THE ROLES OF IN-HOUSE AND OUTSIDE COUNSEL
The Unauthorized Practice of Law and the Ethics of Cost-Effective Trademark Practice

AIPLA Spring Meeting 2016

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I. Introduction

The starting point for any discussion of trademark portfolio management has to be a definition of the property itself. A trademark is any word, name, symbol, number, device, slogan, color, sound, product design or package design that identifies and distinguishes a specific good or service from others in the marketplace and acts to identify the source of the good or service. For sake of simplicity, reference to a trademark or mark within this paper encompasses any of the various forms described above. A trademark portfolio consists of a collection of trademarks and may include marks recognized as common law based on their use as well as marks registered with trademark offices throughout the world.

While the concept that a trademark is anything that acts as a source identifier should be familiar, this often is a source of tension when considering the mutual roles of in-house and outside counsel as portfolio manager. In-house counsel and outside counsel at times play the role of the “heavy” to explain that a trademark is not being used properly to act as a source identifier or explain the relative strength of descriptive marks or laudatory marks that may not

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immediately act as a source identifier. A portfolio manager’s job is further complicated because trademarks, by their nature, lack the same precision of other forms of intellectual property. Examples include the multi-factored basis for determining likelihood of confusion, the disparate application of this standard, properly identifying goods and services in an inclusive manner, and establishing dates of first use. The portfolio manager must have an agile mind to wade through these issues and a strong gut instinct to choose a path to success when there are no clear answers.

From a nuts and bolts point of view, portfolio management includes: (1) securing appropriate and necessary rights; (2) maintenance and renewal of marks; (3) monitoring the use, misuse, and infringement of marks; and (4) portfolio planning (reviewing and assessing coverage provided by the portfolio). Depending on the size of the company, a portfolio may be managed by outside counsel exclusively, but, more often than not, it involves collaboration between in-house and outside counsel.

II. The Role of In-House Counsel

The general rule when it comes to in-house portfolio management is that there is no general rule. In-house departments come in all shapes and sizes ranging from large teams of attorneys working with paralegal and other non-attorney support staff, to individual business managers with no legal background managing an entire portfolio. A more detailed description of individual trademark staff and their duties is provided in the accompanying paper “The Unauthorized Practice of Law”, by Eryn Y. Troung and Joshua J. Burke. The tasks performed in-house can include trademark searching, trademark filings, prosecuting applications before the trademark offices, oversight of the portfolio, database management, and docketing. In terms of enforcement, in-house counsel may also perform watches, file oppositions, draft cease and desist
letters and UDRP actions. However, it is rare for in-house counsel to act as trial counsel in any trademark litigation.

Larger strategic considerations include brand selection and maintenance, education, developing processes to streamline trademark screening and selection, planning brand strategies, performing due diligence during acquisitions or divestures, staffing and developing a trademark team, coordinating work with outside counsel and vendors, and managing enforcement.

In recent years, in-house counsel has performed a balancing act to reduce portfolio management costs while maximizing their “bang for the buck” within the portfolio. Savvy in-house counsel maximize their internal resources by tapping into the business expertise at their disposal to inform strategic decisions on what marks to register, linking marks to products and services, developing house or flagship brands and identifying areas for licensing or enforcement. To do this effectively, in-house counsel must coordinate with a variety of stakeholders within the organization. Product managers, engineers, marketing and sales staff, and executives all may provide input into brand selection and overall brand strategy. Marketing, sales and product managers are often on the front lines of brand strategy; choosing brands for products and marketing campaigns. They also are a great source for identifying dates of first use and specimens showing the use.

A. Pre-Screening and Education

To help coordinate these activities, in-house counsel may educate stakeholders involved in the brand selection process on important trademark concepts such as the spectrum between arbitrary marks and generic terms, the nuance between suggestive marks and descriptive or laudatory marks and the influence of product/service features when considering these concepts. This education may be used to help filter out highly descriptive and generic marks before they
are delivered to counsel for screening. By the same token, open communication with sales and marketing staff may reveal similar marks used by competitors that might create a likelihood of confusion.

By working with internal resources to eliminate questionable marks on the basis of weakness or similarity issues that would prevent use of a proposed mark, the screening process is limited to marks that are more likely to be registered by the trademark office. Removing weak marks that would likely be refused by the trademark office from the screening process saves the business both time and money.

The use of such pre-screening protocols also manages expectations regarding the selection and enforcement of marks providing additional long term benefits. Sales and marketing may favor a descriptive or generic mark because it conveys information about the product. One of their goals in registering a descriptive or generic mark may be to prevent others from advertising the same feature. Understanding the relative strength of marks and distinguishing generic or descriptive use from trademark uses aids in selection of stronger marks and informs decisions of when it is appropriate to enforce marks in the future.

**B. Managing Workflow**

In-house attorneys or other portfolio managers often have other duties within the organization. Commonly in mid-size departments, an in-house attorney oversees all types of intellectual property devoting time to managing patent, trademark, copyright, and trade secret protection. Depending on the size of the portfolio and staff, workflow may be divided among staff to help increase efficiency. While not used by every in-house department, an internal docketing system may lay the foundation for the workflow. In addition to tracking deadlines, docketing software can be used to manage assignments and track progress of the prosecution of
applications and renewal of registrations. In larger departments, multiple attorneys, paralegals and support staff may all have access to the docket system and receive task assignments through a docket clerk or other coordinator.

In terms of workflow assignments, INTA’s In-House Practitioners Committee published results from its survey of members that provided some useful insights in different ways that in-house attorneys divide workflow. “In-House Practitioner Idea Exchange: Department Structure and Managing Workflow” *INTA Bulletin*, Vol. 68, No. 9, May 1, 2013. The survey included portfolios ranging in size from 600 to 20,000 marks. INTA reported in its survey that assignments among in-house staff often were divided by business units, brands, or geographical regions. Again, no one size fits all, but the concept of dividing work based on business units, brands or geography lends itself to developing internal efficiencies. In the business unit example, greater familiarity with the stakeholders and goods and services offered by that business unit are obtained through repetition, making the in-house staff assigned to that unit more in tune with the business unit’s needs from a filing and enforcement perspective. Moreover, since similar issues are likely to arise at the trademark office, prosecution becomes more efficient given that responses likely will call upon familiar arguments. The same is true for brand or geography based division of workflow. Again, the expectation is that in-house staff will repeatedly handle the same issues and will improve their efficiency with time.

Adapting to intermittent changes in workflow is another issue that each in-house manager faces. Staff absences may require realignment of tasks on a short term basis to accommodate these absences. Acquisition or divestiture events may change the size or the make up of the portfolio sufficiently to justify the realignment of staff based on the division of workflow discussed above. Since a temporary increase in workload is anticipated during an acquisition, in-
house counsel may budget for use of outside counsel or contract counsel to manage the extra load for a short time and allow for greater flexibility in making a staffing decision after the additional marks have been on-boarded. In this sense, for in-house counsel that are typically self-sufficient in terms of trademark prosecution, outside counsel or contract counsel can be used to handle overflow work or assist current staff in getting up to speed.

C. The Big Picture

In-house counsel’s role inherently involves a broader view of the portfolio and how it aligns with the business goals of the organization. In-house counsel is directly involved in the operation of the organization and has early access to information relevant to the portfolio. As a result, in-house counsel is in the best position to keep an eye on the big picture to define trademark strategies, policies and procedures for maintaining and protecting the portfolio.

Protecting a portfolio in the digital age has become more difficult with the increasing ease that logos and trademarks to be copied and disseminated across the internet, as well as the growing influence of social media on enforcement efforts. The volume makes it difficult to pursue every possible infringer and often the backlash from social media can be damaging to the brand in the eyes of consumers. The World Federation of Advertisers recently identified common characteristics of great brands in its presentation “What Makes Brands Great?” A theme among these characteristics is the ability of the brand to involve the customer. The level of investment in a brand by the customer must be considered when pursuing enforcement actions that can be characterized through social media, and sometimes the press, as corporate bullying. Again, in-house counsel must strike a balance between protecting and maintaining the integrity of the brand from a legal perspective while working with other stakeholders including sales, marketing and public relations to protect the brand in the marketplace.
III. The Role of Outside Counsel

The role of outside counsel can be viewed as balancing that of in-house counsel. On one level, in-house counsel and outside counsel share the load of maintaining a portfolio. At one end of the spectrum are companies with no in-house counsel that rely exclusively on outside counsel to manage their portfolio, and at the other end are large in-house departments that handle all aspects of portfolio management. Between these two ends, outside counsel can fill in the gaps with specialized knowledge or experience to support or advise in-house counsel, as well as provide additional capacity for tasks that in-house counsel is not staffed to handle.

Certainly outside counsel is as diverse as in-house counsel in terms of firm size and experience with each issue that arises. However, as a general matter, outside counsel generally has a practice that routinely involves trademark issues. Outside counsel is distinguished from in-house counsel in that they serve multiple clients rather than focusing on a single client. In this regard, outside counsel is often valued for the differing perspective that they bring to bear on issues faced by in-house counsel.

The role of outside counsel will change based on a client’s needs and resources. A sophisticated client that manages a portfolio containing several thousand trademarks may have experienced trademark attorneys on staff to handle searching, clearance and trademark prosecution in the U.S. and abroad. Another client may choose to rely heavily on outside counsel for these functions while reserving business decisions and strategy concerns to in-house counsel. In either instance, outside counsel may perform the additional role of alerting the client to legal issues faced by its other clients and working to streamline internal processes to make use of outside counsel more effective. For example, while many clients perform internal screening searches, they typically seek an outside counsel’s opinion when clearing a trademark for use.
For a large sophisticated client, outside counsel may be brought in only after initial screening has weeded out weaker marks or marks where there are obvious risks of confusion based on internal searching and review. This focuses the outside counsel’s effort on proposed marks that require the experience and judgment of outside counsel. To aid in this process, outside counsel may be brought in to train in-house counsel or non-attorney staff to help screen marks to improve the pre-screening process.

Since outside counsel typically serves multiple clients, outside counsel tends to invest more heavily in research tools and access to specialized databases to perform trademark clearance and screening. In this sense, outside counsel’s role is to add additional value by providing access to these resources.

The same is true of foreign counsel. Some clients have their own relationships with foreign counsel throughout the world and work directly with foreign counsel to file, prosecute and enforce trademarks within the portfolio. Others work with a limited number of associates or entrust this function to outside counsel. Even where in-house counsel has existing relationships, outside counsel may offer additional connections with alternative foreign counsel. For example, outside counsel may have relationships with multiple foreign attorneys or firms in a single jurisdiction that allows them to better match foreign counsel based on expertise with businesses similar to the clients or based on the size and sophistication of legal issues.

Finally, outside counsel is generally better positioned for dispute resolution and litigation. Most firms litigate on a regular basis, are staffed for this purpose, and routinely work with experts and other consultants needed to prepare for litigation. As a result, outside counsel is will often be brought in to handle administrative proceedings such as domain name disputes, trademark oppositions and cancellations, as well as court proceedings for infringement, dilution
and related unfair competition claims. Depending on the applicable dispute resolution rules, outside counsel may also be retained for these proceedings as well.

IV. Trademark Consultants

Non-attorney trademark consultants that advise on pure trademark issues are still relatively rare. It is more common to find marketing consultants that offer branding and brand strategy advice. See e.g., International Brand Consultants, ibcbrandconsulting.com. When it comes to the use of consultants, the practical advice is to know where their expertise lies. We have already discussed the interplay of portfolio management with aspects of a business and non-attorneys that have worked in areas including marketing, sales, management, license agreements, and even docketing functions can offer useful expertise.

If a non-attorney consultant holds themselves out as a low cost option for prosecuting trademarks before the trademark office, however, then this certainly raises questions about the unauthorized practice of law and qualifications and understanding of the applicable rules and regulations. One example found on the internet, Cummings Consulting, goes to great lengths to indicate that they are not attorneys, including placing this statement in red lettering throughout the website. Also, with respect to any work involving the trademark office such as filing trademark applications, notices of opposition, petitions to cancel, and responses to office actions, the website indicates that the consultant “helps with” those services. The website includes a disclaimer that the consultant’s services “often augment yet are not intended as a substitute for advice from …a qualified trademark attorney.” Cummingsdesign.com. The disclaimers and red lettering should be a good indicator that, if you are seeking legal advice, this probably isn’t the right consultant for you. But, if you are looking for the perspective of a business person that has observed the trademark process second hand, then this consultant may have something to offer.
Certainly, such consultants should be viewed with great caution and follow up questions clarifying the nature and extent of expertise offered must considered before engaging such services.

V. Challenges to Online “Legal” Services

As explained in the accompanying paper “The Unauthorized Practice of Law,” by Eryn Y. Troung and Joshua J. Burke, use of non-attorney staff to perform the work of an attorney may implicate ethics rules relating to the unauthorized practice of law. In particular, most states and the U.S. Patent and Trademark Office code of conduct require an attorney to adequately supervise work performed by non-attorneys. Increasingly, legal services are available on line without any clear understanding of who is performing the services raising similar concerns of adequate supervision and unauthorized practice of law and improper fee-splitting. 2

Beyond these ethical concerns, both in-house and outside counsel must struggle with ensuring that they are getting good value with these services and avoiding scams.

It seems that the intellectual property field has always dealt with opportunistic vendors that offer services of questionable value. Indeed, from the moment a mark issues the mark owner is typically inundated with offers ranging from plaques for their registration to placement on the international registry of world famous brands. One service that has come under fire recently is Trademarkia. Trademarkia is not a law firm, but offers trademark searching and filing services at a flat fee. In addition, Trademarkia began emailing counsel on recently filed trademark applications to generate potential trademark prosecution and renewal leads. Critics

complain that the Trademarkia website is misleading in that it goes to great lengths to say that it is not a law firm and cannot provide legal advice and is a separate entity from the law firm Raj Abhyanker P.C., yet all of the filings made by Trademarkia are funneled to Mr. Abhyanker’s firm. In doing so, the critics further complain that the Trademarkia front end encourages users to file a trademark before they receive any legal guidance as to whether filing the trademark is in their best interest. Other critics complain about Trademarkia’s practice of sending official looking emails regarding upcoming deadlines to new trademark filers and tricking them into signing up for Trademarkia’s fee based services. Trademarkia denies that it has done anything unethical. Similar criticisms have been made of LegalZoom, Free Advice, Traverse Legal and Rocket Lawyer.

While these types of services tend to prey on individuals or small businesses, the question of whether real value is obtained from these services resonates with in-house and outside counsel alike. Proponents of these services point to the cost savings offered for filing applications through these services. Whether there is a true savings is unclear with flat fee costs of $150 - $1500 being offered by these services for a single class trademark filing. The published fee often does not include the government filing fee. Critics maintain that consumers of these services are being cheated of the legal advice and issue spotting that an attorney would provide. In particular, they note that online filing systems fail to identify issues in the filing or the identification of goods that lead to more costly prosecution of the application down the road. They also point out that the one size fits all approach offered often results in fees being charged that are well in excess of the work performed. In the end, many of these services operate outside of the bounds of attorney ethics or trademark office codes of conduct. Without these protections, both in-house and outside counsel considering these services should exercise caution.
VI. Conclusion

The core of portfolio management remains the same, however, emphasis on cost savings and increasing technology based solutions will continue to impact the roles of in-house counsel, outside counsel, and their use of vendors or outside consultants. Whether non-attorney vendors that provide or refer legal services will be curtailed by ethics rules is uncertain. Thus, anyone considering the use of such services should scrutinize them carefully. In the end, the portfolio is an asset of the company and while cost considerations touch every aspect of business, a portfolio manager’s chief function is to protect and develop this asset. This comes with the knowledge that the value and strength of a particular brand in the portfolio may not be realized for years. Consequently, decisions to be penny-wise must consider the long term investment in the portfolio and the ramification that loss or damage to a brand is not easily repaired.
Sources

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