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Trademark Basics – Five Things Everyone Should Know About Trademarks

A Legal Resource Provided by Davis Wright Tremaine LLP
and the Oregon Winegrowers Association

Sheila Fox Morrison

PARTNER | Portland

503.778.5311

sheilafoxmorrison@dwt.com

2026

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Most people know a trademark when they see one. Everyone recognizes the terms Nike™, TickTock™, and Coca-Cola™ as trademarks. A trademark is a word, name, or symbol adopted and used by a company to identify and distinguish its goods or services from the products and services of others. Trademarks are symbols of the identity, goodwill, and reputation of the source of a product or service and are used by consumers to make purchasing decisions. When consumers see familiar brands like Airbnb™ for temporary accommodation services or Shake Shack™ for hamburger restaurants they make assumptions about the products that they are buying. These assumptions come from the consumers' relation of the brand name with a level of quality and/or value they have learned to expect from the producer of the products.

But not all trademarks are equally protectable, and there are important requirements for developing and keeping trademark rights.

This advisory discusses some basics about trademarks that may be particularly important to know if you use a name or symbol to identify your company in the marketplace.

Not All Trademarks Are Created Equal

Trademarks come in two basic flavors: (a) “*inherently distinctive*” and (b) “*not inherently distinctive*.”

Inherently distinctive trademarks are ***fanciful, arbitrary, or suggestive*** in relation to the products or services with which the mark is used. Fanciful marks are the strongest and easiest trademarks to protect. *Fanciful* marks are coined terms such as Verizon™ telecommunication services or Spotify™ for streaming audio content. *Arbitrary* marks are common terms used outside of their normal context, such as Apple™ for computers and Amazon™ for an online marketplace. Suggestive marks suggest a quality or ingredient of a product but require some “mental gymnastics” to be understood—for example, Peloton™ for stationary bike and The Bao Down™ for restaurant services. Marks in this inherently distinctive category are accorded broad and strong protection because they are unique.

Marks that are **not inherently distinctive are generally given less protection**. The category of marks that are not inherently distinctive include descriptive marks—marks that identify or describe the goods or their attributes (The Avocado Toast Joint™ for hipster restaurant services), *personal or surname marks* (Mondavi™ for wine), and *geographically descriptive marks* (Sonoma High Cellars™ for wine). Due to the lack of uniqueness **these marks will not be accepted for trademark registration or protection without proof that the marks have acquired “secondary meaning” and recognized by consumers as trademarks**.

The last category of trademark is, in fact, not a trademark at all. **A generic term is the name of a thing itself, such as “wine,” “café,” and “shop” and cannot be claimed as proprietary or protected under any circumstances**. Generic terms cannot be registered as trademark.

Trademark Clearance: An Ounce Of Prevention Is Worth A Pound Of Cure

Before adopting a trademark or investing significant sums into a branding strategy it is important to determine if the name you wish to use is available for use. The tools you use to make this determination depend on your plans for the name. If the name is **merely a corporate name** only to be used on official documents, then a search of the state corporate name database may be all you need. However, if the name will be **visible to your clients or customers** (which includes most company and brand names) you should **confirm that no one else is using the same or similar name in connection with the goods or services related to yours**.

Trademark clearance research can **range from “quick and dirty” to comprehensive** and can vary in cost from a few hundred dollars to tens of thousands of dollars (for research in multiple jurisdictions). However, for marks to be used solely in the United States the minimum standard in most circumstances is a search for the proposed mark (and marks similar in sight, sound and meaning) in the U.S. federal and state trademark databases and various common law resources.

How much research you do will often depend on (a) where you plan to use the mark (locally or globally?), (b) how important the mark is (is it your house mark or a sub-brand?), and (c) your budget.

Also, it is important to understand that the **“trademark clearance” process will not result in a “Yes” or “No” answer** to the question, “Is this mark available?” but will result in a **risk analysis that is used as a tool to make a business decision**. Nevertheless, the more you know the more informed your decision will be, and spending a thousand dollars on the front end to conduct a search can save you hundreds of thousands of dollars on the back end by avoiding costly disputes.

Furthermore, what you don’t know can *really* hurt you—if no searching is done and the mark you adopt infringes someone else’s mark, your adoption of the mark may be deemed “willful infringement,” which can triple the amount of damages you must pay to a trademark owner and may also subject you to payment of the trademark owner’s attorneys’ fees.

Trademark Rights: Use It Or Lose It

In most countries of the world you must obtain a trademark registration to gain trademark rights. However, in the United States and other common law countries trademark rights are established as a result of *use* of the trademark. Accordingly, if you sell products or provide services in connection with a trademark or brand name you are developing trademark rights. These so-called “common law rights” develop over time. Likewise, in order to maintain trademark rights, the trademark must *stay in use* and must appear *prominently* and *consistently* on the goods or services.

Directly related to your use of a trademark is the scope of your trademark rights. The scope of trademark rights—the right to use a mark and to exclude others from using a confusingly similar mark—is based on your own scope of use. This scope is defined in terms of (1) the goods and/or services you provide in connection with the mark and (2) the geographic territory of your use. Therefore, when relying on common law trademark rights you can only exclude others from using a **confusingly similar mark in connection with the same or related goods (or services) within the same territory as your use**.

For some businesses, particularly well-established, localized small businesses, common law rights may be all the trademark protection you need. However, for goods or services providers that have wide distribution across state or international borders, a trademark registration provides better and more valuable protection.

A Sword And A Shield—U.S. Federal Trademark Registration

Trademark registration is not for everyone, but most trademark owners are better off with a trademark registration than without one. At the very least, a trademark registration can be used defensively as a shield to help ensure that your use of a trademark is not easily challenged. But a trademark registration is often the most useful as an offensive tool, or sword, to prevent would-be users of the same or similar mark from encroaching into your territory and preserving the uniqueness of your brand. A federal trademark registration confers valuable benefits and presumptions. A federal trademark registration provides a presumption of trademark validity. The holder of a trademark registration is deemed to have trademark rights in the registered mark for the registered goods and/or services without any additional proof. As a result, if an accused infringer challenges the validity of the trademark rights the burden is on the challenger to prove that rights do not exist. In contrast, a trademark owner relying on common law trademark rights must first prove the validity of its rights before making a claim of infringement. Accordingly, the presumption of validity often provides significant leverage against an accused infringer.

The other major benefits associated with a federal trademark registration are the opportunity to receive an award of reimbursement of attorneys' fees by the infringing party, and an award of up to triple your damages in the most egregious of infringement cases. Again, the mere possibility of these awards is often a deterrent to litigating trademark disputes that involve trademark registrations, and therefore can lead to favorable settlements for the trademark owner.

Despite the strategic advantages of a trademark registration, whether you file a trademark application often depends on your business' needs and plans. For local-oriented businesses like a single-location restaurant or a boutique clothing store, a federal trademark registration may not be necessary (or available) to achieve its business goals or to protect the localized reputation of the establishment. However, for those businesses that invest significant resources into developing a reputation or identity among its customers and that rely at least in part on this identity to sell their wares, a trademark registration is a wise investment.

You're On Your Own—There Are No Trademark Police

Trademark rights confer a right of exclusivity of use of a trademark for particular goods and/or services. However, it's a right, not a mandate; there are no trademark police whose mission it is to protect and serve trademark owners. As a trademark owner it is your responsibility to police and protect your trademark from infringers and careless use of the mark.

Trademark policing usually includes at least two fronts: (1) stopping infringers (and counterfeiters), and (2) maintaining proper and consistent use of the trademark. The latter front requires education of authorized users and the media as to the correct use of your mark. This can be accomplished by providing trademark usage guidelines (e.g., "the mark should appear in text as 'eBay,' not 'EBay' or 'ebay'") and correcting the media when mistakes are made. The former front requires vigilance in the marketplace and a willingness to take quick action against wrongdoers when necessary.

If you fail to police your trademark, the strength of your trademark rights will erode and may be lost altogether (e.g., cellophane and escalator were once proprietary trademarks, and KLEENEX and XEROX are examples of trademarks that have flirted with losing their trademark significance, also known as "genericide").

While trademark enforcement efforts often require significant resources and rarely provide an immediate monetary return, the costs of policing your mark must be balanced against the long-term value of having a strong, protectable symbol of your goodwill, reputation, and identity associated with your products or services.

Conclusion

Trademarks are important and every business owner should have some familiarity with the concepts described above will help identify ways you can develop and protect your trademark rights and make smart, brand-related business decisions that will serve you and your company well into the future.

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Contact Sheila Fox Morrison at sheilafoxmorrison@dwt.com or 503.778.5311