

Building brand equity for today's global market

In today's globalised world, where brands are increasingly used across diversified product ranges, trademark issues pose many challenges. Careful portfolio management can thus pay handsome dividends to the bottom line

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Since Philip Morris purchased Kraft in 1988 for six times what it was worth on paper, the company brand has moved from the marketing group to the boardroom, where it is seen as one of the most important drivers of business strategy. Trademarks are the backbone of a strong brand. Building a strategic international trademark portfolio, monetising the trademark assets and protecting the underlying goodwill will allow the brand to grow in scope and value.

As business strategies increasingly go global and brands cover a multitude of services and products, companies face ever more challenging issues related to cross-border acquisition, maintenance and enforcement of trademark rights.

This article discusses how to anticipate and deal with these challenges in order to build a strong trademark portfolio, which in turn will generate greater brand equity and bottom-line value to the company.

Acquisition

A company may acquire new brands through purchase or creation.

Purchase

If a company is purchasing brands, it must

be cognisant of the difference between the transfer of ownership through mergers or asset sales and how this impacts on the trademarks. In either of these scenarios, potential tax consequences must be evaluated and coupled with strategic planning.

The key is due diligence, due diligence, due diligence. In purchasing a brand, it is imperative to know everything you can about the underlying trademark that holds the goodwill. The purchaser must know exactly what it is getting. For example, it is critical to determine whether any rights in one or more trademarks were sold or simply lost to third parties in key jurisdictions and what, if anything, you can do to regain those rights. Conducting proper searches of the trademark asset will uncover liens, security interests, third-party claims, "gotcha" control provisions and other potential limitations on the asset. You can learn a lot about the health of a brand and its potential for growth by reviewing the legal rights that may or may not exist in key markets.

The goodwill of the trademark must be valued and the actual and/or potential royalty flow needs to be determined. Local practices need to be evaluated to determine, for example, whether inaccurate or deceitful consideration may be regarded as fraud.

Many companies tend to put off recording assignment documents as a costly undertaking and opt to handle them as needed when the registration falls due for renewal. However, this decision can be costly in the long run. Countries have different requirements for assigning a trademark. In addition, obtaining signatures or other documents from the seller years after a sale has been made, or after learning that an entity purportedly owning a registration never existed, can be more costly than dealing with the assignments

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upfront while you still have the selling company's cooperation. There are also potential enforcement problems that may arise when you rely on marks that are not in the current owner's name.

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Creation

When a company creates brands from scratch, it must be cognisant of the difference between the laws (and cultures) of different countries. In addition, given the increasing number of trademarks, it can be a daunting task to choose a trademark free from third-party claims.

There are millions of trademarks that exist on registers throughout the world – not to mention trademarks that may not be registered, but are being used and may have rights based on that use. More than a million new trademark registrations are recorded every year in more than 200 jurisdictions. The sheer volume of trademarks makes it challenging to devise a brand name that is not identical or similar to an existing trademark, which could potentially block use and/or registration of proposed mark in at least one, or multiple, countries. Remember that the strongest trademarks are those that are original, made-up words, rather than terms that suggest or describe key attributes of the goods/services to which they are applied.

In vetting a trademark for registration on a worldwide basis, the initial assessment should include conducting an online search covering multiple territories. If the

proposed trademark clears the initial search, the next step is to conduct more comprehensive searches in the countries in which the trademark is intended to be used and/or registered. This search is critical in determining whether prior rights in the mark exist. If proper searching is not done, it could lead to the loss of a valuable investment, in terms of both time and money.

Another important task is to ensure that the proposed trademark is not being used or registered as a domain name by a third party. If the domain name is being used as a trademark or trade name, it could present an obstacle for the proposed new trademark (which also may be earmarked to be used as a domain name for a website intended to promote the new product for which the new trademark is sought). Consequently, searches should be made in the generic top-level domains (gTLDs), such as .com, .net, .org, .info and .biz, and perhaps in country-code top level domains (ccTLDs) of countries of market potential. In situations where you will be registering translations and/or transliterations of your trademark in non-English-speaking countries (eg, China), you should consider registering not only the English version of the domain name in the gTLDs of interest, but also the translated/transliterated versions in the respective ccTLDs (in parallel to the registrations of the translated/transliterated trademarks).

Maintenance

Registration

Maintenance of trademarks includes, first and foremost, registration of those trademarks in jurisdictions of primary interest. Protecting an unregistered trademark is exponentially more difficult

and comes at significantly greater expense than protecting a registered trademark. Also, many countries require registration of a trademark before rights will attach.

The trademark portfolio should be built to support the company's investment strategy. Strategic registration requires a centrally managed portfolio and a defined business strategy to identify trademarks that protect the core brand, that cover sub-brands and slogans, and that are needed for tactical purposes. Careful consideration should be given before registering trademarks that cover single limited-use products or services, or that are merely descriptive of a major attribute of a product or service, as these may drain resources and possibly dilute the brand.

Every new naming opportunity should be reviewed in conjunction with a well-defined business strategy. Consider whether the mark will represent a new brand, be used in a major advertising campaign, constitute a marquis product or service under the brand's umbrella or consist of a non-traditional mark used to enhance the key brand.

When considering registration, a decision should also be made as to whether to file on a country-by-country basis or through treaties intended to aid in multi-country filings. This is not a one-size-fits-all proposition, but rather a strategic decision that should be made in light of a company's brand protection strategy and global business goals.

The most relevant treaty for US-based companies is the Madrid Protocol, which allows for central filing of trademarks in more than 70 countries throughout the world. Some notable countries that are not members of the Madrid Union include Canada, Mexico, New Zealand, South Africa, India, Pakistan, Hong Kong, Taiwan, Malaysia, the Philippines, Indonesia, Thailand, Israel and most of Latin America. Trademark protection in these countries can be achieved only through individual national applications.

The main advantage of the Madrid Protocol is the reduction in time and expense over filing multiple individual applications. Many administrative tasks, such as filing change of name documents or renewals, are simplified into a single filing. In addition to saving time and money, filing under the Madrid Protocol reduces the chances of overlooking an application or making a mistake in one of the filings.

The main disadvantage is that the international application is dependent on the domestic application on which it is

based. A refusal, withdrawal or cancellation of the domestic application or registration within five years of the registration date of the international registration will result in the refusal, withdrawal or cancellation of the international registration to the same extent. This leaves the trademark owner vulnerable to a "central attack" of its trademark in the country of origin. Another significant disadvantage is that the goods or services must mirror exactly those in the home application. This can have a significant impact depending on the particular home country application and the regulations in the specific countries in which you want to file.

Once the examination is completed by the country's patent and trademark office, the mark will usually be published to allow third parties to file objections to the registration of the mark. Once a trademark is registered, it may still be subject to cancellation on one of many grounds, including confusing similarity to a third-party mark with prior rights or non-use of the mark for some extended period.

Post-registration

Once registration is issued, a company must continue to maintain the registration, both by making use of the trademark and by filing the necessary post-registration documentation. The trademark registration renewal and post-registration use deadlines, which differ by country, must be filed properly. Failure to file the renewal in a timely fashion will lead to cancellation of the trademark registration.

In most jurisdictions a registration is vulnerable to cancellation after a period of sustained non-use (generally three to five years). User requirements can render an impressive inventory of registrations worthless if registration is not supported by adequate use of the marks in the countries in question. Once cancellation is filed, there is little, if anything, that can be done to cure the non-use. In addition, in many countries, if a trademark is licensed, the use by a licensee must be recorded. Similarly, quality control by the licensor over the licensed goods is required. Prudent trademark portfolio management requires keeping abreast of the differing requirements throughout the many jurisdictions.

Enforcement

Acquiring and maintaining trademark rights will not be enough to support a brand's value. A global trademark portfolio must be enforced to sustain and grow the strength of the brand. The cornerstone of any

enforcement programme is the gathering of intelligence through a suite of programmes, including watch services that identify similar worldwide applications, registrations and domain names; and programmes that police the Internet for copyright violations, trademark infringements, counterfeiting and diversion of product. A worldwide enforcement programme is considerably enhanced by creating central document files, unified arguments and 'master' copies that can be used again and again, as needed.

When a company fails to take action against those encroaching on its trademarks, it risks forgoing those rights, as well as negatively affecting its ability to pursue other third parties that use similar marks. The overall result may be a dilution of the trademark and lessening of brand value.

Most companies do not, and most likely cannot, take action against every third-party infringer. However, they need to be aware of the potential harm that such infringements may cause the brand and make informed business decisions. Often, an infringement may appear to have minor business consequences, but if left unchecked it could have a larger impact on the brand.

The extent of a trademark's fame is important. While national laws differ, there is a consistent recognition that those trademarks that elicit a high level of consumer recognition warrant special treatment. The ultimate question as to "fame" has been the subject of much litigation and recent trademark laws, but the general principle is that the stronger the name recognition of the trademark, the broader the protection that will be afforded to it.

Conclusion

Enforcement includes guarding against encroachment from other similar trademarks by constantly evaluating and re-evaluating the trademark portfolio in light of changing economic and social conditions. The portfolio must accurately reflect a company's current and future business strategies and goals. Remember: a trademark is forever. If properly used and renewed, it may exist indefinitely, and as such it is a very powerful tool. Take care of your trademark portfolio; it can create tremendous market power and provide critical opportunities for brand extension. But once a trademark is lost, it is usually gone forever. **iam**



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