

The Importance of Clearing Trademarks

Start-ups and established companies alike often fail to adequately search trademarks prior to exerting significant energy and using substantial resources to prepare for the launch of a new product or service. This failure may have costly repercussions, far greater than the costs associated with hiring an experienced trademark attorney to perform a trademark clearance search. This will be the first of a series of articles regarding trademarks, and the subject matter of this article very well may be the most important one of the bunch, so please pay attention.

What is a trademark?

A trademark is any word, name, symbol, device (~other thing~), or combination thereof used to designate the source of a product or service. It's your product's name. It's your company logo. It's the unique look of your product or product packaging. It's anything that distinguishes your product or service from your competition. It theoretically protects the public, because they know the quality of the product or service based on previous purchases of a product or service under the same trademark. When you purchase a Coca-Cola® soda, you know that it will taste exactly like the last Coca-Cola® soda that you purchased. When you go to a Nordstrom® department store, you can expect to receive the same quality of service you received last time, or that you received at another location across the country.

As a brief aside, the term "trademark" may be used generally to cover both products and services, while the term "service mark" is used only in relation to services. Often, to make things easier, we simply use the broader term "trademark" or just "mark."

In the United States, rights associated with trademarks are based on actual use of a mark in commerce. No registration is required. These are called common law rights, and they essentially spring into existence out of thin air upon a mark actually being used. That is, consumers are presumed to automatically begin to associate the quality of a product or service with a mark, once it is out there being used in commerce. However, common law rights exist only in the geographical region in which a mark is actually being used and advertised. For example, a mom-and-pop neighborhood café, generally visited only by customers in the neighborhood, may have trademark rights associated with its name that extend only for a few block radius from the café. Accordingly, it may be permissible for another mom-and-pop neighborhood café to open up across town with the exact same name. On the other hand, an Internet start-up may have near nationwide rights on the day that it launches, since the Internet is accessible (and accessed) across all 50 states, not to mention across the globe.

In addition to obtaining common law rights, trademarks may be registered both at the state level and at the federal level. Federal registration provides nationwide protection, even if the scope of your business is not presently nationwide. Federal registration provides many additional benefits, which will be the subject of a subsequent article—so look for it in the future. Briefly, however, you should know that in the U.S., you can file an application for registration of a trademark to reserve your rights, prior to actually using the mark in commerce. Prior to actual registration, you will have to prove that the mark has actually been used, but the ability to file a so-called intent-to-use (or ITU) application can be very, very beneficial, as you will glean from the discussion below. You should also understand that each country around the world has its own set of trademark laws that differ from the U.S., each with its own registration rules and regulations.

What is a Clearance Search?

A clearance search is a search of existing (and sometimes pending) trademarks that is performed in an effort to determine—to the extent possible within a reasonable business risk tolerance—the right to use a proposed mark without infringing the existing (or potentially pending) rights of another party. Clearance searches may be performed solely in your home country or in countries around the world where you plan to launch a product or service. Clearance searches may be conducted to various depths of thoroughness and completeness. For example, a search may be performed solely of the federal trademark database. A search may be performed in state databases. A search for common law, unregistered marks may be performed. With each level of search, additional expenses are incurred, but the greater the amount of information that is gathered, the stronger the opinion as to whether or not you should have the right to use a proposed mark. In addition to the various sources of information searched, searches may be performed solely for exact matches, or a more detailed search of similar and related marks may be performed. The latter, more thorough, search obviously provides for a greater degree of certainty with respect to the right to use a proposed mark. This is because the test for trademark infringement is whether or not a mark creates a “likelihood of confusion” with an existing mark, not simply whether or not the exact same mark is used or registered by another party.

The Likelihood of Confusion Test.

As mentioned, the test for determining whether or not a proposed mark will infringe the rights of another party is whether or not the proposed mark will create a likelihood of confusion with an existing mark, and this is what is analyzed in the scope of a clearance search and the associated opinion of your trademark counsel. What does that mean? Well, it is a very fluffy legal test (i.e., there is no bright line rule) that considers such factors as the appearance, the sound, the overall commercial impression, and the strength of the two marks (i.e., your proposed mark and an existing mark), as well as the relatedness of the specific goods and/or services associated with the two marks. An additional factor may be whether or not the existing mark is considered to be famous, regardless of the specific goods and/or services associated with it.

That’s completely clear, right? You should be able to play around on the Google® search engine and determine for yourself whether or not your proposed mark will likely be confused with another party’s mark, right? WRONG! The likelihood of confusion test is one the trickiest legal tests out there. Different conclusions will be reached by different people, simply due to their own experiences, opinions, biases, etc. This is why it is very important to work with an experienced trademark attorney that understands the law, that has experience advising clients on the clearance of new marks, and that understands your business and your risk tolerance, because let me tell you, there is always some risk. Every stone cannot be turned over, and your counsel is doing you an injustice if they simply provide you with a “yes” or “no” answer to whether or not your proposed mark can be used without infringing the rights of others.

Here are a few examples to ponder:

- Does the MIKE mark for footwear infringe the NIKE mark for footwear? What about the MIKEY mark?
- Does the NIKE mark for soda pop infringe the NIKE mark for footwear?
- Does the DELTA mark for power tools infringe the DELTA mark for airline services?

What're the answers to these questions? Without more information, the only right answer is "maybe." These are good examples to discuss how the strength of a trademark comes into play in the likelihood of confusion test. The strength of a mark relates to how distinctive it is, both as it relates to the specific goods and/or services associated with the mark and as it relates to other identical or similar marks used by third parties. Taking the NIKE mark as an example, there are currently 53 federal registrations of marks that include "nike" and that are owned by Nike, Inc. There are currently zero federal registrations of marks that include "nike" that are not owned by Nike, Inc. Moreover, the word "Nike" is the name of a goddess associated with victory. Accordingly, the word "nike" does not describe footwear. Rather, it may be described as suggesting that if you wear Nike® shoes, you're going to run a little faster, jump a little higher, etc. Accordingly, in view of these facts, the NIKE mark would be considered a very strong mark, and the use of the MIKEY mark, even though it is spelled differently and starts with an M and not an N, may likely cause confusion for such products as footwear. Furthermore, because Nike, Inc. appears to be the sole owner of the NIKE mark, the associated trademark rights may extend beyond, and perhaps well beyond, the specific products sold by Nike, Inc. (not even taking into account the famousness factor for now). In other words, even though Nike, Inc. does not sell soda pop under the NIKE mark (as far as I know), you may be infringing Nike's trademark rights if you launch a new soda pop under the NIKE mark.

What about the DELTA mark? There are 562 current federal registrations that include "delta," including 99 separate registrations for the exact mark DELTA. In addition to the ones you probably have heard of, such as for airlines services, power tools, and faucets, the DELTA mark also is used by other, unrelated companies for alloys used in dentistry, electric pumps, flow meters, pens and pencils, baby strollers, sewing needles, hearing aids, environmental consulting, agricultural implements, and water treatment equipment, just to name a few—and all by different parties! And the list goes on. Conclusion? The DELTA mark is not very strong in the grand scheme of things. That is, if you select the DELTA mark for your new product or service, you are going to be one of several others in the marketplace, and you are likely to get lost in the mix. That is, you will have to spend more effort and money building your brand than if you picked a stronger, more distinctive mark. That said, because there are so many other DELTA marks out there, and because they are considered to be weak marks, you may be permitted (legally) to use the DELTA mark on your specific goods or services without infringing the rights of others. In other words, despite the mark being weak, a clearance search and analysis may result in an opinion that you should be legally permitted to use the DELTA mark. Again however, if your counsel is simply giving you a "yes" or "no" answer, you're not getting the bigger picture, and you may be launching your product or service without ever having the ability to build a strong brand around your chosen mark.

So what did we just learn? In some instances, trademark rights may extend beyond the exact mark being used and thus may block you from using your proposed mark, even if it is spelled differently and sounds differently. In other instances, trademark rights may not extend beyond the exact mark and beyond the exact products or services with which the mark is used, thus enabling you to legally use an identical mark for your products or services. Accordingly, a clearance search and analysis cannot simply be limited to whether or not an exact mark for the exact same goods or services comes up in a search. Clearance searches are some of the most important tasks performed by your intellectual property counsel. They are also one of the most difficult, and I cannot stress enough how important they are.

Search early in your mark selection process!

Consider this scenario—you have a great idea for a new web service. You come up with a name for the service on your own, or perhaps you pay a creative firm big bucks to come up with a name for you. Then you hire a web design firm, and pay it big bucks to develop your website. In the meantime, you issue press releases about your exciting new web service. You get written up in blogs. In short, you start building your brand prior to actually launching the service, so that by the time it launches, you already have a guaranteed customer base. You launch, and everything is going well. Life is good. Your first start-up is a huge success. Then you get a letter from a lawyer representing an owner of a small company in West Texas that owns a federal trademark registration for your mark, or perhaps for just a similar mark. The company may not actually directly compete with you, but its trademark rights may be strong enough to create a likelihood of confusion. Actual confusion is not required! Now what? What about all the effort you have exerted over the past several months and maybe even a few years to get your name out there, to get customers to ask for your service by name? You may be forced to start all over. You may be forced to have to spend an inordinate amount of energy and money reeducating your customer base on your new name (think of how much AT&T Wireless spent on advertising following the name change from Cingular—granted for different reasons, but still relevant to show what it takes to rebrand). Believe it or not, this mistake is made all the time. If only you had spent about \$1,000 to clear the mark prior to exerting so much energy and resources on building a brand that you had no legal right to use.

Consider this scenario—you and your marketing team are sitting around brainstorming new product names. Maybe you come up with about five marks that you would be willing to consider, but one particular mark just sounds right. Your whole team starts daydreaming about the marketing campaign, the packaging, the cool logo that could be used. You spread the word around your whole organization and use it internally as the product is being developed. You're somewhat savvy so you know it's a good idea to have your trademark counsel conduct a clearance search. Your trademark counsel comes back with an assessment that it is fairly risky to move forward with the mark, but there are legitimate legal arguments that you should be able to use the mark without infringing the rights of one particular company. You're going to have a hard time changing your mind at this point, changing the minds of your whole team. You latch on to the first half of the remark by your counsel that "we have pretty good legal arguments that you'll be okay, but it's no guarantee and there are risks," ignoring the words of caution. So you move forward and launch the product under the chosen mark, despite the risk. Sure enough, a demand letter comes in from the other company. Sure enough, the other company opposes your application for federal registration of your mark. Sure enough, the other company is very aggressive and is not willing to settle. If only you had searched all five of the marks that you came up with in your brainstorm session, or even just two or three, perhaps your second favorite mark would have resulted in a low risk assessment. Now, the few thousand dollars you could have spent on searching more than one mark are dwarfed by the legal fees associated with fighting the other company, not to mention the potential exposure to damages owed to the other company.

Search early! Search early! Search early! Before falling in love with a mark. Before spending significant resources on a mark that you may be forced to change.

Your trademark counsel advises a low risk for moving forward with your chosen mark. Now what?

Simple. Have your counsel file an intent-to-use trademark application as soon as reasonably possible. Doing so will reserve your rights nationwide as of the filing date, so even if a competitor launches a product under the same or similar mark before you do, you have priority and can make them stop! I will cover trademark applications and registrations in more detail in a future article, so stay tuned.

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