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Protecting Your Budget While Protecting Your Brand

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Establishing the right amount of protection for your brand is difficult, often akin to chasing a moving target. Just when a company achieves a level of protection comfortable for its current size and presence, it launches a new product, changes its logo, confronts a new competitor or discovers an enterprising counterfeiter.

When it comes to the appropriate level of protection and the amount to spend on it, lawyers like to say, much to the frustration of their clients, “It depends.”

In truth, it does depend, and a number of factors need to be evaluated. In this article, we review two common scenarios and then analyze how some of those factors apply.

In the first scenario, your job is managing a company’s trademark portfolio, and you are faced with paring down what has become an unwieldy group of trademarks. This could be due to the rebranding of a product line, changes in products or markets over time, the sale of a division, or acquisition of a new line of business. In many cases, simple lack of attention has caused the portfolio to grow without company supervision.

Outside counsel usually is not consulted about such a project until the portfolio has gotten so far out of control that it’s become a noticeable chunk of the legal department’s budget. If your job is to get costs under control but still keep the brand intact, where do you start?

In scenario two, you are presented with the task of deciding how to protect either new brands or old brands where protection has been neglected.

This scenario is most common in small companies, where

growth has been faster than anticipated. But it is also quite common in larger, older companies, where budgets have been tight and brand protection was not traditionally a priority. Now, for whatever reason, there is some money in the budget to protect the brand – but don't spend too much.

How do you help your company take the next step?

THE BASICS

Companies often overspend because the decision-maker fears leaving something out and wants to cover all the bases, lest there be finger pointing when something that should have been protected wasn't. The opposite is also true: companies can underspend because the decision maker, lacking all the facts, may unwittingly take risks that have potentially disastrous consequences. Reviewing the basics can help you avoid swinging to either side of the spectrum.

Trademarks and Service Marks: These are words, phrases, symbols or designs that indicate the source of the goods or the service. In most jurisdictions, trademark applicants must specify the "international class" of goods or services for which protection is sought. In some cases, multiple classes may be advisable.

First-to-File v. First-to-Use: In the United States and some other jurisdictions, rights to a trademark do not accrue until a party actually uses the trademark in commerce. While a company can file an application to get the process started, the USPTO won't grant registration until that time. In most other countries, use is not required for registration. Accordingly, if a particular jurisdiction is important for a company's business activities, being the first to file an application may avoid problems down the line and serve to head off an enterprising competitor or "squatter."

Filing Treaties: The Madrid Protocol is an international agreement that allows companies in member states to file a single trademark application in the home country and have that application automatically filed in other member countries. If a company's core markets include the European Union, a Community Trademark application may be the most cost effective way to achieve protection in that jurisdiction.

If a company's goal is to grow its portfolio and its protection, using these tools can help mitigate some costs during the process.

Keeping these basics in mind, a number of factors should be reviewed to determine the right move. Someone with intimate knowledge of the company and its markets needs to evaluate these factors, and also decide if there are others to consider. Walking through the following analysis with outside counsel can help identify the most important issues.

First, consider the nature of the business you are in. Consumer products tend to require large-scale and often worldwide trademark filing initiatives to protect a brand and keep it ahead of the competition in consumer recognition. This is in contrast to companies that are selling business-to-business or in niche markets, and may not be concerned with attaining household-name status.

Second, consider who your customers are. Are they particularly sophisticated, or are you looking for the man on the street? A greater degree of sophistication reduces the risk that your customer will be confused as to source.

Third, where are you doing business? While the internet allows even tiny shops to do business globally, you still need to ask what, realistically, are your key markets. And, are there markets where you are seeing counterfeit products?

Next, what are your key product or service offerings, and what products or services are of lesser importance in terms of revenue or strategic value?

Finally, what does your portfolio look like now? Ask whether there is obvious dead weight – or, conversely, whether there are clear gaps in protection, in terms of product type or geography.

PROGNOSIS

After determining the current lay of the land, try to envision the future. Understanding where your company is heading helps you decide where to cut and where to add.

Do you have products that are on a meteoric rise and will require new registrations, or something new in development that will replace your current offerings? This indicates that you can hold off growing the portfolio in relation to the old products and begin taking steps to protect the replacement.

Are there up and coming companies that will be competing with your established brand so that you need to step up marketing efforts to remain on top? Will you be opening branches on the ground or online to target new geographic markets, and are those locations first-to-file jurisdic-



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tions? Do you anticipate more knock-offs or counterfeits of your product? (If you are seeing counterfeiting now and your products maintain their popularity, the answer to this question will be a resounding “yes.”)

Temper optimism with realism, and ambitious growth goals with realistic predictions about how the company will be doing business in five or ten years.

RISK

Even after all these considerations and projections, unless you have minimal trademark needs or an unlimited budget, you will need to get comfortable with some level of risk.

For example, a U.S. trademark alone may be enough. Sometimes just having a stake in the ground is enough to stave off

until such time as some required action is not taken. This effectively provides a grace period after a decision to let the mark go.

This programmatic approach can be used for new products for which the value of large scale registration is uncertain, but potentially large. Budgets often aren't so constrained as to prevent filing for trademark registrations. Rather, it is the cumulative effect of trademarks filed over the years that strains the budget. Thus, when launching a new product, a U.S. application can be filed, followed by an international application under the Madrid Protocol. Then regular review of the product and its markets can be undertaken.

If the product succeeds as hoped and the rights prove valuable, you are protected. If not, you can begin weeding

Before slashing and burning or building and spending, reviewing the basics can help you avoid swinging to either side of the spectrum.

imitators, regardless of the geographical scope of the legal protection. Often this is the case where one or more of the following factors are present: The product is sold to sophisticated consumers who could not be fooled by a product name; the sales process involves significant vendor-customer interaction; or potential competitors would have no interest in being seen as a copycat.

However, you should consider whether there are parties that could exploit your chosen name if they were allowed to do so. For example, third party service or parts suppliers may be able to profit from using your product's name, and possibly damage your goodwill, as well. If this seems plausible, consider filing in jurisdictions where such players are active.

In cases where you must file broadly, there are ways to get reasonable protection while avoiding excessive costs. Even if you face competitors in almost every jurisdiction in the world, you may not need to register worldwide. For example, if you sell throughout Asia, would a competitor invest in marketing a product with a name similar to yours if you have protection in China, Japan, Taiwan and Korea? If not, then it probably isn't worth registering in other Asian markets.

Some large portfolios may be susceptible to cuts that will have no appreciable effect on protection. If you have a family of names with a component (i.e. an element that is arbitrary and/or well known by relevant consumers) that is used together with descriptive or suggestive components or letters (such as “Super” or “XL”) registering only the strong component is usually enough.

There also are programmatic ways to save money on the portfolio. Review and purge once, then docket subsequent occasional reviews, with participation by the relevant businesspeople.

Bear in mind that marks weeded out of the portfolio do not need to be affirmatively abandoned. Rather, instruct counsel not to spend time on them and simply forward any actions or notices. In this way the mark will not really go abandoned

out as soon as it becomes apparent that certain rights aren't worth their cost.

REALITY CHECK

Decisions about building or reducing a portfolio, and about what to protect and where, should be made with the company's culture and resources in mind. For example, if the worst case result of failing to register in a given jurisdiction is minor activity that would not pose a threat to the brand, there's not much value in a registration. Factors such as the company's capacity for monitoring such activity, and its willingness to litigate, also should be considered.

Portfolio review methods need to be evaluated in light of the company's culture. Trademark costs, particularly when multiple classes of goods are chosen in multiple geographies, tend to grow almost exponentially over time. If your strategy requires regular review, and that review does not occur, you can find yourself virtually strangled with costs very quickly.

OUTSIDE COUNSEL'S ROLE

Outside counsel can be invaluable or be a frustrating roadblock. A good advisory attorney should be comfortable learning the client's risk tolerance and providing advice within those parameters. A company does not need to be told that the only way to minimize risk is to file everything, in every country. Most companies know trademark litigation can be a lengthy and costly endeavor, but budget realities rarely allow a company to take the most thorough approach, and a balance must be struck.

Outside counsel should walk the client through the data points above and provide thoughtful advice on how to proceed in the client's unique business environment. If you feel like you are battling your outside counsel at every step, or that counsel is not willing or able to assess the lay of the land through the eyes of the company, then it may be time to look for new help.

TAKE ACTION

In the scenarios outlined above, two companies face two different problems. The first needs to figure out how to cut down a portfolio that has taken on a life of its own. The second is looking to augment its brand protection.

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The first company would need to recognize, at the outset, that the company name is an important brand to protect. After those registrations are safe, it would need to look at

what remains, such as tag lines created long ago, logos the company no longer uses, perhaps even registrations relating to products no longer being sold. Out of that list, the company would need to identify registrations that can be let go in order to make room for new products and initiatives.

In some ways the second company has an easier time. Spending money to build is often more palatable than saving money by cutting assets. One approach would be to utilize filing treaties to maximize the number of applications filed with each dollar and attain a global brand presence quickly.

By starting with the most important trademarks, like the company name and key product names, the number of applications filed at one time can be minimized. Later, other trademarks can be identified as line items on future budgets.

Scenarios vary, but the object is the same: sufficient protection at a reasonable cost. ■