

Feature
By Adam Smith



A foot in the door

Getting trademarks on the corporate agenda

As the world's only magazine dedicated to trademark law and practice, *WTR* is uniquely positioned to take the pulse of the industry. Our second annual Global Trademark Survey illuminates exactly where trademarks stand in the corporate structure

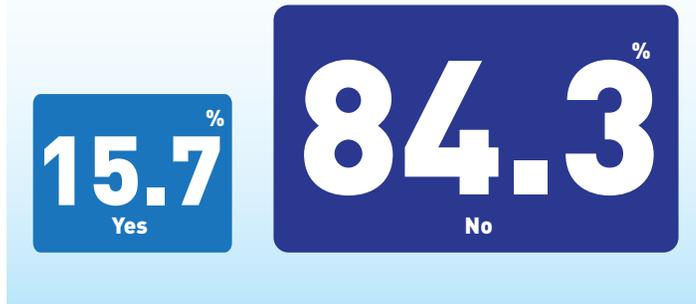
Although trademark counsel are no longer locked in the corporate basement, many are still struggling to integrate their function into the wider business structure. Exclusive *WTR* research reveals that many corporations still have no grasp of their trademark assets, with a staggering 84% of in-house counsel admitting in *WTR*'s second annual Global Trademark Survey that their company has not valued its trademark portfolio. The research paints a gloomy picture in which trademark teams are still seeking vital support from key departments, yet find many doors closed to them.

This comes as something of a surprise, given that the value of weaving a trademark practice into the fabric of the business is undisputed. Trademarks can help to rescue struggling brands and launch new ones. For example, while the Sony Ericsson joint venture brought the two communications titans together, it was their trademarks that synchronized these powerful brands. Justin Pierce, Sony Ericsson's head of trademarks and brand protection, recognized early on that success would depend on strategic use of the new brand and the trademarks brought to the table by the shareholders, Sony and Ericsson. "One of my tasks in this area was twofold," he recalls. "To build an electronic database for colleagues around the world to consult when referring to our trademarks and brands, and then to make it part of the company's culture." This dynamic resource has since stitched together disparate groups across the business.

So what accounts for the continued failure to appreciate trademark value – does it stem from the near impossibility of producing an accurate valuation or is it reflective of blinkered thinking in the C-suite?

In-house counsel:

Has your company/team had its trademark portfolio valued?



Find the value

Implementing business-wide projects at the behest of the trademark department is rarely easy, owing to what David Goldring describes as “ignorance about trademarks at the highest level in a company”. Goldring, who worked in-house for 10 years, is now head of Novagraaf’s UK group. “There are many chief executives who understand the value of their trademarks, but there are so many others who don’t,” he told *WTR*. “In these days when companies are led by finance rather than marketing or sales, it’s increasingly difficult for senior executives to grasp what they’re sitting on.”

Trademark counsel thought they had cracked this nut a decade ago, when brand and trademark valuations first appeared. To some extent, a formulaic valuation can still be a useful tool to educate the board about the importance of trademarks, but there are other obstacles in the way. Many companies’ trademark portfolios and families are too large and complex for any valuation methodology

Global Trademark Survey 2010: methodology

In March 2010 *WTR* sent its second annual Global Trademark Survey to leading practitioners across the world, both in-house and in private practice, receiving more than 700 responses. Some questions were duplicated across both groups, while others were tailored to the specific practice. The in-house group consisted of senior trademark counsel from a wide range of industries internationally. These respondents were asked 33 questions on topics ranging from budgets to team structure, trademark portfolio management, enforcement, management of external counsel, registration systems and how their practice sits within the corporate structure.

At the same time,

respondents from private practice were asked to complete an online form containing 27 questions on subjects including work volume, work type, income and fees, department staff, department structure and registration systems. *WTR* collated and analyzed the responses, and then set about sifting through the data to identify significant trends and prevailing opinions with an international flavour. Finally, *WTR* contacted a select group of respondents to seek further in-depth comment.

All individuals who participated in *WTR*’s Global Trademark Survey were entered into a prize draw to win a Montblanc precision ‘writing instrument’. The winner was Colin Fowler of Rouse.

to pin down. “It’s an enormous task,” admits Jef Vandekerckhove, Philips’s vice president for intellectual property and standards (IP&S) in Europe. “You need a lot of data from business management and groups across the business to complete a valuation. So I’m not amazed that 84% of in-house counsel have avoided it.”

The lack of a definitive valuation method only makes it harder to get execs on board. Furthermore, some commentators question the efficacy of any valuation. “Placing a figure on the assets is not so important because it is still a rather subjective affair,” notes Goldring.

All aboard

According to Goldring, trademark managers seeking wider recognition should not place too much emphasis on valuation alone. The fact that the brand can unite colleagues from across the company under a common banner is increasingly important. Far from just consumer-friendly tags, brand names operate internally to give colleagues in different departments a shared purpose. In this way the brand can serve as a touchstone of the business and bring personnel together in their day-to-day work. A formal, cross-organization trademark policy can promote engagement with the brand and reinforce the merit of this key corporate asset. However, almost 44% of in-house respondents to *WTR*’s survey said they currently have no internal trademark guidelines.

In-house counsel:

Does your company have a formal, cross-organization policy on trademark use?



“I am surprised by that,” says Goldring, who penned the trademark manual during his time in-house with a large UK food and drinks company. “One would expect in-house counsel to have something to tell their marketing people about what they should look for in order to get maximum protection and value from their trademarks.” This figure is yet further evidence that the trademark function needs vocal in-house advocates; without them, the business will remain unable to maximize its IP rights.

And a robust trademark policy comes into its own when the company is entering important jurisdictions for the first time. Stepping into China on the wrong foot because marketing and trademarks have not connected can be disastrous, for example. “Any company without a procedure will sooner or later have big problems in China,” warns Christopher Shen, head of the legal group at NTD Patent & Trademark Agency in Beijing. “Almost half of the difficult cases we handle every day are caused by the failure of the client – failure to register early enough or failure to monitor.”

In-house counsel are in a bind: it is only with boardroom support that they can drive through a policy that will enhance

The trademark challenge

When *WTR*'s Global Trademark Survey asked respondents what they considered to be the biggest challenge facing trademark practice, the answers were nothing if not diverse. One of the most common responses was finance: in-house respondents complained that rising costs are limiting their effectiveness and that the cost of litigation is proving a serious deterrent in some jurisdictions (for more on jurisdictions, see box, "A worldly perspective", p30). One respondent said: "UK courts have become ludicrously expensive: just getting a case off the ground costs a frightening amount of money." It is not only costs that restrict enforcement activity: a significant number of respondents revealed that problematic jurisdictions present a major challenge too (China came in for the worst of the criticism).

Many in-house and external counsel suggested that their biggest challenge is the alarming rise in counterfeit goods. The problem is becoming ever more complex as the market for counterfeit goods grows in sophistication. One respondent said that it is not simply counterfeiters that cause concern, but "counterfeiters who hide behind worldwide online distribution channels".

But the results overall reveal that it is the Internet which is by far the biggest challenge faced by brand owners. Fifty-six percent of in-house counsel said that during the past year the threat of online infringement had increased. When asked what they considered to be the biggest challenge, many respondents answered simply, "Google" – presumably referring to the question of whether use of a trademark as a keyword

constitutes infringement, either by the keyword owner or by the search engine displaying the related advertisement. The recent decision from the Court of Justice of the European Union has clarified some points for European practitioners, but other matters remain open and keyword advertising largely continues unaffected. As reported on the *WTR* blog in March, Simon Bennett, partner at Fox Williams, said: "This judgment will push up costs. The money spent by brand owners in combating infringements will increase."

Despite the success of the Uniform Domain Name Dispute Resolution Policy, brand owners argue, cybersquatters persist in abusing trademark rights. Many fear that the problem will only grow in the coming years as more and more top-level domains (TLDs) are launched. This year sees further expansion of the country-code TLDs and 2011 or 2012 will likely see unlimited generic TLDs. When *WTR* asked external counsel whether gTLDs would require their clients to adapt their domain name strategy, the majority (58%) said that they didn't know. "Industry can't predict the problem," says Brian Banner, who practised trademark and unfair competition at two multinationals for many years and is now in private practice, while also teaching at George Mason University School of Law. "It can't put a finger on how much it's going to cost to cure a potential problem or even how serious the problem will be."

Some respondents seem to have a clearer perspective on the matter. When asked for the biggest challenge to trademark practice, one respondent said: "Definitely *not* new gTLDs."

competition at two multinationals for many years and is now in private practice, while also teaching at George Mason University School of Law. "They're paying for counsel already. It makes sense to include them from the get-go so that the new product doesn't need to be rebranded later."

Collins, who counts herself among the 44% who have a hand in initial sessions, believes that early involvement not only is a chance to rein in gung-ho marketers, but can also smooth internal management in the trademarks team. "For example, if you're using a naming agency, you can help with the contract for the agency and work out to what extent they will do the searches," she explains. "So I can see the work that is likely to come up in the next few months

management understanding. Even with C-suite backing, this is still a daunting task; but that's no excuse for dodging it, argues Pierce. "Your policy is always outdated the day after you've written it," he notes. "But it's no less important to have one."

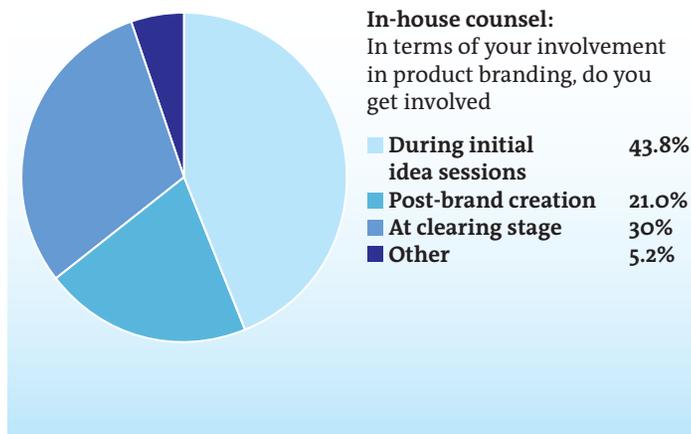
To institute his trademark database, Pierce exploited the unique political dynamic of a joint venture, in which both sides may clash on points of business, but not on brand. As a unifying factor, the brand can help trademark counsel to win buy-in from across the company. Pierce elaborates: "Executives saw brand and the trademark practice as a way to cultivate the joint venture and combine aspects from both the Sony and Ericsson brands. The database project ended up being something that solved not just trademark issues, but business issues too."

Knitting together often disparate departments through the brand can work wonders for the internal promotion of the trademark practice behind it, which can help to clinch cross-company backing. Colleagues come to acknowledge that the trademark counsel's function is to protect the name that they work for. In some industry sectors, however, it has taken the explosion in counterfeiting to win everyone's attention.

"In my industry, traditionally it has been difficult to convince the board," explains Jane Collins, IP counsel at Syngenta. "But now counterfeiting is on everyone's radar. So we've been doing a lot more to publicize our activities and successes internally." Collins and her colleagues now take care to circulate news of anti-counterfeiting raids or customs actions through internal communications channels. They even target specific individuals, all the while locking the trademark function into the diverse business units across the organization. It is a simple but effective way to foster better cross-company understanding of trademarks.

Playing the name game

Once engagement with other departments is secured, in-house counsel interviewed by *WTR* report, those teams are more likely to cooperate. If they understand the trademark function, marketing and product development groups are more comfortable in consulting trademark counsel during early branding sessions. Encouragingly, 44% of in-house counsel said they are involved at this stage, but half do not participate until after the initial workshop.



"It's surprising to me that a product manager would develop a new product and fail to engage in-house counsel in its branding," notes Brian Banner, who practised trademark and unfair

A worldly perspective

It will come as no surprise that the United States is still brand owners' preferred litigation venue. The country took the largest share (nearly 35%) of the votes when *WTR* asked respondents which jurisdiction offers the best value for money for litigation. Additionally, almost half of all respondents said that the United States also affords the most thorough judicial scrutiny. The significance of these figures only increases when viewed alongside the geographical breakdown of *WTR*'s respondent group (see box, "Global Trademark Survey 2010: methodology", p28), as only 23% are from North America.

"Many judicial systems around the world aren't as transparent as the US system," notes Brian Banner, who practised trademark and unfair competition at two multinationals for many years and is now in private practice, while also teaching at George Mason University School of Law. "Here, decisions are published, reported in newspapers and open to the public. That's one of the reasons why I think the answer was so positive." He added that the multilayered judicial system available to brand owners in the United States is predictable and therefore favourable.

But some Europeans are not as quick to throw their weight behind the US system. "It is complicated," says David Goldring, head of Novagraaf's UK group. "All the depositions require much more pre-trial work. US lawyers are expensive. And I don't necessarily agree that they're more reliable." Goldring admits that the European system is no tidier than its US counterpart. Insofar as forum shopping is possible, the decision of where to take action over a Community trademark (CTM) has had Europeans scratching their heads for years. MARQUES recently called for tighter harmonization, suggesting that although national systems should already align with the EU Directive on the Enforcement of IP Rights, "national practice continues to differ widely... even

though the law is the same, a CTM can be enforced very differently". Goldring grumbles: "We only have to look at the Benelux IP Office decision in the *Onel* case to see how unreliable lower instance cases can be."

Such problems can have a negative impact on the business of trademarks in a particular jurisdiction. Equally, respondents from developing economies that have recently acceded to the Madrid Protocol (or are about to) expect their practice to suffer drastically.

But on the other hand, some respondents expressed optimism precisely because of their location. "The future looks pretty good," reports Pål Tonna, an attorney with Bryn Aarflot in Norway. "Staying outside the European Union, we get a lot more filing work than we would if we were a member state." (Members of MARQUES recently told the European Commission that they hoped CTM coverage would be extended to Norway and Switzerland.)

Chinese attorneys were also largely optimistic, although numerous counsel outside the People's Republic had a different view. One commented: "Biggest challenge to trademarks? China, China, China." Many foreign brand owners still hesitate to file in China, citing unenforceability and backlog, among other reasons.

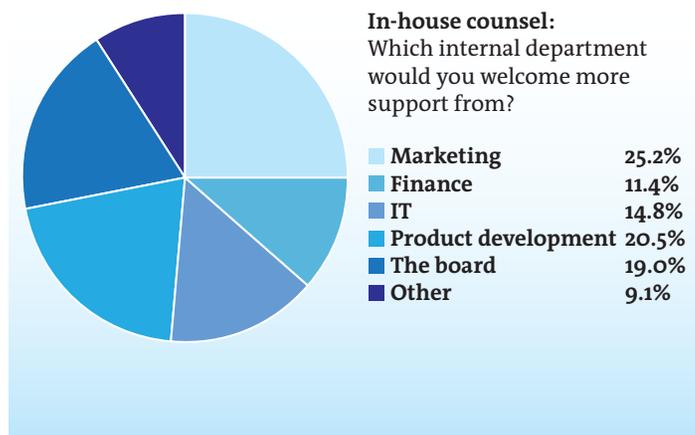
The trademark office received an approval rating of just 4.8 out of 10 in *WTR*'s survey: respondents complained of examiners' inconsistencies, poor understanding of the law and unreasonable refusals. While pendency could be reduced before the year is out, users of the system are demanding a fairer, more consultative approach from the office. "If a description of goods falls outside the Chinese classification guidelines, it should be possible to have a discussion with the examiner," suggests Rachel Li Mei Tan, head of the China trademark group at Rouse & Co. "We also need detailed reasons for refusal of a trademark. Often, a brand owner or trademark attorney is left guessing the reasons for the refusal."

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and make decisions based on my resources. If I know I'm going to be stretched at that particular time, I can contract the naming agency to do more searches."

Vandekerckhove agrees that early involvement in branding brainstorming reaps benefits for the trademarks team. "It creates a smooth trademark creation process, which offers a lot of advantages in time and money later on," he explains, adding that in one two-day naming session, he was able to pare down the thousands of names proposed to a limited group of protectable marks.

However, despite the growing recognition of the need for the trademarks and marketing departments to collaborate more closely, a rift between the teams remains. In-house respondents to the survey identified marketing as the function with which they have the most interaction (with 45% of the vote, it received the majority share). However, when respondents were asked which group could provide more support for trademarks, once again, marketing topped the table.



These results are unsurprising, given the complexity of the marketing-trademark relationship. In-house counsel must battle constantly with a misapprehension that they always say 'no' to ideas; yet they have to remain cautious about marketing's plans. Shooting down descriptive or otherwise unregistrable names thus remains a challenge for trademark counsel. The problem is exacerbated as marketing teams are notorious for frequent personnel reshuffles. As teams change, a smooth relationship can only be supported by a senior management team that maintains direct control over brand and trademark issues.

On a positive note, according to Alan Drewsen, executive director of the International Trademark Association (INTA) (see "At your service", p35), senior officers are increasingly getting the message. "I think there's a greater and greater realization by upper management that trademarks are a key aspect of their business," he told *WTR*. Banner adds that "the great brands are those that have been used properly across the company, enforced against poachers and protected over many decades, and where the board retains policies that control and use the brand as a corporate asset".

An integrated model

Crucial boardroom recognition is best won by integrating the trademark practice with the business. This practice is exemplified by a number of companies, including Philips. Two years ago, Philips introduced business group managers for each key industry sector

Although each trademark owner association speaks to a unique demographic, collectively they work together to move trademarks further up the corporate agenda. Fortunately, anecdotal evidence suggests that trademarks are winning more senior support, probably thanks to education. "As for any user association, education is central to our agenda," says Alan Drewsen, executive director of the International Trademark Association (INTA). "This includes distributing as much relevant information as possible and serving as a way for the community to network."

INTA is by and large doing a good job: in *WTR*'s survey, the New York-headquartered organization received the highest approval rating of all the user associations. Respondents praised INTA's networking opportunities, which are immensely useful (70% of private practice respondents revealed that conferences are their number one way to pick up clients). But *WTR*'s research shows that the sector as a whole is letting many brand owners down. When asked whether industry bodies did enough to keep them informed of market and legal

developments, over 40% said no.

MARQUES insiders told *WTR* that people who were not involved with the European mark owner association argue that it does not do enough, but that they are always surprised when they realize the scope of its activities. According to sources, MARQUES is "wrestling" now with how to promote its work better. "Everybody produces endless email shots and newsletters, but getting people to read them is another matter," notes Jane Collins, former MARQUES chair.

Drewsen agrees that this is a major challenge. "We have more and more information available to people who have less and less time to sort through it and identify what's most important," he told *WTR*. "I suspect that the information is out there, but the question is how to get everybody to look at what is most relevant – and how in the world they have time to do all this."

Drewsen is alluding to a major problem for associations: with such a diverse membership and volunteer base, how can they ensure they produce not only quantity, but also quality? Lawyers are good at reporting case law, argues Justin Pierce,

Sony Ericsson's head of trademarks and brand protection, "but what [*WTR* survey] respondents are expressing frustration with is this: while case law updates are great, at the end of the day people want to know how these developments are relevant to them and their industry, and how they will impact on their business and sector."

User associations are generally responsive to commercial considerations: they represent brand owners' interests at the highest level. For example, INTA lobbied successfully for the US Dilution Act. And over in Europe, the five non-governmental organizations that sit on the board of the Office for Harmonization in the Internal Market (OHIM) are finally winning recognition. David Goldring, a founding member of MARQUES, notes that "it took a great deal of hard work to get to that position". He adds: "It's very important that MARQUES maintains its standing and continues to have its say at OHIM, the World Intellectual Property Organization and the European Parliament committee meetings. By being part of MARQUES, you can argue points

with much more strength than you ever would as an individual or even a large company."

If associations are to continue developing their political voices, they will need to ensure that they are truly representative – a problem that each struggles with. "MARQUES has a very western European outlook," admits Collins. "We are trying to involve eastern European members. One of the difficulties is that MARQUES represents the interests of brand owners, but within eastern Europe there aren't many in-house departments. Without support from in-house counsel, it's difficult to get a true feel for what industry in eastern Europe actually wants."

Over the other side of the Atlantic, meanwhile, Drewsen bats off any suggestions that INTA is still too American in its approach. One survey respondent said: "INTA is international in scope, but American in attitude. It still works on American terms." Drewsen maintains: "I hear that less and less. Look at the international scope of the board of directors and committee membership outside the United States and I think you'll be impressed."

(ie, lighting, healthcare, consumer lifestyle and innovative and emerging business). These individuals are responsible for the patents, trademarks, designs and domain names in their sectors, as well as for legal counselling and IP value extraction. They also appoint and oversee other senior staff, such as project managers, value creation managers and value extraction managers.

This structure means that a single person in each business group now acts as a central contact point and draws on internal resources to coordinate projects and solve problems. This is the essence of Philips' integrated approach. In practice, when a project takes place within a particular sector, the group head appoints a project manager, who in turn consults with all relevant parties, including IP counsel. The project manager is tasked with compiling a report on all IP concerns relating to the initiative at a very early stage.

Vandekerckhove notes that the role of trademark counsel is increasingly becoming that of a business adviser. "There is a lot more counselling on how to use a trademark for the business," he explains. This is crucial at this stage in Philips's history, as the company moves into the direction of healthcare and consumer lifestyle. "Trademarks are thus growing in importance, because you need to be able to translate consumer insight on how products are developing into something understandable for the consumer." The trend also means more ventures with third parties, demanding more contract work from trademark counsel.

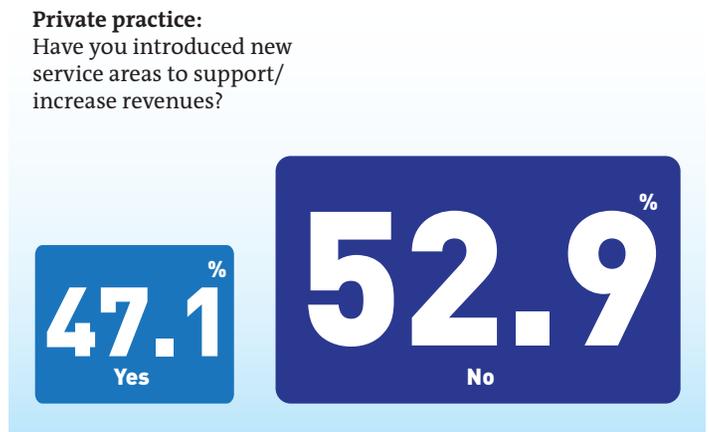
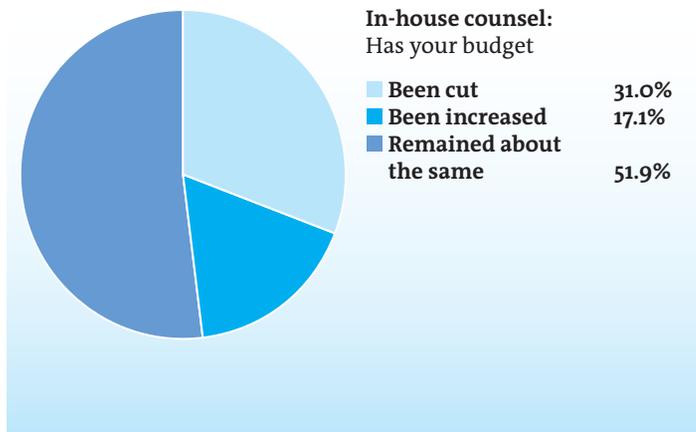
Unlike other legal functions, the role of trademark counsel is constantly evolving as it is locked tighter into the business. Again, only the trademark managers can drive this change forward. "Our

trademark team has benefited hugely from internal promotion," says Collins, by way of example. "But I emphasize: you have to go on doing it. It's an ongoing task. You have to keep pushing at the doors."

Money matters

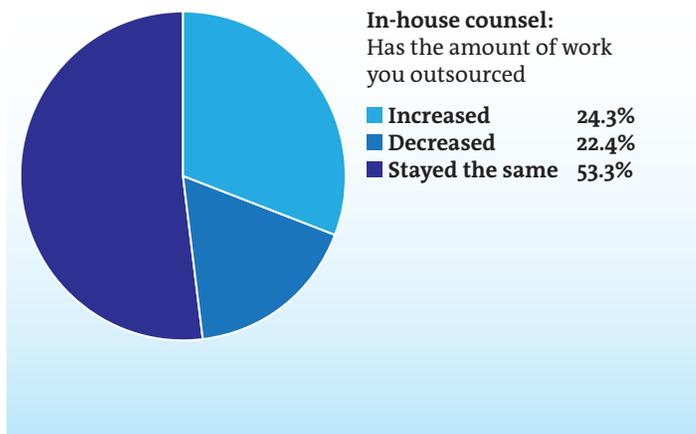
While cultivating the relationship with other departments is often difficult, it can benefit not only the brand, but also – perhaps surprisingly – the financial standing of the trademark group. A trademark team that interconnects with and supports a number of business units is less likely to face severe budget cuts. "Those trademark managers who are able to convey the benefits of their departments to relevant business stakeholders are less likely to experience cuts," explains Pierce, "especially when colleagues from other teams feel that the trademark team is tied to their success."

Shrewd trademark managers who can convince other business units of this can even pass on costs that would otherwise be covered by the trademark team. This in turn can help prove to senior management that trademark advice makes a real difference to the bottom line. "It is the ammunition you need to gain access to the board," says Pierce. "You need the key driver that they'll respond to: how trademarks impact finance. If you put things in those terms, you'll always gain access to the board. But a lot has to be done by you, as chief trademark counsel." It is a canny way to dodge the budget-cut bullet, which has hit nearly one-third of trademarks this year. On the other hand, *WTR* found that two-thirds of teams experienced an increase or no cut at all, which confirms that even when times are tough, many companies appreciate the importance of the trademark function.



No longer the outsiders

As this recognition permeates the commercial world and trademark counsel become more empowered, their relationship with external counsel is also beginning to change. In this respect, the economic squeeze has resulted in some positives for brand owners, with almost half of all external counsel surveyed introducing new services for in-house attorneys this year.



These new offerings have included online trademark portfolio and filing management systems, expanded watch services and maintenance of archives for documents that may be useful in later litigation. In recent years the legal market has contracted, meaning that attorneys have had to adapt. "In the United Kingdom, we've certainly been pushing our trademark watch services more than in the past," reveals Goldring. "It's nothing new, but it's different for us – and we've definitely been picking up more opposition work." Meanwhile, 25% of brand owners revealed that they outsourced more work during the past year, with 55% renegotiating the fees they pay external counsel.

The migration towards fixed fees continues, with anecdotal evidence from WTR's survey revealing that brand owners are demanding more sophisticated billing structures. "There's a difference in how you approach prosecution, administrative actions such as oppositions and litigation," says Pierce. "Each may require a different billing model."

Although billing reform had begun before the cracks in the global economy appeared three years ago, the recession has

certainly accelerated the process. One respondent reported how some in-house counsel are specifically tasked or even incentivized to reduce costs by "some arbitrary percentage". Collins observes: "The recession has forced industry to look hard at fees."

But external counsel expressed doubt at the growing trend – not simply because their own earnings are hit, but because the industry as a whole may suffer. "Just as the supermarkets have squeezed suppliers for years," explains Goldring, "so big companies are doing that more and more with their trademark work. Whether they get the best value out of it is questionable. Squeezing the profession creates a problem for quality in the long term."

Adapting to reality

Belt-tightening and the recession have certainly forced change on the legal landscape, with notable names such as Darby & Darby folding recently. "We're going to see many more large firms break up," predicts Banner. He explains that many firms fail to understand that the legal market must adjust like any other: "Some partners walk down the street and see vacant office space and discounting auto dealers, but they still think that the practice of law is sacred. Some partners just don't get it."

As larger firms shut down, new opportunities open up for smaller, leaner outfits. But, crucially, a firm's true worth is founded on commercial awareness – and this is what a number of in-house counsel are hoping the recession will engender. "Companies benefit from firms that take a hard look at what's going on in the client's particular industry and don't just give advice as if the client were in a vacuum," says Pierce. "Proactive, business-focused advice will always generate business for outside counsel." This approach gives external attorneys the edge.

For in-house counsel, too, a commercial take on trademarks is crucial. "In private practice, you have to go out and get clients," says Collins. "In a way, we have to do that too. The business doesn't care whether you win a case unless it means you eliminate a competitor." The WTR survey shows that many counsel are still in need of greater support and understanding from other departments, but the path to complete integration into the business must be carved out by the chief trademark counsel.

"It comes down to walking the corridors, knocking on doors and finding out whose team you need to know," says Collins. "I wouldn't say it's an uphill struggle; it's something I'd expect to need to do along with everything else." **WTR**

Adam Smith, *World Trademark Review*, London