



# TRADEMARKS 101: INTANGIBLE COMPANY ASSETS



**YOU CREATE.**

**YOU INNOVATE.**

**WE PROTECT.**



# INTRODUCTION

One challenge nearly all start-up businesses face is the selection and protection of trademarks – the brand names for their goods and services. Trademarks are used to distinguish a company's products from those of competitors, and they create lasting impressions in the minds of consumers. Trademarks are a powerful catalyst for customer identification and loyalty. Thus, effective, protectable trademarks can provide tremendous value to a new or existing business. While the competitive advantage offered by intangible company assets can be immeasurable, the budgets for protecting these assets can be limited. Therefore, it is important for businesses to understand the basics of selecting and protecting trademarks, and to seek counsel who will help guide them in developing the best strategies for selecting and protecting trademarks within a reasonable budget. This article provides a basic trademark overview and identifies several tips and common pitfalls for companies as they select trademarks.



# 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., NIKE)
- A slogan (e.g., JUST DO IT)
- A graphic design logo (e.g., the Lincoln “Star”)
- The design of a product or its packaging, under certain circumstances (e.g., the Coca Cola bottle)
- 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 essentially the same as a trademark, but a service mark distinguishes the source of services rather than goods. The terms “trademark” and “service mark” are often used interchangeably, or both are simply referred to as “trademarks.”

There are several things to consider when deciding on a trademark. Some businesses tend to select marks that are descriptive so that consumers know what the goods are simply by seeing the name. Unfortunately, descriptive names are generally not registrable, are considered “weak” and can be difficult to enforce against others. This is because descriptive names are considered incapable of distinguishing the source of goods, and thus would not have much value to the owners or to consumers. However, if a company has a large budget and is willing to fight subsequent uses of similarly descriptive names by third parties, then the mark might eventually acquire “secondary meaning” in consumers’ minds. Challenging these uses can be tough because third parties may have a legitimate need to use the descriptive terms for their competing goods.





If “secondary meaning” is achieved, consumers begin to associate the descriptive name with the company using it and not just with the type of goods or services. An example of a mark with “secondary meaning” is the restaurant “California Pizza Kitchen.” Generally, however, selecting a stronger and more distinctive name tends to provide more value.

Trademarks on the stronger end of the spectrum are:

- Coined or “fanciful” terms (a newly created word or phrase, e.g., NABISCO, KODAK, or REEBOK – NABISCO was created by combining the first letters of each word of the company’s original name “National Biscuit Co.”)
- Arbitrary terms (an existing word, but not typically connected to the goods and with no obvious reason behind it, e.g., CAMEL for cigarettes, GUESS for jeans, or APPLE for computers)
- Suggestive terms (an existing word or phrase that suggests an idea, but does not go as far as to describe the goods, e.g., COPPERTONE for suntan oil)

While companies may see marketing benefits in choosing the below types of names, a trademark should generally avoid including:

- Someone else’s name (e.g., “Brad Pitt” when you’re not Brad Pitt)
- The name of a geographic location (e.g., Detroit)
- Wording with a descriptive meaning (e.g., “Premier Fruit” for a fruit stand, “All Bran Cereal” for cereal that is all bran)
- Wording that is generic (e.g., “chocolate” for chocolate, “dog food” for dog food)



# THE IMPORTANCE OF TRADEMARK CLEARANCE SEARCHES

It is important to search a mark prior to use so that there is no inadvertent infringement of third-party trademark rights. In addition to the expense associated with changing a name, there is the risk of damages arising from trademark infringement. So, before adopting and using a trademark, a company should obtain a clearance search from a trademark professional to assess the level of risk associated with using and/or registering the name.

A proper trademark search will cover numerous databases to determine whether another entity has prior rights to the trademark or to a mark that might be considered confusingly similar to that name. Marks do not have to be identical to be confusingly similar. In a likelihood of confusion analysis, it is important to consider, for example, the similarity of the marks in appearance, sound, and meaning, the similarity of the goods/services, the types of consumers, and the channels of trade.

Further, the clearance process is not as simple as searching the U.S. Patent and Trademark Office (“USPTO”) website ([www.uspto.gov](http://www.uspto.gov)). Trademark rights can be based upon use or an application to register the mark, and a registration is not a prerequisite to using a name. These are called “common law” rights, and they provide some limited protection that can sometimes form the basis of a claim of infringement and can also block registration of another’s mark. It is important that the scope of the search covers common law rights as well as registered rights.



CAVEAT: Not all marks are registered and no search is guaranteed to uncover all possible common law (unregistered) uses. The goal of searching is to identify and address potential third party risks. If a search reveals potential obstacles, it is important to assess the level of risk, and either select an alternate mark, pursue a coexistence agreement with the third party, or sometimes purchase the mark.

Once a word or phrase is “cleared” to use as a trademark, a company should consider its business goals and marketing initiatives. It might not be cost-effective to register all marks/slogans in a company’s portfolio. The business must determine which marks are the most important to the business and provide the biggest competitive advantage and start by protecting those marks. Keep in mind, marks (once cleared) may be used without registration and a company can acquire limited “common law” trademark rights. This may be a strategy for marks intended for short-term use.





# REGISTERING TRADEMARKS

Registration of trademarks is available on both the federal and state levels. A federal application can be filed as soon as a company has an intent-to-use the trademark in interstate commerce. In Michigan and most U.S. states, a state application can only be filed once use of the trademark has commenced.

Registering a trademark with the USPTO 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)
- Registration puts others on notice of the trademark claim
- Registration carries a presumption of validity
- Registration gives nationwide rights to the mark
- Registration in the U.S. can be used as a basis for obtaining foreign registration(s)
- Registration permits 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 18 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. Importantly, the USPTO requires registrants to prove the mark is still in use between the 5th and 6th year after registration or the USPTO will cancel it.

Once a company obtains trademark rights in a name, it must police and enforce those rights or risk losing or weakening them. For example, trademark rights to “escalator” and “yo-yo” were not adequately policed or enforced and have, consequently, lost their strength, distinctiveness, and protectability as trademarks. As a result, the former owners cannot assert any exclusive claim and the marks are available for descriptive use by all.



# 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, by itself, convey *trademark* rights
- Another party's *famous* mark can prevent the use and registration of a similar mark on *unrelated* goods and services
- Failure to properly “use” a mark can impede the ability to obtain and/or keep a registration, and can also result in a mark becoming generic or descriptive
- Search prior to use - - misuse of a trademark belonging to a third party can result in serious consequences or charges of infringement
- Check your geographic market - - failure to register trademarks in certain countries of manufacture (e.g., China) can under certain circumstances prohibit the ability to manufacture there
- Keep records of trademark use, including the first use of every company trademark - - this will help to support your priority dates against third parties
- Make sure a license agreement is in place whenever authorization to use company trademarks is granted to a third-party

Business entrepreneurs should consider the strategies, intricacies and costs involved in trademark selection and protection early in the process and well before use commences. Part of this, of course, is considering the risks associated with use of a name, slogan or design without proper clearance, the benefits conferred by registration, and whether the business anticipates expansion geographically (both in the US and/or internationally) or into other markets. Given the tremendous value and goodwill brand names can produce, and the potential for costly ill-advised plans, it is important to plan ahead to ensure company trademarks help the company achieve success in the marketplace.

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