

Trademarks and Copyrights as Growth Opportunities Even in a Recessionary Economy

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There is no doubt that we are living in the most challenging economic times of the modern era. The severe weakening or even failure of the large financial services firms is having an effect on virtually all American businesses, and is expanding to affect other parts of the world as well. It is important for brand owners to hunker down and be conservative during this time. Yet with the right strategy in place, trademark and copyright owners can not only weather the crisis, but can use this opportunity to address their existing concerns.

TRADEMARKS

Times may be tough, but trademark owners are continuing to pursue the two key areas of a brand strategy – protection and enforcement.

Trademark Protection

The dot-com boom marked the beginning of a rapid rise in the trademark industry, and although that bubble burst nearly ten years ago, the trademark field has continued to grow. This is in part because trademark owners have continued to face an expanding array of new challenges posed by cybersquatters and internet pirates, but it is also attributable to market forces and the expanding reach of the global markets.

Over the past several years, the trademark industry has expanded at a significant clip. The year 2007 set a new record for annual trademark filings in the U.S. Over 300,000 trademark applications were filed with the U.S. Patent and Trademark Office – the highest number ever. Although 2008 numbers may be slightly lower than 2007, at least until very recently, the economy has not put a significant damper on the number of new U.S. filings. In fact, fiscal year 2008 saw the most electronic filings ever, about 268,000, since the PTO began the e-filing program.

So the ease in electronic filing may be seen as at least partially responsible for the up-tick in filings. As the PTO continues to move to paperless processing, we can expect

to see even additional growth. According to its fiscal year report for 2008, the PTO will continue to use electronic government capabilities as the primary means of doing business with applicants and registrants, and as a means of processing work within the organization. Trademark owners and practitioners may wish to use any downtime associated with stagnant economic conditions to get up to speed on e-filing for all their trademark needs.

International trademark practice also continues to expand. The enlargement of the European Union in 2004, that brought in eight nations from eastern and central Europe, began a spike in Community Trade Mark filings. Between 2004 and 2007, there was an increase of over 50 percent as more and more trademark holders saw the benefit of protection in all of the member nations with just one filing. Notably, U.S. companies have contributed heavily to this trend – last year American companies were the second most prolific filers after only Germany. And accession to the Madrid Protocol, which provides an International Registration system, remains a high priority for industry groups like the International Trademark Association. Next up, INTA has identified bringing Latin America on board as a strategic goal.

Indeed, as the above suggests, there can be little dispute that trademark law is a global practice today. The 2008 Annual Meeting of INTA was held in Berlin last May, only the second time that it has ever been outside North America. Yet it brought together more than 8,000 trademark practitioners from more than 140 countries around the world. INTA is banking on this trend increasing in the coming years, and is planning a full complement of attendees from around the globe for the 2014 Annual Meeting in Hong Kong, INTA's first-ever Annual Meeting in Asia. Moreover, for the first time, in the 2007-2008 term, INTA was led by an Australian president, Rhonda Steele. One of Ms. Steele's goals for the term was to increase awareness and visibility of trademark issues in the southern hemisphere.

Of course, this trend does not exist in a vacuum but rather has been driven by market forces. This is likely to continue. In the future, for better or worse, the continued weakness of the American dollar should make U.S. manufacturing companies more competitive overseas. Those companies will naturally want to file trademark applications in countries where they will operate, and indeed would be well-advised to make the investment in trademark protection in major manufacturing countries such as China, where counterfeiting and trademark piracy are common. This trend is not limited to consumer goods, but also affects industrial products and even services.

Even with a slowdown in new product development, companies with mature portfolios are rethinking their strategies. Rather than maintain national registrations around the world, some companies are opting to allow such registrations to lapse in favor of new “super-registrations.” For example, European Community Trade Marks offer a single unitary right covering 27 member states. With CTM filings, the applicant can also file seniority claims in the countries where earlier rights have been registered so that the national registrations may lapse. Although this requires an up-front financial outlay, it should ultimately save the owner money because the corresponding national registrations will not have to be renewed.

Importantly, trademark owners should not pursue filings simply because the opportunities for protection exist. The U.S. acceded to the Madrid Protocol on November 2, 2003. While it is true that the Madrid system allows a trademark owner to obtain trademark protection in any or all member states by filing one application in one jurisdiction with one set of fees, there are many disadvantages to the system. Among other things, the costs savings which may result from using the Madrid system may be offset by the need to use local counsel in any jurisdictions where obstacles arise. Consequently, trademark owners should be strategic in not just where they file but how they file.

Trademark Enforcement

There is also a substantial amount of pending and prospective trademark litigation in the U.S. and abroad. This is likely to continue as trademark owners seek monetary damages previously more commonly found in patent infringement cases. In May 2008, in *adidas America, Inc. v. Payless Shoesource, Inc.*, a jury in fed-

eral court in Oregon awarded the footwear company adidas \$305 million against the budget shoe chain Payless for infringement of its well-known three-stripe trademark. Trademark owners should consider the adidas in deciding whether to assert their trademark rights offensively.

Brand owners are also looking to the online space and aggressively pursuing those they believe are committing contributory infringement – for example, Tiffany is continuing to pursue eBay for what Tiffany believes is eBay's role in trademark counterfeiting on the internet. Having won a victory in the French courts, Tiffany is appealing its loss in the U.S. District Court for the Southern District of New York in *Tiffany (NJ) Inc. v. eBay Inc.*

Indeed, there is concern among trademark owners that failure to police their marks on the internet may result in an abandonment of rights or at least a reduced scope of protection. According to Professor McCarthy, the law imposes on trademark owners the duty to be pro-active and to police the relevant market for infringers. Vigilance may take many forms from monitoring the world wide web to ordering trademark watching services. The duty to be vigilant does not disappear simply because the economy has changed.

In fact, the court in the *Tiffany* case has put the burden of protection squarely on the shoulders of trademark owners rather than the web sites which facilitate the sale of counterfeits over the internet. Although the district court noted that Tiffany had devoted extensive manpower and a budget in the millions of dollars to reviewing eBay's listings and lodging objections, it found that Tiffany could do even more.

The *Tiffany* case highlights the fact that counterfeiting and infringement do not stop during recessionary times. If anything, the rapid development of the internet has aided their rise. The web has opened up a new channel of distribution where people can sell fake goods. The estimated market for counterfeit goods is over \$600 billion. Online sales venues such as eBay have had to respond by introducing mechanisms for trademark owners to object to listings that they believe are for counterfeit merchandise. Even if not perfect, trademark owners and practitioners must be familiar with such tools to stem the tide of unauthorized goods and to prevent the loss in goodwill that results from their proliferation.

Increased counterfeiting should also prompt companies to record their trademarks

with the Customs and Border Protection Service more often. In July 2008, in an effort to help trademark owners, the Department of Homeland Security opened the National Intellectual Property Rights Coordination Center in Washington D.C. According to its web site, the National IPR Center, "staffed with agents and analysts from [Immigration and Customs Enforcement], U.S. Customs and Border Protection, and the FBI, coordinates the U.S. government's domestic and international law enforcement attack on IPR violations. ICE agents in the United States and abroad work closely with the ICE Cyber Crimes Center to combat the problem of piracy and related IPR violations over the Internet. Attaché offices around the globe coordinate IPR investigative efforts with host nation law enforcement."

Cyberpiracy is also an ongoing problem for trademark owners. Although not quite the free-for-all land rush that existed in the late 1990's, when trademark laws and practice had to scramble to catch up with virtually unfettered speculators and the courts were in danger of clogging with cybersquatting claims, the practice continues to this day and is continually taking on new forms, such as typosquatting and domain tasting. The National Arbitration Forum administered 1,805 domain name disputes in 2007, up from 1,658 disputes in 2006. A record 2,156 complaints alleging cybersquatting were filed with the World Intellectual Property Organization, representing an 18% increase over 2006 and a 48% increase over 2005.

COPYRIGHTS

Copyright filings in the U.S. also remain significant. Each year, the Copyright Office receives approximately 550,000 applications for copyright registration. Perhaps surprising to many trademark practitioners, the annual number of copyright filings far exceed those of trademarks.

Brand owners and other creators of intellectual property should be aware that copyright registration is far less expensive than trademark. While a single class trademark application costs \$325 to file electronically, a copyright application costs only \$35 to file online. The \$35 fee actually constitutes a drop of \$10 from the fee charged to file a copyright application on paper. Of course, copyright protection may not be available for logos whose design is not overly original or otherwise artistic.

The new electronic online filing system of the Copyright Office should result in even more submissions over the coming years. The system offers faster processing time, online status tracking, secure payment by credit or debit card, and the ability to upload certain categories of deposit materials directly into the system as electronic files. According to the Strategic Plan of the Copyright Office for 2008-2013, an increasing percentage of works will be deposited in electronic form. Indeed, a strategic goal of the Office is to transform itself from a paper-based to a web-based processing and services environment. Expect more copyright filings as it becomes easier and more streamlined for works owners and practitioners to file applications electronically.

Copyright infringement cases continue to receive considerable attention in the popular press. In 2008, Hasbro sued the people behind the popular Web game Scrabulous, which has more than half a million regular users on the social network Facebook. Rather than fight, the Scrabulous developers, who are based in India, arranged for Facebook to take down the game in the U.S. and Canada. Viacom has a pending \$1 billion suit for copyright infringement against YouTube. And The Financial Times recently filed a lawsuit against The Blackstone Group alleging copyright infringement after discovering that thousands of Blackstone employees were logging in to The Financial Times subscription web site using a single username and password. Even in a down economy, and perhaps especially then, content owners need to protect their soft assets from the unauthorized use by others.

Even though we are arguably in the midst of the worst economy since the Great Depression, we have traveled a long way since the 1930s. The internet revolution has created unprecedented amounts of intellectual property, which will require protection and enforcement in order to sustain its value. The fact that the content can be exported and exploited across borders has opened up new markets around the world for IP owners to capitalize upon for additional streams of revenue. Ironically, the internet has also made it easier for counterfeiting and infringement to take place in the U.S. and abroad, which makes it all the more important for IP owners to spend the time and resources needed to protect and enforce their valuable trademarks and copyrights. 