Managing a trademark portfolio with the assistance of outside counsel

Contributing firm
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Responsibility for a company's trademark portfolio is frequently placed in the hands of a few specialists. Often, this is not the only task carried out within the department, or even by those tasked with this responsibility. However, the legal protection of trademarks – especially in a global portfolio – requires a high degree of specialisation in a field in which few lawyers and others are experienced. Alongside domestic legal knowledge and a commercial understanding of the company's business and relevant markets, this requires an understanding of legal issues in jurisdictions around the world.

Creating trademarks

Where new marks are concerned, strategic decisions must be made before dealing with trademark law issues. Are the marks to be created in-house or with external assistance? In-house staff will know the company's products and marketing strategies, with which naming agencies may be unfamiliar, but agencies will have a background in the field of name creation. If an agency is to be involved, the selection process should take into account its experience in the relevant industry. The creation of marks in-house is often more complex and time consuming than originally anticipated. If an agency is briefed, the specification should include as many industry specifics as possible.

Either way, legal availability searches must be carried out in order to ensure that the marks created in the course of the project are in fact available for registration and use. Where necessary, searches should extend beyond the trademark registers. Such searches are often costly and time intensive. It is not always possible to meet the strict timelines involved with available resources. If an agency is involved, it may be possible to entrust the searches to the name creation team. On the other hand, this may also be an opportunity to work with external counsel with the know-how and capacity to deal with such projects in the time available. They can also assist in streamlining the search process in order to establish an efficient and economical search strategy which can be implemented in the time available. As a general rule, such planning is easier if the involvement begins from an early stage. This makes it possible to plan timelines, search registers and consider other options if the search results are negative. Early involvement also makes it possible to

seek the most cost-effective approach for each particular project.

In the event of agency creation, it is necessary to enter into agreements – if possible, before commencement of the project. In these agreements it is important not only to consider the services to be provided (eg, name creation, legal searches and name safety testing), but also to ensure that the agreements cover issues such as the ownership of the names invented for the project, a right of first refusal, the right to registration and cancellation, the right to re-creation or re-engineering if the names are unavailable, timelines and penalties. If all relevant issues are covered, the agency is provided with clear instructions and the process is closely followed by experienced trademark lawyers and marketing colleagues, the cooperation can be fruitful. If such projects are not usually carried out, this may also be an opportunity to involve external counsel with experience in negotiating such agreements, with a view to protecting the client's interests and needs.

Protecting trademarks

Trademarks must be filed in order to be protected. When filing should take place is an interesting question. While filing too early may lead to unnecessary costs, leaving it too late could result in a loss of priority and the possible registration of identical or similar marks by third parties. The correlation between creation, searches and filing must be carefully considered and timelines established accordingly. The right time for priority filings is one of the keys to successful prosecution of the names involved. Again, it may be asked whether trademark filing and prosecution around the world should be dealt with in-house or externally.

Local representation will be necessary to file and prosecute national trademarks in many countries. An international trademark portfolio will automatically require the involvement of a number of external law firms. Supranational marks such as the Community trademark, Benelux, African Intellectual Property Organisation or African Regional Intellectual Property Organisation registrations, or international registrations with the World Intellectual Property Organisation will also play a role in any international trademark portfolio. As the number of signatories to the Madrid Protocol increases, international registrations under the Madrid System are becoming increasingly important.

If the coordination of external law firms is handled in-house, this may put a strain on both staff and time if the project is particularly large. If that is the case, external counsel can take over some responsibility for the necessary coordination. Which is the more viable option is basically a question of costs and size. The bigger and more permanent a portfolio becomes, the more viable the employment of specialised in-house counsel for trademark prosecution and administration may be.

Those responsible for coordinating applications and prosecutions must choose national representatives carefully. Recommendations may be sought from colleagues in other trademark departments or law firms. Due to the large volume of work that is usually involved in naming projects, invoicing is an issue, as a large number of invoices for relatively small amounts may be received from various firms during prosecution of the marks. These also need monitoring in order to ensure compliance with previously agreed budgets and avoid inadvertent double payments. One solution which could be considered for firms where there has been a positive history of cooperation and a long-term arrangement is sought would be to enter into agreements with the representatives. This could provide both invoicing transparency and cost certainty.

Additionally, the work carried out by these law firms in the countries concerned should be closely monitored. Due to the volatility of trademark requirements (eg, the sudden launch of new products, the abrupt termination of existing projects), it is vital that the current status, importance and strategic value of the names involved be known and instructions communicated to national representatives accordingly. This is the only way to avoid costly prosecutions of names which are no longer required or to prevent losing rights in names which have unexpectedly become important to colleagues in marketing.

Using an IP holding company

Apart from the geographic extent of protection, it must also be decided whether registrations

should be filed in the name of one company (eg, a corporate patent or an IP holding company), or in the names of various owners or even national subsidiaries.

Filing in the name of one company is by far the more efficient and economical alternative. Wherever possible, it is recommended that the trademarks contained in a portfolio be held by an IP holding company, as many multinationals opt to do. Changes to the names or legal nature of companies within a group for tax and other reasons may have no real impact on the effective ownership of a trademark portfolio. However, since in many jurisdictions only the registered owner of a trademark may take action against third parties, the consequence can be that entire portfolios must be repeatedly assigned from one company to another, simply to make it possible to defend the trademarks later if necessary. The more changes that take place, the more difficult (and costly) such assignments become. And if there are no signatories who are entitled to sign for a long-dissolved company, it may become impossible to document the assignment properly.

On the other hand, if changes of name or ownership are not recorded because there is no active use of the marks concerned at the time of the change, or to avoid the costs of recordal, numerous jurisdictions may raise objections to new applications or renewals in the names of different owners. These must then be dealt with in each individual case both by the coordinators of the portfolio and by the national representatives. This can give rise to substantial costs, which could be avoided if all marks were registered in the name of one particular owner.

If this practice was not followed from the beginning, the task of unifying all registrations in the name of one holder may seem daunting and costly. Setting aside tax considerations, which must be examined separately, there is a relatively simple solution to this problem. As most trademarks must be renewed after 10 years, this provides an opportunity to record the transfer of those names which are sufficiently important to the company to be renewed. In countries where it is not possible to have different owners for identical or similar marks, the transfer of the portfolio should be recorded at the time of first renewal of one of the marks. Following this approach, the entire portfolio of registered trademarks may be concentrated in the hands of one registered owner within the space of 10 years without creating undue additional costs.

This step would yield substantial savings in time and costs, both internally and in terms of communications between the coordinators of the trademark portfolio and the national representatives. This task can be coordinated by both in-house and external counsel. The advantage of involving external counsel is that there will be no staff overhang once renewal and assignment is complete.

Maintaining a portfolio

Filing variations of names or defensive registrations must also be considered, to ensure the effective availability and protection of those trademarks which are actually destined for use with the product or service in question. On the other hand, the size and cost of a trademark portfolio are also influenced by the decision to maintain a stock of marks. This can become important where a particular trademark is not available in all required countries or where new products need to be launched quickly. The key questions in this regard are as follows:

- How many marks are required in how many countries?
- How long should the marks be kept in the portfolio?
- How likely is it that the marks will ever be used?
- What is the real purpose of keeping them in the portfolio?
- What should be done with marks that are no longer required?
- When should the portfolio be reviewed?

The answer to all of these questions may vary from company to company and portfolio to portfolio. However, they should be answered keeping the costs of administering and maintaining inflated portfolios in mind.

These costs include not only trademark renewals, but also watching for new applications and defending the marks by filing oppositions against such applications. If these defensive actions are not carried out, the financial and practical value of a stock of trademarks can decrease rapidly. Tasks such

as watching trademarks and coordinating defensive actions can also be delegated to outside counsel, in order to free up in-house counsel to liaise with internal clients and determine the strategies to be applied.

To maintain a global trademark portfolio, proper trademark administration software is essential. This can be used for numerous tasks, including calculating time limits for renewals and entering terms for responding to office actions. Information about conflicts with third parties, co-existence agreements, limitations of goods and services, the products or projects concerned and national representatives, internal counsel and paralegals should all be included in the software, to make the administration of the portfolio as efficient as possible.

There are substantial differences in both quality and mode of operation of the programs available on the market. It is important to conduct proper trials under circumstances which are as realistic as possible.

In addition, it could be useful to seek the advice of independent experts on whether particular software is suitable for the needs of the company. If possible, such software should include features such as electronic filing and other modes of electronic communication with offices, as well as external access to selected partners for entering new data (eg, filing and registration dates) in the database, if this is necessary or desired. State-of-the-art programs allow for immediate online access to data. The important question here is where the data is hosted. If the data is not stored on the company's own servers, it is important to know what the alternatives are and whether the integrity of the data is warranted. Cloud solutions with little information about location, security and access to the data appear to raise some questions in that respect. If outside data storage is chosen, it should be in a safe environment – be it through known data storage providers or, for example, on servers owned and operated by outside counsel cooperating with rights holders.

Comment

Whether outsourcing of the management and administration of a trademark portfolio is a viable alternative depends on many issues. The larger a portfolio becomes, the more cost efficient it is to have specialised in-house counsel attend to this task. However, there can be good reasons to outsource some or all of the work. In particular, the number of projects requiring new trademarks can fluctuate dramatically at short notice. Adapting in-house staff levels rapidly in order to keep up with such sudden changes in demand is difficult. On the other hand, outsourcing particular projects or particular regions to specialised law firms can represent a viable alternative. Additionally, particular tasks related to a trademark portfolio (eg, the management of creation projects, legal availability searches, renewals or assignments, portfolio management, data storage, litigation and opposition or cancellation proceedings) can also be outsourced to specialised partners on a case-by-case basis. While keeping staff overheads low and constant, this approach makes it possible to meet increased demand when necessary and to save costs once the peaks have passed.

Many of the above points have only been touched upon. They are part of the numerous issues surrounding the trademark lifecycle, from creation to final demise. While there are differences between different branches of industry and commerce, most of the above considerations apply to all trademarks. Others must be adapted to the field of activity in general and the company concerned in particular. Dealing with trademark issues is both challenging and rewarding, and opens the way to providing considerable benefits to companies which are serious about the professional management of their trademark portfolios. WTR

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