

TRADEMARK BLOOPERS

Four avoidable mistakes that entrepreneurs still make

By Dirk Bartram

A trademark seems like such a common and simple thing. It's just a name or design and everyone has one, so how hard can it be pick and protect one?

The answer is that trademarks can be deceptively tricky. There are two reasons for this. Unlike patent rights and most copyrights, trademark rights are creatures of not only federal law but also state law. This adds a layer of complexity to the trademark field. The second reason is the concept called "likelihood of confusion." This is the standard employed by federal and state law to determine whether marks are in conflict.

If an entrepreneur doesn't grasp those two notions, mistakes will be made. Following are four of the most common bloopers.

Mistake No. 1: Checking only for identical or nearly identical marks. Some think that they can use a mark if someone else isn't using an identical or nearly identical mark. That's not necessarily true.

A mark infringes another mark if it causes a "likelihood of confusion" by an appreciable number of reasonable buyers. (Another way of saying the same thing is that the marks are "confusingly similar.") The confusion can be as to the source of the products, or as to their sponsorship or affiliation. That means that a mark doesn't have to be identical or nearly identical to another mark to infringe it. If the two marks are similar in sight, sound or meaning, infringement can occur. The following are examples of marks that courts have found to be confusingly similar:

BECK'S BEER and EX BIER for beer

PLAY-DOH and FUN DOUGH for children's clay

TORNADO and CYCLONE for wire fencing

How likely does confusion have to be to cause infringement? Most courts hold that "likelihood" of confusion does not mean the mere "possibility" of confusion. There must be a *probability* that an appreciable number of buyers will be confused. Moreover, the mark must do more than just "call to mind" another's mark. That means that the mark YANKEES on toilet tissue doesn't infringe just because it calls to mind the YANKEES baseball team.

Mistake No. 2: Checking only for marks on competing products or services. Another common mistake: assuming that a mark is available if a competitor isn't using it. This mistake again stems from a misunderstanding of the "likelihood of confusion" standard.

The standard doesn't require that the two marks be placed on competitive goods. It only requires that buyers are likely to think that the two goods came from the same source, or are somehow sponsored by or affiliated by the same source. That means that if the goods are somewhat related or complementary, infringement can occur. This is especially true if the first mark in use is well known to the buying public. To illustrate, the following mark pairs were found to be confusingly similar:

COMSAT for communications satellite services and COMCET for computers

SEVENTEEN for a magazine and MISS SEVENTEEN for clothes

YALE for locks and YALE for flashlights

As you can see, the products listed above don't compete, yet they're sufficiently related or complementary to cause a likelihood of confusion.

If you haven't heavily invested in your mark and can't decide whether it's confusingly similar to one already in use, then don't use it. Otherwise, you risk having to change your website, product packaging and marketing plan because you're later sued by a previous user.

Mistake No. 3. Checking only for registered marks. This mistake results from a misunderstanding of how trademarks are created.

A crucial point to remember is that trademarks are created when they are used in connection with the sale of a good or service, not when they are registered. Federal registration does not *create* trademarks, but only *protects* them after they are created. Thus an unregistered user of the mark can prevent you from using it. To illustrate, I could acquire rights in the name the RAINIER LAW GROUP if I were to sell my legal services under that name and if no other lawyers in my market areas had used the name first. I could exclude other lawyers in my market areas from using the name, and I wouldn't need a federal registration to do it.

Unregistered trademark rights are often referred to as common law rights, because they arise under the common law (case law) rather than statutory law. Registration rights, on the other hand, are created by statute.

So how do you find out if an unregistered mark is already in use? A good and inexpensive start is searching the web. If you don't find any confusingly similar uses on the web, that's great, but your work isn't finished. Not every business has a website, so it's still possible that another business is using the mark though it doesn't show up on the web.

You have to go to the next step, and this will involve some expense. Have a trademark search firm search its databases, including trade journals, newspapers, magazines, directories and company name lists (called a "common law search") as well as government trademark registers and domain name databases. This will cost anywhere from \$350 to \$500 for a U.S. search and more for an international search, but it's money well spent. Imagine the possible alternative:

having to tell your investors later that there's this guy in California who didn't register his mark but used it first, and that...well... you have to change the company name or pay him big bucks.

Mistake No. 4 Assuming that a registration is bulletproof. It's true that a federal registration gives its owner a lot of legal protection. However, it's not bulletproof. Another person can challenge your registration if they used the mark before you did and before you applied for registration. Moreover, they can prevent you from using your mark in territories where they used the mark prior to your use and registration.

Mistake No. 4 is usually made by an overzealous owner of a trademark registration who has not done its homework. A true story will illustrate. A Pennsylvania firm sent a nasty letter to my client, who used a similar mark. The Pennsylvania firm had a federal trademark registration and demanded that my client stop using its mark. My client did not have a federal registration, but checked its records and discovered that it had used its mark *before* the Pennsylvania firm used its mark or applied for its registration. We disclosed these facts to the Pennsylvania business, and warned that we could seek to cancel its trademark registration. The firm quickly responded, and agreed that my client could continue to use its mark in its existing business if we agreed to not challenge its federal registration. This was a satisfactory outcome to both parties, but it could have meant real trouble for the Pennsylvania firm had my client decided to challenge the federal registration.

The lesson from the story is the same as the lesson from Mistake No. 3: before making an investment in your mark, conduct a thorough search of all common law marks as well as a search of the federal, state and domain name registers. Do an international search if you plan to sell in foreign markets.

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