



Protecting your interests

What to look out for when
buying a trademark



Purchasing trademarks. What should the buyer know?

One way to attract more consumers and expand the scope of a business is to purchase a trademark which already is well known. The most common practice is to buy a trademark portfolio as a part of a whole business purchase deal. It is also possible to buy trademarks separately from special platforms or even Ebay but such options quite often provide only minimal information, which usually is not enough to make an informed decision on whether the offered trademark is safe to purchase.

Who created the trademark?

Every trademark is the subject of a copyright. Usually it is created by an employee of the company selling the trademark. However, any IP object created by an employee does not automatically become property of the employer. Legislation regulating employment indicates specific requirements, which must be followed strictly (for instance - requirement to pay additional salary to the employee, who creates the IP object, conclude a contract of transfer of the rights, etc.). Failure to follow these requirements may lead to a situation when IP is not properly transferred to the seller of the trademark (employer) and such transaction may later be challenged by the employee, who, despite different data in the trademark registry, may be recognized as the actual owner of the trademark.

Also a trademark which is being sold may be created by marketing or design companies. Contracts with such companies should be signed, which would clearly indicate that full and unlimited ownership of the created trademark belongs to the client (seller of the trademark).

It is recommended to obtain confirmation from the seller that they fully and properly implemented their duties (for example – to pay an agreed fee for creation of the trademark) towards the marketing, design companies or

employee who created it. Otherwise the creator of the trademark may challenge validity of the trademark rights transfer contract, which would render transference of the rights invalid or void.

Therefore, before buying a trademark the seller should provide a warranty (and supporting documents), that full ownership to the trademark actually belongs to them.

Have there been any claims regarding the trademark?

Information regarding oppositions against the trademark - warnings, court claims, C&D letters, invalidation or cancellation actions - is important to the buyer because it allows them to establish the level of risk associated with the trademark (especially it has a low level of distinctiveness). Failure to obtain indicated information may involve the buyer in disputes, which may lead to additional expenditures and possible loss of the purchased trademark. All received information should be analyzed before the purchase to establish the risk of possible renewal of the disputes or risk of new disputes.

When, where and how was the trademark advertised?

This information is important because legislation regulating trademarks usually provides wider scope of protection and broader rights under "well known trademarks" and "trademarks with reputation." Both of these two categories require proof of advertisement of the trademark. In many jurisdictions the status of "trademark with reputation" must be recognized every time in each separate case (should there be opposition or a court case). Therefore, obtaining information and proof on advertisement of the trademark from the seller before or at the time of the transfer may be very helpful in the future.



Which goods and services were marked with the trademark? When did usage of the trademark start? Was the usage continuous?

Usually trademarks are registered for a wider scope of goods and services than it will actually be used for. The usage does not necessarily start on the day when the application for registration of the trademark is filed, the trademark is registered or the registration certificate is issued.

Also, usage of the trademark may be interrupted. In many countries legislation regulating trademarks indicates that if, within a period of five years (in some countries the term may be shorter) following registration, the proprietor has not put the trademark to genuine use in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the trademark shall be subject to deregistration.

Therefore, it is important to obtain warranty from the trademark seller that the trademark was used in compliance with the laws of the territory where the trademark was registered. Otherwise despite the registration, the trademark may be factually valueless.

Was the trademark used in the way it was registered?

The trademark must be used in the way it was registered. It happens quite often that trademark owners amend the registered trademark (colours, fonts, wording etc). These additions may deem that the trademark may be treated as a new trademark. The old one, meanwhile, will not be treated as used. If the term of non-use lapses (please see comment on risks related to non-use of the trademark), the registered trademark may become subject to non-use cancellation action and deregistration. Therefore, buying a trademark which was not properly used - may be risky.

Who was the user of the trademark?

A trademark must be used by its registered owner. If not the term of use may lapse and the registered trademark may become subject to non-use, cancellation action and deregistration. This situation usually occurs when the trademark is registered in the name of a person (for example shareholder or director) but is used by the company.

The above rule has one exception: it will be treated that the trademark was used by its owner if the user is a person who used the trademark with permission (for example, a license), issued by the owner of the trademark.

Therefore, the seller should provide information on all factual users of the trademark, both registered and having permission regarding the usage.

Has the seller of the trademark noticed other people using or registering identical or similar marks?

There are specific and strict statutes of limitation for filling charges against infringers of trademark and seeking damages. Should those terms be missed, there is a high risk that it will be impossible to take action against the infringers later, which means both trademarks (the buyer's and the infringer's) may have to coexist on the same market simultaneously. In that case, if the buyer under those circumstances invests into advertisement of his trademark – the trademark of the infringer will be advertised as well (the so called "free riding" concept).

It is recommended to ask for the information indicated above so the buyer could check if all noticed infringements had been removed or settled. Otherwise after the purchase of the trademark the buyer may incur additional expenditures removing the infringements.

Does the trademark seller own more trademarks, business names, domain names or social network profiles?

When buying a trademark it is important to make sure that there will be no other identical or confusingly similar trademarks, business names, domain names or Facebook profiles belonging to the seller. That is because when the transfer of ownership of the trademark is concluded, other existing similar or identical IP objects may confuse and mislead consumers, diminish distinctiveness and value of the purchased trademark.

If there are other similar and identical IP objects belonging to the seller – he should undertake stopping their usage, deregistering them or amending them so they would not be similar and misleading. The seller should also refrain from using or registering new similar or identical IP objects after trademark purchase is concluded.

Are there any contracts relating to the trademark with any third parties?

There are over a million trademarks valid in the territory of Lithuania and this number is constantly increasing. Some disputes between the marks are solved by reaching coexistence agreements, which restrict rights of the trademark owner to enjoy all the obtained rights from the registration. These agreements are not public and information about their presence can usually only be obtained from the seller.

Also, licenses or sublicenses may be issued to use the trademark. The license (or sublicense) contracts may contain provisions restricting termination of the contract. Therefore the buyer as well may be bound to continue the licensing after the trademark is sold.

Who was in charge of supervising the trademark registration and it's usage?

It is recommended to find out who was in charge of supervising the trademark registration and it's usage – an employee, trademark attorney or other lawyer. The trademark owner who is selling the trademark may himself be unaware about all important circumstances relating to the trademark. In those instances it is recommended to double check with the supervisor and ask for the same information and conformation that you would ask of the seller.

Who possesses the documents related to the trademark?

Procedure of application and registration of a trademark usually involves a lot of written communication with the Trademark Office (this may include provisional refusals, oppositions etc.), the courts (complaints and other procedural documents), competitors and partners (for example – warning letters, coexistence agreements, license agreements, etc.). Also, when a trademark is registered the State Patent Bureau issues the registration certificate. It is recommended to find out who possesses all the documentation and obtain them (or at least confirmed copies) before or along with the purchase of the trademark. These documents may reveal additional risks and may be useful in the future for defence of the trademark.

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The above comment is prepared according to Lithuanian and European Union legislation and practice. It is intended as guidance only – full legal advice should always be considered before taking any action.

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