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FIVE REASONS TO DO A TRADEMARK AUDIT

WHILE A COMPANY'S BRANDS ARE AMONG ITS MOST CRITICAL AND VALUABLE BUSINESS ASSETS, too little

attention is usually devoted to identifying, developing, protecting and exploiting those assets. Gaps in trademark asset protection are often not discovered until a company seeks to enforce, or is forced to defend, its brands and encounters obstacles that could have been avoided. As trademark litigators, we have seen many circumstances where gaps in trademark protection could have been easily closed if they had been noticed.

In a recent interview, in-house counsel for a major company stated that what keeps him awake at night is wondering what he has missed - what might happen that he has not foreseen. Conducting regular trademark audits (as well as audits for other intellectual property assets such as patents) is the best way to prevent that scenario for brand assets.

A trademark audit, in the broad sense, is simply intended to focus attention on the existing and potential trademark resources of a company. The audit can range from a yearly review managed internally to a comprehensive audit conducted by an outside law firm.

A trademark audit allows a company to review, manage and fully exploit the value of trademark assets. This exercise will generally include review and analysis of:

- the existing trademark portfolio, including federal and state registrations and applications and the status of internet domain names;
- strategic plans and business goals with particular attention to new products or services or extensions of product lines;
- internal procedures to identify and protect marks;
- potential third party infringements;
- enforcement activities; and
- identification of licensing opportunities.

Many companies choose an initial comprehensive trademark audit conducted by or with the assistance of outside counsel with a view toward managing the audit functions internally once an audit program is put in place. The key to successful management of trademark assets is simple - the company must shift from a reactive position to devote singular attention to its trademark portfolio on a systematic basis.

THE BENEFITS ARE CLEAR

NEW BRANDS MAY BE IDENTIFIED

While companies are usually aware of their primary brands, there are often trademark assets that have not been identified. For example, product packaging or design can be distinctive and serve an important brand function (e.g., the yellow and black cover of the Cliff Notes® series). We recently handled a case where the appearance of a fire hydrant was well known and distinctive and, accordingly, entitled to trade dress protection. In another case, a client was unaware that its plasticware designs might be subject to trademark protection. A trademark audit will identify the potential trademark assets of a company.

PROTECTION FOR EXISTING AND POTENTIAL BRANDS IS MAXIMIZED

While trademark rights arise from use, there are important trademark rights and protections that can be obtained through

registration of a trademark, on both the state and federal levels. The benefits of registration can include:

- a presumption of validity and ownership;
- constructive notice to third parties; and
- incontestability (on certain grounds) after five years of registration.

In the fire hydrant case noted above, the company had obtained a trade dress registration for the appearance of its hydrant, which registration had become incontestable. This proved to be a significant strategic advantage in the litigation.

TRADEMARK RIGHTS ARE NOT LOST INADVERTENTLY

A company with any significant trademark assets must have a program in place to monitor potential infringements and to enforce its trademark rights. Failure to police and enforce trademark rights can result in critical damage or even a fatal blow to the value of a brand. If third parties use the same or a similar mark without challenge, a court may take the view that it is no longer a source identifier, and rights in the brand can be weakened or lost.

In some cases, potential infringements can be monitored internally through a regular program of internet sweeps. For companies with large trademark portfolios, it may be appropriate to retain a "watch" service to review third-party

activity that implicates the marks. In situations where trademark rights must be enforced against potential infringers, there are a range of options that may be appropriately employed from "notice" letters to full-scale litigation.

In some cases, one of the goals of a trademark audit can be to develop a joint program to manage potential infringements. In many instances, some functions can be performed internally (subject to review by outside counsel). For example, companies that possess a large trademark portfolio and face constant attempts to infringe by third parties may develop "forms" to use for initial contacts with potential infringers that are then adapted - as appropriate and with the advice of counsel - to each situation.



FOREIGN RIGHTS ARE PROTECTED

It is important to obtain protection in foreign locations where a company's trademarks are utilized. This can be done on a country-specific basis, or where appropriate, by using the Madrid System for international registration of marks. A trademark audit will help to ensure that the company is proceeding as appropriate to secure and maintain foreign rights.



EXISTING BRANDS CAN BE MORE EFFECTIVELY EXPLOITED

One of the best reasons to conduct a trademark audit is that it may identify opportunities to increase revenue through exploitation of existing brands. The primary path to increased revenue is licensing arrangements. In a recent case, we were able to assist a magazine publisher in licensing its magazine brand for use on a clothing and home furnishing line, resulting in substantial revenue to the company. The first concern of a licensee will be the value of the brand, including the question, "Has it been developed and protected?" Regularly auditing trademark assets demonstrates commitment to the value of those assets and will usually result in a "clean" review when the licensee investigates the mark.

THE BOTTOM LINE

The bottom line is that most companies have serious deficiencies in the development, management, protection and exploitation of their intellectual property assets. These deficiencies result from inertia, the human and business tendency to focus on issues only when a problem arises. A trademark audit is a cost efficient and effective way to address and permanently solve the inertia problem. An initial full audit followed by regular updates will help to optimize the business benefits that a company derives from their valuable intellectual property assets.

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Our Intellectual Property (IP) Practice Group combines legal, business and technical backgrounds to help clients identify, procure, optimize and enforce their intellectual property and undertake a full range of transactions relating to these valuable business assets.

Our team works closely with clients - both large and emerging technology businesses - to guide the development of patentable products, to help gain and maintain competitive advantage and to formulate strategies to protect and defend these cornerstone assets. We work at the fore of many technologies to help our clients with a broad range of IP issues and to commercialize that IP in business activities - with an eye toward optimum gain.

Our growing IP practice group includes attorneys with industry experience in a number of technical fields, including electronics and computers, software, biotechnology, medical devices, pharmaceuticals, retail and consumer goods, etc.

Unlike most other firms with IP practices, our team is fully integrated with our Corporate team attorneys. With this integrated approach, we deliver full-service technology business evaluation, consultation and strategic planning. Our team provides direct value, as well, in evaluating potential acquisition targets from an IP perspective, identifying potential patent impediments in commercial and R&D initiatives and advising on the appropriate course of action in product/process redesign, licensing or litigation.

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