

## **Protecting your business from *naughty* brand infringers in this decade of the *noughties***

JEREMY SZWIDER

General Counsel – UK for the Carphone Warehouse Group Legal department and Head of IP.

Brand portfolios continue to grow across the globe at a swift rate. With this expansion, it is now readily accepted in the marketplace that a company's brand is one of its key assets. The nineties saw a flurry of registrations of various forms of brand intellectual property, and now the decade of the "noughties" is also witnessing more emphasis on protecting these brands so as to maximise their commercial value. It is essential for businesses to recognise brand value and implement measures to protect and commercially exploit this valuable form of intellectual property.

This paper will demonstrate the importance of brand protection and outline some ways to maximise brand value. In particular, there are a variety of legal and commercial mechanisms which allow an intellectual property holder to capitalise brand value through registration, enforcement and commercialisation.

### **1. What is a brand?**

A brand can be defined as a trade name given to a product or service identifying its trade origin. The use of signs and symbols, such as brands depicted in word or stylised forms, are regulated by intellectual property laws, including the common law action of passing off and the registered trade mark system. In order to be registered as a trade mark a brand must be distinctive of the relevant goods and services and not identical or similar to any earlier marks for the same or similar goods and services. Under the common law action of passing off, rights can vest in brand owner where there is sufficient reputation and goodwill in that brand.

Some businesses invest significant resources towards creating and developing a brand, which will grab the attention of consumers and distinguish their goods and services from those of its competitors. Indeed, a powerful brand can be an extremely strong influence in the consumer's mind. According to recent research conducted by the brand valuation agency Interbrand, the four most valuable brands<sup>1</sup> are estimated to be valued at, on average, over US\$57 billion each.<sup>2</sup> In the current economy, it is recognised that more than 75% of a business' market value consists of its intangible assets, for example, its brand portfolio, whereas in the 1980s this percentage was closer to 25%. This trend sends a powerful message to the marketplace of the importance and value of brand protection and brand management.

---

<sup>1</sup> Coca-Cola, Microsoft, IBM and GE.

<sup>2</sup> Interbrand, "Best Global Brands 2006. A Ranking by Brand Value", 2006.

## **2. Protection of a brand – can the law help?**

### **2.1 Trade marks**

The strongest form of legal protection for a brand is a registered trade mark. Provided that an applicant satisfies certain criteria for trade mark registrability and that trade mark does not conflict with prior rights, the process of registering a trade mark can be fairly straightforward and inexpensive.

Most countries have systems for trade mark protection and registration. The Trade Marks Act 1994 is the statute governing trade marks within the United Kingdom. The Community Trade Mark, administered by the Office for Harmonization in the Internal Market, grants a single form of brand protection throughout the countries within the European Union. A Community Trade Mark will be granted where there are no pre-existing national rights in any of its twenty seven member states. Where the Community Trade Mark application is successful, it can then be transformed into a series of conventional national trade marks in the countries in which there have been no objections. The Community Trade Mark provides a cost-effective way of providing protection in a number of consumer-focused European countries, but a business considering a Community Trade Mark should be aware that it can take up to two years to obtain. A UK trade mark registration (covering England, Scotland, Wales and Northern Ireland and the Isle of Man) can take up to nine months.

A successful trade mark registration can last indefinitely, provided the trade mark owner pays the trade mark renewal fees on time. Following registration it is also imperative for a business to monitor and manage the currency of its trade mark(s), by, amongst other things, using it in the marketplace.

### **2.2 Domain names**

A brand name can also be exploited by registering it in the form of a domain name. A domain name is a textual address for a location on the internet corresponding to the actual numeric IP address of a computer on the internet. Allocation of all top level domain names is the responsibility of the Internet Corporation for Assigned Names and Numbers. Domain name registration can be inexpensive and some domain name companies offer online registration services for as little as USD\$2.00 per domain name application.

Domain names are becoming increasingly important given the Internet boom and its growing user population currently estimated to be one billion users. This exponential growth has generated the commercial evolution of website presence and the marketing emphasis of domain name selection. A domain name is not an intellectual property right recognised at law and the legal protection afforded by way of domain name registration is not akin to trade mark registration, as it will not necessarily, of its own accord, grant the owner proprietary rights to the name. It may under certain circumstances grant the owner common law rights to use the brand that is the subject of the domain name, for example, Carphone Warehouse is the brand name associated with its valuable domain name [www.carphonewarehouse.com](http://www.carphonewarehouse.com). But, unlike a registered trade mark, protecting branding rights by virtue of domain names at common law, can require vast evidentiary proof of reputation in that name for such rights to vest. The US, unlike the UK has passed legislation dealing with this area, namely the Trademark Cyberpiracy Prevention Act 1999 and the Anticybersquatting Consumer Protection Act of 1999.

### 2.3 Copyright

Brands may also be protected by way of copyright ownership. In practice, this can be achieved when a brand idea is translated into written form. Marketing teams should focus on documenting their creative ideas (and referencing them with the requisite copyright symbol ©) once ideas have been conceptualised in their creative minds. Copyright protection in original works will only last for a set duration of time. In the UK, copyright is not recognised by way of a formal registration process as it is in the United States, rather copyright protection can be granted at the time the conception of the brand is documented. Copyright in the brand will only be granted where the brand has a sufficient degree of originality, which is essentially a question of fact. A stylised brand comprising a distinct logo, rather than merely text, is more likely to pass this test of originality.

Where an external designer is engaged to design a new brand, a business should ensure that the copyright in such brand is actually owned by it and the only way to achieve this is for the copyright to be assigned from the designer to the business. A common misconception is that a business automatically owns the copyright in a brand designed by a third party consultant. However, as the rightful owner, the designer may then claim an ongoing royalty payment from the business for copyright in the brand. It is therefore important to be aware that copyright ownership will vest in the creator (the consultant designer) unless, and until, it is transferred by way of a copyright assignment to the business.

### 2.4 Designs

A further way to protect a stylised brand is through registered design rights. Registering a product design will grant a monopoly in it and allow the owner to prevent others from making, selling or using a product which incorporates the design. However, a registered design right will only last for up to twenty five years.

## 3. Other means of protecting a brand

Legal protection of a brand merely opens the door for the brand conscious. In order to maximise the value of a legally protected brand, additional measures must be adopted during the life of the brand. It is imperative that a business communicates to the marketplace that the brand is protected, as prevention is better than cure, even in the context of a brand. Various mechanisms should be used to prevent brand dilution or infringement by third parties, including the following:

- Branding and marketing guidelines
- Trade mark and copyright symbols associated with brands
- Policing and watching teams
- Branding look and feel
- Contractual emphasis on branding
- Website recognition and promotion

A business should live and breathe its brand. This concept works best when it is instilled in senior management and filtered across the business, with the optimum result being that the public begin to recognise the brand as being associated with that business. The greater the public recognition, the less likely naughty brand bandits will be successful in infringing the brand.

The concept of “living and breathing” a brand is closely intertwined with its look and feel. The “look and feel” principle is an industry concept referring to the graphical layout and style of a brand. Businesses should adopt a uniform approach towards all marketing, website and commercial activities which is consistent with the brand’s look and feel. Brand uniformity and consistency should be at the forefront of marketing plans, but experience from The Carphone Warehouse also indicates that local branding requirements may require some flexibility given particular branding and customer needs in specific local jurisdictions.

A business should develop guidelines for use of its brand (such as the font, size, colour and other usage requirements of the brand), whether it be an informal understanding or a more formal branding guidelines document. Employees will usually have higher regard for branding concepts governed by a formal guidelines document and marketing personnel will learn the importance of attaching the ® or TM symbol to all brand references. In addition, the company’s in-house lawyers are more likely to contractually impose a company’s branding guidelines on third parties in conjunction with other standard contractual obligations.

Online squatter tactics have intensified during the current decade of the “noughties” and it is becoming more common for online infringers to either misappropriate the goodwill in a company’s brand, infringe the registered trade mark rights contained therein, or otherwise try to damage the brand with defamatory-style comments. A prime example of this is cybersquatting, which involves registering a domain name (usually a popular name) in bad faith, with the intention of profiting from the goodwill of another party’s trade mark by a ransom-style sale.

Typosquatters (also known as URL hijackers) register domain names that are nearly identical to the actual domain names used by other businesses. The slight differences between the domain names are intended to trap internet users who make typographical or punctuation errors when entering a domain name into a web browser. Cybersquatters and typosquatters are becoming increasingly creative and their strategies can, at times, appear to break down the barriers of legal enforcement. An added obstacle to the patrolling of cybersquatters can be the enormity of the cyberspace within which infringers can operate and hide. These brand bandits present a huge problem for in-house lawyers trying to safeguard their company’s domain name portfolio and associated brand intellectual property rights.

Cybersquatters and typosquatters often prey on companies with large brand presence or those who own famous marks. The tendency has been that domain name disputes have not been litigated in the courts, but rather settled out-of-court with some very large payouts for domain names, such as the sale of sex.com for approximately US\$14 million to a Boston-based company called Escom LLC. The US\$2.00 domain name application fee is a worthwhile investment when considered in this context.

A vigilant monitoring process is very important in policing brand infringement. Carphone Warehouse, for example, has an active policy of checking a wide range of publications, communications and metatags to ensure that its brands are not used without its express permission.

Cyber infringers may also attack a company’s brand with website blogs. A blog is a portmanteau of “web log” and can be described as a shared online diary where users can express ideas, personal experiences, views and hobbies by posting entries, usually in chronological order. Blogs are the epitome of freedom of expression and

thereby represent a very important tool for the ongoing growth of the world wide web. However blogs can, at times, encroach upon what is lawful and it unfortunately can be very difficult to prevent or even mitigate unlawful bloggers. Bloggers are often aggrieved consumers or antagonistic stirrers and problems arise when a blogger's commentary verges on defamatory, inciting or libellous. Bloggers are also able to maintain their anonymity, which perhaps encourages them to express what they may consider to be their protected right to free speech.

Some bloggers even use pursuits by in-house lawyers seeking to protect their company's valuable brand as a trigger to generate more blogging banter. Ordinarily in-house lawyers would not hesitate to send letters of demand to brand infringers but greater care needs to be taken when dealing with bloggers to avoid such negative banter and unfounded negative publicity against the company.

In some ways the internet, cyber-squatters and blog sites are attacking the foundations of traditional legal causes of action, such as trade mark infringement. The internet was not designed for the convenience of registered trade mark owners. For those aggrieved by naughty brand bandits, a fine balance is needed between using company resources to pursue legal remedies and doing nothing at all. The legal systems throughout Europe need to follow the US trend of offering more security to trade mark owners. The European legal systems need to either put more emphasis on legislating internet use or start demonstrating greater recognition of the applicability of traditional common law principles to the internet via the judicial system. Even if the European legal systems do not follow the movement of the US, it is imperative for those aggrieved to continue investing company resources in brand enforcement.

#### **4. Brand exploitation**

Brand registration and protection should also open the door for numerous commercial opportunities. A brand can be used in the areas of licensing, franchising, distribution and sponsorship. Each of these forms of exploitation can utilise a company's brand as a means of generating income, thereby extracting maximum brand value.

More so than ever, a brand is now an extremely precious asset with the ability to drive top line revenue. As a brand becomes more recognised within the marketplace, and particularly the internet, it also becomes vulnerable to exploitation by "naughty" brand infringers. A brand's value will not achieve its maximum commercial potential by lying dormant on a trade mark register. Companies should acknowledge the value of their brands and proactively take measures to ensure vigilant brand enforcement and management.

**Jeremy Szwider is General Counsel - UK for the Carphone Warehouse Group Legal department and Head of IP.**

**The Carphone Warehouse Group IP Legal department manages an IP portfolio in excess of 1,000 trade marks and domain names.**