

Trademark Searching and Clearance: To Search, or Not to Search?

A Discussion of Common Issues Stemming from Trademark Searching and Clearance

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There is a constant tension for many clients between spending money in ways that clearly and directly contribute to the bottom line and growth of the company versus spending money in areas such as insurance, consulting, and legal. In the intellectual property space, brands are typically substantially less expensive with trademark registrations than inventions are to protect with patents. As a result, clients often view trademark registration as simpler and therefore place cost (or more specifically “lowest cost”) as a priority over work that really should be done in conjunction with securing trademark rights. One major area that often gets skipped is the risk management or risk assessment tool of trademark searching and clearance, in favor of plowing ahead with filing trademark applications for new brands/trademarks without any research into potential obstacles.

If you ask a trademark attorney, the trademark searching and clearance processes are critical parts of business risk management. Failing to search, or not searching properly, can have drastic consequences, including having to rebrand or being sued for trademark infringement. A successful infringement claim can lead to an injunction that stops a new product launch or advertising campaign in its tracks, and can result in significant money damages, including treble damages if willful infringement is found. Even if a company ultimately prevails in the litigation, the defense costs can be enormous, including attorneys’ fees, expert fees, and survey costs. The time spent by business personnel in depositions and other discovery matters can also be a drain on productivity.

Trademark searching and clearance processes gather and assess information to evaluate a proposed trademark’s availability and protectability. While these tools are not 100% perfect, they are the best tools we have to try to define and address risks associated with new brands entering the marketplace.

Proper trademark searching and clearance can be complex and sophisticated. Here is a checklist of areas to consider when deciding whether to do a trademark search and clearance, or not:

- Consulting a trademark attorney
- Conducting a proper search
- Considering cancelled registrations and abandoned applications
- Investigating potentially conflicting marks
- Considering formidability of opposing trademark owner
- Searching a seemingly descriptive term
- Considering unregistered marks

Consulting a trademark attorney

The trademark search process is lined with potential pitfalls. A company can avoid many of these mistakes by consulting a trademark attorney experienced in searching and clearance. Mistakes are more likely when searching and clearance is conducted by non-trademark lawyers or by business personnel, simply because they are less likely to have the relevant background and current knowledge of the latest developments in trademark law. A modest amount of money invested up front to retain an experienced trademark attorney can help avoid significant costs, including from infringement and related claims.

Conducting a proper search

Many companies and individuals face trademark infringement claims in litigation that could have been avoided through a small initial expenditure to conduct a trademark search before launching their new business, product, or service. Proper searching can identify third-party marks that pose potential risks, allowing the company to either:

- Select a different name
- Pursue further clearance steps, for example seeking consent from the owner of conflicting rights.

Proper trademark searching may also help defend against allegations of willful infringement. Conversely, failing to search may be used as evidence of willfulness because you may be accused of intentionally burying your head in the sand.

Although the nature and extent of searching varies depending on the circumstances, the most complete and proper trademark searching typically involves a multi-step approach:

- Preliminary or “knockout” searches; followed by
- Full or “comprehensive” trademark Searches

Preliminary or “knockout” searches

A preliminary search, sometimes referred to as a knockout search, typically involves searching the United States Patent & Trademark Office (USPTO) database and the internet for direct conflicts. Typically, these are existing federal applications or registrations for, or common law uses of, identical marks for identical or closely related products or services. Identifying a direct conflict often means that the proposed mark is:

- Not available; or
- Available only if further clearance steps are undertaken (for example, a purchase of conflicting rights), which may not be realistic depending on time and budget constraints.

The database of federal trademark applications and registrations can be searched on the USPTO’s [website](#) through the [Trademark Electronic Search System \(TESS\)](#). TESS is free and relatively easy to use if you understand Boolean searching. It offers a search template and extensive help features.

While useful for identifying third-party marks that are direct conflicts with a proposed mark, a USPTO database search is generally insufficient to clear a new mark for use or registration because of its limitations, including that it only contains federal trademark applications and registrations and therefore does not include common law marks. In addition, depending on how it is structured, a USPTO search may not disclose applications or registrations for marks that, while not identical to the proposed trademark, may be sufficiently similar to cause consumer

confusion. This is because the search function is not easy to use to locate similar but differently spelled marks, or phonetic equivalents, or the like.

An internet search may aid in identifying direct conflicts that may not be disclosed by a USPTO database search and filling in some blanks, the scope of an internet search is also limited and generally not sufficient for clearing a mark.

That said, in some limited circumstances a USPTO database and internet search can be sufficient, for example if the risk of using the mark is low because it is:

- Intended to be used in a limited manner or for a short duration;
- Highly descriptive, such that it would be unlikely that a third party would have enforceable rights; or
- Extremely unique, such as a made-up word with limited equivalents.

Full or comprehensive trademark searches

Given the limitations of preliminary/knockout searches, a full or comprehensive trademark search conducted by a commercial trademark search vendor is generally necessary to reliably clear a new mark or new use of an existing mark.

A full/comprehensive search typically includes a search of:

- USPTO application and registration records
- State trademark registrations
- Common law and company name databases
- Domain name databases
- Websites

The cost of a full/comprehensive search varies depending on many factors including the desired turnaround time, but typically ranges from \$500 to \$1,000 or more, plus trademark counsel fees to coordinate the search and discuss the results. The cost, however, is minimal when compared to the potential costs associated with defending against a trademark infringement or unfair competition suit.

With that all being said, it should be additionally noted that searching, whether preliminary/knockout or full/comprehensive, is an inexact science. The unfortunate reality is that you don't know what you don't know – meaning if the search fails to discover a particular registered mark or prior common law use because of variations in language, or misclassifications, or the like, you don't know that it was missed. Therefore, searching is both a highly recommended practice, but also not viewed as anything but a risk management tool. The more searching you do with positive results, the more you are decreasing your risk that there is an obstacle to use or registration of your mark. If you get a direct hit negative result, you know the search worked, but you also know you cannot use that mark and have to try to come up with a different mark.

Cancelled registrations and abandoned applications

When the searches reveal trademarks that are the subject of cancelled registrations or abandoned applications, do not assume there is no appreciable risk. Even if a registration is cancelled or an application is abandoned, the trademark may still be in use and the owner may still have common law rights in the mark. Ignoring those registrations and applications can be a

very costly mistake if the mark is in use, or if the use stoppage is temporary so that the trademark itself has not been legally abandoned.

Trademark registrations may be cancelled and applications abandoned for many reasons unrelated to the mark's use status, including docketing failures, a lack of resources for mark maintenance, or failure to overcome USPTO office actions. If a canceled registration or abandoned application is for a mark similar to the proposed mark and is for related goods or services, it is typically advisable to conduct a further investigation to determine whether the mark is in use. If it appears the mark is not in use, it can also be relevant to understand when the use stopped and whether there are any plans to resume use.

Companies should pay particular attention to abandoned use-based applications and cancelled use-based registrations since marks covered by these were in use at some point. Abandoned intent-to-use applications may present a lower risk, although the applicant still may have started using the mark and failed to complete the registration process for any of the above-noted reasons.

Conduct an investigation

Even a full/comprehensive trademark search may not disclose any details about the actual use of a trademark in the marketplace. Determining the nature and extent of a potentially conflicting mark's use in the marketplace is essential for assessing likelihood of confusion and the level of risk. Likelihood of confusion is the touchstone of trademark infringement and unfair competition. The various federal circuit courts of appeal have adopted multi-factor tests for assessing likelihood of confusion. These tests vary by circuit but generally examine similar factors.

To perform a thorough analysis of these factors as applied to a potentially problematic third-party trademark disclosed in a search, a company must investigate the nature and extent of the third-party trademark's use. Here are the factors that are considered in a thorough analysis:

- How long the third-party trademark has been in use
- The commercial strength of the trademark
- The goods or services for which the trademark is used
- The trade channels for the goods or services
- The price points of the goods or services
- The types of consumers that purchase the goods or services
- The size of the third party and the extent of their resources
- The third-party's history of trademark enforcement

The answers to these questions provide information for conducting an informed likelihood of confusion and risk analysis, as well as developing a clearance strategy. A clearance strategy may include:

- Seeking to purchase the conflicting mark from the third-party owner
- Pursuing a consent, coexistence agreement or license from the owner of the conflicting mark (though this often is difficult to obtain)
- Seeking to cancel the registration for a conflicting mark that is no longer in use on the basis of abandonment (though this can be an expensive undertaking)

While an internet search may disclose basic information about a mark's use, it often does not fully disclose the full nature and extent of use. Counsel should assess whether it is appropriate to engage an experienced trademark investigator.

Considering formidability of opposing trademark owner

When and if a mark is identified as a potential obstacle, one consideration that might be considered is whether the mark is owned by a small company or individual versus a larger company with more resources. While it may be tempting to ignore smaller companies and individuals, the reality is they may be particularly aggressive in defending their rights as the mark may be critical to their business. Also, a small trademark owner can sometimes successfully claim reverse confusion. Reverse confusion occurs when a larger, more powerful junior user saturates the market and causes consumers to believe, mistakenly, that a smaller, but senior, user's goods or services originate with or relate to the junior user (see, for example, *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 474 (3d Cir. 1994)).

An injunction, or even the threat of an injunction, can cause substantial harm to a company that is about to launch a new product or service. A small trademark owner may be able to exert tremendous leverage merely by filing a lawsuit seeking injunctive relief. If the launch is particularly important, that company may be willing to pay a small trademark owner a significant payment to retain the ability to use the mark. If a company addresses a potentially conflicting mark owned by a small trademark owner during the trademark search and clearance process, it may be able to negotiate a small (or no) monetary payment because the small party has less leverage than if launch was already underway. Even if an arrangement cannot be reached, the costs of switching to a different mark are substantially less at an early stage than after a product or service launch when inventory and other materials may need to be destroyed and customer goodwill may be damaged by a name change. This is one of the major risk management advantages to spending time and resources on searching at the beginning of a trademark registration process.

Searching a seemingly descriptive term

One might assume that a term with perceived descriptive qualities does not warrant a trademark search because no third parties could own trademark rights in the term, and the company might have a fair use defense to any third-party claim. A descriptive term generally is not entitled to trademark protection because it cannot identify and distinguish a single source of origin. However, it is a mistake to assume that it is not necessary to search perceived descriptive terms because a secondary meaning may exist if it has acquired distinctiveness (secondary meaning) through use and promotion over time. Likewise, there is often some subjectivity involved in determining whether a mark is actually descriptive, which means the USPTO may have granted a registration on the Principal Register for a seemingly descriptive mark, affording it a presumption of validity. These marks may become incontestable if certain requirements are met.

A well-known case of *Sands, Taylor & Wood v. Quaker Oats Co.* shows the risks of not searching or properly clearing a seemingly descriptive mark (978 F.2d 947 (7th Cir. 1992)). The case involved a lawsuit by a small company that owned trademark registrations for the mark THIRST-AID against Quaker Oats after Quaker adopted the slogan "GATORADE IS THIRST AID" in an advertising campaign. Before the campaign was launched, it was reviewed by Quaker's in-house counsel who concluded that the use of "Thirst Aid" was descriptive and a search was not required. After the launch of the campaign and Quaker's receipt of an objection by the owner of THIRST-AID, Quaker's outside counsel advised that Quaker's proposed use was not infringing because Quaker was using "Thirst Aid" descriptively rather than as a trademark. Quaker continued with the ad campaign and ended up embroiled in lengthy and expensive trademark litigation.

Considering unregistered marks

Not all marks that may be blocking to a new mark are registered with the USPTO. Federal trademark registration does confer various benefits on the registration owner. In many cases, obtaining a trademark registration is essential. For example, where substantial resources are invested in a mark for a major new product or service launch, obtaining a federal trademark registration is critical for protecting the investment.

However, there are situations where seeking registration may not be necessary or advisable, including:

- *The proposed use is limited.* Where the mark is intended to be used for a short duration or in a limited manner, registration may not be worth the effort or cost, but there may still be senior user common law rights held by a third party through actual use.
- *Filing materially raises the risk of infringement claims.* Filing a trademark application raises the profile of the new mark because the application is accessible to the public and competitors through the USPTO's TESS database. Trademark owners routinely identify potential infringements through watch services that alert the trademark owner to third-party filings for marks similar to the owner's marks. Therefore, the mere act of filing a trademark application can serve to begin waving a flag drawing attention to your intention to use, or actual use, of your new mark.
- *Not filing materially lowers the risk of infringement claims.* While it is a mistake for a company to adopt a mark knowing of a significant potential conflict, situations can exist where a third-party mark poses a risk but there are good arguments why use of the proposed mark would not infringe the third-party mark. In these cases, it may be possible that the best course of action for a company may be to use the mark but not file a trademark application, at least not initially. If the company uses the mark for a sufficient period of time without objection or confusion it may be in a better position to defend against any infringement claims (for example, by having evidence that the mark's marketplace coexistence with the objecting party's mark without actual confusion to show that confusion is unlikely). This is a risky strategy, but in some situations, there may not be another option.

When considering use and registration of a new trademark for a new brand, many will rush to the process of registering the mark and ask, "what is the cost to register a trademark?". This skips over the step of searching and clearing the new mark. When considering the use and registration of a new trademark for a new brand, the best approach is to ask, "what is the cost to search this mark and manage risks associated with its use?" Followed by "assuming the mark is cleared, what then is the cost to register the mark?" The process of registering a mark really should include both steps:

1. Search and clear
2. Apply for registration.

If you have questions, or would like to be in the process of searching and then possibly securing registration of a new trademark, please contact Sean Detweiler by emailing SDetweiler@morse.law or TMServices@morse.law.