



Client Alerts

IP Pro Tip: What Every Businessperson Should Know About Trademark & Service Marks

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An often misunderstood, but vitally important reality in the business world relates to trademarks and service marks. Every business that identifies itself other than by merely the owner's name relies on a trademark or service mark to set itself apart from competitors. The reputation of a business is highly dependent on the validity and exclusivity of the chosen trademarks or service marks. Mistakes can translate into a business having to "start over" in building recognition among consumers if not utter destruction of the business through loss of business and/or litigation expense.

A. WHAT ARE TRADEMARKS AND SERVICEMARKS?

Qualifying as a potential trademark or service mark is any word, phrase, symbol, design, or combination thereof, that distinguishes one vendor's products or services from those of other vendors. If one provides a service (insurance agency, restaurant, retail store, etc.), the "name" on the sign, or brochures promoting the services, may be considered a "service mark." The "brand name" on a product (a screwdriver, an appliance, a garment, etc.) may be considered to be a trademark. It is very important to understand that not every "name" can serve as a trademark or service mark and, therefore, can have any exclusive rights attached to it. Furthermore, the public at large has the right to use any word or phrase that simply identifies a product or service.

B. WHAT DOES IT MEAN TO "OWN" TRADEMARK

To "own" a trademark or service mark is to have the right to prevent others from using the mark (or marks similar thereto) in such a manner as to likely create confusion in the marketplace. In some cases of infringement, the trademark or service mark owner may collect damages from the infringer(s). In other cases, the infringer(s) may simply be enjoined through a court order from further infringement.

Trademarks or service mark rights are not created by trademark registrations alone. Trademark rights are initially created by proper use of a mark, so long as another person or company does not already own the rights in the mark. However, trademark rights may be greatly enhanced by trademark or service mark registration(s)

C. WHY ARE RIGHTS IN TRADEMARKS AND SERVICE MARKS AVAILABLE?

The use of trademarks and service marks to help consumers distinguish between vendors is at the very heart of our economic system. Our society's economic well-being is largely dependent upon the ability of consumers to distinguish between the products or services of different vendors quickly and efficiently. Society is often harmed, and commerce is slowed or disrupted when consumers are confused or misled as to the true source or quality of the goods and services offered in the marketplace.

Trademark principles help move commerce along at a more efficient pace than would otherwise be possible. Once a person knows what to expect when dealing with each "brand name", he or she does not have to start afresh in evaluating products or services with known brands each time a purchase is to be made. Because of our trademark system, consumers know precisely what to expect when they see McDONALD'S® on a restaurant, or APPLE® on a computer, and they don't need to research the vendor each time when making a purchasing decision.

Trademark ownership, and the rights that flow from it, represent a bargain with society. To foster trade by preventing confusion in the marketplace, trademark and service mark owners must maintain control over the quality of all goods and

services that are offered under their trademarks and service marks. Absent such control, either by failing to require sufficiently stringent license provisions as to quality (“naked licensing”) or by failing to pursue infringers, consumers will no longer be able to rely on a brand name as an indication of the quality of the product or service. Trademark or service mark owners who shirk their duty to police their marks are often stripped of their trademark rights, for they have allowed the use of their trademarks in a manner inconsistent with the public good.

D. HOW FAR DO TRADEMARK AND SERVICEMARK RIGHTS EXTEND?

The simplest way to initially explain the reach of trademark rights is through the following premise: “Trademark rights extend so far as is necessary to prevent likely confusion in the marketplace”. Many factors contribute to finding that the use of one trademark or service mark would (or would not) infringe another. Just a sampling of these factors includes (1) the respective marks themselves (the words used, respective spellings, connotations, etc.); (2) the respective nature of the goods or services associated with each of the marks; (3) the customers for the goods or services sold under each mark; and (4) the modes of advertising used in promoting the goods or services associated with each mark.

E. PROTECTING TRADEMARKS AND SERVICEMARK RIGHTS

1. Patents, Copyrights, and Assumed Name Registrations Do Not Help

Many businesspeople often mistakenly ask about patents or copyrights when seeking to protect their trademarks or service marks. Patents and copyrights can provide very valuable legal protection under certain circumstances but do not relate in any way to protecting trademarks or service marks. One of the most widespread and damaging myths related to trademarks and service marks is many people are advised that trademarks or service marks can be “protected” by merely forming a corporation or other business entity of the chosen name, or by registering the chosen name as an “assumed name” with a state’s secretary office and/or at the local county courthouse.

To safely use a chosen word or phrase as a “brand”, even if the same word or phrase is the registered name of a business, it must still clear the hurdles of non-infringement of third-party rights. To best protect against others’ infringement of the business’ trademark rights, the trademark and service mark should be registered.

2. State and Federal Registrations

At least two things should be done to fully protect rights in trademarks and service marks that one properly adopts and uses (1) register the mark(s); and (2) use appropriate trademark or service mark notices.

What does a trademark registration do for its owner, and what is the difference between state and federal registration?

When one registers a trademark or service mark with the state or federal government, federal law, and most state laws, provide that the registrant is putting the public on notice of ownership of the registered mark. If one has a federal registration, everyone doing business in the United States “knows” about the claimed trademark or service mark rights. The constructive notice provided by trademark registrations helps prevent anyone who infringes the registered mark from claiming to be an “innocent infringer” and avoids having to pay the full range of damages for their infringing activities. Once issued, a federal registration also prevents third parties from acquiring new, conflicting rights in a chosen brand in areas in which the trademark owner has not yet used the brand.

F. FEDERAL INTENT-TO-USE REGISTRATIONS

One option for seeking federal trademark registration for marks not yet put into use is worthy of mention — the intent-to-use trademark application. Anyone who legitimately intends to use a mark in such a manner as to qualify for federal trademark protection can file a federal trademark application and receive a registration when the mark is placed in use. This intent-to-use procedure is available only at the federal level. The eligibility for such federal protection should be discussed with your trademark attorney.

G. TRADEMARK NOTICES

Different trademark or service mark notices are appropriate under different circumstances. A “TM” symbol next to a trademark, or a “SM” symbol next to a service mark informs the public of the user’s claim to exclusive rights in the mark.

Through the use of these notices, one is informing the public of the risk of litigation in the event of unauthorized third-party use in any manner that is likely to confuse (i.e., infringes the trademark rights). The “TM” or “SM” indicates that one is either relying on a common law trademark or service mark protection or that one has obtained only a state registration. If on the other hand, one has a federal registration, using a ® symbol is appropriate. Failure to use the ® symbol next to the registered mark will deprive a trademark owner of damage awards, even if successful in establishing infringement unless it can be proven that the infringer had actual notice of the trademark’s federal registration.

H. DURATION OF TRADEMARK RIGHTS AND REGISTRATIONS

Trademark rights subsist so long as they are not abandoned or are used in such a manner that the ability of a mark to continue to meet the definitional requirements is not impaired. Trademark registrations are, on the other hand, not of potentially unlimited duration. In the case of federal registrations, certain declarations that demonstrate continued use of the mark must be filed even before the end of the registration’s term. Therefore, a trademark registrant needs to be mindful of the steps and procedures required to maintain valuable registrations.

I. FINAL THOUGHTS

The best way to prevent confusion between your business’s products or services and those of someone else is to properly select and then fully protect your trademarks and service marks. Otherwise, you are playing “Russian Roulette” with your business’s public image and with possible lawsuits.

Each specific situation involves variables that determine the precise path the businesspersons should take to properly protect their trademark and service mark rights. Questions in any specific situation should be promptly addressed to an experienced intellectual property attorney.

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- David G. Henry