ACC Guide℠

Trademarks:
Strategic Considerations for Brand Life Cycle Management (United States)

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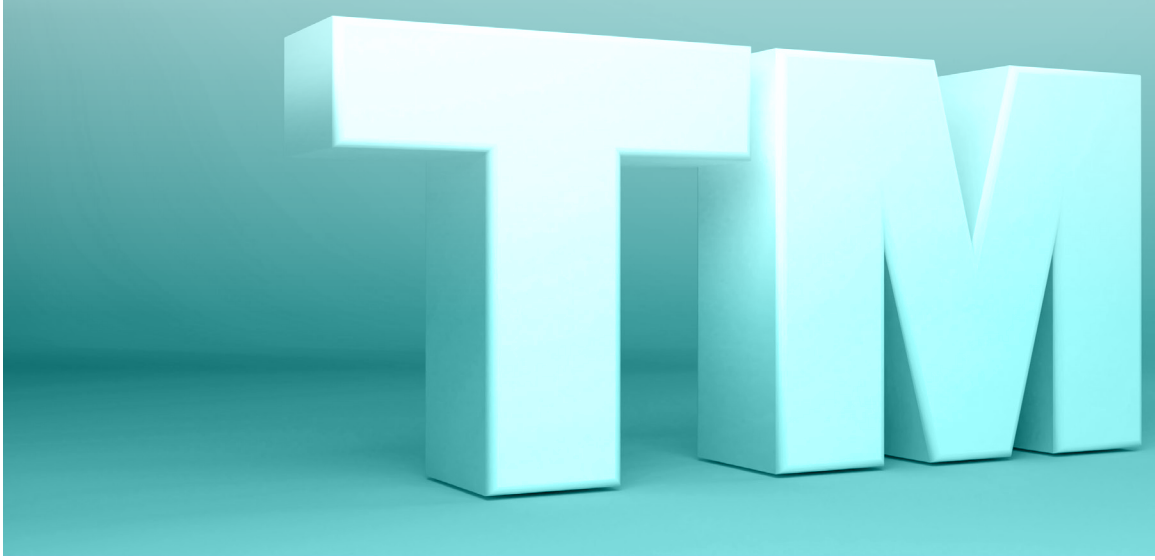

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Trademarks: Strategic Considerations for Brand Life Cycle Management (United States)

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This ACC Guide℠ provides an overview of five specific aspects of brand protection and enhancement:

1) global expansion of a brand, setting forth considerations for global clearance, filing strategies, and enforcement;
2) domain name selection and enforcement, describing best practices to ensure a strong online brand presence;
3) brand acquisition, providing due diligence guidelines designed to maximize the return on your company's investment;
4) sun-setting of a brand, discussing ways in which to continue use and maintain registration so as to preserve the goodwill that has been built in the brand; and
5) tax considerations, explaining mechanisms intended to minimize tax liability while maintaining trademark rights for an enterprise.

This material was developed by Kilpatrick Townsend & Stockton LLP, the 2023 Sponsor of the ACC Intellectual Property Network. For more information about Kilpatrick Townsend, please visit www.kilpatricktownsend.com or see the "About the Authors" section of this document.

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Contents

I. Introduction 6

II. Global Rollouts: Strategies to Minimize Risk and Preserve Rights 7

A. Evaluating Your Trademark Portfolio – How Global is Global? 7

i. Audit 7

ii. Tiered Jurisdictions 8

B. Expanding Your Trademark Portfolio 9

i. Assess Suitability 9

ii. Assess Availability 9

iii. Assess Risk 10

1. Practical 10

2. Legal 11

3. Registration 11

C. Trademark Filing Strategies 12

i. The Madrid Protocol System 13

ii. The European Union Trademark System 15

iii. Benelux Regional Protection 16

iv. Regional Filing Options in Africa 16

D. Trademark Enforcement 16

i. Defensive Portfolio 17

ii. Watching; Implementing Clear Enforcement Protocol 17

iii. Customs 18

E. New Developments 18

F. Conclusion 19

III. Domain Names: Legal Framework and Best Practices 19

A. Domain Names Versus Trademarks 19

B. Overview of Domain Names and Common Terminology 23

i. Domain Names, URLs, Websites, and IP Addresses 23

ii. Related Parties and Terminology 23

iii. WhoIS and DNS Records 24

C. Best Practices for Domain Name Registration 25

i. Choosing a Top-Level Domain 25

ii. Choosing an Secondary Level Domain....26
iii. Availability Searching....27
D. Developing a Thoughtful Domain Enforcement Strategy....27
i. Who should enforce?....28
ii. What to enforce?....28
iii. When to enforce?....30
1. When to enforce....30
2. When to monitor....30
3. When to do nothing....31
iv. Where to enforce?....31
1. Direct Outreach....32
2. ISP Complaints....33
3. Takedown Notices to Registrars....34
4. UDRP and URS Proceedings....35
5. Trademark Infringement and Cybersquatting Litigation in Federal Court....37
v. Why Enforce?....38
IV. Do Your Diligence: Acquiring Brands....39
A. Don't Go in Blind....39
i. Understand the nature of the industry and business....39
ii. Understand the business strategies for the transaction....40
iii. Understand the structure of the deal....41
B. Collect the Relevant Documents....42
i. Intellectual Property Assets....42
ii. Intellectual Property Agreements....44
iii. Intellectual Property Disputes....45
iv. Intellectual Property Enforcement....46
v. Software and IT Systems....47
C. Don't Ignore the Issues: After the Dust Settles....47
V. Leveraging Your Assets: Strategies For Preserving Value/Rights In Brands That Are Sun-Setting....48
A. Create a Communication Plan....48
B. Be Thoughtful and Consistent....51

i. Token Use is Insufficient 51
ii. Be Mindful of the Amount of Use And Consistent In Your Type of Use 52
C. Have A Plan In Place and Stick To It 54
VI. U.S. Tax Planning and Issues Associated with Trademark Ownership 55
A. Differences in Tax and Trademark Vocabulary – Ownership 55
i. Legal Ownership. 55
ii. Tax Ownership. 56
iii. Licensee Ownership Under Tax Law 56
1. In General. 56
2. Geographic and Field of Use Restrictions. 57
3. Contingent Payments. 57
B. Cost Sharing Arrangements. 57
C. IP Holding Companies 58
i. What are IP Holding Companies? 58
ii. Taxation of IP Holdcos 58
iii. Tax Planning with IP Holdcos 59
iv. Limitations on Tax Planning. 60
D. Required Terms for Agreements between the Parties. 60
i. Licenses. 60
ii. Cost Sharing Agreements 61
VII. Conclusion 62
VIII. About the Authors 62
IX. Additional Resources 63
A. ACC Guides℠ 63
B. Articles 63
C. Checklists and Samples 63

I. Introduction

This ACC Guide℠ addresses advanced issues that arise during the life cycle of brands and supplements the previously published Infopak on Best Practices for Developing and Protecting Strong Brand, which describes adoption and protection of brands in the United States.

In the first section, we discuss global roll-outs of brands, whether for an initial launch or a brand expansion, covering search and clearance, filing, and enforcement strategies designed to minimize risk, preserve rights, and maximize protection on a worldwide basis.

In the second section, we outline best practices for domain name filing and enforcement strategies, providing guidelines for selecting domains to maximize brand reach in an increasingly crowded and complex global internet environment and for prioritizing enforcement targets in a thoughtful, organized, and cost-effective approach to online protection of brands.

The third section provides guidance on due diligence for the acquisition of brands, outlining practices for obtaining and analyzing all material information to ensure that your company receives the full value of its investment.

The fourth section describes ways to communicate about, and use, a sun-setting brand in a manner designed to maintain ongoing goodwill and preserve rights developed over years of use, notwithstanding business focus on replacement or other brands.

Finally, in the last section, we provide an overview of tax concepts, issues, and planning strategies that affect trademark ownership.

Owing to the breadth and complexity of these topics, this ACC Guide℠ provides an illustrative, not exhaustive, treatment of the above issues. This ACC Guide℠ primarily aims to assist in-house and outside counsel in spotting issues and addressing concerns that arise in connection with specific trademark matters.

II. Global Rollouts: Strategies to Minimize Risk and Preserve Rights[1]

We live in a global marketplace where the speed of communication and exchange of ideas is unprecedented. Manufacturers continue to move their activities to lower cost countries throughout the Pacific Rim, Latin America, India, or Eastern Europe or are quitting the business of manufacturing altogether and sourcing from others in these locations.

Companies in service industries are tapping into talent internationally, realizing that both workforce and customer bases no longer need to be operating in any one geographic location. The online marketplace has exploded. Enterprising individuals and entities are expanding what we consider to be protectable intellectual property. With expanded reach and new product platforms come increased exposure.

Counterfeiting has grown to epic proportions as intellectual property protection has lagged behind the growth of manufacturing capability and sophistication in many countries. Whereas trademark protection may have only been necessary in key markets previously, ensuring that your brands are adequately protected now requires securing registration in a much larger number of countries and using different methods of protection.

In recent years, the expansion of the Madrid Protocol (described later in this Guide) to historically underrepresented regions such as in Latin America and the Middle East has helped streamline protection of marks for many. However, the United Kingdom's departure from the European Union and new developments such as the rise and use of non-fungible tokens have added new complexity. These developments present new options and strategies for protecting marks, each with their own advantages and disadvantages.

A. Evaluating Your Trademark Portfolio – How Global is Global?

Global protection is, and should be, a relative notion. It is a rare trademark owner that truly requires registrations for a mark in all (approximately) 195 sovereign nations of the world, and a rarer owner still that has the budget to secure, maintain, and enforce such a comprehensive portfolio. More than likely, a far smaller number of registrations in relevant jurisdictions will suffice for the vast majority of trademark owners.

i. Audit

Conducting regular trademark audits is the key to evaluating whether a portfolio of trademark registrations is meeting the needs of a brand owner. As a first step, identify the key brands that require protection:

(1) The usual first tier of importance includes house marks which are used across the full range of products or services offered by the company.

(2) The second tier typically includes important product or service names which are used in all the company's markets or accounts for a significant portion of its revenue.

(3) The third tier consists of sub-brands, regional brands, or marks used on a limited range of goods or services.

(4) Rounding out the fourth tier are slogans and marks that will be used for only a limited duration, and nontraditional marks such as product configurations, color marks, and the like, many of which are challenging to register.

ii. Tiered Jurisdictions

Next, identify the jurisdictions in which it is important to have protection. These usually fall into three categories:

(1) The countries which are the present and near-term projected significant marketplaces for a company's products and services;

(2) The countries in which branded products are manufactured or from which they are sourced; and

(3) The countries which are hotspots for counterfeiting.

Other jurisdictions where protection may also be warranted include those where the brand owner might be contemplating entering into licensing or distribution arrangements, or those jurisdictions where the industries' manufacturing or sourcing options may be moving in the future.

Having gathered this information on key trademarks and the most appropriate jurisdictions in which to protect them, a trademark owner should review its trademark portfolio with an eye to identifying holes in coverage to be patched by new filings, as well as flagging registrations that may no longer be necessary and can be allowed to lapse.

A further consideration to bear in mind when conducting an audit is the fact that trademark registrations in most countries become vulnerable to challenge if not used within a grace period of, typically, three to five years after registration. Accordingly, one should note those registrations that have moved beyond this grace period, and confirm that the marks are in use in the relevant region. If not, and protection is desired, the filing of new applications to ensure valid protection may be needed.

B. Expanding Your Trademark Portfolio

This section addresses the considerations for expanding a portfolio with new registrations.

i. Assess Suitability

When expanding a trademark portfolio, one of the first and most important steps is to assess the suitability of the proposed new mark. From a branding perspective, a good trademark will identify the source of a product without immediately describing the products or services associated with it.

Descriptive trademarks, while sometimes initially attractive, often end up being very costly and difficult—if not impossible—to register and enforce because most jurisdictions prohibit registration of marks that solely describe the function or characteristics of the product or service, or otherwise lack sufficient distinctive character to warrant registration. Where the marks include terms or components commonly used in the relevant goods or services categories, the risk of objection from third parties also escalates.

In addition, for trademarks that will be used and registered outside the United States, a trademark owner should determine whether the proposed trademark has any meaning or connotation in local languages and dialects, even within other English-speaking countries. Local counsel can provide invaluable advice on this topic and help trademark owners avoid embarrassing situations arising from unintended meanings or connotations. Local counsel can also advise whether a term that is permissible in the United States is impermissibly descriptive or otherwise problematic in another country.

ii. Assess Availability

Equally important is assessing the availability of the proposed new trademark for adoption, use, and registration in the trademark owner's countries of interest. Generally speaking, an "available" trademark can be distinguished from all claims of prior trademark rights, including both registered trademarks and, in countries that recognize "common law" trademark rights, for unregistered trademarks.[2]

In today's global market, clearing a proposed trademark may involve searching and analyzing trademark use and registration data from a variety of sources, including national trademark registries, business name records, domain name records[3], and commercial usage. Fortunately, the internet offers a wide range of easily accessible tools for assessing the availability of a proposed new trademark.

For preliminary searching, using Internet search engines such as Google, Microsoft Bing,[4] or others may reveal potentially problematic prior uses of the proposed new trademark or a similar trademark.

For more formal searching, trademark owners may turn to subscription databases such as Corsearch's online tools or CompuMark's Serion® platform (which includes the Saegis® trademark database[5] and TMgo 365™ design searching system), online records of national trademark offices,[6] or international searches offered by commercial search vendors.

For commercially significant trademarks, especially if an owner is making significant investment in launching a new or spin-off brand, the owner also may decide to obtain in-depth availability opinions from local counsel in foreign countries.

Advice from local counsel can help redirect branding energy away from marks that might be inappropriate, difficult to register, or likely to incite objections from prior rights holders. This approach can help save companies considerable time, money, and effort.

For example, marks that consist of two or three alphanumeric characters might run into refusals based on the marks' lack of distinctiveness,[7] as might slogans that tout the applicant's interest in providing good service or satisfying customers.[8] Adding one's house mark to a mark that is already registered by another for similar goods or services may not be sufficient to overcome a refusal or an allegation of infringement.[9]

Local counsel can also help brand owners navigate the choppy waters which follow the passage of new or revised trademark laws — such as the addition of distinctiveness as a basis of refusal now available to examiners in Canada following the passage of the Trademarks Act of 2019 or new intellectual property law reforms in Mexico that provide additional ways to challenge existing registrations and recover damages in infringement suits, among other enhancements.[10]

They also keep their finger on the pulse of activities at local trademark offices and have a good sense of the types of marks and types of submissions (lines of argument, examples of use) that might prompt objections or that might succeed in overcoming them. For example, U.S. practitioners can speak to the recent crackdown by the U.S. Patent & Trademark Office on mock-up specimens of use, its efforts to rid the registry of deadwood registrations that are not in use despite allegations made by registrants to the contrary, and its renewed interest in using "failure to function" as a basis for refusing applications.[11]

iii. Assess Risk

Implicit in the evaluation of a mark's suitability and availability is an assessment of risk. Risk can take many guises, and it is important for a trademark owner to assess all types of risk concurrently.

1. Practical

When evaluating the results of an availability search, it is important to assess the chances that a third party owning a similar mark to the proposed mark might be motivated to object to the proposed mark, and to take action to challenge it.

Such an assessment would include determining whether the third party's mark is sufficiently similar, whether that mark is in use for the same or similar goods or services to the proposed mark, whether the third party might have the financial means to take action, whether the third party might not have the financial means but might nevertheless lodge an opportunistic challenge for business or financial reasons, and whether the third party has a reputation for being aggressive.

2. Legal

A legal risk analysis focusses on whether the identified third party has a sufficient legal basis from which to mount a successful challenge to the registration or use of the proposed mark. A trademark owner should evaluate whether this party might be able to sustain an injunction, a request for damages or other relief, and should determine the corresponding strength of the trademark owner's defenses.

3. Registration

Determining registration risk depends on a number of factors and some of them are jurisdiction-specific. For example, if the jurisdiction in which the mark is to be registered does not compare the applied-for mark to marks already on the registry (a relative rights assessment),[12] the risk of refusal shifts from the trademark office to the practical and legal risks discussed above.

If the relevant trademark office conducts a relative rights analysis[13] and rejects the applied-for mark on the basis of other active marks on the registry, the trademark owner needs to determine if there are lines of argument to support registration of the mark. These can include whether there are ways to distinguish the applied-for mark from the cited mark in terms of goods/services, customer bases, channels of trade, long coexistence, and other marketplace factors; whether the mark is one among many in a crowded field of like marks; whether there are ways to undermine the rights claimed in the cited mark; and other factors.

While the registration analysis prior to filing is theoretical, these same questions would need to be asked during the application prosecution stage in response to an examiner's communication.

These availability and registrability analyses will help a prospective trademark owner determine if it is ultimately worth pursuing use and registration of the proposed mark. Conducting these assessments well in advance of launch help guard against use of inappropriate or culturally insensitive marks, overly descriptive marks that will be difficult to enforce, or marks that are likely to prompt third-party claims of infringement.

C. Trademark Filing Strategies

Once a trademark has been selected and cleared for adoption, use, and registration, a trademark owner must decide where to file for registered protection.

Keep in mind that it is advisable, if not critical, to file as soon as possible. In most jurisdictions, priority of trademark rights is determined by the filing date; thus, the first party to file an application to register a mark has priority, regardless of use in that country or elsewhere.

Even if priority is determined by use, not filing, as in the United States, it still is advisable to file as soon as practical, as the filing date establishes a "constructive use" date throughout the country.

Under the Paris Convention,[14] it is possible to file applications in jurisdictions that are parties to the Convention up to six months after the filing date of a first-filed application for the mark and still claim as an effective filing date the filing date of the home country application. As priority in most countries is based on filing date, this enables the applicant to secure a filing date by applying to register its mark in one principal country,[15] and then determining the other countries of most importance in which to seek protection.

As mentioned above, key countries for registered protection typically fall into three categories:

(1) The countries which are the present and near-term projected marketplaces for a company's products and services;

(2) The countries in which branded products are manufactured or sourced, or services offered; and

(3) The countries which are hotspots for counterfeiting or trolling activity.[16]

In the end, obtaining the desired coverage may involve a multiple-country filing program reaching across the globe. Even though there have been notable steps towards harmonization of trademark practice and protection across jurisdictions in recent years, a trademark owner still must employ a patchwork approach to secure broad coverage.

The following consolidated filing mechanisms can provide huge cost savings and bring much-desired simplicity to a multiple-country trademark filing program.

i. The Madrid Protocol System

One of the most significant developments impacting trademark filing strategy is expansion of the membership of countries into the Madrid System, and more specifically, the Madrid Protocol.[17]

The Madrid Protocol is a treaty that establishes a multinational trademark filing and registration system. At present, there are nearly 125 countries that are active members of the Protocol, including most North American and European jurisdictions and a significant number of jurisdictions in Asia.

While Latin America in the past was not well represented in the Madrid Protocol, the recent accessions of Brazil, Colombia, and Mexico are turning the tide. On September 28, 2021, the United Arab Emirates deposited its access paper with the World Intellectual Property Organization ("WIPO"), the administrator of the Madrid System, and on December 28, 2021, will become the 125th member state of the system, joining Bahrain and Oman as member countries from the Gulf Cooperation Council ("GCC").

It will be interesting to see whether the United Arab Emirates' membership will encourage other GCC states to join. Their membership may prove to be a boon to trademark owners if their Madrid Protocol filing fees are more economical than their traditionally high national filing fees. If they prove to be less, Protocol applicants may be able to realize significant savings on trademark filing programs.

To take advantage of the Madrid Protocol system, a company must first file an application or have a registration in its home country. Then, an application for an International Registration ("IR") is filed with the home country trademark office, which certifies the application and sends it to the International Bureau of WIPO.

Following examination, the WIPO grants the IR, and then transmits it to the trademark offices of the member countries of the Madrid Protocol that were designated by the applicant. The local trademark offices then examine the IR as if it were a national application filed through standard channels, and the resulting extension of protection is equivalent to a national registration.

The key advantage to this system is that it potentially provides a huge cost savings over direct international filing with the national registries. Under the Madrid Protocol, an IR covering nearly 125 countries costs approximately US$28,000, whereas comparable national filings could cost as much as US$370,000 or more.

Additionally, the procedural aspects of filing and maintaining an IR are greatly simplified over national applications, in that there is essentially only one application to file, one registration which issues, and one renewal which must be docketed and coordinated at the end of a single unified registration term. Moreover, there are no translation, power of attorney, or document legalization requirements, which represents a further time and cost savings.

However, this system is not without its disadvantages:

- A key feature of the Madrid Protocol is the concept of dependency. The IR remains dependent upon the owner's underlying home country application or registration for a period of five years, which can result in several significant consequences, particularly for US trademark owners.

- The Madrid filing cannot cover a broader range of goods and services than the underlying home country filing. Since the United States has very strict and narrow goods and services specification requirements, IRs based on U.S. applications or registrations generally cover a much narrower range of goods and services than comparable national filings would cover.

- If the underlying home country application or registration becomes invalid for any reason, or if the goods and services are restricted during the dependency period, the same invalidation or restriction will apply to the IR. So, for a US-based trademark owner, if there is any concern that the home country application will not register, either because of failure to bring the mark to use within the allowance term or because of prior marks which could cause a risk of objection in examination or opposition, then the Madrid Protocol may not be the best way to secure international protection for the mark. In the event a home country application lapses or registration is rescinded during the dependency period, the mark owner would need to consider transforming the protection in designated countries into national filings at an extra cost (often undoing any cost savings realized at the filing of the IR). If any of these problems come to fruition, it could significantly impact the international portfolio and not just the U.S. rights.

- A Madrid registration must be used in each designated country in order to ensure against cancellation actions and other invalidation actions based on "non-use" being asserted against it.

- An IR can only be assigned to a party that can claim origin in a Madrid Protocol member state.

- The enforceability of an IR in an infringement proceeding is uncertain in countries that have joined the Madrid System but have not passed enabling legislation. As a result, careful evaluation of this filing technique is required before a decision is made to use it.

ii. The European Union Trademark System

A second important regional protection mechanism, established in 1997, is the European Union Trademark ("EUTM") registration, which protects a trademark in all member states of the European Union ("EU"), which now includes 27 members, with the United Kingdom having departed the EU in 2020.[18]

Unlike the Madrid Protocol system, which extends protection to designated countries in a hub-and-spoke type mechanism, the EUTM application, filed with the European Union Intellectual Property Office ("EUIPO"), serves as a single, unified filing covering all EU member states. The EUTM system is available to all members of the Paris Convention, which includes almost all countries in the world. Because of this, the EUTM system affords a unique filing opportunity to companies and individual citizens of most countries, including the United States.

Key advantages of the EUTM system include the significant cost savings obtained in lieu of filing 27 individual national applications, and the unified right extending to all 27 countries provided by virtue of a single EUTM registration. The EUTM registration process also is relatively quick and easy to administer, with applications maturing to registration well within a nine-month window, barring any extraordinary circumstances or oppositions. Additionally, use of the trademark in one or a smaller handful of EU member states should protect the entire registration from cancellation or invalidation based on "non-use" of the trademark.

Finally, filing an EUTM application can be a good way to get a quick assessment of the availability of a proposed trademark in Europe, since the EUTM Office gives applicants the opportunity of ordering copies of EUIPO and select national trademark search reports for an additional fee.[19]

Not surprisingly, the EUTM system also has disadvantages.[20] One huge disadvantage is that an objection lodged on the basis of a single national trademark registration, such as a German national trademark registration, to take one example, can hold up the entire EUTM registration process.[21] If this happens, the applicant has the option of converting its EUTM application into various national applications in lieu of allowing the entire EUTM to lapse. However, the costs involved with such conversion eliminates any cost savings gained by filing the EUTM in the first place.

In addition, given the number of countries covered by the EUTM and limitations of national search reports, it can be difficult to assess whether an EUTM application will draw third-party objections.[22]

Finally, a trademark owner may desire protection in European countries that do not belong to the EU, such as Norway or Switzerland. In that case, the trademark owner must supplement its EUTM filing by also filing national applications in the non-EU countries of interest.

iii. Benelux Regional Protection

Trademark protection for the countries of Belgium, the Netherlands, and Luxembourg is consolidated, and only a single regional application is needed to cover all three jurisdictions. These filings are coordinated by The Benelux Office for Intellectual Property.[23]

iv. Regional Filing Options in Africa

Trademark owners also may take advantage of other consolidated trademark filing mechanisms, including regional filing arrangements. In Africa, for instance, trademark applicants may pursue consolidated protection through either the African Intellectual Property Organization ("OAPI") or the African Regional Industrial Property Organization ("ARIPO").

The first option, OAPI, serves as a consolidated office for applications covering the following Francophone African countries: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, the Comoros, Congo, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Ivory Coast, Mali, Mauritania, Niger, Senegal, and Togo.[24] Like the EUTM unified right, OAPI registrations also provide a unified right, and use in one country constitutes use for all countries. The OAPI system is well-recognized and well-administered.

The second option, ARIPO, covers the following predominantly English-speaking African countries: Botswana, Eswatini (formerly Swaziland), Gambia, Ghana, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, the Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.[25] It functions as a collection of national rights.

Because certain ARIPO member countries have not yet passed implementing legislation, the ARIPO system may not be a viable option for trademark protection, and national trademark applications still offer the soundest mechanism for protection in ARIPO member countries. It is best to confer with a local trademark attorney prior to selecting ARIPO over national filing options.

D. Trademark Enforcement

Consistency is one of the most important features of an effective global IP enforcement strategy. One way to ensure consistency is to define very carefully a circle of protection around a trademark owner's rights and develop a clear set of criteria for deciding which matters fall within the circle and therefore should be challenged, and those which are outside the circle and should not be challenged.

The stronger the trademark (i.e., the more distinctive and commercially well-known) and the greater the resources the client is willing to commit to the mark, the wider the circle can be. On the other hand, for a marginally distinctive mark for which a trademark owner does

not wish to expend a great deal of time and money in enforcement, the circle should be smaller.

There is a virtually limitless supply of infringement, counterfeiting, and objectionable trademark filing out there. Deciding when it makes sense to take action and when not to do so is a key function on which trademark counsel advise trademark owners. The more clearly defined the criteria are for this decision and the more the criteria are specifically aligned with business needs, the better outside counsel can ensure that they are in step with the trademark owner's needs.

Clarity of approach also helps avoid taking inconsistent positions in different cases, such as arguing that two marks are confusingly similar only to find that such arguments are used against the trademark owner to its detriment in a different case involving an analogous mark.

i. Defensive Portfolio

Conducting regular IP audits, as discussed above, is also a key part of a global enforcement strategy. This ensures that a trademark owner has the tools it needs to enforce its rights in its countries of interest.

The costs of trademark registration are comparatively far lower than the costs of trying to enforce an unregistered mark in an important country against an infringer. Most costly of all, of course, is being shut out of a potential market because another party has registered the client's mark first.

A solid portfolio of defensive trademark registrations in key jurisdictions such as locations of manufacture and distribution and of known piratical activity helps to keep the trademark trolls and opportunists at bay and a trademark owner's rights better secured.

In critical jurisdictions it may be necessary to refile applications in order to insulate against non-use challenges after a number of years. The bottom line is that the cost incurred in securing trademark registrations is usually money well spent if and when it comes time to enforce such rights.

ii. Watching; Implementing Clear Enforcement Protocol

Effective global IP enforcement requires vigilant monitoring of trademark registers, marketplaces, and domain name registries. There are many commercial vendors that enable trademark counsel to monitor each of these areas for potentially objectionable trademark usage.

In terms of trademark applications, one can employ trademark watching services, which provide notices to the trademark owner of any applications which arguably are close to a watched mark. These services can generate a huge number of watch notices, and it is

important to review these notices vigilantly on a timely basis since the deadlines for taking action are sometimes immediate.

For general brand surveillance, there are services which monitor usage of trademarks on the Internet. Again, particularly in certain jurisdictions which are rife with counterfeiting, there is a virtually limitless supply of objectionable uses of well-known trademarks. Deciding which of these infringements to tackle, and which do not warrant such an investment, can involve a difficult line-drawing process. Setting clear criteria for such decisions can greatly assist in cutting through the vast number of such reports efficiently.

A trademark owner's business colleagues on the ground in overseas jurisdictions can be one of the best sources of information concerning counterfeit and infringing products. Consequently, it is always a good idea to maintain open lines of communication with local business contacts in key jurisdictions and to educate them to look for infringing activity, to report such activity as soon as possible, and to keep detailed records and evidence, including most particularly any evidence of actual confusion which may arise.

iii. Customs

A final important strategy in global enforcement is to work with customs offices in key jurisdictions to assist them in identifying and seizing infringing articles crossing the borders.[26] Many jurisdictions, including the United States and the European Union, have customs recordal procedures for registered trademarks. It is also important to consider whether registering with customs offices at certain ports or distribution access points, such as the Panama Canal Zone, is appropriate. Taking advantage of such recordal systems is usually a highly effective strategy for catching infringing products before they make it into the marketplace.

Additionally, in many countries it may be possible to have training sessions with customs officers to educate them on your key trademarks and to help them to identify genuine and infringing articles. Cooperation with customs officers is always a good idea since it can significantly increase their effectiveness and interest in assisting your company to police its brands at the borders.

E. New Developments

Keeping one's finger on the pulse of new developments in intellectual property protection and new ways of using and marketing intellectual property will help a trademark owner ensure that its trademark portfolio provides adequate protection to meet these new demands.[27]

Nonfungible tokens (NFTs), being at their essence computer code that is entered on a blockchain or comparable system, can provide its owner access to various digital assets, entitlement to physical products or other rights. The recent surge in popularity of NFTs

might necessitate a review to determine if digital products are covered sufficiently in Classes 9 and 42 in the owner's trademark registrations.

The COVID-19 pandemic has seen manufacturers and retailers retool their sales platforms and approaches, and engage in collaboration and cobranding efforts with others to an unprecedented degree. Unique marriages of shoes and chicken, make-up and candy, to name only two, unquestionably create unique marketplace synergies, but these unorthodox relationships can create corresponding trademark protection and enforcement complexities.[28] Marketing departments and legal departments that collaborate early on in these ventures are better equipped to top-up registered protection where needed and be in the best position to tackle opportunistic filers and infringers.

F. Conclusion

For any trademark owner, navigating the complexities of various foreign trademarks laws and practices can prove a daunting experience. Whether in the context of a trademark portfolio audit, selection and clearance, filing and registration, or enforcement, a trademark owner can benefit greatly from selecting protectable and enforceable marks, registering marks in key jurisdictions for protection and defense, monitoring for third-party infringement, and keeping an eye on new developments in the marketplace and creative methods of intellectual property protection.

III. Domain Names: Legal Framework and Best Practices[29]

Domain name protection is a critical part of brand protection. A domain name, much like a street address, functions as a unique location on the Internet for a brand. Trademark enforcement and domain name enforcement are related, but distinct, with each type of enforcement having its own separate considerations and strategy.

This Section explains key distinctions between domain names and trademarks, provides an introduction to common domain name terminology, and analyzes best practices for domain name registration, monitoring, and enforcement.

A. Domain Names Versus Trademarks

A common misconception among brand owners is that domain names and trademarks are equivalent. In fact, domain names and trademarks are different legal constructs subject to different rules and requirements. Registration of a domain name does not give you or your company trademark rights. Likewise, registration of a trademark does not entitle you or your company to a corresponding domain name.

A ***trademark***, of course, identifies the source of goods or services and answers the question "who"—as in, "who makes this product?"

In contrast, a ***domain name*** is an address that identifies a website. Domain names answer the question "where"—as in, "where on the Internet can I find this product?"

Domain names overlap with and compliment trademarks because both can serve as important identifiers of products and services. There are also some cases where domain names are registered as trademarks—for example, Ancestry.com is both a "who" and a "where." A domain name can function as a trademark, so long as the domain name is used in such a way that it also identifies the source of particular goods and services.

Domain names differ from trademarks in the following key ways:

- **Domain names are unique. Always check if the desired domain name is available, even if the trademark is available for the goods and services of interest to your company.**
    - As trademark practitioners know, two companies can own identical trademarks, as long as they are not registered for confusingly similar goods and services—for example, DOVE chocolate and DOVE soap.[30]
    - Domain names, however, are by their nature a unique web address. No two parties can own the same domain name. Because there can be multiple identical trademarks in different classes, but only a single .com domain for that mark, you and your company don't necessarily have the right to a top-level domain name even if you own a trademark registration. This can create domain name conflicts even between bona fide businesses operating in good faith, because, for example, DOVE chocolate and DOVE soap cannot both own DOVE.COM.
- **Top level Domain names rights are worldwide.[31] Take a global approach to domain name strategy.**
    - Two companies can own identical trademarks for identical goods and services in different countries.[32]
    - Unlike trademarks, domain names, particularly top-level names (.com, .net, etc.) have a global reach. Even if your company only operates in or has trademark registrations in certain countries, consider acquiring and monitoring for infringing domain names worldwide. You may also be able to enforce your rights against cybersquatters even in countries where you do not have a trademark registration or common law trademark rights, if you can show sufficient recognition of your name or trademark. For more on this topic, see Subsection III.D.iv.4. below.

- **Domain names can be descriptive or generic. Consider distinctiveness and eligibility for trademark registration when assessing the potential value of a domain name.**

    - Unlike trademarks, a domain name can be a generic or descriptive term that has not yet acquired distinctiveness—such as the domain name shoes.com. Just because your company owns the domain name, however, does not mean the USPTO will allow it to register as a trademark, absent evidence that the domain name has acquired sufficient distinctiveness to function as a trademark. And just like rights in a descriptive trademark, rights in a descriptive domain name are narrow.

- **Domain names are not subject to use requirements—therefore, consider registering additional forms of your domain names, even if you are not planning to use them.**

    - Unlike trademarks, domain names have no use requirements. If you obtain the domain name MYCOMPANY.com, you could also register MYCOMPANY.net or MYCOMPANY.biz. You could even register variants of your domain name that consist of logical misspellings or a plural form, even if you will never use these domain names, or only use them to redirect to your primary domain name. For more on this topic, see Subsection III.C.ii. below.

- **Domain name rights are governed by contracts—therefore, sometimes the best approach is a business approach, rather than a legal approach.**

    - Under certain circumstances, trademark owners can institute an administrative proceeding to force the transfer of a domain name, if they can establish, *inter alia*, that the domain name owner has no legitimate interest in the domain name, and the domain name was registered in bad faith. Trademark owners cannot, however, force a domain name owner to give up rights in a domain name that was registered in good faith ***prior*** to the date the trademark owner established trademark rights. In this case, sometimes the only option to acquire a domain name is to attempt to purchase the domain name from its current owner. For more on this topic, see Subsection III.D.iv.1. below.

Some additional key differences between trademarks registrations and domain name registrations are summarized in the chart below:

	DOMAIN NAMES	US FEDERAL TRADEMARKS
What it is.	A domain name is a unique string of letters and numbers that is part of an internet address.	A trademark is any word or symbol which distinguishes the goods and services of one company from those of its competitors.
What it's for.	A domain name is used to locate a specific website or place on the internet.	A trademark is used to identify and distinguish your goods or services in the marketplace.
Origin of Rights.	Commercial Contract.	U.S. Constitution, Article 1, Section 8, Clause 3 (Commerce Clause). 15 U.S.C. § 1127 *et seq.* (Lanham Act).
Registration Required.	Yes.	No.
Requirements.	Cannot be identical to previously registered domain.	Cannot be descriptive or generic. Cannot be likely to cause confusion with previously registered or pending trademark.
Registering Entity.	Private companies, namely any ICANN-accredited registrar worldwide.	Government entities, namely USPTO.
Time to register.	24 to 72 hours.	12 to 18 months.
Term.	As long as domain user pays registration and renewal fees.	As long as trademark owner continues to use mark in interstate commerce, pays renewal fees, and periodically provides evidence of continued use or excusable nonuse.
Geographic Scope.	Worldwide.	United States.
Commercial Scope.	Unlimited.	Specific goods and services.
Primary Authority Governing Disputes.	Anti-Cybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d). Uniform Domain-Name Dispute-Resolution Policy - ICANN(UDRP).	Lanham Act, 15 U.S.C. § 1114 (for registered marks); 15 U.S.C. § 1125(a)(for unregistered marks).

B. Overview of Domain Names and Common Terminology

A key aspect of successful domain registration and enforcement is understanding the terminology relating to domain names. Without, for example, being able to distinguish the registrar from the hosting provider, it can be difficult to know which party to address in a takedown request. This Section provides an overview of key terms and acronyms with which you and your company should be familiar.

i. Domain Names, URLs, Websites, and IP Addresses

Every domain on the Internet consists of three parts:

- **The domain name—**the human-friendly name of the site, such as mycompany.com or brandname.net. The domain name can be further broken down into two parts, consisting of a top-level domain (TLD), such as .com or .net, and a secondary level domain (SLD) such as mycompany or brandname;

- **The Universal Resource Locator (URL)—**the complete web address used to locate a particular domain name and specific content therein, including terms to the left of the domain name (typically http:// and www.) and right of the domain name (typically terms after a slash such as /home or /about-us); and

- **The website—**the content posted on the domain that people see and interact with.

In addition to the human-friendly domain name, each domain also has a computer-friendly internet protocol address ***(IP Address)***. The IP address is a unique series of numbers and letters used to identify the location of the domain at a specific server or computer on the Internet, much like a unique telephone number reaches a specific person or place in the physical world.

ii. Related Parties and Terminology

The Internet Corporation for Assigned Names and Numbers (***ICANN***) is a non-profit that globally regulates and coordinates domain names and IP addresses.

Domain names are managed by domain ***registrars***, which are private companies. There are thousands of accredited registrars all across the globe, such as GoDaddy and Namecheap. The ICANN-operated InterNIC website www.internic.net provides general information about domain name registration services and registrars.

A ***registrant*** is the legal owner of the domain. The identity of the registrant may be hidden through the use of a ***privacy shield*** or ***proxy service***, used to hide names and contact information the registrant does not wish to make available to the public.

IP addresses are managed by a subsidiary of ICANN, the Internet Assigned Numbers Authority (***IANA***), and five regional Internet registries (***RIR***s) responsible for specified

geographic areas. These entities in turn assign IP addresses or blocks of IP addresses to downstream customers, such as Local Internet Registries (***LIR***), autonomous systems (***AS***), and Internet service providers (***ISP***).

An Autonomous System or AS is a collection of connected IP prefixes under the control of a single administrative entity with a common and clearly defined routing policy to the Internet. Each AS is assigned an autonomous system number (***ASN***). Multiple autonomous systems can be supported by a single ISP, which also has an officially registered ASN.

ISP is an umbrella term describing many different types of companies. ISPs provide a myriad of services for accessing, using, or participating in the Internet, including Internet access, domain name registration, and web hosting. Often, a single company can offer multiple types of ISP services. For example:

- **Access providers**, such as Verizon or Comcast, offer physical technology like modems or fiber-optic cables.
- **Mailbox providers**, such as Gmail or Outlook, offer email servers and email hosting. These records point e-mail to the mail servers.
- **Hosting providers**, such as Wix or Shopify, provide web content hosting, online storage, and other content-related services.

iii. WhoIS and DNS Records

Much of the information about who owns and operates a domain name is publicly available.

- **WhoIs records**, for example, typically contain the contact information associated with a particular domain name, including the registrant and registrar.
- **Domain Name System (*DNS*) records** keep track of the additional different pieces of a website and where to find them, such as the content hosting provider.
- **Mail Exchange (*MX*) records** identify the email provider.

Links to some common lookup tools to find this information are below:

- ***https://gwhois.org (WhoIs and DNS Records)***
- ***https://centralops.net/co/DomainDossier.aspx (WhoIs and DNS Records)***
- ***https://mxtoolbox.com (MX Records)***

C. Best Practices for Domain Name Registration

i. Choosing a Top-Level Domain

Most brand owners know that the first step in registering a domain name is to pick the TLD and that the most common types of TLDs are **generic TLDs** (***gTLDs***) and **country code TLDs** (***ccTLDs***).

Some TLDs are "restricted" or "sponsored," meaning they are reserved for specific types of uses and communities. Restricted or sponsored TLDs include .edu (reserved for educational institutions), .gov (reserved for government), and .museum for (reserved for museums). Other TLDs are unrestricted, including .com, .org, .net, .info, and .biz.

In 1985, there were only 9 TLDs. As of 2021, there are over 1,500 TLDs in use. Because there are now so many TLDs, it is a losing battle to try to register, monitor for, or enforce all possible permutations of a trademark in domain name registrations.

A better approach is to focus on key TLDs, and to register domain names around business concerns, such as where the business expects to receive online traffic, and where real potential harm can be found.

A trademark registration strategy can be used to great effect in guiding a domain name registration strategy. Domain registrations should generally align with trademark registrations, *e.g.*, if a German trademark registration exists, for example, consider registering the .de domain.

Marrying marketing strategy and domain strategy can also come into play. The .com TLD is by far both the most popular TLD,[33] and the most difficult TLD to acquire. Some domain registrars will automatically recommend a different TLD if the .com TLD is taken, but these recommendations should be considered in light of your company's overall brand identity. Even if there are no legal restrictions on using them, alternate TLD's may not make sense from a trademark or brand perspective, and could be confusing or inappropriate for your market sector. Using the .ai TLD, for example, would make sense for an artificial intelligence company, but could be confusing for a travel company—in which case, the .travel TLD might be a better fit.

Conducting an audit on available and proposed domains can also help shape priorities and understanding of risk. TLDs most at risk for infringement include popular legacy gTLDs (.com, .net, .org, .info), free or low-cost TLDs, new TLDs, and unrestricted country code TLDs extensions (.co, .ad, .me, .io).

Domain name blocking is also available for certain gTLDs, such as adult-content-oriented domains. While still a relatively new procedure with lots of exceptions, some registrars allow brand owners to block use of their trademarks in connection with, for example, .xxx, .porn, .adult, and .sex TLDs. Instead of having to defensively register these domains, brand

owners can use these blocking mechanisms to prevent infringement, domain squatting, and domain abuse.

ii. Choosing an Secondary Level Domain

The next step in registering a domain name is to pick the SLD, which will usually be your trademark, brand, or some variation thereof. Because, however, domain names are not subject to use requirements (unlike US trademarks), it is also important to consider acquiring and registering related domains, including:

- **Your SLD at different TLDs**
- **Common misspellings and obvious variations of your SLD**
- **Phonetic equivalents of your SLD**
- **Plural and singular versions of your SLD**
- **Hyphenated versions of your SLD**

Cybersquatters are most likely to acquire domain names that are similar enough to your key brands for a consumer to mistype them. Because the number of possible variations of a mark is essentially endless, the costs are likely to outweigh the benefits of trying to capture every single potential variation of a mark.

Instead, a good strategy is to start by focusing on a limited number of core domains, while monitoring for additional variations and taking action against infringing domains or other problematic uses as necessary. MYCOMPANY, for example, might want to start by registering MYCOMPANY.COM, MYCOMPANY.NET, and MYCOMPANY.ORG, and establish a monitoring program to watch for common variations like MYKOMPANY, MYCOMPANIE, and MY-COMPANY, rather than trying to acquire them all at the outset.

The most sophisticated legal departments—and the best practices from in-house teams—not only link their domain name and trademark strategies, but also tie their brand building and protection to other business segments, such as security and marketing.

For example, where privacy and security teams see phishing or fraud problems, brand protection teams should also focus resources on the problem, because scammers use brand confusion to further their schemes.

Similarly, the brand protection team can work with business and marketing departments to categorize and create tiers of priority for your company's brands:

- Core brands, which include house marks, marks registered in multiple countries, or consumer-favorite marks, may require more protection and enforcement than

secondary brands, such as marks limited to a certain geographical region, slogans, and brands for individual product lines.

- Once brands are so classified, it becomes much easier to determine the amount of protection needed. It may be worth seeking to register numerous variations, including misspellings and typosquatting targets for core brands, while secondary brands require less coverage and can be limited to exact-match or phonetically equivalent options.

iii. Availability Searching

The easiest way is to check if a domain name is available is to search the website of any of the dozens of online registrars listed on the InterNIC website. Every registrar provides a searching system to determine if a domain name is available. There are also third-party vendors who can conduct domain name availability searches.

Just because a domain name is available for purchase does not mean it is "clear" from a trademark perspective. Any domain name search should be accompanied by a comprehensive trademark search to ensure your target domain name is not likely to cause consumer confusion with an already registered domain name or trademark. Likewise, when selecting a new trademark, it is always important to include related domain name searches in a comprehensive trademark search plan, for the reasons discussed in Subsection III.C.iii. below.

If you find that a domain name is already taken, information about the owner of the domain name may be available in a WhoIs lookup search. If the owner data is incomplete or hidden by a privacy shield, you may need to hire a domain acquisition or investigation service, which can research and contact the domain owner without revealing your company's identity. If the domain appears to have been registered in bad faith or illegitimately, you may be able to obtain the contact information by filing a UDRP complaint (under the Uniform Domain-Name Dispute-Resolution Policy - ICANN), see Subsection III.D.iv.4. below, which can require a registrar to reveal the identity of a registrant as part of the proceedings.

D. Developing a Thoughtful Domain Enforcement Strategy

A successful brand protection and domain enforcement program does more than just protect the brand, it strengthens the value of intellectual property. In developing an enforcement program, your company should take into consideration its time, personnel, expertise, and internal and external resources.

A good starting place for developing an enforcement strategy and goals is defining the "5 W's"—the who, what, when, where, and why—of your company's enforcement program. This Section discusses each of these considerations.

i. Who should enforce?

Enforcement programs can be conducted using in-house teams, outside counsel, third-party vendors, or a mix of the foregoing. Often, smaller companies start out monitoring for infringement internally, or even waiting passively for customers or colleagues to report issues. As a brand becomes more successful, however, this approach may not be feasible or an efficient use of internal resources, particularly in cases where there is a high volume of problematic activity.

There are many outside resources and vendors, such as Clarivate, MarkMonitor, or AppDetex, who can monitor for new and potentially problematic trademark filings, domain name registrations, and/or infringing use of important copyrightable material and brand use online, within defined parameters.

Vendors can even send takedown notices, demand letters, and follow-up requests on your company's behalf. Vendors should be evaluated for how well they are able to tailor their identification of potential targets to your company's specific business concerns.

Your company should also implement a process periodically to review monitoring and enforcement results and adjust directives and priorities as necessary.

ii. What to enforce?

Not all online infringing activity is created equal. Enforcement prioritization and process should vary based on infringement type and threat level. For example, brand impersonation, phishing, and fraud may require more serious attention and escalation than fan sites or isolated instances of innocent infringement. Generally speaking, problematic domains will fall into one or more of the following categories:

- **Counterfeiting—**Counterfeiting[34] can include obvious impersonation, fraud, and phishing. Combatting counterfeiting activities is typically the highest enforcement priority, as they may create security risks in addition to brand protection concerns.

- **Infringement —**This includes both copyright infringement (i.e., when a website reproduces, distributes, performs, publicly displays, or makes into a derivative work a copyrighted work, without the permission of the copyright owner),[35] as well as trademark infringement.[36] Enforcing against trademark and copyright infringement is typically a moderately high enforcement priority. However, use of a trademark in a domain name, if this is the only use, may not be actionable as trademark infringement.

- **Cybersquatting—**Cybersquatting often overlaps with counterfeiting and infringement. There is no definite, single definition of cybersquatting, but it typically occurs when a bad faith actor intentionally registers a domain name with the purpose of selling it, prevents the actual trademark holder from using the name, or

tries to divert traffic from the legitimate rights owner.[37] Common types of cybersquatting include:

- ***Typosquatting***: When the squatter converts common mistakes made by internet users while typing a web address into a web portal in a domain name, such as using misspelling (MYCOPMANY.COM), different phrasing of domain names (MYCOMPANEE.COM), other top-level domains (MYCOMPANY.NET), or use of country code variations (MYCOMPANY.US). Most typosquatting techniques take advantage of visual and sound similarities of trademarks.

- ***Combosquatting*:** Combosquatting does not use misspellings, but rather affixes a word or a series of words to popular and known trademarks (MYCOMPANYCANADA.COM or MYCOMPANYINFO.COM).

- ***Doppelgänger Domains*:** Doppelgänger domains exclude or add punctuation marks in a domain name (MY.COMPANY.COM instead of MY-COMPANY.COM).

- ***Name Jacking*:** Name jacking refers to registering domain names in the name of an individual, usually a famous figure.

- ***Identity Theft*:** Cybersquatters may purchase a web portal that was accidentally not renewed by the previous owner. After registering the lapsed domain name, cybersquatters may link to a website that is a clone of the legitimate website of the previous domain name owner. Thus, cybersquatters misguide the visitors of their websites into trusting that they are visiting the website of the previous domain name owner.

Enforcement against cybersquatting can range from a low to a high enforcement priority, depending on the nature and severity of the offense.

A typosquatting website that directs to a page distributing malware, for example, may be a much higher enforcement priority than a passive doppelgänger domain name that does not link to an active website and is not being used to sell any products or services.

Similarly, a domain name that is a "type-in target"—something that consumers are actually likely to type to their computer—may be a higher priority than a domain name that includes lots of unusual variations or punctuation and would be difficult or unusual for a person to input using their keyboard.

- **Other Illegal Activities—**Illegal activities governed by state law include defamation,[38] right of publicity violations,[39] sale of stolen goods,[40] and other torts and crimes. Typically, these activities are rarer than the other activities discussed above, and your company may need to decide how to address them on a case-by-

case basis, depending on their overall impact on the business and an analysis of the likely costs, benefits, and risks associated with enforcement.

iii. When to enforce?

Not every problem requires enforcement action. The costs of tracking down and prosecuting the sale of a single stolen item, for example, may outweigh the benefits. A company might also want to limit the scope of its enforcement for public relations reasons, by, for example, choosing not to submit copyright complaints against fan art even if it is technically infringing. Below are some considerations and factors to weigh in deciding when to enforce, monitor, or take no action against a target.

1. When to enforce

Your company should consider taking action against a domain or website when one or more of the following factors apply:

- The domain name is being used for a **nefarious or illegal purpose;**
- The website is **malicious or creates a security risk** (e.g., malware, spoof site);
- **An email has been set up for the domain,**[41] or the domain is being used for email **phishing or other scams;**
- The domain name is being used for a **competitive or commercial purpose** (including pay-per-click advertising and selling actual products or services);
- The website is **targeting your company, potential partners, or customers;**
- The domain name is **something your company would want to use;** or
- There are **defensive reasons for pursuing the domain name.**

2. When to monitor

Your company may wish to monitor, but not take immediate action, against a domain or website when one or more of the following factors apply:

- The domain name **does not link to an active website;**
- There is **no evidence the domain name is connecting with malicious activity or other scams;**
- The domain name is **not something your company would want to use;**

- The domain name is being used in a way that is **only tangentially related to your company;**
- The domain is **not being used for commercial gain or is used only for minor commercial use** (such as a paid search result page);
- The domain name is **not a type-in target**, i.e., consumers are unlikely to type the domain name into their search bar.

3. When to do nothing

Your company may consider taking no action, or using a friendlier "soft" approach, against a domain or website when one or more of the following factors apply:

- The use of your copyrighted material constitutes **classic fair use**, such as parody, commentary, reporting, criticism;[42]
- The use of your brand constitutes **descriptive fair use, nominative fair use, or comparative advertising;**[43]
- The use of your brand is **not likely to cause consumer confusion** as to the source, sponsorship, or affiliation of the domain name or the products and services offered thereunder;[44]
- The domain name registrant has a **legitimate interest in the website;**[45]
- **The risk of enforcement outweighs the potential benefit**, such as when your trademark rights are vulnerable to opposition or cancellation and it is reasonably likely the domain owner will pursue such a challenge;
- There is a **public relations risk to enforcing**, such as when the website is a fan site, or enforcement action is likely to disenfranchise customers or business partners.

iv. Where to enforce?

This Section discusses where to send an enforcement request, and what type of response to expect from different providers. Below are some considerations and factors to weigh in choosing where and how to voice your complaint.

The first step to any domain name enforcement action is identifying the target. A good starting place is to look for direct contact information on the infringing page or website itself and related social media, and perform WhoIs and MX lookups for registrant, platform, registrar, hosting provider, and email provider contact information. You can also have a domain acquisition or investigation service research contact points for a potential target.

Once you have a list of potential contacts, you will often have the choice of directing a takedown request or demand to one or more parties. Different entities and venues handle different types of complaints, have different responsibilities with respect to problematic content, and have different options for resolution available to them:

- Sometimes, for example, you might want to reach out to the creator of the infringing content directly, such as when you want to send a "friendly" demand seeking an amicable solution or when you want your company to be seen as "taking the high road" by trying to resolve issues collaboratively before escalating.

- Other times, you may wish to take a more forceful stance and enlist the aid of other responsible parties such as the hosting provider or email provider - for example, when the registrant's identity is hidden by a privacy shield, when you have reason to believe the website owner is unlikely to comply with your requests, or when you have immediate security concerns relating to fraud or phishing.

Regardless of the intended recipient, your outreach approach should align with your company's "voice" and broader public relations perspective. In this digital age, a copy of your demand letter or email could end up on social media, so it is important to keep messaging consistent across your entire brand, even when enforcing your legal rights.

I. Direct Outreach

Once you know who the registrant is, your company can make contact with them. Consider "direct outreach" as a first step when one or more of the following factors apply:

- **There are no security risks or other factors requiring immediate action such as phishing, fraud, or spoofing;**

- **The domain name is one your company wants to use or a likely "type-in target;"**

- **The infringing content appears to have been created in good faith;**

- **The registrant appears to be an "innocent infringer;"**

- **The registrant may have a legitimate interest or business in the domain;**

- **The registrant seems likely to cooperate with reasonable requests;**

- **The registrant seems likely to be willing to sell or transfer the domain name for a reasonable cost and/or a cost that is lower than the cost of escalating to other types of enforcement.**

Develop an initial approach and follow-up plan in advance. Typically, a first demand will include a request for cessation of the infringing conduct and/or a request that the registrant voluntarily transfer the identified domain name. Many companies will send an initial cease-

and-desist letter plus two follow-ups (one every two weeks following the initial letter) to account holders before escalation.

Consider whether to make this request directly, or anonymously through a domain broker, IP investigation agency, or other operative. Anonymous contact is particularly beneficial if you intend to make an offer to purchase the domain name, as this can prevent the registrant from artificially inflating the price based on the perceived resources of the potential buyer.

Prior to attempting to acquire the domain name, also consider placing the domain on "backorder," which is essentially like putting a reservation on a domain name so that, if it expires, you have a chance to register it before it becomes available to the public.

Finally, consider whether to reach out to the registrant by phone, email, or letter. Your choice of approach and level of aggression will likely vary depending on the nature of the infringing use, your company's overall brand identity, and your stance towards the particular type of infringement.

It may make sense, for example, for your company to protect its customers by taking a "zero-tolerance" stance towards phishing, while taking a more lenient approach to apparent fans of the brand. Where tone and method of delivery might have an impact (such as if there is a possible public relations risk, or if your company is unable to reach the infringer by scalable means), consider giving such matters personal attention rather than utilizing a form letter or automated third-party vendor.

2. ISP Complaints

Under certain circumstances, your company may choose not to make direct contact in the first instance. Consider reaching out to the ISP (*e.g.*, the platform, hosting provider, or email provider) when one or more of the following factors apply:

- **Contact information for the infringer is unavailable;**
- **The infringer is, or is likely to be, acting in bad faith, uncooperative, or unresponsive;**
- **Quick action is needed, such as in the case of security risks, counterfeiting, phishing, fraud, or spoofing;**
- **Your company wishes to "shut down" infringing content rather than acquire the domain name, or is willing to take additional steps (such as a UDRP proceeding discussed in Subsection III.D.iv.4. below) to acquire the domain name;**
- **The infringing content is hosted on a platform (such as an app in an app store, or infringing merchandise sold through an online marketplace);**
- **The case for infringement is clear-cut.**

A takedown notice is most often made to the platform or hosting provider, asking for infringing content to be removed or an infringing website to be disabled. In cases of email fraud and/or phishing, a request may be made to the email provider to cease email services associated with the domain name. Such notices typically also include a request that the complaint be forwarded on to the correct entity, and/or that the recipient reveal the name and contact information of the responsible party, but ISPs are not required to comply with such requests.

ISPs do, however, have certain duties and obligations under the law to remove infringing content, particularly copyrighted content.[46] ISPs are thus generally responsive to trademark and copyright complaints.

Many ISPs have policies and standard procedures for taking down problematic content, which are typically outlined in the platform's Terms of Service or Terms and Conditions. You may also be able to find guidance in the platform's Help section, FAQ section, or by searching for terms such as "[platform] report infringement" or "[platform] takedown request."

The specific requirements for submitting a takedown request vary widely by platform. For example, even though unregistered copyrights and common law trademark rights are recognized in the United States, some platforms require proof of registration before accepting a complaint. Some platforms use automated forms to submit complaints, while others provide a contact address such as abuse@platform.com or legal@platform.com.

One possible downside of reaching out to an ISP identified in WhoIs or search data is that not all ISPs host or control website content. Some ISPs are "pass-through" service providers, and will respond to a takedown request by requesting the takedown be redirected to another provider.

ISPs also do not have the power to transfer or fully disable domains. Finally, even if an ISP suspends services, the registrant can change to a different ISP and resume the activity. This can lead to a frustrating game of "hide-and-seek" or require investing additional time and resources, such as engaging local counsel to find a more permanent resolution to the issue.

Working with a vendor or outside counsel familiar with the specific requirements of each platform can make this process go much more smoothly and be much more effective.

3. Takedown Notices to Registrars

Registrars, unlike ISPs, can freeze or entirely disable a domain name, so getting them to act can often lead to the best result. Registrars, however, generally do not take action unless there is a serious concern requiring immediate attention such as fraud, malware, or phishing. Registrars are less responsive to trademark and copyright complaints, particularly those regarding specific hosted content on a website, unless official UDRP proceedings have been instituted.

For these reasons, sending a report or takedown notice to a registrar may be useful, but in a narrower set of circumstances. Any takedown notice to a registrar should highlight, wherever possible, evidence of security or consumer safety concerns relating to fraud, phishing, and/or malware. Notices can also include a request that the registrar reveal the name and contact information of the responsible party, but registrars are not required to comply with such requests unless official UDRP proceedings have been instituted.

4. UDRP and URS Proceedings

The Uniform Domain-Name Dispute-Resolution Policy (***UDRP***) and Uniform Rapid Suspension (***URS***) are administrative proceedings designed by ICANN to provide trademark owners with relatively quick and inexpensive procedures for taking action against domain names registered in bad faith and without rights or legitimate interest.

If your company wishes to take more formal action against a domain, or if the notice and takedown procedures above have all failed, a UDRP or URS proceeding is likely your next step.

Both UDRP and URS proceedings are less costly and more efficient than the United States court system. An additional benefit of UDRP and URS proceedings is that once a UDRP or URS complaint has been filed, the registrar is required to "lock" the domain, which prevents the domain from being transferred or modified until the proceedings are resolved.

In the case of UDRP proceedings only, once the proceedings are instituted, the registrar is required to verify and reveal the identity of the registrant, so filing a UDRP complaint can also be a useful negotiating tool and provide leverage if you were previously unable to contact the registrant directly.

UDRP proceedings are more expensive and take longer than URS proceedings, but also allow more expansive pleadings, provide a lower burden of proof for trademark owners, and present generally greater flexibility in proceedings. Consider filing a UDRP complaint when:

- **The domain name at issue includes any gTLD or certain covered ccTLDs;**
- **Acquiring or cancelling the domain is the goal;**
- **Your company seeks the identity of the registrant;**
- **Your company wants the choice of having either a one-member panel or a three-member panel resolve the matter;**
- **The issues are not immediately clear-cut, require more detailed explanation or supporting evidence, or are likely to be contested by the respondent;**

- **Your trademark is not in use, or you do not wish to prove use, at the time of the dispute;**

- **The complaint is based on trademark rights related to a design mark, logo, or common law trademark rights that have not been previously validated in court proceedings.**

ICANN has approved a handful of UDRP dispute resolution services, each with its own rules, including rules about word and time limits and language and translation. Two of the most common services are the World Intellectual Property Organization (***WIPO***),[47] and the Forum (formerly known as the National Arbitration Forum).

Fees vary, but generally run about US$1,500 for a single-person panel proceeding and more for a three-person panel, plus charges for legal and administrative services if using third-party providers. UDRP proceedings may provide a more predictable alternative to spending costs, time, and tracking down contact information and sending demand letters with no guaranteed response.

Because UDRP proceedings are, in essence, arbitrations, there is a vast and sometimes contradictory universe of nonbinding case law applying to UDRP proceedings.[48] Regardless of the service used, all UDRP complainants must establish three elements:[49]

(1) The domain name at issue is identical or confusingly similar to a trademark or service mark in which the complainant has rights;[50]

(2) The registrant does not have any rights or legitimate interests in the domain name;[51] and

(3) The domain name has been registered and the domain name is being used in "bad faith."[52]

URS proceedings are faster and cheaper than UDRP proceedings, but have more limitations, and are typically only appropriate in "the most clear-cut cases of infringement."[53]

Consider filing a URS complaint when:

- **Speed and cost are paramount;**

- **Temporarily suspending the domain for 1-2 years, but not cancelling or acquiring it, is a satisfactory outcome;**

- **Your company is not interested in the identity of the registrant;**

- **The domain name at issue includes a newer gTLD approved following the 2012 application process (e.g., .xyz, .email, .app, .club, .design, .jobs, .pro, .mobi, .travel), or certain legacy TLDs;**

- **English is the preferred language;**
- **The trademark at issue is registered and in use; and/or**
- **The issues involved are clear-cut, and can be proven in 500 words or less with only the allowed evidence (proof of trademark rights, proof of use of the invoked marks, and a screenshot from the respondent's website).**

There are fewer approved URS services than UDRP services, but Forum offers both URS and UDRP proceedings. URS filing fees are under US$500, and URS proceedings can only be heard by a single-person panel in the first instance. URS proceedings involve the same three elements as UDRP proceedings, but have a higher "clear and convincing" burden of proof.

While URS proceedings are less popular than UDRP proceedings for a number of reasons (including the higher and more limiting standards discussed above), both types of proceedings can have a valuable place in your company's brand protection toolkit.

5. Trademark Infringement and Cybersquatting Litigation in Federal Court

Litigation is expensive, time consuming, and resource intensive, and most often should be reserved for a last resort. Federal litigation in the United States can take years if not settled before trial, and can cost anywhere from hundreds of thousands to millions of dollars. And while financial remedies are theoretically available in such lawsuits, cybersquatters are often outside the jurisdiction of U.S. courts, or lack the means to pay any amounts awarded, rendering them "judgment proof."

Nevertheless, federal litigation does have certain advantages, particularly if your company chooses a viable target and wishes to send a strong deterrent message to other similarly situated bad actors, signaling that they will not be let off the hook lightly.

Domain name disputes can be addressed in US federal court through classic trademark infringement and unfair competition litigation under the Lanham Act and similar U.S. state laws. Activity that meets the statutory definition of cybersquatting can also be addressed via a somewhat expedited process under the Anti-Cybersquatting Consumer Protection Act (***ACPA***).[54]

While trademark and cybersquatting litigation are complex topics each deserving of their own separate discussion, this Section provides a brief overview and comparison of some of the most common claims.

The ACPA is an amendment to the Lanham Act,[55] which states that a "person shall be liable in a civil action by the owner of a mark . . . if . . . that person (i) has a bad faith intent to profit from that mark . . .; and (ii) registers, traffics in, or uses a domain name" that is confusingly similar to another's mark or dilutes another's famous mark.[56]

Unlike the infringement and dilution provisions of the Lanham Act, the ACPA does not contain a commercial use requirement. Rather, to assert a claim under the ACPA, the trademark owner must establish that:

(1) It has a valid trademark entitled to protection;

(2) Its mark is distinctive or famous;

(3) The defendant's domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, the owner's mark; and

(4) The defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit.[57]

Consider exhausting other options and consulting with outside counsel before deciding to proceed with a federal lawsuit.

v. Why Enforce?

Always keep an end goal in mind when engaging in any enforcement project, no matter how big or small. Focusing on the bottom line and ***why*** your company is enforcing is the ultimate determining factor for all other questions—including the who, what, when, where, and how of enforcement.

Consider the following goals while developing an enforcement program, and prioritize them according to your company's unique risk tolerance and preferences:

- **Stopping use of infringing domain names and content;**
- **Gaining control over infringing domains;**
- **Protecting consumers from phishing, fraud, and malware attacks;**
- **Deterring other potential bad actors and/or establishing your company's reputation as a staunch defender of its rights;**
- **Maintaining good relationships with customers, platforms, and/or third-party providers;**
- **Obtaining monetary damages and/or attorneys' fees;**
- **Obtaining criminal charges against wrongdoers.**

If, for example, gaining control over infringing domains is a primary objective, attempting to acquire the domain via direct outreach, followed by a UDRP proceeding, may be the most reasonable approach in most circumstances.

Stopping use of infringing content can be accomplished by employing different tactics – from direct outreach, to an ISP takedown notice, to federal litigation seeking injunctive relief – depending on the nature and scale of the infringement.

If criminal consequences are important, consider reporting activity to the relevant authorities. U.S. criminal statutes governing hacking and cybercrimes include the Computer Fraud and Abuse Act[58], the Wiretap Act[59] provisions against Identity Theft,[60] provisions against Unlawful Access to Stored Communications,[61] and provisions against Access Device Fraud, often used for phishing.[62]

Ultimately, there is no "one size fits all" approach to domain enforcement. Your company's enforcement program will vary over time and from other companies' programs. Consult with experienced outside counsel familiar to develop an enforcement strategy tailored to your company's business, budget, and brand strategy.

IV. Do Your Diligence: Acquiring Brands

The importance of intellectual property in merger and acquisition transactions has grown significantly. In recent years, more than 80% of the total market value for S&P 500 companies has become attributable to intangible market value, compared to just 17% in 1975.[63]

Whether a company is seeking to expand and diversify its customer base, expand globally, or add to its product portfolio,[64] given that the value of the intellectual property is likely to be one of the driving forces for a strategic transaction, the approach to the deal must reflect the market value and focus on intellectual property in the acquisition terms, deal process, and post-acquisition planning.

Thus, this section addresses how to approach the investigation and analysis needed in due diligence respecting the trademarks associated with a merger or acquisition.[65]

A. Don't Go in Blind

i. Understand the nature of the industry and business

To address the brands involved in an acquisition, it is critical to understand the nature of the industry and the target's business. One of your go-to documents is usually the Offering Memorandum, which likely will include a Confidential Information Memorandum ("**CIM**").

A CIM usually is prepared at the beginning of any sell-side merger and acquisition process and provides an overview of a target company's products and services, key investment

highlights, management team, market positioning and risk factors. The CIM normally is provided in the data room or by deal counsel.

You should also utilize online research, which can help to identify the nature of the business, the competitive landscape, and any recent transactions impacting the target's intellectual property. For instance, if a target is owned by a holding company that is spinning off several brands, you will need to make sure you keep an eye on any intellectual property rights that are shared with recently spun-off or to be spun-off affiliates.

The nature of the target's industry will also illuminate the significance of the intellectual property to the deal and disclose potential pitfalls. For example, if the deal involves a consumer or retail brand, the trademarks are likely to be key assets. If the deal involves a social media platform, online marketplace, a health care provider, a banking or financial services company or other business that relies on the collection and use of personal information, the intellectual property may be important but it may well be overshadowed by the importance of keeping personal user information secure.

Regulated industries, such as pharmaceuticals or financial services, may require additional input from regulatory specialists, again possibly impacting the importance of the intellectual property to the transaction.

ii. Understand the business strategies for the transaction

Next, you must have a firm grasp on the business strategies for the transaction.

This is particularly important where the target's intellectual property is the primary, or at least one primary, deal driver, since the results of intellectual property due diligence can impact the direction of deal terms or the sell price negotiated, and can (in extreme cases) "sink" the deal.

While the deal plan may not expressly state that the intellectual property is the driving force, there are some signals that indicate the materiality of the intellectual property on the deal. For example, the revenue generated from the products or services covered by the target's intellectual property can be a clear sign of its importance to the deal. Similarly, royalties, both paid or received, from the licensed intellectual property signal the intellectual property's import to the deal.

Other factors that may increase the value of the intellectual property in the deal include the ability to exclude competitors in the market, the lack of commercially available alternatives to the target's intellectual property, and the scale and diversity of the target's intellectual property portfolio.

Certain costs will also reveal much about the importance of intellectual property to the deal. For example, if the replacement costs of the intellectual property are steep, then its

importance is more critical. You can find this information in the deal documents, and you should mine the CIM for language that signals the importance of the intellectual property.

If a brand is described as "iconic" or "widely recognized," or "used extensively for decades," that is a clear signal that the intellectual property underlying that goodwill is believed to be tremendously valuable. But don't stop there; talk to your business team. Before the transaction has made it to your desk for input, the business team likely has spent months, maybe longer, analyzing the potential deal and assessing the value of the assets. Deal counsel likely has been engaged as well. Get the input of these players. They will have intimate knowledge of the objectives that the business is trying to achieve and the role that the intellectual property will play in reaching those goals.

iii. Understand the structure of the deal

Finally, you must understand how the deal will be structured. The structure that a deal takes will help define the scope of due diligence. There are four ways deals are typically structured, each of which raises its own set of diligence issues:

- **Asset Purchase.** An asset purchase of the business or select portions, including the intellectual property, will require a more detailed review of the intellectual property portfolio to ensure that no intellectual property assets to be acquired are left behind – or left unscheduled. Asset sales can also trigger anti-assignment clauses in license agreements that may need to be flagged in a diligence report and possibly explored further depending on the significance to the deal.

- **Carve-Out Deal.** In a carve-out deal, the target is a subsidiary or a discrete part of a larger business. The main issue to consider is the possibility of shared intellectual property and how that sharing can be addressed. Analyzing whether the intellectual property being acquired is owned or used by the affiliate being "carved-out" is critical. Here, **a key concern involves what is not included**. A search of all the intellectual property registrations and applications in the seller's name is a good starting point and may reveal intellectual property rights that may not be included in the transaction.

- **Stock Purchase.** While a stock purchase can be a clean way to ensure all company-owned intellectual property is acquired, if the purchaser is a strategic buyer, as opposed to an investor, the purchase may trigger anti-assignment provisions, non-compete clauses, or other restrictive covenants. Accordingly, in a stock purchase, change of control provisions should be a key focus when reviewing intellectual property license agreements that are relevant to the transaction.

- **Merger.** If the deal is a merger, anti-assignment provisions will again be key. A forward merger, where the target is merged into the acquiring company or a subsidiary of the acquiring company, may trigger anti-assignment clauses in the target's license agreements. A reverse merger, where the acquiring company is

merged into the target company, may also trigger change of control provisions and anti-assignment clauses based on the wording of the provision, the governing law, and whether the buyer is a competitor of the licensor.

With a roadmap to structure the diligence review, you can ensure that the diligence is efficient and informed by the nature of the target, the overall business strategy, and the transaction structure.

B. Collect the Relevant Documents

Once you have a grasp on the nature, structure, and motivating forces underlying the deal, you will need to request and review intellectual property-related documents. Generally, there are five subject matter buckets on which you will want to focus:

- intellectual property assets,
- intellectual property agreements,
- intellectual property disputes,
- intellectual property enforcement, and
- software and IT systems.

i. Intellectual Property Assets

Intellectual property assets include trademarks and service marks (registered and unregistered), patents, trade names, domain names, social media handles, software and databases, registered and material unregistered copyrights, trade secrets and proprietary known-how, technology and processes.

Although the target company will typically create schedules that identify the applicable categories, it is imperative that you conduct searches to confirm the accuracy of those schedules and the current status of all material intellectual property registrations.

The information you need includes the following categories with respect to each asset:

- **Type of IP;**
- **Identification of IP;**
- **Country of each registration or pending application for the asset;**
- **Registration or application number in each country;**
- **Date of registration or date of filing of application in each country;**

- **Date of required renewal or expiration;**
- **Description of IP.**

If the IP schedule is extensive, it may be useful to create a separate list of the expiration and renewal dates or other key maintenance deadlines of the material intellectual property, using the schedules provided by the target and your research, to confirm that no dates are missed during the diligence process and that your business is ready to act on any deadlines that approach quickly after the deal is closed.

The search should be broad enough also to identify whether there is any intellectual property not included on the target's schedule that will either need to be acquired as part of the transaction or carved out of the transaction.

This search is particularly important for any jointly developed intellectual property. Identifying the scope of, and severing the target's rights for, jointly developed intellectual property will involve very clear deal points. You will also want to ensure that relevant domain names and social media handles are not registered in the name of the target's employees or any affiliated entities and are included in the assets acquired.

Review the assignment and chain of title information provided by the target and in publicly available records to confirm that the target is still the current rights holder and that there are no unreleased security interests in the owned intellectual property.

In addition, your review of the intellectual property being acquired will need to take into account how that intellectual property was developed. The standard employee agreement, consulting agreements, and other third-party agreements will need to be evaluated to confirm that there are no gaps in or conditions on the target's ownership or use of the intellectual property.

If there are any gaps in the ownership, you will need to request copies of the appropriate chain of title documents, confirm that the documentation is sufficient, and ensure that all documentation is recorded at the applicable administrative office on or prior to the closing so that your company acquires the intellectual property with a clear chain of title and without encumbrance.

Finally, when possible, evaluate the scope of the intellectual property in view of any plans your company may have to expand or deviate from the target's original business, and always clarify to the business that there may be unknown obstacles in this type of expansion. A basic validity and scope review for any acquired patents and trademark or patent clearance searches for either new product or service lines or expanded geographies are important first steps that can be conducted during diligence to assist in valuations.

Given the territorial restrictions of many intellectual property rights, if the business is using the newly acquired intellectual property as a launching pad for geographic expansion, a detailed review of the business's ability to utilize the intellectual property in the expanded

regions must be undertaken — including clearance searches for trademarks and freedom to operate assessments for patents.

ii. Intellectual Property Agreements

Many types of agreements that touch on intellectual property can be relevant to a merger or acquisition scenario. Examples include:

- **Inbound and outbound material license agreements;**
- **Marketing, sponsorship, and endorsement agreements;**
- **Distribution, manufacturing, and supply agreements;**
- **Assignment and acquisition agreements;**
- **Settlement, consent, and co-existence agreements;**
- **Development agreements;**
- **Collaboration and joint venture agreements; and**
- **Employee, contractor, and vendor agreements.**

You will want to review each of the relevant agreements to determine whether there are any restrictions on the target's use of proprietary or third-party intellectual property. Key provisions to review include non-compete covenants, exclusive license language, limitations on territorial scope, grant-back licenses, burdensome royalty payments and guaranteed minimums, rights of first refusal, and most favored nation clauses.

You also need to carefully inspect the agreements for any change-of-control and anti-assignment provisions. Depending on the structure of the transaction, these provisions could be triggered, causing your company to lose its ability to exploit intellectual property that could be mission-critical.

Finally, identify what the obligations are under each agreement (including requirements to provide notice and/or ongoing obligations to report on quality or revenue), assess the significance of any restrictive covenants or burdensome indemnification provisions, and identify other provisions in any intellectual property-related agreement that could adversely affect your company or its ability to use the intellectual property. Include counsel in any jurisdiction where the target is a party to a license agreement to confirm that these obligations are considered from the perspective of the governing law.

In addition to analyzing these company-specific agreements, you should also **familiarize yourself with the standard terms and conditions in the use agreements** of the target's main website and social media platforms to ensure that the website and social media pages

and accounts can be transferred to your company – particularly if the target has used them to showcase its products and services and increase brand awareness.

Depending on the nature of the target's industry, the target may have amassed a significant on-line following, and your company may want to continue to promote goods or services to those followers through that social media channel. Getting locked out of that already established on-line following could significantly discount the value of the deal.

If any agreement requires another party's consent in order for the agreement to be transferred, investigate the specifics and determine whether a transfer is really necessary or appropriate:

- For example, if the opposing party is one of the target's subsidiaries that will continue to operate under the same name as a subsidiary in the newly formed corporation, the agreement may not need to be transferred at all.

- If the target will not exist after the deal closes and notice is required, talk to the business about the relationship and whether the other party's consent will be difficult to obtain.

- And, if the agreement relates to intellectual property in which your company has no interest, or for which your company has a ready alternative, a transfer may not be necessary at all.

The key is to assess the situation, determine whether any third-party consents are necessary, and then require the target to secure those consents before the deal closes.

iii. Intellectual Property Disputes

Any upcoming or ongoing disputes regarding the ownership or validity of the intellectual property to be acquired could derail your company's plans for that intellectual property.

You should review any documents related to **pending, threatened, or actual litigation** involving the material intellectual property, pending or actual administrative proceedings that could impact the registration of any material intellectual property, and any cease-and-desist letters or take down notices that have been received.

Depending on the industry, you may also need to request and review information and documents regarding **any audits or claims by royalty-auditing agencies** (for example, Copyright Clearance Center (CCC) for copyrighted works; Business Software Alliance (BSA) for software, or American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI) for music).

When analyzing these materials, it is imperative to understand and appreciate the parties involved in the dispute, the nature of the claims, and the materiality of the relevant intellectual property. You also need to determine quickly whether the products or services

that are involved in the dispute are relevant to the post-transaction plans that your company has for the target.

Ascertain the **potential terms of any settlements** that are in process of negotiation and advise the client to take steps to ensure that the target does not agree to any burdensome restrictions on material intellectual property that is to be transferred. Such an agreement may undercut the way the acquired intellectual property could be used in a way that would meaningfully impact the value of the deal to your business.

While the need for full and complete information during a diligence review is critical, make sure you are not doing anything that could jeopardize the **target's attorney-client privilege** in the underlying dispute by making certain that non-public litigation strategy, plans, arguments, or attorney work product or advice is not revealed to you.

iv. Intellectual Property Enforcement

The enforcement strategy and history surrounding the intellectual property that is being acquired helps identify whether any material rights have been lost as a result of non-enforcement.

A thorough review of documents detailing the target's **internal policies regarding registration of material intellectual property** is usually the first place to start. It is important to determine if the intellectual property owned by the target is registered. This determination is particularly relevant for trademarks outside the United States where rights may not be developed based on use, and instead are governed by a first to file regime.

Once you have a firm grasp on the target company's registration strategy,, you should next review the target's **monitoring policy for all material intellectual property**. If the target has been routinely monitoring for potential infringement, the likelihood is lower that the material intellectual property has become diluted or less distinctive because of crowding in the target's field. Monitoring may take many forms, so ask for information on formal monitoring programs like trademark or domain name watching services (or the names of the outside vendors) and documents resulting from market sweeps or online take down programs that the target has conducted.

Finally, you should **review ongoing enforcement**, understand the nature of the alleged infringing activity and status of the disputes, and review a sample from the history of the target's enforcement campaigns, including any settlement agreements. This information will tell you a great deal about the strength of the intellectual property that you are purchasing, what rights the target has claimed, what rights, if any, the target has conceded, and if the target has agreed to any limitations on its use or registrations as a way of resolving a dispute.

Watch out for red flags such as a lack of enforcement history, which may signal the need for additional research to better assess how crowded the field is and the scope and strength of the target's rights.

v. Software and IT Systems

Every business has software and IT systems that are integral to the operations of the business. The target will have no rights in most of those programs and systems. Efficiency also does not permit thorough review of every software or IT systems agreement (nor is it necessary), but you should at least **inquire about any proprietary or customized software owned or licensed to the target and third-party software that is material to the business** (i.e., used in connection with the target's key products or services).

For these types of agreements, pay close attention to any anti-assignment provisions, overly expansive or burdensome indemnity provisions, or other obligations regarding how many people may use the software or what happens to any data that the target inputs into the third-party software.

The structure of the transaction may also dictate how much emphasis you need to place on the review of the software and IT systems. If the deal is structured as a merger and contemplates that the target's software will be migrated to your company's systems, little if any time needs to be devoted to the review of these agreements. However, if the deal is structured as a carve out, you need to determine whether the particular software or system is a shared system (which would likely be called an "enterprise license"), and if it is, you will need to think through how that service can be migrated with the carved out portion of the business.

C. Don't Ignore the Issues: After the Dust Settles

The goal of any diligence is to help your business achieve its objective of closing the deal. But after the deal has closed, it is important to stay on top of any post-transaction activities that are born out of any issues you may have flagged during diligence.

First, and usually most importantly, is to make sure all of the intellectual property has been formally assigned to your company, and that the assignments have been recorded with the respective intellectual property offices and domain name registrars.

You should also confirm that all social media handles have been transferred and that login and password information has been exchanged and changed so that your company is in control of these resources.

If there are gaps in coverage, prioritize conducting new searches, securing new filings, and possibly acquiring additional intellectual property to shore up the intellectual property portfolio.

V. Leveraging Your Assets: Strategies For Preserving Value/Rights In Brands That Are Sun-Setting

Rebranding can modernize a company, inject vitality into a limping product, or offer an opportunity to craft a new corporate identity. However, rebranding should not necessarily prompt wholesale adoption of the adage "out with the old and in with the new." Just because a brand has lost its initial luster does not mean it has lost its value.

You may want to continue to use and maintain legal rights in certain old or sun-setting brands given the decades of marketing investment, consumer goodwill, and public recognition often stored in older logos and brands.

One of the biggest perils companies face when rebranding is inadvertent legal abandonment of their previous trademarks, and consequently, all the goodwill built-up in those marks.

Federal trademark law requires bona fide use of a mark in commerce. A mark is abandoned when "its use has been discontinued with intent not to resume such use."[66] **Non-use of a mark for three consecutive years is *prima facie* evidence of abandonment** and creates a presumption of an intent not to resume use of the mark, though this presumption can be overcome by evidence of (1) use or (2) an intent to resume use during the relevant three year period.[67]

In order to avoid the pitfall of abandonment, you should **approach rebranding attempts strategically.**

A. Create a Communication Plan

Don't make sweeping statements. While the excitement of adopting a new brand may spark a desire to make bold pronouncements declaring your new corporate identity, you should **avoid any statements that imply an intention to leave the old brand or logo totally unused**.

For example, public statements or advertisements that you are "no longer brand X", or that "brand Y will be discontinued" or "eliminated" can convey an intention not to resume use of a mark and may be persuasive evidence of abandonment in court.[68] Moreover, if the public statement of an intent not to resume use is unequivocal and relied upon in good faith by a competitor, you may be equitably estopped from denying an intention not to resume use,[69] potentially resulting in the loss of your legal rights in the brand.

To avoid this, your marketing and legal departments should work together closely to develop a detailed communication plan that encapsulates your rebranding efforts without

disclaiming the previous mark. All public statements, whether to news outlets, consumers, or competitors, should be **carefully reviewed before publication** to ensure they don't accidentally run afoul of this standard.

Beyond merely avoiding express statements of an intent to abandon your previous brand completely, your communication plan should also **factor in ways to build upon or leverage the good will of the old brand during the rebranding period**.

For instance, including statements such as "formerly known as X," or incorporating use of the older mark or logo on your websites, email signature blocks, customer solicitations, promotional materials, or business cards can help demonstrate your intent to continue to use the old logo or mark, despite rebranding.[70] While these limited uses should not be relied upon to establish commercial use in the long term, they may help rebut any claim of abandonment by non-use or intent to abandon the mark during the period leading up to, and immediately following, rebranding.[71]

The case of *Hiland Potato Chip Co. v. Culbro Snack Foods*[72] illustrates the importance of having a communication plan in place and the dangers of un-reviewed sweeping pronouncements:

- Hiland's predecessor, Cardinal Distributing Company, originally had rights to distribute potato chips under the Kitty Clover mark in the Kansas City area, but did not do so outside of redistributing some returned stock.[73]

- In 1980, Cardinal's sales manager sent a bulletin out to its customers stating that "the Kitty Clover brand name '[would] be eliminated'" and that they would only sell items "under the Hiland label."[74] Shortly after this announcement, Culbro began to distribute Kitty Clover chips in the Kansas City area.[75]

- Cardinal objected to Culbro's use but did not indicate that it "was using or intended to use" the Kitty Clover mark and indeed did not do so until early 1981, when Hiland took over and began to distribute some potato chips under the Kitty Clover mark.[76]

- When Hiland sued for trademark infringement, the court found in favor of Culbro.[77] The court explained that "[a] public announcement of intention to discontinue the sale of a product may be a circumstance from which an intent not to resume may be inferred."[78] The court further held that Cardinal's unequivocal statements of an intent to "eliminate[]" the Kitty Clover brand triggered the doctrine of equitable estoppel and prevented Hiland from arguing it had any intent to resume use of the brand.[79]

However, not all statements or publications expressing a more limited intent to rebrand will lead a court to find the previous mark to have been unequivocally abandoned. Statements of a prospective intent to cease use of a mark or rebrand do not necessitate a finding of abandonment, particularly if said mark is actually still in use.[80] When Wells Fargo acquired ABD, it rebranded it to "Wells Fargo Insurance Services" and did not renew

registrations for the former ABD mark.[81] However, the Ninth Circuit found Wells Fargo, despite the rebranding, had not yet abandoned the ABD mark since it continued to use the mark in customer presentations and solicitations in an effort to benefit from the ABD brand's recognition and goodwill.[82]

Similarly, in *American Ass'n for Justice v. The American Trial Lawyers Ass'n*, the court found sufficient use to defeat a *prima facie* claim of non-use for abandonment purposes despite the plaintiff's intentions to rebrand:[83]

- In 2006, The Association of Trial Lawyers of America (ATLA) changed their name to American Association for Justice (AAJ).[84] After the name change, all documents were changed to include AAJ. Defendants then adopted the name American Trial Lawyers Association (ATLA) in 2007.[85]

- Despite AAJ's rebranding efforts, the court refused to find that AAJ abandoned the Association of Trial Lawyers of America (ATLA) mark, stressing that "a prospective intent to abandon a mark does not establish abandonment" and that abandonment requires actual cessation or discontinuance of the mark.[86]

- The court reasoned that AAJ's continued use of the phrase "formerly the Association of Trial Lawyers of America (ATLA)" on its website, advertisements, mailings, and email signature blocks was intended to capitalize on the goodwill of the mark and constituted bona fide commercial use.[87] Furthermore, AAJ had licensed the ATLA mark to a third party and numerous publications containing the ATLA mark continued to be published and generate revenue.[88] The court found these uses not to be mere token or vestigial uses, but instead to demonstrate continued use of the mark in commerce sufficient to overcome a claim of abandonment.[89]

The Eleventh Circuit appears to have at least entertained a similar vein of reasoning in *Cumulus Media, Inc. v. Clear Channel Communications, Inc*:[90]

- From 1994 to 2000, CMI advertised its radio station, WBZE, under the unregistered mark, "The Breeze."[91] In 2000, CMI announced that it was changing the name to "Star 98."[92] However, "The Breeze" still appeared on the large sign outside WBZE's headquarters, on WBZE's business cards, and promotional materials, and third parties continued to refer to WBZE as "The Breeze."[93]

- About one year after CMI's name change, the defendant adopted the name "The Breeze," created a near identical logo, and ran misleading advertisements suggesting a connection with WBZE.[94] CMI quickly filed suit for trademark infringement to which the defendants raised the affirmative defense of abandonment.[95]

- The Eleventh Circuit upheld the lower court's grant of a preliminary injunction, refusing to find the district court's holding that CMI's use of "The Breeze" on business cards, signage, and promotional materials amounted to sufficient use under the Lanham Act to be clearly erroneous.[96]

B. Be Thoughtful and Consistent

If you want to maintain legal rights in a brand, logo, or mark, you must continue to use the mark in a thoughtful and consistent manner. There are no short-cuts or leniency exceptions to this use requirement, even for well-known brands.

Moreover, while a three-year period of non-use is *prima-facie* evidence of abandonment, non-use for even a short amount of time, particularly when coupled with statements about rebranding or phasing out a particular brand or logo, can raise issues of abandonment.[97]

Consequently, it is important to have a plan or system in place seamlessly to maintain marks or logos you wish to protect under your larger brand umbrella. If you want to protect a mark, you should ensure it remains in use in commerce—but not just any use will do.

i. Token Use is Insufficient

Courts have routinely expressed blatant distaste for trademark maintenance or "warehousing" programs intended solely to reserve rights in otherwise unused marks.[98] Indeed, limited use of marks made as part of such a program cannot satisfy the "use" requirement under the Lanham Act and may result in abandonment of a mark.[99]

Token use of a mark, even a famous mark with "enormous residual goodwill," cannot establish the requisite level of use necessary to avoid a finding of abandonment.[100] Instead, to keep a mark alive and protected, you must make *bona fide* use of the mark in commerce by actually trading on the goodwill of the old mark or depending on it for identification of source.[101]

Courts' disdain for true warehousing programs can best be seen in the case of *Procter & Gamble Co. v. Johnson & Johnson Inc.*:

- Procter sued Johnson & Johnson for trademark infringement, claiming that its launch of "Assure" and "Sure & Natural" for women's menstrual products infringed on Procter's trademark registrations for SURE for deodorant and tampons, and ASSURE for mouthwash and shampoo:[102]

- The court found that Procter's SURE mark for deodorant was unlikely to be confused with Johnson & Johnson's line of menstrual products.[103]

- As to Procter's SURE mark for tampons and ASSURE marks for mouthwash and shampoo, the court held that Procter had no legitimate rights in those marks.[104]

- Unlike with its SURE deodorant, Procter failed to truly launch SURE tampons or ASSURE mouthwash or shampoo.[105] Instead, Procter included these marks in their "Minor Brands" trademark maintenance program in which, once every year, otherwise unused brands would be slapped on pre-existing products and 50

> units/cases bearing each mark would be shipped to different states.[106] Procter took no further steps to see if these goods bearing the "Minor Brands" marks were ever actually sold.[107] Thoroughly unimpressed, the court denounced this use as mere "token use" for a trade mark maintenance program that did not represent "a bona fide attempt to establish a trade in any meaningful way."[108]

For similar reasons, the Fifth Circuit in *Exxon Corp. v. Humble Expl. Co.*, held that use of the mark HUMBLE in connection with limited sales of packaged products and selected arranged bulk sales of product could not establish sufficient bona fide use in commerce to rebut a prima facie claim of abandonment:[109]

- Exxon rebranded in 1972, moving away from its HUMBLE mark and adopting EXXON as its sole, primary brand name.[110]

- Exxon had no intention to abandon the HUMBLE mark and invested in a trademark maintenance program in which it (1) made very limited sales of Exxon products labeled with both the EXXON and HUMBLE marks to select customers and (2) sold bulk Exxon gasoline to a few selected customers with invoices containing the HUMBLE mark through the use of three "Humble" shell companies.[111]

- However, because the packaged products bore both the HUMBLE and EXXON labels and the customers who received "HUMBLE invoices" were assured the product was from Exxon, the court found these uses to be insufficient, noting that neither of these uses "depended on the HUMBLE mark for identification of source."[112]

The *Procter* and *Exxon* cases illustrate that even the most well-intentioned trademark maintenance plans can fail when a mark is not meaningfully integrated into the larger corporate brand structure. Your continued use of old or sun-setting marks should be thoughtful and tied to the mark itself and what it represents to the consumer.

Because of the investment required to sustain a brand correctly, working in tandem with your marketing and business departments, you should carefully consider which sun-setting brands are worth the sincere continued maintenance you will need to devote to keep the brand alive.

ii. Be Mindful of the Amount of Use And Consistent In Your Type of Use

While insincere token uses cannot sustain legal rights in a brand, continued use of a mark on the same goods or services,[113] even in a more limited capacity, can preserve your rights in a sun-setting mark if done correctly.

There is no magic quantity of use sufficient to sustain legal rights in a brand. For instance, while the Ninth Circuit has explained that abandonment of a mark "requires *complete*

cessation or discontinuance of trademark use,"[114] other U.S. courts have cautioned that "'[m]inor activities' cannot shield a mark holder from a finding of abandonment." [115] The general consensus, however, is that even limited use of a mark can be sufficient so long as it is sincere and trades on the goodwill of the brand.[116]

For example, the U.S. Court of Appeals for the Ninth Circuit found minimal use can be sufficient if there are legitimate reasons for the limited number of sales:[117]

- In *Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.*, Brandess alleged that Electro Source's predecessor had abandoned his use of the PELICAN mark since he only made a limited number of sales of marked backpacks and, given his significant business hardships, intended to abandon the mark and business once existing inventory ran dry.[118]

- The court disagreed, reasoning that even if there is a clear prospective intent to abandon the mark at a future date, there could be no abandonment until *bona fide* use of the mark *actually* ceased with no intention to resume such use.[119]

- The Ninth Circuit further rejected the argument that the nominal sales of the PELICAN backpacks were made solely to sustain the mark, holding that such limited sales were sufficient to establish use, and avoid abandonment, "where the circumstances legitimately explained the paucity of the sales."[120]

- In coming to this conclusion, the court looked to the "totality of the circumstances" to determine whether the use was legitimate, including the "genuineness and commercial character of the activity, the determination of whether the mark was sufficiently public to identify or distinguish the marked [products] in an appropriate segment of the public mind as those of the holder of the mark, the scope of the [trademark] activity relative to what would be a commercially reasonable attempt to market the service [or product], the degree of ongoing activity of the holder to conduct the business using the mark, [and] the amount of business transacted."[121] Given the financial hardships and surrounding circumstances of Electro Source's predecessor, the court found his limited sales under the PELICAN mark to be sufficient as those few sales completed did "contemplate trading upon the goodwill of the mark."[122]

Similarly, in *Ferrari S.p.A. Esercizio Fabbriche Automobilie Corse v. McBurnie*, the United States District Court for the Southern District of California refused to find that Ferrari had abandoned its famous DAYTONA SPYDER trade dress despite the fact that manufacturing of the SPYDER ceased in 1974:[123]

- The court reasoned that since 1974, Ferrari and its authorized dealers continued to service and refurbish the cars and continued to manufacture and sell replacement parts—including approximately 5-6 "entire front end body parts" every year since 1974—to DAYTONA SPYDER automobiles.[124]

- Considering the continued service of the cars, their predominance in the marketplace, and the strong association between the DAYTONA SPYDER trade dress and Ferrari, the court held that Ferrari did not abandon its rights in the DAYTONA SPYDER trade dress and had made sufficient, good faith commercial use of the trade dress under the Lanham Act.[125]

By contrast, in *Emergency One, Inc. v. American FireEagle, Ltd.*, the Fourth Circuit found that E-One failed to make sufficient use of the AMERICAN EAGLE mark for firetrucks to rebut a presumption of abandonment resulting from non-use:[126]

- E-One, a manufacturer of firetrucks, acquired another fire truck company that operated under the mark AMERICAN EAGLE in 1989.[127] By 1992, E-One no longer made new fire trucks under the AMERICAN EAGLE mark, though it did rebuild and refurbish old American Eagle trucks.[128] E-One also continued to use the American Eagle logo on merchandise (t-shirts, hats, bags, nameplates) and on security uniform badges.[129]

- In 1994, AFE began using a similar AMERICAN EAGLE mark on fire trucks, prompting E-One to sue for trademark infringement in 1996, after announcing its own plan to launch a line of AMERICAN EAGLE brand trucks in 1995.[130]

- The Fourth Circuit found E-One's use of the AMERICAN EAGLE mark from 1992-1995 insufficient.[131] It reasoned that the promotional use of the mark on merchandise other than firetrucks was not in the same "course of trade" and constituted a mere token use.[132] Similarly, it explained that repair and recycling services like those offered by E-One could constitute use but only if the disputed mark was used on the repaired/refurbished goods or on "documents associated with their sale."[133] However, E-One's documents and invoices only bore the E-One mark and during the disputed three year period, only one truck left the factory with the AMERICAN EAGLE mark, which was insufficient use to disprove non-use under the first prong.[134] Notably, the Fourth Circuit did find that E-One's continuous promotion indicated some intent to resume use of the mark, and remanded for a new trial on the second prong.[135]

C. Have A Plan In Place and Stick To It

The best way to protect sun-setting brands or marks in the face of rebranding or other corporate shifts is to build a process or system that will allow you to integrate use of the marks or logos within your larger pool of brands.

As shown in *Exxon* and *Proctor*, casual, sporadic, or even planned annual use of a mark will fall flat.[136] Consistent, meaningful use of these marks must be part of your daily, ongoing branding efforts or you will risk losing the unused brands and the consumer goodwill they symbolize. Use of the brand in such a way that a meaningful segment of the relevant consuming public continues to be exposed to it is important.

There is no one correct way to maintain an older brand. However, one potential method is to work together with your marketing, legal, and business teams to build an archival process that tracks older or sun-setting brands and provides a structure for their continued use, even if in a more limited fashion. Identify the value inherent in the brand at issue, whether it is public recognition, nostalgia, price, popularity, or heritage and leverage it by meaningfully trading on that goodwill.

For example, instead of completely phasing out a highly recognized older logo on a clothing line, you could establish a limited line of "classic" or "vintage" products that maintain use of that version of the brand. Similarly, after a merger or corporate restructuring, previous brand names or marks that retain value could be used to indicate certain continued or grandfathered-in services or products. How you decide to leverage your brands is ultimately up to you. But you will find that if you adopt a strategic plan to meaningfully use and leverage the remaining value in sun-setting brands, even the oldest brand can retain its luster.

VI. U.S. Tax Planning and Issues Associated with Trademark Ownership

Tax lawyers have seen this scene play out any number of times. Intellectual property colleagues rush into the office with a plea –

> "Help! Client X's tax people are telling them that they are transferring economic ownership of the Client's business-critical intellectual property under a cost sharing arrangement to help lower the Client's tax bill. Our contact in the Client's legal department doesn't know what any of this means. What should they know?"

The section below was written to help internal intellectual property counsel understand what their colleagues in the tax department are referencing and to explain why a multi-jurisdictional company might seem to be willing to contort itself for tax savings at the expense of risking the value of its core assets.

A. Differences in Tax and Trademark Vocabulary – Ownership

We know that tax professionals speak a different language than, well, anyone. This is especially true when talking about the ownership of intellectual property.

i. Legal Ownership.

When any intellectual property lawyers think of ownership, they think of legal title. The legal owner of a trademark can acquire common law rights through the use of the mark in

connection with a good or service. In addition, the legal owner can register the mark to provide notice of its ownership claim to the mark.

Transferring legal ownership to a trademark requires an assignment of the trademark rights, including transfer of associated goodwill, in the manner effective under the law of the applicable jurisdiction.

In addition, a registered trademark requires registration of the assignment to the new legal owner to be recognized, and recognition of the assignment's registration by the administrative agency in that jurisdiction.

ii. Tax Ownership.

Tax law does not depend on the establishment or acquisition of legal title to determine ownership of a trademark for tax purposes. One party can be the legal owner of a trademark, and the legal owner's licensee of that same trademark can be considered the owner of that same trademark for tax purposes. The key determination for whether a license transfers the tax ownership of the subject intellectual property is whether the licensee obtains all substantial proprietary rights to the property.[137]

iii. Licensee Ownership Under Tax Law

1. In General.

Under a long line of case law, a perpetual exclusive license of intellectual property vests ownership of the intellectual property in the licensee unless the licensor retains significant control over the intellectual property. More recently in the case of trademarks, the United States' Internal Revenue Code ("*Code*") section 1253 enumerates the controls that prevent a perpetual exclusive license from being a transfer of the tax ownership of the underlying intellectual property. These controls are:

- a right to disapprove assignments of the licensed trademark;[138]
- a right to terminate the license at will;[139]
- a right to prescribe quality standards for the products, services, and promotional equipment and facilities using the trademark;[140]
- a right to require the licensee to sell or advertise only the licensor's service and products;[141]
- a right to require the licensee to purchase substantially all supplies and equipment from the transferor;[142] and

- a right to payments contingent on productivity, use, or disposition of the licensed trademark.[143]

Note that requiring the licensee to adhere to the licensor's quality control standards relating to the use of the trademark is *not* a retention of control by the licensor that would prevent the license from constituting a transfer of ownership for tax purposes.

2. Geographic and Field of Use Restrictions.

Originally, the Internal Revenue Service ("*IRS*") argued that perpetual exclusive licenses could not constitute a transfer of tax ownership if it were limited to a specific geography or field of use.[144] The IRS's theory was that the intellectual property was indivisible and that limiting the rights to a specific geography or field of use could not convey all substantial rights. U.S. courts uniformly rejected this argument, and the IRS has since conceded[145] that a license of intellectual property subject to geographic or field of use restrictions can convey tax ownership of that portion of the property.

3. Contingent Payments.

Similarly, the IRS argued that payments contingent on the productivity or use of the subject intellectual property precluded the transfer of tax ownership of that property.[146] Similar to the litigation over geographic and field of use restrictions, courts roundly rejected the IRS's theory.[147] The IRS has long since abandoned this argument regarding contingent payments precluding transfer of tax ownership.[148]

B. Cost Sharing Arrangements.

A cost sharing arrangement ("***CSA***") is a specially recognized contractual arrangement that splits the tax ownership of newly developed intellectual property.[149] The division of tax ownership can be based geographically or by field of use.[150] If effectively implemented, a CSA permits each participant to use its share of the cost-shared intangible asset(s) without any compensation to any other party, including the legal owner.[151]

Although not involving a legal transfer of existing intellectual property, a US multinational can enter into a qualified CSA with a foreign affiliate. A CSA involves the parties' agreement to share the costs and risks of developing the new intellectual property covered by the CSA. The sharing must be in proportion to the parties' relative "reasonably anticipated benefits" from their individual exploitation of that intellectual property.[152]

US tax law treats the foreign affiliate that is party to the CSA as having sufficient economic interest in the newly developed intellectual property to be the tax owner of such rights. That characterization makes the foreign affiliate taxable on the profits attributable to its respective interest in the intellectual property covered by the CSA, effectively shifting those profits away from US taxation.

A US company can therefore own and license existing intellectual property to a foreign affiliate and transfer tax ownership with respect to future intellectual property to that affiliate under a CSA.

However, under a CSA, the foreign affiliate must compensate the US company for any existing intellectual property and certain other resources and capabilities (known as "platform contributions") developed, maintained, or acquired by the US company and which is reasonably anticipated to contribute to the development of the new intellectual property.[153] Determining the amount of compensation that the foreign affiliate must pay to the US company for its platform contribution to a CSA is perhaps the most significant issue that the organization must address when creating this structure.

C. IP Holding Companies

i. What are IP Holding Companies?

An intellectual property holding company ("***IP Holdco***") is a business entity, such as a corporation or limited liability company, whose purpose is to acquire, own, and manage intellectual property. An IP Holdco does not operate the business – its focus is narrowly related to the intellectual property of the business.

The IP Holdco licenses the rights to the intellectual property to its affiliated operating entities for use in the business operations. The license is structured to maintain tax ownership of the subject intellectual property in the IP Holdco.

Aside from the tax planning considerations discussed below, one common reason for establishing an IP Holdco is to protect valuable intellectual property rights from the claims of unsecured creditors of the business. For example, a plaintiff who receives a judgment against an operating business would not generally be able to enforce that judgment against the assets of a separate IP Holdco affiliated with the operating business.

ii. Taxation of IP Holdcos

The IP Holdco is subject to tax in its country of organization at the rates imposed on companies generally. Depending on the country of organization, the applicable tax rate could be as low as 0% and as high as approximately 30%.

In addition, many developed countries impose a source country tax on the payment of royalties for use of intellectual property in that country to a foreign licensor. This tax is generally withheld by the licensee from royalty payments to the licensor. Depending on the country of use, the withholding tax rate can range from 15% to 30%. If the countries of the IP Holdco and the operating entity have an income tax treaty in place, the withholding tax on royalty payments are typically reduced and sometimes eliminated.

The IP Holdco can typically claim a tax credit in its country of organization for any source country taxes withheld from royalties. However, if the source country withholding rate is higher than the IP Holdco country of organization rate, the IP Holdco would generally not get any additional benefit for the excess source country taxes withheld.

For example, assume that the IP Holdco is subject to a 15% tax rate in its country of organization and the operating business' source country imposes a 10% withholding tax thanks to the availability of an income tax treaty. When the operating business pays a $100 royalty, it actually withholds $10 and pays that amount to the taxing authority in the source country. It remits the net amount, $90, to the IP Holdco.

The IP Holdco reports the entire $100 royalty as income, even though it received only $90. That income incurs a $15 tax liability. However, the IP Holdco can claim a credit for the $10 tax withheld and paid to the source country, reducing the tax payable to only $5. The IP Holdco still pays a total of $15 of tax, $10 to the source country and $5 to its country of organization.

iii. Tax Planning with IP Holdcos

Establishing an IP Holdco presents a multinational company an opportunity to lower its global tax cost. If the effective tax rate paid by the IP Holdco is less than the various operating entities, royalty payments are deducted by the operating company reducing its tax liability at a higher rate and taxed to the IP Holdco at a lower rate.

For example, assume that the tax rate in the IP Holdco's country of organization is 15% and the tax rate in the country of business operations is 30%. Also, assume that the two countries have a tax treaty that eliminates any withholding tax on royalties paid from a resident of one country to the resident of the other.

In that case, a $100 royalty payment from the operating entity to the IP Holdco creates a deduction to the operating entity, reducing its tax bill by $30 ($100 x 30%). The royalty payment would be taxed to the IP Holdco creating a tax bill of $15. The net tax savings to the multinational group is $15 ($30 operating company savings minus $15 IP Holdco tax cost).

Creating the optimal tax planning from an IP Holdco requires a careful analysis of (1) the local country tax costs in the country of its organization; and (2) the network of income tax treaties that country has with the countries in which the global organization operates to minimize withholding taxes on royalty payments to the IP Holdco. Aside from tax considerations, political and economic stability and the strength of trademark protections are important factors to take into account in choosing the jurisdiction of an IP Holdco.

Limitations imposed by the taxing authorities of industrialized countries discussed below further complicate the analysis. Properly structured multinational businesses can still leverage international opportunities for their IP Holdcos. The organization, however, must consider certain caveats and implement certain good practices.

iv. Limitations on Tax Planning.

Tax authorities of industrialized countries were understandably troubled by the proliferation of tax avoidance strategies using IP Holdcos. The Organisation for Economic Co-operation and Development included actions relating to IP Holdcos as part of its Base Erosion and Profit Shifting ("***BEPS***") Project that concluded in 2015.[154] The EU subsequently recommended a number of defensive measures for jurisdictions that engaged in certain unfair tax practices consistent with the BEPS initiatives.[155]

In general, two historic features of IP Holdcos are of concern to the taxing authorities:

- Placing IP Holdcos in jurisdictions where the enterprise has no other business operations and no functions that create the value of the intellectual property, also known as "economic substance;" and

- The lack of appropriate transfer pricing between related companies to assure that the creators of intellectual property receive appropriate profits for the value created.

As a result of this increased scrutiny, enterprises have shifted the focus of their IP Holdcos to add economic substance within the enterprise. A number of jurisdictions have also changed their internal tax laws to encourage this shift.[156]

D. Required Terms for Agreements between the Parties.

i. Licenses.

As discussed above, a large percentage of transfers of IP "ownership" for tax purposes are accomplished by a license of the IP. Entering into a license agreement to achieve the transfer permits the enterprise to divide tax ownership between affiliates on either a geographic or field of use basis. The license can also achieve a transfer for tax purposes without a recordal of any assignment.

In order for a license to accomplish this transfer, it should contain the following terms:

- **The term of the license should be perpetual (or for the economic useful life of the intellectual property being licensed);**

- **The licensed rights should be exclusive to the licensee;**

- **The license should specify any geographic or field of use restrictions;**

- **The licensor should not retain any substantial controls over the use of the trademark, although the licensee's use of the trademarks can be subject to the licensor's quality control standards relating to the use of the license.**

Any license agreement that does not provide for these minimum provisions will not transfer tax ownership of the licensed property, meaning the licensor will remain the owner. In many cases, as mentioned above, this result is often desired for tax purposes.

ii. Cost Sharing Agreements

The IRS has issued extensive regulations on the requirements necessary for a CSA to effectively create the co-ownership structure to achieve the enterprise's tax goals. The CSA must be documented in writing and executed by the parties within 60 days of the first cost sharing activity. In addition, the written agreement must provide for the following:

- **List the name, address, and country of organization of each controlled participant.**[157]
- **Describe the scope of the development activities to be undertaken and each item or class of intellectual property to be created by the activities.**[158]
- **Specify the functions and risks that each participant will undertake pursuant to the CSA.**[159]
- **Specify each participant's divisional interest (geographic or field of use) in the intellectual property created by the CSA.**[160]
- **Provide a method to calculate each participant's reasonably anticipated benefits from the intellectual property created pursuant to the CSA.**[161]
- **Identify all categories of costs to be shared under the CSA.**[162]
- **Specify that each controlled participant must use a consistent method of accounting to determine intangible development costs and reasonably anticipated benefits.**[163]
- **Require that the participants make payments to each other with respect to intangible development costs such that each participant bears a portion of those costs in proportion to its respective proportion of reasonably anticipated benefits.**[164]
- **Require that each participant enter into platform contribution transactions to compensate for the use of any existing intellectual property as part of the CSA.**[165]
- **Specify the date on which the CSA is entered into, the duration of the CSA, and the conditions under which the CSA may be modified or terminated.**[166]

VII. Conclusion

Carefully managed and protected, brands can be among the most valuable assets of an enterprise, and indeed its life blood. Through strategic planning and implementation of guidelines on use and enforcement tailored to business goals, you can ensure your company's core brands maintain their vitality and enhance your company's goodwill for years to come.

VIII. About the Authors

Nichole Chollet, who co-authored Section V, concentrates her practice in in the area of trademark and trade dress infringement and enforcement, including in federal court and before the Trademark Trial and Appeal Board. More information about Ms. Chollet may be found at Chollet, Nichole Davis (kilpatricktownsend.com).

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IX. Additional Resources

A. ACC Guides[SM]

A Corporate Counsel Guide to Post-Grant Proceedings at the United States Patent & Trademark Office (USPTO), an ACC Guide[SM] by Justin L. Krieger, Managing Partner, Denver Office, John C. Alemanni, Mr. Morlock, and David Reed, **Kilpatrick Townsend & Stockton LLP**, May 8, 2020

Trade Secrets: Legal Framework and Best Practices for Enforcement (United States), an ACC Guide[SM] by Joel Bush, Partner, Allen Garrett, Partner, and Ben Richardson, Associate, **Kilpatrick Townsend & Stockton LLP**, December 15, 2020

B. Articles

"One Size Does Not Fit All: Tailoring IP Due Diligence to the Transaction," by Siegmar Pohl and Paul Haughey, **Kilpatrick Townsend & Stockton LLP**, January 25, 2021

"Quick Overview: NFTs - What's The Big Deal? A Practical Introduction and Guide For In-house Counsel," by Rob Potter and Sarah Anderson, **Kilpatrick Townsend & Stockton LLP**, September 27, 2021

"Ten Things to Look Out for in Social Media Marketing," by Brittany Knutson, Associate, and Christopher Varas, Partner, **Kilpatrick Townsend & Stockton LLP**, August 6, 2020

C. Checklists and Samples

Due Diligence Request List – IP

IP Due Diligence Checklist

Checklist of Settlement Options In Trademark Cases

These resources can be found in the ACC Library. Find more resources at www.acc.com/resource-library

ENDNOTES

[1] Select portions of this section draw from a Kilpatrick Townsend house document written by Christine James, with contributions from O. Maria Baratta, Allisen Pawlenty, and Jason Vogel.

[2] "Common law" trademarks are use-based trademark rights recognized in jurisdictions which trace their legal heritage to Britain. Examples of countries that recognize "common law" trademark rights include the United Kingdom, the United States, Australia, Canada, India, and other former colonies of the British Empire.

[3] The utility of domain name record searching has been limited in recent years since the passage of the European Union's General Data Protection Regulation in 2016.

[4] Bing is a trademark of the Microsoft group of companies.

[5] The Saegis® database currently covers the following jurisdictions (organized by region):

Africa: Algeria; Angola; Botswana; Burundi; Cape Verde; Congo (Democratic Republic); Ethiopia; Gambia; Ghana; Kenya; Lesotho; Liberia; Libya; Madagascar; Malawi; Mauritius; Morocco; Mozambique; Namibia; Nigeria; OAPI.; Rwanda; Sao Tomé and Principe; Seychelles; Sierra Leone; South Africa; Sudan; Swaziland; Tanzania; Tunisia; Uganda; Zambia; Zanzibar; Zimbabwe;
Asia: Afghanistan; Bangladesh; Bhutan; Brunei; Cambodia; China; Hong Kong; India; Indonesia; Japan; Laos; Macao; Malaysia; Maldives; Mongolia; Myanmar; Nepal; Pakistan; Philippines; Singapore; South Korea; Sri Lanka; Taiwan; Thailand; Vietnam;
Caribbean: Anguilla; Antigua and Barbuda; Aruba; BES Islands; Bahamas; Barbados; British Virgin Islands; Cayman Islands; Cuba; Curacao; Dominica; Dominican Republic; Grenada; Haiti; Jamaica; Montserrat; Saint Vincent and the Grenadines; Sint Maarten; St. Kitts and Nevis; St. Lucia; Trinidad and Tobago; Turks and Caicos Islands;
Central America: Belize; Costa Rica; El Salvador; Guatemala; Honduras; Nicaragua; Panama;
Europe: Albania; Andorra; Armenia; Austria; Azerbaijan; Belarus; Benelux; Bosnia-Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; EU trade marks; Estonia; Finland; France; Georgia; Germany; Gibraltar; Greece; Guernsey; Hungary; Iceland; Ireland; Italy; Jersey; Kazakhstan; Kosovo; Kyrgyzstan; Latvia; Liechtenstein; Lithuania; Malta; Moldova; Monaco; Montenegro; North Macedonia; Norway; Poland; Portugal; Romania; Russian Federation; Serbia; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; Tajikistan; Turk. Rep. of Northern Cyprus; Turkey; Turkmenistan; Ukraine; United Kingdom; Uzbekistan;
Middle East: Bahrain; Egypt; Gaza; Iran; Iraq; Israel; Jordan; Kuwait; Lebanon; Oman; Qatar; Saudi Arabia; Syria; United Arab Emirates; West Bank of Jordan (Judea and Samaria); Yemen;
North America: Bermuda; Canada; Mexico; U.S. Federal; U.S. State;
Oceania: Australia; Fiji Islands; New Zealand; Papua New Guinea; Samoa; Solomon Islands; Tonga;
South America: Argentina; Bolivia; Brazil; Chile; Colombia; Ecuador; Guyana; Paraguay; Peru; Suriname; Uruguay; Venezuela; and
WIPO: All International Registrations.

[6] Many trademark offices have websites through which trademark records can be searched, the addresses for which are listed here: *Directory of Intellectual Property Offices*, World Intell. Prop. Org., https://www.wipo.int/directory/en/urls.jsp (last visited Nov. 16, 2021). International Registrations obtained through the Madrid System can be searched here: World Intell. Prop. Org., *Madrid Monitor*, WIPO IP Portal, https://www3.wipo.int/madrid/monitor/en/ (last visited Nov. 16, 2021).

[7] Alphanumeric designations used as model or grade designators could be deemed descriptive. See, for example, US guidance on this topic at TMEP § 1202.16 (July 2021), https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-1200d1e3027.html.

[8] The European Union, for examples, takes a slightly harder line approach to the protectability of slogans than other jurisdictions. *See* European Union Intell. Prop. Off., Trade Mark Guidelines, pt. B, § 4 ch. 3.4 Slogans (2021), https://guidelines.euipo.europa.eu/1922895/1789884/trade-mark-guidelines/4-slogans--assessing-distinctive-character.

[9] See the "Thomson Life" case in the European Union. *Medion AG v. Thomson Multimedia Sales Ger. & Austria GmbH*, [2005] E.C.R. C-120-04, https://curia.europa.eu/juris/document/document.jsf?docid=60237&doclang=en

(adding a second term to a mark that is identical to a prior registered mark may not be sufficient to overcome a finding of confusing similarity).

[10] See Canada's revised Trademarks Act, effective as of 2019. Trademarks Act, 2019, c.T-13 (U.K., *reprinted in* R.S.C. 1985 (Can.), https://laws-lois.justice.gc.ca/eng/acts/T-13/index.html; *see* Mexico's 2020 revised trademark laws, Instituto Mexicano de la Propiedad Industrial, Ley Federal de Protección a la Propiedad Industrial 10-06-2021 (Mex.), https://www.gob.mx/impi/documentos/ley-federal-de-proteccion-a-la-propiedad-industrial-274304.

[11] For more on USPTO's post registration audit program, see *Post Registration Audit Program*, USPTO.gov (Sept. 22, 2021), https://www.uspto.gov/trademarks/maintain/post-registration-audit-program; for USPTO's efforts to identify and curtail use of mock-up specimens, see USPTO, Examination Guide 3-19, Examination of Specimens for Use in Commerce: Digitally Created/Altered or Mockup Specimens (July 2019, rev. Oct. 2020), https://www.uspto.gov/sites/default/files/documents/TM-ExamGuide-3-19.pdf.

[12] These include the EUTM and most European countries, among others.

[13] These include the US and Canada, Brazil, China, Singapore, South Africa, the Republic of Korea, Russia, the United Arab Emirates and other Middle Eastern countries, among others.

[14] Information on, and the text of, the Paris Convention for the Protection of Industrial Property (1883) can be found here: World Intell. Prop. Org., *Paris Convention for the Protection of Industrial Property*, WIPO.INT, https://www.wipo.int/treaties/en/ip/paris/ (last visited March, 2023).

[15] Occasionally, a brand owner wishes to keep its plans for adoption of a new mark secret, while filing at the earliest time to protect rights prior to launch. Stealth filing jurisdictions like Jamaica and Tonga are locations where applications are difficult if not impossible to search online and publication details are similarly difficult to obtain absent an in-person search. This gives trademark owners the ability to file in those countries first with some peace of mind that very few would-be infringers would be able to locate the application details.

[16] These include China (and greater China including Hong Kong and Macao), Indonesia, Paraguay (as the gateway to Argentina, Brazil), Peru, Taiwan, Turkey (as the gateway to the EU), to name a few.

[17] World Intell. Prop. Org., *Madrid – The International Trademark System*, WIPO.INT, https://www.wipo.int/madrid/en/ (last visited March, 2023).

[18] Owners of an existing EUTM at the departure of the United Kingdom ("UK") from the EUTM system were granted rights in a UK registration that is a clone of the EUTM registration. *See e.g.*, Eur. Union Intell. Prop. Off., *Impact of the UK's withdrawal from the EU – EUTMs and RCDs*, EUIPO (updated Jan. 21, 2021), https://euipo.europa.eu/ohimportal/en/brexit-q-and-a.

[19] This is particularly true when an initial preliminary screening search for the EUTM database and/or EU member countries does not disclose any serious obstacles to adoption of a mark in Europe. Ordering and reviewing comprehensive searches in the EU member states can be extremely expensive, and often the cost of filing an EUTM application and requesting copies of national search reports comes in well below this. EU searches and limited national searches (namely, Czech Republic, Denmark, Hungary, Romania and Slovakia) can be obtained via the EUIPO. *See* Eur. Union Intell. Prop. Off., *Search Availability*, EUIPO (Mar. 14, 2019), https://euipo.europa.eu/ohimportal/en/faq-search-availability. These limited national search reports often will provide only very basic information about cited marks and therefore ultimately may be minimally helpful in identifying serious conflicts. Nevertheless, they, along with the EU searches, can provide a decent point of reference for evaluating the presence of third-party marks in the EUIPO and in select member states.

[20] *See* Case T-275/21, Louis Vuitton Malletier v. EUIPO, ECLI:EU:T:2022:654 (Oct. 19, 2022) (high threshold for demonstrating secondary meaning in the EU).

[21] Germany has an efficient and robust injunction practice. An interested party can obtain an injunction for trademarks and other IP in a few hours from specialized intellectual property courts, and in some instances these are issued without notice to the alleged infringer. No prior warning communication is required. This means that it is possible to be the subject of an injunction barring use of one's mark within a short span of time and without notice prior to the injunction's issuance. 2021 updates to the German intellectual property law now mandate that judges consider the proportionality of a purported claim before issuing an injunction, and the expectation is that some of the more egregious patent trolls and opportunists may face a higher burden of proof before an injunction is used. See German text of recent legislation, Zweites Gesetz zur Vereinfachung und Moderisierung des Patentrechts, Vom 10, Aug. 2021, BGBl I at 3490 (Ger.), https://www.bgbl.de/xaver/bgbl/start.xav#__bgbl__%2F%2F*%5B%40attr_id%3D%27bgbl121s3490.pdf%27%5D

1636914983176; See English translation of relevant section of German law as revised: Ute Reusch & Sprachendienst des Deutschen Patent- und Markenamts, Patent Act (Patentgesetz, PatG), Bundesministerium der Justiz und für Verbraucherschutz, https://www.gesetze-im-internet.de/englisch_patg/englisch_patg.html#p0167 (last visited Nov. 16, 2021).

[22] Because the EUTM office will not refuse to register a mark on the ground that it is confusingly similar to another mark, it is incumbent on prior applicants or registrants themselves to object to later-filed applications. Theoretically, the search reports permit EUTM applicants to identify marks that may pose problems for their applications, thus providing an opportunity for applicants to address issues preemptively by withdrawing their applications or attempting to negotiate with prior mark owners. *See* Eur. Union Intell. Prop. Off., *Search Availability*, *supra* note 14. More often than not, however, applicants must simply "wait and see" whether their applications draw any third-party objections.

[23] *See* Benelux Off. for Intell. Prop., *Your product/logo/drawing/trademark/design/name is unique. And you can protect it*, BOIP.Int (2020), https://www.boip.int/en.

[24] *See* Organisation Africaine De La Propriete Intellectuelle, OAPI.Int (2021), http://www.oapi.int/index.php/en/.

[25] *See* African Regional Intell. Prop. Org., ARIPO.org (2021), https://www.aripo.org/.

[26] Recording one's trademark registrations with customs gives trademark owners a greater chance of stopping counterfeits from entering or leaving the country. For example, recording and working with Chinese customs officials can be an effective tool in preventing counterfeits from being exported.

[27] See Rob Potter & Sarah Anderson, *Quick Overview: NFTs - What's The Big Deal? A Practical Introduction and Guide For In-house Counsel*, Ass'n of Corp. Couns., (Sept. 27, 2021), https://www.acc.com/resource-library/quick-overview-nfts-whats-big-deal-practical-introduction-and-guide-house-counsel.

[28] See collaborations of Crocs® and KFC®, Hipdot® and Reese's® as discussed in Lisa Pearson & Marc Lieberstein, *Brand x Brand: Collabs and Cobranding*, 41 The Licensing J. 8, 1-7 (Sept. 2021).

[29] Select portions of this section draw from a Kilpatrick Townsend house document written by David Caplan and Crystal Genteman.

[30] *See, e.g.*, *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1371, (Fed. Cir. 2012) (no likelihood of confusion between COACH for luxury handbags and COACH for test preparation materials); *Shen Mfg. Co. v. Ritz Hotel Ltd.*, 393 F.3d 1238, 1244-45 (Fed. Cir. 2004) (no likelihood of confusion between RITZ for cooking and wine selection classes and RITZ for kitchen textiles).

[31] Country code domain names, of course, apply only to a given country. The determination to register specific country code domains (if any) will depend on the significance of a given country to the company's brand, the robustness and local recognition of the company's main site in the given country, the perceived threat of cybersquatters, and other company-specific factors too numerous and nuanced to address here.

[32] for example, Star Industries, Inc. and Claranet Europe Limited both own registrations for STAR in Classes 37 and 42, one in the US and one in the EU.

[33] For more information on TLD usage statistics, *see* https://research.domaintools.com/statistics/tld-counts.

[34] This Section uses the term "counterfeiting" colloquially to cover a broad variety of impersonation-related misconduct. For more on the legal definitions of counterfeiting, *see, e.g.*, 15 U.S.C. § 15 U.S.C. § 1114(1) and 1116(d)(1)(B) (counterfeiting as a civil offense under the Lanham Act) and 18 U.S.C. § 2320 (counterfeiting as a criminal offense under The Trademark Counterfeiting Act).

[35] *See* 17 U.S.C. §§ 106, 501 (copyright infringement).

[36] *See* 15 U.S.C. § 1114, 1125(a) (trademark infringement of registered and unregistered marks).

[37] *See, e.g.*, the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d) (defining a cybersquatter as someone who (i) has a bad faith intent to profit from a mark and (ii) registers, traffics in, or uses a domain name that is identical or confusingly similar to a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to or dilutive of a famous mark that is famous at the time of registration of the domain name, or is a trademark, word, or name protected by reason of 18 U.S.C. § 706 (the Red Cross, the American National Red Cross or the Geneva cross) or 36 U.S.C. § 220506); *see also, e.g.*, *Eagle Hosp. Physicians, Inc. v. SRG Consulting, Inc.*, 561 F.3d 1298, 1307 (11th Cir.2009) (defining cybersquatting as "the conduct of one who reserves with a network information center a domain name consisting of the mark or name of a company for the purpose of relinquishing the right to the domain name back to the legitimate owner for a price").

[38] All states have statutes governing defamation. *See, e.g.*, Cal. Civ. Code §§ 45–46 (defining libel as "a false and unprivileged publication by writing, printing, picture, effigy, or other fixed representation to the eye, which exposes

any person to hatred, contempt, ridicule, or obloquy, or which causes him to be shunned or avoided, or which has a tendency to injure him in his occupation" and slander as "a false and unprivileged publication, orally uttered" that, *inter alia*, "charges any person with crime . . . tends directly to injure him in respect to his office, profession, trade or business, either by imputing to him general disqualification in those respects which the office or other occupation peculiarly requires, or by imputing something with reference to his office, profession, trade, or business that has a natural tendency to lessen its profits… [or] by natural consequence, causes actual damage"); *see also, e.g.*, *Smith v. Maldonado*, 72 Cal. App. 4th 637, 645 (1999) (defining defamation as "[i]ntentional publication of a statement of fact that is false, unprivileged, and has a natural tendency to injure or which causes special damage.").

[39] Many states have right of publicity statutes. *See, e.g.*, California Civil Code § 3344 (defining a right of publicity violation as the use of "another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian"); *see also, e.g.*, *Newcombe v. Adolf Coors Co.*, 157 F.3d 686, 692 (9th Cir. 1998).

[40] All states have criminal penalties for selling stolen property. *See, e.g.*, California Penal Code § 496 (criminalizing buying, receiving, or selling property with knowledge it has been stolen).

[41] To find out if email has been set up and to identify the email provider, search MX records for the domain name.

[42] The "fair use" provisions of the Copyright Act can be found at 17 U.S.C. § 107, and include:

- The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- The nature of the copyrighted work;
- The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- The effect of the use upon the potential market for or value of the copyrighted work.

For example, "gripe" sites such as MYCOMPANYSUCKS.COM, which are used for the purpose of commentary or criticism and without an intent to profit, are protected as "fair use." *See, e.g.*, *Lucent Techs., Inc. v. Lucentsucks.com*, 95 F. Supp. 2d 528, 535 (E.D. Va. 2000); *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1164 (C.D. Cal. 1998); *Lucas Nursery and Landscaping, Inc. v. Grosse*, 359 F.3d 806 (6th Cir. 2004).

[43] *See, e.g.*, 15 U.S.C. § 1115(b)(4) (establishing the "descriptive fair use" defense when one uses another's mark otherwise than as a trade or service mark, or if another's mark is used fairly and in good faith only to describe the goods or services or their geographic origin); *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (holding that a commercial user is entitled to a "nominative fair use" defense where (i) the product/service must not be "readily identifiable" without use of the trademark; (ii) only so much of the mark or marks are used as is reasonably necessary to identify the product or service; and (iii) the user does nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder); 15 U.S.C. § 1125(a) and 16 C.F.R. § 14.15(b)-(c) (Lanham Act and F.T.C. provisions on false advertising and comparative advertising); 14 U.S.C. § 1125(c)(3)(A)(i)-(ii) (the Trademark Dilution Revision Act of 2006, codifying certain fair use defenses in the trademark dilution context).

[44] *See, e.g.*, *In re E.I. du Pont de Nemours & Co.*, 177 USPQ 563 (C.C.P.A. 1973) (discussed likelihood of confusion factors); *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014) (dismissing trademark registration appeal, trademark infringement, and unfair competition claims based on finding that there is no likelihood of confusion between marks SWATCH and SWAP for watches).

[45] In the famous case of *Nissan Motors v. Nissan Computer*, for example, automaker Nissan Motors attempted to claim the domain nissan.com on the bases of cybersquatting. However, the domain nissan.com was named after its owner, Uzi Nissan, and was established in connection with Mr. Nissan's legitimate business Nissan Computer. Even after years of legal battles, Nissan Motors was unable to force a transfer of the nissan.com domain name, and now uses nissanusa.com for its U.S. website. *See, e.g.*, *Nissan Motor Co. Ltd. v. Nissan Computer Corp.*, 231 F. Supp.2d 977 (C.D.Cal. 2002); *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir. 2004); *Nissan Motor Co. v. Nissan Computer Corp.*, Case. No. cv-99-12980-DDP-Mc (C.D. Cal., Sep. 21, 2007); *Nissan Motor Co. v. Nissan Computer Corp.*, Case. No. cv-99-12980-DDP-Mc (C.D. Cal., Feb. 5, 2008).

[46] *See* Title II of the DMCA (17 U.S.C. § 511 *et seq.* (providing that an ISP can avoid financial liability by following "notice and takedown" provisions, such that once an ISP receives notice of the infringement, it must take down the unauthorized material unless it receives a "counter notice" challenging the complaint).

[47] There are dispute resolution procedures comparable to the UDRP established for many of the ccTLDs, and WIPO also provides dispute resolution services for many of them.

[48] To help UDRP participants, WIPO publishes a detailed jurisprudential overview, currently in its third edition. *See* WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Third Edition, *available at* https://www.wipo.int/amc/en/domains/search/overview3.0.
[49] *See* Uniform Domain Name Dispute Resolution Policy (As Approved by ICANN on October 24, 1999), *available at* https://www.icann.org/resources/pages/policy-2012-02-25-en.
[50] Marks in which the complainant has rights include marks that are federally registered, as well as unregistered marks that have acquired common-law rights. *See, e.g.*, *Money Tree Software, Ltd. v. Javier Martinez, Money Tree Software, LLC*, Case No. D2014-1078 (WIPO Aug. 3, 2014). A mark with global fame may also provide the basis for a complaint, even if the mark owner has not specifically used the mark in a given jurisdiction.
[51] To demonstrate rights or legitimate interests in a domain name, non-exclusive respondent defenses under UDRP paragraph 4(c) include the following:

(i) before any notice of the dispute, the respondent's use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a *bona fide* offering of goods or services; or
(ii) the respondent (as an individual, business, or other organization) has been commonly known by the domain name, even if the respondent has acquired no trademark or service mark rights; or
(iii) the respondent is making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

See, e.g., *Wal-Mart Stores, Inc. v. WalMart Careers, Inc.*, WIPO Case No. D2012-0285 (WIPO Apr. 11, 2012).
[52] UDRP paragraph 4(b) provides that any one of the following non-exclusive scenarios constitutes evidence of a respondent's bad faith:

(i) circumstances indicating that the respondent has registered or acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of the respondent's documented out-of-pocket costs directly related to the domain name; or
(ii) the respondent has registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the respondent has engaged in a pattern of such conduct; or
(iii) the respondent has registered the domain name primarily for the purpose of disrupting the business of a competitor; or
(iv) by using the domain name, the respondent has intentionally attempted to attract, for commercial gain, Internet users to its website or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the respondent's website or location or of a product or service on the respondent's website or location.

See Michael Patrick Lynch v. Steve Nicol (Stephen Joel Nicol), Case No. D2015-0933 (WIPO July 20, 2015).
[53] *See* Uniform Rapid Suspension (URS), *available at* https://www.icann.org/resources/pages/urs-2014-01-09-en.
[54] 15 U.S.C. § 1125(d)(1) *et seq.*
[55] 15 USC § 1051 et sq.
[56] 15 U.S.C. § 1125(d)(1)(A).
[57] *See Bosley Medical Institute, Inc. v. Kremer*, 403 F.3d 672 (9th Cir. 2005).
[58] *See* 18 U.S.C. § 1030.
[59] *See* 18 U.S.C. § 2511.
[60] *See* 18 U.S.C. § 1028.
[61] *See* 18 U.S.C. § 2701.
[62] *See* 18 U.S.C. § 1029.
[63] Intangible Assets: A Hidden, but Crucial Driver of Company Value, J. Ross, Visual Capitalist, 2/11/20, https://www.visualcapitalist.com/intangible-assets-driver-company-value/
[64] The State of the Deal: M&A Trends 2020, Deloitte, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/mergers-acqisitions/us-mna-trends-2020-report.pdf
[65] While the section tangentially refers to patents and copyrights, such references are merely illustrative and not intended to present a comprehensive approach to those intellectual property assets.
[66] 15 U.S. C. § 1127.
[67] *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d 531, 535-36 (4th Cir. 2000)

[68] *See Hiland Potato Chip Co. v. Culbro Snack Foods, Inc.*, 585 F. Supp. 17, 21-22 (S.D. Iowa 1982), *affirmed on point*, 720 F.2d 981 (8th Cir. 1983); 3 McCarthy on Trademarks and Unfair Competition § 17:11 (5th ed.) ("That is, a public announcement that trademark X will no longer be used is persuasive evidence that the company has no intention to resume use of that mark, resulting in an immediate abandonment of trademark X.")
[69] *See Hiland Potato Chip Co.*, 585 F. Supp. at 22-23; McCarthy, *supra*, § 17:11.
[70] *See Wells Fargo & Co. v. ABD Ins. & Fin. Servs., Inc.*, 758 F.3d 1069, 1071-72 (9th Cir. 2014), *as amended* (Mar. 11, 2014); *American Ass'n for Justice v. The American Trial Lawyers Ass'n*, 698 F. Supp. 2d 1129, 1138-40 (D. Minn. 2010).
[71] *See Wells Fargo*, 758 F.3d at 1071-72; *American Ass'n for* Justice, 698 F. Supp. 2d at 1138-40; *see also Cumulus Media, Inc. v. Clear Channel Communications, Inc.*, 304 F.3d 1167, 1172-78 (11th Cir. 2002).
[72] 585 F. Supp. 17, (S.D. Iowa 1982), *aff'd on point*, 720 F.2d 981 (8th Cir. 1983).
[73] *Id.* at 20.
[74] *Id.* at 21-22.
[75] *Id.* at 21.
[76] *Id.*
[77] *Id.* at 21-23.
[78] *Id.* 22.
[79] *Id.* at 22-23. *Compare with Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d 531, 540 (4th Cir. 2000) (contrasting the unequivocal statement that the Kitty Clover brand would "be eliminated" with the statement that E-One would not make American Eagle trucks "forever out of Gainesville," and finding that this was just one "circumstance from which an intent to abandon might be inferred" but did not warrant the application of equitable estoppel).
[80] *See Wells Fargo*, 758 F.3d at 1072; *American Ass'n for Justice*, 698 F. Supp. 2d at 1138; *see also Cumulus* Media, 304 F.3d at 1177-78, 1178 n.17 .
[81] *Wells* Fargo, 758 F.3d at 1071.
[82] *Id.* at 1071-72.
[83] 698 F. Supp. 2d 1129, 1138-39 (D. Minn. 2010).
[84] *Id.* at 1131.
[85] *Id.*
[86] *Id.* at 1138.
[87] *Id.* at 1132-33, 1138-39.
[88] *Id.* at 1132-33, 1138-40.
[89] *Id.* at 1138-41 (holding that AAJ had not abandoned the mark, but indicating that fact questions remained as to whether there were any unequivocal statements made to defendants warranting the application of equitable estoppel).
[90] 304 F.3d 1167 (11th Cir. 2002).
[91] *Id.* at 1169.
[92] *Id.*
[93] *Id.*
[94] *Id.*
[95] *Id.* at 1170.
[96] *Id.* at 1172-78.
[97] *See, e.g., Hiland Potato Chip Co.*, 585 F. Supp. at 20-23.
[98] *See Exxon Corp. v. Humble Expl. Co.*, 695 F.2d 96, 98-101 (5th Cir. 1983).
[99] *See* 3 McCarthy on Trademarks and Unfair Competition § 19:120 (5th ed.).
[100] *See Exxon Corp.*, 695 F.2d at 98-101.
[101] *See id.*; *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d 531, 533-37 (4th Cir. 2000).
[102] 485 F. Supp. 1185, 1190-91 (S.D.N.Y. 1979); *see also La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1268-69, 1272 (2d Cir. 1974) (finding the sale of a mere 89 bottles of SNOB perfume, generating gross sales of less than $600, over the course of twenty years to be a "meager trickle" and not "the kind of *bona fide* use intended to afford a basis for trademark protection"); *Block Drug Co. v. Morton-Norwich Products, Inc.*, 202 U.S.P.Q. 157, 1979 WL 24835, at *1-2 (T.T.A.B. 1979) (noting that a trademark maintenance program consisting of once-a-month shipments of a "miniscule amount" of a personal care product shipped to pharmaceutical

companies without actually reaching the general public was not sufficient use to overcome a claim of abandonment); *Continental Grain Co. v. Strongheart Products Inc.*, 9 U.S.P.Q.2d 1238, 1988 WL 252323, *3-4 (T.T.A.B. 1988) (finding that once-a-year token shipments of cat food under the mark KIT KAT for the "admitted purpose of maintaining . . . trademark rights" over the course of fourteen years did not constitute use sufficient to rebut a prima facie case of abandonment).
[103] *Procter & Gamble*, 485 F.Supp. 1185, 1195-1203.
[104] *See id.* at 1207-08.
[105] *See id.* at 1203-06.
[106] *Id.* at 1203-06.
[107] *Id.* at 1205.
[108] *Id.* at 1206-07.
[109] 695 F.2d 96, 98-101 (5th Cir. 1983).
[110] *Id.* at 98.
[111] *Id.* at 98-99. Although Exxon also sold off existing inventory under the name Humble Oil and Refining Company from 1972-1974 and, beginning in 1977 sold gallons marked with both the HUMBLE and EXXON brands, the court did not decide whether this constituted sufficient use given that the lapse from 1974-1977 was sufficient to meet the statutory time period for non-use, which at the time was two years. *Id.* at 99.
[112] *Id.* at 100.
[113] To sustain legal rights in a brand, your use should be in the same "course of trade" and on similar goods and services as the initial use. *See, e.g.*, *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d 531, 533-36 (4th Cir. 2000).
[114] *See Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.*, 458 F.3d 931, 937-38 (9th Cir. 2006) (emphasis in original); *see also Wells Fargo & Co. v. ABD Ins. & Fin. Servs., Inc.,* 758 F.3d 1069, 1072 (9th Cir. 2014), *as amended* (Mar. 11, 2014).
[115] *Pado, Inc. v. SG Trademark Holding Co. LLC*, No. 19CV6614RPKRER, 2021 WL 1091935, at *5 (E.D.N.Y. Mar. 22, 2021) (quoting *Stetson v. Howard D. Wolf & Assocs.*, 955 F.2d 847, 851 (2d Cir. 1992); *see also Goldfaden v. Miss World (Jersey) Ltd.*, No. CIV.A. 02-712 (JAG), 2005 WL 1703207, at *7 (D.N.J. July 20, 2005) ("Adoption and a single use of a trademark may be sufficient for registration of a trademark but not sufficient to defeat charges of non-usage.").
[116] *Goldfaden*, 2005 WL 1703207, at *7 ("Limited trademark usage may be enough so long as such use is 'part of an ongoing program to exploit the mark commercially.'" (quoting *La Societe Anonyme des Parfums Le Galon v. Jean Patou, Inc.*, 495 F.2d 1265, 1272 (2d Cir. 1974)).
[117] *See Electro Source*, 458 F.3d at 937-38.
[118] *Id.* at 936.
[119] *Id.* at 939.
[120] *Id.* at 938-39.
[121] *Id.* at 940 (quoting *Chance v. Pac–Tel Teletrac Inc.,* 242 F.3d 1151, 1159 (9th Cir. 2001)).
[122] *Id.* at 941.
[123] 1989 WL 298658, at *7-9 (S.D. Cal. June 1, 1989).
[124] *Id.*
[125] *Id.*
[126] 228 F.3d 531, 533-36 (4th Cir. 2000).
[127] *Id.* at 533-34.
[128] *Id.*
[129] *Id.*
[130] *Id.* at 534-35.
[131] *Id.* at 535-36.
[132] *Id.* at 536.
[133] *Id.* at 536-37 (citations omitted).
[134] *Id.*
[135] *Id.* at 537, 541.
[136] *Exxon Corp.*, 695 F.2d at 96-101; *Procter & Gamble Co.*, 485 F.Supp. at 1203-07; *see also La Societe*, 495 F.2d at 1268-69, 1272; *Block Drug Co.*, 1979 WL 24835, at *1-2; *Continental Grain Co.*, 1988 WL 252323, at *3-4.

[137] See *Consolidated Foods Corp. v. U.S.*, 569 F. 2d 436 (7th Cir. 1978).
[138] I.R.C. §1253(b)(2)(A).
[139] I.R.C. §1253(b)(2)(B).
[140] I.R.C. §1253(b)(2)(C).
[141] I.R.C. §1253(b)(2)(D).
[142] I.R.C. §1253(b)(2)(E).
[143] I.R.C. §1253(b)(2)(F).
[144] See, *e.g.*, Rainier Brewing Co. v. CIR, 7 TC 162 (1946), aff'd *per curiam*, 165 F2d 217 (9th Cir. 1948) (geographical division of trade names).
[145] See, *e.g.*, Rev. Rul. 84-78, 1960-1 C.B. 26 (license of copyright subject to geographic and field of use restrictions conveys tax ownership if term is for for useful life of copyright).
[146] See, *e.g.*, *Dreymann v. Commissioner*, 11 TC 153, 162–163 (1948)
[147] *Id*.
[148] See, *e.g.*, Rev. Rul. 60-226, 1960-1 C.B. 26.
[149] Treasury Regulations §1.482-7(b).
[150] Treasury Regulations §1.482-7(b)(4).
[151] Treasury Regulations §1.482-7(b).
[152] Treasury Regulations §1.482-7(b)(1).
[153] Treasury Regulations §1.482-7(c).
[154] See OECD/G20 Base Erosion and Profit Shifting Project, Addressing the Tax Challenges of the Digital Economy, Action 1, 2015 Report.
[155] Council of the European Union, Council Conclusion on the EU List of Non-Cooperative Jurisdictions for Tax Purposes (Adopted May 12, 2017).
[156] In addition, on October 8, 2021, the Organisation for Economic Cooperation and Development announced that world leaders for 136 countries and jurisdictions had formally agreed to an overhaul of international tax rules that would impose a new global minimum tax on business profits of 15%, originally agreed to become effective in 2023. The agreement is subject to implementation and ratification in the individual countries, and delays on implementation and disagreement on policy details have pushed the timeline for a full agreement on where companies pay taxes to mid-2023 and implementation of the global minimum tax to 2024 at the earliest. Accordingly, full ramifications of the tax are, as of this writing, unknown.
[157] Treasury Regulations §1.482-7(k)(1)(ii)(A).
[158] Treasury Regulations §1.482-7(k)(1)(ii)(B).
[159] Treasury Regulations §1.482-7(k)(1)(ii)(C).
[160] Treasury Regulations §1.482-7(k)(1)(ii)(D).
[161] Treasury Regulations §1.482-7(k)(1)(ii)(E).
[162] Treasury Regulations §1.482-7(k)(1)(ii)(F).
[163] Treasury Regulations §1.482-7(k)(1)(ii)(G).
[164] Treasury Regulations §1.482-7(k)(1)(ii)(H).
[165] Treasury Regulations §1.482-7(k)(1)(ii)(I); Treasury Regulations §1.482-7(k)(1)(ii)(J).
[166] Treasury Regulations §1.482-7(k)(1)(ii)(K).