

Trademark Lesson 3. The Difference Between Common Law Trademarks and Federally Registered Marks

Dennis

In this lesson you'll look deeper into the protective power of trademarks. You will also learn why it's important to understand the difference between selling your product within a single state or across state lines and how that affects the type of trademark you'll need.

Mary Lou

The USPTO defines a trademark as a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others. A key word here is source.

A trademark identifies the source of the goods or service you are selling, but that doesn't mean you have to be the company that manufactures the product. For trademark purposes, the source of the goods is the company that owns the product whether they actually make it or not. You can invent the product and hire someone to make it for you, and still be the source of the product. Or you can buy the trademark and product from someone else and become the source that way.

Dennis

The purpose of a trademark is first of all... to protect consumers from being confused about the source. Your mark assures people that when they buy your product it comes from the true source, and is not a counterfeit. And...a registered trademark also prevents copycats from capitalizing on your investment and goodwill.

Mary Lou

There are two types of trademarks depending on where you sell your products. If you sell just within one state, it's called intrastate commerce and you would automatically get a Common Law Trademark. If you sell your product across state lines, that's interstate commerce and you should consider getting a Federal Trademark. Trademark law operates on the first to use principle. Trademarks don't need to be registered at the state or federal level to be valid, but things can get complicated without registration, especially at the federal level.

Dennis

First we will examine Common Law Trademarks. The U.S. common law trademark starts when you use the mark in commerce for the first time within a state. Since common law trademarks are governed by state laws, you don't need federal registration to have common law trademark rights or start using the trademark symbol. ™ next to your brand name.

Mary Lou

You have a choice of registering your mark with the secretary of state in the state where you sell, or you can choose not to register it. It's strictly up to you. You don't need a state registration to sell your product, but if you don't register the mark, and someone begins selling a confusingly similar mark, it will be harder to prove that you were first in the state. The cost to register varies state to state---it could be as low as \$35 or as high as \$100 depending on your state. If you do not use a common law or registered mark for business purposes in three years, your trademark expires.

Dennis

As Mary Lou said, trademarks don't need to be registered. But you do need to make it clear to consumers and competitors about what you claim to be your mark. When you start selling your product, you need to place a small TM symbol close to your trademark name on any packaging or materials. That identifies you as the legitimate source of the product. If you apply for and receive a Federal trademark registration you can put the symbol showing an R inside a circle to let everyone know you have a registered trademark.

Mary Lou

If you decide not to register your mark, it's a good idea to find a way to prove when you began using it in intra or interstate commerce. When you make your first sale to a store, make sure you have an invoice showing the date of the sale. Take a photo of your product display and a closeup of the package showing the name with the TM symbol after it next to the invoice as further proof. Include the front page of a daily newspaper to prove the date.

Dennis

If you want more proof, you or a friend can go to the store and purchase the product and keep the receipt with its date and the product still in the package to show when your product started selling in a store in that state. Being methodical about keeping records will serve you well, but if your product sells well, don't wait to apply for a federal registration. It's a lot cheaper, faster and easier than registering state by state.

Mary Lou

The reason a federal registration is important is this: Let's say you invent a new kind of broom. You name your broom The CLEANERATOR and sell it to a store in Ohio where you live. Your common law trademark rights are automatically established in Ohio, even if you don't register it in that state. Here is the rub. What if an entrepreneur from another state, say New York, who has never heard of your product, or your name, invents a different kind of broom and applies for Federal Trademark registration for the name The CleanReaper. The USPTO examines its database to see if there is anything similar to The CleanReaper and doesn't find your brand The CLEANERATOR--- because it's not registered nationally-- so they allow registration for the New Yorker's product the CleanReaper. Now what happens?

Dennis

Let's say your Cleanerator broom is selling well in Ohio so you expand sales into Michigan. Here's where you run into trouble. The New York entrepreneur sees your product and claims your name is too close to the CleanReaper and thinks there is a likelihood that consumers will be confused about the source of the two brooms, even though the brooms don't look and work alike. Because the New York entrepreneur owns the Federally Registered Trademark for CleanReaper, she may demand that you change your name so the consumers won't think your product is hers or her product is yours.

Mary Lou

You have spent a lot of money establishing your mark in Ohio and you want to expand it into other states. The good news is: you can keep selling it in Ohio because your state trademark was established prior to when the New Yorker applied for her federally registered mark. The bad news is you can't expand into other states because CleanReaper is registered in every other state. What are your options? As long as your brooms are not the same design, you can change your name and sell your broom wherever you choose--as long as it isn't similar to any other trademark used for that class of product. So you can see why it is a good idea to apply for a federal registration as soon as possible.

Dennis

Here is another option, but it can be very expensive. You could argue that the two names: CLEANERATOR and CleanReaper are not confusingly similar. You could continue selling your broom under the CLEANERATOR brand and see if the New York entrepreneur sues you. She might file a suit in New York Federal Court, so you will have to hire a lawyer to defend you in New York. Now you would need to pay your expenses to go to New York for court appearances. Is it worth it? That's for you to decide. However, you need to consider the possibility that the court will decide the names are confusingly similar and you could be hit with damages. You also have the added burden of proving when you started using your state trademark.

Mary Lou

Price is another thing to consider. A state registration could cost from \$35 to \$100. The trademark cost for registering with a paper application is currently \$275 \$375 per class of goods or services. Plus, the federal mark involves the cost of a trademark search and the legal fees for the attorney to process the application. The complete process can total more than a thousand dollars to apply for a federally registered mark. And there is no guarantee the trademark office will grant it. They may believe your mark is confusingly similar to an existing mark. Take your time in making your decision about whether or not to register your trademark and be sure it's an informed decision. Research is your friend and will make any meetings with lawyers easier because you will understand what is at stake.

Dennis

Here are four reasons to consider filing for a Federal Trademark Registration

- **Number one: if granted, you would have trademark protection across the United States**
- **Number two: Registration of your trademark on the USPTO databases helps deter copycats**
- **Number three: You are authorized to use the symbol of the ® inside of a circle to show you trademark is registered.**
- **Number four, you gain the ability to file lawsuits in a federal court to assert your trademark rights.**

Mary Lou

That concludes this lesson on the difference between common law trademarks and Federally Registered marks. You learned that common law marks apply to intrastate commerce and federal registrations apply to interstate commerce. You also learned that you are not required to register your trademark with the state or the United States Patent and Trademark Office, but registration establishes a record of your trademark and puts others on notice that you are the source of goods sold under that name.

Dennis

If you have any more questions about common law or federal trademark protection, please type them into the comments section of this lesson and we will answer them right away. Again we want to remind you that we are not lawyers and we are not dispensing legal advice. We are sharing our understanding of the law as inventors and our experience in applying for and using trademark, patent and copyright protection for our products.

Mary Lou

In the next two lessons you will learn about the different classifications of trademarks and why your product needs to be considered distinctive to qualify for federal registration.