



BOLETIN 2009



THE IMPORTANCE OF TRADEMARK AUDITS

ONE OF THE MOST RECOMMENDED PRACTICES DURING A COMPANY'S LIFE IS TO CARRY OUT TRADEMARK AUDITS.

TRADEMARKS ARE NOT STATIC, THEY ARE ASSETS WHICH ARE CHANGING DEPENDING ON THE GROWTH, NEEDS AND BUSINESS OPPORTUNITIES OF THEIR OWNERS, AND FOR THAT REASON, IT IS IMPORTANT TO CONSIDER CERTAIN TIME TO MAKE A REVIEW OF THEM AS WELL AS OF OTHER INTANGIBLE ASSETS, TO ENSURE THAT THEY ARE IDENTIFIED, PROTECTED AND EXPLOITED.

1. Audits as a crucial factor of business

In most cases, trademark audits are carried out as part of a main transaction, e.g. a merger, and the results derived from them are of such importance that can often make or break the deal.

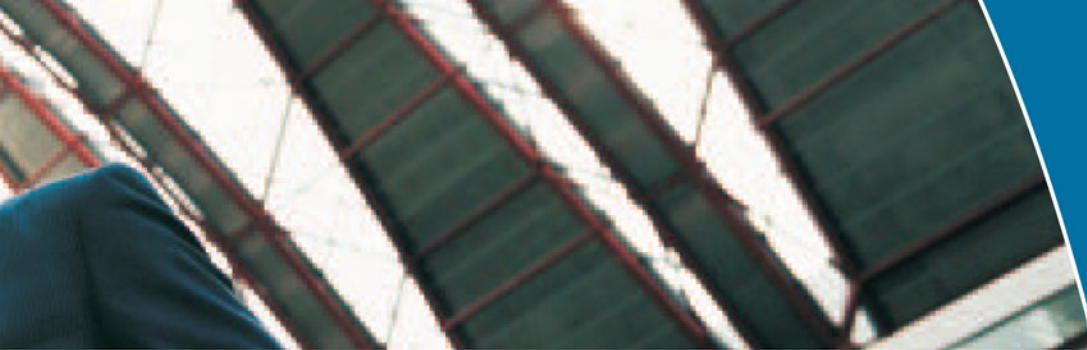
However, there is the opposite side. When trademark audits are not frequently carried out, deficiencies in the asset management arise until it appears a serious problem. In many cases, it is too late to solve deficiencies.

Consequently, negotiations as well as acquisitions or mergers can collapse and even more, trademark rights can be lost or weakened to such extent that corporation's ability to fully exploit its brands or enforce them against offenders can be affected.

2. General Benefits.

The benefits of a trademark audit include the identification of new brands and allow the full exploitation of the existing ones. At least a trademark audit must include a search which allows identifying the brands that the company usually uses, if they are registered and in use, if this use is the appropriate one. It also allows reviewing the chain of title, as well as other important information of utmost importance.

Throughout this analysis, a trademark audit will identify the assets that have not been adequately protected and



that can be impossible or difficult to defend or exploit.

While companies are aware of their main brands, a review of their product lines, brochures, websites and other marketing materials will often reveal trademarks that have not been identified.

In some cases, a company may have an expanded use of its marks into product lines or geographic markets that were not contemplated at the time of filing applications; which may simply not have been broad enough to cover new markets.

In view of the above, registrations should be broad enough to cover not only the goods/services currently provided under the mark, but ideally also those on the good/services with which the mark may be used in the future within the geographic regions of interests.

It is important to identify regions where the marks are used or will be used, where infringement may be likely, where manufacturing may occur or where a company wants to own blocking registrations.

Particularly, for companies that own EU applications or registrations, particular attention should be given to countries in Europe that are not EU members.

Therefore before establishing the countries in which a brand will be registered and the extension of the products and services to be protected it is recommended to make a cost-benefit analysis taking into account the longevity of a product line and geographic market. This increases a company's chances to obtain proper protection to exploit and enforce its mark in connection with all of the goods, services and geographical regions of interest.

3. Other incomes

In addition, one of the best reasons for supporting a



trademark audit is that it may identify opportunities to increase revenue through exploitation of trademarks not frequently used, unidentified or recently identified.

Throughout an audit, marks that are not considered to be used but are important for the company may be identified and in consequence a special strategy for their protection, conservation and exploitation may be adopted.

So, an additional source for increasing revenue other than direct sales under a mark comes from licensing. As with acquiring companies, of primary concern to a licensee will be the value of the brand, including whether or not it has been adequately protected. Regular trademark audits demonstrate a commitment to the value of those assets and will usually result in a positive view by a potential licensee.

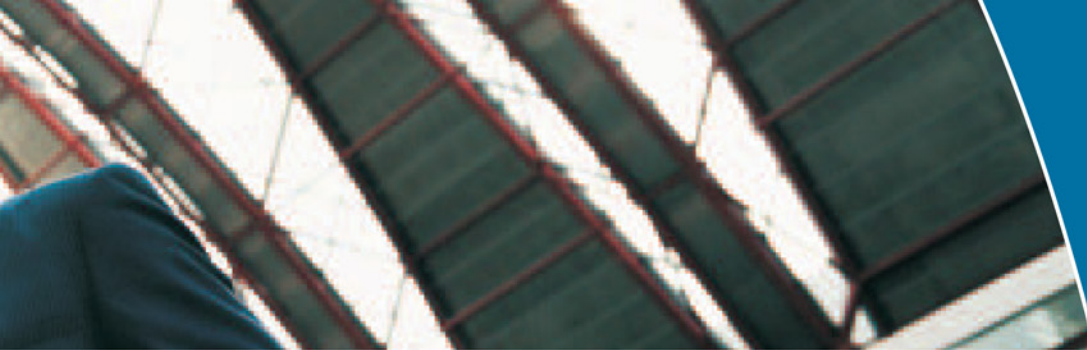
Furthermore, all current license agreements should be reviewed. For outgoing license agreements, the audit should confirm whether or not appropriate provisions are in place and acted on to ensure the integrity of the mark being licensed (e.g., quality control provisions depending on the country) and that, as appropriate, such license agreements are recorded in the countries covered by the license agreements.

In addition, as to all license agreements, the obligations and limitations of both the licensor and the licensee should be reviewed for compliance. Dissatisfaction from the parties with the settlements agreed, like in any other case, may result in conflicts.

4. Am I the owner of my mark?

A trademark audit may also identify critical ownership issues. In some countries, if an application is filed in the name of a party that did not own the rights to the mark when the application was filed, any resulting registration may be void.

Even more than having assigned a mark to another entity, some changes may have occurred since filing, such as a name change or a merger. Ensuring that the chain of title



is sound is imperative, and every attempt should be made to promptly correct potential problems in the chain of title revealed by the audit.

In some jurisdictions, a lawsuit or an opposition based on a registration in which the filer lacks proper ownership or a clean chain of title could result in an inability to enforce the trademark against unfair third parties.

In addition, failure to promptly record changes to the chain of title may affect or limit the ability to obtain damages in an infringement action. This is quite relevant in those cases as mergers, changes of name or other corporate actions having effect on the legal identity of the company.

Similarly, a review of liens and security interest tied to trademark assets should be reviewed to determine if such encumbrances should be removed, or make them effective.

5. Correct use

Further, as the audit is conducted, attention should be paid to whether proper trademark use and trademark notice is being practiced by the company. If not, guidelines can be prepared by a trademark professional for the marketing and business personnel to follow.

Proper trademark use and notice can deter third parties from adopting a mark similar to the company's mark and, in some cases, can ensure that a mark does not become generic.

6. Prevention against unfair competition

A company should also have a program in place to effectively identify potential infringements against its marks; otherwise their value may diminish or even completely disappear.

The scope of the watching services (in terms of classes and types of watching service) should also be carefully reviewed



to ensure that all third-party marks of interest will be revealed.

Many companies should also conduct periodic Internet searching to reveal misuses and other infringing activity.

An additional area of opportunity is that of appropriate customs recordation for registered marks. Even when not all countries have access to them, they may be an important tool in stopping the import (and in some countries the export) of counterfeit or infringing goods.

7. Domain names

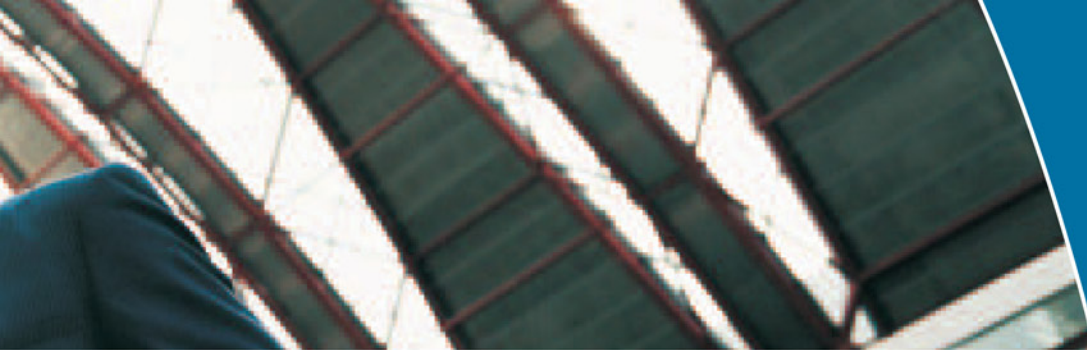
Domain name acquisition can also play a vital role in the protection of a company's trademarks. Thus, an audit of a company's domain name portfolio should be conducted in conjunction with the trademark audit. Domain name acquisition is becoming an inexpensive means to keep others from adopting marks and trade names that are identical to that of the company.

Domain name registrations for marks that are no longer of interest to the company should be reviewed. Depending on the circumstances, for example, if substantial goodwill was acquired in the mark or if customer support is still provided for products sold under the mark, the company may want to retain such domain names and have them automatically redirected to the company's home page.

In other cases, for example, if the goods or services were ultimately never provided under the mark, a company may be able to sell or auction such domain name registration and generate revenue.

8. Conclusions

A trademark audit allows the company to review, manage and fully exploit the value of the existing and potential marks. It helps to optimize the benefits that a company can obtain and increases the possibility to maintain or raise its value.



A trademark audit of this nature may be carried out by trademark professionals, who can help to maintain the corporation intangible assets in good condition in addition to registration activities or unfair competition repression.

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This article does not constitute a legal opinion.
Based on "The importance of Trademarks Audits"
By: Susan M. Natland, INTA Bulletin, Vol. 63, No.5



CPC REFORMS

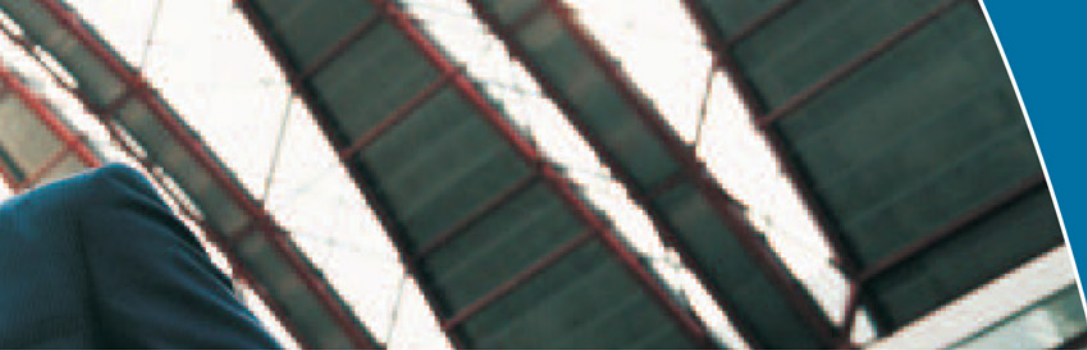
On November 11th 2008 the Mexico City Government published the rules for the Civil Proceedings Code in their official newspaper. A new rule, the notification of adhesion, was added to the existing ones.

The intention of the rule is to cease with the dilatory delaying tactics of the recalcitrant defendants that didn't allow summons and other kind of personal notification.

The Notification for Adhesion is the one that will be executed by a judicial servant once the person required failed to pay attention to the judicial procedures of the notification. In spite of the previous subpoena sent to his home, in which the law orders him to wait no more than 3 working days for the judicial servant. The original of this rule allows the lawyer to stick the relocation copies, the notification warrant and the instructions that have the motivation of the subpoena in the Notification of Adhesion, in a visible place of the address. In addition, as an enforcement of this legal measure, the judicial servant will take regular or digital pictures of the visited location and the documents mention before.

The rule includes the articles 111 and 117 of the Civil Procedures of the Mexican City Code, as well as the article 9 of the Especial Title of the same code in regarding Peace Justice. The rule adjoins to the actual rule the adhesion to the personal and certificate document notification, as well as adjoins the faction VI to the article 111 and six paragraphs to the existing ones. In matter of notifications, the Peace Justice Title was modifying in other to be consistent with the notifications in the V Chapter.

The reform spirit among other situations, reducing the time spent in the first proceedings and to avoid evasion by the defendants in particular, and the parties in general, in proceedings instituted against him or which are part. This is particularly important and useful in a civilian action for debts, since in these cases, the debtors and their law



yers, they often use different arguments, supported by the lack of legal provisions to this end, locating and avoiding thus giving these, the legal proceedings.

Due to the actual situation, on October 2008 the Chamber of Representatives in Mexico City wrote their concerns in the local legislative journal.

How to avoid the simulation a notification of adhesion?


To give certainly to the process of notification, the judicial officer, the plaintiff in the civil action or the interest, will suggest two witnesses that will sign the court records; and hand it some copies of their id's.

Transparency and legality of the proceedings will be monitored by the Public Prosecutor attached to the prosecution, since he was handed copies of the documents mentioned above, to express what their social representation may be, and where appropriate, may initiate the appropriate investigations against those who participated in the proceedings, where there are elements of crimes.

The notification of adhesion is based on Mexican law, the Federal Code of Criminal Procedure, Article 109, the Federal Administrative Procedure Act, paragraph 3 of Article 36. Both legal systems suggest that if the person does not meet the requirements of the reporter then, it will carry the notice fixing the subpoena in the entrance door in the first case and by means of citation, which shall be fixed in a visible place of residence indicated in the second case.

The novelty of the reform, we reiterate, is that adherence



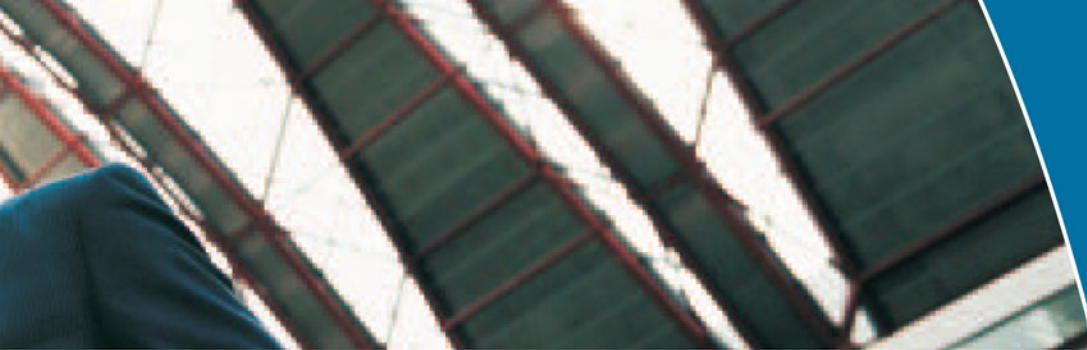


notifications, will be backed by two witnesses and by conventional or digital photographs from home and documents already identified. The judicial officer that the practice, acting under its strict liability.

Finally, with the addition of section VI to article 111, expands the means of notification, which may be done by any other effective means of communication constance doubt that receipt. In this case, the appropriate diligence in question may corroborated by electronic or technological suggest that properly conducted according to law, strict liability under the judicial officer that they perform. It is that judges are on hand to give reliable elements off by legal proceedings described above, reducing the possible escape of the parties, the time and cost of processing procedures to be put to his sight.

Despite the progress that aims to reform, it shows a lack of legal expertise of the legislators, since they failed to move the last paragraph of section V of Article 111, section VII, and its end. In this vein, the correct legal technique that the notifications had to settle for adhesion will have the same effects as personal notifications, rather than as giving the character of personal notifications.

Escape to the reform; however it has been effectively captured in the daily discussions dated October 14, 2008, for which appropriate action shall be sure that the address specified by the person concerned is actually the address of the person. This aspect is very important because they are very common where people wanted to know the proceedings against him time after that decision was final. In many cases, write of Amparo, argue that the notifications were made to an incorrect address.



ECONOMIC COMPETITION AND INDUSTRIAL (SIC) PROPERTY LAW

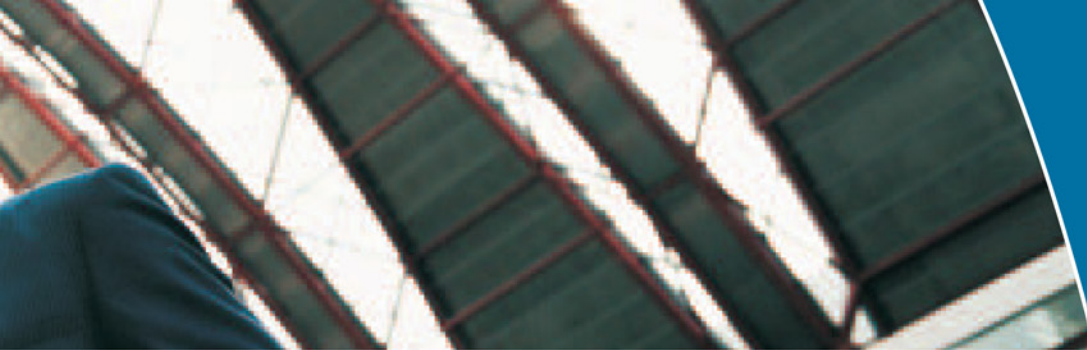
In recent times, there has been constant debate about whether or not conflict exists between intellectual property and competition law. There has been no consensus on this subject, and the doctrine has been divided between the supporters of the conflict theory and the supporters of the non-conflict theory.

For the former, intellectual property rights are an obstacle for a company's freedom and, therefore, for free competition. On the other hand, the supporters of the non-conflict theory analyze the long-term effects caused by intellectual property rights. Seen in this manner, on many occasions intellectual property rights stimulate competition by substitution.

There is also a third channel, the theory of complementarity, according to which both laws pursue the same identical purpose, both to promote competition as well as innovation. This position takes into account the risk existing that a property right is so successful that it ends up creating a monopoly, but, in reality, this would be a result of the market structure since intellectual property law protects an exclusive right and not a dominant position.

Although the purpose is the same, they promote innovation in different ways. Intellectual property law grants inventors and authors a temporary and exclusive right to their original works thus allowing the authors to obtain an economic gain for their investment while economic competition law is focused on keeping the markets in which rivalry flourishes between inventors and authors competitive, and this same rivalry becomes an incentive for innovation. Hence, intellectual property must not be seen as protection of its holders from competition but rather as an incentive that drives companies to perform in competition.

A fundamental question on this topic is to disprove the misconception that an intellectual property right is a monopoly in itself and that, therefore, they are ex




empt from the system of free and open competition. In the economic sense, a monopoly is regarded as a market structure where only one company exists in the industry and the production of a good or service, which has no close substitutes, is carried out by a single company with the market power to decide the price and the supply quantity. However, it must be pointed out that intellectual property rights are in themselves exclusive rights in the sense that they only grant certain people, normally authors and inventors, the exclusive right of disposal of their intellectual works. In these types of rights, and particularly in the case of copyrights, normally there are different substitutes for the same type of product, thus it is unlikely that industrial or intellectual property rights themselves would grant an important market power. Even if no substitutes exist, new and improved products could emerge in the market at any time.

In the United States, for a long time, both judges as well as the federal authorities considered patents as rights that would grant a monopolistic power in the relevant market. A relevant market is the notion of competition law which defines which products compete with others. Historically, substitute products were not considered in the analysis of whether patents would grant a monopolistic power. These judges considered patents as the exception granted by the state to competition laws and more specifically an exception to free trade. In each concrete case, they determined whether one law or the other should prevail, since it was thought that they represented opposite policies.

Later on, courts started to acknowledge that competition law and patent law could coexist. Today, neither the Federal Trade Commission nor the Department of Justice of said country considers these regulatory areas to clash. The current notion of both agencies is well understood in light of the



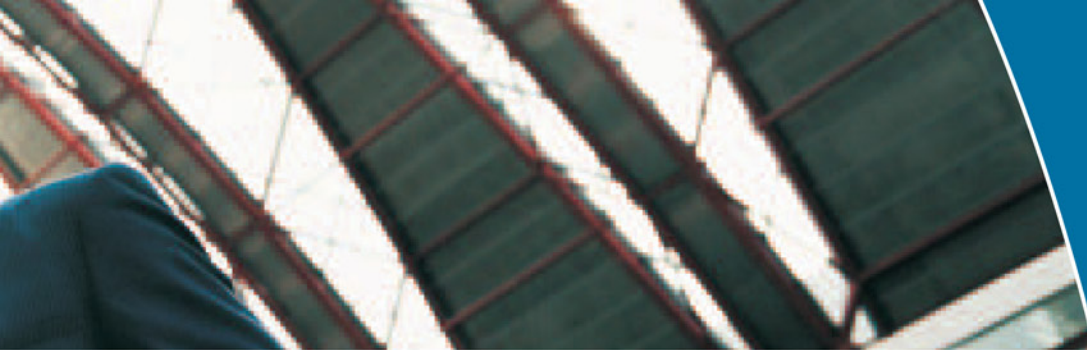


opinion issued in the ruling from the Atari Games Corp vs Nintendo of America, Inc. case, in which the court declared that “the goals and objectives of the patent and competition laws could seem, at first sight, completely in conflict. However, both regulatory bodies are complementary, since both are aimed at stimulating innovation, industry and competition.”

In order to arrive at rulings, the agencies first ask themselves whether the restrictions may adversely affect competition. If there were any likely anticompetitive effect, the investigation determines whether the restriction on competition is reasonably necessary to reach procompetitive benefits or gains in efficiency, which offset those negative effects of competition. First, the relevant market must be defined, which is done taking into account the product and the geographic dimension. What is sought to be determined are the products that, in reality, compete in a certain market. Once the relevant market has been defined, what must be analyzed is the ability to maintain the prices above or the supply below the competitive levels of a relevant market over a significant period of time, that is, how much power there is in a certain market. The most important factors to be taken into account in determining market power are the market share and the ease with which other competitors can enter into the same.

If it is determined that there is a market power, it must be seen how it was acquired, since if it is only the consequence of having a superior product, business astuteness or a historical accident, the competition laws are not being violated. This is not so when this takes place illegally, that is to say, by means of improper restrictions on competition. It is important to remember that even if the market power was acquired illegally, it may be maintained by legal means.

Lastly, it is important to take into consideration two essential topics on this subject: the effects of licensing



and the cases of concentrations. Licensing offers a series of procompetitive and perverse incentives. Among the procompetitive incentives, we have, for example, the distribution of risk between the licensor and the licensee, incentives so that the licensor commits itself to continue innovating based on the best licensing technology, and first generation innovation stimulation. Among the negative incentives, we have the possibility of substantially reducing the licensing incentives to do research and development of the licensee who no longer wishes to compete with regard to research. With these types of agreements, natural competition among companies may be eliminated and, in addition, if there are exclusivity agreements, access of other companies to technology is restricted.

With regard to the concentrations, it is necessary to look after the investment that each one of the companies involved made in the development of new technologies, but also that, with them, the market structures are not affected, and, if necessary, once the market power has been analyzed, redistribute it with licenses or mandatory asset sales.

