

TRADEMARK BASICS

When you start up your company, one of the most important things you need to decide is your company's name. This name will likely be a valuable asset of the company to differentiate it from competitors. Below, I will discuss the basics of trademark law and how it can influence the name you choose for your company.

What is a Trademark?

Trademarks and service marks are those words, symbols, phrases, designs or a combination thereof, that become associated with a company's products or services and that indicate its unique origin. Most people just think of names as trademarks but a trademark can be pretty much anything people associate with a company, with one of the best examples being the "swoosh" mark used by Nike on all its shoes, golf balls and other products. Trademarks and service marks are essentially identical, except that trademarks designate a single source of goods, while service marks designate a single source of services.

Companies try to build up the value of their mark through use and protection of the mark. In the bankcard industry, trademarks and service marks are used to try to set companies apart from their competitors. Over time, some companies try to build up goodwill in their name in order to associate their name with a high level of quality or service. Other names are used to show that a bankcard company specializes in servicing a certain niche market of merchants for instance. Whatever the reason, many companies spend a lot of time and effort choosing, developing and protecting their name.

Choosing A Name

The first step in choosing a name is to make sure that nobody else is using a name similar to the name that you want to use. Before the internet, this was a difficult process. You used to have to pay for costly searches on numerous data bases. Now, the easiest and cheapest way usually is to search the internet to see if anyone is using your name. Put the name you want to use into one of the major search engines and see what comes up. If someone is using a similar name, especially selling the same products or services you do, you should avoid picking that name. In addition, you should search the U.S. Patent and Trademark Office ("PTO") website to see if anyone is using any name similar to the one you want to use.

People also often think that if the name they want to use varies slightly from a competitor's, say by one letter, that they can use the name. That is not the case. The question is whether there is a likelihood of confusion in the mind of the buying public between the two names. That likelihood of confusion increases to the extent that you and the other party are selling the same products. So, if one of your competitors is already

using a similar name to the one you want to start using, you would want to find another name to use instead of running the risk your competitor will sue you for trademark infringement.

If a mark's availability is not checked before it is adopted, you take the risk that a prior user or applicant with superior rights could prevent use of the mark. Not only is there the inconvenience and expense of a legal dispute, but the investment of time and money building goodwill could be destroyed. I have had many clients that started up a company and spent thousands of dollars on printing and other costs only to have to throw it all away because they did not make a search to see if any of their competitors were already using the mark they wanted to use.

First Use Governs

First use governs who is the true owner of a mark. Trademark rights in the United States are derived only from the actual use of a mark. Even if you have obtained constructive rights based on a federal intent-to-use application with the PTO or by filing for a corporation, you will not perfect those rights and actually have ownership in the name until the mark is used in commerce. The federal law on the subject defines "use in commerce" as the "bona fide use of mark in the ordinary course of trade, and not merely to reserve a right in a mark."

Consequently, just starting up a corporation in the name you want is not enough. You must actually use the name on merchant applications that are given to merchants, on advertising materials or in some other fashion to actually get the right in the name. Once you do that, the date that event happened should be memorialized so that you know exactly when it was to defend against potential infringers on the name. If you are using the name before someone else, you can enforce your right to the name and exclude others from using the name under most circumstances.

If you find someone else is using your name, you need to carefully evaluate how to proceed. The main question to answer is who was using the name first. You can look at their website for press releases and other information to determine if the competitor was using the name before you were. For instance, if you just started up your company in 2006, but the other company started using the name in 2002, you are the infringer, not the other way around. That is true even if you registered the name with the PTO. Although registration gives you some benefits in federal court, if someone was using the name before you they can defeat you in court even if you have registered the name with the United States government.

Registering Your Mark

A Federal Trademark offers you the benefit of helping you to put people on notice that you own a mark that you have developed into a valuable asset. The application process itself takes approximately one year. First, the application is reviewed by the PTO to determine if it meets the minimal requirements to receive a filing date. If the application meets the requirements, the PTO will send you a receipt about two months after the application is filed. Then, an attorney at the PTO will review the application to determine if there are any grounds for objecting to the application such as a similar mark that has already been registered. Next, the mark will be published in the Official Gazette, a publication of the PTO. If there are no oppositions filed to the mark within thirty days of the publication, the PTO will register the mark and issue a certificate of registration approximately twelve weeks after the mark is published.

You need to make sure when you use your mark that you put the world on notice that you are the owner of the mark. You can do that by utilizing a trademark notice following the mark. At a minimum, it should be used at least once in each piece of printed matter. If the mark has been federally registered with the PTO, the registration notice “®” should be used. The “®” notice should never be used if the mark has not been federally registered. If a mark is not yet federally registered, the letters “™” should follow a trademark and “SM” should follow a service mark.

You also should defend your mark. One of the ways to show that you are the owner of the mark is evidence that you have been defending the mark. That means making diligent searches periodically to determine if anyone new has started to use your name. If they are doing so in a manner that potentially infringes on your rights, you should immediately send out a letter asking the party to cease and desist using the mark. If they do not, a lawsuit might also be warranted. By defending your mark, you can increase its value and set the groundwork to show that you are the owner of the mark.

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