

Trademark Registration and Trademark Searches – Why?

Experience shows that certain questions regarding trademark law frequently arise, particularly among start-ups and other business founders, as well as with other clients. We have compiled and answered some of these questions below.

Background: Trademarks and Other Distinguishing Marks

Logo, trademark, brand, emblem, label, company name – the terms are often used interchangeably, leading to confusion, as legal professionals and laypeople often do not speak the same language. We would like to clarify two important terms:

A **trademark** is a sign that is registered with an authority (such as the German Patent and Trademark Office or the EUIPO) and, as a result, enjoys special legal protection. The most important types of trademarks are **word marks, figurative marks (device marks), or word/device marks (logos)**. There are other types of trademarks, including sounds or holograms, and in certain cases, a trademark can arise even without registration. However, for everyday purposes, this distinction is not crucial. Trademarks are intended to distinguish a company's goods and services from those of other companies.

Much less known is the **company identifier**, which can also appear in various forms. In practice, the most relevant types are the company name, the trade name, and the specific business designation. These signs serve to distinguish a company from others, i.e. they do not refer to the goods and services themselves. The company name is the name under which a merchant operates, such as Volkswagen AG or Dirk Rossmann GmbH.

However, these examples show that the company name is often not used in its entirety in everyday business transactions. As a result, alongside the protection of the company name, protection is also granted to the trade name – which, in practice, is often the more important identifier – such as "Volkswagen" and "Rossmann" in our examples. Another form of company identifier is the so-called specific business designation, which protects a specific business entity and is commonly seen in the names of hotels ("Adlon") or restaurants ("Le Moissonnier"). In all these cases, unlike trademarks, the protection is established based on the point at which the business starts using the identifier. However, this may seem like an advantage of the company identifier over trademarks, but as we will explain later, this is only an apparent advantage.

Do I have to register a trademark?

No.

Anyone is allowed to label his products with a name and sell them without registering the label as a trademark.

Similarly, registering a trademark is not required for starting a business. In fact, by commencing business operations without any registration, a company automatically establishes its own identifier rights, as described above, in the form of a company identifier.

What are the advantages of a trademark?

For small companies that only provide services, the advantage of registering a trademark may seem limited, since the commencement of business operations automatically creates a company identifier.

However, an important aspect is that the registration date is clearly verifiable through the trademark register. In contrast, with a company identifier, proof of when the mark was first used in commercial practice must be provided through contracts, invoices, or other documentation. If a legal dispute arises many years after the company was founded, the evidence can often be very difficult, or even impossible, to obtain. Since, in extreme cases, even a few days or even a single day can be decisive, significant risks can arise in such situations.

Another major advantage of a trademark is that it can be registered well before the company is officially founded, essentially allowing you to "reserve" the trademark. A trademark registration does not require use of the mark until five years after its registration. This means that by registering a trademark, you can protect one or more potential marks and later decide which one to use for the company or its products.

Furthermore, a trademark is an asset with intrinsic value that can be separately accounted for in financial statements. The trademark can be sold or pledged independently of the business itself. In contrast, a company identifier cannot be separated from the business operations, meaning it cannot be transferred or used independently from the company.

Another important aspect is the protective function of a trademark: While a company identifier provides some level of protection, this does not extend to a product designation that differs from the company name. In fact, the name a company uses for its products is entirely unprotected. Any third parties can use this designation for their own identical or different products. This can lead to confusion without the company having any legal claim against the third party.

Even worse: In trademark law, there is no right of prior use. Therefore, a third party can register the designation used on the products as their own trademark and forbid the original user from continuing to use it. The only way to defend against this is to prove that the third party made a bad-faith registration. However, this is very difficult to prove in court and, in practice, is often simply not possible.

In addition, why conduct a trademark search?

The research is intended to identify trademarks and company identifiers that are similar to the proposed mark. This serves two main purposes:

Firstly, a mark naturally has a higher advertising value if there are no similar marks. The recognition effect of a trademark is stronger, and customers and interested parties can better remember the mark. For overall marketing, the uniqueness of a brand or company name is crucial.

Secondly, the search also ensures that the use of your mark does not infringe upon the older rights of a third party. This aspect of the search is arguably even more important, yet it is often overlooked. Courts assume that businesses and entrepreneurs act negligently if they begin using a mark without conducting prior research. In the case of an infringement of older rights, there may be a claim for damages.

What if I have already been operating my business without trademark registration?

A research is also necessary if a company has been founded and operated without trademark registration. As mentioned above, the establishment of a business automatically creates a company identifier. However, this new company identifier could still infringe upon older company identifiers or existing trademarks. Thus, there is still the risk of a legal dispute. Even in this case, failing to conduct a research before using the identifier constitutes **negligent** and therefore culpable behaviour.

What are the risks then?

First, there is the risk that the owner of an older company identifier or trademark may take legal action against the newer mark. In this case, it may be necessary to completely change the company name and, potentially, the entire marketing. If the opponent obtains a preliminary injunction, this change may need to happen very quickly – sometimes within just a few days. If the company identifier or trademark has been used for many years and substantial amounts of money have been invested in advertising and building the brand, such a sudden, forced name change can pose a significant problem.

This risk does not decrease over time. Even if you have been using your company identifier or trademark for five, ten, or fifteen years, a third party can still assert claims for trademark infringement at any time. The only exception is if the third party has had **positive knowledge** of your use of the mark for a period of five years and has not objected to it during that time.

In addition to the forced rebranding, the owner of the older mark can also claim **damages**. To calculate the damages, the owner of the older right can first enforce comprehensive claims for information and accounting. When determining the amount of the damages, they can either demand the profit realised from the use of the sign (in practice, this is typically 20% to 60% of the

actual profit). Alternatively, the owner of the older right can claim a portion of the revenue as a hypothetical licence fee. The exact licence fee rate depends on the industry and typically ranges from 1% to 6% (much higher for luxury brands).

It should be noted here that damages for a company identifier relate to the corresponding share of the entire company's revenue. This amount is then payable to the owner of the valid right for a period of up to ten years, retroactively.

But ultimately it doesn't affect me personally, does it?

Unfortunately it does.

A company's managing director is not automatically personally liable alongside the company. However, a claim for injunctive relief against the managing director already exists if he makes a so-called adequate causal contribution, i.e. if he enables the trademark infringement. The managing director can also be **personally liable for damages** if he was involved in the infringing act. This is already the case if he has selected the trademark or consented to its use for a specific purpose. In the case of a sole managing director, courts often presume liability for actions typically taken at the management level. It then becomes the responsibility of the sole director to prove the contrary.

But the trademark was developed by my advertising agency!

This does not exempt you from liability. It is not the agency's responsibility to assess the protectability of marks or conduct searches for older trademarks. Typically, this responsibility is excluded in the agency's terms and conditions (T&Cs).

What can I do?

Call us. A trademark research can identify potential issues and help ensure the safe use of your mark moving forward. As part of the research, we evaluate both the protectability of your desired mark and the risk of infringing on older identifiers. The search will be tailored to how and where you plan to use the mark (e.g., only in Germany or in other countries as well). While this does involve some effort, we work efficiently to minimize this based on our experience. But rest assured: a rebranding eight years after founding, or a product recall from all German sales outlets due to trademark infringement, is always more expensive – not to mention the potential damages.