

# Power of Attorney

## Staking Your Claim

Safeguard against company names, trademarks, logos a vital move

by Cynthia Scanlon



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**I** imagine this scenario: You have been running a successful business for 15 years. Suddenly, someone starts a new business using your registered business name without your knowledge. The new business makes clients unhappy and angry, but you get to field the phone calls from these unknown people. You can't satisfy their complaints because you didn't create their problems. Then this new company goes bankrupt. The business press reports the failure and your real clients, thinking it is you, stop calling. Your once successful business is now in jeopardy.

Ruth Thompson, president  
of Desert Document Services  
photo by Michael Eglin



Think it can't happen? Think again. It did happen to Ruth Thompson, president of Desert Document Services, a Phoenix company specializing in the preparation of loan documents for mortgage lenders. "It's truly a nightmare to have your name pirated," says Thompson. "Banks and credit unions started calling because they had read the bankruptcy notice in the newspaper and I had people just stop using us."

Thompson had her attorney draw up a letter explaining the situation to her customers. Eventually, the whole situation was resolved, but not before a lot of time, energy and money went into correcting the problem and restoring her reputation. While it may be difficult to initially prevent someone from using your business name, you can still be responsible and protect your company's name or product by registering it statewide and nationally. And whatever name or trademark you decide on, there are steps you can take to protect your investment from business pirates looking to cash in on your hard work.

"If you are going to start your business, you need to protect that name because later on you don't want any hassle," says Annette Vigil, law librarian at the Burton Barr Phoenix Public Library. "Think about the huge loss of business and the loss of clients that you are going to go through if you have to change your name later."

According to David Rogers, a patent and trademark attorney with Squire, Sanders & Dempsey in Phoenix, the three areas that a business person should consider seriously when addressing trademark law is in selecting a company name, selecting a name for a product or service and selecting an Internet domain name. "If you want strong trademark rights, choose a strong mark at the outset," says Rogers.

He cites examples such as "Exxon" for gasoline, "Kodak" for photographic products and "Clorox" for bleach. Descriptive marks, says Rogers, that define a characteristic of the product itself tend to be the weakest, with the possibility of not being protected at all. Examples are "Honey Roast" for roasted peanuts, "5 Minute" for glue that sets in five minutes and "Beef & Brew" for restaurants.

Once you have decided on a name or trademark, your next step will be to research your chosen name within state and federal databases and directories to ensure it is not being used elsewhere. To fully understand this process, Vigil recommends reading the book *Trademark: Legal Care For Your Business and Product Name*, by Kate McGrath and Stephen Elias (Nolo Press). "It's the best one for lay people with easy-to-understand terms," she says.

Vigil says the Phoenix Public Library

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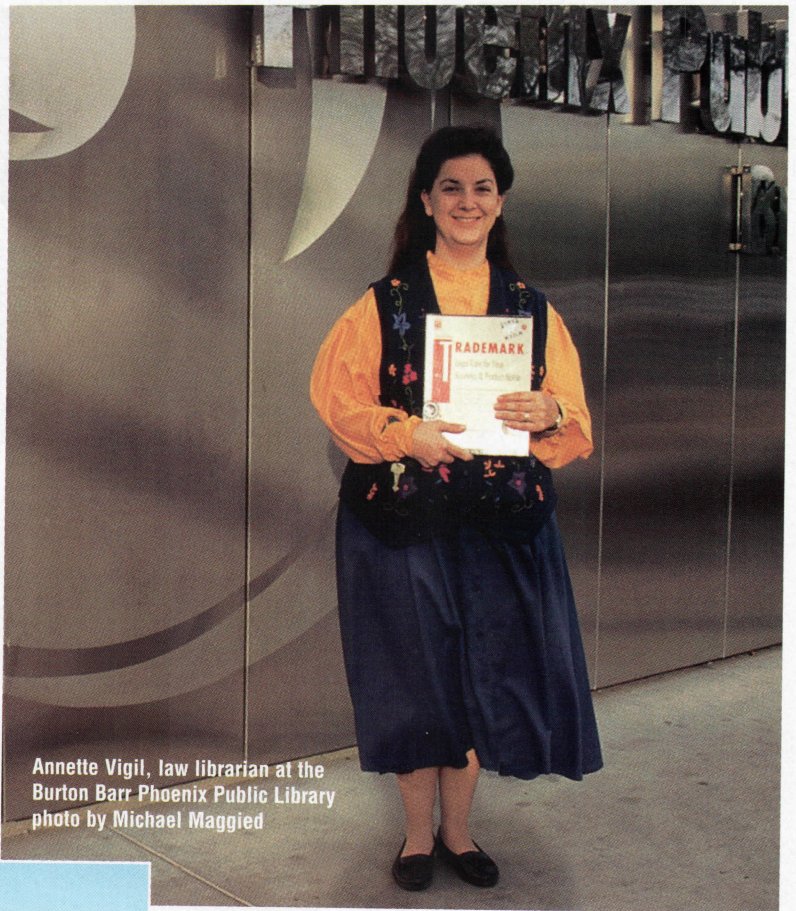


also has a "Pathfinder," which will walk someone through the process of what steps need to be taken to do a thorough search. "We can also do a trademark search for them (on our databases)," says Vigil, "and there are varying levels of the searches we can do."

A full search, she says, runs about \$350, which can give some sticker shock. She reminds those people that this is an investment in their business. Keep in mind when conducting your search that you want to do a thorough nationwide search. "You don't want to print literature and then find out you have to destroy it because there's somebody two states away that you didn't know about whose trademark you are infringing upon," says Rogers.

These searches, he says, should be conducted in all U.S. databases, which include federal, state and common law. He adds if a company is only planning on doing business within the U.S., then a federal trademark will be enough. Trademark laws and patent laws are still country specific. But if you are planning to go outside the U.S., then a search needs to be performed in the country where you are planning to do business. With your newly researched name in hand, registration is the next step.

There are a few caveats, however. According to Rogers, most business people make the mistake of failing to register their name federally or securing a trademark, which is granted by the Patent & Trademark Office. Instead, they register their name under Arizona state law, which doesn't protect someone using a name already in use outside the



Annette Vigil, law librarian at the Burton Barr Phoenix Public Library  
photo by Michael Maggied



David Rogers, a patent and trademark attorney with Squire, Sanders & Dempsey  
photo by Michael Maggied

state. For more information on registering a name or product federally, the Patent and Trademark Office has set up a Web site to assist those wanting to do their own search. Their address is [www.uspto.gov](http://www.uspto.gov).

Rogers says the cost of securing a federal trademark, which includes government fees, typically runs between \$1,500 to \$2,500 and takes 18 to 24 months to complete. In contrast, a state registration usually runs under \$100, and the strength of the registration varies from state to state. However, the advantages of a federal trademark, says Rogers, are many.

For starters, you get constructive nationwide notice of your mark. In other words, you have a better chance of the nationwide press picking up your business venture. Also, a federal registration gives you a presumption of the mark's validity. "If you ever have to sue somebody for trademark infringement, and you do not have a federal registration, you bear the burden as plaintiff of proving that the mark is valid and enforceable, and you also bear the burden of proving infringement," says Rogers. "If you have a federal registration, that's prima facie proof of the fact that the mark is valid and enforceable and the burden is on the other side to show that it's not valid and enforceable."

In the latter case, Rogers says, you still have the burden of showing there is infringement. Rogers says a federal registration can also achieve "incontestable status," which means that it is conclusive proof of the mark's validity. Infringement, however, must still be shown by the trademark owner.

If you want to stay with a state registration, John Simich, office manager of the business services division at the Secretary of State's office, says the Arizona Department of Commerce publishes a step-by-step small business book





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which outlines trademark and trade name searching and registration steps. Keep in mind that the Secretary of State's office shares its database with the Corporation Commission and registers more than 500 trade names a week. According to Simich, the state trade name registration does not automatically guarantee that a similar name will not be registered.

It does happen, says Simich, but the error ratio is very low. Simich warns that the Secretary of State will not approve a name over the phone. "There could be a circumstance where you are talking to someone on the phone and someone is actually at the counter with the same name," says Simich. "Or one of our data entry people could be entering something that came in the mail with the exact same name."

Simich also says the Secretary of State has its own Web site ([www.sosaz.com](http://www.sosaz.com)), which will explain its policies and procedures for registering a trademark or trade name in Arizona. The cost to register a name with the Secretary of State is \$10 and that is good for a period of five years.

So how can you tell if your business or product name is being pirated as in the case of Desert Document Services? You can purchase a "watch service," which will act as a kind of overseeing guard dog. Depending on the scope of the watch, the cost can run from \$100 to \$1,500 a year, says Rogers. The other alternative, which can be very effective, is to use your contacts in the marketplace to provide you with information about potentially conflicting marks. "Whenever you learn of a potential conflict, the best thing to do is act fast and contact the other party," says Rogers. "Often, if you make your action known before the other party has invested substantially in promoting goods and services under the conflicting mark, you can avoid litigation."

Rogers also warns that if it does reach the litigation stage, you need an attorney right away. "You don't want to make statements that may come back to haunt you during litigation."

Suffice to say, with so much of your business at stake, take the time to conduct a proper trademark and trade name search. Do some reading, have your paperwork in order and know your rights. As Phoenix Public Library's Vigil says, you can go about the process right, or suffer the consequences. "If [business people] are determined, then they will sit down and read the material, understand it and they will be fine," she says. "If they are not determined, then they're not going to do it and they're going to run into trouble later."