

Webcast: Global Policing and Clearance of Trademarks  
Date and Time: Wednesday, December 6, 2006 at 11:00 AM ET  
Panelists: Philip Davison , Trademark Counsel, YUM Brands, Inc.; Georges Nahitchevansky ,  
Partner, Kilpatrick Stockton; Virginia S. Taylor, Partner, Kilpatrick Stockton  
Moderator: Theodore H. Davis, Partner, Kilpatrick Stockton

ASSOCIATION OF CORPORATE COUNSEL

Moderator: Theodore Davis  
December 6, 2006  
11:30 a.m. ET

Operator: Just a reminder. Today's conference is being recorded.

Please go ahead, Ted.

Theodore Davis: Good morning. This is Ted Davis with Kilpatrick Stockton, and I'd like to welcome you to today's ACC webcast on the global policing and clearance of trademarks. We're pleased to have three distinguished panelists for today's presentation.

The first is Phillip Davidson, who is a graduate of the South Texas College of Law and is currently trademark counsel for Yum! Brands, where he is responsible for the Pizza Hut, Taco Bell, KFC, Long John Silvers and A&W brands. He previously was in-house at Nike where he managed the Nike-(Kohan), Converse and Starter brands.

We also have Virginia Taylor who is a partner in the Atlanta Office of Kilpatrick Stockton, where she concentrates her practice in domestic and international trademark, copyright, advertising and competition law matters, including client counseling, litigation, licensing, brand strategy, protection, and maintenance. She is a graduate of Smith College and received her JD degree from the Emory School of Law in 1977, where she was articles editor of the (Emory) Law Journal and a member of the Order of the Coif.

Our final panelist is (George Novitchojanski), who is a partner in the New York office of Kilpatrick Stockton, where he specializes in litigation and counseling on trademark, copyright, and internet matters, both in the U.S. and internationally. His experience ranges from handling U.S. and worldwide enforcement of trademarks and copyrights, including complex cross-border disputes, to counseling on registration programs and the negotiation advising and drafting of licensing, acquisition, and internet-related agreements. He is a graduate of Georgetown University, Northwestern University and the Brooklyn School of Law, where he received his JD degree cum laude.

If you have questions during today's panel discussion, please enter them in the bottom left hand of your screen, and then click enter. And finally, at the end of today's webcast, please remember to fill out the evaluation in the link's box on the left-hand side of your screen.

And now I'd like to turn things over to Virginia Taylor.

Virginia Taylor: Thank you, Ted, and good morning, everyone. This is a very big subject. It occupies the entire practice of some lawyers. And so time is going to allow us to touch on just a few of the highlights. First slide.

First of all, worldwide clearance takes a certain amount of bravery. Slide. If a mark needs to be cleared for use all over the world, it usually will be important to the business. It may be a new company name or housemark for the entire business of the company, or the name of an important new product that is going to be sold worldwide.

Typically, there's a lot of money riding on the new name, and the consequences of serious clearance mistake can be embarrassing at best, and potentially disastrous. On the other hand, we cannot be so cautious that we veto every good idea for fear that a problem may come out of the woodwork somewhere in the world. Page 6.

Even though the available screening tools have dramatically improved with online searching resources in recent years, international clearance is still more of an art than a science. There are marks that an experienced trademark lawyer can eyeball and tell the client that they cannot be definitively cleared for worldwide use, and certainly not within the timeframe and budget that we are generally allowed for these projects.

You know them well. They're common words and combinations that we all try to talk our clients out of choosing in the first place. For example, a mark like Extra Pro. Phil, I think you had some comments on this point.

Phillip Davidson: Yes. Mine is more from an internal management of expectations sort of angle, and that is when, and I know you mentioned laudatory terms. Sometimes, and particularly in the U.S., your client's going to pick up, let's say, a slogan, and it's just really laudatory and it's just so description that it may never function as a mark, and you should just set your

client's expectations, you know, have them adjust it so they realize that, so they're not getting some impression from you that, "Oh, we're going to be able to own this and our competitors will not."

And some examples are, the best beer in America, or world's best cat litter, or America's freshest ice cream, so it's really more of a management of your client's expectations that I just really wanted to mention.

Virginia Taylor: Absolutely. It doesn't take a prolonged and expensive multicountry searching program to tell the client that a mark that is as weak as the ones Phil mentioned, and highly diluted are not going to be easy to register or to enforce against anything but virtually the same mark for essentially the same products.

We can predict also, that there could be hundreds of potential objectors around the world, some of whom might welcome the opportunity to hold up a rich multinational company by taking hostage its market access in some remote spot.

On the other hand, there are marks that we inherently recognize as good candidates for successful clearance, based on experience. One example that I cleared a few years ago is the mark (Sertigi) for a wide variety of services in the financial services field in dozens of countries. For such a fairly distinctive mark, it is often possible to determine right away, by cross-referencing available on-line searches with an expedited, WISS, World Identical Screening Search, that can be ordered quickly commercially, that the prospects for clearing the mark are good in most commercially important markets.

So the first rule of a successful worldwide clearance program is to help your client choose marks that have some reasonable prospects of being registerable, based on the same fundamental principles of trademark law that we use everyday.

The second rule is to manage expectations as to budget, the degree of certainty that is possible, the amount of risk tolerance the client may have to trade off against certainty and speed and cost. And to make sure that the client understands that perfect certainty is not ever going to be possible, and that there are areas of the world in which good searching cannot be done quickly or inexpensively.

If there are millions of dollars in business that will be conducted under the mark, it's important for the client to understand that the cost the time required for a thorough clearance program are going to be relatively inexpensive in terms of the amount of value that the mark is going to have and the amount of risk if it turns out not to be available.

But it is not unusual to find that large sums of money have been paid to naming consultants, but very little has been set aside for clearing the marks they have they have (supposed), and the time is very short.

Unless time and money are unlimited, which is a circumstance that I have never personally seen in my whole career, the clearance strategies always will have to be chosen to make the most of the resources and time available. Ideally, if there is sufficient time, and if the U.S. will be the principle target market, at least in the beginning, we would conduct an initial on-line knock-out search for one or a list of a few marks and then conserve resources by first ordering comprehensive U.S. searches, and a worldwide identical screening search at the

same time, and analyzing them along with the very good on-line resources that are now available, before we started requesting country-by-country advice.

Phil, I think you had some comments about on-line screening.

Phillip Davidson: Yes. For those in house, there's some database services that you can subscribe to so that you can do this on your own, and that's like say, (just your dialog), and that will give you access to the U.S., Canada, U.S. state and fed, Canada, the E.U., Japan, Mexico, and I think they just added Australia and South Korea on the Sages system.

And then if you go online, just through your web browser, you know, on the internet, you could access Singapore's database, Hong Kong's, and New Zealand's. So that's just a way to, you know, watch your cost and do it internally first before maybe getting outside counsel involved.

Virginia Taylor: Online searching of that sort is extremely useful in knocking out direct hits, in other words, telling you marks that may not be available. It is not all that useful because of the inherent limitations of online searching, for determining that a mark is, in fact, available and free for use.

The next step we would normally take, after initially cuts at clearance, would be to obtain opinions from local attorneys in the most important markets, based on the client's current and anticipated sale of the nature of the business, and potential competitive manufacturing and counterfeiting sources.

Phil, I think you also had a thought about when you start clearing, to look within your own company?

Phillip Davidson: Yes. And I really encountered this at Nike more so than at (Young), but if you have multiple business clients, maybe different subsidiaries or just different business units, check to see that the mark that you're clearing isn't already used by a different business unit. We encountered that at Nike, and then you need to go back to the client who's requesting that, and have them go to the business unit who is currently using it, and ask for, you know, permission to use it, whether there's going to be any issues with it from an internal perspective.

And that may cause you to, or require you to keep a database of clearance search requests, if you don't already have them, or your own database of registered or pending marks, so.

Virginia Taylor: And this also helps you to mine resources that you may have obtained for other purposes again for a quick look at the extent of use, for example, in the U.S. of a particular term that you may have searched in a completely different context.

I am told that there are now almost 200 trademark registries in the world. We have actually never obtained country-by-country clearance opinions, in as many as even 50 or 60. The typical thorough cleaning clearance program, in addition to using the very good online resources that are available, typically covers 12 to 30 countries, even for an extremely important mark of, for example, we've had a number of situations with acquisitions, where there was a rebranding of an existing worldwide company, where very extensive searching was necessary.

As I said, the goal can't be perfect certainty, and we need to educate the business people to the risk that may be involved. For example, if the budget will not allow obtaining local availability opinions for China and India and for all of Latin America markets, the risk that some of those markets could be foreclosed is a decision that really needs to be made on the business side, and not by lawyers.

Very often, these clearance programs have to be done extremely quickly. If time is very short, it may not be possible to proceed with a more cost-effective phased clearance project. Instead, it may be necessary to simultaneously screen multiple candidate marks, and that may require more decisiveness by the lawyer in knocking out borderline marks at the initial screening stage, even if potential problems might be resolved if there was sufficient time on a case-by-case basis to conduct investigations and evaluations of actual, as opposed to apparent risk in various countries.

Again, bravery may be required when the marks consigned to the dustbin are the product of an all-inclusive naming exercise or the favorite of the senior decision makers, even before the searching process began.

Even with such ruthless cut lines, and the assistance of multiple online searching resources, which can help to avoid bad surprises, clearing half a dozen or more marks simultaneously involving obtaining local advice in, say, 15 or more countries, including perhaps of translations and transliterations of the marks, is going to be expensive, time consuming, and stressful for everyone involved.



And the survivors of the process may be the least favorite candidates of the decision makers. Sometimes the process is repeated two or three times, usually with fewer names, and may go on well beyond previously announced deadlines. This can become highly frustrating for the business people and may foster the impression that the lawyers are just obstructionist and are never going to approve anything.

That's when involving the client from the beginning and explaining the subtleties of what is happening in every stage, will pay off if the client understands that you are on their side.

What do you do in the case where the CEO has fallen in love with a mark that has clearance problems, and he doesn't want to take "no" for an answer. The boss's instinct for the industry may just be right. This is when you need to dig in, conduct more thorough investigation, figure out whether the actual risks are really significant.

Often, the business of the parties may be sufficiently different that the risk may not be unreasonable to take, from a business point of view. Even if the problem is insoluble, there may be strategies for overcoming it. For example, by modifying the spelling of the mark slightly, acquiring the rights of a more senior mark in the relevant countries.

As a last resort, the client may even decide to approach the owner of the conflicting mark, with the knowledge that it will be necessary to choose a different name if the answer is "no."

In the end, we need to provide high-quality information as a basis for any decision, but it is the business managers who have to live with the choice of a global brand, and they are the ones who must strike the ultimate balance between the risks and benefits of that choice.

Once the mark is chosen, it is important to initiate a filing program before announcing the mark to the public. In most parts of the world, rights arise only from registration and registration is essential to protection and enforcement.

The filing program should begin before the mark is announced to the public or potential distributors or business associates around the world. Otherwise, you may find that your competitors, distributors, or independent (powers) have preempted your mark in key markets.

Phil, I think you had some comments on this.

Phillip Davidson: Yes, Virginia, I couldn't agree with you more, regarding registration being essential to protect, enforce your marks in most countries. That is really critical, especially from a counterfeiting perspective. You know, if you want that particular country's governmental agency to do a raid and confiscate whatever those goods are that contain your mark, you're going to need to have a registration.

You have to have a registration. And not just any registration. It's going to have to be exact. So for instance in, you know, some particular country, let's say, you know, Nike has a golf club and it has the swoosh design plus Sasquatch on there, and you've got some people who are doing counterfeits in that particular country, and they use the swoosh design and the Sasquatch on there, but let's just say you have a registration in that country for just the swoosh design, or just Sasquatch by itself, either one by itself, they may not take that as evidence that you have the swoosh design and Sasquatch.

You will have to have, in some countries, that exact mark: the swoosh design plus Sasquatch as a registration, in order to get those goods confiscated. So it's really important that you have the exact mark registered, so you can get those goods, you can get those counterfeit goods off the market.

Also, just keep in mind that, let's say you're in a particular country, let's say China, and you have your goods, even though they're trademarked with, let's say, A, B, C, but they're known locally in that market under a slang term. You might want to think about registering that slang term. Just sort of as a defensive strategy, and if it's first to file in a country you may not have to worry about it, and your goods may be off the market in four-year's time anyway. So, but you might want to think about registering that slang term just to prevent someone else from registering that, and then offering goods under that name.

Virginia Taylor: I couldn't agree more, and you need to remember that some great trademarks started out as slang expressions for the product-Coke is, of course, an important example. Big Blue is another. But when you get into countries where the visuals may be more important than the words, particularly if your words are all in English, the local slang is highly likely to be the strongest way that your brand is known.

I can imagine, Phil, that Colonel Sanders might be that kind of a trademark, that may have slang names around the world.

Phillip Davidson: Yes, probably. I haven't been here long enough to encounter those, but you're probably right.

Virginia Taylor: Unless the registration budget is unlimited, it will be necessary to prioritize countries where protecting the mark is important and also to prioritize ((inaudible)) as the kind of in-depth protection that you need. Because if you're going to expect you'll have to go after counterfeiting, and China is country number one in that regard, you're going to need a more extensive set of registrations.

In general, in prioritizing where to register, you want to look at the markets where your markets or services are going to be, are already being sold or going to be sold in the very near future, those where your distributors or potential distributors are located, the countries that are going to be your most important expansion market, and countries where your products or competing or counterfeit products will be manufactured or could be manufactured, where there is a manufacturing capacity for the kind of products that you make.

And as a realistic case these days, certainly virtually everything can be made in China and many other parts of Asia, and increasingly, your products can be made all over the world. So you need to identify the highest-risk countries, which are certainly going to be the places where your sales are the largest, the countries which are your greatest potential, and those where your infringements are most likely to come from.

It is also going to be necessary to strike a reasonable balance between cost and defensive coverage in determining whether to file for words, designs, or both; how many classes of goods to cover; whether to file translations or transliterations; and other variations of the mark. The cost will be increase geometrically with more classes and more variations, but the country where your greatest risks are, you may have to have more expensive registrations.

Phil, did you have anything more to add on that?

Phillips Davidson: No, I don't believe so. Just on the multinational filing strategy, you know, thinking about the countries where you might want to file, you know, regarding piracy, counterfeit goods, you know, there are also some countries out there that are known for, believe or not, trademark hijacking. They listen to, in the U.S., you know, what new brands, hot brands are coming out, and they go out and register those before you get a chance to.

And in these countries, it's first to file, so you may have missed out on the opportunities to sell your goods in those particular countries, so you might want to keep that in mind.

Virginia Taylor: Certainly, historically, Latin American countries have been notorious for that, and the pirates were often people who were otherwise upstanding (level) business people, and who read about your mark in the Wall Street Journal, to which they subscribe.

The next and final point is how to go about filing. Because most commercially important countries either belong to the Paris Convention or are parties to bilateral agreements with the United States, which allow for a 6-month priority filing, it may be sufficient, initially, just to file your applications in the United States, and then proceed with filings in other countries, including extensions through the Madrid Protocol System, which has become available in recent years, on a less urgent schedule.

However, under the Madrid Protocol, you are going to be limited to the scope of goods and services described in your U.S. applications, which in U.S. practice is extremely narrow. If the narrow scope of protection that's available in the U.S. is likely to impede your future enforcement, it may be necessary either to file initially in the name of a foreign subsidiary with the necessary local presence, or to file directly at least in key countries.

In some countries, there may be no suitable subsidiary, which can file in a country that allows broad specifications. In some countries, you may have to file simultaneously, I'm sorry, in some circumstances, you may have to file simultaneously in multiple countries, which can be costly and create major logistic problems.

That strategy may be necessitated, for example, by tax considerations, where the applicant is a U.S.-based (apply) holding company, and the tax advisors wish to avoid asset transfers among members of the corporate family in different countries.

Other circumstances where it may be necessary to reserve a mark significantly in advance of any public announcement, may require something of a stealth strategy. For example, you may want to file a U.S. intent-to-use application in the name of a specially created anonymous company, in an effort to avoid detection of your plans by competitors and domain-name pirates.

However, it is often very difficult to hide from your competitors who are familiar with the industry, and who may be watching key classes in the patent and trademark office, which is certainly a common strategy, particularly among companies, for example, in consumer products and telecommunications, and other such highly competitive fields.

Another point on this, at this stage also is that the client needs to reserve the corresponding domain names that may be needed before the numerous domain name pirate arise. In short, just like clearance, filing programs must balance business costs and risks and it is more of a business decision than a legal decision how much protection you can afford and want to pursue, given the nature of your business.

And I think George is next.

Theodore Davis: Yes.

(George Novitchojanski): Good morning, everybody. I'm going to be discussing cost effective strategies for worldwide enforcement. There's probably a treatise that could be written on enforcement, so in the next 20 minutes, I hope to just give you a flavor of some of the considerations you have to take into account in formulating an enforcement strategy.

The bad news is that infringement is likely. If your goods and services are successful, you're likely to find that someone somewhere is going to want to copy them, imitate them, or maybe in the extreme, counterfeit them. So you really cannot go after everything, unless of course you have an unlimited budget, which nobody has.

So what do you do? Well, you could do nothing. You could sit back and hope that all the problems go away and you'll never find out about them. Or, on the other hand, you can choose the right battles, based on what you have within your budget, and also what you find

to be, as you see in this cartoon, statistically acceptable levels of evil, essentially what you can tolerate as opposed to what you must go after and clear out as a problem.

I think, Phil, you had a few comments on this as well.

Phillip Davidson: Yes, George. I couldn't agree with you more on this. This is very important, particularly if you have budget considerations and I think we'll get into the factors for considerations, I believe later on in your slide deck, I believe.

(George Novitchojanski): That's correct. Now, in choosing the right battle, you kind of have to do an initial analysis. And the most, really the starting point is, what rights do you have. You have to look at the jurisdiction that's involved. Is it a common-law jurisdiction or a registration-based jurisdiction where you're going to need to have a registration.

And then you have to look and see, do you have a registration and a jurisdiction in question. And if you have such a registration, have you used the mark in the jurisdiction. So, for example, sometimes you own a mark but you've never done anything in that particular jurisdiction and years have gone by.

So if you decide then to enforce your rights in that jurisdiction, you might potentially be opening yourselves up for a counterattack for nonuse of the mark over a period of time. And it's usually the 3 to 5 years depending on the jurisdiction involved.

A second part of that analysis is, if you decide you have some rights, you have to look at what goods and services are covered by your registrations in registration-based countries.



Phil had given a good example about having the exact mark, but there's also issues about what you're covering.

I've had situations where a media company, for example, found that somebody was creating counterfeit goods but they created, they'd gone out and registered the identical mark for clothing management services, for example. So there was a whole fight, trying to clear out that usage and that registration, which was kind of difficult.

Another aspect of it is, how well known is your mark. Just because, in certain countries, you don't have a registration, you may be able to have rights through cross-border reputation. An extremely famous mark, for example, Whirlpool had a fight in India with a company that had registered the Whirlpool mark and was going to launch goods under the Whirlpool mark, and Whirlpool, based on its some use in India and on the fame of the Whirlpool mark, was able to obtain an injunction in India.

Another aspect is, how has your mark been used. Has it been a sporadic or is it a systematic use in a jurisdiction? You may have only limited use, and then you might be afraid that you might be subject to a nonuse cancellation in a particular jurisdiction, but you may have usage that rehabilitates your mark. For example, internet usage may be useful in establishing rights.

I'll give you an example. I had a situation with a client in Russia, and they had not used the mark for a number of years, but they wanted to be able to use the mark at some future point. And there was a potential infringer that was out there trying to use a similar mark,

and there was a concern of proceeding against that potential infringer that it would create the opportunity for a counterattack because the mark had not been used.

And since there was really nothing to be sold or provided in Russia, the only way to get some sort of usage was to build it up through using the internet and creating Russian-language pages that provided information about the goods and services in question, and that was enough to create use to protect the mark in that jurisdiction.

Now, another aspect of that is that you should think of use as be creative with the way that you approach use. You should not just think, "I haven't sold any goods and services, ergo I don't have any use." You should always think of a way that you might be able to get use in a jurisdiction to build up and strengthen your rights.

Next thing, once you decide you've done an analysis of your rights, is you have to look at the kind of infringement that's involved. You have to decide, is this just copying, imitation, is it a counterfeit problem, is it an internet problem, and this will guide you as to where it falls in the bin of how you want to enforce your rights.

You also might want to look at whether this is a recurring problem so that if you go after that particular problem, is it going to reappear the next day further down the street, or again, in cyberspace or somewhere else. And it may be a situation that it's a cat and mouse game that you have to go through, or perhaps you'll decide it's something that's not really worth investing your limited resources and pursuing.

Another aspect is, are multiple jurisdictions involved? A perfect example is there was, pirates have come out and copied your mark, particularly in South American and Latin America, they tried to hijack jurisdictions. You may see that, if you go after them in one place, that you may have to actually pursue them in four or five different countries.

Or if you're picking a fight with a group that's copying your goods, they may be actually operating in four or five other jurisdictions and you're going to have to consider whether or not to follow some enforcement steps in those jurisdictions.

Same with counterfeiting. Counterfeiting could be that you're actually involving four or five countries. The goods are produced in one place, packaging is produced in another place. The goods are assembled in a third jurisdiction and sold in a fourth jurisdiction.

So it might involved multiple jurisdictions in your analysis. And all of this comes down to, do you need to do an investigation before you proceed and take some steps towards the enforcement, and a lot of times, the investigation may turn up things that will help you in your analysis of whether or not you want to pursue this.

Particularly with the counterfeiting, you might find that, you find there's a seller, but you're really trying to get the source, so investigating may help you to be able to figure out where the goods are coming, how they got there. Sometimes you have to take action, but you know, in many instances, investigation is warranted.

So then, what are the options that you have, when you actually decide that you're going to go after something? Well, you can send, traditionally, you can send a demand letter. In the

U.S., it's fairly typical to send demand letters, but you have to beware in certain jurisdictions, particularly in some of the common-law jurisdictions like the U.K., and Australia.

They have provisions that are called Unjustified Threats provisions, and what that means is that, if you send a demand letter and let's say your rights are not that strong or you're not really going to proceed over there, you then open yourself up for a counterattack for basically a declaration that says you're not infringing.

But it puts you on the hook for attorney's fees and for costs. So it can become a very costly proposition, so you should be very careful when you're sending a letter in these type of jurisdictions, to make sure that you really are going to, that your business unit is saying, "Yes, we really are going to do something in that jurisdiction."

Another possible option is to oppose or to cancel a filing that's already been made. Now, opposition, you may, you know, you may as needed in your key jurisdiction, if somebody's trying to file something that's similar to your mark, you probably want to oppose that. But then when you're in other areas, in other jurisdictions which are, perhaps, not as important, you may just have to decide whether or not it's worth the investment to oppose in those particular jurisdictions.

You also need to know your vulnerabilities, and your vulnerabilities, if you oppose in one jurisdiction and that group or entity or person has rights in another jurisdiction, and they're superior in that other jurisdiction, they may counterattack and hit you with an opposition

proceeding or a cancellation proceeding if you file or if you have a filing already in the registry.

It could also, one of the decisions to whether to oppose or not can depend on how your filing program is proceeding. You do not want to take inconsistent positions. So, for example, you may have in one jurisdiction, you may come up against a mark that's similar to your mark, and you're making arguments saying "there's no confusion. I should be allowed to have my registration."

If you then turn around in another jurisdiction, which is pretty much the same sort of scenario, but now you're in the superior position and you're attacking, saying, "This is confusing. This is causing a problem and it should be prevented," that filing could come back and haunt you in the first situation where you're trying to muscle in and get into a jurisdiction where somebody else is ahead of you.

Ultimately on the cancellations, also, you can use them as a way to muscle in. There may be places where somebody has filed and it's a blocking citation and with patience you might find that they've not used a mark or they haven't used it for all the goods and services that they've listed.

Because oftentimes, what you will find is that when people or companies file, they tend, in countries outside the U.S., you can file very broadly and cover a very wide range of goods and services, almost by the class headings. And so there's all kinds of items that are in there that are really not being used in the goods and services. So there may be a point where you can come in and they have not used the goods and services.

For example, somebody filed in class 9. They might say, maybe they were doing it for sunglasses only, but they filed for everything, which covers software, all kinds of other items, and you may decide you want to register for software and so when you look there, you have this blocking citation, and you decide, if you wait patiently, you might be able to attack that registration to get a partial cancellation of the goods and services they are not using, to cut out the software so that you can come in and get your registration for software.

Then ultimately, the most serious instances are lawsuits, and really, when you go into a lawsuit, you really have to know what you're getting yourself into. Some of the lawsuits, you know, it can be a very long and costly endeavor. For example, in India, if you get involved in a preliminary injunction motion, once a preliminary injunction issues, to get the case all the way through to the end could take 15 years.

So it's really important that you have a sense of how long it's going to take and how much it's going to cost, and also, you have a clear sense of the laws at issue and to really prod your foreign counsel on various aspects of the matter. The last thing you want is a surprise that you've started an action and you find out that it mushrooms into something that just becomes, you know, a nightmare scenario for you, for years and years to continue.

Another issue with lawsuits are the enforcement of a judgment. You can go through a court system and get all kinds of decisions, and you spend a lot of money and time getting it. The question ultimately is, can you enforce it. So you might have a monetary recovery or attorney's fees recovery, but you might never be able to recover it, or you may get a judgment giving you something and never be able to enforce it.

A very good example of that occurred with Kodak. Kodak decided that they wanted the domain name Kodak.ru, because somebody was using it for a service, they were selling cameras and film in Russia. Now, Kodak launched a lawsuit to try to recover the domain name and they ended up in at least a dozen proceedings in Russia, to get this domain name, and it lasted for several years.

And at the end of the day they won the domain name, and then they couldn't enforce the judgment on the internet level and the domain name actually got deleted by the Russian internet and reregistered by another party that came along and obtained it. So Kodak had to then chase after this new party to ultimately obtain the domain name. So it's very important that you have a sense of enforcement in a jurisdiction for what it is that you specifically need, before you launch into a lawsuit or an action.

There may be also other alternatives that you need to consider, and situations for enforcement. One is revising your filing strategy. You may find that somebody, a pirate has come out and say they have obtained a registration or filed an application to register your mark in Peru, for example. You may, at that point, realize that you may have a South America problem of a pirate going around to all the major countries registering your mark.

So at that point, even though you're not doing anything in South America, and maybe there are no imminent plans to do anything in South America, you decide at that point, we need to go into South America and at least file registrations so that we can block out these potential problems from cropping up.

Similarly, on the counterfeiting front, countries that are manufacturing goods, as things change, you ought to keep, you know, sort of tabs of what's being produced where and how the goods are moving around, and sometimes it's through industry initiatives, you'll find out that everybody's now shipping their goods through a certain jurisdiction, or you know, the goods are getting assembled in a particular jurisdiction, and this may be a country for you to go into and file, so at least your strengthen your rights there and have an opportunity to get, you know, the government involved and custom officials in those jurisdictions.

In some situation, you just are left to sort of coexist or have *dřtente*. There are situations where somebody is just going to get rights to the same mark for the same goods and services in another jurisdiction, and then they are going to coexist in their area and you are going to coexist in the jurisdictions that you have. Now, that's fine if, you know, if I'm selling my goods, let us say, in Spain and you're selling your goods in the United States, and we each have our stores. We don't have a problem.

The problem that arises is when you get into the internet, and so the internet has brought a greater number of sort transborder disputes or cross-jurisdiction disputes, where somebody has rights in one jurisdiction and somebody else has rights in another jurisdiction, and they meet in cyberspace. A perfect example is Toys R Us and Step Two S.A. over the mark *imaginarium*. Toys R Us has the mark (*Imaginarium*) and they have a website *imaginarium.com* in the U.S. where they sell various goods. In Spain, you have a group called Step Two S.A. and they have *imaginarium.es*, which is a Spanish-language site.

Now the goods, they're selling their goods outside of Spain and Toys R Us, presumably, might sell its good outside of the U.S. The two may conflict at a certain point and in fact,



they did conflict. Toys R Us sued Step Two in the United States and lost. If Toys R Us starts selling goods over the internet into Spain, they will likely get attacked, and similarly, if Step Two sells in the U.S. or jurisdictions that Toys R Us controls, they might get themselves sued as well.

Now, the problem that arises then is that if you have two people in cyberspace, or two parties coexisting is that you can get into a bit of an arms race. You might say, "Oh my god, there's another group that's out there and they're using the mark." And so you set out to protect as many jurisdictions as possible by filing applications to register the mark in those jurisdictions, and you take all the steps to shore up your rights in your jurisdictions. Well, the other party is going to be doing exactly the same thing, presumably, they will go out and file applications to register the mark and they will likewise shore up their rights.

And so, if you get into a situation like that, it's very simple to have a small event that can then trigger a full war between the two parties, which, unfortunately, can be disastrous and very costly. So if there's an ability to enter into a coexistence agreement or to have an arrangement with the other side, where you carve out territories and you address some of these issues, it's really something that's worth exploring, because the cost can be tremendous when you're, you know, when you are engaged in a multijurisdictional war with another party.

In closing, there are a few consideration that you should always think of in terms of your decisions to enforce or not enforce. You have to look at the timeframe involved. I mean, how fast do you need to get rid of this problem? Is this something that you need to address right away, because the business unit wants you to address it right away? Is it something

that's very serious in terms of, you know, counterfeit goods, which will require immediate action.

Sometimes, like I said before, patience is an ally. You may find that you have somebody in a certain jurisdiction. It's filed but they're not using. And maybe they were pirate. Maybe they just happen to have some rights in a mark that's similar or blocking. Time is on your side if they're not using and you investigate them now and again to see whether they're using, you may, at a certain point, have the ability to cancel them for nonuse.

Another aspect is cost, and I think cost is probably the biggest aspect, just figuring out how much does this cost to do, and do I want to spend my limited budgetary dollars in enforcement in this particular situation.

I think, Phil, you had some comments on cost.

Phillip Davidson: Yes, and thinking from a counterfeit perspective, you might want to think about a joint action with, let's say, some of your competitors. I know at Nike we would do some joint actions with, from our golf group with, you know, like TaylorMade, Titleist and Callaway and those other golf club manufacturers, and it reduces your cost, because you're dividing up the fees between all of you.

And you can get a lot of the goods off the market in one fell swoop. And then some other things you look at is, you know, can you recover money from the particular person or company you're going after, and if you've got a budget then, you know, that's something to look at, if they're going to be able to pay the costs involved in you taking action.

And what mark is involved? Is it your primary mark or is it more or less a submark? You know, a tier-two mark? If it's your primary mark, you may be more inclined to go after and spend the money it takes to go after those.

Also, you know, is there a large quantity of goods involved? You know, will it make headlines? Because maybe you spend the money to go after, you know, four containers, ship containers load of goods, counterfeit goods, so it makes the headlines, and then maybe scares other potential counterfeiters from following suit.

So those are just some things to look at when you're trying to decide what to do, and then you make a case for additional budgets to pursue your counterfeiters. You know, how much is taking out all of your sales? So those are just a couple of things.

(George Novitchojanski): Absolutely. I think another concern is the degree of certainty that you need to know whether or not you can clear out this particular infringement. Particularly if you have a mark that's not the world's strongest mark or the most famous mark. It may be that you need to test out to see, in some jurisdiction, just to see whether or not this is something, you know, the mark is something that is going to stand up when you are in a fight with another, with an infringer.

Another answer to that is your risk tolerance, to decide, well, is this going to be a multijurisdictional fight. Am I going to be able to stomach having to spend in four or five jurisdictions? Is the business unit going to, you know, want to engage in this kind of fight across many different countries.

And lastly, of course, the ability to enforce judgments and decisions are key.

Some practical tips for successful enforcement: I think that you really need to dovetail your enforcement with your registration program, to make sure that your key jurisdictions are covered appropriately. You also should keep track of how the mark is being used and what is being planned in the future. You've got to anticipate future markets or problem areas so that you can take action up front, in filing or preparing for those particular jurisdictions, so that when problems do crop up, you're in a better position to be able to address them.

I cannot overemphasize that creating evidence files is really key. You really should not wait until the last minute. It's really hard, and I can say it from an outside counsel perspective, where we're involved, let's say, in a fight in a jurisdiction and we have to gather evidence of (fame) or evidence of the use of the mark, and then we have to go back and try to obtain that information, and how is the mark used in a particular jurisdiction or area and it can be very, very difficult, and then deadlines are looming, and you have to file for extensions, and that just raises the costs for the clients, in having to get extensions.

I would create, to the extent you're able to, evidence files on how the mark is being used; sales information in particular jurisdictions; advertising; product samples if you have them, and then just catalog them away for regions of the world and for even key countries, just so you have it and you're ready.

You should also revise and adjust your filing strategy, so, for example, if you know there's a potential South America problem, you go out and register in those countries. You may also

decide that you have to adjust to cover more classes of goods and services. That the coverage that you have is not enough for what it is, the problems that you're facing in a lot of jurisdictions and so you need to perhaps go out and file again in certain classes you haven't covered the first time around.

You should also reevaluate your enforcement approach periodically to see that you're spending wisely, you know, whatever budgetary dollars that you have. And also you should, the basic question, are we chasing the right infringements. I mean, perhaps you're spending money on things that are just not really helping you and it's just a drain, and you'd really be better off using your money fighting other battles instead.

And you know, a good example of that, as I, you know, in the U.S., a lot of times a lot of people say, well, we want to keep the registry clean, but they never do address use, and the United States is a use-based country. And if you let a lot of third-party use out there flourish, when you try to enforce at some point, it's going to come back and haunt you. So just keeping the registry clean and opposing things on the registry is not ultimately going to, you know, make your mark stronger or protect you. So, that's something, an analysis you may want to do in other jurisdictions as well.

And the last thing is, you have to be vigilant and you need to use watch services in key markets, so that you're able to see what's happening and you have some measure. You may see like certain groups that are filing and it's the same group that's popping up in a number of jurisdictions. And so you'll know very quickly the type of problems that you have, and you can take approaches, decide what kind of steps you want to take.

Phil, do you have any other comments that you want to add on this?

Phillip Davidson: Yes, if we have time. I'm not sure we have time. But I guess I'll go ahead and make them just in case.

(George Novitchojanski): Sure.

Phillip Davidson: Yes, on the watch, watching for your key marks, some of the best, you know, our best people out there who, you know, give us a heads up on what's happening on the marketplace for counterfeiters or infringers are employees or distributors or fans or people who have, you know, received a scam-type letter.

And for these I have a prepared, I know you probably also have this, George, a prepared trademark infringement report-kind of a questionnaire or fill-in-the-blank form to send out to these people to have them complete it. Because the more information we get, the better equipped we are to take appropriate action on those.

And then I would just go back real quick if I could, to the cancellation point you made on potentially canceling a mark that, you know, had registered for a broad description of, let's say, class nine good, but they're really just using it for sunglasses. And you want to, let's say, use it for computer software or hardware. You might want to think about initially sending a letter to that registrant requesting that they amend their goods so that your application can proceed to registration and maybe give them a token amount of money, you know, a little less than what it would cost you to cancel it, you know, cancel that mark for those particular goods.

And more than likely, they'll take that rather than spend money on a cancellation, defending a cancellation action, which they know they'll probably use for nonuse. So you might want to think about that.

And then, in the U.S. in particular, on let's say, a possible opposition; particularly if it's an (ITU) application, you know, the sooner you notify them of your concerns, the better, because they're not as invested in that mark. So they're more than likely to, you know, back off of it and not proceed to registration with that mark, if they know your concerns. Because, again, they're not invested in it.

Those are my comments.

Theodore Davis: This is Ted Davis again, and we have come to the end of our allocated hour. We do not have any pending questions. If you have some, please feel free to email them to me at [tdavis@kilpatrickstockton.com](mailto:tdavis@kilpatrickstockton.com) and we will be happy to get back to you individually.

At this point in time, I'd like to thank our three panelists, and we appreciate your attending today's presentation. As a final comment, please do remember to fill out the evaluation form. You'll find it on the left-hand side of your screen. And once again, thank you for attending.

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