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## THE IMPORTANCE of TRADEMARK DUE DILIGENCE

It goes without saying that most entrepreneurs would never consider buying an existing business without first conducting the proper due diligence on it and its present owners. The idea is to try to uncover those more latent issues and potential pitfalls that could be extremely costly to a new business owner: environmental concerns, debts, creditor and other financial information, pending litigation, tax and/or other liens, etc. Anyone who has gone through this process also knows that it can be time consuming and, more importantly, costly – but all insurance is.

That said, I continue to be baffled by how many entrepreneurs give little or no credence to their trademarks and the proper due diligence that should be conducted before major investment is made in their brands. It is a bit frustrating for us and misleading to business owners when many of the popular online filing services mislead the public into thinking that the trademark process is as easy as a quick look at the USPTO database and a form filing. It's simply not so and many people believe this to their detriment. I cannot begin to tell you how many clients come to us after they have spent thousands of dollars on branding, advertising and marketing efforts only to be served with a Cease & Desist letter from a company poised to litigate an infringement action – this is not a good position to be in and exactly what the proper due diligence process is intended to prevent.

I described our due diligence process below so you can get a good idea of what it involves. While every trademark lawyer will have their own approach, I think ours is fairly typical of a responsible intellectual property practice.

A trademark protects words, names, symbols, sounds, scents or colors that distinguish goods or services from those manufactured or sold by others. It serves to identify the source of those goods and/or services. Trademarks, unlike patents, can be renewed forever as long as they are being used in commerce. Trademark holders have rights under the common law, which means they do not have to file a trademark with the federal government in order to be protected. Of course, these common law rights are greatly limited to the mark holder's geographic location or the natural expansion thereof. That means common law protection is not optimal and having a federally registered trademark will put the mark holder in a much stronger position should an infringement action arise – but these actions can and will happen and they can be extremely costly and painful.

1. **Our first step in the process, after we evaluate the mark for fundamental issues such as descriptiveness, generic qualities, etc., is to conduct what is called a "knock-out" search. This is a fairly straight forward and quick search of the USPTO federal trademark database in an effort to identify any existing marks that will clearly be construed as "confusingly similar." If our knock out search identifies such marks, we stop there and confer with our client to see if we can work together and rethink the trademark before any additional effort or expense is expended. The USPTO Examining attorneys will not allow the successful registration of a confusingly similar trademark.**
2. **If our knock-out does not identify any confusingly similar marks straight-way, we then proceed to our comprehensive common law search. To conduct this search we utilize a very powerful commercial database that pulls data from a myriad of places such as:**

**USPTO TESS/TARR (federal) databases, all 50 state databases, voluminous business directories, domain registries, foreign trademark databases including Canada, Germany, UK, WIPO (International Registry) and the EEC (European Community). We also search an array of internet search engines as well. Once this search is complete we move to the analyses phase.**

- 3. As you can imagine, such a powerful search produces a great many results that we need to review and analyze. It is important to note that so much of trademark law is, quite frankly, in the analyses. The law is not always as intuitive as many would believe, so it is of paramount importance to make sure a professional with specific knowledge in this area reviews the results of any clearance search. This is something that the online filing services, such as Legal Zoom, cannot provide, which is why so many issues can arise down the road.**
- 4. Once all the results are properly vetted, we create a detailed report and legal conclusion with a user-friendly executive summary that sums up our overall opinion in brief. Because trademark law is not a straight-forward practice, our conclusions can range from very optimistic about the registration prospects to a very close call, or absolutely no chance on the other side. We always make clear that the decision, at the end of the day, is that of the USPTO Examiner. And while every USPTO application is vetted with the same seven part analysis, there is still a very subjective aspect because one examiner may come out very different from another. This makes the trademark registration process extremely frustrating for all involved. Keep in mind too, that the USPTO has made some highly controversial decisions. For example, this is the same PTO that gave Entrepreneur Magazine a trademark for the word "Entrepreneur" – yes, go figure?**
- 5. Lastly, once the report is created we work with our clients to help them understand their best options. It is important to recognize that the exposure in filing a trademark is, in most cases, limited to the legal and government filing fees. For many entrepreneurs this is well worth the chance to register their marks even in very close cases. For others, it is more pragmatic to rethink the trademark and try to increase the chances of a successful registration. Moreover, many mark holders, who were unsuccessful in the registration process, continue to use their trademark in commerce under the common law. The prudence of this must be weighed on a case-by-case basis as it can open up the mark holder to many infringement actions.**

In conclusion, the trademark due diligence process is still no substitute for choosing a strong mark to begin with. This is your best measure to ensure a successful trademark registration. In an effort to help our clients and prospective clients get off to a good start, we created a very useful and friendly online tool to assist in testing the strength of your prospective marks before you undertake the due diligence process.

You can visit our **TEST YOUR TRADEMARK** page and activate our **Brand Meter™** feature here: [http://www.lanternlegal.com/test\\_trademark.php](http://www.lanternlegal.com/test_trademark.php)

You may also learn more about our trademark and other services here: <http://www.lanternlegal.com/trademarks.php>

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