

GLOBAL TRADEMARK PORTFOLIO STRATEGIES

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BRAND

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Good morning. Thank you for coming, and many thanks to my friends at Unitalen for inviting me here today. I have been in China for six days and I cannot wait to return. Everyone has been so kind, and for that I am most grateful.

I am very humbled to be on this distinguished panel and I thank Mr. Dawei and Mr. Zhongcheng for joining me. I hope I can provide you with some helpful information on global trademark portfolio strategy.

This morning's comments will have two parts. In the first part I will discuss five principles for creating a successful global trademark program. In the second part I will comment on strategic considerations in executing and implementing that program.

FIVE BASIC PRINCIPLES

First, I believe there are five basic principles that must be considered in creating a successful global trademark program. They are very simple, but very important. You probably use them in your own practice. I use them every time I work with my client in developing a new brand. I call them "Paul's Principles" so that I remember them!

The first principle is: think globally at the outset. This means that you must think about global issues *before* your client adopts the brand name

and launches the product. If your client intends to sell only in China, well, that's great. But it is not so great if your client intends to sell in a dozen countries, he adopts the brand name, starts marketing it in China, exports the brand, and then a few months later comes storming into your office with a demand letter asking you why you didn't take care of this already! Trust me: it is much easier and cheaper to think about global issues *before* a brand is launched than to try to unscramble the eggs after the launch. Focusing on global considerations *at the outset* gives you time to correct any problems in overseas markets *before* your client even decides to adopt the mark. This is much, much easier than trying to fix problems once the mark has been adopted.

The second principle is: trademark rights are territorial. This means that your client's rights will be defined by the laws of each country in which it wants to do business. Your client could have the most famous brand in China but this is worth a cup of cold tea outside of China unless your client has established its rights there.

"But Paul," some of you may be thinking, "what about the famous marks doctrine? Doesn't this protect my client's marks in foreign countries even though my client has not established its rights there?" To those of you who are thinking this I say: "good luck." The problem with the famous

marks doctrine is that it is something you assert in a lawsuit because someone else has your client's mark. And I ask you: "Isn't it faster, better, and less expensive to affirmatively create rights in a country than to engage in expensive famous marks litigation to take those rights from someone else?" Of course it is. I should mention, however, that in most markets (especially the United States), the famous marks doctrine *will not* help you at all because the courts do not recognize it. That's right. In the United States the courts will not recognize any claims based on rights outside the United States.

My third principle of a global trademark program is: registration is essential. 98% of the countries of the world follow this simple rule: "no registration, no rights." The only exceptions are the English common law countries such as the United States, Canada, Great Britain, and Australia, where your client can get limited rights simply by using the mark in the country. But even in these countries, the only sensible way to obtain national rights is to register your client's trademarks.

My fourth principle is that trademark rights are class-specific. Most if not all of you are familiar with the Nice Agreement on the Classification of Goods and Services. When you file an application, you need to specify the class or classes covered by the registration. Although the original intent

of the Nice Agreement was simply to facilitate the filing and searching of applications, in many countries, the class in the registration defines the scope of your client's rights as a matter of law. Let me give you an actual example. My client's house mark is GALLO for wine. It has been found to be a famous mark in several countries. We had a registration of GALLO for wine in Class 33 in the Philippines. A local businessman decided he would make GALLO branded cigarettes (which are goods in Class 34) and merchandize them adjacent to our wines in local stores. We sued for trademark infringement and won, until we hit the Supreme Court. There, the Court ruled that, as a matter of law, the goods were different because they were in different classes and, therefore, there could be no infringement even though the marks were identical. All of which means that you must understand the goods on which your client wants to use the mark *and any similar goods* on which your client does not want to see the mark used.

My fifth, and final, principle is: use it or lose it. This is fundamental. If your client does not use the mark in the country within the statutory use period the mark can be cancelled for non-use. And in the United States and Canada you cannot even get a registration unless you have use of the mark. So at the outset you must be sensitive to the countries in which your client plans to use the marks and, if so, when he plans for that use to begin.

These five principles are the foundation of any global trademark program:

- Think Globally
- Trademark rights are territorial
- Registration is Essential
- Rights may be Class Specific, and
- Use it or Lose it.

STRATEGIC CONSIDERATIONS

With these five principles firmly in mind we now turn to the second part of my presentation: how do you apply these five principles (or how do we practice what I preach?) Again, I would like to share a few pointers based on my own experience. But let me preface my comments with one important observation: the success of a global trademark program rests with your client's legal advisors, i.e., you. We all know that in today's fast-paced world good businessmen want to move fast. They see opportunities and they want to jump on them. That's how they make money, and how they pay our salaries. Our challenge as trademark lawyers is to work closely with them to make sure that their trademarks are available in the countries in which they want to use them when they want to use them. Yao Ming, the great basketball player from Shanghai, is an enormously talented athlete who can

drive toward the basket as good as anyone. But without the little point guard to block the defender, Yao can't get inside and make the shot. So our challenge as lawyers, then, is to be the point guard so that the businessmen can make that shot.

Now, what does that mean in practice?

First, you must understand the client's marks and business. You must understand why the client wants to use the mark, on what the client wants to use it, where the client wants to sell it, and how much of it the client wants to sell. Without this information you cannot develop a strategy for the mark. For example, if the client wants to use the mark "Golden Sunshine" on wine, you need to know things like:

- Does the client plan to export? If so, to where?
- Does the client plan to put the mark on other alcohol beverages? On beer? On other food products? Does he care?
- Does the client plan to put the mark on promotional items like caps, shirts or bottle openers?
- Is this going to be a major brand for the client, or is it something that the client is bottling in one year just to use up excess grapes?

The answers to these questions will be the basis for your global plan. For example, if the client says: “I want to use this on wine and beer, promotional clothing items such as caps; this will be a major brand; and I plan to sell it in China, Korea, Japan, Russia, Viet Nam, Cambodia, and India,” that tells you that you need to search three classes (25, 32 and 33) in 7 countries. By contrast, if the client says: “I will sell this only in China and will use it only on wine; it is not that important to me,” then you only have to worry about China in Class 33.

Second, you need to know how to use outside counsel effectively. This can make or break your global program, because if you have the wrong team of outside counsel, or you ask them the wrong questions, or you give them the wrong instructions, you will not be able to implement your program effectively.

For China, those of you who are in house counsel are probably like me and do your own clearance and registration work, and those of you who are outside counsel do the work in China for your clients. But for other countries you need to use foreign counsel. How do you find them? Let me be the President of INTA for a moment and do a little marketing: the best way to locate competent, reliable, and trustworthy outside counsel is through INTA. Our Annual Meeting (which is in Chicago next year) is the best

place to meet great trademark counsel because everyone who is anyone is there. You can meet with them face-to-face, get to know them, and satisfy yourself that you trust them and that they will represent your client well. I set aside time every year to meet my outside counsel in foreign countries, and I can say with great pride that I have met almost all of them. This means that I can go to the client and say: “we have a very good lawyer in the United States, I know him and I trust him.”

Once you have outside counsel on board you must instruct them in what your client needs. This is very, very important. Always remember that outside counsel work for you; you are their boss. That means that you must instruct them just as you would your own employees, with clear, concise instructions. I once had a colleague once who always instructed outside counsel with three page letters that never really got to the point. Don’t make that mistake. My instructions are very concise: “Please search the mark ‘Golden Sunshine’ in Classes 32 and 33 and report as soon as possible.” My associates know what that means; I don’t need to draw them a map. And if you have a good relationship with your outside counsel, that’s really all you have to say.

Similarly, you must reach an agreement with outside counsel on what you want in a response and when you want it. I prefer a short summary *with*

a bottom line opinion. I hate getting long letters that say nothing and that leave me to guess exactly how outside counsel feels. As the client, you have a right to demand a clear, concise opinion on availability. And you also have a right to say that you need it in a week, or 10 days, or whatever, and get that level of service. If outside counsel cannot meet your expectations, try someone else.

You also have a right to know *in advance* what the search and opinion is going to cost. In my experience, the global average is about \$1,200 US dollars (or about 9,500 yuan.) Some countries (such as the European Union or the United States) may be more; others are less. But good outside counsel should never surprise you with a bill.

Of course, these pointers also apply to those of you who serve as outside counsel in China for domestic or foreign firms.

I have one final thought on using outside counsel: some outside counsel try too hard to please. They will make all kinds of arguments as to why a mark is clear or why your client has a great defense. *Remember: a “defense” means that your client is defending itself in an infringement action, it does not mean that the mark is clear!* In my experience, clients do not equate “you have a great defense” with “the mark is clear.” Don’t accept

such “rotten fish” advice; it stinks. If you get advice that does not smell right, get a second opinion.

My third and final point is that once you have the clearance opinions, hopefully, the mark is clear in all countries and you can proceed to registration. Sometimes, however, there may be problems with a mark.

When that occurs, you have four options:

- You can get a license
- You can get a consent
- You can acquire the blocking mark
- You can investigate the mark and cancel the registration for non-use.

All of you know how to do this in China, and capable outside counsel can help you with this in their respective countries. Again, it is important that you communicate with your outside counsel and understand the timing, the costs and the risks before proceeding.

I hope that I have given you a few insights into global trademark programs. It has been a great honor to speak here today. Thank you for your time.