

Baker
McKenzie.

The background of the entire page is a dark navy blue. It is filled with a dense, abstract pattern of vertical lines of varying heights and colors. The colors include bright blue, red, yellow, and white, creating a sense of movement and data. The lines are most concentrated in the middle section of the page, behind the title.

Trademark Trends

2019

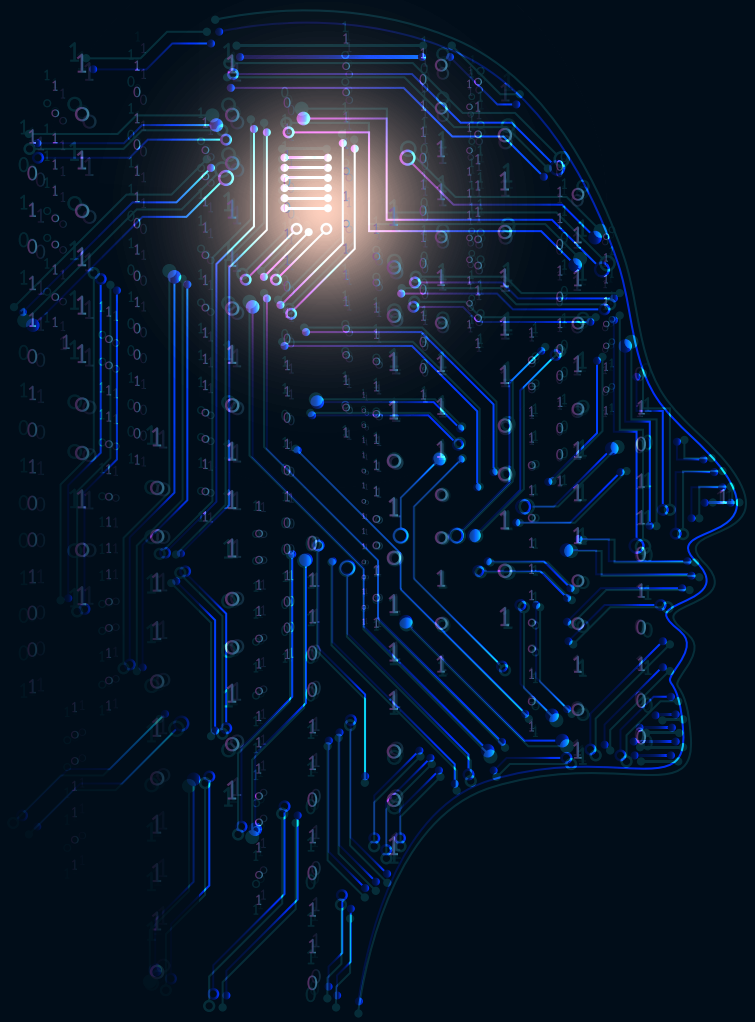
In this publication, we explore some trademark trends that are currently impacting brand owners, including how new technologies such as **blockchain** and **AI** may be affecting trademark law and practice. We also discuss challenges in filing **non-traditional trademarks** and how to get the application through to registration. Other topics include, guidance to brand owners on engaging social media influencers, the risk of **genericised marks**, discussion around the practical nuts and bolts of **trademark recordal projects** and the latest guidance on **BREXIT**.

For any queries or further information on the content of this publication or future IP developments please contact your usual Baker McKenzie contact or the Baker McKenzie IP knowledge team at IPTechknowledge@bakermckenzie.com.

Contents

AI'll be back? Some thoughts on AI and trademarks	04
<hr/>	
The merging and blurring of product and service lines leads to increasing challenges for brand owners	06
<hr/>	
How can blockchain technology benefit intellectual property rights owners?	07
<hr/>	
Taking over a trademark portfolio – the nuts and bolts	11
<hr/>	
Sweet smell of success – securing the first Mexican scent mark registration	13
<hr/>	
Genericide: don't be a victim of your own success	15
<hr/>	
Under the influence: Social media marketing best practice	17
<hr/>	
"Brexit" deal or no deal and the impact on your IP - what do you need to do now?	20

AI'll be back? Some thoughts on AI and trademarks



Artificial intelligence (AI) has been identified as one of the most transformative technologies of the so-called fourth industrial revolution. The Law Society of England & Wales' 2017 report, *Capturing Technological Innovation in Legal Services*, envisaged the legal sector engaging with new technology such as advanced automation, machine learning and AI, "which will allow machines to augment the skills of human lawyers in ways that were unimaginable even a decade ago". So how may the use of AI systems affect trademark law and practice?

WHAT IS MEANT BY AI?

While there is no legal definition of AI as yet, it can be broadly defined as the science of enabling computers to perform tasks that require intelligence when done by humans. Falling within its scope are "machine learning" systems, designed to perform human-like cognitive tasks, and which improve their performance by learning from data

without further human input. "Deep learning" is a type of machine learning whereby specific algorithms called artificial neural networks mimic the biological structure of the brain.

DOCUMENT REVIEW

AI based document review is another application that will affect trademark practice, notably in a due diligence and transactional IP context, where large amounts of material must be reviewed quickly. Basic AI and Boolean search-based tools – which look for keywords or eliminate duplicate documents – have long been superseded by AI technology that can search documents for context, concepts and even tone. Using "predictive coding", lawyers are able to leave the first cull to the AI tool, then review its results. The AI-assisted workflow (an example of machine learning) then continuously learns from the user which results are relevant and applies this as the review process progresses.

AUTOMATED DRAFTING

Contract automation tools use automated templates to generate standard legal documents based on data input. The perceived advantages are time and efficiency gains, as well as a reduction of the inherent risks in manual drafting. Similarly, AI document management tools organize and analyze existing documents based on key data. However, AI technology is already attempting to do a lot more, such as creating the first draft of patent applications by, for instance, reviewing published patent data using NLP algorithms, data mining and automated reasoning. The same technology may also be used to draft the first version of a trademark specification.

ANALYTICS AND PREDICTION

A 2016 study by researchers at University College London, the University of Sheffield and the University of Pennsylvania found that AI technology can accurately predict the outcome of cases in the European Court of Human Rights nearly 80 per cent of the time. Not surprisingly, AI software that forecasts a potential litigation outcome already exists. Using data from, for example, existing case law, or a judge's or IP rights owner's previous actions, predictive tools can identify underlying trends.

Similarly, AI tools may be used to analyze the value of trademark and patent portfolios. Which patents or trademarks deliver most licensing revenues and in which countries? As AI can analyze large data sets quickly, it can help spot opportunities and therefore gain insights which may otherwise be hidden within volumes of data.

TRADEMARK LAW AND PRACTICE

AI is already having an effect on trademark practice. AI is used in trademark clearance searches by some services, notably when it comes to the comparison of logos and similarity levels, including conceptual similarity. Similarly IP Offices explore and employ AI solutions for their similarity tools. On 1 April WIPO 2019 launched its state of the art AI based search tool for brands which improves on earlier-generation image search tools. It primarily determines trademark image similarity by identifying shapes and colors in marks. This technology uses deep machine learning to identify combinations of concepts – such as an apple, an

eagle, a tree, a crown, a car, a star – within an image to find similar marks that have previously been registered. WIPO states that *"the new technology results in a narrower and more precise group of potentially similar marks, facilitating greater certainty in strategic planning for brand expansion into new markets. With fewer results to scrutinize, this also translates into labor-cost savings for trademark examiners, attorneys and paralegals, industry practitioners and researchers."* Other national IP Offices, including the EUIPO, the Russian Patent Office and the European Patent Office, are also exploring the use of AI technology in supporting the examination process.

Another important point to consider in this context is that trademark laws are currently based on human perception. It is *"the average consumer who is reasonably circumspect, with an imperfect recollection..."* whose perspective is relevant when it comes to similarity. Similarly, when it comes to likelihood of confusion, it is again the consumer and the consumer environment which is relevant. AI is also used in the brand conception space, whereby an algorithm is programmed to look for patterns in a group of names before suggesting new variations, to produce AI-generated names. The same technology could be employed in the assessment of conceptual similarity.

While some argue that a computer does not work, act or perceive like a human, AI is however increasingly influencing human decision making by providing product suggestion and product purchasing for them. Latest AI developments include predicting consumer loyalties and predictive shipping of goods to consumers based on these perceived loyalties. So, what if AI does the shopping for you (e.g. via an AI home device)? On what basis will the AI application do this: based on your previous brand loyalty or on your nutritional preferences? Also, AI is not as easily confused as the average human consumer and much better at distinguishing differences, so whose perception should be relevant? Furthermore, existing law does not necessarily support a finding of trademark or other IP infringement that is independent of human actions.

However, what if AI "infringes" third party trademarks (e.g. in the sphere of product suggestions)? Should such cases be decided similarly to keyword advertising cases or does the law require a completely new approach? Only time will tell but at the rate AI is changing how we work and shop, these changes are likely to come sooner rather than later.

The merging and blurring of product and service lines leads to increasing challenges for brand owners

Traditional market places are evolving: supermarkets now offer financial products such as insurance and investment products. Watches now cannot only tell the time, but, can telephone people, monitor your heartrate and enable you to order dinner online. Sports brands not only provide sports clothing and footwear but also apps to track and monitor your fitness and well-being. This expansion of goods and products, mainly, but not solely led by advancements in technology and consumer behavior, has led to an impact on the scope of trademark specifications requiring additional classes to be added in addition to the product or services originally filed for.

This can cause problems particularly where clearance searches were carried out without diversification in mind (and who could have imagined the evolution that has now been made in some of these industries?). Prior marks in different classes which previously looked harmless can now cause problems if a brand owner wants to enter into a new, previously unimaginable, product or service line. Here, non-use provisions can be utilized if the “difficult” mark is no longer in use. A co-existence agreement may be a practical work around, although formally agreeing to limit future diversification may not be a good long term strategy.

We are also seeing changes in trademark registration strategies; with non-traditional trademark registrations such as shape (for non-functional shape elements) and color becoming more widely used, as well as design registrations being applied for to protect non-functional design elements of customer facing products. As consumers become more and more sophisticated the use of a distinctive color, smell

or sound does produce brand recognition. (See our article *“Sweet smell of success”*, page 13).

This does however, provide interesting times for trademark strategy both from the trademark clearance and prosecution side and from enforcing rights against third parties.

Clearance searches: At the outset of any new clearance search it is pertinent to have an understanding of where the product or service or business might go and how it might evolve. Close discussions with the business team might be needed to understand the market and future potential to ensure thorough searches are conducted to prevent issues in the future.

Prosecution: Although the vision may be there to enter into a new product or service line, whether applying for the additional class will give away a business’s confidential direction, or leave aspects of a trademark registration vulnerable for non-use if the mark is not used within the requisite time, must be part of the decision making process when deciding on the prosecution strategy.

Enforcement: The merging and blurring of product and service lines means a brand owner has to be increasingly vigilant about what is happening in the market and the new entrants moving into their space. In some jurisdictions the inability to take quick action can prevent remedies such as intermediary injunctions from being granted, and may also provide the new entrant time to show there is no confusion between the brands, which may enable them to defend a claim of infringement.

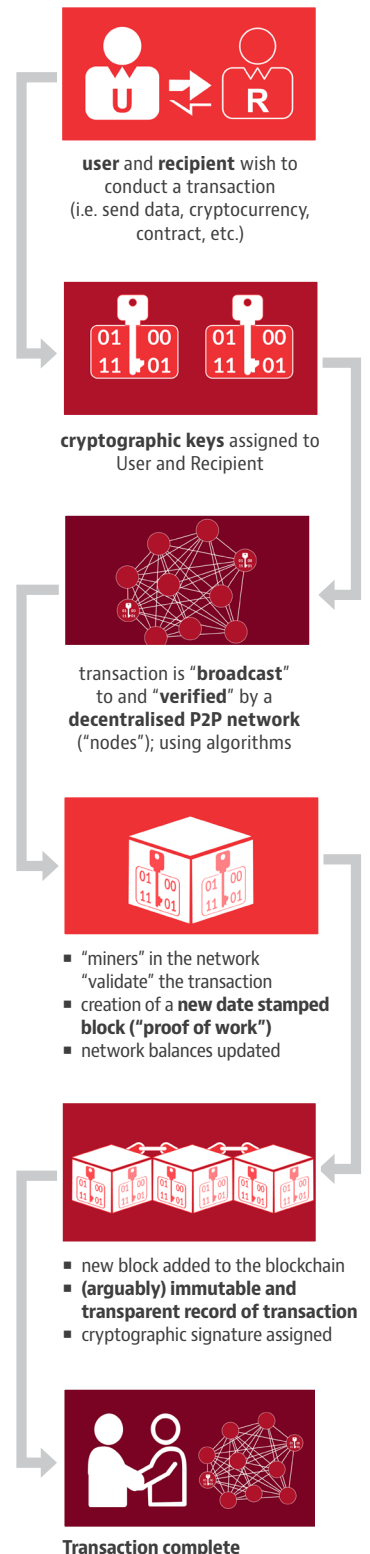
How can blockchain technology benefit intellectual property rights owners?

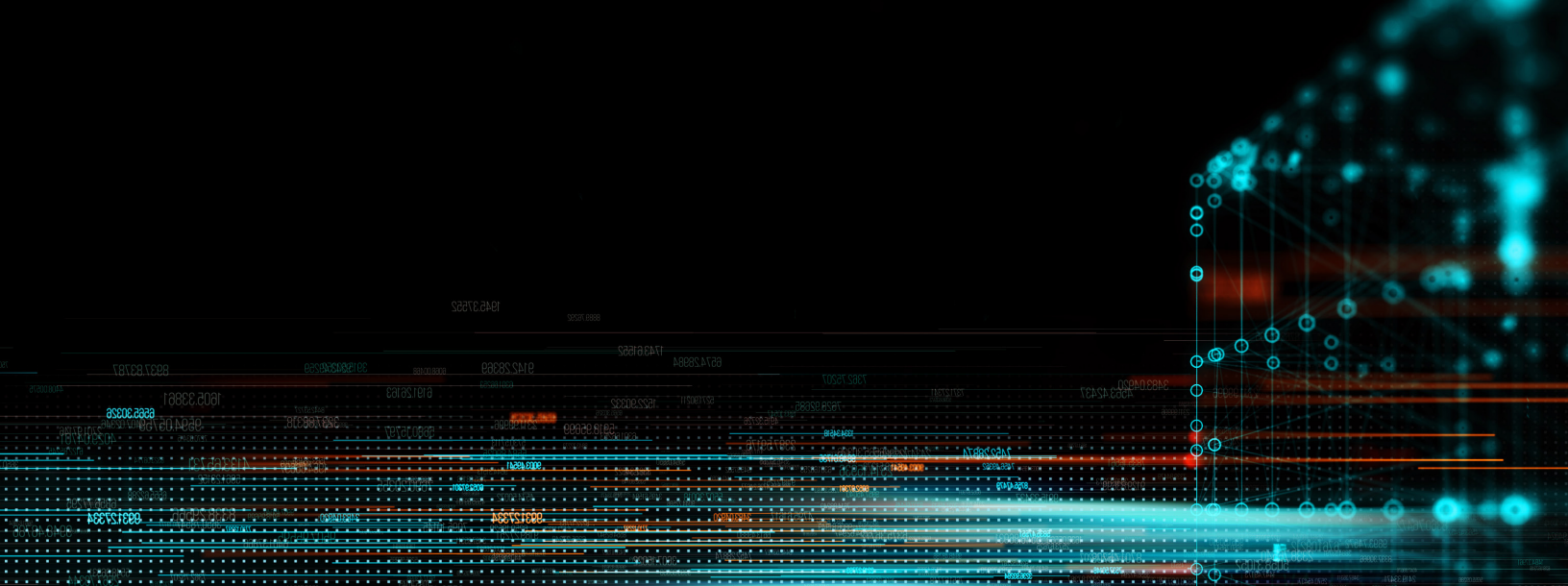
Blockchain and related distributed ledger technologies (DLT) have been a hot topic recently, but how might these technologies benefit intellectual property rights owners?

WHAT IS BLOCKCHAIN?

Blockchain technology is the technology behind the cryptocurrency Bitcoin and the Ethereum platform. In its basic form, it is an open ledger of information which is exchanged and verified on peer-to-peer networks and which can be used to record and track transactions.

From an information governance perspective, the real innovation of blockchain and other DLT is that it ensures the integrity of the ledger by crowd sourcing oversight and removes the need for a central authority, i.e., transactions are verified and validated by the multiple computers which host the blockchain. For this reason, it is seen as "near unhackable" as a cyber attack would have to attack all copies of the ledger simultaneously and succeed in 51% of the attacks ("51% attack") to change any of the information.





ATTRACTIVE BEYOND THE WORLD OF CRYPTOCURRENCIES

What makes blockchain technology so attractive - not just to financial technology companies but for a large variety of IP heavy industries - is that it creates a date-stamped, trustworthy and transparent record by allowing multiple parties to a transaction to verify what will be entered onto a ledger in advance without any single party having the ability to later change any ledger entries.

Moreover, different types of data can be added to a blockchain, from cryptocurrency, transaction and supply chain information and contracts, to data files, photos, videos etc. It is therefore not surprising that DLT is already firmly on the radar of various governmental agencies, including the EU Commission, US Congress, the European Union Intellectual Property Office (EUIPO), the Russian Patent Office (RosPatent)

and the World Intellectual Property Office (WIPO). Earlier this year the EUIPO hosted its inaugural "Blockathon", challenging 11 teams of developers to develop anti-counterfeiting solutions based on blockchain over a 48 hour period. The Australian IPO last year explored a proof of concept for a smart trademark that can be used to track trademark bearing goods in the supply chain and WIPO held a two day workshop on blockchain standards in April 2019.

APPLICATIONS IN THE WORLD OF IP

The utilization of blockchain technology for the management of intellectual property rights is vast and could conceivably cover the registration of IP rights, evidence of creator/inventor/author, and evidence of use. Blockchain technology is also seen as a promising solution for digital rights management, which is an often time consuming and challenging task.

In the context of IP heavy industries, blockchain could be utilised for a multitude of purposes including:

- record keeping: providing an immutable, secure, timestamped record of the creation of IP
- to register and clear IP rights
- to control and track the distribution of (un-)registered IP rights
- to provide evidence of first use in commerce/trade and/or (genuine) use of a trademark
- to establish and enforce IP contracts, licenses etc. through smart contracts
- digital rights management to transmit payments in real-time to IP owners
- for authentication: detection of counterfeit or fake goods
- provenance: detection and retrieval of stolen goods
- detection of grey or parallel imported goods
- enforcement of exclusive distribution networks
- blockchain based trade secrets inventories and smart NDAs



SMART IP

The idea of “smart IP Registries”, with the ability of having a digital ledger showing when the mark was registered, first and/or genuinely used in trade, licensed, etc. may appear attractive and resourceful to some brand and IP rights owners. Not only would this be an immutable record, but it would also resolve the practicalities of collating, storing and providing such evidence. This could be particularly helpful in those jurisdictions where proof of first or genuine use is required or where the extent of use is crucial, such as in disputes or other proceedings involving recognition of well known marks, or defending a non-use revocation action.

The ability to safely secure information on a blockchain ledger is also highly relevant within the context of non-registered IP rights where disputes frequently revolve around ownership, creation and use. This could be relevant to create a record of goodwill, the use of unregistered trademarks, conception of unregistered designs and copyright, which is not a registrable IP right in some jurisdictions. The ability to have a blockchain database for unregistered IP rights, such as copyright-protected works, is already being developed by several blockchain business startups.

SMART CONTRACTS

Often cited in the context of blockchain is the concept of “smart contracts”. As some blockchain solutions can hold, execute and monitor contractual codes, such “smart contract performance” could be of interest to pharmaceuticals outsourcing manufacturing and other IP transactions. Smart contracts could be used to establish and enforce IP agreements, such as licenses, and allow

the transmission of payments in real-time to IP owners. In addition “smart information” about intellectual rights of protected content could be encoded in digital form.

ANTI-COUNTERFEITING, TRACEABILITY AND SUPPLY CHAIN MANAGEMENT

According to a recent report by the EUIPO, Trends in Trade in Counterfeit and Pirated Goods, the volume of international trade in counterfeited and pirated products in 2016 amounted to as much as USD 509 billion (EUR 460 billion). This represents up to 3.3% of world trade and an increase from 2.5% of world trade in 2013.

Blockchain technology can be used to record and track where a product was made and by whom.

A ledger showing who owns what and who is an authorized licensee may enable customs and consumers alike to validate a genuine product from a fake. The ability to track goods on blockchain record could assist IP-heavy companies enforce their contractual arrangements regarding distribution, spot leaks in their - often fragmented - distribution system as well as assist in identifying parallel imports or gray market activity.

The ability to add blocks of data to the chain also creates opportunities for manufacturers to record details about a product’s progress through stages from sourcing the raw materials to manufacturing and supply chain management and control. Due to its traceability features, DLT has potential for revolutionizing companies’ own anti-counterfeiting and enforcement efforts and may in due course also be a feasible solution for customs programs

to prevent global trade in counterfeit product. It also ties in with legal traceability requirements, e.g. those in the pharmaceutical industry.

Such technology already exists, e.g. London-based Qadre's blockchain solution is currently being tested by several large pharmaceutical companies. DLT ledgers holding IP rights information could also enable brand owners, consumers and official authorities, including customs, to verify the authenticity of a product, spot counterfeit products and provide confidence for purchasers. Walmart has been working with IBM in relation to digitizing their supply chain. The Australian IP Office last year developed a proof of concept for a blockchain based "smart trademark" which allows to track goods bearing Australian trademarks in the supply chain.

BLOCKCHAIN EVIDENCE IN COURT

Blockchain's potential for recording evidence has been recognised in recent Chinese court decisions. The Chinese Supreme People's Court¹ issued a judicial interpretation on the hearing of cases by the country's newly created internet courts which allows, inter alia, for evidence which is stored and verified on blockchain platforms to be used in legal disputes. China's Hangzhou Internet Court in in a July 2018 decision accepted blockchain-based evidence in an online copyright infringement case on the premise that the technical verification was consistent and other evidence could be mutually verified. Similarly, the current European eIDAS (electronic identification and trust services) regulation includes a provision that prohibits courts from denying the legal admissibility of timestamps as evidence on sole grounds that the timestamp does not meet the more stringent requirements of an EU-qualified timestamp.

OUTLOOK

While there remain potential hurdles to the large-scale legal application of DLT within IP law, (including technical scalability, recent 51% attacks to the Ethereum network, questions of governing laws and jurisdictions, enforceability of smart rights, data security and privacy concerns), reliable rules and definitions for smart contracts, blockchain technology is fast becoming mainstream and it is definitely an exciting time for brand owners looking to explore the potential of blockchain.



Taking over a trademark portfolio – the nuts and bolts

In Baker McKenzie Global Transactions Forecast 2019 publication, we reported that the global transactions market was robust in 2018, and 2018's momentum will continue into 2019. But in terms of trademarks, what happens when a new brand is acquired? We go through the basics from an IP transactional perspective.

HAVING DECIDED TO ACQUIRE A BRAND, WHAT ARE THE FIRST STEPS FROM A TRADEMARK PERSPECTIVE?

Acquiring a new global brand is an exciting time for any company, but particularly when a lot of the value in the deal is likely to relate to IP rights. From the outset it is important to do thorough due diligence and involve IP specialists.

From a trademark perspective all rights will need to be carefully identified before they can be assigned to the purchaser. Common issues at this stage include the trademarks not being in the seller's name (but in the name of an associated company or previous owner), records being incomplete, previous assignments not being correctly recorded and marks being the subject of ongoing disputes. Another issue is, as markets diversify, whether the trademark registrations currently in place adequately protect actual or potential diversification into new markets or products. The extent of these issues can impact the purchase value as well as the likely fees incurred in effecting the assignment so it is important that these are looked into and identified at the outset

and discussed with your IP legal team. Some issues may be addressed straight away and the IP legal team can start working out a strategy immediately on how to assign the assets correctly and efficiently. Waiting until the end of the deal to attend to the IP assets is a very bad idea and could have negative consequences on the date of closing.

WHAT DOCUMENTATION IS REQUIRED?

The Sale and Purchase Agreement may reference the assignment of the necessary IP, however it is often advisable for separate local assignments to also be executed. This is particularly pertinent where copies are required to be filed for recordal purposes and will be a matter of public record.

WHAT "POST DEAL" FORMALITIES ARE REQUIRED?

After the acquisition, it is often necessary (depending upon the jurisdiction) to record the change in ownership at the IP registry. This may be as simple as filing a form and the recordal being effective in a few weeks, to having to register numerous documents, official forms, powers of attorney, copies of the assignment, with documents requiring certification, legalization, notarization and/or translation.

HOW LONG DO THESE RECORDALS TAKE?

In some jurisdictions, this can be quite a quick process, i.e. a matter of days or weeks. In other jurisdictions the process can take months or even years!

WHAT ARE THE CONSEQUENCES OF NOT RECORDING THE ASSIGNMENT?

Failure to do so may have severe consequences, such as not being able to rely on the trademark in enforcement proceedings, or not being able to claim for any damage caused by infringement, making the mark vulnerable to non-use as you are not the registered owner as well as fines and financial consequences. Knowing the ins and outs of these issues enables you to have a recordal strategy so any complications are limited, where possible.

WHAT CAN MAKE IT EASIER?

There are many local nuances to processes and procedures, so use an experienced team to manage your recordal projects. Also be cautious about offering warranties to the selling party about how quickly this will be completed – as the length of time it takes may be outside your control but dependent on the efficiency and processes of IP registries. Take advice from your lawyers after reviewing the jurisdictions involved. Key questions to ask are:

- When does the legal title transfer to the assignee?
- How long will an assignment recordal take?
- What are the consequences of not recording the assignment?
- How much will it cost (including all official fees and legal fees)?
- Having a clear strategy and upfront conversations on these issues enables parties to manage risk (for example in those countries where taking enforcement proceedings cannot be started until recordals have been effected) and manage expectations (both in terms of time and cost of the recordal project).

Asking these questions can also assist in managing the internal business team's expectations, as the length and cost of this part of the project might not be on their radar.

HOW DO BAKER MCKENZIE MANAGE RECORDAL PROJECTS?

At Baker McKenzie we have extensive experience of IP recordal projects and have established a database of pro forma assignments, official forms and process requirements, information on timings, costs and consequences. Within our network of Baker McKenzie offices and trusted agents, we are able to advise early in the deal on due diligence issues and assist with addressing any potential problems at the outset, and then effectively and efficiently manage post deal obligations for recordals in accordance with an agreed recordal strategy.

WHAT OTHER COMPLICATIONS CAN ARISE?

Where parts of trademark portfolios are divested it is common for there to be issues around shared IP (which is used in the seller's retained business as well as the business which is divested), staged closings or ongoing supply arrangements. This often means that careful thought about the timing of transfer of the brand IP and entering into transitional or ongoing license arrangements is necessary. When structuring transfers and licenses of trademarks for these purposes, brand owners should consider how to fairly allocate the risks, costs and responsibilities of ownership of the trademark portfolio, levels of exclusivity required in licenses and how best to safeguard a reputation of a trademark which will be used by multiple parties.

A hand holding a perfume bottle with a spray of light particles against a dark background.

Sweet smell of success: securing the first Mexican scent mark registration

Our Mexico team were successful in obtaining the first registered scent trademark in Mexico. Our Mexico trademarks team talk us through how this was accomplished and what challenges they faced.

CHANGES TO MEXICAN TRADEMARK LAWS

An amendment to the Mexican Industrial Property Law was enacted on 10 August 2018. This amendment allows registration of non-traditional trademarks, such as scent trademarks. In anticipation to such amendment, one of our clients had expressed an interest to obtain a scent trademark registration in Mexico. We had several meetings with the Director of the Trademark Department of the Mexican Industrial Property Institute's (IMPI), as we wanted to understand how a scent mark application was going to be prosecuted, try to get a grasp of how the application would be formatted and what would be the required information.

A RACE AGAINST THE CLOCK...

Our aim was to secure the first scent mark application and registration in Mexico for our client and we were ready for the challenge. The filing applications for all non-traditional trademarks were not released until 12am on 10 August 2018. We were therefore constantly monitoring for the release of the necessary application forms. Upon release, we immediately started working on the application for the registration of the scent mark.

This proved to be a complicated task since this was the first time we had seen the application and a scent application per se was new ground to us. We studied the filing application and the information required in much detail. Our team's dedication, expertise and contacts in the perfume industry proved to be of paramount importance for the correct and technical drafting in Spanish of the scent description.

At 7am we faced a new challenge: the application format was new, the printer did not recognize the new measurements and the application could not be printed

in its entirety. The clock was ticking, the IMPI was about to open and our goal was to file the first scent mark application. This is when we involved our whole paralegal team and, after many attempts and lots of running to the printer, we were able to print a complete application.

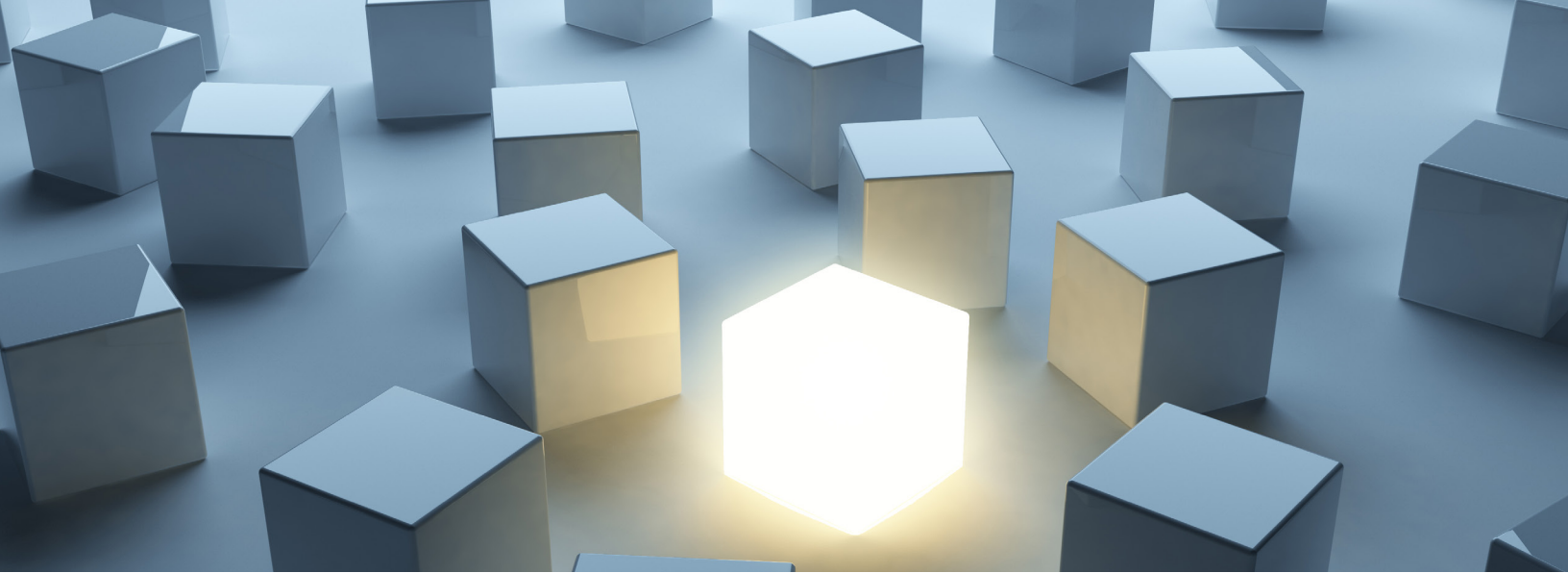
We raced to IMPI where another of our team members was already waiting for us. We coordinated with him so that he would stand in the line for filing applications just as we were entering to IMPI's facilities. It is through this coordination, team work that we filed the first scent mark application in Mexico.

We also kept in touch with the IMPI to ensure that we could address any queries swiftly and were delighted when we received the news from the Trademark Director who informed us that our client's scent trademark would be the first scent registration to be granted in Mexico.

By obtaining this registration, our team set precedent as the first non-traditional scent trademark registration to be granted in Mexico.

TAKEAWAYS

- The biggest challenge we faced, was the description of the scent, but we closely worked with our contacts in the perfume industry whom assisted us in the correct and technical drafting in Spanish of the scent description, we then sat with the Trademark Director in order to verify whether the proposed description met the IMPI's requirements, and it did.
- Another obstacle was that the application's format was not previously released to the public. We did not know how the application was going to be configured or the information which was to be requested. The new format was a challenge due to the time constraints but our team proved very resourceful in overcoming this hurdle.
- Non-traditional trademarks are attracting a lot of interest in Mexico and the filing figures are steadily increasing. As a hint or tip, for non-traditional trademarks, we recommend working collaboratively with the IMPI. IMPI's examiners are learning, as well as the IP lawyers, so you need to work together to fill the expectations of the Authority.



Genericide: don't be a victim of your own success

The term “brand genericide” has been used to describe the process where a trademark owner, mostly unknowingly, participates in the destruction of the distinctiveness of its trademark. Trademark history is full of examples of marks – often for innovative products – that have become generic: Linoleum, Escalator, Shredded Wheat, to name but a few.

Read on for practical tips to prevent your trademarks from becoming a common descriptive name and potentially entering the public domain.

HOW DOES IT HAPPEN?

Provided it is used and policed properly, a trademark or “brand” should be able to retain its essential function of denoting trade origin. It is only once improper use of a trademark, either by its owner or third parties, leads to consumers using a mark as descriptive “name” of a product or service, that the mark’s “distinctiveness” is put at risk. Marks are at high risk where there is no generic term per se, i.e.

where the trademark owner is the “inventor” of a new product or service and where the mark is likely to be adopted as the product’s name in everyday language. Somewhat ironically two of the biggest risk factors are the popularity of a brand and the proprietor itself. A contributing factor appears to be how consumers instinctively tend to pluralize brand names and/or turn them into verbs (so-called “verbing up”).

WHY DOES IT MATTER?

Brand genericide can have severe legal consequences and ultimately result in the loss of the trademark itself. European trademark law expressly recognizes that a proprietor may contribute to the demise of his mark by inappropriate behavior and/or a lack of policing. A trademark can be “revoked” by third parties if “in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered”.

Similar rules exist in other jurisdictions and are therefore important for owners of global brands. Under US law a registered trademark can become the generic name for the goods or services on or in connection with which the mark is used where the “owner fails to use the mark correctly on its goods or services and in advertising, fails to prevent infringements and generic uses, or fails to educate the public as to the proper generic name for the goods or services”. Once a mark is generic, it is in the public domain for use by everyone, including the original owner’s competitors. A (legal) reversal of this process is difficult at best and in many cases impossible.

HOW TO STOP BRAND GENERICISM?

The risk of losing a trademark to “genericide” is amplified in the digital age we live in. However, where a mark is at risk of becoming generic, it is crucial that brand owners intervene as early as possible, as the law focuses on the trademark owners’ acts or inactivity. Trademark owners should be disciplined and ensure that all employees, licensees and any other persons permitted to use the mark observe the following brand survival rules:

- Use trademark symbols: ™ (for unregistered marks) and ® (for registered marks), which serve as notice to third parties. Note, however that it is a criminal offence in a number of jurisdictions to use the ® symbol where a mark is not registered.
- In advertising and other communications, trademarks should always be differentiated from any accompanying text to allow consumers to distinguish between the mark and generic product names.
- Use a non-proprietary term or an alternative generic name (“M&M’s chocolate”); together with the mark.
- Enforce correct grammatical usage and avoid variations (e.g. spelling changes, abbreviations, plurals) since they signal that improper usage is acceptable. Don’t “verb up”.
- Misuse of the mark in the media, dictionaries and directories should be dealt with promptly and systematically, which includes sending letters of complaint and keeping records of the responses. Following the implementation of the EU Trademark Directive 2015 in the UK, e.g., a court action may now be brought by a trademark owner where in a dictionary, or similar publication, a publisher refuses to amend reference to a registered trademark as a generic term, and where such reference is incorrect. If the publisher refuses or doesn’t react suitably promptly, the trademark owner may apply to the UK High Court which can order the publisher to correct or amend the entry and may even order to destroy those editions of the publication.
- Educate consumers, employees, licensees and affiliates. Consider deploying social media strategies to teach consumers how to talk about their brand. This is nothing new of course: in the early 1900s Coca Cola famously used advertising to dissuade the public from asking for a “coke”. Their slogan campaign was “Ask for it by its full name - then you will get the genuine.” Other famous education advertisements include Nestlé’s slogan “Using NESCAFÉ incorrectly makes it hard to swallow” to prevent misuse of its NESCAFÉ trademark as a common “generic” descriptor for soluble coffee.
- Consider the potential (media) consequences of a complaint, especially in a social media context to avoid the so-called Streisand effect.

TAKEAWAYS

Owners should ensure that they use and police their trademarks effectively from day one. Effective prevention of trademark genericism means that a (registered) trademark will not only maintain its distinctive character and intrinsic brand value but also that it remains enforceable against infringing third parties.

Under the influence: Social media marketing best practice



The growth of the global online market place has had a huge impact on consumers and IP owners alike. Global total retail sales have gone from 7.4% in 2015 (being 2.3 trillion USD) with projections of a rise to 17.5% in 2021. The rise on the online market place has led to changes in consumer behavior as well as the establishment of new business models and practices. It has also led to the need for new regulation on online e-commerce interactions and behavior. One area where we have seen a wave of legal issues arise is the use by brand owners of Social Media Influencers.

In this article we set out some guidelines for brand owners engaging with Social Media Influencers and look at some recent scenarios which have caught the attention of regulators.

WHAT IS A SOCIAL MEDIA INFLUENCER?

In short a Social Media Influencer, or Influencer, in this context, is someone who has established credibility in a certain industry or area and can influence the economic behavior of their followers. They might be a vlogger, a blogger, a celebrity, or anyone with an online presence and engaged following (such as Mrs Hinch, a UK Instagram "star" whose love of cleaning has resulted in a book deal).

WHAT ARE THE PROS AND CONS?

The appeal of marketing using Influencers is that the marketing often appears more natural and subtle, it can be relatively cost effective for the brand owner when compared to the costs of launching a major ad campaign,

and by picking the right Influencer for your target market you can create strong connections with the target audience - particularly if this is a new audience for the brand. It also creates a suggestion of independence from the brand and therefore, potentially, a more authentic review of the product - although this is changing with the requirement of adequate disclosures.

Many online platforms allow Influencers to direct their followers to the products they market, which provides another avenue for sales growth for brand owners. Platforms such as Instagram are also looking to include functions that allow Influencers to directly 'tag' the products they market, and since March 2019 Instagram users have been able to make purchases without ever leaving the app.

Increasingly brands are turning to so-called micro- and nano- Influencers who have modest follower numbers, but whose followers are more engaged with the Influencer as a result. Some brands encourage their employees to post content which is potentially misleading where, such posts are not appropriately labelled.

This is where issues can arise, as one of the major risks of using Influencers to promote your brand is that this can inherently result in less control over how your brand is being presented. This may expose the brand to claims that such advertisements are misleading consumers, and whilst brands may not be uploading the posts themselves, they will still be at the receiving end of any enforcement action as well

as reputational damage by association with an Influencer who has mislead consumers. In addition, even if compliant, misjudgment of public opinion may cause the campaign to backfire, and consumers are getting more savvy and critical of over-staged, over-filtered, contrived photos in order to promote third party products. We are also seeing some Influencers and brands facing backlash on social media in relation to some of their promotional practices.

HOW ARE INFLUENCERS GOVERNED?

Many jurisdictions are still establishing rules regarding the use of Influencers, but others such as the US and UK have published guidance around best practice in this area.

Here are our own guidelines to consider when contemplating the engagement of an online player to promote your brand.

1 Choose your Influencer carefully...

The Influencer needs to be able to connect and engage with your target audience (see Mr Bags text box). But they must also have the same ethos as your brand, as it is their lifestyle, hobbies and behavior that is being associated with you. Appropriate due diligence on an Influencer should be carried to investigate how many followers they have, what channels they use, who their followers are, what they post about, who else they represent. In addition you will need to satisfy yourself that they are aligned to the product and do not have (or have held) values that are contrary to those held by the brand.

2 Reviews and recommendations need to be truthful

To have reviews and recommendations that are not truthful not only undermines the integrity of the brand but could also lead to legal action being taken. In a recent US Federal Trade Commission (FTC) action, a weight loss supplement company engaged a third party website to write and post fake reviews. These were intended to look like they were written by actual purchasers. Allegations of false and unsubstantiated claims relating to the effectiveness

of the weight loss product were also made. The FTC brought an action under Sections 5(a) and 12 of the FTC Act which prohibit false advertisements, resulting in a court order of 12.8 million USD to settle the complaint which would be suspended upon payment of \$50,000 to the FTC and the payment of certain unpaid income tax obligations. If the defendants were later found to have misrepresented their financial condition to the FTC, the full amount of the judgment would immediately become due.

3

The relationship must be disclosed together with any payments, discounts, free products or other perks

The relationship between the brand and the Influencer should be a transparent one. Regulators are taking this issue seriously and in January 2019, the UK Competition and Markets Authority announced that it had secured “formal commitments” from 16 celebrities including Rita Ora, Millie Mackintosh, Jim Chapman and Louise Thompson that when endorsing products they will make it clear that they have been paid or received any gifts or other benefit relating to those products. The CMA also released a guide for social media endorsements which aims to encourage Influencers and brands to be more transparent.

4

Check whether there are additional regulations in your particular industry

In relation to the advertisement within certain industries, there may be additional regulations and requirements. For example, tobacco, alcohol, medicines, food, cosmetics, financial services. It is important to ensure the Influencers knows what is acceptable and what is not.

5

Contracts with Influencers

Where a brand wants to exert control over an Influencer (which in the UK at least, when present in combination with payment of some form will result in Influencer posts being considered advertising for the brand) it is good practice to enter into an agreement with the Influencer.

The agreement may include:

- restrictions on business activities and affiliations that could damage the reputation of the brand
- a termination right in the event the Influencer behaves in a way that could negatively affect the brand. No one can predict what will happen to a Influencer, and in the world of celebrities their popularity and public approval can go up and down - it is best to have an exit strategy if the Influencer no longer fits the brand
- an option for pre-approval of posts
- details of disclosures the Influencer should make
- obligations regarding minimum posts/references
- obligations regarding attendance at events or other promotional activities and a portion of their compensation tied to fulfilling the different obligations
- an overarching requirement that posts and comments must be truthful, honestly held and not misleading
- a requirement that any claims made about the product or service must be substantiated and ideally from a pre-approved list

Tao Liang, aka Mr Bags, is a hand bag social media phenomena. He has over 3.5 million readers on Weibo, China's biggest social media platform, and more than 850,000 followers on WeChat, a messaging app similar to what's app. This highly successful Influencer has teamed up with a number of hand bag brands to promote limited edition pieces aimed at the Chinese market on "Baoshop", his Mini Program shop within WeChat.

- In 2017 he sold 1.2 million RMB worth of Givenchy handbags in 12 minutes.
- In 2018 Mr. Bags helped Tod's sell 3.24 million RMB worth of handbags in 6 minutes. The handbags were priced at 10,800 RMB (about \$1,600) each.

This example illustrates the gains that can be made by teaming up with an Influencer with local knowledge and following to target a specific jurisdiction or target market.

"Brexit" deal or no deal and the impact on your IP - what do you need to do now?

As the political uncertainty about Brexit continues and the UK has now been granted a flexible extension until 31 October 2019 by the EU27 to leave the EU, we provide an up to date summary of the two most likely outcomes for rights owners: (i) an updated deal, most likely substantially in the form of the Draft Withdrawal Agreement, or (ii) a "no deal", or hard Brexit.

While there seems to be little political appetite - on the side of the UK parliament at least - to leave the EU without a deal, we provide practical advice to IP owners as to what to do now to be prepared for all eventualities. Despite the wider uncertainty surrounding the UK's exit from the EU, the publication of the "Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community" (Draft Withdrawal Agreement) of November 2018 and the subsequent Statutory Instruments dealing with a no deal Brexit published by the UK Government, mean that there is some clarity on the EU and UK positions on IP rights as a consequence of Brexit.

UNCERTAINTY ABOUT "DEADLINES"

Should the UK leave the EU with an "amended deal" then it is currently expected that the terms of the already negotiated Draft Withdrawal Agreement would remain largely unchanged. What remains unclear, however, is how the latest extension of the Brexit deadline would affect the various deadlines under the Draft Withdrawal Agreement, notably that of the "transition period". We set this out in more detail below.

PRACTICAL TIPS FOR IP OWNERS

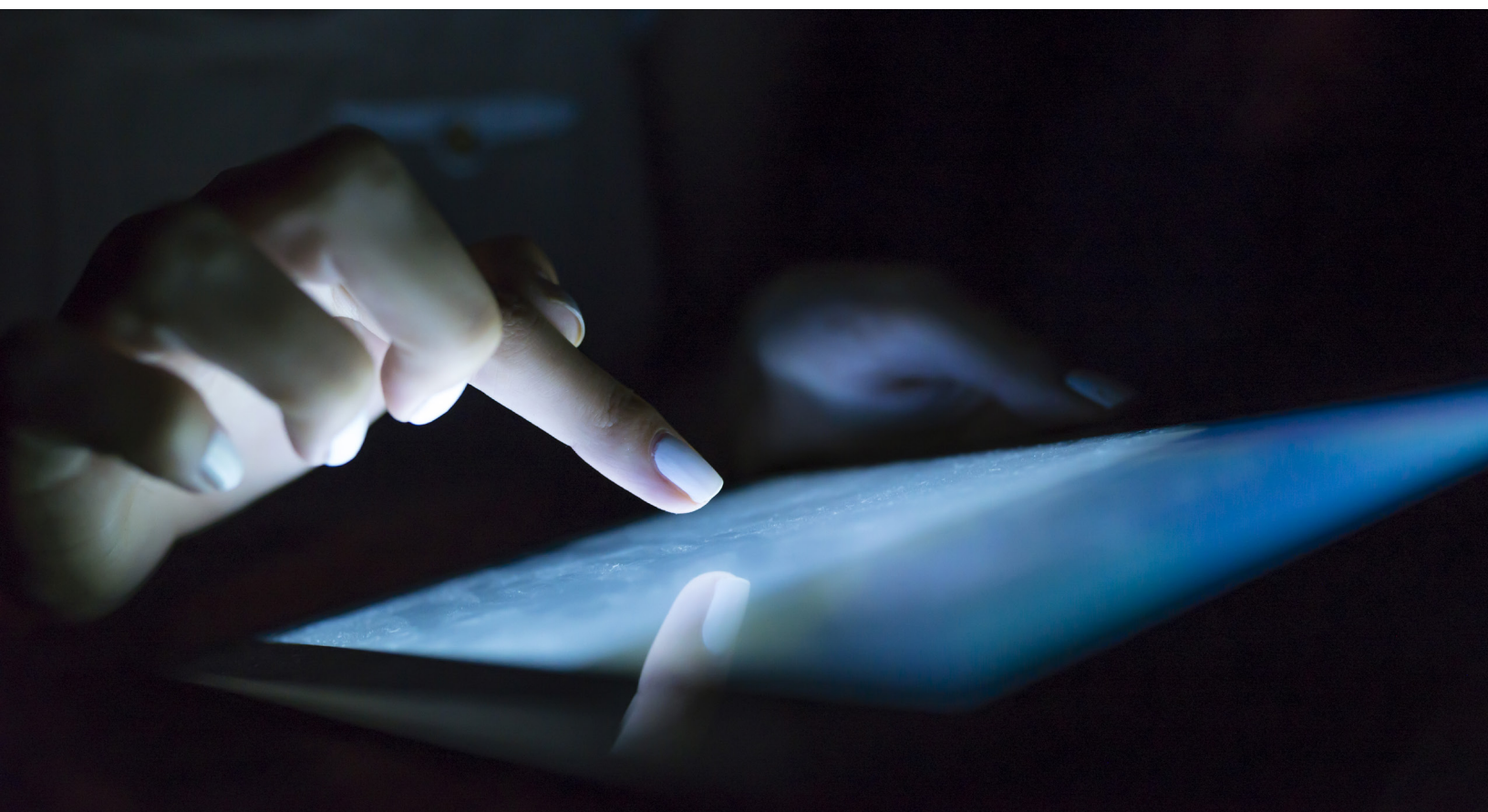
License / Co-existence agreements

- Existing and future license and co-existence agreements, brand-sharing agreements, etc. may include a definition of the territory which refers to the EU. Any new agreements that include a definition of the EU (e.g. as the territory) should be clear whether it is the EU as constituted at the date of the agreement or as constituted from time to time. Review significant existing IP agreements that refer to the EU as a territory.

Trademarks and designs

- Whether there is no deal or the UK leaves under the terms of the Draft Withdrawal Agreement, there is no need to re-file registered European trademarks ('EUTMs') as new UK national applications. Use in the remaining EU27 within the five years prior to the date of exit which would be sufficient to maintain the corresponding EUTM will also support the validity of its UK clone.
- For now, and until we have more certainty regarding the timing of exit, dual filings for new trademarks (UK and EU) are not generally considered necessary. The exception to this is where it is expected that a EUTM application would not mature to registration before 31 October 2019, e.g. because of an anticipated opposition. EUTM applications which do not encounter official or third party objections normally proceed to registration within four months, so applicants filing up until the end of June would be likely to benefit from the automatic 'cloning' the UK IPO intends to perform even if we exit with no deal. An exit under the terms of the Draft Withdrawal Agreement would provide even more time for EUTM applicants before dual filing would be generally recommended.

- For pending EUTMs, we do not recommend re-filing now as new UK applications and instead recommend waiting in order to take advantage of the automatic cloning if the EUTM application matures to registration prior to the date of exit, or, failing that, the 9-month period (either from the date of exit in case of a no deal Brexit or from 31 December if the Draft Withdrawal Agreement is confirmed and the transition period is not recalculated) during which applicants can re-file pending EUTMs as UK national marks, while retaining the priority date (including any seniority date for the UK). Note, the same costs would be incurred as if you were filing a national UK application and no automatic notifications will be issued by the Registry, so this will need to be monitored by EUTM applicants or their representatives.
- For EUTM designations under the Madrid system for International trademarks, the same recommendations apply. However, note that in the event of a no deal exit the corresponding UK cloned registration or actively applied for UK application will be national rights, not EU designations.
- Consider the impact on your administrative support functions of the “cloning” of new UK trademark and design registrations. Records will need to be created and updated for any “cloned” trademarks to ensure proper tracking of renewals and other deadlines.
- Consider now (in advance) whether you may want to opt out of cloned UK registrations in the event of a no deal exit, although note that it is anticipated opting out might incur a fee. If a fee is charged, it may be more cost effective to simply allow cloned UK registrations that are not of interest to lapse on renewal.
- Review ongoing EU disputes that have UK prior rights as their basis, as well as UK disputes that have a EU trademark as their basis and which may still be pending at the time of Brexit, i.e. anytime before 31 October 2019. The EUIPO has been suspending disputes which have a UK right as the sole basis, although this practice has been at least temporarily lifted following the grant of a flexible extension. Individual strategies are likely to be needed for such disputes.
- Review defensive filing strategies and ensure your strategy maximises the possible advantages from filing a EUTM, where no bona fide intention to use is required (unlike the UK).



Overview of IP Rights under the Draft Withdrawal Agreement vis-à-vis a no deal Brexit

	Draft Withdrawal Agreement	No deal Brexit
Timeframe	"Transition period" this would run from 1 November 2019 to 31 December 2020 if the originally agreed timeframe is confirmed or an extension of the transition period beyond.	"Brexit" on 31 October 2019, with the post Brexit regime now expected to be applying as of 1 November 2019.
Registered Trademarks & Designs	<p>UK government will grant owners of registered European Trademark ('EUTMs'), Registered Community Designs ('RCDs') a new UK equivalent right. In effect, a "clone" of the EUTM, or RCD with no action necessary or cost incurred on the part of the holder.</p> <p>The 'cloned' rights will not be re-examined, will enjoy the priority date of EUTM (including any UK seniority claim for trademarks).</p>	Same, except rights holders will have the option to opt out of this scheme.
	Existing EUTMs/RCDs will continue to be valid in EU27 only.	Same.
	Nine month " <i>priority</i> " period for owners of pending EUTM/RCD applications to apply in the UK for the same protection. These re-filed applications will retain the priority and seniority dates from the corresponding EU application.	Same.
	For International trademark registrations under the Madrid system designating the EU, the UK government will take measures to ensure continued protection in the UK.	For International trademark registrations under the Madrid system designating the EU, a new UK equivalent right will be granted - a "clone". However, this will be a national registration, not an IR designation.
	* The UK has joined the " <i>The Hague system</i> " for designs: as of 13 June 2018 it is possible to designate the United Kingdom in an international design application at WIPO.	
EU Trade Mark Directive	The UK has fully implemented the EU Trade Mark Directive into national UK trademark law.	

Overview of IP Rights under the Draft Withdrawal Agreement vis-à-vis a no deal Brexit

	Draft Withdrawal Agreement	No deal Brexit
Exhaustion	IP rights will remain exhausted for all goods which have been put on the market anywhere in the EEA.	Same, but in addition the UK will continue to recognise EEA exhaustion post-Brexit. The EU has made no equivalent statement and is not expected to. The UK position on exhaustion is also expected to be temporary.
Unregistered designs*	* While there is a separate unregistered UK design right under the Copyright Design and Patents Act 1988, this is a different type of right to the unregistered Community Design right and UK currently has currently no equivalent unregistered design right.	
	Existing unregistered Community Design rights will continue to be protected and enforceable in the UK for a term of protection at least equal to the remaining period of protection of the relevant Community right.	Same.
	The UK Government will have to implement new legislation for this requirement.	Creation of a new UK <i>"supplementary unregistered design right"</i> which mirrors the characteristics of the unregistered Community Design. Supplementary unregistered design rights disclosed in the UK after exit day will be protected in the UK (not the EU).
Geographical indications (GIs)	<p>Holders of GIs which are protected in the EU will be entitled to use the GI in the UK, without re-examination and will be granted <i>"at least the same level of protection"</i> as provided under the existing EU regime.</p> <p>This will apply only <i>"unless and until"</i> a future agreement between the EU and the UK enters into force and becomes applicable.</p>	<p>A new UK GI scheme which will be established <i>"broadly mirror the EU regime and be no more burdensome to producers"</i>.</p> <p>UK will no longer be required to recognise EU GI status and EU producers would be able to apply for UK GI status. To protect UK GIs in the EU, it would be necessary to file an applications on a third country basis.</p>
Patents	* UK national patents and European patents - via the European Patent Office - are unaffected by Brexit since they are independent from EU membership.	

Overview of IP Rights under the Draft Withdrawal Agreement vis-à-vis a no deal Brexit

	Draft Withdrawal Agreement	No deal Brexit
SPC*	<p>* Supplementary protection certificates (SPCs) are a specific part of UK patent law that comes from EU law.</p>	
	<p>Granted SPCs (in force or not) will remain in effect in the UK after exit day. SPCs granted but not yet in force will come into force at the end of the associated patent term as normal. There will be no need to refile a pending SPC application at the IPO.</p> <p>However, most recent guidance by the UK government (April 2019) indicates that where authorisation was granted by the European Medicines Agency, SPC holders may be asked to provide information on the equivalent UK authorisation in order to be registered on the UKIPO's Patent register.</p>	Same.
UPC	UK will be considered a member of the new Unified Patent Court during the transition period.	UK will explore whether it would be possible to remain within the UPC and UP system but if the UK needs to withdraw from the system it will ensure that UP protection in the UK is replaced by "continued protection in the UK".
Copyright	Not discussed - see to the right.	<p>International treaties on copyright will ensure that the scope of protection granted: (a) in the UK to copyright works created and/or owned by all foreign nationals and companies; and (b) in the EU to copyright works created and/or owned by UK nationals and companies, will remain largely unchanged.</p> <p>It is unclear whether the UK will voluntarily implement (aspects of) the controversial EU Copyright Directive.</p>

Overview of IP Rights under the Draft Withdrawal Agreement vis-à-vis a no deal Brexit

	Draft Withdrawal Agreement	No deal Brexit
Sui Generis Database rights*	*Sui generis database rights are a EU law creation, and post-Brexit a database created in the UK would no longer be protected.	
	Where a database qualified for protection in the UK before the end of the transition period, it will continue to be protected in the UK after its end, and rights owned by UK nationals that qualified for protection in EU Member States before exit will also continue to be protected after the end of the transition period.	UK originating sui generis database rights will no longer be enforceable in the EEA.
Trade Secrets	The UK has implemented the EU Trade Secrets Directive.	

NOTES

NOTES

Baker McKenzie helps clients overcome the challenges of competing in the global economy.

We solve complex legal problems across borders and practice areas. Our unique culture, developed over 65 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instill confidence in our clients.

www.bakermckenzie.com

©2019 Baker McKenzie International is a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner or equivalent in such a law firm. Similarly, reference to an "office" means an office of any such law firm.

This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.