Are Your Trademarks Protected?

For Most Banks, An Insufficient Focus On Brand Protection Is A Dangerous Investment

Trademarks in the financial industry are not always easy to protect. Understandably, bank names often incorporate common industry wording that cannot be monopolized by a single organization. As of the date of this article, for instance, searches for "First" and "Savings" on the FDIC's "BankFind" database return 1,121 and 675 active records, respectively. The same is true of specific financial products: let's face it – how many ways are there to name a checking account while still conveying the necessary and desired product information?

Yet in some ways brand protection for financial institutions is even more important than it is for companies in other industries. Here are three reasons why:

1. The banking industry is dynamic. Expansions and acquisitions are commonplace. As such, a bank that today is operating in a given region (say, the Carolinas) might naturally have plans to expand into neighboring states in the future. Similarly, a bank doing business in just one part of North Carolina might later want to open branches in other parts of the state.

   In either case, if the bank has not taken early, affirmative steps to protect its brand *outside of its current geographic footprint*, it may find that its desired brand expansion is no longer possible – or that the expansion can only be accomplished at great risk and expense. In other words, it may not realize until too late that its brand has become "boxed in." It is in this way that a failure to obtain a simple trademark registration could derail a potentially transformative corporate opportunity.

2. The banking industry is a frequent target of Internet scams and other online misconduct, much of which is trademark-related. Such misconduct includes phishing,[1] abusive keyword advertising,[2] and typosquatting.[3] The effects of such misconduct can be devastating – not just for the bank and its customers but for the public in general. For example, one study has found that approximately 80,000 people per day have their personal information hijacked through phishing scams.[4] And last year the *Wall Street Journal* reported that, according to one analyst, cybercrime was related to $2.5 billion in financial-industry losses in a single year.[5]

   Besides causing enormous financial harm, this Internet abuse can damage a bank's reputation and undermine the valuable goodwill the institution has worked so hard to build in its brand – and place the bank at a competitive disadvantage if its efforts to protect its customers are less comprehensive or effective than those of its peers. An inadequate internal trademark protection program can make the bank and its customers more vulnerable to these attacks while also impairing the bank's efforts to promptly and effectively address them.

3. Precisely *because* many financial institutions use common industry terms in their marks, they must be especially vigilant in monitoring for potential infringements. More specifically, given the sheer number of financial institutions in the United States, and the fact that many of them incorporate similar wording in both their trade names and product designations, banks face a good chance that, sooner or later, another financial institution will violate their trademark rights, even if inadvertently. Consequently, banks are well-advised to implement procedures to affirmatively monitor for, and to address, potential infringements.

   Banks that do not do so are at risk of having their trademark rights eroded, or

even lost altogether. They may find it increasingly difficult, and sometimes impossible, to prevent future encroachments on their trademark rights if they have sat by while other institutions have continued, unchallenged, to engage in infringing activity. Moreover, as a purely business matter, the commercial value of the banks' trademarks may diminish over time as the brands become less distinctive in the minds of consumers – and thus less effective in distinguishing the bank's services and promoting its business generally.

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The good news is that, in the trademark world, many of the greatest risks can be considerably reduced, or even avoided entirely, with a little advance planning and some routine ongoing maintenance – often at relatively little expense. In other words, trademark protection offers significant "bang for the buck." The following are a few basic steps that all banks should at least consider taking:

- Establish a deliberate, business-focused trademark protection strategy. A successful brand protection program should be developed based on careful consideration of the specific goals, priorities, and budget of the business. There is no one-size-fits-all approach. In developing trademark strategies, banks should ask themselves questions such as:
  a. What trademarks does the bank currently own and what steps has it already taken to protect them?
  b. Which of the bank's trademarks are

critical to its business, and which may warrant a lesser level of protection?

c. In which geographic areas does the bank currently use its marks, and in which geographic areas does it want to preserve its right to do so in the future?

d. What is the bank's budget for addressing these issues, and how should those funds be most effectively allocated?

e. What issues have arisen in the past with the bank's marks that should be kept in mind going forward?

- Perform availability searches before adopting a new mark. Before undergoing a rebranding, or even choosing a new product name, banks should consider conducting some level of searching to determine whether their potential new mark is truly available. Such searches can cover the U.S. trademark office database, state trademark databases, various corporate registries, and/or the Internet generally. The cost for such searching depends on the level of the search (which in turn often depends on the importance of the mark), but even the most extensive search is far less expensive and time-consuming than dealing with a post-launch infringement suit or having to abandon the mark after months or even years of use.
- Obtain federal or state trademark registrations. Depending on the importance of the mark and the desired geographic scope of protection, banks should consider seeking federal or state registrations. While both can significantly enhance an owner's trademark rights, the federal registration gives the broadest protection, including a legal presumption of the owner's exclusive right to use the mark nationwide in connection with the goods and services listed in the registration. On the other hand, the quicker and cheaper state-registration route may sometimes be sufficient or even preferable, such as when a third party has acquired prior rights to the mark in another part of the country, thus making a nationwide claim of exclusivity impossible.
- Monitor and enforce. After a bank has identified and secured the trademark protection it needs, it should take affirmative steps to detect and address third-party infringements. As noted, a failure to do so can result not just in a substantial loss of trademark rights but also in grave commercial harm to the brand. Fortunately, a number of useful and cost-effective tools are available to support these efforts. For example, at a cost of a few hundred dollars per year, a bank can arrange for an automated service to alert it to new and potentially infringing third-party applications, so that the bank can decide what action, if any, to take against those applications.
- Don't overlook domain names. As mentioned above, some forms of Internet misconduct that routinely target banks involve the use of domain names that are deceptively similar to the bank's real domains. By conducting some basic, periodic searching for these types of domain-name registrations, and by preemptively registering certain domains that are most likely to be misused by scammers (or that have been misused in the past), banks will be better positioned to prevent, detect, and address these harmful Internet scams.

In summary, while financial institution trademarks can sometimes be difficult to protect, and while they may not always top the list of a banker's priorities, there are many important business and legal reasons to tend to these important assets. Doing so will pay solid dividends.

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1 "Phishing" is an online scam intended to trick customers into revealing their credit card numbers, account information, and other sensitive financial information through the use of fraudulent emails and fake websites.
2 "Keyword advertising" involves advertising that is linked to specific words or phrases – including, for example, the use by a bank's competitor of the bank's own registered trademarks to trigger search engine ads for the competitor.
3 "Typosquatting" involves the purchase of a domain name that is a deliberate variation of brand-owner's domain, with the intent of capturing Internet traffic intended for the brand-owner's site.
4 See http://www.getcybersafe.gc.ca/cnt/rsrcs/nfgrphcs/nfgrphcs-2012-10-11-eng.aspx.
5 See http://online.wsj.com/news/articles/SB10000872396390444508504577593243972975650.