

The Next iBrand

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For months, Apple, Inc. ("Apple") has kept the tech world guessing what its next iBrand would be. The secrets might have been out just now, from the unusual source the foreign trademark filings.

In June, news stories appeared about Apple's "iWatch" trademark applications in several foreign countries. From available information, Apple filed a first "iWatch" trademark application in Jamaica on December 3, 2012.¹

It is not unusual for smart businesses to adopt a strategy of early filing to protect their intellectual property. Those who neglect the importance of acting early often see great perils down the road that is paved with contentious intellectual property right ("IPR") claims. Indeed, the world of branding is well populated with costly examples of belated attempts to protect.

For companies involved in international business, it is important to note that most foreign countries have a first-to-file system for trademark registration. Unlike the United States, the actual use of a trademark is not required in these foreign countries before the trademark registration is granted. So, the first comer applicant will be first served, with the priority and the exclusive rights to the trademark. Asserting the exclusive rights, the first comer will be able to prohibit others from importing, advertising, distributing and selling the trademarked products to and within the country.

Smart businesses know this well. So do the opportunists and trademark squatters. Several hundred dollars spent by these unscrupulous operators on a trademark application first filed represents only a small investment which may allow them to exact a large ransom from the later comer brand owner.

For those businesses that have spent tremendous resources in product development and marketing promotion, the stakes cannot be higher. The fear is all that real and the risk is way too high: Trademark squatters and opportunistic operators race to register an exact or similar trademark as soon as the new brand becomes an open secret.

As to the "iWatch" case, it is apparent that Apple has taken the precautionary step, to file early to minimize the threats from the would-be IPR abusers. Experience from practice tells us that this early filing strategy is a fine example for other brand owners to follow.

It is interesting to also note that Apple has included a broad range of products in its trademark application. For example, 144 different items are listed in its trademark application in Taiwan.² By including many products and services in its trademark applications, it looks like Apple has adopted a proactive approach to prevent others from registering and using the "iWatch" trademark on products or services that are considered related to Apple's products.

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¹ Apple's Jamaican trademark application was cited in Apple's Taiwan trademark application which claims a priority filing date of December 3, 2012.

² The items include "Computer . . . , personal digital assistant manager . . . , electronic archives clip, electronic Notepad, eBook read Manager . . . , portable action digital electronic equipment . . . , wireless receives"

Most countries, including the United States, maintain a system for trademark examination. Trademarks are classified and registered according to the specific goods or services listed in the trademark applications. A typical classification system would also include multiple subclasses for various goods/services.

In U.S. trademark practice, a trademark application is examined for potential conflicts based on a likelihood of confusion standard. If the goods and/or services specified in a trademark application are similar or related to those of an earlier registered identical or similar mark, the later comer's trademark application will be rejected. The rule is that the goods and/or services of the parties need not be identical or even competitive to find a likelihood of confusion (a type of trademark conflict) if somehow they can be related in the mind of the consuming public as to the origin of the goods and/or services. The determination of the "relatedness" of the goods and services is based on the impact on the market place.

However, in many foreign countries, this test of the impact on the market is less of a factor in the trademark examination process. Routinely, foreign trademark examiners allow registration of similar or identical marks if the parties' goods/services fall in different sub-classes in the trademark classification system. So, in a trademark dispute, despite his earlier registration, the trademark owner could lose out in many of these foreign countries where the goods and/or services listed in the late-comer's trademark application are classified in a different sub-class.

To reduce the necessity of costly and time-consuming trademark opposition/cancellation proceedings or lawsuits and to minimize the risk of an adverse decision, a case can be made for defensive strategy with a sufficiently broad range of goods/services in different classes and sub-classes designations. This seems to be Apple's strategy: to proactively reduce the chance of a late comer to register an identical or similar trademark on goods and services that could be considered related to Apple's next iBrand products. Though it may cost more at the beginning, it is certainly a cost-effective alternative to time-consuming lawsuits and or expensive buy-outs in dealing with the unscrupulous operators and opportunists.

With many uncertainties surrounding trademark disputes and in light of the relatively low cost to file for trademark registration, there is much to be said about being the first to apply and to file broadly.

Now we know the next iBrand is the "iWatch." The big question might well be whether Apple's "wearables" will match up to the hyper-successes of the iPhones and the iPads.

Kam W. Li focuses his practice on litigation and transactional work in the areas of banking and financial institutions, intellectual property, unfair competition laws, international transactions, Native American issues, and related litigation. He assists a wide range of U.S. and international clients with due diligence in property transactions, as well as intellectual property strategies, protection and licensing, commercial transactions, deployment of intellectual capital, and strategic partnering relationships. Mr. Li's clients include major financial institutions, regulatory agencies, and multinational corporations and institutions in the U.S. and overseas.