



SMALL BUSINESS & NONPROFIT CLINIC

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## **Protect Your Organization's Goodwill Through Trademark Protection - Tutorial**

### **I. Introduction**

As an entrepreneur, you are working towards building a successful business. Your capacity to attract new clients or attract repeat clients will depend on how they feel about your business, product, or service. The positive feelings of clients towards your business are based on their past experience or on others' past experience with your business. These positive feelings towards your business are known as goodwill.

The name or logo, i.e. trademark, of your business will let clients identify your business and your goodwill will be associated with it. Customers often only know your trademark and have no knowledge of the business behind it. Because your goodwill is associated with the trademark, it is important to protect that trademark and prevent competitors from using it and benefiting from it.

A competitor can pass off its products as yours by using a name or logo similar to yours to sell its own products. This situation causes two important problems. First, the competitor is using your goodwill to take away your sales. Second, if the competitor offers an inferior quality product, it will tarnish your goodwill. Customers who have a bad experience with a business are more likely to share it with others. Because customers might only identify a product by its trademark, customers of your competitor who have a bad experience with that competitor will associate that bad experience with your business.

*Common law trademark rights* - If you use the trademark by displaying it on products or displaying it while rendering services, your business' goodwill is protected under the common law without you having to take any action. However, your protection will be limited to the geographic areas where you have sold products or provided services. This means that another organization can use a trademark that is similar to yours in other geographic areas. Such a concurrent use will prevent your organization from expanding into geographic areas where others use the trademark. That is why you should proactively protect your goodwill by

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registering a trademark. Registering a trademark provides the following benefits:

*Advantages of a registered trademark*

- The protection is not limited to the geographic area where you actually use the trademark. A federal trademark registration will establish your exclusive rights nation wide;
- Competitors are constructively notified of your use of the trademark and cannot claim they have adopted their similar mark in good faith;
- The ability to recover profits, damages and costs for infringement, including the possibility of receiving treble damages in certain circumstances;
- The ability to recover attorneys' fees in infringement actions;
- Jurisdiction of federal courts may be invoked if another party infringes your trademark;
- Registration can be used as a basis for obtaining registration in other countries;
- Registration may be filed with the Customs Service to prevent importation of trademark infringing foreign goods.
- Five years after the registration, your trademark will become "incontestable". This serves to eliminate most arguments that you do not have the exclusive rights to the trademark.

## **II. How to register a trademark**

Registering a trademark involves the following steps:

### **1) Selecting a trademark for your business, product or service**

Protecting your business' goodwill starts when you select a trademark that will identify your business, product, or service. A trademark is a name, symbol, design, color, or combination of these.

*Name, word, slogan or phrase as a trademark* – The ideal for trademark protection is that when a person reads your name or slogan they should not immediately know the qualities or characteristics of your product or service. For example, "Fast Cleaning Services" for maid services is known as merely descriptive mark. A more appropriate name could be "Dust Off". It does not immediately bring to mind "cleaning services." If you select a merely descriptive mark, it will take a long time before you can protect it and prevent competitors from using it.

It is not possible to register trademarks that are deceptive (i.e. misdescriptive of the character, quality, function, composition of the goods). For example, using the word Cafeteria in a trademark for a restaurant that does not operate like a cafeteria. Nor can trademarks that are primarily geographically descriptive be registered. For example, "Michigan Blueberries". Finally, geographically deceptive trademarks cannot be registered. For example, "France Velour" for wine made in the United States.

*Symbol or logo as a trademark* – If you decide to use a symbol or logo as your trademark, you must ensure that you own the copyright of the symbol or logo. If you commission an artist to produce the logo, you must have a written contract that stipulates you will own or have exclusive rights to the copyright in the art work produced.

*Packaging as a trademark* – It is also possible to secure trademark protection for packaging, such as a box of cereals, or the outside or inside of a building where you operate your business. For example, the exterior and interior of McDonalds restaurants are protected through trade dress protection.

## **2) Searching for uses of similar names or logos**

When you have selected a trademark, you need to conduct a trademark search. This search will reveal whether that exact name or confusingly similar names are used by competitors to sell similar goods or services. Similar names used to sell different products or services generally do not prevent your use of the name. You cannot register a trademark that is confusingly similar to another trademark.

*How to determine if a trademark is confusingly similar with another trademark* – A likelihood of confusion exists if an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question. Mushroom Makers, Inc. v. R. G. Barry Corp., 580 F.2d 44, 47 (2d Cir. 1978).

When assessing if there is likelihood of confusion, the court must consider a non exhaustive list of factors. Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961). The factors are:

- 1) the strength of the mark,
- 2) the degree of similarity between the two marks,
- 3) the proximity of the products,
- 4) the likelihood that the prior owner will bridge the gap,
- 5) actual confusion,
- 6) the defendant's good faith in adopting its own mark,
- 7) the quality of defendant's product, and
- 8) the sophistication of the buyers.

*How to conduct a trademark search* – A trademark search should be conducted in two phases. First, you should conduct your own search to find if there other trademarks which would obviously prevent you from registering yours. If you find nothing, you should then hire a professional search company. These two phases will ensure there is nothing preventing your registration of the trademark.

*How to conduct your own search* – To avoid unnecessary fees, you should start by conducting a search of these sources:

- *USPTO Trademark database* – That should be your first place to search. The USPTO trademark database can be search via the USPTO's web site at <http://uspto.gov>.
- *State Trademark registries* – Since it is possible to register a trademark with individual States, the States maintain a trademark registry. These registries should also be searched.
- *Internet* – You can search online by using search engines such as Google or Yahoo!.
- *Phone books* – You can search printed and online phone books.
- *Trade directories* - You can search other types of directories, especially if you know of specialized trade directories in your type of trade.

*Professional Search Company* – If the above searches reveal nothing, you can then use a professional search company that will conduct a comprehensive search for a fee. These companies will generally conduct an exhaustive search that covers federal and state level trademark registries, phone books in all states, etc. They will provide a report that contains each potential conflict they have found. Before you hire a search company, you should request that they provide a list of the sources where they will search, to ensure that the search is exhaustive.

*The trademark search revealed confusingly similar marks* – The existence of a confusingly similar trademark does not always stop you from registering your trademark.

- If the confusingly similar trademark is registered at the federal level, you will not be able to register your trademark anywhere.
- If the confusingly similar trademark is registered in certain states, you can still register your trademark in other states or federally.
- If the confusingly similar trademark is not registered, you can still register your trademark at the state level or federally.

If the confusingly similar trademark is registered in certain states or used in certain geographic areas, you will not be able to prevent the other party from using the trademark there. Furthermore, you will not be able to use your trademark in those states or geographic areas.

### **3) Registering the trademark**

*When to register* – As soon as the searches in the previous step are finished and there are no similar trademarks that prevent your use of the selected trademark, you should register it. Even if you are still in the planning stages of your business, you can register your trademark to reserve it. Reserving a trademark for future use requires that you file an intent-to-use application. You will be required to start using it within a certain timeframe, generally within six months after the registration. This six month period can be extended by filing for an extension.

You definitely want to register your trademark before you make any substantial investment in marketing. If the use of your trademark is found to be infringing on a third party's trademark rights, you will have lost your investment in marketing, and you can also expose your organization to substantial monetary damages and injunctive relief.

*Where to register* – You can register a trademark at the state level or at the federal level with the United States Patent and Trademark Office (USPTO). The federal registration will protect your trademark in all states, whereas a state registration will only protect it in that state. Ideally, you should register your trademark with the USPTO. This will ensure there are no obstacles if you decide to expand in new markets.

*Registration Fees* – The registration fee for a federal trademark registration is \$275 or \$375. The fee for a registration in Michigan is \$50.

### **4) Protecting your registered trademark**

Once your trademark is registered, you must continue using it in order to avoid losing it through abandonment. You must also proactively prevent third parties from using confusingly similar trademarks.

*Notify third parties of your trademark rights* – Once your trademark is registered, you should always display the ® symbol wherever your trademark appears. This symbol puts third parties on notice that your trademark is registered and that using a confusingly similar trademark would infringe on your rights. If your trademark is not yet registered, you should display the letters <sup>TM</sup> beside it. These letters serve the same purpose as the ® symbol.

*Detect that your trademark is being infringed* – You must continuously monitor use of confusingly similar trademarks by third parties. You can find many infringing activities by following these steps:

- Conduct the same searches as described above in the *How to conduct your own search* section.
- Check your mail and emails to see if individuals or organizations contact you thinking you are another organization. For example, if they inquire about products or services you do not offer.
- Use specialized trademark infringement detection services. There are many commercial organizations who offer monitoring services to detect infringement of your trademark.

### **III. Conclusion**

By registering a trademark you are protecting your marketing investment. You also significantly lower the chances that your use of the trademark infringes on a third party's trademark rights. The benefits of registration far outweigh the nominal registration fees. It will cost you many times the fees for the search and registration to defend a trademark infringement action.