

Why Trademark Protection Should be on Every Start-Up Company's To-Do List

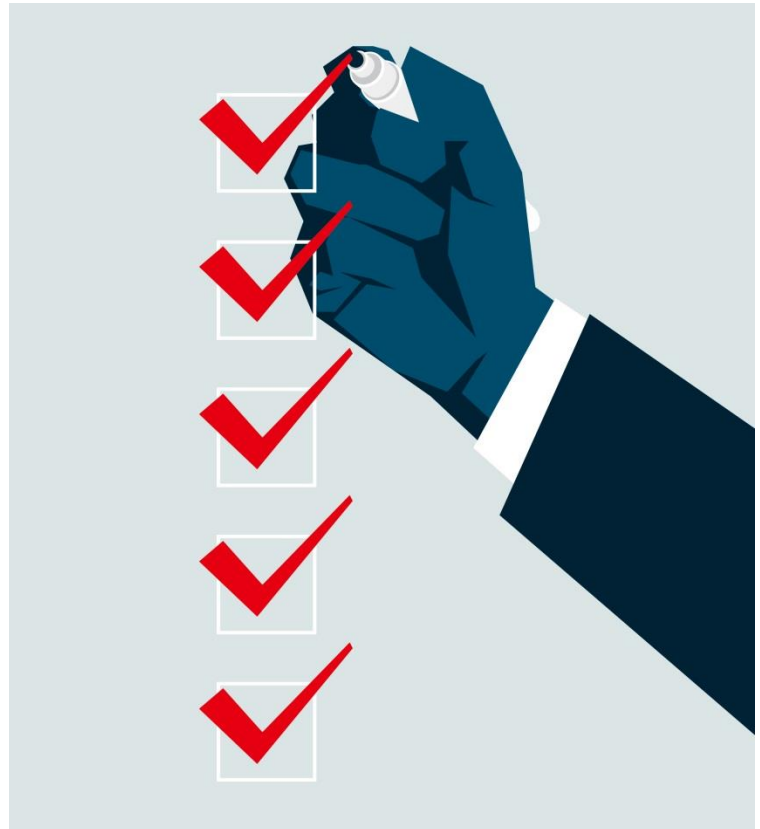
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Imagine The Following Scenario:

You are head of MaineCo Industries, an early-stage start-up company based in Portland that develops innovative bicycles. One of your most promising projects is a new type of bicycle based on a unique gear arrangement, which you have decided to call the BOLT. During the first year of development, you have spent a lot of time and energy laying the groundwork for the product's success, including talking with suppliers and potential business partners, raising funds, taking other preliminary steps and generally building some buzz with the right people.

Sometime during year two of product development, however, MaineCo discovers that CopyCat Inc. just launched a very similar product in the marketplace using the exact same name, BOLT. It just so happens that CopyCat is run by one of those potential business partners with whom you had discussed your plans the year before.

Can you stop them from using the name BOLT? It may surprise many readers that the answer is probably *no*.



There is a tendency among many start-up and emerging businesses to focus their limited time and resources on “tangible” projects such as product development and market research, often at the expense of taking sufficient steps to protect their intellectual property (IP) rights. This is a mistake. As the example above illustrates, failure to secure your rights early on can have serious business consequences down the road.

Trademarks are one of those IP rights that are often given short shrift at the outset of a business venture. Some believe that trademark rights are not as important as patents and technology-related IP because they can't be monetized as easily. Wrong. For many businesses, their trademarks will ultimately become some of their most valuable assets.

By some estimates, brands account for more than a third of the stock value of S&P 500 companies. Why? Trademarks are the customer's touch point with the company and its goods. They are what tell the customer that a product or service is reputable, and they can become a powerful motivator in consumers' buying decisions.

Some are so worried about all of the other things they have to do that they see trademark protection as a "Day 2" issue. Wrong again. Because trademarks can become so valuable, they are also easy targets for others looking to ride on the coattails of a successful business.

Let's go back to the example. Because CopyCat beat MaineCo to market with the BOLT mark for bikes and was the **first party to use** that trademark in commerce, CopyCat owns it. To make matters even worse, MaineCo is now the one at risk if it continues moving forward under the BOLT trademark, because its eventual use of that mark may infringe the prior trademark rights of CopyCat. Just like that, MaineCo has experienced a major setback in the promotion of its new product and has unintentionally given a competitor a head start.

With a little foresight, this outcome could have been easily prevented. If MaineCo had simply filed an application to federally register its trademark before going public with the name, its rights against CopyCat would have been secure.



Let's get into the weeds for a minute and talk about trademarks, how you "own" them, and how applying to register the BOLT mark would have prevented third parties like CopyCat from using it.

A trademark can be anything that indicates the source of a product (or a service), and distinguishes it from the product (or service) of another. Typically, trademarks take the form of words and logos, but trademarks can also consist of numbers (e.g., 747 for aircraft), letters (e.g., IBM), slogans (e.g., Nike's "Just Do It"), and even colors (e.g., pink for fiberglass insulation). U.S. trademark law is designed principally to protect consumers from confusion in the marketplace.

There are two ways in which a party can obtain federal rights in a trademark. The first of those ways is to **use the mark in commerce**. The phrase "use in commerce" is a legal term that basically means that the mark is applied to a product or its packaging, and the product is sold or transported in interstate commerce. If you offer a service, then use in commerce involves displaying the mark in advertising for the service, and actually rendering the service in interstate commerce.

The second way to obtain federal rights in a trademark is to **file a trademark application** with the U.S. Patent and Trademark Office. You can file an application before the trademark is used in commerce, even though the registration will not issue until use has begun. However, once the mark is registered, the rights it confers will be effective as of the date you filed the application. This is called an "intent-to-use" application, and it is an incredibly important tool for emerging and start-up companies, which may not otherwise have use of their marks early enough in the development process to confer protectable trademark rights at that stage.

Now that we've gone over those points, let's revisit the example again. If MaineCo had filed a federal trademark application as soon as it made the decision to proceed with the BOLT trademark, it would have far better options for dealing with CopyCat. That is, even though CopyCat was the first party to use the BOLT trademark in commerce sometime during year two, as long as MaineCo perfects its trademark rights by eventually using its mark in commerce, its registration will confer protectable rights dating back to the beginning of year one (when its application was first filed), and MaineCo will be the "senior" user of the BOLT trademark. Any further use of the BOLT mark by CopyCat would infringe MaineCo's trademark rights, and MaineCo would have remedies available to stop such infringing use.

TO SUM UP, EVERY START-UP AND ESTABLISHED COMPANY SHOULD TAKE STEPS AS EARLY AS POSSIBLE TO PROTECT THEIR TRADEMARKS. THIS ALMOST ALWAYS INCLUDES FILING AN APPLICATION TO REGISTER THE MARK BASED ON INTENT TO USE, ESPECIALLY IF THE MARK WILL NOT IMMEDIATELY BE USED IN U.S. COMMERCE. IT IS RECOMMENDED THAT YOU CONTACT YOUR ATTORNEY TO ASSIST YOU WITH THIS PROCESS, AS WELL AS TO FIRST DO A CLEARANCE SEARCH TO FIND OUT IF THE MARK IS EVEN AVAILABLE FOR YOUR USE AND REGISTRATION.

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