



# Trademark management

## Trademark audits – what you need to know

**Trademarks are not static so it is important that companies review their portfolios on a regular basis. Too often though, this does not happen. Thus, it is imperative that a company's trademark assets are reviewed regularly.**

A trademark audit allows a company to review, manage and fully exploit the value of existing and potential trademarks. A trademark audit can range from a yearly review managed internally to a comprehensive audit conducted by outside counsel. Trademark audits are also often conducted as part of a comprehensive due diligence programme by an acquiring company, the results of which can often make or break a deal.

The benefits of a trademark audit include the identification of new brands and the maximum exploitation of existing brands. Thus, a bare bones trademark audit includes a survey of what marks are currently used by a company (as well as whether proper trademark use and notice are being made) and what applications and registrations exist, and a review of the chain of title.

Through this analysis, a trademark audit will identify trademark assets that have not been protected. While companies are usually aware of their core brands, a review of, among other things, product lines, marketing materials and websites will often reveal trademarks that have not been identified, including, in many cases, non-traditional marks. In addition, a company may have expanded use of its marks into product lines or geographic markets that were not initially contemplated at the time of filing, or, in some cases, the initial filing may simply not have been broad enough.

A cost-benefit analysis (taking into account the longevity of a product line/new geographic market) should follow to evaluate whether new applications should be filed to cover the expanded breadth of the goods/services/countries where a mark is used. This ensures that a company is obtaining proper protection to exploit and enforce its marks in connection with all of the goods/services and geographic regions of interest. In many cases, the Madrid System represents a cost-effective filing strategy to

fill the geographic gaps in protection.

In addition, one of the best reasons to perform a trademark audit is that it may identify opportunities to increase revenue through exploitation of existing or newly identified brands. A primary path to increasing revenues (other than direct sales under a mark) comes from licensing arrangements. As with acquiring companies, of key concern to a licensee will be the value of the brand, including whether or not it has been protected. Regular trademark audits demonstrate a commitment to the value of those assets and will usually result in a positive review by a potential licensee.

A trademark audit can also identify critical ownership issues. If an application is filed in the name of a party which did not own the rights to the mark at the time the application was filed, any resulting registration may be void, in which case a new filing should be considered. Further, a mark may have been assigned to another entity, or a name change or merger may have occurred since filing. Ensuring that the chain of title is clean is imperative. Filing suit or an opposition without proper ownership may create a standing issue, resulting in zero value in a trademark registration. Similarly, a review of liens and security interests tied to trademark assets should be reviewed to determine if such encumbrances should be removed.

Further, as the audit is conducted, attention should be paid to whether proper trademark use and trademark notice is being practised by the company. Proper trademark use and notice can deter third parties from adopting a mark similar to your client's or company's mark and, in some cases, can ensure that a mark does not become generic.

A company must also have a programme in place to monitor effectively potential infringements and enforce its trademarks. Failure to do so can weaken or even completely destroy the value of a brand. Thus, an audit of policing activities and monitoring programmes should be conducted. For example, watching services in place for marks in which the company has lost interest should be cancelled, whereas they should be added for marks

that are important to the company and not currently being watched. The scope of the watching services (in terms of classes and types of service) should also be carefully reviewed to ensure that all third-party marks of interest will be revealed.

A review of any settlement agreements with potential infringers should also be reviewed to assess the contractual obligations of third parties and to ensure that they are complying with the terms of such agreements (including limitations as to registration/use). Allowance of non-compliance with settlement terms can result in a waiver of rights. Further, an area that is often overlooked is appropriate customs recordation for registered marks. This can be an important tool in stopping the import (and in some countries the export) of counterfeit or infringing goods.

Domain name acquisition can also play a vital role in the protection of a company's trademarks. Thus, an audit of a company's domain name portfolio should be conducted in conjunction with the trademark audit. Domain name acquisition is an inexpensive means to keep others from adopting marks or trade names identical to those of your client or company.

When trademark audits are not regularly performed, certain events (such as a desire to enforce, sell or continue to use certain marks) typically highlight deficiencies in a trademark programme. However, in many cases, it is too late to cure the deficiencies. Consequently, valuable trademark rights can be lost/weakened or a company may not be able to exploit its trademarks fully in connection with certain goods/services/countries of interest. Regular trademark audits will help optimize the business benefits that a company derives from its valuable trademark rights and ensure that the integrity of a company's trademarks is maintained. [WTR](#)

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