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Best practices for managing international trademark portfolios

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Managing international trademark portfolios in the age of globalization can be a fickle endeavor. E-commerce has blown the top off traditional thinking as it relates not only to advising clients on what and where to file, but also regarding how to strategically maintain those filings in the face of an increasingly crowded and adversarial global marketplace.

Uncertainty in the market, such as the U.S.-Chinese trade war, has caused its share of concern. However, there are still opportunities to expand brands globally.

If/when a product is launched, a service begins, or a brand is introduced, a strong and enforceable portfolio is waiting to greet and protect it.

When a brand attempts to gain a foothold with an emerging clientele, fortune tends to favor the strategically bold.[1] For this reason, companies often try to establish their intellectual property rights in countries where actual use or implementation may not be in the cards for years.

In the case of trademarks, the benefits are obvious: If/when a product is launched, a service begins, or a brand is introduced, a strong and enforceable portfolio is waiting to greet and protect it. However, in some jurisdictions around the world, such a strategy leaves open the possibility of an attack on these rights, most commonly in the form of a non-use cancellation action.[2]

Such an action is when a third party challenges your right to maintain a registration, betting on the fact you have not used your trademark for the prescribed length of time under local law.[3] Thus, when considering a trademark filing strategy for international clients, it is important to contemplate a workable scheme to protect the filings from eventual vulnerability.

Imagine your client is a high-end fashion house based in New York, hoping to crack into growing markets in East Asia. Specifically, with the current uncertainty surrounding the ongoing trade war, your client has made the decision to aggressively pursue rights in China, hoping to capitalize not only on the expanding clientele, but on the hesitation of their competitors.

As part of that push, you seek protection for their trade name and core product lines in China in association with the core goods and services they provide. After working with local attorneys to perform the necessary clearance searches and related due diligence to ensure your applications are both likely to succeed and will not infringe on the rights of others, you submit your client's applications to the Chinese Trademark Office.

Eventually, you secure trademark registrations, affording your client the exclusive right to use their marks and prevent others from using the same or similar branding in China. Your client is thrilled to have carved out freedom to operate in burgeoning fashion destinations such as Shanghai and Beijing, and to set into motion a plan to launch.

After three-and-a-half years of planning and investment, on the cusp of the official product launch, you receive notice that the trademark registrations have been challenged by another applicant for non-use, and they will be cancelled unless you are able to show actual use of the marks within the last three years.[4]

Your client has not begun to use the mark and is devastated to learn their rights have been eliminated and/or usurped,[5] and they are no longer free to introduce their brand without incurring substantial risk.

So, what happened? Simple: The registrations reached the date of vulnerability to such a challenge, and as your client has not begun using the marks, and you have not reinforced your client's rights in the meantime, another party was able to challenge, cancel, and potentially obtain rights in those trademarks.

As your registration had already made it through the examination process, the Trademark Office already determined it was fit for registration (i.e. the mark was not descriptive or generic, and did not infringe on preexisting rights or have the potential to cause consumer confusion).

Had there been use of the trademark in association with the goods/services for which it is registered, vulnerability to cancellation would not have been a concern. But what if there is only partial use or no use at all?

Assuming the trademark owner maintains an interest in protecting the assets, there are helpful considerations for formulating a vulnerability strategy.

KNOW YOUR CLIENT'S PORTFOLIO IN A GIVEN COUNTRY.

This will likely require a regular review of the portfolio to determine what is in use, what remains of high interest and, most importantly, which filings are technically vulnerable to cancellation for non-use.

Knowing your client's portfolio, as well as its related business strategy abroad, seems like a no-brainer. However, it requires a proactive attitude of communication and understanding. After all, clients often complain that their representation lacks sufficient open dialogue.

Knowing use requirements in a given country will not only inform your vulnerability strategy, but should also be a consideration when developing the initial filing strategy.

Ask questions to try and understand their thinking: What countries take priority? Which marks are most important to their business? Which core goods or services do they hope to protect? Where are they currently using the mark? Where do they plan to use it?

Once you know these details, come up with a timeline to regularly review the portfolio, and identify the registrations that may be vulnerable. It is important to keep in mind this varies from country to country. A three-year-old registration in Argentina is perfectly safe,[6] while a sister registration filed at the same time in China or Canada is open to attack by any interested third party.[7]

But setting up a recurring audit of the portfolio will allow you to keep tabs on registrations before they become vulnerable. This will open up a dialogue with your client to discuss whether they are using the marks, and, assuming continued interest in maintaining protection, whether they agree to take steps in a given country to reinforce rights or overcome vulnerability, such as strategic refiling. Know your client. Know your jurisdiction.

MAINTAIN A WORKING KNOWLEDGE OF WHAT CONSTITUTES SATISFACTORY USE.

Whether keeping in close contact with peer counsel abroad, or diligently studying local laws, it is imperative to know what constitutes use in a given country, as these requirements vary.

Understanding what constitutes satisfactory use is key to effectively curing vulnerability and rebutting a challenge based on non-use.

Again, this is a jurisdictionally-specific question that requires the lawyer to be diligent in keeping up with country-specific norms. Consider again the fashion house client. In order to crack into developing marketplaces, they filed broadly in international trademark Class 25 for a variety of clothing and accessories but used the mark only in association with dresses.

Among the targeted countries are Chile and China. In Chile, there is no use requirement.[8] A client's limited use (or no use at all) does not leave the filing vulnerable to a non-use cancellation. However, the same cannot be said for China (or the United States for that matter), where partial cancellation is allowed.[9]

If a third party were to attempt to cancel the registration, and evidence of the client's sole use in association with dresses were presented, the remainder of the broad Class 25 filing could be cancelled. Knowing use requirements in a given country will not only inform your vulnerability strategy, but should also be a consideration when developing the initial filing strategy.

While it may make business sense to file as broadly as possible, doing so only opens up more of a possibility your client may not be able to support use of all the goods/services, thus increasing exposure to non-use action. A little foresight can lead to a more cost-effective trademark protection strategy.

CONSIDER THE OBJECTIVES OF YOUR CLIENT.

How important is a jurisdiction and its consumers to your client? How important is a given suite of marks[10] to your client's international business strategy? Are there limitations on the resources your client is willing to commit, either monetarily or in terms of the manpower required to perform maintenance and upkeep of the portfolio? Is there a certain level of risk your client is willing to accept?[11]

Knowing what you know about your client and the applicable countries' laws, is it even worth attempting to cure vulnerability? Calculated risk can be your friend. Ask trusted local counsel to offer their opinion on how likely a challenge based on non-use may be. Do not expend resources to shield against an eventuality that in practice does not exist.

If you report to a client that there is extremely low risk of a third-party challenge, chances are, the related cost of fortification will seem unnecessary. The same holds true for jurisdictions and marks that are of lesser importance.

If a given country is not an integral part of your client's business model, or a given set of trademarks is being deemphasized, a lawyer shouldn't expect the client to agree to expend a lot of resources to defend the registration. If you can make the case for accepting certain risks, your clients will thank you for it. It's often better to be seen as practical rather than overzealous.

KNOW THE OPTIONS FOR OVERCOMING VULNERABILITY TO MAXIMIZE TRADEMARK PROTECTION.

To fortify a portfolio is to overcome vulnerability, and the above considerations give a lawyer the tools to submit to a client a group of filings ripe for fortification. In most instances, this means refiling, thus starting the vulnerability clock over at year zero. From that point, you have the jurisdictionally prescribed time before a third-party can attempt to cancel the filing for non-use.

In many situations, refiling to overcome vulnerability will come after the client's goods and services of interest have evolved. Refiling will provide an opportunity to take stock of the current goods and services of greatest importance to your client, which will allow the new filing to more accurately reflect their current interests and priorities.[12]

Where there is no use, it often makes sense to file broadly for the core goods/services of interest to your client that reflect their current business goals. At the very least, the new filing should cover those goods/services that are not currently being used yet remain of interest to your client. Considering the peace of mind offered by utilizing such a strategy, clients are often willing to incur the costs of fortifying their portfolio, especially those who have invested resources into expansion overseas.

Even if your client decides to take on the risk of vulnerability (often to avoid the costs of refiling), it is important to reinforce that you are not failing to renew a registration, nor are you actively allowing it to lapse. It just means accepting the risk of a potential (often times unlikely) third-party challenge.

Your international clients will typically want business in new and enticing marketplaces. This requires aggressive and forward-thinking measures, such as establishing intellectual property rights before beginning business in earnest. The benefits of such a strategy are obvious, but so are the risks.

Our job as intellectual property attorneys is to mitigate the risks as thoroughly as possible, while understanding the mindset of our clients, and integrating their goals into the strategy of protecting their intellectual property rights. In the case of trademark portfolio management, an increasingly important facet of representation is recognizing the need to protect vulnerable assets, maintaining a robust and powerful protection for our clients' businesses in anticipation of the day when they finally "come ashore."

Creating a strategy to protect vulnerable filings around the world by considering local law, legal reality, and client temperament can help businesses claim and maintain a foothold in an increasingly frenzied international market.

NOTES

1 Being "strategically bold" simply means being proactive to ensure your rights are strong, broad, and enforceable such that a niche has clearly been carved out in a given marketplace, and the priority of your brand has been established.

2 A non-use cancellation action is the offensive action taken by a third-party against another registration in an attempt to remove the filing from the register on the basis that the Registrant has not used their registered mark in commerce for a jurisdictionally prescribed amount of time.

3 Usually, such non-use actions are available after 3-5 years of non-use, depending on jurisdiction. In the US, the period is three years. The date after which a registration becomes vulnerable is often referred to as a "vulnerability date." China also uses a three-year vulnerability period.

4 Article 49, Paragraph 2 in Chapter 6 of the Chinese Trademark Law states, "Any entity or individual can file an application for cancelling a registered trademark if it has become the generic name of the goods it covers or has not been used for three consecutive years without any good reasons."

5 Often times, third parties are interested in clearing the register for their own same or similar marks. If successful, a third party can thus effectively take over that space on the register, allowing them to use their trademark in much the same way the cancelled mark was originally intended.

6 Argentina is a country whereby a registration is only subject to non-use cancellation after 5 consecutive years.

7 Similar to China, Canada allows cancellation after three years of non-use. See Section 45 of the Canadian Trademarks Act.

8 Nowhere in Chile's trademark law is there a specific use requirement as it pertains to registration, maintaining rights, renewal, etc. As a result, there is no risk of third party non-use cancellation.

9 For U.S. Law, please reference the Trademark Act Sec. 18, 15 U.S.C.A. Sec. 1068.

10 "Suite" is a term used to describe product lines or private labels of a brand.

11 It is important to remember that a vulnerable filing will not be cancelled automatically. This simply refers the chance a third party may attempt to cancel it (i.e. the risk). Accepting risk in this instance means accepting the registration is vulnerable and taking no actions to overcome the vulnerability in spite of the risk of a cancellation action.

12 Priorities and business objectives change all the time. Refiling is a great opportunity to reflect the most up-to-date description of goods and services.

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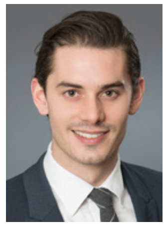 

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