

Trademark, Domain Name and Other IP Considerations in Spin-Offs

Article By:

Intellectual Property Practice Group

Jennifer M. Mikulina

When planning for a spin-off, companies should address important trademark, domain name and related intellectual property (IP) matters alongside the myriad other matters involved in this complex type of transaction. The parties (the former parent company and the spin-off company, or spinco) should consider the following questions and implications.

Will the spinco have a new name/branding strategy post-separation?

If the spinco will have a new name or branding strategy, it is critically important to engage trademark counsel early in the process, in addition to confirming that the new name is available for registration as a business or trade name with the secretary of state in each state in which the spinco will conduct its business post-separation. Counsel will conduct and analyze trademark searches to confirm that the proposed name is available to the spinco, both for its use as a trademark, meaning free from serious risk of objection by third parties, and for registration at the U.S. Patent and Trademark Office. In addition, in order to further differentiate itself from the former parent company, the spinco may wish to consider adopting a new design/logo and slogan/tagline, for which searches also should be conducted and reviewed by trademark counsel. If the spinco plans to conduct business activities outside the United States, similar trademark searches should be carried out in those jurisdictions. Finally, the spinco should confirm that the new name is available for registration as a domain name and, if the spinco is a public company, that any proposed stock ticker be cleared prior to filing or registering with the U.S. Securities and Exchange Commission.

Will the spinco use or “share” the former parent company’s name or other trademarks/service marks/logos?

If the spinco will use the former parent company’s name or some version of it in its name or in its branding strategy post-separation, the parties must agree on the details regarding such use. For example, will the former parent company assign certain brand rights to the spinco, or will it retain ownership and permit the spinco to use its marks through a license? Will any limitations be placed on the spinco’s post-separation rights? For example, can the spinco use trademarks that are the same as or similar to the former parent company’s marks? Will the spinco be prohibited from or

restricted to certain goods or services, fields of use, or geographic or business areas? Written agreements must be in place to clarify the spinco's use of the former parent company's name and other brand-related assets in order to help avoid post-separation misunderstandings about, and misuse of, the parent former company's brands.

If the spinco will not use the former parent company's name, trademarks/service marks/logos or other brand-related assets, what transition period for current usage is appropriate?

The parties should coordinate early in the separation planning to assess what transition period and post-separation "sunset" license(s) will be feasible. They should consider, for example, whether the spinco will need to sell off existing inventory, use up printed materials (marketing collateral, letterhead, business cards, *etc.*), replace stamping machinery and change signage anywhere the parties currently conduct business. The parties also should consider whether, and under what conditions, the spinco will need to share a common website or landing page for some period of time post-separation. As with any post-separation brand-sharing arrangements, written transition agreements specifying the terms and conditions of all transition-related uses should be in place. These agreements also are beneficial in avoiding potential infringement claims after separation.

Will the spinco need to use the former parent company's software after separation?

One easily overlooked issue is whether the former parent company's pre-separation software licenses, including docketing software, will cover use of the software by the spinco after separation. Some software license agreements do not permit divisions. An enterprise-wide license may cover only a single entity and may *not* include spin-offs. The parties should identify the critical software that the spinco will need, and review all relevant software agreements prior to separation to assess whether an amendment or new license is necessary.

Will any existing company agreements affect the spinco's ability to use certain IP post-separation?

The parties should review all existing agreements that pertain to or affect any of the former parent company's IP assets that the spinco plans to acquire or use post-separation (it is likely that these agreements also will be binding on the spinco). The parties should consider whether any provisions will affect the spinco's use of these assets. For example, a trademark coexistence agreement with a third party may limit use of certain trademarks to a particular geographic area or to certain goods and services. The spinco must understand and comply with any limitations.

Executing a successful and timely spin-off involves coordination of several moving parts. Including IP rights in your planning and involving IP counsel early and often in the process are critical steps that will ensure that each party owns, or has the necessary rights to use, the valuable IP that it needs to conduct its business on day one post-separation.

Source URL: <https://natlawreview.com/article/trademark-domain-name-and-other-ip-considerations-spin-offs>