"Avoiding Quiet Responses". Sort of a contradictory statement but one that is nevertheless important. My reference is to a business owners failure to recognize that he or she may not be actively reaching out to and communicating with his or her clients. That is, business owners hear praise and, sometimes, hear complaints but often fail to reach out and listen to those who do not feel compelled to interact or engage at any level.

Over the years, one critical lesson that I have learned from my legal practice and from many successful entrepreneurs is that, many times, "no opinion" is worse than a negative opinion. That is, I have learned (and continue to learn) that in business – whether you are a law firm, a distribution company, or service provider - to be successful, you must be engaged in an active dialogue with your clients whereby you listen to their questions, provoke or challenge their thought processes and, overall, raise the level of communication and exchange of ideas.

Over the past year we have received great feedback about our email newsletters, seminars and book publications. The overwhelming feedback has made it abundantly clear that at Continued page 3 >

**ABOUT THE PUBLISHER**

Charles N. Internicola, Esq. is a recognized authority in business and franchise law. Mr. Internicola represents closely-held companies, franchisors, distributors and individual entrepreneurs in business and franchise transactions, licensing, general counseling and business litigation involving issues of unfair competition, trademark infringement, franchise disputes and partnership disputes.

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**Business Law**

**Trademark and Trade Dress Basics for Entrepreneurs**

As a business owner, you are almost certainly aware of the value and importance of the trademarks and trade dress associated with your business. These intellectual property assets serve as a fundamental component to the foundation of your business, the products you sell and the services that you provide. However, many times, basic information and factors are overlooked when it comes to a business’s intellectual property assets and, many times, business owners are forced to waste time and expense on unnecessary litigation. When it comes to assessing and protecting the intellectual property associated with your business, it is critical to understand the basics.

**Trademark Infringement**

Lawsuits involving trademark infringement are, most commonly, governed by federal law. The federal Lanham Act provides a federal cause of action for, among other things, trademark infringement. Businesses possess claims for trademark infringement against any third party (including former and, possibly, existing customers, licensees, franchisees and competitors) who use a “word, symbol or device” to “cause confusion” regarding the source of origin of the products or services. When assessing, a potential lawsuit involving trademark infringement, factors to consider include:

- Federal Trademark Registration is Critical but Not a Guaranty - It is critical to register your trademarks with the United States Patent and Trademark Office (“USPTO”). Federal registration affords a number Continued >

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**Some Intellectual Property Basics for Business Owners**

In this article I am addressing the minimum basics. The reason for doing this is because the basics are often overlooked and, as a result, many times business owners get involved in litigation or exposed to litigation without any real benefit or real goal. Many times, legal counsel (whether in-house counsel or outside counsel) adopt a hyper-aggressive approach to trademark and intellectual property enforcement by commencing litigation that should have been avoided. Many times, adopting a “IP Game plan” that avoids litigation involves more analysis and thought that just starting a lawsuit. That said, some intellectual property basics that you need to know, include:

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Continued from page 1 of legal benefits and rights that will enhance your ability to protect and defend your trademarks. However, federal registration is no guaranty and, prior to commencing any litigation, you must evaluate with your lawyers whether or not the prospective defendant may claim trademark rights that “pre-date” your trademark registration. That is, a third party defendant’s pre-existing use of a mark may serve as a defense to a trademark infringement claim and, may, lead to the potential cancellation of your trademark registration or, at least, serve to limit the rights associated with your registration. So, prior to commencing any trademark litigation, understand and evaluate potential defenses associated with a competitor’s pre-existing use.

• You Must Prove That Your Trademark is Entitled to Protection - When faced with traditional trademark litigation, most commonly, a competitor or third party is utilizing a trade name or mark that you believe is similar to yours. However, utilizing a similar mark is not enough. To establish a claim for trademark infringement, you must establish that (a) you possesses a mark that is protectable, and (b) that the defendant’s use of an identical or similar mark is “likely to cause confusion” among consumers. Keep in mind that not every mark is “protectable” and, typically, unregistered marks that are descriptive will not be protectable. Consider also that even registered trademarks that turn out to be descriptive may not be protectable.

More often than not, an aggressive trademark litigation strategy is efficient and beneficial from a competitive and “IP protection standpoint”. However, I have witnessed many infringement cases and claims that, quite simply, do nothing other than waste resources and jeopardize the claimants underlying marks without any real upside benefit. So, when faced with the prospect of commencing an infringement claim, question: (1) whether or not the defendant may claim a pre-existing use; (2) whether or not the defendant is operating within an industry similar to yours; (3) whether or not there is a likelihood of consumer confusion; (4) the strength of your own marks; and (5) what goal you are seeking to achieve.

Prop 65: Out of Control Legislation by the State of California

By: Charles N. Internicola, Esq.

If you are a nationwide manufacturer or distributor of consumer products (including products that may be sold in the State of California) you need to be aware of the stringent product labeling requirements imposed by California’s proposition 65 (“Prop 65”). Proposition 65 was enacted by the State of California as a measure to inform and warn consumers about “potential chemicals” (utilized in consumer products) believed by the State of California to cause cancer, birth defects and/or reproductive harm. For product manufacturers, distributors and retailers, the problem with Prop 65 is that California’s list of hazardous Prop 65 chemicals is constantly growing and, at present, includes key components to commonly used plastics found in commonly used consumer products, including, plastics, PVC and vinyls used for sneakers, baby products, covers and an extremely broad range of products.

In addition to plastics, Prop 65’s chemical list includes lead and has transcended to an assortment of chemicals found in jewelry, coffee and vinegar. Some information that you need to know about Proposition 65, includes:

• California Sales. Irrespective of your business location, the place of manufacture or the initial state of distribution, if your product enters the stream of commerce and is sold to consumers in the State of California your business will be subject to California’s Prop 65 requirements;

• Chemical Components. Under Prop 65 California maintains an ever-expanding list of chemicals claimed by the State of California to cause cancer, birth defects and/or reproductive harm. If your products include these chemicals then you will be subject to the mandates of Prop 65. The state of California maintains a list of designated Prop 65 chemicals. Irrespective of your product category, state or country of origin you must evaluate the chemicals used in your product. It is critical to understand that the Prop 65 designated chemicals are extremely extensive and include, among many chemicals, commonly utilized Phthalates that are found in many plastics and lead found in commonly utilized gauges and jewelry. So, definitely evaluate your product.

• Warning Required. If your product is sold in California and if your product includes a designated Prop 65 chemical you must include a product warning. Failure to include the appropriate warning may subject your business to a lawsuit and claims by the California Attorney General or, worse, private lawsuits commenced by attorneys representing alleged “consumer advocacy groups”.

My experiences with Prop 65 are that California has created an extreme burden on manufacturers, distributors and retailers of common every-day products. The regulation is extensive and the cost of litigation - in my opinion - quite unnecessary. However, there is one “saving grace”, if you place the appropriate warning on your product, you may insulate your business from unnecessary lawsuits and legal fees. My advice, review your product catalog, review the chemicals in your products and speak with your legal counsel about structuring the appropriate “Prop 65” warnings.

Franchise Guide: Complimentary copies of our FTC Compliance Guide are available to start-up and established franchisors.

To receive a complimentary copy visit our website or contact Victoria Gracia at vg@businessandfranchiselaw.com.
Q: Do you need to register your franchise at the state level?

A: Depending on your state’s franchise laws, you may or may not need to register your franchise (FDD) with your state regulatory agency. If franchise registration is required in your state you will need to abide by state franchise laws and registration requirements. A great tool for understanding your FDD obligations is the “FTC Compliance Guide”.

To receive a complimentary copy, call our firm at 1.800.976.4904 and mention you received the “Business and Franchise Law Report” or visit our website at www.BusinessandFranchiseLaw.com.

Q: Does extending or renewing a franchise agreement trigger a franchisor’s FDD disclosure obligation?

A: No. Under the Federal Franchise Rule the extension or renewal of a franchise agreement does not constitute a franchise sale and therefore does not trigger a franchisor’s FDD disclosure obligation provided that there has been no interruption in the franchisee’s business operations and provided that the renewal agreement does not differ materially from the original agreement.

Q: What is a service mark and does it differ from a trademark?

A: Yes, a service mark does differ from a trademark. A service mark is “any word, name symbol, device, or any combination, used, or intended to be used, to identify and distinguish the services of one provider from the services provided by others, and to indicate the source of the services” as stated by the United States Patent and Trademark Office (USPTO). A trademark distinguishes manufactured goods and indicates the source of those goods. So a service mark distinguishes a business’s services and a trademark distinguishes a business’s goods.

What a Lawyer Learns from His Franchise and Business Clients

One major benefit of being a business and franchise lawyer is that I get to work with extremely focused clients who understand entrepreneurship and who, more often than not, are extremely motivated to share their business experiences. So, in partnering and working with our clients, along the way, there are many business points that I learn. Here are a few:

• **Business Systems are Critical.** Every successful business requires established systems and procedures that are focused on the consistent delivery of product or services. Nothing should be left to chance, so as a business or future business owner or franchisor, consider what your systems are for: (a) advertising and promoting your products or services, (b) communicating with prospective clients, (c) scheduling the performance of services or the delivery of product, and (d) consistently communicating and informing your clients and customers.

• **Understanding Your Client Base is Critical.** I am always impressed by how well our clients understand their customers. When establishing a franchise one of our questionnaires relates to customer demographics and information. Our clients readily answer this question by focusing on their “perfect customer and client” and they readily provide us with a detailed description. So, if you are considering franchising, can you answer who your “perfect customer is” and what their key characteristics are?

• **Database Systems are Critical.** Many of our clients utilize database systems to maintain customer lists and to facilitate consistent email communications, promotions and mailings. This makes sense and, quite frankly, is almost mandatory in today’s business environment. In addition to the delivery and sale of your products and services, database systems will be critical to facilitating and maintaining communications with supplies, staff and – if you are a franchisor - franchisees. Following the lead of our clients, I personally utilize Infusionsoft to manage our client communications and legal publications. What systems do you maintain? How do you track and communicate with your customers?

So when it comes to any business or franchise, it is critical to understand the significance of your “business systems”.

Continued from page 1 The Internicola Law Firm we need to do more to communicate with our clients and industry leading colleagues. So, although a little late, we are implementing and publishing a monthly “Business & Franchise Law Report”.

I hope you find this publication helpful and, more importantly, I hope these monthly reports serve to raise the level of communication and the exchange of ideas.

As always, comments are always welcome.
New Website & New Office Locations

We are extremely pleased to announce the launch of our redesigned website: www.BusinessandFranchiseLaw.com, our new corporate office and two office locations. As always, the focus of our site has been on developing articles, publications, resources and tools for business and franchise owners.

Corporate Office:
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New York, NY 10005

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