Protecting Your Most Important Asset: Why Trademark Registration Matters

July 24, 2024
By Marc P. Misthal

What would you do with an asset with an almost infinite lifespan that symbolizes your company to your customers? And if that asset was your company's most valuable asset? You'd protect it, of course. If you run a business of any type, you have such an asset: a trademark, often referred to as a brand name. The question is, are you protecting it?

Trademarks reportedly account for about one-third of the stock market value of companies in the S&P 500. If your company is not protecting one of its most important assets, it is putting that asset at risk. The first step in protecting a trademark is registering it with the U.S. Trademark Office. This legal process is best handled by lawyers and involves some costs. In many cases, the cost to register in the U.S. is under $5,000, although it can exceed that amount. Renewal costs are generally under $2,500, with renewal needed every ten years. Given the nearly unlimited lifespan of a trademark, these costs are well worth it when considering the benefits of registration.

Banks Will Take Trademarks as Collateral for Loans

Some banks, such as IDB, will accept a security interest in a company's trademarks as collateral for a loan. In today's business landscape, where many businesses operate virtually and lack significant physical assets, having an asset that a bank can lend against can be crucial for a company's growth. However, without a registered trademark, a bank may be unwilling to lend against it. At best, the bank may impose higher lending costs if it is willing to lend against unregistered trademarks.

Parties Doing Business with a Company Want Assurance that the Company's Brand is Protected

Investors considering investing in a company will want to see that it has taken steps to protect its trademarks. As part of their due diligence efforts, they will ask for the details of trademark applications or registrations. If there are no applications or registrations, providing a transparent and honest explanation is necessary.

Potential partners, such as licensees or franchisees, will also want to see that the company has taken steps to protect its trademarks if they invest money to do business with the company, whether by opening a franchised store or manufacturing and selling licensed goods; these partners will want assurance that the company has protected their mutual investment.

Trademarks are Crucial to a Company's Value

As noted, a significant portion of a company's value can be attributed to its brand. Companies with strong brands deliver better value to their shareholders.[1] The value of those assets is critical in business valuations, mergers, or acquisitions, providing leverage and opportunities for future sales and expansion. If you are considering selling your business and retiring, trademark registration can significantly increase its value. Given this potential boost, isn't the cost of registration worth it?

Trademark Registrations May Prevent Others from Registering the Same or a Similar Mark

Trademark registrations are listed in the Federal Trademark Office's online database, which is publicly available and searchable. Anyone searching for a similar trademark should find any registrations that your company owns. Upon discovering your company's registration, third parties may drop or change their plans.

Additionally, when the Trademark Office examines applications filed by others, it will refuse the registration of the same or similar marks for the same or related goods and services. However, if your mark is not registered, the Trademark Office will not block the registration of the same or a similar mark. The Trademark Office only reviews its records during the examination process. It does not search the marketplace, which can result in a competitor registering a similar mark. While it is possible to challenge such a registration, doing so can be costly in terms of time and money. It is far better to prevent this situation by ensuring your mark is registered in the first place.

While the Trademark Office will block potentially infringing third-party applications, it does **not** take action to stop third parties from infringing your company's trademark. The responsibility to enforce trademark rights falls on the trademark owner.

Further, once your company's mark is registered, you gain nationwide rights that can be enforced against subsequent users. Without a registration, your rights are limited to the geographic area in which your company operates.

One other thing. Forming a company with the state is **not** the same as registering a trademark. The state does not check to see if your name will infringe on anyone else's name when you form a company.

Having a Trademark Registration Makes Enforcement Easier on Online Platforms

If someone uses your mark without authorization on social media or an online shopping platform, having a trademark registration makes it easier to enforce your company's rights and have the online platform take action to stop the infringement. A registration allows the platform to verify your rights, which they cannot do if your company has no trademark registration.

Additionally, a trademark registration grants your company access to online protection mechanisms, such as Amazon's Brand Registry.

In cybersquatting cases, which still occur, having a trademark registration simplifies proving your case and recovering the domain name in question. However, a trademark registration does not automatically entitle your company to the corresponding domain name.

Legal Benefits of Registration

Having a trademark registration provides certain legal advantages. For example, lawsuits for infringement of federal trademark registrations can be filed in federal court. In such cases, registration entitles the trademark owner to a legal presumption of ownership, the right to use the mark, and the mark's validity (validity presumption applies only to registrations on the Principal Register). These presumptions can streamline court proceedings and reduce legal expenses. Without registration, your company must prove ownership, usage rights, and protection eligibility in every enforcement action, resulting in increased costs.

Additionally, marks registered on the Principal Register can achieve incontestable status after five years of registration, provided an appropriate filing is made with the Trademark Office. Incontestable status means the registration can only be challenged on specific, limited grounds.

Furthermore, registered marks can use the ® symbol to indicate they are registered. This can prevent third parties from adopting similar marks and, more importantly, prevent infringers from arguing in a lawsuit that your company waived its right to damages by not using the ® symbol. Using the ® symbol helps ensure you do not inadvertently leave money on the table.

Foreign Trademark Registrations

A U.S. trademark registration does not afford trademark protection outside the U.S.; trademark rights must be protected country by country. However, a U.S. trademark registration can serve as the basis for trademark filings abroad and enable your company to benefit from certain international treaties that may reduce the cost of filing in other countries.

Recording Registrations with Customs and Border Protection (CBP)

A trademark registration on the Principal Register can be recorded with Customs and Border Protection (CBP). However, there is a fee for this service. Recording your registration with CBP allows them to monitor goods coming into the country. If CBP identifies goods with an infringing or counterfeit mark, they will stop their importation and seize the items. While CBP may request verification that the goods are not legitimate, once that confirmation is provided, CBP will manage the seizure process.

Conclusion

Trademark registration offers several cost-saving benefits. Legal presumptions and the status of incontestable registrations can reduce court costs. Additionally, registered marks make it easier to enforce rights online. A U.S. trademark registration can also reduce the costs of filing for registrations in other countries and can be recorded with CBP to assist in enforcing your rights.

Beyond these cost-reducing benefits, trademarks are high-value assets that can serve as collateral for loans and that investors and business partners will want to see. Therefore, trademarks should be protected with the same diligence as any other asset. Failing to protect this asset can result in its loss and a subsequent loss in value for the company — an outcome no company would or should permit.

[1] See The top 100 most valuable global brands 2013 (marketingweek.com).