



Suspensionland



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RECENTLY, THE U.S. PATENT AND TRADEMARK OFFICE (“PTO”) suspended a trademark application, and the client wanted to know how long it would take for his application to come out of suspension. This wasn’t an idle question—the client needed to decide whether to invest in package design and launch this trademark or start over trying to find a new one. Here, the suspension was based on a number of similar (but not identical) trademark applications, and no final refusal could be entered until all of the cited applications had been registered or abandoned. Apparently, the PTO needs to have this suspension procedure so it can enter only one final refusal to register, which then can be appealed only once. The other option would be for the PTO to enter a refusal based on the existing registrations, which might be appealed and reversed, only to issue additional refusals when each cited application registers, resulting in more appeals.

As is turned out, this analysis strained all of the mathematical skills possessed by a common trademark lawyer. Here was the situ-

ation, somewhat simplified:

- ▶▶ The client’s Trademark A was suspended for Trademarks B, C (which actually consisted of six trademark applications with the same common term), D, E, F and G.
- ▶▶ Trademark B was suspended for Trademarks H, D and G.
- ▶▶ Trademark C was suspended for Trademarks H, B, D and G.
- ▶▶ Trademark D was suspended for Trademark H.
- ▶▶ Trademark E was suspended for trademarks H, B, D, and G.
- ▶▶ Trademark F was an application where the Statement of Use had not been filed by the deadline, but the PTO had not yet issued a Notice of Abandonment, which would trigger a two-month period for curing the missed deadline.
- ▶▶ Trademark G was suspended for Trademarks H and D.
- ▶▶ Trademark H (actually, two virtually identical trademark applications—the trademarks differ by one letter) for the same goods as Trademark A; while this analysis was being done, both applications registered. Interestingly, Trademark H was owned by our client, but that yielded very few options—sending cease-and-desist letters to the owners of Trademarks B-G demanding that they expressly abandon their applications (which was not likely to be effective with all of them and maybe not with any of them, while putting everyone on notice that our client was aware of their uses or intended uses) or opposing all of their applications (enormously costly, potentially not successful, and probably would extend the suspension period due to the time required to litigate the oppositions).

Starting with the simplest suspension and working towards the most complex, the following chain was developed to determine the position of each application in line, by application date:

ACTION

Trademark D was suspended for Trademark H, so H is before D
 Trademark G was suspended for Trademarks H and D
 Trademark B was suspended for Trademarks H, D and G
 Trademark C was suspended for Trademarks H, B, D and G
 Trademark E was suspended for Trademarks H, B, D and G
 Trademark A was suspended for Trademarks B, C, D, E, F and G

POSITION IN LINE

FRONT TO BACK
 H – D
 H – D – G
 H – D – G – B
 H – D – G – B – C
 H – D – G – B – C/E
 H – D – G – B – C/E – F – A



The next step was to assign estimated time periods to each application, consisting of how much time it probably would take for each application to register or be abandoned once it came out of suspension. The following time periods were assigned:

Applications that had since registered:	0 years
Use-Based Applications:	1 year
Intent-To-Use Applications:	4 years, consisting of 1 year to complete prosecution and 3 years to use the trademark

Clearly, this would be a very rough calculation because it did not take into account the additional time that would be required if, for example, a final refusal was issued and an appeal filed, or if an application was opposed. On the other hand, the time could be shorter because some of the intent-to-use applications might resolve in less than 4 years if the entire 3-year period was not required to use the trademark and file a Statement of Use.

Assigning the estimated time periods resulted in the following lineup: H(0 years) – D(4 years) – G(4 years) – B(1 year) – C(4 years)/E(4 years) – F(0 years) – A, or 4+4+1+4 years (assuming both C and E would resolve in the same 4 years), for a total of thirteen years.

13 YEARS?

Consulting with colleagues, thirteen years turned out to be a reasonable estimate. For example, six years ago, another trademark applicant was given a suspension estimate of eight years, and now six years later, all but one prior application has been resolved, so two more years is not unrealistic and actually may be conservative.

One must wonder what sense there is in a system that would suspend any application of any type for eight years or thirteen years, and further wonder just how many suspended trademark applications there are in the PTO. How does an applicant with a suspended application decide whether to commence using the trademark? Worse, what happens to the small business owner who has been using his trademark for many years and now must wait for an extended period of time before he learns whether he can get a trademark registration? In the above example, pity poor Trademark B, fourth in line with a use-based trademark application! How can this be the system by which it is determined whether someone can register a trademark that has been in use in commerce for a significant period of time?

Given that the PTO is the arm of the government that grants monopolies, this would appear to be an untenable situation and an unforeseen consequence of the intent-to-use system adopted in 1989, which gave applicants three years in which to use their

intended trademarks after their applications were approved by the PTO and survived the opposition period.¹ Now that three-year period doesn't commence until a suspended application comes out of suspension, gets reviewed and approved by the PTO, survives the opposition period, and receives a Notice of Allowance.² Also, this exercise illustrates the overwhelming importance of filing a trademark application as soon as possible, because these suspensions are based upon who has the earlier application filing date. Were these suspensions to be reordered by who has the earlier first use date, it would present an entirely different situation, and yet under the common law, the first person to use a trademark is supposedly the owner of the trademark. Meanwhile, the number of suspended trademark applications in my docket is growing and these clients are frustrated because it is not possible to advise a client on its best course of action after receiving a Notice of Suspension (other than to pick another trademark, which generally makes clients angry).

Should the small business owner just slink away and hope that all of the cited applications will die so he eventually can register the trademark he has been using for the last 30 years? Will he spend years defending his long-term trademark use? Can he safely expand the use of his trademark into additional locations or franchise or license the trademark? While his trademark application is in suspension, the answers are all speculative. Of course, the small business owner can brainstorm and try to find a new trademark and search and attempt to register it, but is that fair? Is it right that he stands behind an intent-to-use applicant who happened to file his application one day earlier? Should he have to spend a small fortune on opposition or cancellation proceedings against everyone ahead of him in line?

This wasn't always the way that the U.S. registered trademarks. Prior to 1989, a trademark application could be filed only after the trademark actually had been used in commerce that Congress can regulate. But then Mrs. Fields spoke to a congressional committee and described her frustration in having to select a potential trademark, search the potential trademark, use the trademark in interstate commerce, file a trademark application, wait for the PTO to examine it, survive the opposition period, and finally get a registration—at best, a couple years after selecting the potential trademark. If anything went wrong, the trademark would have to be abandoned and the whole process started again. True, the old use-based system created potential issues for someone selecting a new trademark. But were they really so bad? Was Ms. Fields in actual danger of losing her trademark? But now the system is all jumbled up, with intent-to-use filers ahead of use-based filers. So the reality is that the U.S. had a system where an owner built a brand and protected it with a trademark registration, and in 1989 tacked on a process whereby the owner could secure the trademark first and build the brand later, and then put all trademark applicants in line based on

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24. See, e.g., *Cap Gemini*, *supra* note 7, at 1287 (applying *Loral's* reasonableness analysis to an employee nonsolicitation clause and holding it overbroad and therefore invalid).
25. See *Thompson*, *supra* note 8, at 1429.
26. *VL Systems, Inc. v. Unisen Inc.*, 152 Cal. App. 4th 708, 824 (2007).
27. *Edwards v. Arthur Andersen LLP*, 44 Cal. App. 4th 937 (2009).
28. See *Edwards v. Arthur Andersen LLP*, 47 Cal. Rptr. 3d 788, 793 (Cal. Ct. App. 2006).
29. *Id.* at 797, 803.
30. *Id.* at 800.
31. *Id.* at 797–798 (citing *Thompson*, *supra* note 8).
32. *Id.* at 797 n.4
33. *Id.* at 805.
34. See *Edwards*, *supra* note 27.
35. *Id.* at 948.
36. *Id.* at 942.
37. *Edwards*, *supra* note 27, at 948.
38. *Weisel Partners LLC v. BNP Paribas*, No. C07-6198 MHP, 2010 WL 546497 (N.D. Cal. Feb. 10, 2010) (citing *Loral*).
39. See *Jacob v. Norris, McLaughlin & Marcus*, 128 N.J. 10, 31 (1992) (noting this problem regarding an attorney nonsolicitation clause).
40. See Donald J. Aspelund & Stephen L. Lundwall, *Employee Noncompetition Law* § 3-12 at 3-37 to 3-38 (2010) (citing cases).
41. See *Thompson*, *supra* note 8, at 1429 (citing *Moss, Adams & Co. v. Shilling*, 179 Cal. App. 3d 124, 129 (1986)); *Esquire Deposition Serv. v. Manus*, No. B175370, 2004 WL 2610926 at *6 (Cal. Ct. App. Nov. 18, 2004) (customer nonsolicitation clauses are valid as long as they protect trade secrets; rejecting argument that under *Loral*, the protection afforded by nonsolicitation agreements is not necessarily tethered to a trade secret analysis).
42. See *Edwards*, *supra* note 27, at 946 n.4.
43. See *Majestic Mktg., Inc. v. Nay*, No. E047085, 2010 WL 338966 at *5 (Cal. Ct. App. Jan. 29, 2010).
44. *Retirement Group v. Galante*, 176 Cal. App. 4th 1226 (2009).
45. *Id.* at 1241.
46. *Dowell v. Biosense Webster, Inc.*, 179 Cal. App. 4th 564 (2009).
47. *Id.* at 577.
48. See *Nielsen v. Platinum Equity*, No. B205605, 2009 WL 2385874, at *4-6 (Cal. Ct. App. Aug. 5, 2009) (unpublished) (holding that unlike traditional noncompetition agreements that are invalid *per se*, customer and employee nonsolicitation clauses are valid if necessary to protect trade secrets; employee's wrongful termination claim dismissed for failure to plead that customer and employee info *was not* a trade secret); compare to *Majestic Mktg. Inc.*, *supra* note 43 (covenants not to compete may be enforced to the extent that enforcement is necessary to protect a company's trade secrets; upholding preliminary injunction based on noncompetition agreement protecting trade secrets).
49. See, e.g., *Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. (Shanghai) Co.*, 630 F. Supp. 2d 1084, 1090 n.7 (N.D. Cal. 2009) (“case law amply supports the existence of such an exception”).
50. See *Strategix, Ltd. v. Infocrossing W., Inc.*, 142 Cal. App. 4th 1068, 1073–1074 (2006) (refusing to limit overbroad customer and employee nonsolicitation covenants); *Kolani v. Gluska*, 64 Cal. App. 4th 402 (1998) (refusing to rewrite a broad noncompetition covenant into a narrow bar on theft of confidential information).
51. See *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514, 1522 (1997) (“While labeling information ‘trade secret’ or ‘confidential information’ does not conclusively establish that the information fits this description..., it is nonetheless an important factor in establishing the value which was placed on the information and that it could not be readily derived from publicly-available sources.”)
52. See Cal. Civ. Code § 3426.1(d) (defining trade secret).
53. *Readylink Healthcare v. Cotton*, 126 Cal. App. 4th 1006, 1019–20 (2005).

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their application filing dates. If there is any moral to this story, it is that trademarks now are mainly about being the first to file your paperwork. ◀◀

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Endnotes

1. Trademark Manual of Examining Procedure § 1108.
2. *Id.* at § 1109.04.