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Trademark Basics in the Banking Industry

Legal Update

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Banks and trademarks have an uneasy past. Historically, banks operated in geographic isolation from each other, so there was little need to differentiate services with strong marks. Most banks simply opted for terms that blatantly described the business because there were no competing services. With this luxury of physical separation, most banks chose marks like FIRST FEDERAL BANK for the first federally-backed bank in an area or BANK OF NEW YORK for a bank located in New York City. While this strategy worked well initially, increased competition and geographic expansion led to financial marketplaces filled with indistinguishable and immemorable marks.

In today's world of global internet searching, diversified service offerings, and few, if any, geographic limitations, it is important for financial institutions to embrace branding and employ trademark strategies common in other sectors of the marketplace. It may no longer be enough to be the "first national bank" in a given area. A bank needs a mark which separates and distinguishes its services in the minds of consumers – a mark which reflects the unique attributes of the bank, its mission and service philosophies, its brand attitude, and aspirations. Finding such a strong, distinctive mark will make it easier for a bank to break through the clutter of an increasingly crowded marketplace.

Not all terms are created equal when it comes to trademarks. There are three categories of terms considered "inherently distinctive" and strong for trademark purposes. 1. **Fanciful or coined marks** are the most inherently protectable. They are made-up words that serve only to identify the source of a product or service and have no other relevant meaning. (Think KODAK® for cameras or EXXON® for oil.) 2. **Arbitrary marks** are actual known words, but they do not convey any relevant information to consumers about the nature of the associated products or services. (APPLE® for computers.) These known terms are used outside the context of their standard definitions, so they are memorable to consumers. 3. Finally, **suggestive marks** are words that suggest some attribute or benefit of the goods or services but do not simply describe the goods/services themselves. (COPPERTONE® for sun-tan lotion.) These three categories of terms create strong marks which are immediately protectable.

While it can be tempting to choose marks that describe some aspect of your services, like CHICAGO CREDIT UNION, these terms are weak from a trademark perspective. Any company which operates a credit union in the Chicago area would generally have some rights to use these terms to accurately describe its own services, so such marks do not receive broad legal protection and are difficult to truly “own.” Such **descriptive marks** are not immediately protectable and may never be protectable, unless and until they have achieved distinctiveness in the minds of consumers through years of exclusive use and advertising.

Brainstorming for a new mark should be fun. Consider terms which reflect the unique personality or desired perception of the business. Explore analogies, synonyms, foreign terms, dictionary definitions, etc. Slice, dice, and juggle these terms and concepts until several viable options emerge.

Once the target list is compiled, it is imperative to verify these strong marks are available for use and registration. There are various options for searching and clearing a mark. At a minimum, terms should be Googled during the creative process to exclude obvious problems before a business becomes attached to them. This will also help avoid unnecessary costs for more formal searches later. A preliminary search is generally a “knock-out” search performed by a trademark attorney to identify clearly problematic marks in subscription databases of registered and unregistered marks. The process is ideal for cost-effectively narrowing a list of possible options. A comprehensive trademark search is performed by an outside search firm and provides the most complete view of the competitive marketplace, covering variations of spellings, meanings, and formats in hundreds of databases. The costs of trademark searching are minimal, especially compared to the cost of trademark infringement litigation. Also, trademark searching will prevent business costs associated with potentially transitioning to a new mark and losing marketplace goodwill already established in the minds of consumers.

Once a mark is selected and cleared, make sure to consider registration options. While registration is not required in the U.S., it is highly recommended and will maximize the benefits of a new mark. Owning a U.S. federal trademark registration for an immediately protectable mark provides many benefits, including:

- constructive notice of your ownership of the mark
- a legal presumption of your ownership of the mark and your exclusive right to use the mark **nationwide** in connection with the goods or services listed in the registration
- the right to bring a lawsuit concerning the mark in federal court
- the use of the U.S. registration as a basis to obtain registration in foreign countries

The selection of a new trademark has a huge impact on the long-term success of any business, specifically including banks. With the help of a solid marketing team and a creative attorney, banks can hit the ground running with a strong, distinctive brand to distinguish its services and claim a permanent position in the minds of consumers.