

Running A Lean, Mean TM Portfolio In Cost-Conscious Times

By **Peter Sloane** (May 5, 2020)

We find ourselves in perilous times. Many businesses need to rein in costs to ensure that they survive the recession that now seems inevitable.

That does not mean brand owners should entirely disregard investing in and managing their trademark portfolios, though. By strategically reducing and deferring costs, and investing in low-cost but high-value rights, trademark owners can situate themselves to weather the storm and even come out ahead.



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The following are some ideas for brand owners to consider implementing over the coming weeks and months.

Trademark Searching Triage

Triaging the trademark search process is advisable in the best of times; it's critical now. Midsize and large companies with marketing departments are routinely asked to screen a large number of marks (and to do it quickly). The crisis offers an opportunity for in-house counsel to push back and set limits on the number of marks to search and the time needed to search them. Instead of accepting a list of 15 or 20 marks to search, legal departments can insist on searching a handful at most and point to the pandemic for the limited resources available for searching. They can then look to make temporary changes permanent down the road.

Make the most of the screening tools available to you to decrease your dependency on costly full or foreign searches. Larger companies may find that they have vendor subscriptions that enable them to run fairly sophisticated searches in house. Small companies that do not have access to paid platforms should take advantage of the free searching offered by the U.S. Patent and Trademark Office in its TESS database and the EU's TMView database, which covers not just the EU but also many other jurisdictions around the world.

While not fool-proof in the U.S., where it's possible to have rights in a mark sans registration, the effective use of screening searches should minimize the number and severity of potential obstacles that would turn up in a full trademark search and, when searching in foreign countries, in opinions from local counsel.

Consider also whether a full search is truly warranted in every instance. While not ideal, this may be the time to forego searches to confirm that a mark is descriptive, searches for marks that will be short-lived, or searches for marks that can be easily changed if an issue arises. Save that budget for higher-risk ventures.

Trademark Filing Strategies

There are a number of strategies that can be brought to bear to save on costs when filing trademark applications in the U.S. While it's relatively routine to file in multiple classes in civil law jurisdictions where trademark rights are dependent on registration, the U.S. enjoys the related goods doctrine, which should extend protection for a mark to goods and services that are closely related to those included in a registration.

Typically, one or two classes of goods and services is sufficient to offer an adequate level of protection for a mark in the U.S. (unless it is intended for use in product merchandising).

One cost-deferring filing strategy is to include unrelated goods and services in a single class application. While the USPTO will later require amendment to add additional classes, and to pay the additional class fees, the ability to defer that cost for at least six months beyond filing may be helpful in the current environment. Indeed, by the time it becomes necessary to add additional classes, business plans may have changed such that it no longer makes sense to keep the goods or services in the application and pay for those extra classes.

Speaking of deferring cost, if the mark will not be commercialized for the next couple of years, you may wish to include an accurate but overly broad term or two in the identification of goods in an intent-to-use application. For example, identify clothing in general rather than naming particular articles. While this will prompt an office action requiring greater specificity, the six-month deadline to respond will delay allowance of the application and the need to file proof of use (or a request for an extension of time to do so) and payment of the attendant official fees.

Paris Convention priority is another cost deferring mechanism to consider employing. Once an application is filed in the U.S., the applicant will have an additional six months to file an application in member states and claim the benefit of the early U.S. filing date. This avoids making any immediate expenditures and provides additional time to consider whether foreign filing makes financial sense. For better or worse, the economic landscape is likely to look far different later in the year.

It also makes sense now more than ever to consider the advantages and disadvantages of using the Madrid system to file for international registrations through the World Intellectual Property Organization. U.S. practitioners have long been reluctant to file through Madrid because of perceived disadvantages of international registrations based on U.S. applications.

For example, due to stricter rules in the U.S., the scope of goods and services in international registrations that are based on U.S. applications often must be narrower than those based on registrations in other jurisdictions. However, the cost savings can be significant when compared to filing nationally and may outweigh the limited disadvantages.

The ability to extend protection of a mark to member countries through WIPO allows the registrant to bypass the need to retain local counsel (unless the request for extension of protection is initially refused and requires a response). The savings grow even more when considering the lower renewal fees for Madrid-based registrations.

Trademark Maintenance Ideas

Maintaining registrations offers the chance to prune a trademark portfolio and benefit from the cost savings. The USPTO charges official fees for each separate class of goods and services, and the fees are especially high for renewal applications. As mentioned earlier, the related goods doctrine should protect the mark for goods and services that are closely related to those included in the registration. Trademark owners should therefore consider dropping classes when cost is an issue and the deleted goods and services are related to those that will remain in the registration.

Refraining from claiming incontestability provides another opportunity to save on near-term

costs. The USPTO offers registrants the ability to claim incontestability under Section 15 of the Lanham Act provided that certain conditions are met (e.g., the mark has been in continuous use for five consecutive years following registration) and at a cost of \$200 per class.

Registrants typically combine a claim of incontestability with the declaration of use due between the fifth and six year after registration. However, there is no need to do so, and incontestability can be claimed separately and at a later date. Unless there is a risk that the mark can be considered descriptive, the benefits of claiming incontestability are also less than the name suggests.[1]

Registrants with upcoming maintenance deadlines should also consider deferring filing until late within the one-year period rather than filing upon its opening. They may also consider taking advantage of the automatic six-month grace period.

Declarations of use and renewal applications may be filed up to six months after the one-year maintenance period closes along with a small late fee. The ability to defer such costs may prove invaluable to those trademark owners who need to save on expenses in the short term to help get them through the economic crisis.

Trademark Enforcement Solutions

When people think of trademark enforcement, they often think of trademark infringement cases litigated in federal court. Since infringement often takes place online these days, trademark owners have the ability to complain to the websites and social media platforms where the infringement and counterfeiting occurs.

This can often be done without the need for outside counsel and without payment of any official fees. There is no shortage of sites to police including shopping websites like Amazon, eBay and Alibaba and social media sites like Facebook, Instagram and Snapchat. In particular, private groups and hidden chats on social media are increasingly being used as a means to divert users to e-commerce stores to consummate the sale of fake goods.

Keep in mind, though, that while registration may not be necessary to sue for trademark infringement in federal court, where common law rights are recognized, it is often required to enforce rights on the internet and in social media.

For example, to enroll in the Amazon.com Inc. brand registry, which provides brand owners with enhanced tools for reporting suspected trademark violations, evidence must be provided of trademark registration in the U.S. (or certain other major jurisdictions). Alibaba Group Holding Ltd. requires proof of trademark registration in China to submit takedown requests for its domestic Taobao marketplace. As a result, trademark registration in the U.S. and abroad is more important than ever.

With counterfeit goods, trademark owners should also look to minimize costs by turning to the government to take action. The recent publication of "Combating Trafficking in Counterfeit and Pirated Goods," issued by the U.S. Department of Homeland Security, stated that U.S. Immigration and Customs Enforcement will prioritize investigations into intellectual property-based crimes regardless of size and will make referrals for all such investigations where appropriate.

Whether or not the government has the resources to do that at a time like this is another question, so an additional approach is to band together with similarly situated companies to

investigate the counterfeits and take legal action. Apparel companies in particular have been known to share investigators and sue suspected counterfeiters collectively. Brand owners can also rely upon trade associations to take the lead and educate consumers about the dangers of counterfeits and steer them to sources for authentic product.[2]

One thing not to skimp on is recordation of registered trademarks with U.S. Customs and Border Protection as the current environment may exacerbate the counterfeiting problem. The cost is only \$190 per class and it provides CBP with the authority to seize counterfeit goods at the nation's borders.

Plus, once the trademarks are recorded, registrants can share information with CBP at no additional cost by submitting an intellectual property rights product ID training guide and/or producing an intellectual property rights product identification webinar. These resources allow CBP to more effectively examine imports to make the determination of whether or not goods are suspected counterfeits.

Costing as little as \$45 for a single application, copyright registration is another bargain not to be overlooked. With the rise of remote working and online shopping during the pandemic, photography and video are more essential than ever in advertising and selling products. Infringers and counterfeiters often dispense with mentioning brand names to avoid detection, instead relying upon thumbnail photos to confuse consumers into believing that the goods shown are authentic.

Although not required under the Digital Millennium Copyright Act, the existence of a copyright registration strengthens the persuasiveness of a takedown notice sent to the website or internet service provider of the suspected violator. Plus, registration is a prerequisite for bringing suit (and seeking statutory damages and attorney's fees) for copyright infringement in federal court.

If potential litigation costs do not justify the cost of taking action against a suspected infringer during these uncertain times, at least consider putting it on notice of your trademark rights and sending a reservation of rights letter. The courts are generally receptive to the rule of reason behind such business decisions.

In *Engineered Mechanical Services Inc. v. Applied Mechanical Technology Inc.*,[3] the U.S. District Court for the Middle District of Louisiana memorably remarked that:

The owner of a mark is not required to constantly monitor every nook and cranny of the entire nation and to fire both barrels of his shotgun instantly upon spotting a possible infringer. Lawyers and lawsuits come high and a financial decision must be made in every case as to whether the gain of prosecution is worth the candle.

In conclusion, brand owners have many options to minimize trademark-related expenses during this global economic crisis. Some of the cost savings to be had are the result of deferred action, so docketing dates is essential for follow-up (e.g., grace period deadlines, priority dates or deferred Section 15 declarations of incontestability).

Opportunity also lies in spending on low-cost rights that offer high-value ammunition against infringement and counterfeiting. Most importantly, where matters become complicated and retaining outside counsel is warranted, hire trademark-savvy attorneys who are sensitive to costs and can work with you to minimize legal spend. Those attorneys should be open to exploring alternative fee arrangements, particularly for routine trademark prosecution matters.

The time will come when work reverts back to normal, so now is the time to adopt practices that can not only save on expenses in the short term, but also optimize the portfolio for savings and effectiveness in the future.

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[1] See Peter S. Sloane, Incontestability: Does Anybody Really Understand It?, INTA Bulletin, August 1, 2009 at <https://www.inta.org/INTABulletin/Pages/IncontestabilityDoesAnybodyReallyUnderstandIt.aspx>.

[2] See, e.g., <https://filteritout.org>.

[3] Engineered Mech. Servs. Inc. v. Applied Mech. Tech., Inc., 584 F. Supp. 1149, 1160 (M.D. La. 1984).