

Corporate America: Get Your Ducks in a Row! Ten Easy Steps to Increasing Shareholder Value with Soft IP

By Peter S. Sloane

Introduction

Inside corporate counsel have plenty of work on their desks. The last thing they are looking for is yet more work. Still, trademarks and other intellectual property are becoming increasingly important corporate assets. Shareholders routinely consider the value of IP in assessing the strength or weakness of a business. Therefore, in addition to tackling their day-to-day legal work and putting out fires, in-house counsel should look for ways to streamline and leverage their soft IP assets (i.e., trademarks and copyrights). To help guide that effort, the following is a list of ten steps to consider taking before year-end.

1. Register Your Trademarks

Registering trademarks is the bread and butter of most inside trademark counsel. However, many companies are not large enough to hire dedicated trademark counsel. Corporate counsel at those companies should undertake a review of the company's brands and determine whether any additional trademark filings are warranted. Secondary marks, logos, sound marks, colors, and product configurations are just some of the myriad types of marks that can be registered.

In addition to protecting trademarks in the United States, it is important to protect marks in foreign countries where products are made, where goods are sold (or services rendered), and where counterfeiting may occur. An initial investment in trademark protection can be amortized over the years of registration and generally is less expensive than paying off a squatter or dealing with infringement litigation.

Building a portfolio of registered trademarks and providing notice of those registrations in advertising and promotional materials (i.e., ABC is a registered trademark of Xyz, Inc.) signals to the outside world that the company is trademark-savvy. It is also an assuring sign to potential buyers of the company or its assets that they need not worry so much about the risk of infringement (and seek to retain funds in escrow as a reserve for a clawback provision in the event of trademark litigation).

2. Order a Watching Service

Trademark searching before adoption and filing is all well and good, but searching is retrospective rather than prospective. For a company's leading brands, inside counsel should consider ordering a watching service,

which provides advance notice when confusingly similar marks are published for opposition and affords the opportunity to object to registration.

Do not rely upon government trademark offices to refuse registration of confusingly similar marks. Many offices do not even examine applications for confusing similarity. For example, OHIM, the trademark office of the European Union, does not examine applications on so-called relative grounds. It is possible, therefore, to have two EU registrations for the same mark for the same goods owned by different and unrelated parties. It is the duty of the trademark owner to be vigilant and to oppose registration of a confusingly similar mark.

Watching services are relatively inexpensive. Leading trademark research companies like CT Corsearch, Thomson Reuters, and CSC Nameprotect offer a variety of different watching options. Also consider using them to watch other soft IP assets such as domain names and trade names.

3. Develop Trademark Style Guides

Trademarks, particularly new ones, are like babies in that they need care and nurturing to develop to their full potential. Without proper guidance, they may develop bad habits and become wayward in their activities. That is where a trademark style guide comes in handy.

A trademark style guide illustrates the proper way to use a trademark and includes instructions ranging from the proper font and type size to the affixation of trademark notice. The consistent use of a trademark maximizes its value and reduces the chance of collateral attack by third parties.

Many graphic designers specialize in creating trademark style guides. Each company has its own history and different brand needs, so it is necessary to work hand-in-hand with the designer, preferably in consultation with a trademark lawyer, to develop a style guide uniquely suited to meet the specific needs of the business. Then, continually familiarize new marketing people with the guide so that it becomes an important tool rather than a relic gathering dust (or residing unnoticed on an intranet).

4. Develop Internal Clearance Forms

Whoever handles the legal trademark function for a company should advertise that fact internally so that mar-

keting and others who may create brands know whom to contact before taking any public steps. If employees act unilaterally when it comes to trademark adoption, searching, or filing, it will lead to inconsistent practice, increased expense, and added risk exposure.

Develop trademark clearance forms and distribute them throughout the company (an effective way to centralize a trademark practice). The forms should include key metrics such as the mark to search, the reason for selecting the mark, the goods or services of interest, the countries where the mark may be used, and the lead time before commercialization.

Post trademark clearance forms on a corporate intranet to make them readily available for widespread use. Beyond that, periodically notify businesspeople about the availability of the forms, especially as marketing people may turn over fairly regularly.

5. Beef Up the Copyright Portfolio

Copyright is an often-overlooked area of intellectual property protection. Most companies likely have scores of materials entitled to copyright registration. Adding copyright registrations to an IP portfolio is an easy way to establish company assets. At the very least, it is another schedule of assets to attach to merger and acquisition documents, thus evidencing the tangible value of the assets transferred.

Materials amenable to copyright registration include the company website, its advertising and promotional materials, its product packaging, and the like. Recordation with the U.S. Customs and Border Protection is even available if counterfeits or gray goods are an issue.

The U.S. Copyright Office charges only \$35 for an application, and the filing requirements are minimal. U.S. copyright law encourages filing early and often, as statutory damages and attorneys' fees are available only if an application is filed within three months of publication or prior to infringement. Also, if the works change over time, consider filing for derivative works to protect newly added material.

One last point to remember about copyright: it is international in scope and immediate in efficacy. You may be able to enforce copyright in, for example, your packaging in a jurisdiction where your trademark applications are still pending.

6. Clean Up Chain of Title Issues

Nothing causes more problems in due diligence than a messy chain of title. There is no time like the present to review trademark applications and registrations to make sure the chain of title is clear and current. Make sure it is

possible to trace an understandable chain of title from the current record owner back to the applicant. Assignments nunc pro tunc can be used to fill in gaps, particularly when a prior owner is no longer in business. Also, check with Secretary of State records to confirm that the current owner is still an active business entity.

Unreleased security interests are another problem when it comes to due diligence. Most people remember to record security interests against trademarks, but fewer remember to record the release of the security interest down the road.

7. Centralize Agreements and Review Any Licenses

Hard as it may be to fathom, some trademark settlement agreements and co-existence agreements are effectively put in a drawer (literally or figuratively) and forgotten once signed. The mark of an effective trademark practice is to consolidate those agreements in one place so they can be consulted when needed.

In the past, one could maintain a binder of trademark-related agreements. Since most everything is now electronic, it is more important than ever to maintain those agreements in an easily accessible electronic format. Some trademark docketing programs even have modules to record trademark agreements.

Where the number of agreements is manageable, it may even be worth reviewing them afresh. Among other things, the other side may have gone out of business or discontinued using its mark. This may result in termination of a co-existence agreement, resulting in one less issue for inside corporate counsel to worry about.

8. Rationalize Outside Counsel Relationships

As companies acquire and divest one another in whole or in part, trademark portfolios come and go. There is often different trademark counsel associated with those portfolios, especially in foreign jurisdictions. The well-run trademark practice will seek to consolidate those portfolios in one or two counsel in each country. Some companies have favored prosecution counsel and others have favored litigation counsel. Others seek to have a backup in case of any conflict of interest.

Consolidating trademark portfolios is a good way to make sure that there are a limited and manageable number of counsel who are familiar with the company and its marks. Those outside trademark attorneys often can serve as the eyes and ears of the company on the ground in spotting infringements and recommending steps to better protect the company's marks.

9. Maintain Evidence of Fame and Use

Even where marks are famous, courts and trademark offices require proof of fame. It behooves the owner of a famous mark to maintain a record documenting that reputation. The fame file should include documents evidencing the adoption of the mark, the history of use of the mark, advertising and promotion of the mark, and consumer recognition of the mark.

Beyond maintaining a fame file, it is good practice to draft an affidavit of fame. That affidavit can be used in actions around the world and modified as necessary.

Time passes quickly, and evidence of fame may grow stale. Consider docketing a future date to review and refresh evidence of reputation. Also, gather evidence across jurisdictions where marks are used outside the United States.

One last point about fame files: “bookmarking” services such as Instapaper make it easier than ever to keep a clipping file (but don’t forget to save electronic copies—the Web is ephemeral).

10. Develop an IT Policy

Today, electronic discovery is part and parcel of traditional paper discovery in any U.S. litigation. It is generally accepted that electronic discovery represents the most significant cost of the litigation process. The value of trademarks is lessened if it is too expensive to enforce rights. As a result, it is essential that corporate counsel develop an electronic discovery plan in advance of litigation. To do so, identify key custodians of trademark-related information and documents, and identify where such materials reside on corporate systems. With so many e-discovery vendors, it should be easy enough to find a vendor willing to assess needs and provide cost estimates. They are also often willing to come in and provide a CLE presentation.

Conclusion

There are plenty of other things that in-house corporate counsel can do to more effectively grow and protect their soft IP assets, from making sure that they are using the right docketing program to establishing an effective domain name policy to scouring social media for infringements. The above list is merely a sample of actions to consider taking along the way. The important thing is to at least consider the various issues and to take one concrete step at a time.

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