

# Brand best practices

A special roundtable discussion focusing on the brand creation and management process

By **Joff Wild**

Because of the increasing value of brands to so many companies across the world, the brand creation and management process has never been more important. Mistakes made at any stage can end up damaging a company's reputation and could cost huge amounts of money to put right.

In this roundtable, a group of experienced trademark practitioners – Nancy Lapidus and Eric Fingerhut of Howrey; Håkan Borgenhäll and Katarina Strömholm of Lindahl (formerly RydinCarlsten); Nick Baker of Rouse; and Catherine Holland of Knobbe Martens – explore the most effective ways to create a brand from a legal perspective, detail the management systems that need to be in place to ensure that existing brands are effectively policed and discuss the issues that brand owners face in seeking to protect them.

**Is there an ideal time for a trademark specialist to get involved in the brand creation process?**

**Nancy Lapidus:** *The sooner the better! In a perfect world, the trademark specialist educates the businesspeople responsible for brand creation before the process begins. Early understanding of concepts such as trademark distinctiveness and proper usage, registrability, likelihood of confusion and dilution of famous marks will result in a more efficient process. While it is tempting to create a brand name that readily communicates the product or service, it is*

*important for businesspeople to understand the spectrum of distinctiveness and the broader scope of protection afforded to suggestive, arbitrary, unique and coined terms. The trademark specialist can also explain the procedure for clearance, including the value of knock-out searches, the scope of US federal and common law searches, the need for use-related investigations under certain circumstances, as well as the anticipated costs and expected timeframe to ensure that clearance is performed properly.*

**Håkan Borgenhäll:** *I agree: the ideal time for the trademark specialist to get involved is actually from the start of the creative process, in order to provide legal input to the process. But it is always a good thing if the company involved has at least vague ideas of what it wishes to express with the brand in question at the point in time when the legal trademark expert gets involved. Once the trademark specialist is involved, he/she ought to assist the company in finding and focusing on such trademarks which can be deemed to possess a strong inherent distinctiveness.*

**Nick Baker:** *Clients can waste a great deal of time and money if they choose inappropriate trademarks – for example, those that are already registered by others or marks which are descriptive, such as ORGANIC for foods, or non-distinctive, such as PREMIER, for virtually any goods or services. A trademark specialist can help clients to focus on what they want from their brands and can manage expectations. It may be that clients are committed to a mark such as PREMIER or LUXURY which they believe makes a statement about their goods or services, but in those cases they need to understand that they may well have to share the mark with a number of others and will find it difficult to build up goodwill or recognition of their brand.*

**Catherine Holland:** The minute a company decides that it wants to develop a brand, it should talk to a trademark specialist. As Nick says, quite often a company will invest a significant amount of time, energy and resources in creating a brand which is a fundamentally weak trademark. This will cost a company more money in protection and enforcement for the lifetime of the trademark. In the best of all worlds, IP counsel can sit down periodically with a company's marketing department and train them in basic trademark law. Once the marketing people understand the basic concepts of generic words versus descriptive words versus suggestive and arbitrary trademarks, they can focus their efforts on developing brands which are inherently stronger and more protectable. Assuming that the marketing department has developed one or two brands which are inherently strong, then of course the process of clearance both domestically and abroad must begin and at that point a trademark specialist is also necessary.

**In terms of priority, what are the issues that the trademark specialist should consider when he/she does get involved?**

**HB:** I would list the crucial steps of the brand creation and protection process as follows:

- Establish whether the trademark is registrable – that is, whether the trademark possesses inherent distinctive character in relation to the goods/services at issue or has acquired distinctive character through establishment on the market.
- Set up a list of relevant goods and services.
- Identify the markets where the products/services will be launched.
- Involve a linguistic expert in the creative process in order to prevent any negative associations caused by the name of the product or service.
- Establish the possible existence of such prior rights which are confusingly similar to the new trademark (ie, a freedom to operate investigation).
- Involve an experienced trademark litigator who can give input on aspects that could be important in terms of future trademark litigation.
- File the trademark application very soon after the clearance report has been issued and before the launching of the product.
- Protect the trademark rights through watching services in order to prevent the trademarks from being diluted.
- Consider the expected lifespan of the trademark and the company's budget in order to establish the level of effort to be invested in the process

**NB:** The main issue for the trademark specialist is to ensure that the mark is available for use by the client in the country or countries of interest. A client may not always wish to register a mark that it intends to use, but if it does not conduct the appropriate clearance searches there is a real danger that it might be unable to even use the mark that it has identified. Trademark searches generally need to be carried out on a country-by-country basis and the costs can be significant if searches are needed in a number of countries. However, failure to search can potentially expose the client to legal proceedings, product withdrawal, costs and damages, as well as serious commercial embarrassment.

**CH:** The answer to this question depends largely on the commitment of the company to a particular brand at the point the trademark specialist gets involved. If the company is still kicking around ideas, the trademark specialist's priority should be to channel the company's focus to those marks which are inherently strong and protectable. If the trademark specialist is brought in after the company has narrowed its choices down to one or two trademarks, then his/her first priority should be to analyse the strength and protectability of each mark and make recommendations. The second priority should be to do the level of searching required by the company to ensure that the risk of infringement is acceptable. This could be limited to an analysis of the domestic market to see what other similar marks are out there; it could include a few specific foreign countries; or it could be a worldwide analysis. The trademark specialist should have a clear idea as to the company's budget, how important the brand is to the company, how long the company anticipates using the brand, and how much the company's resources will be dedicated to the brand, both to its initial vetting and to its enforcement.

**NL:** A trademark specialist should consider the inherent distinctiveness of the mark; distinctive marks are afforded a broader scope of protection than descriptive marks. Third-party uses, applications, registrations, domain names and other corporate identifications disclosed by the search may pose an obstacle to use or registration of the proposed mark. A crowded marketplace of third-party users of similar marks may also affect the strength and scope of protection of the proposed mark. The anticipated duration of use of the proposed mark and lifecycle of the product or service with which the mark will be used should be considered when assessing whether the level of risk associated with the use and registration of a mark is



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tolerable. The intended geographic scope of use and any translation of the proposed mark will have a bearing on the public perception of the proposed mark. All of these factors contribute to the risk evaluation associated with use and registration of the proposed mark.

**In your experience, what are the most effective ways of breaking down the internal silos that can exist in businesses and which mean that marketers, for example, often fail to understand the importance of the IP aspects of the brand creation process?**

**NB:** While marketers do not need to be IP experts, some basic understanding of IP is very useful. In the bigger corporations, which have their own IP departments, the IP and marketing teams need to work together to ensure that realistic guidelines are created and adhered to. In such corporations no new brand should get anywhere near the marketplace until the IP professionals have confirmed that the IP requirements have been complied with. There is sometimes a perception from marketing departments that legal/IP is simply there to stop them doing anything creative. The IP team needs to adopt a constructive attitude too – if the marketers come up with ideas which carry significant risk for the business, or which are going to be difficult to protect, it needs to explain why there are issues and, if possible, to suggest alternatives.

**CH:** Regularly scheduled meetings between in-house counsel and the marketing department are the best way to keep internal barriers to a minimum. If in-house counsel does not have the necessary trademark expertise, outside counsel should meet with both the marketing department and in-house counsel in the same room. There's an inherent tension in most companies between the marketing and legal departments. Marketers typically prefer marks that are descriptive because it makes it easier for their customers to understand what it is they're trying to sell. They don't realise that such marks substantially increase the cost to the company to protect and to defend that mark. These costs will continue for the lifetime of the brand as the problems inherent to a descriptive mark never completely disappear. Of course, as these problems arise, they are handled by the legal department of the corporation and are reflected in the legal department's budget. This puts the legal department in an unhappy position. Neither in-house nor outside counsel wants to say no to the CEO or the marketing department; nor do they want to go over budget. They must clearly identify the risks and costs

inherent to the selection of one brand over another. Lawyers must not lose sight of the bottom line, however. First and foremost, the company should select a brand that will sell goods. A company may have the strongest, most arbitrary, most inherently protectable mark in the world, but if consumers aren't buying, the brand is a complete waste of money.

**NL:** Education and communication. At the earliest opportunity, and before the brand creation process commences, the trademark specialist should take time to educate the businesspeople about the value and procedures for trademark clearance, procurement, registration, maintenance and enforcement. Understanding the importance of key concepts puts everyone involved in the brand creation process on similar ground. Communication between businesspeople and the trademark specialist from beginning to end of the brand creation process is paramount. The trademark specialist should be relied upon to guide the process from a legal perspective. The businesspeople should communicate their business objectives and trademark protection budget.

**HB:** It is important to educate the marketers and remind them of cases (litigation and others) where a freedom to operate investigation had not been done properly. You can also give them examples of cases where companies chose a name/brand that created negative associations among the public in a certain country. Education on the possibilities presented by trademark legislation (eg, colours and 3D), as well as other intellectual property legislation (eg, design protection), will create a good working climate with the marketers. As my colleagues have said, a common belief is that a descriptive trademark is a good trademark. However, we recommend our clients to use fantasy names instead or at least to introduce unusual variations of the common words. It is also vital to inform the marketers of the importance of using the trademark in the form/design in which it is registered and to use it as an indication of the origin of a product, instead of using the trademark as the general description of the product. If the trademark is used as the general description of the product, the trademark runs the risk of becoming generic.

**Under what circumstances should companies involve outside counsel in the brand creation process and what capabilities should they look for from such counsel?**

**CH:** A company should involve outside trademark counsel in situations where in-

house counsel does not have the necessary expertise, or where the company is not willing to invest in the necessary personnel and software to conduct clearance searches and prosecute and maintain trademark portfolios. A company should look for outside counsel with experience in both domestic and international trademark law, and an established network of foreign law firms. This network is a golden asset which the outside counsel can provide a company. We all know that there are hundreds of law firms that practise IP law. We also know that not all firms are good at all things, and that there are some firms that are truly spectacular at certain things. Experienced outside counsel have already sorted through these law firms and have an instant network in place that can provide quick and reliable advice in jurisdictions around the world.

**NL:** Counsel should be involved in the clearance phase to analyse the results of any knock-out or comprehensive search, manage the investigations of potential third-party conflicts and evaluate the risks associated with use and registration of the proposed mark. Although some outside counsel may lend ideas or suggestions for the mark to be adopted, particularly regarding the uniqueness of the proposed mark, most do not. Rather, outside counsel generally weigh in only on the legal aspects (eg, risks and scope of protection) related to the proposed mark.

An outside law firm of seasoned trademark practitioners, capable of handling complex trademark issues in the context of clearance, procurement, maintenance and enforcement, would be a well-utilised resource. Catherine makes a good point: a firm with a global footprint could provide for a more cost-effective arrangement where the brand is to be protected worldwide. At the very least, a firm that has relationships with a reliable network of local counsel should instil confidence when embarking on an international filing programme. Brand owners frequently face misuse on the Internet, including domain name disputes. A firm with experience managing policing programmes, ICANN disputes and cybersquatting issues would be beneficial.

**HB:** Outside counsel have a big role to play when a trademark owner is launching a product or service abroad. Although the harmonisation of trademark law has come a long way, legal practice and case law still differ from one country to another. One important example is the different principles which are applied with respect to company names. Therefore, it is important to consider what different jurisdictions may be involved when setting up a

brand strategy for a company. A local counsel knows the language and the local slang words, and possesses knowledge of the law of the particular jurisdiction. Sometimes it may also become relevant to register a trademark transliterated into the local alphabet. In other words, a trademark expert has great knowledge of the possible obstacles that may occur in different countries and also has contacts all over the world, which will be of help in the trademark creation process. As previously stated, it is always an advantage to take litigation experience into consideration.

**NB:** Understandably, clients may be nervous about inviting outsiders into their brand creation process, but failure to involve IP counsel may simply store up problems for a later date. In many countries it is possible for members of the public to conduct rudimentary trademark searches online at local trademark registries. While in certain circumstances these can be a useful means of eliminating potential marks for which there are already prior rights, this is only part of the story, as trademark applications can be refused or opposed, and use of a brand can be stopped, on the basis of earlier similar marks as well as identical marks. When choosing IP counsel, companies should look for advisers who adopt a robust commercial approach. Companies generally do not want to read through lengthy legal opinions. What is important is whether they can use and register their marks. If there are potential obstacles to use or registration of the brand, they need to have an assessment of the obstacles, in percentage terms, and to understand what options, if any, might be open to them to overcome those obstacles. It is often helpful if your trademark counsel has previous experience of working in-house, as they will then have a better idea of the pressures that the company is under and the type of advice that is required.

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**In terms of registering a trademark, what are the major considerations that should be factored into a decision?**

**NL:** When deciding whether to register a trademark, important considerations include the distinctiveness of the mark and the scope of protection to be afforded to the mark. A descriptive mark that is capable of acquiring distinctiveness in the United States, for example, may be registrable on the Supplemental Register, which has some but not all of the benefits of a Principal Register registration. Before seeking federal registration, the trademark owner should have a realistic expectation of the value of a



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registration in an enforcement context. The distinctiveness of the subject mark, the description of goods or services identified in the registration and the actual geographic scope of use of the mark are some of the factors that impact the ability of the owner to enforce trademark rights. Brand owners also should consider the duration of the lifecycle of the product or service with which the mark will be used in their assessments of whether a registration is of value. Finally, the nature and extent of third-party uses and registrations in the pertinent field or industry, as well as a general awareness of competitors in the business, should be considered.

**HB:** For me, it comes down to looking at the registrability: in other words, the inherent and acquired distinctiveness of the trademark, the classification, the relevant markets, freedom to operate, scope of protection and the meaning of the trademark in the relevant languages.

**NB:** The major factors are the countries where the mark is likely to be used and the nature of the goods or services. For goods it is sensible to protect the mark not only in the countries where the goods are sold, but also in the countries where the goods are manufactured, to stop opportunistic registration or use of the marks by the manufacturer or by third parties. It is probably not commercially viable for a company to register its mark in all countries where this is available (currently over 200), so the brand owner and its advisers need to decide where the budget can be best applied. Besides countries where there are sales or manufacturing, there are certain other blacklist countries where it may be worth registering if only as a defensive exercise, although in those countries enforcement may still be a problem. Another potential way of maximising the budget may be through using Community trademarks (whereby a mark can be registered across the whole of the European Union for a fraction of the cost of registering on a country-by-country basis), or using the increasingly popular Madrid Protocol system which currently allows for the registration of marks "internationally" in around 75 countries.

**CH:** It is important to ask what is the potential lifetime of the mark – will it be for one season or several seasons? Is it for a minor branch of the company's business or is it for a core product? Where will the company be selling and advertising products bearing the mark? Where will the products be manufactured? Are there any licensees and where are they located? What is the budget? What is the likelihood of counterfeiting or piratical behaviour in particular countries?

The company should answer all of the above questions before developing a filing strategy. Options include relying on common law rights in those countries that recognise them, domestic filings only, staggered filings under the Paris Convention to spread out costs, or extending protection from one's home country to other countries via the Madrid system.

**Once the trademark is registered, how should you go about ensuring that it is used in the way that you want it to be used, both inside the company and externally?**

**Katarina Strömholm:** Events within the company should be arranged at which employees are informed of the brand strategy and the importance of using the trademark correctly. It is also important to prepare and distribute a written brand manual/policy for internal use. If the trademark is used correctly within the company, the likelihood that the trademark will also be used correctly externally increases substantially. Furthermore, it is important to act against possible infringers to prevent the trademark from being damaged. In order to be able to do this efficiently, the company – including its system of retailers – should be organised in such a way that possible cases of infringement are reported to those within the company who are responsible for safeguarding the existence and use of the company's trademarks. Watching services regarding trademark applications and internet tools are available to safeguard correct use of the trademark. According to the Swedish Trademarks Act, the trademark proprietor can inform publishers of dictionaries that a word is a registered trademark and is not to be referred to as a generic concept.

**NB:** The company should ideally have its own style guide laying down exactly how the mark should be used, for example: font name and size; Pantone colour; positioning; use in combination with other marks (eg, logos); and so on. These guidelines need to be followed strictly to ensure that the integrity of the brand is maintained in all circumstances – for example on the goods themselves, on stationery, in advertisements, on promotional items and so on. With regard to external usage, most people are aware of words that have started out as trademarks but have virtually become generic for particular types of product, such as cellophane. In addition, trademarks can be misused as verbs. For example, people talk about "hoovering", although they may not be using a HOOVER vacuum cleaner. Brand owners need to be consistently vigilant in protecting their marks from misuse to ensure that the brand integrity is maintained.

**CH:** This is a constant battle and is yet another reason why an in-house or outside trademark specialist should meet regularly with marketing staff. The trademark specialist needs to educate marketing staff on how to use the mark properly and should develop an in-house style manual to which the marketing department can refer as it prepares packaging and promotional materials. As Nick says this can include all types of information on how to use a mark in text, how to use appropriate trademark notice and how to handle situations where a mark is used in a variety of jurisdictions where it may or may not be registered. All employees should be taught to keep their ear to the ground at trade shows and when reading trade magazines or publications to make sure that others are using the company's marks correctly. They should also review the competition's materials to make sure that others are not misusing the company's marks. Companies should set up a policy that all packaging, marketing materials and changes to the website be given to the legal department before they go to the printer, and with sufficient time to make changes. In return, the legal department has to commit to a quick turnaround time when such materials are sent to it.

**Eric Fingerhut:** Even before the trademark is registered, the brand owner should establish a protocol for legal review of all advertising, promotional and other written materials created by the marketing group or any other business division. By reviewing the advertising, promotional and written materials for the products and services at issue, the legal department can ensure that the use in question legally qualifies as trademark use and that overall brand strategy is consistent with business objectives. It also is a good idea to create a trademark use policy and distribute it to all users of the mark and the services in question. Of course, brand owners also must develop policing programmes to ensure third parties do not make unauthorised use and registration of trademarks.

**In building a brand, what other types of IP right could come into play and how can these best be protected?**

**NB:** Design registration is often a useful way of protecting the shape or appearance of a particular product. In many countries this can also be used for protecting labels or other two-dimensional images. As the costs of obtaining a design registration are generally lower than those for obtaining trademark protection, and as design registrations are generally granted

only for five-yearly periods (renewable for up to 25 years), they can be particularly useful for items or designs which are likely to have a relatively short lifespan.

Copyright is a right which arises automatically upon the creation of certain works, including artistic works. The threshold for what is considered artistic is relatively low and will generally cover logos, advertisements and so on. If the work is created by somebody other than the brand owner or their employees the copyright will probably belong to the creator rather than the brand owner. In any case where a third party is creating a work on behalf of a brand owner, it is important that the brand owner obtains an assignment of any copyright in the work created. This is a relatively simple and straightforward document but is something that a brand owner needs to deal with at the outset rather than as an afterthought.

Patents are generally not so relevant in relation to brand building, as they cover inventions (articles or processes) rather than words or images. But they are something that a brand owner should bear in mind if there is anything inventive about what it is doing.

**CH:** With respect to product packaging or a configuration marks, in the United States there may be some interplay between trademarks and design or utility patents. There are typically no conflicts with respect to the rights claimed in a design patent vis-à-vis those claimed in a trademark configuration application. There can be an inherent conflict, however, between trademark configuration applications and utility patents. To obtain the utility patent the company must show that the configuration is functional, whereas to obtain trademark configuration protection the company must show that the shape of the product is not functional. Unfortunately, the scenario arises more often than you might think, as the patent side of a company usually operates independently from the marketing or branding side of the company. Before filing any trademark applications for product designs, configurations or product packaging, the trademark specialist should ask the company whether there have been any patents filed for the same design configuration or packaging.

Typically, copyright rights overlap with trademark rights to the extent that there is a design or logo. The trademark specialist should review all designs and logos to see whether it might be appropriate to register them in the United States Copyright Office. We have found that foreign jurisdictions will often give great deference to designs that are registered in the United States Copyright Office. In many instances, we have been able to enforce the



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equivalent of trademark rights in foreign jurisdictions based on the United States copyright registration, even though we do not have a trademark registration for the design or logo in the foreign jurisdiction.

**EF:** All types of intellectual property rights could be affected when creating a new brand, including copyright, trade dress, patents and rights of publicity. For example, the brand owner may have a copyright in the website or other promotional material created to advertise the product or service in question. The look and feel of a new product or the packaging of a product may give rise to trade dress rights. A new product or service may qualify for patent protection. Brand owners should also be aware of others' intellectual property rights in creating promotional material to advertise its new product or service and new brand name. For example, use of a celebrity image or voice to promote the new brand would infringe rights of publicity in the absence of consent. Photographs, video clips or other third-party works may be subject to copyright protection and may not be permissible for use in advertising or other materials without a written agreement from the copyright owner.

**KS:** A company can complement its trademark rights by registering the mark or the shape of the product as a design. The advantages of protecting the mark/shape of the product as a design in Europe, for example, is that a design registration enjoys protection in all product categories. In other words, unlike a trademark a design is not limited to certain product classes. A design can be registered under the condition that it is new and enjoys individual character. The disadvantage with a design is the limited period of protection, while trademarks can be renewed in perpetuity.

A trademark can also be complemented by a domain name. Domain names can be registered under the condition that there is no identical prior domain name. Domain names are renewed annually.

As already mentioned by the others, copyright is also an IP right that can have relevance to a brand. In some countries, it is also of great importance to analyse the marketing practices laws. There are several important cases from the Swedish Market Court, for example, where trademarks, get-ups and other appearances have been considered to enjoy protection under the Marketing Law. Such protection may include protection against products/packages which are confusingly similar to the "original", as well as against products/packages which are not confusingly similar, but which abuse the goodwill of the

"original" product/package and create associations with the "original" product in an unfair manner.

#### **What do you see as the major online issues in building and creating a brand?**

**CH:** The number one problem with an online brand is that a company can immediately lose physical control of it. It is instantly available to the entire world at the same moment and the electronic format of the mark makes it possible to reproduce the mark perfectly, instantly and cheaply with the click of a button. Each company needs to make a determination upfront as to the extent to which it is going to enforce its proprietary rights online.

Another problem is the use of a company's marks by its competitors in metatags, in machine-readable code or on their websites in such a way that it draws traffic away from the brand owner's website. In the United States, the courts are completely divided as to a competitor's right to do this. Some courts have said that it is okay for companies to use their competitor's marks hidden in the machine language or as metatags, because only the search engine or the computer sees the mark. The end user does not see the mark and there is therefore no trademark infringement. Other courts have said that it is an infringement to use a competitor's mark as a metatag. I'm afraid that there will not be consistency, at least in the US courts, for many years to come.

**EF:** Online issues facing brand owners include unauthorised registration of domain names to drive user traffic to pay-per-click sites, virtual worlds, social networking sites, sale of counterfeit goods via online auction sites, blogs and fan sites.

The failure of trademark owners to pursue adverse infringing uses on the Internet proactively impairs brand distinctiveness. Brand owners must police and monitor the internet for misuses of their marks in domain names and in content on websites. Brand owners can utilise domain name watch services to generate custom reports that identify newly registered domain names that include the watched trademark, provide the relevant WHOIS data for the registered domain name and include a thumbnail screen capture of the content on the website to which the domain name resolves. In addition, brand owners can designate paralegals, lawyers in-house or other staff to monitor the Internet routinely for unauthorised uses of trademarks in the content of websites. Alternatively, they can hire a vendor to scour the Internet systematically for misuses of trademarks.

Brand owners would also be wise to monitor blogs, social networking and user-generated content sites to understand what the public is saying about their trademarks and to address any concerns quickly. Such action may actually temper negative criticism and impact favourably on the brand.

**KS:** In addition to the internet-specific issues raised by my colleagues, there is the issue of genuine use connected to use of trademarks on the Internet. If a trademark is used only on the Internet, it is difficult to fulfil the requirements of genuine use of the mark. The holder of the trademark may, in an invalidity procedure, be required to show that the trademark has been used in the relevant market. As proof of use, the holder may show that the products/services were directed to the market in question. In order to show proof of use, the holder must use the relevant language and the relevant currency on the website. In cases of litigation forum aspects must also be considered.

**NB:** A basic issue is to ensure that the domain name or names you require for your brand are available or can be acquired for an acceptable sum. There is now a high degree of domain name saturation and generally top-level domains for invented words are more likely to be available than those for dictionary words.

I agree with Catherine that another major issue concerns the increasing use of keywords or sponsored links. This is typically a mechanism whereby advertisers pay search engine or browser operators on a per-click basis to acquire certain terms (generally trademarks belonging to others), so that when such terms are put into a search engine or browser the advertiser's designated advertisement appears on the screen. There have been numerous conflicting decisions in various countries on the issue of whether such use of keywords can constitute trademark infringement. Some search engine providers have agreed voluntarily to disable keywords if a registered trademark appears in the text or heading of the offending advertisement. There are cases pending before the European Court of Justice which will hopefully clarify the issue, in Europe at least.

**Infringement is always a possibility, especially if your brand is successful. At what stage does litigation become the only way to solve a dispute?**

**EF:** Always try to resolve a dispute amicably. It is cheaper than litigation, particularly as the majority of trademark cases do not result in an award of damages if there is no wilful intent. Litigation may become necessary if the objectionable use tarnishes the business

reputation of the trademark owner, generates significant lost sales or otherwise conflicts with the brand owner's business objectives. There also may be cases where a brand owner feels it is necessary to litigate to set a precedent and create a deterrent against future misuses.

**KS:** Infringements can be of different types. In cases of counterfeiting there is hardly any alternative to taking immediate legal action. In minor cases, such as infringement in good faith, you can almost always solve the problem without litigation and in such cases the damage is normally limited and manageable. It is important to have a strategy where the trademark holder clearly shows no acceptance of infringement or utilising/abuse of goodwill. Proprietors should not hesitate to use the opportunities provided by the implementation of the Directive 2004/48/EC of the European Parliament and of the Council of 29th April 2004 on the enforcement of intellectual property rights.

**NB:** Litigation is uniformly expensive and is very much a last resort nowadays, although in certain cases and countries it is sometimes possible to use litigation as a pre-emptive strike against infringers, in the form of search and seize orders. However, these are generally only granted in exceptional cases – for example, if it can be shown that the infringer is likely to destroy evidence if given notice of the proceedings; and where damages may not be an adequate remedy for the brand owner. Arbitration and mediation are becoming increasingly popular as alternatives to litigation.

In most countries, counterfeiting of goods is a criminal offence, meaning that it may be possible to involve the police or customs or other equivalent bodies to act on behalf of the brand owner and to bring criminal charges. This often involves little or no cost to the brand owner, but any proceedings that might be brought are beyond the brand owner's control and any fines or penalties recovered will go to the state rather than the rights owner.

**CH:** I personally feel that I have failed my clients if I cannot get most kinds of disputes settled short of litigation. At the end of the day, most companies recognise that it is in their mutual interests to find some solution short of going to court.

On the other hand, in situations where there is blatant and unrepentant piracy, or a great deal at stake with respect to a company's identity or its main revenue source, a company simply must take aggressive action. In those situations, litigation is appropriate.

As Eric says, it is also effective to litigate in situations where a resounding victory will act a



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serious deterrent to other companies who may be considering following the path of the infringer.

**What trends do you see developing in the brand creation and management process, and what challenges do these pose to both in-house and outside counsel?**

**KS:** Sophisticated clients want to work in groups with different experts involved. When doing this, all aspects of creating a trademark, including the legal perspective, are thoroughly investigated before a decision to launch the product/service under a particular brand is taken. Legal issues related to trademarks are discussed and investigated much earlier in the product development process. This means that in-house and external counsel must have deep knowledge and understanding of the business, the products and the market in order to be an efficient member of the expert team. An obvious trend is that the focus tends to turn more and more to globalisation – in other words, a trademark has to be able to function not only in one country, but in many.

Also, technical devices have increased and improved. For example, nowadays a trademark application can easily be filed electronically, a trademark can be renewed electronically, the classification can be made electronically and many other services are accessible on the Internet. It is also worth noting that there is a greater comprehension nowadays regarding the entire life of a trademark. Trademark experts are becoming more aware of possible future disputes and are attempting to prevent such situations.

**NB:** The major challenge in brand creation is probably still coming up with names that are distinctive, inventive and not already registered by third parties in your key territories. The trend is generally towards invented words, which are more likely to be available, but may often – initially at least – attract ridicule or negative press comment. Another trend is for long-established companies to look at some of their older marks, which may have fallen out of usage but may be suitable for revival. In the current economic climate many companies are not launching new brands but instead looking at brand extensions – creating sub-brands or offering new products under existing brand names.

**CH:** In view of the current economic situation, we've also noticed that many companies have severely cut back on the number of new brands that they will be introducing. Most companies are looking for ways to cut their budgets across the board in all departments, and are focusing

on their core business and their traditional revenue-producing product lines. Companies are also being less aggressive about enforcing their marks against what might be considered fringe infringers. They are conserving their resources for those situations where infringers are either truly egregious or threatening to undercut a company's profits seriously. Unfortunately, this strategy may have an impact on the company long after the economy rebounds. The players it now allows onto the field using similar marks may reduce a company's ability to enforce its mark in the future.

**EE:** In the current economy, the major trend will be the challenge of responding to client demand that brand creation and management be performed better, faster and cheaper. Name creation is less likely to be handled by outside naming agencies and more naming will be performed by internal business divisions of the companies themselves. This is another reason why it is important to inform businesspeople about trademarks and the process of registering and protecting them.

From the standpoint of brand management, outside counsel will need to respond to client demand for lower and more certain costs by implementing alternatives to the traditional hourly fee structure (eg, preferred provider arrangements and flat fee schedules for certain types of work), and having more work handled by paralegals, secretaries and docketing staff. This in and of itself poses obvious challenges, such as the risk that work might not be done correctly. At the same time, the demand for lower-cost services creates incentives to become more efficient through the use of technology. Search companies, for example, now have technology that enables lawyers to review search reports and prepare legal opinions in the same document. Electronic billing systems allow clients to review and pay bills online and track and control costs. ■