

MITIGATING BRAND RISK

As an intellectual property attorney serving clients in diverse industries, Alexandre Montagu, founding partner of MontaguLaw in New York, brings an international perspective to every client and brand he represents.

In today's hyperlinked global marketplace, Montagu believes taking proactive steps to mitigate risk at every stage of the trademark lifecycle has never been more critical.

Trademarks have always been valuable assets worth protecting. But in the past decade, the role of trademarks and the risks facing them have changed in profound and fundamental ways, Alexandre Montagu says.

"Businesses have become much more international as the cost of distribution has collapsed due to the Internet," he says. "Operating a website today is akin to setting up an office in any country where it can be accessed. So the global role of trademarks has greatly expanded."

Even the way people use and interact with trademarks and brands has changed, Montagu says. In the past, trademarks represented a "one way" communication with the market. Today, they are interactive.

"People are using trademarks to conduct searches on the Internet and they use those searches to reach other business," he notes. "So trademark owners have, to some extent, lost control of their mark."

NEW CHALLENGES

Montagu says both of these forces—the globalization and virtualization of commerce through technology—have heightened risk to trademark owners. "There is added risk that they may infringe on someone else's trademark and added risk that they may lose control over their own trademark," he adds.



Meanwhile, trademarks have become more valuable than ever. "They are hugely valuable, as can be seen by the increased value of domain names," Montagu says, adding that safeguarding valuable brand assets is more important than ever. Yet not all brand owners consider the true cost of not protecting those assets.

"Often clients come to me and ask, 'How much will it cost to register this trademark?' They've asked the wrong question. The first question they should ask is 'How much does it cost to undertake a proper search of this trademark to see if I can adopt and use it in all the jurisdictions in which I want to sell?' After all, if someone else has already registered or is using that mark or one confusingly similar to it, there's no point filing a registration application."

BRAND INSURANCE

The risks of overlooking this step can be significant. "You could have a conflict that precludes you from doing business in a jurisdiction. Or worse, you could be liable for damages to someone else who has the registration," Montagu says. "Indeed, in some countries, such as China and Korea, if you are manufacturing products with your trademark affixed to them and shipping them elsewhere to sell, if you have not first secured a trademark registration in that jurisdiction, others will be able to legally block you from manufacturing if they obtain a registration for



that mark. So the risk is that you may not be able to use your mark in that country and you may also have to pay damages to whoever owns the mark.” The cost of such an outcome could conceivably run into the millions of dollars.

Montagu says it’s like asking what is the cost of not getting fire insurance. “You could go for years without having a fire. But if you did have one, you could lose everything in a flash. And the more successful your business, the greater your trademark risk.”

This risk is not merely hypothetical, Montagu says, pointing to the case of client who paid the price for failing to mitigate risk.

“A small startup wanted to adopt and use a house mark. They were referred to me by another lawyer. The prospective client thought the cost of clearing and registering their house mark was too high, so they decided not to do it,” he recalls. “Two years later I heard from the same company who said someone had registered their mark. They retained me to negotiate the purchase of the trademark for a large multiple of the cost of clearing it and filing for registration.”

Another common risk scenario can occur when companies deal with a foreign distributor. Often, the distributor will offer to register the mark for you. “You can become a hostage because the foreign distributor owns the trademark in that jurisdiction,” Montagu warns. “I have avoided this with my clients because we work together to ensure they register their mark in all appropriate jurisdictions before signing any distribution agreement.”

COMPREHENSIVE STRATEGY

So what can companies do to protect their brands? Montagu says every business should have a comprehensive risk mitigation strategy for their trademarks. “Steps for mitigating risk are not that difficult or expensive. Certainly they are far less expensive than the cost of not paying attention,” he says.

Those steps begin with appropriate searching of a proposed trademark in all relevant jurisdictions. Montagu says he often begins with a “knock out” screening search. “This allows us to quickly and cost-effectively check a mark in multiple jurisdictions to see if there is anything to be concerned about,” he says. “Finding a potential conflict up front, before you’ve made a big investment in a mark, can save significant time and money.”

If a screening search results in a “green light” for a mark, Montagu then recommends performing a comprehensive full search, especially in common law jurisdictions such as the U.S., U.K., Canada, and Australia. In these jurisdictions, where trademark rights are acquired through first use rather than registration, performing a common law search is critical.

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THINK GLOBALLY

Also critical is searching all international jurisdictions where you plan to do business, Montagu says, emphasizing the importance of thinking long term when considering where to search a mark.

“For example, there are businesses that, as they become popular, their brands become very valuable and suddenly people outside the U.S. are interested in licensing the mark,” he says. “In today’s internationalized marketplace, you never know how important your brand can become, so you may want to consider searching your mark in other global jurisdictions. The extra cost is not that significant.”

Montagu points to the example of a client who decided to register their mark in a handful of countries outside the United States. Korea was not one of them.

“They never thought they would go into the Korean market, so they omitted it due to cost,” he recalls. “About five years later, unbeknownst to me, the same client decided to retain a Korean company to do some manufacturing. I found out about this when the client received a cease and desist letter from a Korean entity that had registered the client’s trademark in Korea. Dealing with that was both difficult and costly.”

Protecting domain names globally is also critical, Montagu says, because it is so easy for others to register a domain based on your mark. The risk is especially high for companies announcing mergers or other corporate changes.

“In Korea, for example, when a merger is announced in the press, there’s a cottage industry where they immediately register all the domain names that correspond to the name of the merged entity,” he says. “It’s a good idea to the name domain names before any press releases, whether it’s a merger, a divestiture or a new formation.”



IN-DEPTH INVESTIGATIONS

In some cases, Montagu says he takes yet another risk mitigation step by requesting a detailed in-use investigation.

"We might perform an in-use investigation when, for example, a search reveals a mark we feel could pose a problem to our client's adoption and use of their trademark, but our searching indicates, for some reason, the owner of the mark may not be using it," he says, noting that in many jurisdictions, including the U.S. and the European Union, non-use of a trademark can lead to an owner losing rights to the mark. "An in-use investigation can be very valuable in helping uncover whether or not the mark in question has been abandoned."

Once a trademark has been adopted, brand owners cannot afford to let down their guard. A key element of a comprehensive brand protection strategy is proactive trademark watching.

"In this era of international trademarks and interactive searches I think it's very important to have trademark watching in place to see who else may be using your trademarks, including policing your marks on the Internet," Montagu says.

MUST-HAVE PROTECTION

Trademark screening in markets around the world. Searching internationally. Proactive trademark watching and web monitoring. Montagu says these are no longer luxuries for brand owners or for IP counsel.

"These tools are not 'nice to haves'; they are requirements of my practice. As a trademark attorney, I have legal and ethical standards of professionalism to comply with. Conducting a proper search, performing in-use investigations when appropriate, watching our clients' brands, these are crucial to be compliant and be able to advise our clients," Montagu says.

Having ready access to trademark information he can trust is also crucial.

"We rely solely on Thomson CompuMark for our trademark research. I've been using them for 15 years, since I established my law firm," Montagu says. "They are the gold standard for more or less the same price as the

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As the global marketplace continues to evolve rapidly, Montagu says he will continue to focus on raising client awareness of the strategic importance of trademark risk mitigation.

"You must be very vigilant about your trademarks. You cannot afford to be reactive. The risks are too great," he says. "Brand owners really need to be proactive and work with their IP counsel to develop and implement a risk mitigation strategy that works for them. The potential consequences of not doing so could be perilous."

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500 Victory Road
North Quincy, MA 02171-3145
Phone (800) 692-8833

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