

## inside business

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# Register trademark? Why you should

**W**hile the economy remains in belt-tightening mode, companies may be tempted to forego the research and registration of a new trademark or service mark.

Checking availability of a mark and registering it for a new product or service, however, can save substantial legal and business costs down the road, and may even provide significant leverage in a business transaction, as illustrated by the following cautionary tale:

A small cafe in a Central Coast town registers its trademark with the U.S. Patent and Trademark Office at the time the business is formed. After a period of successful operation, the business owner is surprised to find that a restaurant of the same name has opened in a nearby city.

Based on its federal registration and prior use of the business name and mark, the original restaurant forces the latecomer to change its name. When a large restaurant chain from another part of the country wants to expand to the West Coast and use the original restaurant's name, it offers the trademark owner a very substantial purchase price for his restaurant business and the trademark registration he has protected against encroachment.

This story demonstrates that a trademark registration is not only useful as a weapon against the infringer, but it can also be a valuable asset. For the infringer, whether or not its actions are intentional, another party's prior trademark use and registration can spell the end of market recognition and goodwill built up by the infringer in a brand name.

### •Trademark searching -- why bother?

As the story above suggests, it is important to investigate whether another person or entity owns rights in a mark before beginning to use it. This determination is somewhat tricky in the United States, where trademark rights can be acquired by use without registration, and an unregistered or "common law" mark can in some cases be enforced against a later-adopted registered mark.

The investigation typically takes the form of a two-part search:

A preliminary search is performed to determine if the proposed mark is identical to marks already registered or in the application process for the same or similar goods or services. The preliminary search does not cover common law uses of a mark.

If the preliminary search does not disclose clear obstacles to use and registration of a proposed mark, the next step in the evaluation process is a full search. Full searches are performed by companies that have developed or licensed large proprietary databases for searching unregistered uses of marks. These databases include industry-specific trade directories and buying guides, business name databases, records of registered domain names, and national telephone directories.

A full search also expands the preliminary search of federal and state registrations and applications to locate marks that are similar to the proposed mark in spelling or pronunciation. Analysis of a full search includes an assessment of risk in using the proposed mark if the search discloses users of similar marks in the same or related markets.

### •Registration -- what are the advantages?

Assuming that the full search does not raise serious concerns about adopting a mark, the next step is to apply for registration at the state or federal level. While registration is not required, it does provide significant advantages.

Common law rights are confined to the area where a mark is actually being used, and in some cases to a "natural zone of expansion."

Federal trademark registration confers exclusive rights to use a mark throughout the United States for specified goods and services. A California state trademark registration confers comparable rights within the boundaries of the state.

In addition to expanding the geographic area of protection, a registration also provides important procedural advantages in an infringement lawsuit.

### •Company name registration does not provide trademark protection.

Some business owners believe that the registration of a business name with the California Secretary of State or of a fictitious business name with local county authorities gives them a right to the trademark or service mark that corresponds with the name of their businesses. This is not the case.

State and county authorities do not check state or federal trademark records in determining business name availability, and trademark registration is a procedure entirely separate from the registration of a business name.

Because a business name can infringe a trademark, it is always advisable to check a proposed name against state and federal trademark registrations, at least, and to investigate whether the name is already in use as a common law mark. The Internet can be a helpful starting point in this investigation. If the business name will also be used as the name of a product or service, a full trademark investigation is in order.

Trademark disputes can be costly, particularly when they result in having to abandon one brand name and launch another. Investigating a trademark before it is adopted and protecting it by applying for registration can generally avoid this sort of trouble and assure that a company's trademark budget is spent on enhancing its brand, not defending it.

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