACTIVITIES

Securities Subsection - February Breakfast - February 13, 2012

Please save the date for a special breakfast presentation on hot topics and trends in securities enforcement from Fred Joseph, Commissioner of the Colorado Division of Securities at The Warwick Hotel, 1776 Grant Street, Denver, CO. Further details to follow.

New Lawyer's Division - March Luncheon

Corporation\$, Candidate\$, and Campaign\$ - How Businesses Can Be Involved in Politics

Presented by: Mario D. Nicolais, II

Date/Time: Friday, March 9, 2012 - Noon

Location: CBA offices, 1900 Grant St., 9th Floor, Denver, CO 80203. Call-in available

Cost (includes lunch): Business Law Section Member \$15.00; Non-Member \$20.00; Call-in \$5.00

CLE Credit: CLE credit applied for

To RSVP for the Luncheon: Call 303.860.1115, X727 or SEND AN E-MAIL TO:

LUNCHES@COBAR.ORG, PLEASE INCLUDE YOUR NAME AND "Business Law New Lawyers Luncheon" in your e-mail. *Vegetarian meals must be requested when making reservation.*

CLE INFORMATION

From Colorado Bar Association

M & A Breakfast CLE Series

The Fiduciary Duties of Directors of the Target Company in a Hostile Takeover Situation

Presented by: John McDermott, Esq., Co-Chair of the Litigation Department at Brownstein Hyatt Farber Schreck

February 7, 2012 - 8:00 AM – 9:00 AM

Live and Live Webcast Programs are available

Live program will be held at the CBA-CLE Large Classroom, 1900 Grant St., Suite 300, Denver, CO

Credits: Submitted for 1 General Credit

Prices: Business Law Section Members \$20; CBA Members \$25; Non Members \$30

A discussion of the fiduciary duties of directors whose company is facing a hostile takeover bid, including recent Delaware case law in this area.

You can register for this program online. Go to: <http://www.cobar.org/cle/item.cfm?EventID=BL020712L>
Or call us at 303.860.0608 or 800.860.2531.

Superior Legal Writing with William Bernhardt

Presented by: William Bernhardt, Esq.

February 9, 2012 - 9:00 AM – 3:30 PM

Live and Live Webcast Programs are available

Live program will be held at the CBA-CLE Large Classroom, 1900 Grant St., Suite 300, Denver, CO

Credits: Submitted for 6 General Credits

Prices: CBA Associate Member \$169; CBA Member \$189; Non Member \$209; New attorneys (in the first three years of practice) \$169

The greatest skill any lawyer can possess is the ability to write clearly, concisely, and convincingly. This seminar introduces writing and editing techniques designed to maximize legal writing proficiency. Although the presentation is educational and illuminating, William Bernhardt always keeps it lively and humorous. By working on in-class exercises, you will see and experience your legal writing evolve from typical to superior.

You can register for this program online. Go to: <http://www.cobar.org/cle/item.cfm?EventID=LW020912L>
Or call us at 303.860.0608 or 800.860.2531.

Winning Presentation Skills:

For the Courtroom, the Boardroom, and Business Development

Presented by: Leonard Matheo and Lisa DeCaro, co-founders of Courtroom Performance, Inc., a trial consulting firm dedicated to improving oral advocacy. They are co-authors of the book, The Lawyer's Winning Edge: Exceptional Courtroom Performance (Bradford Publishing, 2004).

February 16, 2012 - 9:00 AM – 11:30 AM

Live and Live Webcast Programs are available

Live program will be held at the CBA-CLE Large Classroom, 1900 Grant St., Suite 300, Denver, CO

Credits: Submitted for 3 General Credits

Prices: CBA Member \$69; Non Member \$79; New attorneys (in the first three years of practice) \$59

This dynamic seminar will provide you with practical skills that will enhance every aspect of your presentation delivery, and will teach you the simple changes you can make to lead your listeners to the conclusions you want them to reach. Everything from stage presence, vocal inflection, story structure, body language, and common mistakes will be reviewed, arming you with the tools to never make these

mistakes again. Through this entertaining learning experience, including movie clips and live demonstrations, you'll learn the techniques that professional actors and directors use to paint a clear picture and win the objective!

You can register for this program online. Go to: <http://www.cobar.org/cle/item.cfm?EventID=GP021612L>
Or call us at 303.860.0608 or 800.860.2531.

Accounting and How to Understand and Analyze Financial Statements

Presented by: Douglas R. Smith, CPA.

March 8, 2012 - 9:00 AM – 3:35 PM

Live and Live Webcast Programs are available

Live program will be held at the CBA-CLE Large Classroom, 1900 Grant St., Suite 300, Denver, CO

Credits: Submitted for 6 General Credits

Prices: CBA Member \$229; Non Member \$269; New Attorneys (in the first three years of practice) \$209

There are financial issues involved with every type of law practice and it is your duty to possess the skills and knowledge necessary to handle those issues effectively. This detailed program will provide you with the financial literacy required to protect yourself and your clients through your understanding of accounting concepts, terminology, and financial statements.

Learn how to:

- Communicate effectively with accounting and business people
- Know what to ask for when presented with written or verbal financial information
- Quickly recognize how much reliance you should place on a financial statement
- Learn to formulate effective inquiries during the discovery process
- Apply basic analytical techniques to reveal strengths and weaknesses of a company or professional firm
- Understand the limitations of financial statements
- Recognize accounting techniques that arguably are within the rules but are designed to mislead you

You can register for this program online. Go to: <http://www.cobar.org/cle/item.cfm?EventID=GP030812L>
Or call us at 303.860.0608 or 800.860.2531.

Partnership Compensation: Payment and Profit Possibilities

Presented by: Neil Goff, Esq., Nancy Strelau, Esq., and Eric Zinn, Esq.

March 21, 2012 - 9:00 AM – 12:00 PM

Live and Live Webcast Programs are available

Live program will be held at the CBA-CLE Large Classroom, 1900 Grant St., Suite 300, Denver, CO

Credits: Submitted for 3 General Credits

Prices: Business Law Section Members \$129; CBA Member \$139; Non Member \$169; New Attorneys (in the first three years of practice): \$109

An informative program regarding the tax aspects of compensation paid to partners and LLC members.

- Grasp the differences between capital interests and “profits interests” and between “guaranteed payments” and wages.
- Learn about the application of self employment taxes to compensation paid to partners and LLC members.
- Understand the use of qualified and nonqualified deferred compensation arrangements in a partnership/LLC context.

If you practice in the areas of partnerships and LLCs, this is a program you will not want to miss.

You can register for this program online. Go to: <http://www.cobar.org/cle/item.cfm?EventID=TX032112L>
Or call us at 303.860.0608 or 800.860.2531.

Contributions for future newsletters are welcome –
Contact Ed Naylor at ed.naylor@moyewhite.com or 303-292-2900

This newsletter is for information only and does not provide legal advice.