Morgan Lewis

VENTURE CAPITAL & PRIVATE EQUITY FUNDS
DESKBOOK SERIES

Selecting and Protecting Your Fund Name and Marks

Choosing a fund's name and mark is one of the first and most important steps in forming a fund since the name that is ultimately chosen will continue throughout the fund's life and the lives of successor funds, and control and ownership of the name and mark can be a critical factor in future control of the fund manager itself. Careful thought should be given to selecting the name and mark, clearly defining its ownership and protecting it from infringement by others. If a name and mark is not protectable or becomes associated with some other firm, the hard work of a fund manager in building a reputable and recognizable fund complex may be lost.

A trademark is defined as a name, word, phrase, logo, symbol, design, or image (or any combination of the foregoing) that is used by a party to identify its goods or services and to distinguish them from the goods or services of others. The name and mark, including any stylization or logo, of a fund can and should be protected under trademark law by taking certain basic steps. The initial step is to perform a search to ascertain whether they are unique and distinctive, and available for use and/or registration in the jurisdictions where they will be used. Once cleared, strategies for applying to register the name and mark, and clearly delineating the ownership of that name and mark, need to be implemented.

Name and Mark Availability

When initially selecting a name or mark, a fund manager must first confirm that a prospective name or mark has not already been used or reserved by someone else in any jurisdiction where the fund will be offered. If there is a prior or past user of the same or similar name or mark, that person may have greater legal title to the prospective name or mark. Even if you believe a name or mark is not currently being used, a thorough check of use and registrations by others is warranted because the prior user may claim infringement and that claim may not arise until the fund has become successful, because that is when the fund will likely garner the most attention and publicity. A quick Internet search does provide initial guidance, but a more thorough search of the U.S. Patent and Trademark Office (the PTO) records and the records of other jurisdictions where the fund name or mark will be in use can help ensure that the fund manager has the legal right to use, and to stop third parties from using, the name and mark that are ultimately chosen. Name availability should also be confirmed with the secretary of state of any jurisdiction in which the fund may be formed or qualified to do business.

Name availability is the starting point, however, not the ending point. The relevant secretary of state may approve use of the name, but that approval alone provides no assurance that you actually can use the name or mark without risking a claim by a third party for trade name or trademark infringement or dilution. Similarly, any potential name should also be vetted to make sure that it is also available for use as an Internet domain name.

Selecting a Name and Mark

Fund names that are generic or descriptive (e.g., they describe the characteristics or types of investments that a fund will make) do not provide strong legal protection. Under existing trade name and

trademark principles, names that consist of descriptive terms generally are not protectable without a showing of acquired distinctiveness, that is, that the relevant consuming public understands that the name or mark is an identifier of a source. Names or marks that consist only of common words or phrases that do not distinguish a fund's name from similar funds normally are not protectable and will allow others in effect to more easily benefit from any reputation the fund may establish.

In addition, common names are harder (and more costly) to protect and register since they are more likely to encounter objections from the administrative authorities as well as third parties. This axiom applies equally to the use of a surname as the fund name. Generally, surnames are viewed as descriptive and not protectable without a showing of distinctiveness through use. This concept is even more applicable to common surnames as fund names. Thus, the "Smith Venture Fund" would be very difficult to adequately protect. We recommend choosing a distinctive or unique name so that fund managers have in their arsenals strong protections against infringement. In addition, a distinctive name is more memorable and can be useful in building brand recognition going forward. Distinctiveness is also an important factor in choosing a fund's mark, not only for protection against other would-be pretenders, but to ensure that the fund does not infringe on the marks or names of others.

Protecting a Name and Mark

One of the best ways for fund managers to protect the name and mark they have chosen is through an application to register the mark with the PTO and other jurisdictions. In the United States, trade name and trademark rights derive from actual use, but you can apply to register a mark based on an intent to use. The intent-to-use application acts as a reservation and provides third parties with constructive notice of your rights from the date of filing. The constructive notice rights apply throughout the United States, even before you have commenced use in any geographical area through your fund offering. Moreover, in countries outside the United States, use may not suffice to confer rights. Rather, rights may stem only from registration as a mark. While in the United States continuous use in a geographic area does establish common law trademark rights for that name and mark, to ensure rights throughout the United States regardless of where the fund actually operates a trademark application is essential. Use and registration will allow a fund manager to enjoin the use of confusingly similar names or marks throughout the United States, regardless of actual use in any particular geographic area of the United States.

Once registered with the PTO, the registration also grants additional rights to fund managers. The registration provides a presumption in court that the registrant has a right to exclusive use of a name and mark for the services for which it is registered. Of course, registration with the PTO will not protect the name and mark outside of the United States, and therefore fund managers should consider similar registration in any country in which they may conduct significant business. If applications to register outside the United States are filed within six months of the U.S. application, the applications will be afforded the same filing date as the U.S. application.

The rights procured will last so long as the names and marks are used consistently with the manner in which the mark as registered and the registrations are properly maintained. In the United States, filings for maintenance are due between the fifth and sixth years after registration and then every 10 years. The registration also allows you to use an ® symbol after the name and mark to convey your rights to third parties.

Ownership of a Name and Mark

After establishing a successful initial fund, private equity and venture capital fund managers typically create one or more successor funds. Successor funds almost always use a legal name and mark similar to the predecessor fund's in order to capitalize on the first fund's success. In addition, the general partner and management company entities normally have names similar to the funds for which they provide services. While the same principals may be ultimate interest holders in the names of the affiliated

entities, trademark law protections are weakened when separate legal entities use the same name and mark without a license governing use. Thus, the name and mark could be considered generic and, therefore, not protectable if fund managers do not respect the exclusive ownership of the name and mark by the entity legally entitled to the ownership rights through use and registration.

Fund managers can protect against this undesired outcome by ensuring that the name and mark, and any related or similar names and marks, are owned exclusively by one of the affiliated entities of a fund complex, typically the management company. Ownership by a single entity, as opposed to the principals themselves, will also ensure that any principal who later departs cannot claim ownership of any goodwill even if the fund includes that principal's name. The entity holding exclusive ownership of the name and mark can then license the use of the name and mark to affiliated funds and general partner entities through a written license agreement, thereby ensuring that the fund managers can protect one of the most valuable assets of a successful family of funds.

* * *

For more information on the issues discussed here, please contact your Morgan Lewis Private Investment Funds Practice attorney.

About Morgan Lewis's Private Investment Funds Practice
Morgan Lewis has one of the nation's largest private investment fund practices and is consistently ranked as the "#1 Most Active Law Firm" globally based on the number of funds worked on for limited partners by *Dow Jones Private Equity Analyst*.

About Morgan, Lewis & Bockius LLP
Morgan Lewis provides comprehensive transactional, litigation, labor and employment, and intellectual property legal services to clients of all sizes—from global Fortune 100 companies to just-conceived startups—across all major industries. Our regulatory and industry-focused practices help clients craft and execute strategies to successfully address legal, government, and policy challenges in today's rapidly changing economic and regulatory environment.

Founded in 1873, Morgan Lewis comprises some 4,000 professionals—attorneys, patent agents, employee benefits advisors, regulatory scientists, and other specialists—in offices across the United States, Europe, Asia, and the Middle East. The firm is unified in its long-held service philosophy that every action of our attorneys, in every representation, is driven first and foremost by the immediate and long-term concerns of each client. For more information about Morgan Lewis or its practices, please visit us online at www.morganlewis.com.
