

## *Protecting the Crown Jewels*

### *Intangible Company Assets - Trademark Protection*

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Small businesses face a tremendous challenge in the marketplace with respect to protection of intellectual property rights such as patents, trademarks, and copyrights. On the one hand, the competitive advantage offered by intangible company assets can be immeasurable. On the other hand, budgets for protecting these assets are often limited. It is therefore important for small businesses to seek counsel who will help them do a cost-benefit analysis and work within a budget. This article discusses some of the many considerations when deciding whether to seek trademark protection and what to protect.

#### **Trademark vs. Service Mark**

A trademark is a word, name, symbol or device that is used in trade with goods to indicate the source of goods and to distinguish them from the goods of others. Examples of trademarks include:

- A word (e.g. MCDONALD'S)
- A slogan (e.g. JUST DO IT)
- The design of a product or its packaging, under certain circumstances
- A sound (e.g., the NBC chimes)
- A color (e.g. Owens-Corning's rights to the color pink for insulation)

A service mark is the same as a trademark, but service marks distinguish the source of services rather than goods.

There are several things to consider and steps to take when deciding on a trademark. The strongest trademarks are:

- Coined (a NEW word or phrase, e.g., Exxon, Kodak, or Reebok)
- Arbitrary (no obvious reason behind it e.g., Camel for cigarettes, Guess for jeans, or Apple for computers)
- Suggestive (suggests an idea, but does not describe, e.g., COPPERTONE for suntan oil)

A trademark should generally avoid including:

- Someone else's name (e.g., "Donald Trump" when you're not Donald Trump)
- The name of a geographic location (e.g., Detroit)
- Wording with descriptive meaning (e.g., "Premier Fruit" for your fruit stand)
- Wording that is generic (e.g., "chocolate" for chocolate)

## **Is it Legit?**

Before adopting and using a trademark, you should obtain a trademark clearance search from a skilled professional to assess the level of risk associated with using and/or registering the trademark. A trademark lawyer or paralegal will search numerous databases or obtain a search from an outside vendor to determine whether someone else has prior rights to the trademark or to a mark that might be considered confusingly similar to that mark. It is very important to clear a mark prior to use so that you do not inadvertently infringe the rights of another trademark owner. In addition to the expense associated with changing a name that is already in use, there is the risk of damages arising from trademark infringement.

Unfortunately, the clearance process is not as simple as searching the U.S. Patent and Trademark Office (“PTO”) website ([www.uspto.gov](http://www.uspto.gov)), although that is a good start for many businesses. In addition to trademarks that have been applied for or registered with the U.S. PTO, parties can obtain trademark rights merely through using a trademark. These are called “common law” rights, and they provide some limited protection that can sometimes form the basis of a claim of infringement. It is important that the scope of the clearance cover common law rights as well as registered rights.

Once you have “cleared” a word or phrase to use as a trademark, you should consider your company’s business goals and marketing initiatives. It might not be within your budget for you to register everything in your company’s portfolio. So, determine which of your marks are the most important to the business and give you the biggest competitive advantage and start by protecting those marks.

## **Registering Trademarks**

Registration of trademarks is available on both the federal and state levels. A federal application can be filed as soon as you have an intent-to-use the trademark in interstate commerce. In Michigan, you cannot file a state application until you have actually used the trademark.

Registering a trademark with the U.S. PTO has several advantages, including:

- The mark can be displayed with a ® (the ® can only be used with registered trademarks; owners of non-registered marks can use ™ to stake their claim)
- Your registration puts others on notice of your trademark claim
- A registration carries a presumption of validity
- Registration gives nationwide rights to the mark
- Registration in the US can be used as a basis for obtaining foreign registration
- Possible statutory/enhanced damages in certain cases of trademark infringement

Many factors can affect how long it takes to register a trademark. Depending on the legal issues involved, the process can take anywhere from just under one year to several years (with an average of about 15 months). Provided the mark remains in use, a registration lasts for ten years and can be renewed for subsequent ten year periods for as long as the mark remains in use. This is a stark contrast with patents, which have an expiration date.

Once you have a trademark, you must police and enforce your trademark rights or risk the weakening or loss of rights for your mark. For example, “escalator” and “yo-yo” were not adequately policed and enforced and have, consequently, lost their strength, distinctiveness, and protectability as trademarks.

### **Trademark Points and Pitfalls**

Trademark owners should also keep in mind the following points and pitfalls:

- Registration of a business name or domain name does not convey trademark rights
- Another party’s famous mark can prevent your trademark registration and use even if it is used for very different goods and services
- Failure to properly “use” a mark can result in a mark becoming generic or descriptive
- Misuse of a trademark belonging to a third party can result in serious consequences
- Failure to register your trademarks in certain countries of manufacture (e.g., China) can under certain circumstances prohibit you from manufacturing there
- Keep records of your use of trademarks, including the first use of every company trademark
- Authorization of third-parties to use your trademarks should be memorialized in a license agreement

As a small business, not only should you consider the costs involved in trademark protection, but also the risks associated with use without clearance, the benefits conferred by registration, and whether you anticipate your business to expand geographically (both in the US and/or internationally) or into other markets. It is strongly advised to seek the counsel of an attorney to advise you on these issues.

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