

HOW TO CHOOSE A SUCCESSFUL PRODUCT NAME

by Michael K. Herndershot



MICHAEL K. HENDERSHOT

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What should I call my new product?”

This is one of the most important questions a business owner can ask. By selecting a strong and effective product name, a business owner can greatly increase the odds that his or her product will succeed in the marketplace. This article provides practical advice for any business owner confronted with the challenge of selecting a successful and enduring trademark for his or her goods or services

MARKETABILITY AND DISTINCTIVENESS

When choosing a product name, it is important to focus on marketability (the extent to which the name provides consumers with information about a product) and distinctiveness (the extent to which the name is capable of differentiating a specific product from those of competitors). Marketability enables consumers to understand exactly what it is a company is selling, whereas distinctiveness makes it easier for consumers to associate a specific product with that particular company. A distinctive name also can be used and registered as a trademark, thereby providing its owner with the right of exclusive use nationwide.

The best product names are those which strike a balance between marketability and distinctiveness. This balance can often be difficult to achieve because the most marketable product names tend to be the least distinctive, and vice versa. Fortunately, however, by applying basic trademark law principles a business owner can ensure that he or she selects a product name which is both marketable and distinctive.

The Trademark “Spectrum of Distinctiveness”

Every product name is classifiable according to what trademark practitioners call a “spectrum of distinctiveness.” This spectrum consists of the

following five categories (listed in order from most to least distinctive): fanciful, arbitrary, suggestive, descriptive and generic.

Fanciful trademarks consist of words that have been made up or invented by their owners. Because they do not exist independent of the products with which they are used, fanciful trademarks are considered the most distinctive. “Starbucks” is an example of a fanciful trademark.

Arbitrary trademarks — common words and phrases used in a meaningless context — also are highly distinctive. The brand name “Apple,” which Apple, Inc. uses in connection with computers, is an example of an arbitrary trademark. Although the term “Apple” has a well-known meaning, that meaning is entirely unrelated to computers. Apple Inc.’s use of “Apple” in connection with its computers therefore is “arbitrary” and distinctive.

Although fanciful and arbitrary trademarks are highly distinctive, this advantage comes at a price: low marketability. Fanciful and arbitrary trademarks, in isolation, provide consumers with no information regarding the products with which they are used. Huge companies (such as Starbucks

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Corporation) can overcome this disadvantage by spending millions of dollars on promotion. For business owners without such vast resources, however, choosing a fanciful or arbitrary trademark can result in difficulties creating brand awareness.

Generic terms lie at the opposite end of the spectrum from fanciful and arbitrary trademarks. Consisting entirely of the common names for the goods or services with which they are used, generic terms cannot be protected as trademarks because they are incapable of distinguishing those particular goods and services. A company could not, for example, register the trademark “Apple” for Granny Smith apples. “Apple” is a generic term in this context, even though it is an arbitrary term when used in connection with other goods (such as computers).

Descriptive terms also are unprotectable as trademarks, except in rare circumstances involving years of use and promotion. A term is considered “merely descriptive” if it describes an ingredient, quality, characteristic, function, feature, purpose or use of the specified goods or services. The word “Oatnut,” for example, was found to be merely descriptive (and refused registration) when used in connection with bread containing oats and hazelnuts, because the “Oatnut” name was nothing more than a combination of two key ingredients used in the bread.

Unlike arbitrary and fanciful trademarks, generic and descriptive terms are highly marketable because they convey information to consumers about the products with which they are used. Generic and merely descriptive terms are not, however, either distinctive or protectable as trademarks, and can therefore create difficulties for a business owner seeking to differentiate his or her goods and services from those of competitors. Like fanciful and arbitrary trademarks, descriptive and generic terms, standing alone, fail to provide a satisfying balance between marketability and distinctiveness.

Striking the Right Balance

A business owner nonetheless can ensure that his or her trademark is both marketable and distinctive, by following either one of two strategies.

First, a business owner can pair a distinctive (but unmarketable) arbitrary or fanciful trademark with a marketable (but non-distinctive) generic or descriptive term. Owners of even well-known fanciful and arbitrary trademarks follow this very approach. Starbucks retail stores, for example, feature exterior signage that reads “Starbucks Coffee,” rather than “Starbucks.” By combining a protectable term (such as “Starbucks”) with a descriptive or generic term (such as “Coffee”), a business owner can achieve both marketability and distinctiveness.

A second solution is to choose a suggestive trademark. Lying at the center of the distinctiveness spectrum (between arbitrary and descriptive names), suggestive trademarks are those which require imagination, thought or perception to reach a conclusion as to the nature of the goods or services with which they are used. The brand name “Jaguar,” used by Jaguar Cars Ltd. for luxury cars, is an example of a suggestive trademark. The “Jaguar” name is not arbitrary because it tells consumers something about the associated product — that it goes fast. “Jaguar” also is not descriptive because consumers must use their imaginations to discover the subtle association between the name “Jaguar” and cars.

Suggestive trademarks are like the last bowl of porridge in the Goldilocks story. Whereas arbitrary and fanciful trademarks are too “hot,” and descriptive and generic trademarks are too “cold,” suggestive trademarks provide a “just right” balance of marketability and distinctiveness. Suggestive trademarks therefore provide business owners with an effective alternative to pairing a fanciful or arbitrary trademark with a generic or descriptive term.

The best product names are those which strike a balance between marketability and distinctiveness.

GOLAN & CHRISTIE ARTICLE FEATURED IN NATIONAL PUBLICATION



An article co-authored by Donna Hartl and Justin Clark called “Estate and Gift Tax Updates and Opportunities in the Current Economy” was the lead feature in the nationally published *Investments and Wealth Monitor*, a bimonthly educational magazine.



EMPLOYMENT LAW ALERTS

IN 2010, A HOST OF NEW FEDERAL EMPLOYMENT LAW OBLIGATIONS WILL AFFECT THE WAY EMPLOYERS ALL OVER THE COUNTRY DO BUSINESS. HERE ARE SOME HIGHLIGHTS:

Genetic Information Discrimination Prohibited:

The new federal Genetic Information Nondiscrimination Act (GINA), which became effective on November 21, 2009, places significant limitations on an employer’s ability to request what is deemed “genetic” information. This could manifest in situations as harmless-seeming as asking an applicant about their involvement in a volunteer activity listed on their resume (i.e. walk for breast cancer, autism, etc.), because the answer could be tied to a family member suffering from the illness. Until the full scope of this new law is understood, anyone involved in screening or interviewing applicants should be warned that family medical conditions of any sort should be avoided. Additionally, any company employing 15 or more workers is now required to update its equal employment poster to include information about GINA. Free posters are available from the Department of Labor.

IRS Audits of Independent Contractor Classifications:

The IRS has recently announced that it will be conducting audits of businesses of all sizes based on suspicion of misclassification of employees as independent contractors. It is always important to remember that an employee and an independent contractor are very different roles, so properly classified positions should not be able to switch back and forth between the two. During this economy, many employers are cutting back on staff and then attempting to hire them back on as “consultants” or in some other limited manner, to do the same job they were previously doing - if this happens, and the “consultant” is given a 1099 status, it is likely a misclassification that would open the employer up to significant tax penalties, as well as a claim by the employee for the loss of benefits that would have come with the employment status.

Expanded Military Leave Under the FMLA:

President Obama has expanded the types of military leave available to family members of military personnel and veterans under the Family Medical Leave Act (FMLA). The 2010 National Defense Authorization Act (NDAA) provides exigency leave coverage to

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family members of those in a regular component of the Armed Forces during deployment to a foreign country. It also provides for expanded caregiver leave to assist with treatment for an injury or illness incurred within a five year period before the leave.

COBRA Government Subsidy Extended:

At the beginning of 2009, Congress announced its subsidy of COBRA payments (and the state equivalents) for employees who were involuntarily terminated between September 2008 and December 31, 2009. On December 21, 2009, Congress passed an extension of the subsidy through February 28, 2010. The extension requires employers to send notices to employees whose coverage lapsed after nine months, but who would still be eligible under the new extension and to all employees who became eligible as of October 31, 2009 or later.

Mandatory Paid Sick Leave for Employees:

There are several bills in committee before both houses of Congress that would mandate some form of paid sick leave for employees. The Healthy Families Act (S. 1152) would allow employees to earn paid sick time based on hours worked. The Pandemic Protection for Workers, Families, and Businesses Act (S. 2790, H.R. 4092) would require paid sick time so that they can address their own health needs, and the health needs of their families, related to a contagious illness. The Emergency Influenza Containment Act (H.R. 3991) would provide paid leave for employees to stay home when they have symptoms of a contagious disease that may put co-workers, customers, or the public at risk. The latter two pieces of legislation specifically address pandemic illnesses like H1N1. Given the multiple bills that are currently pending, employers should be prepared for the possibility that some kind of mandated paid sick leave will become law.

ANNOUNCEMENTS

GROUND BREAKING OPINION IN GOLAN & CHRISTIE CASE

Donna Hartl, Barbara Yong, and Justin Clark prevailed in a motion for summary judgment in the United States District Court for the Northern District of Illinois on a tax issue of first impression. The issue in controversy, which had never been decided by any court in the country, was whether individuals may voluntarily file a Form 1099-C to report discharges of indebtedness for personal loans that have been written off as uncollectable. Section 6050P of the Internal Revenue Code places an affirmative duty on financial institutions to file Form 1099-Cs; however, the statute is completely silent as to whether individuals may make such a filing. The Honorable David H. Coar concurred with our position and ruled that individuals may, under appropriate circumstances, issue a Form 1099-C. *Cavoto v. Hayes*, Case: 1:08-cv-06957, 10/19/2009.

GOLAN & CHRISTIE ATTORNEY AUTHORS CHAPTER IN BANKRUPTCY BOOK

Patrick Jones was invited by Thomson Reuters to draft a chapter of its upcoming treatise titled *Creditors' Rights in Chapter 11 Cases (2nd Edition)*, part of its Bankruptcy Legal Series 2009. The book, with Mr. Jones's chapter, went to press in January 2010 and should be available nationwide in February.



GOLAN & CHRISTIE ATTORNEYS INCLUDED IN 2010 ILLINOIS SUPER LAWYERS LIST

Golan & Christie partners Stephen Golan, Margaret Christie, Donna Hartl, David Schmitt, Barbara Yong, Anthony Taglia, and Margaret Gisch have all been named by Illinois *Super Lawyers*[®] magazine as some of the top attorneys in Illinois for 2010. Only five percent of the lawyers in the state are named by *Super Lawyers*.

The selections for *Super Lawyers* are made by Law & Politics, a division of Key Professional Media, Inc. of Minneapolis, Minn. Each year, Law & Politics undertakes a rigorous multi-phase selection process that includes a statewide survey of lawyers, independent evaluation of candidates by Law & Politics' attorney-led research staff, a peer review of candidates by practice area, and a good-standing and disciplinary check.

Additionally, Golan & Christie attorneys Laura Balson, Patrick Jones, Matthew Wasserman and Michael Hendershot were selected by Illinois *Super Lawyers* magazine as "Rising Stars" in Illinois for 2010. The selection process for Rising Stars is the same as the *Super Lawyers* selection process except that a candidate must be either 40 years old or younger or in practice for ten years or less. While up to five percent of the lawyers in the state are named to *Super Lawyers*, no more than 2.5 percent are named to the Rising Stars list.



STEPHEN GOLAN



MARGARET CHRISTIE



DONNA HARTL



DAVID SCHMITT



BARBARA YONG



ANTHONY TAGLIA



MARGARET GISCH



LAURA BALSON



PATRICK JONES



MATTHEW WASSWERMEN



MICHAEL HENDERSHOT

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newsletter

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www.golanchristie.com/news.html

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GOLAN  CHRISTIE

GOLAN & CHRISTIE LLP

70 WEST MADISON STREET SUITE 1500 CHICAGO, ILLINOIS 60602-4206
312.263.2300 WWW.GOLANCHRISTIE.COM

FIRST-CLASS MAIL
AUTO
U.S. POSTAGE PAID
DEKALB IL
PERMIT NO. 321

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YOUR SUCCESS. OUR FOCUS.

A COLLABORATIVE APPROACH

The attorneys of Golan & Christie offer sophisticated legal services to you and your organization in a supportive and collaborative environment. We are as much business partners as legal counsel—problem solvers as well as legal experts.

We are highly knowledgeable, accessible and reliable. And we come highly recommended: Our Martindale-Hubbard Peer Review Ratings, along with our membership in the Leading Lawyers Network and inclusion in SuperLawyers, underscore our professional ability, integrity and ethical standards.

OUR PRACTICE

Our practice covers many aspects of law and business, with an emphasis on the areas listed below:

- Business Law & Governance
- Commercial & Corporate Litigation
- Commercial Real Estate
- Employment Law
- Estate Planning & Taxation
- Finance
- Reorganization & Bankruptcy
- Property Tax Appeals