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Some Companies Must Do More To Protect Brand Identity

Law360, New York (December 03, 2012, 12:13 PM ET) -- Every business has a name. An LLC and a corporation have names that have been approved and registered by, at least, one secretary of state's office. For many businesses, these names are also the "brand" through which they advertise and market their products and services. But many companies, despite building an entire business based upon a brand identity, have done nothing to protect their brand identities properly or to ensure that the company names and brands they adopt and use do not infringe upon prior existing names and brands. Following is a primer for every business owner and anyone who works with a company providing products and services to the public explaining why a trademark search is important before any name, mark, slogan, logo or other brand identifier is adopted and used.

A "trademark" is any word, name, symbol or device, or any combination thereof which is used by any person (including formal entities) to identify and distinguish his or her goods from those manufactured or sold by others and to indicate the source of those goods. A "service mark" is used in the same manner as is a trademark except it is used to identify and distinguish the services provided. Sometimes, but not always, a corporate or trade name that is used to identify a business entity is also used as the brand identifier for goods and services provided by that entity. In such a case, the corporate or trade name functions in two capacities: as a trade/corporate name and also as a trademark and/or service mark.

Contrary to popular belief, any word in any language can function as a trademark depending on how it is used. An individual letter or numeral, or groups of letters or numerals, whether they are acronyms or not, can also function as trademarks.

It is also a misconception that domain names are protected intellectual property assets. They are not. Domain names do not grant trademark or similar proprietary rights. The owner of a domain name registration is simply the owner of that registration, but cannot claim any proprietary rights deriving from the domain unless it is also used as a trademark. Use of a domain name that contains a trademark owned by a third party can, however, infringe upon or otherwise violate the trademark rights of the third-party owner.

In the U.S., trademark rights derive from actual use of a mark on a product or to advertise a service being provided to the public. Trademark rights in the U.S. are based on priority of use, and the first to adopt and use a mark and/or the first to file a federal application and obtain a registration for a mark is the owner of the rights in a mark. It is not essential in the U.S., unlike in other countries, to obtain a federal registration for a trademark before some level of protectable rights exist.

The U.S. recognizes "unregistered, common law" rights in a mark that has been adopted and used in good faith on a product or to offer a service. However, "common law" rights are limited to the geographic area of actual use and a "natural zone of expansion." In

contrast, the owner of a federal registration for a mark owns exclusive, nationwide rights to use the mark, regardless of the geographic area of actual use, subject to any pre-existing and prior common law rights owned by a third party.

It is this recognition of fully valid and enforceable unregistered, common law rights in the U.S. that makes conducting trademark searches absolutely essential before any business adopts a new corporate name, trade name, fictitious business name, trademark, service mark, slogan or any other type of brand identity. Failure to conduct a trademark search renders a business vulnerable to a claim of trademark infringement at any time.

Trademark infringement can be entirely innocent. Prior knowledge of a pre-existing trademark is not required in order for infringement liability to exist. An owner of prior existing trademark rights, whether at common law or through registration, can still obtain, at least, a permanent injunction preventing any further use of the infringing mark or name. If there has been willful infringement or any other type of bad faith associated with the adoption and use of an infringing mark or name, there could also be significant financial liability.

Many are shocked to discover that a secretary of state's clearance and registration of a corporate or LLC name, or of a trade or fictitious name, is not a valid defense to a claim of trademark infringement. Thus, it is crucial before a company selects a name for the company, whether or not that name will be used as a trademark or service mark, that a comprehensive trademark search be conducted to ensure the name is available.

Trademarks do not need to be identical or to be used competitively in order to infringe upon the rights of a third party. The test for trademark infringement is whether confusion is likely to occur between two trademarks (or names) based upon the way each is used such that the public will mistakenly believe that the two marks and the product or services provided under each come from the same source or whether the public is likely to mistakenly believe that there is some relationship, association, affiliation, approval or endorsement of the junior user's mark by the senior user. There is also a claim which owners of "famous marks" can make based upon a "dilution" of their rights if their famous mark is used in almost any capacity by an unauthorized third party.

Trademark rights exist on a country-by-country basis. Thus, trademark rights in the U.S. provide no rights outside the U.S. and vice versa. Accordingly, it is necessary for businesses planning to expand their operations outside the U.S. to clear and protect their ability to use the marks in other jurisdictions before entering those venues and possibly infringing upon third-party rights there. Similarly, before a company outside the U.S. expands into the U.S., it should also conduct a search in the U.S. to ensure its marks and names can be used here without incident. If they are available, it is strongly encouraged that federal registration be pursued.

So how should a trademark or name be searched? Conducting a search of the U.S. Patent and Trademark Office's online database will only provide information about whether a virtually identical mark is the subject of a pending federal application or registration. Such searches will not, however, provide information about whether any unregistered, common law rights in the mark or name at issue exist. Similarly, an online word search might provide some information about whether a confusingly similar mark or name is being used, but should not be relied on exclusively as confident grounds to move forward with a new name or mark.

It is strongly recommended that an experienced trademark lawyer commission a "full" trademark search and provide a fully informed opinion on the availability of a mark or name based on the search before a new name or mark is adopted and used. Not only will a professional opinion guide a business in deciding whether to proceed with use of a mark or name, but the opinion of competent legal counsel can be asserted as a valid defense to a

claim of willful trademark infringement.

In the U.S., a "full" trademark search generally will include research in the following areas: (1) federal trademark applications and registrations, (2) state trademark registrations, (3) unregistered, common law marks from a variety of sources, (4) business, fictitious and trade names, (5) Web searches, (6) domain name searches, (7) industry publication searches, and (8) industry-specific database searches. Although these searches are very detailed and comprehensive (and generally 300 to 500-plus pages long), there is never any guarantee that every potential third-party use of the mark will be uncovered. However, these searches are the most competent and reliable method of trying to clear a potential name or mark for a proposed use.

Conducting trademark searches before a mark or name is used will save a company a great deal of time, effort and money. No business wants to go to the expense of selecting, adopting and using a mark or name, and developing goodwill and a reputation through that name or mark, only to find out that the mark or name must be abandoned and the selection process started all over again. The harm to a company's reputation and market image could be significant in such a circumstance, not to mention the potential financial liability whether in litigation or settlement of claims. Although no search is infallible, it can give a company confidence and peace of mind moving forward so its efforts can be spent on other important aspects of developing its business and not on starting over in midstream.

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