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# Auditing

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## Trademark Portfolio Audits: How and Why You Should Do Them

Have you ever considered selling your trademark and been surprised to find that you didn't own it? Or, have you thought about enforcing your trademark against someone else and then realized your registration didn't cover the goods or services that you thought it did? To avoid such a rude awakening, you should review your portfolio regularly at a high level.

### Why Do a Trademark Audit?

The primary goals of a trademark audit are to review existing applications and registrations, consider potential new applications, and review chain of title. (Susan M. Natland, *The Importance of Trademark Audits*, INTA Bulletin Vol. 63, No. 5 (Mar. 1, 2008), <https://www.inta.org/INTABulletin/Pages/TheImportanceofTrademarkAudits.aspx>.) A regular trademark audit can assure a brand owner that its trademark portfolio is consistent with the overall business strategy for that brand. For example, an audit can reveal that excessive resources are being spent on a mark for a short-lived marketing campaign and can spur redirection of resources to marks that are associated with a long-term product or service.

An analysis of a brand's direction and primary focus allows a brand owner to consider whether any new trademarks will be used in the future and if there is already adequate protection for existing marks. Failure to conduct regular audits can result not only in lost opportunities to exploit a brand, but it can also lead to missing critical maintenance deadlines that could result in registrations being canceled. Ahead of maintenance deadlines, audits also present an opportunity for brand owners to ensure marks are in use and acceptable specimens are available. This is especially important in countries like the United States where specimens of use must be submitted periodically to show the mark is in use with the registered goods/services.

Another important reason for performing a regular trademark audit is to ensure compliance with agreements that may restrict ways in which marks may be used. Have you signed settlement agreements that prevent you from using a mark or from registering it for a specific good or service? Audits can also flag instances where opposing parties have breached your agreement.

An audit is also a good time to create or streamline procedures for your internal trademark clearance and registration process. Do you have a procedure for conducting clearance searches for new marks? Are new applications being filed before the marks are in use? Are applications being filed in all countries of interest? By setting up procedures to address

the various stages and options, from developing a new mark to registering that mark, you will be better prepared and protected.

## When Should I Conduct a Trademark Audit?

One way to schedule trademark audits is to calendar the m regularly, such as annually or bi-annually. (Leslie J. Lott and Brian Dean Abramson, *The Internet Age IP Audit It's as Easy (Or Hard) as Looking in the Right Places and Asking the Right Questions*, 53 No. 6 Prac. Law. 29 (Dec. 2007); Christine M. Baker, *The Trademark Audit: A Necessary Legal Check-up*, *The National Law Review* (Jan. 26, 2012), <https://www.natlawreview.com/article/trademark-audit-necessary-legal-check>.) Audits should also be part of due diligence during a merger or acquisition, before purchasing or selling a trademark portfolio, and when third parties are enforcing their rights against you. (Natland, *supra*.)

Another appropriate time to conduct an audit is when a trademark owner is preparing to enforce its rights. (Natland, *supra*.) If there is potential for infringement in a particular region, an audit can be useful to ensure that a mark is protected in these geographic areas before infringement occurs.

## What Happens in a Trademark Audit?

During an audit, brand owners should consider the expected life of the brand, whether and how much the brand is worth protecting, and in which jurisdictions the brand should be protected. What

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is the brand's purpose? Who are the brand's consumers? In what countries will the mark be used? Where will the goods be manufactured? Is the brand temporary or intended to be long-term? Are there any current third-party uses of concern? (Mary M. Squyres and Nanette Norton, *Trademark audits—Post-audit activities*, 3 *Trademark Prac. Throughout the World* § 25:7 (May 2007)).

An audit is a good time to take note of the status of all registered marks. (53 No. 6 *Prac. Law.* at \*34.) A brand owner (or its outside counsel) should consider the owner's marks that are currently in use and the ways in which they are being used, and compare this to the applications and registrations already in the portfolio. To ensure a thorough review of the owner's marks, you should review the brand owner's / company's websites, marketing materials, and products and services currently offered. The audit is beneficial for identifying areas that are under- or over-protected and where watch notices may be useful to alert brand owners of potential infringement may be useful. (Baker, *supra.*) Or the audit may find that the mark is consistently used in a stylized form not protected by any registrations. Perhaps use of the core brand expanded and the existing applications and registrations do not cover the additional new goods or services. On the contrary, a brand owner may conclude it no longer needs to maintain registrations for certain goods or services that it no longer offers or may realize it no longer needs protection for a mark entirely. For example, if an audit finds that a broad registration covering numerous classes of goods and services is now being used more narrowly, a brand owner can adjust coverage

to ensure costs are not wasted on renewing those classes or expanding the scope of protection for that mark in the future (assuming defensive protection isn't desirable).

An audit also allows trademark owners the opportunity to evaluate specific registration details. Do you have marks that were denied registration because they were found merely descriptive and want to reevaluate whether they may now be registrable? Are any registrations now incontestable? Is a mark at risk of becoming generic?

During an audit, brand owners can also reevaluate marks that they were unable to register in the past and determine whether applications should be refiled. For instance, you may have previously tried to register a mark but were blocked from registration due to a likelihood of confusion with a prior registration. An audit may reveal that the mark that previously blocked you is now canceled.

Audits often lead brand owners to file new trademark applications for existing marks to expand coverage to additional goods and services, and new applications for more recent versions of logos and stylized marks, and for protection in new jurisdictions. To streamline audits, in-house counsel may coordinate with its research and development team and marketing department. Best practice may be to prepare new trademark request forms and infringement reporting forms for internal use to keep records of workflow, which will increase efficiency in future audits. This can help research and development alert in-house counsel when new products or services are expected to launch in order to assure that clearance

searches and new applications are being timely handled.

An audit also provides an opportunity to assess whether trademarks are being properly used on marketing and advertising materials, product packaging and labels, and goods to give notice to potential infringers. (Natland, *supra.*) If a mark is no longer registered or applications are still pending, an audit may show instances where the ® symbol of registration is being used inappropriately. Do you need to add the ® symbol to any newly registered marks? Do you want your marketing team to designate certain terms with "TM" to denote you are using the mark as a source identifier? The audit can also include coordination with marketing departments to understand the projected marketing plan to create marketing guidelines and reviews to ensure that trademarks are being properly used as adjectives rather than as nouns or verbs to help prevent genericide. (Malla Pollack, *Implementing a trademark audit program—Quality control*, *Corporate Counsel's Guide to Trademark Law* § 7:12 (Aug. 2017).)

Ownership issues may also be identified during an audit. Audits can identify where ownership updates are needed and errors in chains of title. The audit can include a review of assets for related companies (such as subsidiaries) and also any assets that may have been acquired or sold during a merger or acquisition. Thus, an audit can confirm that marks are owned by the correct entity and identify marks which require ownership documentation updating. (53 No. 6 *Prac. Law.* at \*31.)

Domain names are another important piece of a company's portfolio to be examined during

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an audit. (Natland, supra.) Brand owners can evaluate whether to acquire new domain names defensively. Watch notices can also be created for both domain names and trademarks to alert brand owners of potential infringement when a confusingly similar domain name is registered or a new application is filed or published.

## Conclusion

While a trademark portfolio audit may seem like a big undertaking, once the first audit is complete, future audits can be much

simpler and less time consuming. If a portfolio is regularly audited, brand owners and their counsel will be able to act more efficiently, both offensively and defensively, to protect brands.

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