

Legal Road Map® Podcast – Season 2 - Episode 23 Transcript

The downsides to registering a TM and why I think you should do it anyway

[00:00:06] Welcome to Season Two of the Legal Road Map® podcast-- THE legal podcast for creative and online entrepreneurs. I'm your host lawyer autumn with this season I'm featuring case studies of successful entrepreneurs. You'll hear about how they've grown their businesses and the legal lessons they've learned. Plus I'll be sharing how you can grow your business to the next level helping you navigate issues like book deals licensing and certification programs. Copyright and trademark copycats and collaborations and partnerships.

[00:00:39] Hi everybody. Welcome! I'm so glad you are with us today. We are going to be talking about what are the potential downsides to registering a trademark? And there are some--there could be some drawbacks. And I want you to go into this process eyes wide open if you are thinking about registering a trademark for your business. But I want you to listen all the way to the end. You guys know that I am typically upbeat. I'm not doom and gloom. I try not to focus on negative stuff, so we are going to end on a high note and I'm going to talk about why, for some businesses, it makes sense to register a trademark anyway even despite the potential drawbacks. So make sure you listen all the way to the end because that's where the good stuff is. Don't forget, go check out the show notes for this episode and every episode. They're on my website at awbfirm.com/podcast with the number of the episode. This is Episode 23, so that's going to be awbfirm.com/podcast23 or you can always just click on the podcast button at the top of my website. We'll have a transcript there. We'll have links to anything that I've mentioned during this episode and you can get all the good stuff there.

[00:01:40] So let's dive in. What could be the potential downsides to registering a trademark for your business? Now I'm not going to go into all of the basics of what a trademark is. You can go back, listen to Season 1, Episode 5 and 6. I go into depth of what is a trademark? How is a trademark different from a copyright? So I'm going to assume that you already know those basics. We're not going to cover them in this episode. So trademark registration. I'm going to be talking about registering a trademark with the United States Patent and Trademark Office today, so if you are in another country or if you're thinking about a state trademark registration--I'll touch on state registrations and U.S. common law rights in the trademark system, but just as you're listening to this, this overview, everything I'm talking about today, we're referring to the United States Patent and Trademark Office procedures and rules and how the registration process works. So that's your background.

[00:02:35] The first thing to think about, the first potential downside to registering a trademark for your business is that there could be another company out there using either the same trademark or a really similar trademark and you could basically put them on notice that you exist. They may have had no idea that you were doing business before you filed a trademark registration and now all of a sudden you've raised your profile. You have put yourself on their radar. You've basically put a blinking red light over the head of your business and now you are probably going to attract more attention. Now normally we think of this as a good thing. We are wanting to raise our business's profile. We want to do more business and have more visibility but this can potentially backfire. And this is something that sometimes surprises my clients so it's something I want you to know is a potential downfall. The reason why this is so important is in the United States we have a race

system. This is the only kind of background that I'm going to get into in this episode. But it helps explain why this is so important. So in the United States the first company or person to use a trademark--so today I'm going to use McDonald's as an example because it's an easy one--so the first hamburger restaurant to call itself McDonald's, they win all the rights because they were the first ones to use it with a particular product or service. And actually that's a bad example because McDonald's is a last name which, I'm going to talk about a little bit, is not always registrable but we're going to go with it. So McDonald's being the first company to use that particular brand name with selling hamburgers or fast food, they win all the rights. They have the ability to stop people who come after them from using the same name or a similar name, like maybe McDonald's spelled with an E, or with no D at the end but it sounds exactly the same. The reason why they get all of these rights--these are called priority rights in the United States--the reason they get all these rights is because the trademark system gives them kind of a limited monopoly on the ability to use that name, that trademark, with their business because it lets people know what to expect. If you go into a McDonald's restaurant you know the food is going to be of a particular quality. You know the restaurant is going to look a certain way. It establishes the brand. It allows them to build their reputation and for customers to have an expectation of what that brand provides. They know what kind of quality and service they're going to receive because that McDonald's is a worldwide brand that has established that reputation.

[00:05:03] So these priority rights are really important. And the reason it can be tricky when you're thinking about doing a trademark registration is there could be businesses out there that have priority rights over you that were using the same brand name that you thought you came up with and you thought you were maybe the first person to use. There could be someone already using it that you don't know about. Maybe you haven't done a search at all. That's very worrisome. Go back and listen to Season 1, Episodes 5 and 6 about why a search is so important. But if you don't do a search, you are never going to know about these prior users and when you file your trademark registration application, there's part of the process called publication. So if you get through a bunch of hurdles, the U.S. Trademark office will publish it in what's called the Trademark Gazette. No one actually (or maybe they do) get paper copies it's published online. It's publicly available and people who are policing their trademark rights follow it very closely or they have their lawyers follow it very closely because they want to make sure nobody is sneaking in and trying to register a similar trademark name as theirs. So you may put yourself on this other company's radar because they may be monitoring this Trademark Gazette and they may see your trademark is in process. And that gives them an opportunity to oppose it--to basically say to the U.S. Patent and Trademark Office, "Hey I think this is too similar to what my company is doing. I think it could confuse my customers. So I don't think this should be registered." So that's a really important part of the trademark registration process. And again, even if that company decides not to oppose your trademark registration application, they could sue you for trademark infringement. There's lots of different ways you could get on their radar in a way that could be harmful to your company, especially if you're a really narrow niche kind of business where you're not doing a lot of Internet marketing or if you're a local business. So you're really focused on just your city or your state. You may not otherwise have come on the radar of a bigger company that is policing its trademark rights. But all of a sudden, by filing your trademark application, now your profile is raised and you are on their radar and they could come after you and maybe it would be better for your business to just keep a little bit of a lower profile. So it's definitely something to consider when you're debating the pros and cons of filing a trademark registration application. The search is so important so that you don't get surprised by something like this. My clients go in with their eyes wide open. So before we even file a registration application we do a really thorough search together. I will search

the USPTO database and I will search not only for exact matches to the trademark that they're wanting to use, but similar. So it could be sound-alike or it could be a different spelling or it could be slightly different words or words in a slightly different order. I use a search tool that's not publicly available that allows me to do this kind of search that's not easy to do manually. So we get back--we really can see the landscape of what's out there and then we also do another--a Google search for common law trademarks and we also search Secretary of State websites. So we see--there may be a business with that name in your state, but maybe they don't have an online presence or maybe you've never heard of them. Those can be trickier to find. But we want to know what's out there so we know what the potential risks are and then it's really a judgment call. I sit down with my clients. We have a phone call where we go over the search results and it's different for every business. You know, some businesses it makes sense to move forward even if there are some risks because we're able to evaluate those risks and see-- maybe the competitor is in a slightly different field and they don't think there's actually ever going to be any confusion. They've got different customers. Their product is a little bit different or maybe they're advertising only locally and you're working mostly online. It's super case-by-case, this analysis that I go through with my clients. We look at how big the other company is. We look at what kind of resources they may have. We look at whether they have filed trademark oppositions in the past. That's a really good indicator, if they've opposed a trademark application in the past, that they might--they're monitoring, they're watching and maybe we don't want to get on their radar. So it's a judgment call. It is an analysis. It's an evaluation. It is something I want you to be aware of and that I want you to think about before you ever file that application. That there could be a potential that you get on this other company's radar and it could backfire. And that's what I don't want to happen. I want you to know from the front end what you could be facing so that you can make the best decision for you and your business.

[00:09:31] All right. The second reason--second potential downside--that you might not want to file a trademark application is that you may have a really high risk of being denied. And this is another step-by-step, case-by-case analysis that I go through with my clients. But I want to give you a couple of areas where you may have a trademark that you're using in your business, but it may be at very high risk of being denied by the Trademark Office and so I might recommend after we do this search or after we do an initial consultation that you just stop right there and you don't even try to register it. And the reason why, if it's likely to be denied, I might recommend that you don't even try to register it is because the filing fees are expensive. The USPTO is going to charge you a minimum of \$225 per class or category of products or services. So you have to choose which category you're selling your services or products with your trademark. So if you're selling a T-shirt, that's in one class. You're selling coffee mugs, that's in another class. If you're doing consulting services, that's in a different class. So they're split up by categories of products or services. If you're doing three or four different things, those filing fees will add up very quickly and they can go up to \$325 or \$375, I think, if you are filing a different kind of application. So those are expensive and they will not be refunded if you file an application that was never going to be registered in the first place.

[00:10:56] Also if you are working with a lawyer or if you're working even with a service like LegalZoom, which I talked about LegalZoom in my last solo episode, in episode 21, so go back and listen to that if you're wondering about some pros and cons of filing a trademark on your own or filing with a filing service like LegalZoom. But those fees are not going to be refundable, so if you get a denial, you are out all of that money with nothing to show for it. So here are a couple of reasons why--common reasons why trademark registration applications are denied. And these are things that you if--if you're working with a lawyer

who knows this area of the law, they are going to be able to spot these issues right on the front end and you can either avoid them, sometimes you can work around them, or you can make an educated decision about whether it makes sense to spend the money on trying to get past them. So the first one is if your trademark is generic or if it's a place name, these kinds of trademarks are never going to be registered. So think about if it's a totally generic thing or especially a place name--I use this one a lot--this is not a real business, but like Chattanooga Pizza Company. That is never going to be registrable because Pizza Company is totally generic. It is descriptive also. It's like trying to register the word "clock" or "watch." You're just never going to be able to do that because the USPTO does not want to prevent other people from using words that are generic for the things that they're selling. Those kinds of trademarks are--they're dead on arrival. They are never going to be approved and you are just wasting your money. If you are trying to file a registration for something like that, I talked about in Season One in Episode either Five or Six, that there's a spectrum of how strong trademarks are and how likely they are to be registered so generic as all the way at one end. Never going to be registered. At the other end of the spectrum are what we call "fanciful" marks. Those are marks that, really, they mean nothing. They are totally made up words. They don't even mean something in a different language. Things like Xerox, that's a totally made up word. Kodak, totally made up word. So those are going to be the strongest, the most likely to be approved. Then there's, of course, a lot of middle ground where you have words that might be kind of descriptive. They might kind of describe what you're doing, but they're not 100 percent descriptive. So those are going to be things like if you're using a word that might imply some kind of characteristic, like Jaguar for a car company. So you know jaguars are fast and sleek and you know they kind of are luxurious looking. So those are attributes of the Jaguar car brand, but Jaguar does not describe a car. So that's going to be still fairly protectable. And then you get to more descriptive where if you had something like a car brand called Fast or called Zoom, you know, things like that are going to probably be found to be descriptive and descriptive trademarks sometimes can be registered. There are special requirements for them. If you've been using them in your business a long time, five years or more, you may be able to register them. If it's a new trademark, you've not used it at all, you're likely not going to be able to register it on what we call the Principal Register. So that is the main trademark register where you get the most rights, the most protection. In some scenarios you can register on what's called the Supplemental Register. You get a slightly lower level of protection, a little bit less rights, but it's still a registered U.S. trademark so you still get the certificate. You still have the registration number. You can still bring a lawsuit in federal court. You still get many of the same rights and remedies, it's just a slightly lower level of protection. So that's something to know going in. If you have a certain type of business that Supplemental Register is just not going to cut it, especially product businesses. If you've got a high risk of counterfeiting, those rights that you lose by being on the Supplemental Register can be really important because there's some import controls where you can stop counterfeiting at the border. You can use some of those remedies to stop it right before it even gets into the United States. You lose some of those remedies on the Supplemental Register. So again it's a cost benefit analysis that you're going to have to figure out and if those are really the rights you need, it's not going to be worth trying to register if you're going to get denied because your trademark is mostly descriptive.

[00:14:58] So you've got generic, we've got place names we've got descriptive trademarks. The other thing to think about is with a lot of these where it might be a judgment call, where maybe--I think one thing with the USPTO, it has a lawyer looking at your application who may just make a different judgment call because people have different brains. We all make different judgment calls. You may have to spend some money responding to what's

called an office action and that is where the USPTO attorney may say, "I don't think that this trademark meets the minimum requirements and I'm going to deny the application" and you can respond to that. You always have a chance to give them arguments or submit additional evidence. But if you do it on your own, of course, there's no cost but if you're working with an attorney there may be some additional attorney's fees or you may have to--if you have to change the class that you registered in and maybe chose the wrong category--there can be additional filing fees. So these are areas where the potential downside of trying to register one of these marks is that it could be more expensive. And so, again, that's something when I work with my clients and I see one of these issues from the front end, we can either make the decision not to start at all or if we do want to go through and just kind of try our luck, at least we know that the client needs to budget for some additional money because there may be some arguing, there maybe a little bit of maneuvering that we have to do during the registration process so they can go in with eyes wide open. They know what the potential pitfalls are going to be right at the front end and they can be ready for that.

[00:16:25] What I hate to see is where a business--really the filing fees are a big stretch for them for a trademark registration because it is expensive. And so this is going to be a huge investment for your business and you're not sure if this is even going to be successful. That's what I really hate to see. If you're denied and then you've spent a lot of money, especially if your business is brand new or you know you're not making much revenue, if you've spent all this money and then you get denied it's just absolutely crushing. And I totally understand. So I want you to think about these things on the front end rather than get halfway through the process or just get that denial or get an office action that you don't know how to respond to. It can be really, really crushing. So again, we're talking about eyes wide open. We want you to have the best chance for success that you can with your application.

[00:17:13] So another reason that I see denials (a fair amount) is that your trademark is too similar to another trademark that's already registered with the U.S. Patent and Trademark Office. And this goes back again to the search. It is so, so important to not just search for the exact words in your trademark but to search for different combinations, different spellings, sound-alikes, things that may look the same or have the same--they use the words "commercial impression." So if we're talking about a logo or a design mark, it doesn't have to be identical if it would be confusing to a potential customer. That's the standard that the USPTO is going to use. If somebody were looking at these two things on the shelf or if they heard about them in a news story, would they not be sure if these two brands are the same or would they think that your product maybe came from a competitor or vice versa. That consumer confusion is always the thing you want to think about when you're evaluating whether another trademark is too close to yours. So it's not just identical trademarks and sometimes adding another word may or may not make a difference. So it's an evaluation that you have to do. So the U.S. Patent and Trademark Office attorney who gets your application is going to do their own search of the USPTO records and they have, they do, all kinds of different combinations to see what comes up. Again, they don't just do exact matches either. They're going to look for all kinds of different combinations that might help them figure out if there is something out there that is too similar. And it's really nice that they do this. Honestly, I tell my clients this a lot, that you should be monitoring. If you have a trademark registration, you should be monitoring the USPTO records. You should be watching for similar marks that might come through that you might want to oppose. But the USPTO is going to do a pretty good job of denying applications that are very close to your own trademark. Same words, very similar words. They're going to shut those down from the get-go. Those are never going to get through.

[00:19:12] So if you don't do a search or if you just do a literal search for the exact words of your trademark, you may have no idea that your trademark application is probably going to be denied. And again, you're going to be out all of those registration fees. Sometimes you can try and argue that it's not similar but those are very unlikely to succeed. So, again, you may get an office action you may get a denial. Sometimes I have been able where I really don't think (me the attorney), I don't think that the trademark that the USPTO has pulled as being too close. I don't really think that it's too close, I don't think it's really a competitor. And sometimes I'm able to actually reach out to that owner and negotiate an agreement where we basically say "we agree that we're not competitors. There's no risk of customer confusion here. We're going to coexist in the marketplace." And you can then submit that to the USPTO and I have had success getting trademarks registered even where it was denied because of a substantial similarity issue. Again, that's extra legal fees. That's extra work. There's always a risk that that might not work. And there's always the risk like I talked about in the first point, that if you reach out to the competitor maybe they think you are too close and they don't want to agree that you can coexist in the marketplace, so there's risks there too. It is not a slam dunk always. But again, if you go into this with your eyes wide open and you know what you could potentially be facing, you can make a good decision for your business.

[00:20:40] All right, so here is the bright side! Here is why I think that most creative businesses that have a brand that is a strong brand that we talked about earlier (it's not generic, it's not descriptive, it's closer to the arbitrary or fanciful) and it's going to be something that your customers really identify with you...I think that you probably should register your trademark if it's a brand that's important to your business and that you're making money from. It's crucial to the foundation of your business to have a strong brand and the best way to protect that brand in the United States is with a trademark registration...with a federal trademark registration. I'm going to talk a little bit here about state trademark registrations. So I have clients come to me--a fair amount--who say "yeah, I registered with my state so I don't need to do anything else, right?" Well, you can register your trademark with your state. It's much cheaper, it's much faster than registering with the U.S. Patent and Trademark Office. But those rights are only going to be limited to your state. So if you're a really local business and you think the only competitor that you would have to be worried about is somebody in your own state then that would probably suffice. But in this day and age, especially with my clients who are mostly running online businesses or e-commerce businesses or they're just working in a lot of different states, you need to be thinking about broader protection because the likelihood that a competitor who might pop up with a similar brand to you, the likelihood that they're going to be in your own state is very small. And so, those limited rights are just not going to give you the kind of protection that you need as you're building your brand. The reason why that we think about a federal trademark registration is because you want the rights to be able to stop someone if you see someone pop up who is using a similar brand. Let's say you have a really successful program and you have a really catchy name like, let's say my podcast name: "Legal Road Map." I think that's kind of catchy. If someone started another podcast or a training program or something like a retreat or a conference, something in the same area, the same space as my podcast name, I wanted the ability to make them stop because this is now aligned with my brand. It is important to my business. It is something that I have invested in and I want to protect. So it was worth me filing a U.S. trademark registration for the Legal Road Map name because it is something that I want the ability to shut other people down. So when you think about what is the goal of a trademark registration, a lot of people think about the word protection or you may just think of it as you're starting to build the foundation of your business. Your brand is one of the

foundational pieces of your business and how you are known and how people identify you. You know, all of your marketing and sales activity is based on that branding. So that brand is really crucial to your business and the best way to protect it is with a U.S. federal trademark registration.

[00:23:31] The other thing to think about is common law rights. I get a lot of questions about common law trademark rights. These, again, are state law rights so these are kind of automatic rights that you get by using a trademark in your business and they are legitimate rights. You do not have to register your trademark with the USPTO to have trademark rights. That's a common misconception. But, again, just like with your state law registration, your state common law rights are much harder to enforce because they're only going to be for the area that you're actually using your trademark, that you're actually selling products or services. So if you have a competitor in Kansas and you're located in Tennessee like I am, you may not be able to go after them with your common law trademark rights unless you've been advertising in Kansas and you've got clients in Kansas and you can show that that Kansas company is going to have an impact on your Tennessee business. It can be a lot harder. The Federal, the U.S., Patent and Trademark system is going to give you rights across the entire United States. It also makes it much easier to file a lawsuit in federal court. You have more choices. It can affect where you actually can file that lawsuit. You may be able to file in your hometown rather than having to go to Kansas, in my example, and try and track down that person. You have to hire a lawyer there. You have to travel. It just makes it much much more expensive and much more of a headache. So that's going to be the downside to your common law rights.

[00:24:57] I also want to talk about enforcement. So if the goal of a federal trademark registration is to be able to shut down a competitor and stop them from using a similar name to your brand, how do we actually do that? What's the practical steps that you usually take? First, you're usually going to reach out to them informally, either with a cease and desist letter or some other means of contact. And I will tell you just from my experience, if you have a registered trademark--if I receive a cease and desist letter from one of my clients and they have a registered trademark, I'm going to take them a lot more seriously than if it's just someone asserting common law rights. Now the common law rights, they still give you the right to file a lawsuit but I know if I receive a cease and desist letter and someone has taken the time and energy and money to actually register their trademark, that shows me that they have put their money where their mouth is and they are willing to invest in protecting their brand. And that means I'm much more likely to be worried that they would actually file a lawsuit. You know, anybody can send a mean letter full of all kinds of flowery legal language. But when I receive a cease and desist letter, I'm always doing a risk evaluation and trying to make a judgment call of whether I think this person is actually going to be a threat or if they're just talking big. And if I see a registered trademark I know that they are much more serious than if it's just common law trademark rights. So your cease and desist letter as a trademark owner of a registered trademark is going to be much stronger than if you're just relying on those common law rights.

[00:26:27] The next benefit is that you may be able to use some automated procedures through the major websites where we're seeing infringement like Facebook, like YouTube, Amazon, Etsy. All of those websites have forms where if you have a registration--you can do this for common law too, but again, I'll tell you they take it much more seriously if you have a registration--where you can fill out the form and you can report an infringer who maybe has a Facebook group with a name that's really similar to your your business name or on Etsy, they've got a product that's really similar to something that you've registered, or Amazon. There's tons and tons of infringement on Amazon right now. All of those

marketplaces have online reporting forms. And sometimes, if it's a really clear infringement they will just take down the infringing product or group or whatever the infringement is, they will just take it down without you even having to contact the infringer. And that will save you so much time and money. You will find that your investment in registering that trademark will pay off because you're having to spend less time pursuing infringers. It's just much more efficient and especially if you've got a lawyer or a paralegal on your team, as some of my bigger clients do, that handle trademark enforcement for the client, you are going to save so much of their time. You know, that's expensive...a paralegal or a lawyer doing trademark enforcement is expensive. And so if they're able to just fill out a form instead of having to actually send a cease and desist letter and negotiate, go through this whole rigmarole, the ability to shut down infringers as quickly and efficiently can be very very valuable. So it's going to save you money in the long term. That small investment on the front end and the trademark registration is going to be very valuable on the back end. And then the last thing I want to talk about is something I mentioned earlier, which is if you do have to file a trademark lawsuit, being able to file in federal court with all the advantages that you get with a federal trademark registration, it makes your burden of proof, the amount of evidence that you have to show, it makes that a little easier. With a federal trademark registration, the court is going to start off with the presumption that everything in your trademark certificate is correct. Now that's what we call a rebuttable presumption. So the other side can prove that those things are wrong but it just gives you a little bit of a leg up. It lets you start off from a better starting point than if you're coming in with common law rights. Again, I mentioned there may be some benefits of venue, of choosing where you have to sue. And there can be better damages. There are some remedies in the federal trademark law for registered trademarks that you're not going to get with common law trademarks. These are all really important things to think about...benefits to your federal trademark registration.

[00:29:02] Again, you are going to have to make a decision for your own business whether the potential threats of either raising your profile and potentially putting someone on notice who wouldn't have been aware of your business and who may think that your name is too close to theirs. That's a risk. Or the potential downsides of spending money on an application that gets denied. That's a risk. But there are some serious benefits to filing a trademark registration application. And I think most of these risks can really be mitigated. You can avoid them if you are working with someone who knows the trademark system, who is able to help guide you and make sure that you make the best decision. And sometimes that decision is that you have to rebrand and that's a decision I hate to go over with my clients. But it is so much better to know that early than to grow your business and be a multimillion dollar business with a really, really big brand, a well-known brand and then all of a sudden you're a target. And again, when you raise your profile now you are a target for other businesses to come at you with trademark infringement allegations and that is what we want to avoid if at all possible.

[00:30:07] So I hope this was helpful. There are some potential downsides. There are some potential pitfalls, but I think if it's a brand that is important to your business it is absolutely worth registering your trademark. Be sure to tune in next week. Episode 24 is with the Boss Mom herself, Dana Malstaff. She has a really well-known brand and she has spent a lot of time, energy and money enforcing her trademark rights so in that interview we talk about what happens after you get that trademark certificate...what it's like to actually enforce your trademark rights. We also talk about the pros and cons of DIY-ing legal for her business. And we talk about leveling up, which is one of my favorite things to talk about, and how your business looks different at different levels and what some different considerations are that you make at those different levels as you're growing. I've

talked about since episode 1 of this season, the Integration phase of your business where you're past the newbie phase, you're moving towards the CEO phase, you're putting together all the pieces. In this Integration Phase is really where you do that leveling up, so I know you guys are going to love hearing from Dana. All right, I am going to sign off. Listen to next week and I'll be back in Episode 25 talking more about enforcing your trademark rights.

[00:31:25] Did you know that you could be making more money from your copyrights and trademarks? Intellectual property is probably the most valuable asset in your creative business, but most entrepreneurs don't know how to identify it and you can't monetize what you can't find. Download my free five-minute IP audit worksheet at awbfirm.com/podcast. You'll find out what parts of your brand, logo, images, website, courses, digital downloads or other content could be protected by intellectual property laws. And you'll create an inventory of your most valuable trademarks, copyrights, patents or trade secrets so you'll know what's worth protecting as you build a more profitable and sustainable business.

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