Feature
By Trevor Little

Recovery time – the impact of economic conditions on trademark practice

Since its launch in 2009, the Global Trademark Benchmarking Survey has revealed the brutal effects of the global economic downturn for trademark teams and counsel. This year, there are tentative signs of a rebound. But is all as it seems?

The Global Trademark Benchmarking Survey, now in its fourth year, is designed to reveal exactly where trademarks are positioned within the corporate structure and how private practice is evolving to meet client needs. Over the past three years it has charted the very real impact of the global recession on the purse strings of brand owners and their trademark functions. While conditions remain tough in many markets, there are finally tentative signs of recovery; but whether and when trademark departments can expect the trickledown to reach them remains to be seen.

This month, *WTR* presents analysis of the Brand Finance Global 500 and the role that trademarks play in brand value (see page 32). Interestingly, the top 20 brands provided a picture of corporate health, with a number experiencing significant jumps. The latest filing figures similarly paint a more positive picture: in March, the World Intellectual Property Organisation announced that 2011 was a record year in terms of international trademark applications filed under the Madrid System for the International Registration of Marks, with 42,270 applications received (a 6.5% increase on 2010). The highest growth rates among the top 10 countries in the system came from the Russian Federation (+35.6%), the European Union (+24.5%), the United States (+15.5%) and China (+11.5%).

Whether this heralds a rebound in economic activities, or is merely a sign that companies are seeking to ring-fence their assets in the face of intensified competition, is as yet unclear. That the Office for Harmonisation in the Internal Market (OHIM) overtook Germany as the largest source of filings (with some 5,859 international applications filed in 2011, a 24.5% increase on 2010) suggests that the cost efficiencies afforded by Community trademarks remain persuasive. Alternatively, the popularity of CTMs could indicate more expansive business strategies on the part of applicants.

In the view of Thomson CompuMark managing director Martin Burke, the increase in filings is a good omen: "There was a growth in US and international filings, and we saw an increase in our search volume as a result. The improved economy results in this kind of improved activity in the trademark industry."

While the outlook remains unsettled in certain jurisdictions, many commentators believe that a corner has been turned. Washington DC-based Eric T Fingerhut, leader of Dykema's trademark practice, says, "I do feel that there has been an uptick in the economy"; while in Denmark, ARLA Foods IP specialist Jakob Balling adds: "The crisis is over in many markets and the BRIC countries are moving fast."

For trademark counsel, the most tangible impact of fluctuating financial fortunes is the funding available to them in their efforts to register, protect and police trademarks. In terms of in-house budgets and team structures, this year's survey yielded some positive indicators. Although 15% of in-house respondents experienced budget cuts over the past 12 months, this was significantly lower than the figures for 2011 (22.5%) and 2010 (31%) (see table on page 38). Indeed, one-third of teams enjoyed an increase in budget, with just over half seeing no change.

For some of those faced with budget freezes, the effect in practice was akin to a cut, given inflationary pressures and rising costs elsewhere. For others, any increase "was merely to provide for inflation". However, certain upward budget revisions were firmly aimed at fuelling increased business activities, mergers and acquisitions and the creation of new brands. And crucially, these figures are better than in recent years.

Dealing with cuts

But these green shoots should not be viewed as proof positive that everything is rosy in the trademark garden, warns David Koris, head of IP at Royal Dutch Shell. "We are starting to see a gradual uptick in business activity and that is reflected in improved balance sheets of many corporations," he says, "but faced with a soft economy, many corporate IP organisations that reduced staff in 2009 and 2010 are now being asked to perform the same or greater levels of activity with a downsized organisation".

And although some departments may have received a budgetary fillip, 15.9% of in-house respondents predict a cut in financial or personnel resources in the near future. Such cuts can go deep: while almost one-third of in-house respondents had hired more members, almost 10% had trimmed down staffing levels.

This may well be another reason for the slowdown in retrenchment – there may simply be nothing left to shave off from today's stripped-down departments. Isabel Davies, consultant at Boyes Turner, suggests: "Over the past few years, there have been enormous cuts and therefore there may well be little left to cut in many organisations. There comes a stage when there is just too

Global Benchmarking Survey: methodology

In February/March 2012 *WTR* teamed up with the IP Solutions business of Thomson Reuters to conduct the fourth annual Global Benchmarking Survey. The survey form was sent to leading trademark practitioners across the world, both in-house and in private practice, and 832 individuals responded.

The in-house respondent group comprised senior trademark counsel from a wide range of industries internationally. Over half of the respondents (51.3%) came from companies with more than 5,000 employees; 10.6% from companies with between 1,000 and 4,499 employees; and the remainder from companies with fewer than 1,000. In terms of portfolio size, 27.5% managed a portfolio of more than 5,000 marks; 9.5% oversaw 3,000 to 4,999 marks; 14.3% managed 1,000 to 2,999 marks; and the remainder (48.7%) managed a portfolio consisting of fewer than 1,000 marks.

In-house respondents were asked 27 questions on topics ranging from budgets to team structure, trademark portfolio management, enforcement, management of external counsel, registration systems and how their practice sits within the corporate structure.

External counsel were asked 24 questions on subjects including work volume, work type, income and fees, department staff, department structure, and registration systems. In terms of the size of the trademark practice (not the overall firm size), most (72.2%) came from practices of fewer than 25 attorneys. Turning to the trademark portfolios managed, one-quarter were responsible for more than 1,000 portfolios; 11.5% oversaw between 500 and 999 portfolios; and 22.4% between 100 and 499 portfolios.

WTR collated and analysed the responses, and then set about sifting through the data to identify significant trends and prevailing opinions with an international flavour. Finally, *WTR* contacted a select group of respondents to seek further in-depth comment.

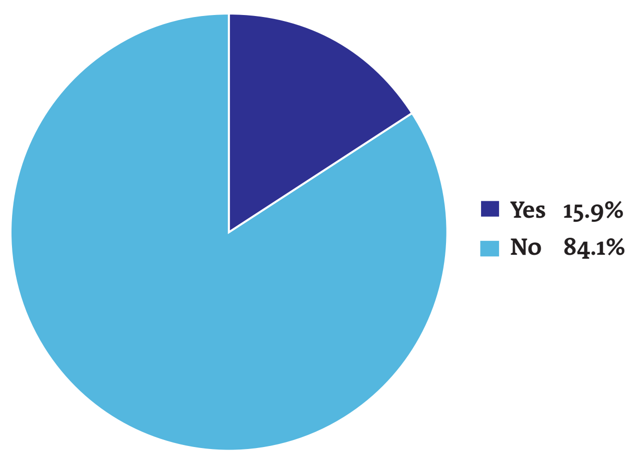
In-house counsel: Over the past year, was your budget:

	2012	2011	2010
Cut?	15.3%	22.5%	31%
Increased?	33.9%	35.2%	17.1%
Frozen?	50.8%	42.3%	51.9%

In-house counsel: Over the past year, how has your team changed?

	2012	2011
Hired more team members	31.7%	29.8%
Cut back on staff to reduce costs	6.9%	4.4%
Cut back on staff due to less work	1.6%	0.4%
Changed team structure	12.2%	15%
Outsourced more work	4.2%	7%
No change	43.4%	51.1%
Other	0.0%	2.2%

In-house counsel: Looking ahead, do you predict cuts to your team/budget?



much to do by too few people."

This may likewise explain any budgetary increases. "In-house departments were cut to the bone over the past few years and for needed work to be done it would have been necessary at some point to add some flesh back on the bones," argues Dennis S Prahl, partner at Ladas & Parry.

Where budget and staffing levels fell, this has served to curtail aspects of enforcement and registration work, with a certain degree of infringement tolerated as efforts are coordinated and prioritised. Elsewhere, it has just meant more work – often at the expense of personal time. For those anticipating future restrictions, it will come as little consolation that the general picture has generally improved since last year – although at least there is now light on the horizon.

Law firm positivity

There has also been a discernible shift in work patterns in private practice: almost 70% of private practice respondents experienced an increase in workloads over the past year, up 10% since the 2011 survey.

While this might suggest that external counsel are merely working twice as hard for the same return in a bid to stay competitive, a similar number of respondents (68%) reported that their firm's trademark practice income had grown. It would thus appear that the extra work being undertaken is not just value added to retain existing business, but also billable work that is driving growth. Additionally, almost half of private practice respondents (45.10%) staffed up over the past year, with just 3.9% experiencing shrinkage in their trademark team.

For Prahl, there are several reasons behind these figures. First, they are a natural corollary to the in-house cuts: "In-house departments experienced such deep cuts since 2009 that they could not keep up with the work. So we have seen a significant amount of new business in helping in-house counsel to keep up with demands." Second is the need to safeguard valuable company assets, leading to an upswing in enforcement; Burke notes that "as the economy recovers, more can be done, and is being done, to protect brands".

Koris agrees that the growing trend for IP outsourcing is driven by a combination of factors: "The economy is easing, and IP organisations that faced budget or staff consolidation a few years ago are moving cautiously to manage spike levels of activity through outsourcing before recruiting new staff. Additional reliance on external counsel may sometimes be necessary to support a renewed focus on anti-counterfeiting initiatives or opposition practice."

While outsourced legal work may be making new demands of

External counsel: Over the past year, has your workload:

	2012	2011
Increased?	69.00%	58.9%
Decreased?	4.80%	8.8%
Stayed about the same?	26.20%	32.3%

External counsel: Over the past year, has your firm's trademark practice income:

	2012	2011
Increased?	68.10%	54.8%
Decreased?	6.10%	9%
Stayed about the same?	25.80%	36.2%

External counsel: Over the past year, has your trademark team:

	2012
Increased?	45.10%
Decreased?	3.90%
Stayed about the same?	51.00%

private practitioners (41.9% of clients requested additional levels of service and support over the past year), more traditional legal activities are also on the increase. Of these, litigation and prosecution are most frequently outsourced (by three-quarters of respondents), with licensing, due diligence and transactional activities most likely to be kept in-house.

Steady workflows have also seen fee structures stabilise. Just under 12% of respondents had revamped their fee structure for a significant portion of their revenue over the past year – the lowest figure for three years. It would thus appear that the need to revise billing structures to accommodate clients' accounting demands is finally abating. Of those firms that changed fees, several cited a shift towards flat-fee pricing, which is fast becoming a preferred model for many clients.

Significantly, one-fifth of respondents stated that they were "very optimistic" about future trademark work referrals, as against just 16.9% who shared that sentiment across other areas of practice. Just 1.6% expected work levels to decline.

International work has been the biggest engine of growth for external counsel (see graph above). Hand in hand with this trend is a new desire both to "attack infringement at the source, as opposed to the point of entry", and to positively engage with new partners in cooperative anti-infringement efforts.

Pinpointing precise trends in client approaches to infringement remains a challenge. One European-based counsel noted: "We are seeing very different changes in strategy. Some outsourced more work; some insourced more work; some concentrated on their enforcement strategy; some expanded their enforcement strategy – there really was no consistent picture." However, what many respondents did agree on is that enforcement strategies are becoming "more results oriented rather than litigation oriented".

External counsel: Over the past year, has the international element of your practice:

	2012
Grown?	60.80%
Shrunk?	5.50%
Stayed the same?	33.70%

External counsel: How optimistic are you with respect to the level of trademark client referrals:

	2012
Very optimistic	20.00%
Optimistic	68.30%
Not optimistic	10.20%
Expecting a decrease in work	1.60%

External counsel: How optimistic are you with respect to other areas of business growth:

	2012
Very optimistic	16.90%
Optimistic	68.80%
Not optimistic	13.40%
Expecting a decrease in work	0.90%

In-house counsel: Over the past year, has the amount of work you sent to external counsel:

	2012	2011
Increased?	39.6%	28.6%
Decreased?	19.8%	22%
Stayed about the same?	40.6%	49.3%

Whether in a bid to save costs or merely as the result of a strategic rethink, a wider array of tools is thus being utilised. One commentator suggested: "Some clients have clearly decided to employ a more polite way of requesting others to cease infringing their IP rights and the tenor of warning letters has changed accordingly. I would say that trademark owners seem to be more open to amicable solutions."

This view is shared by other practitioners: "Clients are more cost conscious and are more inclined to look for co-existence solutions for legitimate marks, or for administrative solutions such as customs seizures for counterfeits."

Corporate tales

But while trademark work may have picked up in pace, wider corporate understanding of the trademark function has not evolved in tandem; indeed, if anything, it may have regressed.

Valuations

One obvious disconnect between the ideal and the actual concerns valuations. The survey quizzed in-house respondents specifically on trademark portfolio valuations, rather than brand valuations (to which trademarks make a major contribution). While 38% of respondents felt that trademark valuations constitute an essential component of brand strategy, with 10% agreeing that valuations are a useful tool when requesting budget, there is a marked gap between the number of respondents who feel it is an important practice and those who have actually valued their trademarks (9.5%, with 10.6% planning to).

David Koris, head of IP at Royal Dutch Shell, comments: "It is somewhat surprising that 62% of those polled did not think that trademark valuation constitutes an essential component of brand strategy. However, this may be a result of required prioritisation of IP service delivery due to reduced levels of resources. If an organisation has not drawn a connection between IP rights and its ability to enhance commercial performance, then it will prove more difficult to align business, technical and IP resources to improve the quality and focus of their IP portfolio assets. Historically, businesses came to appreciate the commercial value of their IP rights through participating in licensing programmes, purchasing or selling IP assets, or pursuing adverse users through enforcement of rights. The role of IP strategies in managing the use of IP rights has driven greater focus on sizing the IP portfolio assets to meet business plan objectives. Where an organisation has gone through the steps to optimise its IP portfolio assets, there is an inclination to take the process further using the value of IP assets in asset management."

The data also suggests that even where there is a desire for valuations, trademark counsel are finding it difficult to secure the buy-in of senior management. "I think there is a poor understanding of IP in many management boards and a lack of trust in the valuation methods applied to intangibles," observes Keith Hodkinson, managing partner of Marks & Clerk Consulting. "So in the worst-case scenario, you get the wrong answer in your mind, an answer you don't want to hear, and in the best-case scenario you get an unreliable number that flatters you. That is the prejudice. The same can be said of the value of a contract – but people are happy to put the value of a contract in their books."

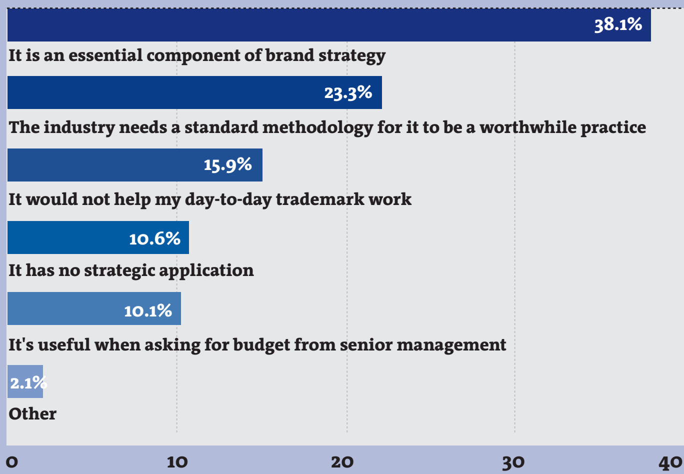
Thomson CompuMark's managing director Martin Burke expands: "There are varying models, approaches and uses for brand valuation. There has to be an agreement made on what the model is, and then why it is an important component in developing a brand strategy. Compounded to this is the level of expertise required to execute brand valuation. These two factors can be challenging to most companies that do not have a large, global presence."

What is clear is that almost one-quarter of respondents felt that there should be a clearer, common methodology when it comes to valuations. However, it is difficult to rely on a 'one size fits all' approach, as Brand Finance chief executive David Haigh recently told *WTR*: "The reality is that there is not just one method or valuing brands – and the brand valuation standard makes that clear. There are three general approaches to valuing any asset – you look at the cost to create or recreate, you look at market and you look at the income it may generate."

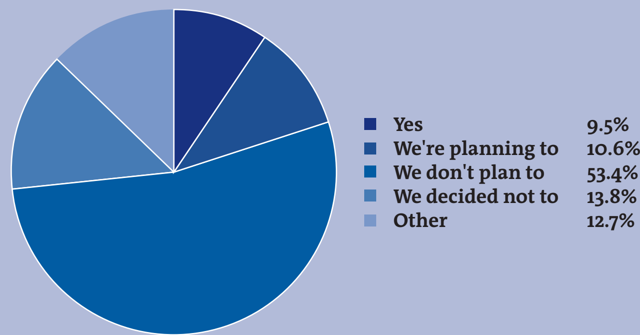
The differing methods employed by different providers account for the wide disparity that can occur in published brand value tables.

For example, Interbrand's Best Global Brands for 2011 is headed by Coca-Cola, which boasts a $71.8 billion brand value. The year's biggest climber was Apple, which broke into the top 10 for the first time thanks to a 58% rise in brand value (to $33.4 billion). In the Brand Finance figures, presented on page 34, Coca-Cola ranked eighth, with a value of $31.1 billion, and Apple was top ranked, with a brand value of $70.6 billion.

In-house counsel: From the following list, select the opinion that most reflects your perspective on trademark portfolio valuation:



In-house counsel: Have you valued your trademark portfolio?



While discrepancies will always occur because of the diverse ways in which brand can be valued, late last year the Brand Finance Institute launched its Campaign for Independent Brand Valuation, arguing that companies that provide consulting and value building advice, as well as valuations, should be barred from offering the latter. One of the challenges facing the sector, however, is that there is no formal industry oversight.

For those who have engaged in brand valuation exercises, the route taken has been a mixture of third-party liaison (either brand valuation companies or, in some instances, accounting firms as part of a tax exercise). Elsewhere, in the absence of valuations, in-house counsel turn to IP rights audits/risk analysis.

Clearly, though, increased board-level recognition of the value of trademarks would be welcomed. As one survey participant concluded: "Ignorance of the true value of company's trademark portfolio - arising in part due to the lack of an appropriate methodology to value the brand - leads to questionable exploitation of trademarks and lack of regard to the potential damage that misuse can cause."

Outsourcing non-legal services

Over the past year, one-fifth of in-house counsel and close to one-third of private practitioners increased their use of non-legal external vendors (almost three-quarters of in-house counsel managed their own outsourcing in this regard).

For Deborah Greaves, secretary and general counsel at True Religion Brand Jeans, the figures are not surprising: "They show an increase in the availability and integrity of outside information and resources, and also market competitiveness, driven by the need of in-house and outside counsel to control costs."

This sentiment is echoed by David Koris, head of intellectual property at Royal Dutch Shell: "While few benefits can be seen from a soft economy, the cost pressures associated with the downturn have caused many businesses to reflect on whether the right resources are being applied to mitigate the right level of risk or capture an adequate level of value. Where the risk or value of a certain activity does not merit the cost associated with employing a certain level of in-house legal expertise, the work has to be moved, allowing higher-value or higher-risk work to be handled. Non-legal vendors are frequently sought to handle low-risk, low-value work, largely because the business models employed by these vendors provide good value for the money."

However, Isabel Davies, consultant at Boyes Turner, warns that cost should not be prioritised over service levels: "Cost is obviously the key driver. There is an emphasis on de-skilling where that is workable and using legal services only for legal issues. When outsourcing to non-legal vendor works well, it is very cost effective; but if the service is not satisfactory, any savings will be outweighed by the inefficiencies created by this. It may also be a fashion, in the same way as companies sometimes bring trademark prosecution in-house and then outsource it again."

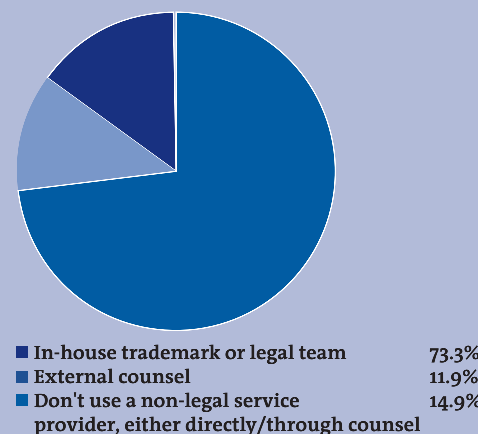
Martin Burke, managing director of Thomson CompuMark, agrees that cost is a key driver in outsourcing, but adds that specialist solutions offer more than monetary savings, explaining that delegating certain functions to those with greater resources gives in-house counsel "the ability to focus on other areas. One of the other reasons for this is that as companies become increasingly more global, they rely on our services in regions, and for regions, all over the world. They might not be able to get that same level of service otherwise".

In terms of specific activities, trademark watching was outsourced by nearly half of both in-house and external counsel. For in-house trademark professionals, outsourcing this function enables them "to concentrate on higher-value work and outsource administrative volume", with one adding that there are "insufficient resources to do this in-house, so this allows more time to devote essential policing".

Elsewhere, respondents highlighted the value of local investigators. Over 70% of law firm counsel and one-third of in-house professionals currently outsource investigations. While respondents noted the difficulty in finding good investigators, one counsel from the food and beverages industry noted that you need to "invest the time and train investigators in and around what you want to know about and what your expectations are", in order to optimise the client-investigator relationship.

One way to drive success, as suggested by a technology company representative, is to engage in joint actions with other trademark owners, which will help to enhance the quality of investigation results.

In-house counsel: Who manages your non-legal service provider(s)?



Over the past year, has your use of non-legal external vendors:

	In-house counsel	External counsel
Increased?	19.8%	28.4%
Decreased?	5.9%	8.2%
Stayed about the same?	74.3%	63.4%

Which non-legal services do you outsource? (Respondents were asked to tick all that apply)

	In-house counsel	External counsel
Domain name management	52.5%	29.2%
Trademark watching	46.5%	49.3%
Investigations	33.7%	70.8%
Trademark searching/clearance	26.7%	48.7%
Trademark portfolio management	18.8%	11%
Social media monitoring	10.9%	13.3%
Searching for counterfeits	9.9%	22.7%

"Outsourcing trademark watching enables in-house counsel 'to concentrate on higher-value work'"

Jurisdiction analysis

As part of the Global Benchmarking Survey, respondents were asked to rate national trademark offices, as well as the Office for Harmonisation in the Internal Market (OHIM) and the World Intellectual Property Organisation (WIPO), for efficiency, and national court systems in terms of efficiency, speed and value for money.

In many respects, there were few surprises in the results. In terms of offices, OHIM, Germany, the United Kingdom and the United States led the rankings, with the emerging BRIC economies playing catch-up. Isabel Davies, consultant at Boyes Turner, notes: "The BRIC countries may need to build up their registry facilities, having had less call for the services before they became the focus of many businesses development. Training staff to accommodate this need takes time. Meanwhile, the countries highlighted for efficiency have a history and tradition of intellectual property; for those that have not had such a long tradition, there will be catching up to do."

Martin Burke, managing director of Thomson CompuMark, agrees: "The BRIC countries are experiencing exponential growth in many areas. With this growth comes a high volume of trademark activity, so those offices are dealing with a surge of registrations that few other regions experience."

In terms of the courts' speed, judicial scrutiny and the value for money they offer, the United States, Germany, the United Kingdom and Canada likewise dominated the top spots, with the BRICs coming some way behind. Again, these results reflect historical development: "The countries highlighted as having good judicial systems have a long tradition of handling IP disputes and often have specialist judges, at least at appeal level," explains Davis. "Also, the BRIC countries are huge countries with enormous populations, and to develop a consistent judicial system for intellectual property, which is a specialised aspect of law, is challenging."

However, such a regime is vital to the innovation economy. David Koris, head of IP at Royal Dutch Shell, elaborates: "The presence or absence of a strong court system has an impact on IP asset development. Without the expeditious, well-reasoned enforcement of IP rights, realisation of the full commercial value of any IP right will be difficult, if not impossible, to secure. While there are

For those jurisdictions on the following list that you're familiar with, please rate the efficiency of their trademark offices on a scale of 1 to 5, where 1 = very good and 5 = very poor. Top-rated offices appear first.

In-house counsel average rating	External counsel average rating
Germany 1.93	European Union (OHIM) 1.94
European Union (OHIM) 1.95	Germany 1.97
United Kingdom 2	United Kingdom 2.07
United States 2.06	United States 2.17
International (WIPO) 2.22	Australia 2.22
Canada 2.28	International (WIPO) 2.34
France 2.34	Canada 2.38
Australia 2.41	France 2.5
Japan 2.77	Japan 2.6
Russia 3.49	China 3.62
China 3.69	Russia 3.73
Brazil 3.98	India 4.05
India 4.11	Brazil 4.11

For those jurisdictions on the following list that you're familiar with, please rate their courts' speed on a scale of 1 to 5, where 1 = very good and 5 = very poor. Top-rated jurisdictions appear first.

In-house counsel average rating	External counsel average rating
Germany 1.95	Germany 1.85
United Kingdom 2.44	United Kingdom 2.39
Canada 2.6	Australia 2.53
France 2.62	Canada 2.62
Australia 2.62	United States 2.66
United States 2.7	Japan 2.84
Spain 2.93	France 2.92
Italy 3.69	Spain 3.36
Japan 3	Russia 3.72
China 3.58	China 3.74
Russia 3.61	Italy 4.02
India 4.06	India 4.07
Brazil 4.11	Brazil 4.14

In 2011 16.3% of in-house respondents stated that across their entire organisation, awareness of the importance and value of the company's trademarks was low. The figure this year was just 17.5%, while the number of respondents boasting high corporate awareness plummeted by more than 12%.

When identifying the contributory causes, constraints in budget, staff and time to engage in enterprise-wide education efforts (39.7%) led the field for respondents. With infringement on the rise, efforts and resources are more often focused outwards, as this is the ultimate measure of trademark department success.

Close behind was the perceived position of trademarks within the IP hierarchy. As patents are inextricably intertwined with R&D spend, and so potentially influential to the bottom line, they naturally command the attention of senior management – meaning that trademarks are often left to languish as the poor relation. The absence of research proving a tangible economic link between trademarks and innovation is an additional stumbling block.

Even in industries where counterfeiting is rife, the resulting financial impact is not fully recognised by senior management in terms of dollars lost. One counsel in the telecommunications industry reported: "Counterfeit products continue to wreak havoc on the market. Despite this, it is difficult to get management's attention, as they do not view these as lost sales."

However, trademark counsel can exploit the greater visibility of patents to their advantage, as at least it means that intellectual property in some shape or form is being factored into wider corporate decision making and product development. A close relationship with patent colleagues can thus help to open doors internally.

certainly a number of other factors that impact on whether a new business will succeed, knowing that the IP rights developed around a particular product or service will be enforceable is a primary concern for many start-up companies and small and medium-sized enterprises (SMEs). The market recognition that a company gets through its trademark can be quickly eroded without the ability of the owner to enforce its registered mark."

He adds that even those countries perceived to provide higher value with less risk need to be vigilant to the changing needs of the global marketplace: "Start-up companies, SMEs and large companies all play a role in the innovation ecosystem. Efforts are needed to reduce the cost of enforcement so that start-up companies can more easily avail themselves of enforcement mechanisms for their IP rights."

One result raised a few eyebrows among commentators – the high ranking of the United States in terms of speed and value for money. "US litigation is usually more expensive than anywhere else and delaying tactics, depending upon the parties, can draw out decisions for long periods of time," says Dennis S Prahl, partner at Ladas & Parry. "On the other hand, it can be fairly quick and 'relatively' inexpensive to obtain preliminary relief in India; the caveat is that a final decision could take years, if not decades, but the net effect of a preliminary injunction is nearly as good as a permanent one."

Jakob Balling, IP specialist at ARLA Foods, adds: "In my mind, it's overly complicated to litigate in the United States."

Elsewhere, Charles Jeffrey Duke, general counsel at Zippo Manufacturing Company, argues that: "The United Kingdom is extremely expensive and not particularly fast - no common law country's courts are."

Turning to other jurisdictions, True Religion Brand Jeans secretary and general counsel Deborah Greaves is keen to highlight the performance of South Korea's judicial system: "These results are consistent with my experience, but I believe that the courts in Korea are also responsive - although the results are not always what we would hope to see because of the way the trademark laws are written. However, I have seen tremendous progress in the maturity of the Korean IP office and the Korean courts over the past five years."

For those jurisdictions on the following list that you're familiar with, rate their courts' value for money on a scale of 1 to 5 (where 1 = very good and 5 = very poor). Top-rated jurisdictions appear first.

In-house counsel average rating	External counsel average rating
Germany 2.24	Germany 2.06
Canada 2.46	Canada 2.51
United Kingdom 2.52	Australia 2.57
United States 2.53	United States 2.64
France 2.82	United Kingdom 2.69
Spain 2.89	France 2.79
Australia 2.94	Japan 2.96
Japan 3.12	Spain 3.1
Italy 3.26	China 3.46
China 3.42	Italy 3.47
India 3.53	Brazil 3.5
Brazil 3.53	India 3.57
Russia 3.66	Russia 3.76

For those jurisdictions on the following list that you're familiar with, please rate their courts' judicial scrutiny on a scale of 1 to 5 (where 1 = very good and 5 = very poor). Top-rated jurisdictions appear first.

In-house counsel average rating	External counsel average rating
United Kingdom 1.87	United Kingdom 1.72
United States 1.94	United States 1.85
Germany 2.09	Germany 1.88
Canada 2.4	Australia 2.05
France 2.69	Canada 2.06
Australia 2.75	Japan 2.45
Spain 2.76	France 2.66
Japan 2.9	Spain 2.94
Italy 3.35	Italy 3.37
India 3.59	India 3.48
Brazil 3.67	Brazil 3.49
Russia 3.69	China 3.7
China 3.82	Russia 3.77

International Trademark Association president Gregg Marrazzo alludes to this symbiotic relationship in explaining how things work at The Estée Lauder Companies, where he is senior vice president and deputy general counsel: "If you are at the early stages in an idea, you may get the patent people in to see whether there are any patent issues or opportunities. And then, because we are an integrated department, we will know about it and be able to get the trademark team involved."

However, Prahl acknowledges that: "With a few exceptions, it is a constant struggle to maintain trademark awareness across any organisation due to any number of factors, including the nature of the business, the focus of executives and turnover within the organisation. Anyone at the company involved with trademarks should have or seek the backing of the C-level executives in making trademarks an important business driver, and should also seek to build consensus across groups such as marketing, communications, IT, legal and finance. Outside counsel can help immensely by offering to spend some time educating internal staff about the financial importance of trademarks in the overall business."

For Burke, highlighting the tangible link between brand and trademarks is a crucial aspect of such efforts: "Brand awareness across the corporation is often quite high; however, the connection made between trademarks and brands is lower. Given that the expertise needed to fully understand trademarks is usually found within the legal and marketing departments, it is common for that trademark awareness to reside primarily within those two areas."

Koris expands: "Overall brand awareness will naturally vary according to how close a business is to selling products and services at the retail level. If a company is primarily engaged in fundamental research, the company brand will have a greater level of

External counsel: Over the past year, have you changed your fee structure for a significant portion of your revenue?

	2012	2011	2010
Yes	11.60%	14.8%	25.1%
No	88.40%	85.2%	74.9%

External counsel: Have clients demanded additional levels of service/support over the past year?

41.9 %
Yes

58.1 %
No

appreciation by the organisation than perhaps trademarks or service marks associated with an individual line of R&D activity. The development of a corporate brand strategy should ultimately be the responsibility of one member of the senior executive team, and the IP organisation – and particularly the trademark function – should participate in setting the company standards around all trademarks, including the company brand. It is the role of the IP organisation – especially the trademark function – to communicate the value that the function adds to the brand through the actions taken to register new marks, police internal trademark standards and enforce its trademark rights against infringers and counterfeiters."

We don't need no education?

As in previous years, while the marketing and brand management teams are the departments with which trademark counsel interact most frequently, they are also those from which greater support would be most welcome. While these statistics are seemingly at odds, they reflect the reality of the marketing profession – high churn rates make continued outreach efforts vital.

Marrazzo explains: "By definition, marketing people tend to turn over quite often. A new class comes in as people move up and work on different brands. And the people coming in may not have as much of an appreciation as those who were previously there."

Numerous other respondents also identified the need to engage in ongoing training due to personnel changes. Elsewhere, the marketing/trademark disconnect is attributed to the traditional misconception of the legal function as the naysayer, blocking marketing from launching products with the (sometimes descriptive) names they want. Davies adds: "Often, people do not appreciate that trademark registers are very crowded, in particular in light of the system which now prevails, with no examination on relative grounds. Accordingly, finding new marks – especially for global launches – can be a challenge. With the lack of examination on relative grounds, companies have to take not just a legal view, but a commercial and practical view on the risks they are running."

Promoting a wider commercial appreciation of trademarks

In-house counsel: Across your entire organisation, how would you rate the level of awareness for the importance and value of the company's trademarks?

	2012	2011
Low awareness	17.5%	16.3%
Medium awareness	58.7%	47.6%
High awareness	23.8%	36.1%

In-house counsel: In your company, what challenges do you face in fostering cross-company understanding for trademarks? (Respondents were asked to tick all that apply)

	2012
Lack of budget, staff or time in the trademark team	39.7%
The importance of other IP rights (eg, patents) supersedes those of trademarks	37.3%
Colleagues being deterred by what they see as complicated legal issues	31.0%
Senior management not taking the time to engage	27.0%
No challenges	11.1%
Hostile culture with regards to trademarks	7.1%
Other	9.5

In-house counsel: In your company, what specific trademark-related activities lack cross-company understanding? (Respondents were asked to tick all that apply)

	2012
Trademark clearance	46.0%
Prosecution (including opposition and cancellation)	38.9%
Social media monitoring	34.9%
Domain names	30.2%
Licensing	29.4%
Trademark watching	26.2%
Policy development/involvement with association	25.4%
Complex anti-counterfeiting	20.6%
Due diligence	19.8%
Administrative enforcement	19.0%
Litigation	17.5%
Alternative dispute resolution	15.1%
Transactions	12.7%
Providing opinions	11.9%

beyond the marketing department is equally challenging, as executives also struggle to develop the necessary mind set. Charles Jeffrey Duke, general counsel at Zippo Manufacturing Company (ZMC), explains: "Non-marketing executives tend to focus on the product more than the brand that the product is sold under. Chief financial officers (CFOs) almost always do not understand brands at all, and they oppose costs to build or even support a trademark. It took me several years to build awareness of the importance of trademarks and I was frequently questioned negatively by the CFO

In-house counsel: Which internal department would you say you have the most interaction with?

	2012
Marketing/brand management team	58.7%
Product development	10.3%
General legal	9.5%
Commercial/sales	7.1%
Other	6.3%
Board/management	4%
IT	2.4%
Finance	1.6%

In-house counsel: Which internal department would you welcome increased support from?

	2012
Marketing/brand management team	35.7%
Board/management	16.7%
Commercial/sales	12.7%
General legal	9.5%
Product development	9.5%
IT	7.9%
Finance	4%
Other	4%

and his accounting firm. I explained this using several different examples. One of which was, 'Give me the brand (Zippo) and I will build the factory. Take away the brand and the factory is worthless.' That seemed to sink in. I also calculated the premium that ZMC gets for each lighter sold with ZIPPO on it over generic lighters. That shocked them."

Duke lays the blame for this gap in knowledge squarely on deficiencies in management training: "As a foundational matter, business schools do an abysmally poor job of teaching about trademarks – these are the last things taught. In the early 2000s we had young internet types who came in offering a service – they had a domain name and were here offering to tell us how to build a brand. What a joke."

"Promoting a wider commercial appreciation of trademarks beyond the marketing department is challenging, as executives also struggle to develop the necessary mind set"

As a result, education efforts inevitably fall on the shoulders of trademark counsel, according to Balling: "It is a job for the IP function to make sure that trademark awareness is on the exact level that the IP function wants it to be." He adds that lack of awareness may result if in-house lawyers do not fully understand how internal communications processes work.

Of the specific trademark-related activities that lack cross-company understanding, clearance topped the list, followed by prosecution and social media and domain name watching (see table opposite). Deborah Greaves, secretary and general counsel at True Religion Brand Jeans, acknowledges that the complicated nature of clearance procedures makes them harder to grasp: "Clearances are difficult because we are now faced with global clearances, not just domestic ones. In addition, with the increased registration of domain names and corporate names, the universe in which a mark is being used has increased; so while running a report is not typically any more difficult, analysing the results and weighing the risks have taken on a new dimension."

Dukes adds that "executives generally do not like or understand details of things like this, and those not involved with brands totally do not appreciate it at all".

However, Koris suggests that international clearances can highlight the work of the trademark department: "Securing international clearances requires varying levels of business input when a search strategy is developed; when the search opinion finds the proposed mark to be blocked; when new proposals for clearance are solicited by the trademark function; and when a positive search opinion is rendered. Learning that a proposed mark is unsuitable because it is blocked by the registration of another company may result in a high level of business focus where the failure to enter a market has a significant impact on the company. Is the blocked mark limited to one or many countries? Strategies need to be developed regarding whether to challenge the registrations or seek consent approval for concurrent use."

He acknowledges, however, that "having a proposed mark rejected out of hand because it fails to meet the corporate branding requirements on preventing descriptive or generic marks from being selected is less understood. Ultimately, this is a matter of internal training."

On the flipside, transactions and dispute resolution are issues where senior management are most often on the same page as the trademark department. After all, it is often only when a dispute is looming that other departments tend to pay a call to their legal colleagues. Plus, as Prahl notes, litigation is a higher-profile activity: "I suspect that everyone can relate to litigation because they have at least seen one on the television or in film. Clearance and prosecution are a bit more esoteric and a lot less sexy than *Boston Legal*!"

A virtual problem

Meanwhile, online activity continues to preoccupy many corporate trademark teams, with more than one-quarter ramping up online enforcement efforts. While this rise is lower than that revealed in the 2011 survey (see table overleaf), increased outsourcing of this activity may account for the difference. For many in-house counsel, their own enforcement activities may have remained steady, but the amount of work farmed out to private practitioners is on the up – more than half of the external counsel surveyed stated that they are engaging in more online enforcement than they were a year ago.

And this is all before the expansion of the online space, with the introduction of new generic top-level domains (gTLDs). Interestingly, when asked whether gTLDS would require a significant shift in domain name strategy, just 10% of all respondents answered in the

In-house counsel: Over the past year, has the level of online enforcement activity in which you have engaged:

	2012	2011
Increased?	27.7%	52.4%
Decreased?	2.%	2.2%
Stayed about the same?	70.3%	45.4%

External counsel: Over the past year, has the level of online enforcement activity in which you have engaged:

	2012	2011
Increased?	51.5%	44.3%
Decreased?	2.9%	2.8%
Stayed about the same?	45.6%	52.9&

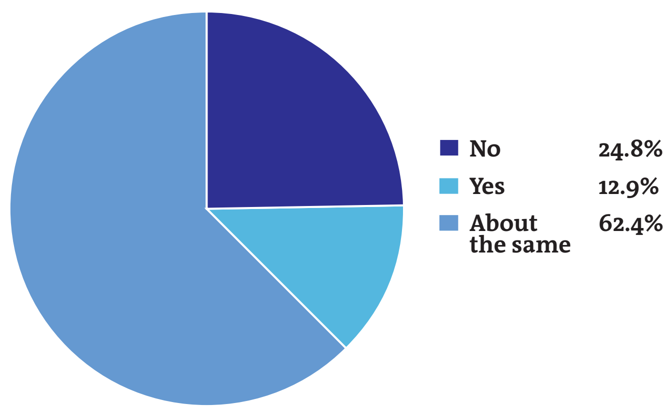
Will new gTLDs require a significant shift in the way you/your clients approach your domain name management strategy?

	In-house counsel	External counsel
Yes	10.9%	10.2%
No	45.5%	43.1%
Don't know	43.6%	46.7%

In-house counsel: For which activities do you use external counsel? (Respondents were asked to tick all that apply)

	2012
Litigation	76.2%
Prosecution	75.2%
Administrative enforcement	51.5%
Providing opinions	50.5%
Trademark clearance	45.5%
Trademark watching	33.7%
Complex anti-counterfeiting	32.7%
Domain names	21.8%
Alternative dispute resolution	20.8%
Transactions	16.8%
Due diligence	14.9%
Portfolio maintenance	22.8%
Licensing	12.9%

In-house counsel: Are you now more inclined to pursue alternative dispute resolution techniques than previously?



affirmative. Almost half of respondents indicated that new gTLDs would require no strategic rethink.

This may be because, in terms of their own domains, companies have taken a decision on whether to apply. Alternatively, they may feel that existing policies will still work in the new environment. Koris argues: "For those industries which rely heavily on the Internet to market their products or services, the new gTLDs may play a significant role. For industries where products are sold through other means, existing gTLDs such as '.com' or '.net' are relied on to facilitate communication and business practices. Since most companies cannot afford the time or resources to capture all possible domain names using all possible gTLDs, risk-based strategies have been adopted. I suspect that the low survey result is because domain name strategies employed in the past are thought to be generally adequate to manage the additional risk associated with the new gTLDs that are being made available."

Perhaps a more worrying statistic is that some 40% of respondents were unsure of what impact it would have (see table above).

When it comes to the management of brand owners' own domains, Greaves suggests that the new regime won't be the game changer that many are predicting for small and medium-sized businesses: "For the majority of these companies, obtaining and operating a gTLD is not practical and the costs greatly outweigh the benefits."

Elsewhere, prevarication may stem not so much from a lack of knowledge of gTLDS in general as from uncertainty over organisational plans and how these will influence strategies. In March, market research from Afilias revealed that for 52% of the US and UK-based companies it polled, the IT department was taking the decision as to whether to apply for a '.brand' TLD. Just 5% had asked the legal department to drive the decision and, worryingly, only one-quarter had pulled together a cross-departmental team. This backs up Fingerhut's perception that when it comes to gTLDs, "whether in-house counsel or external, we are often disconnected from the brain trust – there is a disconnect between the powers that be and what you do day to day".

However, Prahl suggests that an upsurge in infringement may bring greater clarity once the programme is underway: "The new gTLD programme will open up many new venues for online infringement. I suspect the low figure is due to a general lack of understanding on the part of many companies about just how the new gTLD programme will affect them, or even how online infringement is affecting them today."

For external advisers, the new gTLDs potentially represent a new revenue opportunity. One predicted that the role of gTLDs "will become increasingly important, analogous to certification trademarks when they were introduced. The interplay between these types of gTLD and '.brands' will be very interesting and require new specialist advice." Another added that: "We aim to be involved in GTLD dispute resolution work."

The familiar problem will be squeezing budgets to encompass activities in the gTLD world. "New gTLDs will require a stronger pre-emptive protection strategy, but restrictions to budgets and the enormous amount of extensions to tackle might induce clients – especially small and medium ones – to simply leave it alone," predicted one European respondent.

Thomson CompuMark's Burke concludes: "Everyone in the trademark industry is developing an understanding of how much of a shift this will actually represent. For most, a wait-and-see approach is being taken to fully understand the impact of gTLDs."

Identifying threats

Of course, gTLDs are not the only potential threat to contend with; among all of the hazards facing practitioners, counterfeiting was identified as the most pernicious.

Another familiar problem is lookalike products, particularly in new markets. One food and drinks industry specialist explained: "Being the market leader in almost every country where our products are sold means that we face a lot of competition (much unlawful), and we need to be very aggressive against free riders and imitators to protect consumers and avoid the dilution of our brand."

Counsel for a technology company added: "Lookalike products always come up in unexpected places and are time consuming due to the need to study the specifics of the jurisdiction in question. Emerging markets are particularly time consuming and those in which you need to keep your eyes open widest."

Another food and drinks industry respondent noted that the judicial approach to allegations of imitation is often problematic: "Whether or not something looks familiar is very subjective. Unfortunately, most decision makers will automatically look at the differences rather than at what aspects are likely to cause confusion. As a result, significantly more evidence needs to be produced, which will most likely incorporate survey evidence – which then gets you into 'battle of the experts' territory."

Elsewhere, threats are arising as a natural consequence of expansion. As new markets open up, trademark risks both old and new are encountered – for instance, as "many third parties look to register famous global brands". Unfortunately, these problems can be exacerbated when corporate management "do not understand the cost of moving into new countries" where trademark infringement is rife.

Ultimately, this brings us back to the need to promote an internal understanding of trademarks – and a familiar catch-22. Trademark teams need budget and resources to engage in education efforts while continuing core activities, but without this education in place it is hard to get that budget – particularly as international expansion exerts even more pressure on tight resources.

Trevor Little, *World Trademark Review*