

## **It Flopped in New Haven**

By: Jim Astrachan

---

Trademark rights arise only from actual use of the mark in commerce. But use is not enough to protect all rights associated with a mark, as this story (with names changed to protect the guilty, of course) illustrates so well.

The ice cream retailer had begun use of its trademark in Scottsdale, Arizona in 1976, starting as a small store and quickly opening new locations in the vicinity of its original stores, knowing that even with the best automotive air conditioning, ice cream does not travel well and far in an Arizona summer. In 1978, in New Haven, Connecticut two childhood friends decided that because their vanilla ice cream recipe was the best they ever tasted, they should open their own ice cream stand. All they needed was a lease and a trademark. The lease was easy and so was the name – OVER THE RAINBOW ice cream.

The two friends led a sheltered life and had never traveled farther west than Stamford; nor were there any ice cream industry magazines to read in 1978. So what they could not have known was that in 1976, two years before they opened their store,

the Phoenix ice cream retailer had also named its ice cream OVER THE RAINBOW. At two ends of the country the ice cream sellers flourished without any knowledge whatsoever that the other even existed.

The boys from New Haven added flavors by trial and error, ever so slowly expanding their operation with occasional new locations east and west along the Connecticut coast. The Phoenix retailer was much more aggressive, and in 1979 added a finance person with an MBA and lofty plans for a coast-to-coast ice cream empire. Their ice cream was not as good as the East Coast's, but the finance person raised money, built an infrastructure and expanded his company's operations very quickly. By 1980, Phoenix had over 175 stores west of the Mississippi, primarily in the far western states. In contrast, the slower moving Connecticut operator had expanded with a baker's dozen stores from Providence east into Mt. Vernon, New York and north to Stockbridge, Massachusetts.

One of the folks brought in by the savvy Phoenix MBA was a young lawyer who knew a bit about trademark law. By the time he had arrived in Phoenix in 1981, his company had acquired common law trademark rights in its market area and in contiguous zones into which it would be expected to soon expand. By the time the lawyer came on board, the retailer had 200 stores, all west of the Mississippi. At the same time, the boys from New Haven were beginning to think that they could develop a chain of high quality ice cream stores up and down the East Coast. And still, each retailer remained oblivious of the other's existence.

The Phoenix lawyer then took a step that literally ended the existence of the New Haven OVER THE RAINBOW- he filed a trademark application with the United States Patent and Trademark Office for the OVER THE RAINBOW trademark. Even though his company had waited more than five years from the day it first began to use the mark, the effect of the registration was to encapsulate the New Haven retailer's use of the OVER THE RAINBOW mark forever, limiting its use to the markets in which it was in use on the day the application was filed. This meant that even though the Phoenix retailer had not yet crossed the Mississippi, the entire country, other than where the New Haveners were doing business at the time the application was filed, belonged to Phoenix OVER THE RAINBOW. Although that did not mean that New Haven could not open an OVER THE RAINBOW store in Tampa or Ocean City, it did mean that if they did, they would have to change their name the day the Phoenix folks decided to open in those markets.

New Haven was faced with a Hobson's choice. It could create a new name under which to continue its expansion outside of the encapsulated area, or it could bite the bullet and change the name of its existing locations to conform to the newly selected name. Movement often is a result of necessity and New Haven kept its OVER THE RAINBOW name for several more years until Phoenix was literally knocking on its front door. By this time Phoenix had expanded operations across the Mississippi and into Manhattan. It had also opened locations in New York State, east of the Hudson and throughout New England, as far south as Boston. But it also was faced with a difficult choice.

Because Phoenix OVER THE RAINBOW had not expanded into the Connecticut territory before New Haven opened its first store, and it had not filed its trademark registration with the PTO before New Haven began to expand, albeit slowly, New Haven had exclusive rights use the mark in a territory that, in essence, comprised the State of Connecticut and a bit more. How, then, could Phoenix purchase any media to advertise in Manhattan and Massachusetts stores without those ads also running in Connecticut and causing confusion? In short, it could not. It was also missing out on expanding into the lucrative southern Connecticut market that had not come close to being fully exploited by the slow-moving New Haven OVER THE RAINBOW.

Phoenix had to buy the name and pay enough to make it worth New Haven's while to change names and rebuild its good will. With what it spent to do this, it could have opened up eight new stores.

Lessons learned? Search prospective trademarks thoroughly before they are adopted. You never know how far your business will travel. Register the mark even before you use it by filing an intent to use application with the PTO. If Phoenix had registered its mark in 1976, it would have been able to make New Haven OVER THE RAINBOW change its name at no cost all those years later.

---

*James B. Astrachan is a principal of Astrachan Gunst & Thomas, P.C.; a Baltimore based firm engaged in the business of intellectual property. Mr. Astrachan is an adjunct professor of Trademark and Unfair Competition Law at the University of Maryland Law School and the founder of the Intellectual Property Committee of the State Bar Association.*