

# Yearbook

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A global guide for practitioners

Balancing efficiency, expertise and protection: the  
trademark ecosystem

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## Balancing efficiency, expertise and protection: the trademark ecosystem

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The number of trademark applications is rising each year as a result of the ease of reaching consumers through the Internet and the globalisation of markets. While some regions (eg, China) are registering more marks than others, this increase is a worldwide trend. According to the World Intellectual Property Organisation, there was a 2.7% rise in filings in Europe and a 6.7% increase in the United States in 2014, and filings overall have seen a growth rate of between 6% and 8% for the past two years.

This expansion highlights the difficulty for brand owners to register new marks that are unique, meaningful and do not purportedly pose a risk of confusion with other brands. At the same time – and perhaps more concerning – the increase in filings underscores the importance of keeping a close eye on the existing trademark portfolio to pre-empt or minimise the risk of infringement by new entrants.

The world has also changed with respect to infringing uses. While the sale of infringing goods in brick-and-mortar stores continues, the ease of offering and selling infringing goods is increased considerably by the Internet. The expansion of new and existing online marketplaces, the explosion of websites arising from the introduction of generic top-level domains and social media have created a whole new world for brand owners to police and enforce their valuable marks.

Brand owners often ask how they can discover potential infringements at an early stage. By the time that products hit the marketplace, the cost of enforcement rises exponentially. On the flipside, how can a brand owner ensure that it is not infringing another party's trademark so that it does not inadvertently become ensnared in litigation? My advice is always the same: it is worth spending the money upfront to clear a mark before use; and once registration is obtained, the mark should be placed on watch to discover marks that are too close for comfort before those goods are introduced into the marketplace.

### **The importance of clearance searches**

Typically, before a company launches a new brand, product or campaign, several marks are weighed as options for the product. These marks must encapsulate the essence of the brand and be available for use and registration (sometimes on a global basis).

Once there is a suitable list to work from, a preliminary search should be conducted to narrow down the options to a few strong contenders that should be safe to use and available for registration. The aim of this knock-out search or screening process is to ascertain whether these potential marks are already in use or confusingly similar to another mark that is registered or in use. A preliminary search can be performed by a



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trademark attorney or a trained paralegal who uses publicly available databases, customised software and the Internet. While most jurisdictions provide access to searchable trademark databases online, the benefit of using a customised software program is that one search can be run which generates results using multiple variations of the mark across several jurisdictions, rather than spending the time and resources to perform searches of each country's database.

Once a mark is cleared from a preliminary standpoint, moving forward with a full search is recommended for several reasons. First, a full search covers more ground than a preliminary search. It generates more results of variations of the dominant terms of the proposed mark and – in the United States, for example – provides state registrations, trade names, domain registrations and web common law uses (the devil often lies in these details). While a search report is costly, it is worth the expense, because brand owners do not want to invest in a mark only to learn that it is confusingly similar to another brand owner's mark or that other issues prevent registration. The search also helps to anticipate issues that may be raised during examination and provides valuable information to use in responding to a substantive office action (eg, dilution of a particular term).

The consequences of not fully vetting a mark before adoption can expose the client to liability, including a preliminary injunction that forces the client to immediately cease all sales. The client – which is now the accused infringer – may also be ordered to pay monetary damages, including its profits and

the cost of corrective advertising. Moreover, perhaps the most disruptive consequence is that the client will need to rebrand its goods, which may have a negative impact on consumer perception. Several recent cases illustrate the potential consequences that brand owners may face if proper clearance is not performed before use.

### *iSwatch v iWatch*

When Apple filed a trademark application before the launch of its iWatch in the United Kingdom, it was met with strong opposition from Swiss watchmaker Swatch. Swatch opposed the IWATCH application on the grounds that it was confusingly similar to its registered ISWATCH mark. The UK IP Office upheld Swatch's opposition, forcing Apple to rebrand its watch as the APPLE WATCH rather than the IWATCH. A full availability search would have yielded the ISWATCH mark, which could have saved Apple the time, effort and money needed to deal with the opposition and ultimately rebrand its product.

### *Guthrie Healthcare System v ContextMedia, Inc*

In the US case *Guthrie Healthcare System v ContextMedia, Inc*, a full availability search could have prevented a court battle. Pennsylvania-based Guthrie Healthcare System filed suit against ContextMedia, a national provider of healthcare content to physicians, alleging that its logo depicting a stylised human figure was confusingly similar to Guthrie's established logo. The court enjoined ContextMedia from using the infringing mark within a specific geographic area, calling the logo "jaw-droppingly similar" to Guthrie's.



## Paying for watch services in the short term can ultimately save brands significant costs in the longer term, providing a quick and effective way of protecting trademarks without resorting to expensive litigation

Guthrie appealed, requesting that the geographic reach of the injunction be expanded.

The Court of Appeals for the Second Circuit upheld the appeal, prohibiting ContextMedia from using the trademark in all counties within Guthrie's service area. The court remanded the case to the lower court to determine whether ContextMedia should be allowed to use the mark outside the region and online. That decision is pending.

In its original decision, the district court said that the defendant "did not act with bad faith in the sense of deliberately sowing confusion between its marks and [the] Plaintiff's". However, it went on to say: "Had [the] Defendant exercised the precaution of running a trademark search before launching its marks, it would have learned that they were unavailable and would surely have had the good sense not to proceed with a logo so nearly identical to one for which trademark rights were already established."

These cases are cautionary tales for trademark owners – the time, effort and resources expended on litigation and ultimate rebranding can often be avoided with a full search beforehand. In my own experience, I have rejected many marks based on references revealed in the search report and these references are often revealed in the web common law, which is more difficult to search without the assistance of an outside search report vendor. What I find most challenging is convincing the business division – rather than in-house counsel – that the risk is significant if it adopts a particular mark.

On one occasion, the business group pushed back with the in-house trademark attorney and insisted that they schedule a

call with their outside counsel. During the conference call, they tried to convince us that there was "no way" that the owner of the concerned mark would sue them. However, they eventually took our advice and went with the back-up name. Three weeks later, an article was published in a national newspaper detailing how the owner of the concerned mark had just sued a major competitor of my client for use of a similar mark. Had we not conducted the search, we would have been unable to easily evaluate the enforcement history of the brand owner (the search report revealed scores of Trademark Trial and Appeal Board (TTAB) proceedings, as well as express abandonments of similar marks).

### Why brands should put marks on watch

In the trademarking process, watching existing marks is of equal importance to searching and clearing new ones. Once a mark is registered, many brands believe that the process is over. However, given the growth in the number of trademark applications and the expansion of global markets, opportunities for trademark infringement have also increased.

The question is: how does a brand find out about a junior user harming its mark? The first sign that a competing brand is affecting a business is often the appearance of the mark in advertising campaigns or customer inquiries about the junior use. However, it may already be too late to limit the damage and avoid spending significant amounts of money on litigation. For example, litigation before the TTAB may cost between \$75,000 and \$125,000, depending on the complexity of the case; whereas arguing a case in federal court could cost between \$500,000 and \$1 million or more.



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Dyan Finguerra-DuCharme is a partner in Pryor Cashman’s IP group, where she provides clients with end-to-end service, including strategic counselling and prosecuting and defending IP matters. Regarded as the go-to attorney for trademark, trade dress, unfair competition and false advertising disputes, she helps clients in the luxury goods, cosmetics, manufacturing and financial services sectors to secure and enforce their valuable brands. She also manages large-scale trademark vigilance programmes, prosecutes trademarks on a global basis and advises on the availability of trademarks in the United States.

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However, if an appropriate trademark watch is in place, brand owners, attorneys and other trademark professionals are notified when applications are lodged for similar trademarks. This enables them to act quickly (and cost effectively) by sending a demand letter; if the application is not expressly abandoned, they can move forward with a notice of opposition or negotiate a coexistence agreement. Speed is critical here, as often the window in which to lodge opposition is limited – and again, once a mark is registered, it becomes increasingly more expensive to take action.

Paying for watch services in the short term can ultimately save brands significant costs in the longer term, providing a quick and effective way of protecting trademarks without resorting to expensive litigation. The following cases illustrate the benefits of putting a mark on watch.

**Assos v Asos**

The importance of watching was brought into sharp focus in *Assos v Asos* in Europe. Two clothing retailers, Assos of Switzerland and Anson’s Herrenhaus in Germany, brought suit against UK fashion company Asos for alleged trademark infringement. While Asos had been using its name since 2002, Assos and Anson’s brought suit in 2010 and 2011, respectively, as Asos began to expand outside the United Kingdom.

With cases pending in multiple European jurisdictions, Asos settled and was forced to pay more than £20.2 million to Assos and Anson’s – an amount reportedly equivalent to six months’ profits for Asos. Explaining the strategy behind the settlement, one analyst remarked: “Whilst Asos has successfully defended itself until now, there was no certainty they would be successful in these markets. Losing a case in either of these markets would force Asos to rebrand, which was a significant risk that Asos has eliminated.”

**Weetabix v Multibix**

Watching a mark on a global basis is often important because it is otherwise difficult for a brand owner to become aware of an infringement in a country outside of where it operates. This point was highlighted in a recent case in Kenya. In 2015 UK cereal brand Weetabix became aware that Manji Food Industries was marketing a product called Multibix. Weetabix sought a High Court injunction restraining Manji Food from commercial use of the Multibix brand, claiming that Manji Food’s trademark “is a deceptive imitation of the well-known products of the plaintiff, namely Weetabix and Oatibix”.

The High Court ordered Manji Food Industries to withdraw Multibix branded products from the marketplace until a trade name dispute was heard and determined. A settlement between the parties gave Weetabix

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the authority to confiscate and destroy any box of Multibix on sale.

### The value of expertise

Beyond taking advantage of software and vendor tools that are available in the industry, trademark professionals, lawyers and paralegals can add value to the entire ecosystem, from clearance to watching to enforcement. Spending money on the front end in clearing a mark is much better than dealing with a demand letter down the road when you have invested in that brand name. On the flipside, watching your important brands is an effective way in which to keep the register clean and prevent infringements.

### Conclusion

The trademark adoption process, from clearance to watching, is crucial to a brand's success. From both perspectives – ensuring that a new mark does not infringe existing trademarks (regardless of region) and that existing marks are not too close to a prior mark – brand owners need to be informed and vigilant, and rely on the expertise offered by trademark professionals. With expanding markets, globalisation and lower barriers to entry for new brands, products and services, the number of trademark registrations and common law uses will only rise in the coming years. As a result, the potential for infringement will grow accordingly. To avoid costly litigation – whether to protect an existing brand or defend a new one – businesses should take the time and make the effort to address all areas of the trademark ecosystem properly. **WTR**



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