

The Importance of Trademark Searches For New Corporations

by *Betty Tufariello, Esq.*
of *INTELLECTULAW*

Member of the National Network of Accountants Preferred Provider Program

When helping a client incorporate, attorneys, accountants and incorporating professionals (hereinafter collectively "the incorporating professionals") should take the time to clear the name the clients have chosen for their corporation, not only with the State Secretary of the state in which the client has chosen to incorporate in, but they should also clear the name as a trademark by commissioning a comprehensive trademark search to clear the company name as a trademark. Failure to do so may lead to a disruption of both the incorporating professionals' and the client's quality of life, and a reduction of their income.

Clearing a corporate name with the State Secretary of the state in which clients wish to incorporate in, or registering a corporate name as a domain name, is not enough to clear the name for use as a trademark, i.e. as a tool, which clients use in connection with their goods and services, to help consumers distinguish them from their competitors, as the source of the clients' goods and or services. Famous trademarks include McDonald's, Coke, Pepsi, Nike, Adidas, Tommy Hilfiger, Ferrari, BMW, Jaguar, Prudential, Century 21, etc.

Yet, as soon as the corporation is formed, or the domain name is registered, the clients do exactly that, i.e., begin using the name of the company as a trademark and incur tremendous costs in the process. Such costs can include the cost of (i) designing, developing and commissioning packaging for the clients goods or services; (ii) creating selling opportunities through various advertising media including but not limited to signs, brochures, catalogs, flyers, television, radio, internet, trade shows, seminars, and public demonstrations ; (iii) building up inventory to meet consumer demand; and (iv) attracting investors. As a result, the clients' business begins growing nationwide, maybe even worldwide, attracting lots of attention along the way.

Then, it happens. The clients receive a cease and desist letter from another company, maybe a competitor maybe not (hereinafter "the sender"), informing them that their

use of their company name is confusingly similar to the sender's trademark, and constitutes grounds for a lawsuit against the clients for trademark infringement and unfair competition. Furthermore, the clients' failure to cease and desist from the use of their company name as a trademark will result in the sender's initiation of a lawsuit against them in a court of law.

The threat of a lawsuit, the obvious need to stop using the corporate name as a trademark, and the clear necessity to adopt a new name and incur new costs in connection with the adoption and promotion of a new name, on top of the costs already incurred, has a significant negative impact on both the clients' income and quality of life. The clients are first shocked, and then angry. Why should the clients have to change their company name? Did not the incorporating professionals clear it as a corporate name? Did they not search the state data base? And did not the web registrar clear it as a domain name? Was this not enough? The answer is no. Who will compensate them for the past costs incurred in connection with the name that is supposedly infringing and who will reimburse them for the new costs they will have to incur in connection with new packaging, new advertising and disposing of the old inventory? It is not too difficult to see how the clients invariably blame the incorporating professionals and even bring suit against them, which in turn will lead to the loss of the clients and the involvement of the incorporating professionals' insurance. Accordingly, the incorporating professional's income and quality of life also become acutely, negatively affected.

On the other hand, the value of a trademark search in bringing a positive impact on the clients' and the incorporating professionals' income and quality of life is immeasurable. First of all, it brings peace of mind that both the incorporating professionals and the clients have taken all reasonable business steps necessary to prevent capitalizing on, and misappropriation of, the goodwill of any trademark that might precede them in the industry and therefore minimize the chances of ever receiving a cease

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