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New Article: The Importance of Trademark Registration

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This article addresses why it's critically important for businesses of all sizes to protect their trademarks and service marks by registering them in the U.S. Patent and Trademark Office. (*Hint: The article assumes businesses want to claim **and be able to prove** ownership of their trademarks and service marks they use for their products and services. If you are a business owner and don't care whether your competitor diverts your customers by using your trademarks, or whether the value of your business in a potential sale would be discounted because you didn't protect your trademarks, then you don't need to read this article! If you do care, you might find this article very useful.*)

The Importance of Trademark Registration

By Eric S. Freibrun

If your company does business in the U.S., registering your company's trademarks and service marks in the U.S. Patent and Trademark Office (USPTO www.uspto.gov) is an essential investment in your business. Trademarks and service marks are the names or symbols by which a company – and its products and services – are known in the marketplace. They serve to distinguish one company's products and services from those of another, and become imbued with the qualities that define the reputation of the company and what it sells in the minds of consumers. For example, when one sees or hears the terms Facebook® or Disney® or Wells Fargo® or Trump® – all registered trademarks or service marks in the USPTO – one has certain thoughts, positive or negative, which ultimately affect the commercial fortunes of the companies that sell goods and services under those marks. (The terms “trademark” or “mark” are used from this point forward to refer to trademarks or service marks. The former applies to goods and the latter applies to services. The same legal principles apply to each.)

Because a company's trademarks and service marks are very valuable intellectual property assets, they must be zealously guarded and protected against unauthorized use by others. A violation of one's trademark rights is known as an “infringement,” which typically takes the form of someone other than the mark's rightful owner using it for their own commercial benefit. The result is that consumers who might normally purchase goods or services from the mark's owner are likely to be confused as to whether products or services sold under the mark in question originate from the mark's owner – the expected source who they typically purchase from – or someone else. Trademark law is intended to protect trademark owners from the lost sales and income that could result from consumer confusion caused by an

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infringer's use of the same or a similar mark. It is also intended to prevent this type of consumer confusion.

Federal registration in the USPTO is the legal mechanism by which trademarks and service marks are afforded maximum protection in the U.S. Trademark law is principally governed by the Federal Lanham Act, also known as the U.S. Trademark Act (15 U.S.C.). One need not be a citizen of the U.S. or a company domiciled in the U.S. to apply for federal trademark registration, but one does need to be using the trademark in interstate commerce in the U.S., or have a genuine intent to begin using it in the U.S. The latter option allows a business considering use of a trademark to reserve the right to use it before committing the resources necessary to fully adopt and promote it as it explores the commercial viability of the product or service with which it intends to use the mark.

Many companies – especially smaller ones – don't focus on maximizing the protection and value of their trademark assets. Think of the marks mentioned above, or other famous marks such as Coca-Cola®, Apple®, Google®, or BMW®, Starbucks®, Pokémon®, etc., and the enormous commercial value of these marks because they have been protected by Federal registration and aggressively promoted through billions of dollars in advertising. While smaller companies may not have equivalent ad dollars to spend, they can at least do what the law allows them to do – at a reasonable cost – to maximize the legal protection of their marks by registering them in the USPTO.

A U.S. Federal trademark registration affords the owner of a trademark or service mark the exclusive right to use it in the U.S. in connection with the sale of the goods or services for which it has been registered. A registration allows the owner to legally prevent any other user of an identical or confusingly similar mark in connection with the sale of the same or related goods¹. Most importantly, this right becomes enforceable nationwide once the registration is granted – even if the registrant is not yet using the mark throughout the country. There are exceptions, of course. For example, if another user of the mark which has not registered it (called a "common law user") began using the mark in a particular geographic area before the registrant's trademark application filing date, the common law user can continue to use it in that area - even after the registrant obtains its registration. But if the common law user began using the mark after the registrant's application filing date - even in an area where the registrant has not yet used it - once the registration is granted, the registrant can compel the common law user to "cease and desist" from any further use of the mark once the registrant starts using the mark in the common law user's area of operation.

My personal view is that business owners whose business and customers are not limited to a small geographic area are making a big but avoidable mistake by failing to register in the USPTO the trademarks by which the public has come to know the business and its products or services. It's akin to not buying insurance. Many business owners seek to one day "cash out" upon retirement, typically by selling the company. When they tell me they're "not ready" to register their trademarks or don't want to incur the very reasonable costs to do so, I ask them to think about how a potential buyer's perception of the value of their business would be affected. If the seller hasn't registered in the USPTO its trademarks by which the public has come to know it and its products or services, the seller can't assure the buyer that it owns them. No one wants to buy uncertainty – at least not without a substantial discount.

Or, perhaps more relevant to day-to-day operations, I ask business owners to consider how they would react upon discovering their competitor can move into a different part of the state or into a neighboring state, where the owner's business had not yet begun operating or using its marks but one day hoped to, and start selling similar goods or services under the same or a confusingly similar trademark. If the business's marks have not been registered in the USPTO, it will be legally powerless to take any action to stop the competitor and, indeed, the competitor may now be in a position to prevent the first business from selling into its territory using its mark.

Absent Federal registration in the USPTO, trademark rights generally extend solely throughout the geographic areas in which the mark is used. These are called "common law" rights. Federal registration greatly expands these rights into nationwide priority rights. Like any legal topic, there are complex rules, exceptions, conditions and nuances. Business owners should register their trademarks and seek the assistance of competent legal counsel with experience in this complex area of the law to ensure that it's done properly and in a way that maximizes the available protection.

¹ In the case of well-known "famous" marks such as Coca-Cola® (some of the other recognizable marks mentioned in this article likely also fall into this category), these rights are broader and afford the owner the right to prevent others from using the mark on unrelated, non-competitive goods or services if this could "dilute" the ability of the owner's mark to identify and distinguish its goods or services or harm the owner's reputation.

Eric S. Freibrun owns and operates FREIBRUN LAW, a legal practice focused on I.T./software/cloud/internet transactions and intellectual property protection (trademarks, copyrights, trade secrets) – representing software and cloud vendors and their corporate user customers. He has over 33 years of software and I.T. contract and related I.P. legal experience, and was former in-house I.P. and transactional counsel for Andersen Consulting, now Accenture.

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