Thinking small

Trademark tips for small businesses

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Whether you are a fledgling start-up or a large, multi-national company, your brand is an important business asset. Its protection is of critical importance, particularly in today’s challenging economic environment. Small businesses in particular face ever greater challenges in developing a strong brand and protecting it in a globally competitive marketplace. This article provides tips for small businesses in selecting, clearing, registering and protecting key brand names.

Selection of a brand name

It is your brand that distinguishes your products or services from those of others in the marketplace. In trademark law parlance, a trademark identifies the source of goods; a service mark identifies the source of a service. (The term “trademark” is used in this article to refer to both trademarks and service marks.) A trademark can be any word, name, symbol or design. Think of Times Square in New York City with the myriad of trademarks on jumbo screens, or the word “Microsoft,” or the Nike “swoosh.” Each of these marks serve to identify their owner’s goods and services, to distinguish them from those of others, and to indicate that all goods and services offered under that mark come from the same source.

Whether you are a start-up company that needs to select a company name or an established, small business that is launching a new product line, it is generally advisable to select a mark that is sufficiently distinctive. The more distinctive the mark, the broader the scope of protection. Keep in mind, however, that businesses with small marketing budgets may have difficulty getting customers to connect a highly distinctive mark, which conveys nothing about the company’s business or products, with the company and its products or services. It may therefore make sense for such businesses to select a mark that is at least somewhat suggestive of the products or services to be sold under the mark. Also, if your business spans several countries, keep in mind that what may be deemed distinctive under one country’s trademark laws may not be protectable under another’s.

Under US trademark law, there are four categories of marks: fanciful marks, arbitrary marks, suggestive marks, and descriptive marks. Suggestive, arbitrary and fanciful marks are deemed, under trademark law, to be inherently distinctive. The fanciful mark – the strongest of marks – is a “coined” word that is invented or selected solely to function as a mark (e.g., KODAK film, POLAROID cameras). An arbitrary mark, the next strongest of marks, applies the ordinary meaning of a common word to goods or services in an arbitrary or non-distinctive way (e.g., APPLE computers, OMEGA watches). A suggestive mark indirectly suggests an ingredient, quality, characteristic, purpose, function, use or attribute of the product or service (e.g., PLAYBOY magazine). It requires imagination, thought or perception to reach a conclusion about the nature of the goods or services. A clever suggestive mark is an attractive option for a small business because it conveys something about the product or services to consumers, yet it is inherently distinctive and therefore immediately protectable.

A descriptive mark, by its very nature, is not inherently distinctive. It generally is not protectable until it has acquired distinctiveness. A descriptive mark immediately conveys the

IN SUMMARY

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intended purpose, function or use of goods or services (e.g., AFTER TAN for after-sunning lotion). It also may be “laudatory” and descriptive of the merit of a product (e.g., DEPENDABLE, DELUXE, PREFERRED). While a descriptive mark may be desirable from an advertising point of view because it tells consumers something about your business, it won’t help your product or service stand out in the marketplace.

When selecting a mark, a company would be wise to avoid a generic term. A generic term is the common or class name for a good or service, such as “pencil” for pencils. It can never function as a mark, and it cannot be protected.

Clearance

Now that you have selected a possible mark, the next step is to determine whether anyone else is using, or has sought registration of, a mark that is identical or very similar to your proposed mark and that identifies goods or services that are the same as, or related to, those that you intend to offer, such that your mark is “likely to cause confusion with” the other person’s mark. You also need to be sure that your mark does not “dilute” the distinctiveness of anyone else’s famous mark.

In order to make such a determination, you should first conduct a preliminary screening search of available online trademark databases in the countries in which you plan to market your product or service and in which you may expand operations at a later time. A screening search is a cost-effective tool that identifies obvious obstacles to use and registration, such as identical or nearly identical marks for related goods or services. The World Intellectual Property Organization (WIPO) website provides links to the intellectual property offices of more than 80 countries that are members of the Madrid international trademark registration system, and indicates whether the country’s office has a publicly accessible online trademark database and whether it is free (i.e., United States, Canada, UK) or subject to payment (i.e., Mexico). The database of the Office of Harmonization in the Internal Market (OHIM), which handles registration of European Community (CTM) trademarks in all 27 EU-member countries, also provides a free online, publicly-accessible database. If you are not computer savvy, there are numerous private vendors that provide screening searches by country, by region and worldwide.

While useful and cost-effective, preliminary screening searches have their limitations. For example, they do not cover phonetically similar marks or marks that may be confusingly similar to the searched mark. Also, some screening searches, such as worldwide identical screening searches, do not cover pending applications unless they have been published for opposition purposes. Also, screening searches of design marks are of limited value given the subjective nature of design marks and the complex design code system that is used to categorise them.

It also is important to conduct internet searches, using internet search engines, to determine whether your proposed mark, or a confusingly similar mark, is already in use. Domain name searches are another important screening tool.

At the outset of the clearance process, promptly register a domain name for your proposed mark in one or more of the top level domains (TLDs), such as .com and .net. You also should consider registering domain names that are common misspellings of your mark. If there already are a host of domain names that are similar to your mark, that may be an indicator of potential problems.

Once your proposed mark passes the screening search phase, it is highly advisable to obtain a comprehensive trademark search, particularly if you plan to do business in the United States. A comprehensive US search provides a more in-depth review of federal and state trademark registrations, trade publications and directories, internet sources, and registered domain names. Industry-specific searches also may be available. In addition, if you are selecting a company name for use in the United States, a company name search, which includes available state corporate records for most of the 50 states, should be conducted. Design searches cover only trademark registrations and pending applications.

Trademark searches for countries other than the United States may not be as comprehensive as those available for the US. Also, in many countries, marks are registered for all goods and services in a particular class, and thus it is difficult to determine whether a registration or application covers goods or services that are related to those that you intend to provide under your mark. It also is difficult to determine whether a mark identified by a search is in use. Unlike the US, many countries do not require proof of actual use of the mark to obtain, or maintain, registration of the mark. An experienced trademark practitioner should place the order for a comprehensive trademark search and review the results of the search. He or she will be able to assess whether your proposed mark is “likely to cause confusion with” another’s mark identified in the search results and whether there is a significant risk that another person or company will challenge your use or registration of your proposed mark and whether the mark can be registered in the desired countries. Small businesses understandably may be reluctant to incur legal and other costs that are unavoidable in a proper trademark clearance process. It is far preferable, however, to know and assess the risks before you begin using a mark. Small businesses in particular cannot afford to launch a marketing campaign only to receive a cease and desist letter, or become embroiled in litigation, that may require the company to stop using its mark and to start the clearance process all over again.

Registration

In the US, you can acquire rights in a mark in two ways – by using the mark or by filing with the PTO an “intent-to-use” (ITU) application for the mark. If the ITU application matures to registration on the PTO’s Principal Register, your rights in the mark will be deemed to have begun on the application filing date. That is why it is critical to file an ITU application as soon as you have selected and cleared a mark. If you wait until actual use of the mark commences, it may be too late. Someone else may have already filed an ITU application or commenced use of the mark in the meantime, in which case you may be on the receiving end of a cease and desist letter or a trademark infringement lawsuit.

While rights in a mark can be established in the US through use of the mark without registering it, registration does provide important advantages. For example, if your mark obtains registration on the PTO’s Principal Register, there is a legal presumption that you are the owner of the mark and that you have the exclusive right nationwide to use your mark on the goods or in connection with the services covered by the registration. Without a federal registration, you could still have common law rights in the mark but only in the geographic areas in which you have used the mark (and, if the mark is descriptive, only in those areas in which it has acquired distinctiveness).

If you plan to use your mark outside the US, the best advice is to register it right away. In many countries, the early bird gets the...
If you are the first to file an application that matures to registration, you have prior rights over others who may have used a confusingly similar mark before you filed but who did not seek registration of their mark.

If you intend to use your mark in an EU-member country, you may want to file a CTM application. If the application matures to registration, you will have rights in your mark in all 27 EU-member countries even if you don’t use the mark in each one. The application costs considerably less than if you were to file national trademark applications separately in all 27 member countries. Also, the OHIM, which administers the CTM trademark registration process, recently announced a reduction in application filing fees, as did the UK Intellectual Property Office.

The CTM system is not without its drawbacks. It is an all or nothing system. A conflict in one member country will bar registration of the mark in all EU-member countries. If that occurs, however, you can convert your CTM application to national applications in the desired countries (assuming no conflict exists) and keep the same application filing date. Of course, this can be a far more expensive route to registration.

Another cost-effective avenue that may be available for protecting your mark internationally is the Madrid system for international registrations. The Madrid Agreement and the Madrid Protocol are international treaties that provide a “one-stop” registration and renewal system that makes it easier and less costly to register and renew trademarks in many countries. Not surprisingly, the Madrid system is particularly attractive to small and medium-sized companies that otherwise might not be able to afford international trademark protection.

There are currently 78 members of the Madrid Protocol (including Australia, China, the EU, many EU-member countries, Japan, Russian Federation, and United States) and 56 members of the Madrid Agreement. For those countries that are members of both, which is all but a handful, the Madrid Protocol applies. If you are a national of, or have a domicile or a “real and effective industrial or commercial establishment” in, a member country, you can file a single application – with one fee and in one currency – in that country’s trademark office and designate the foreign countries in which you seek protection for your mark under the international registration. (If your “home” country is a member of the Madrid Protocol, you can file an application for international registration when you file your trademark application in your home country. If, however, you can use only the Madrid Agreement, you must have a national registration before you can file an international registration application.) This “one-stop” system eliminates the high filing costs incurred in filing separate national applications in each foreign country, thereby also eliminating the need to hire foreign trademark counsel unless the international application encounters obstacles. The Madrid system also reduces costs at the post-registration stage. For example, renewals, changes in the owner’s name or address, and assignments of International Registrations are filed in one location rather than in each designated country.

There are disadvantages to the Madrid system that, in some cases, may outweigh the attractive cost savings that is offers. For example, a US trademark owner who uses the Madrid Protocol system must be prepared to forego the advantage of a broad registration that otherwise could be obtained in other countries. The scope of protection for an international registration under the Madrid Protocol cannot be broader than the scope of the “basic” application filed in the applicant’s home country, and, unlike many other countries, the PTO requires that the goods and services covered by an application be identified with specificity.

In addition, if the “basic” home-country registration is cancelled within the first five years of the international registration term, there is a domino effect: trademark protection in other designated Madrid Protocol countries also terminates. While a trademark owner could convert the international registration into separate applications in the designated countries and retain the international registration date, additional filing fees would be incurred.

Also, an international registration generally may be assigned only to a third party that is entitled to own an international registration, which could limit your options regarding any sale of your business in the future.

The registration term in many countries, including the US, for CTM registrations and for International Registrations, is 10 years with renewable 10-year terms.

Monitoring

You have cleared your mark and registered it in your priority countries. You have spent valuable resources to protect your brand, and you want to maintain that protection. One useful tool that is relatively inexpensive is a trademark watch service. In the US, a watch service can alert you to newly filed applications for marks that may be confusingly similar to your mark. With an early warning system, you have a better chance of persuading the applicant to select another mark before he or she invests considerable sums in promoting the brand. A worldwide watch service likewise alerts you to potential registrations of confusingly similar marks worldwide, although it typically is limited to marks that have been published for opposition purposes.

Internet monitoring for potential infringements of your mark also is a critical element of any brand protection strategy. Private vendors have an array of tools to watch for online trademark abuse. You can also perform internet searches yourself periodically to check for potential infringement of your brand.

The steps outlined above will help you protect your brand. While small businesses in particular may be reluctant to incur the costs of these steps, they will be in a better position to compete in the global marketplace.

Notes
2  McCarthy, supra note 1, ¶ 11:11.
4  Id.
5  McCarthy, supra note 1, ¶ 11:16.
6  McCarthy, supra note 1, ¶ 11:17.
8  See http://www.wipo.int/amc/en/trademark/output.html. WIPO is a specialized agency of the United States responsible for the administration of the international registration of marks under the Madrid Agreement (1891) and Madrid Protocol (1989).
9  See http://oami.europa.eu/.
10  E-Commerce Law & Business, supra note 3, ¶ 7.02[A] (3)[a][iii].
11  E-Commerce Law & Business, supra note 3, ¶ 7.02[A] (3)[b][ii].
12  E-Commerce Law & Business, supra note 3, ¶ 7.02[A] (3)[b][ii].
13  E-Commerce Law & Business, supra note 3, ¶ 7.02[B] [1].