

What In-House Counsel Needs to Know About Trademarks in M&A, Without Becoming a Specialist

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Trademarks rarely drive a transaction, but they frequently complicate one.

Unlike a patent portfolio that may represent a company's core technology or a key customer contract that directly impacts revenue, trademarks often sit in the background during the early stages of a deal. They are part of the company's infrastructure — the legal foundation supporting brand recognition, customer relationships, and market reputation.

But during M&A diligence, trademarks move from the background to the spotlight. They represent a company's goodwill and often serve as one of its most visible assets. As a result, buyers, investors, and their counsel want confidence that the brands they are acquiring are properly owned, adequately protected, and capable of supporting future growth.

For in-house counsel, the challenge is not becoming a trademark specialist. It is understanding which trademark issues actually matter in a transaction, which issues can be addressed easily, and which issues could affect deal timing, leverage, valuation, or post-closing integration.

The good news is that most M&A trademark problems fall into a handful of predictable categories.

Ownership Matters More Than Registration Count

A company may have dozens, or even hundreds, of trademark registrations. That number can look impressive during a portfolio review. But registration volume is rarely the most important issue.

The first question buyers ask is simpler: *Does the seller actually own the trademarks it is selling?*

Trademark ownership issues often arise from historical events that seemed insignificant at the time:

- A brand was developed by a founder before the company was formed
- A related entity filed the trademark application instead of the operating company
- A trademark was transferred as part of a prior acquisition, but the assignment was never recorded
- A business unit used a brand without clearly documenting ownership rights
- A company reorganized but failed to update ownership records

These issues may not affect day-to-day operations, but they become important during diligence because ownership is

fundamental to the value being transferred.

A buyer is not simply acquiring a name or logo. It is acquiring the legal rights associated with that brand.

In-house counsel can create significant value by ensuring that ownership records are clean, assignments are documented, and trademark ownership aligns with the company's current corporate structure before a transaction begins.

A portfolio with fewer registrations but clear ownership is often more valuable than a larger portfolio with unresolved questions.

Use and Enforceability Are Closely Examined

Trademark rights are not created by registration alone. Registration is important, but trademarks derive value from actual use and the ability to enforce rights against others.

During diligence, buyers often look beyond registration certificates and ask practical questions:

- Is the company actually using the marks?
- Are the marks being used consistently?
- Are third parties using similar names?
- Has the company allowed unauthorized use without objection?
- Are licenses properly documented?
- Are quality-control requirements being maintained?

These questions matter because trademarks can weaken over time if they are not actively managed.

For example, a company may have a valuable trademark registration, but if its branding has changed significantly, the registered mark may no longer reflect how customers recognize the business. Similarly, uncontrolled licensing arrangements can create concerns about whether the company has maintained sufficient control over its brand.

Enforcement history can also become relevant. A company does not need to sue every potential infringer. In fact, aggressive enforcement is not always the right business decision. But ignoring known conflicts indefinitely can create questions about the strength and value of the brand.

The key issue is not whether a company has pursued every possible trademark dispute. It is whether the company has a thoughtful and consistent approach to protecting its intellectual property.

Trademark Coverage Should Match the Business

Another common diligence issue is a disconnect between the trademark portfolio and the company's actual operations. Trademark registrations identify specific goods and services. Businesses, however, evolve quickly.

A company may have expanded into new products, entered new markets, or changed its business model without updating its trademark strategy. Examples include:

- A software company registered its mark for downloadable software but now offers a broader SaaS platform
- A consumer brand expanded internationally but never secured protection in key markets
- A company acquired a brand but continued operating under it without evaluating whether protection was sufficient
- A service business entered new categories not covered by its existing registrations

These gaps do not automatically create a transaction problem. Many can be addressed through additional filings, updated agreements, or targeted risk analysis.

However, they can affect negotiations. Buyers may request additional representations, indemnities, escrow protections, or closing conditions if they believe trademark protection does not match the value of the business being acquired. The earlier these issues are identified, the more options the parties have.

Not Every Trademark Issue Is a Deal Breaker

One of the most important skills for in-house counsel during M&A diligence is knowing how to prioritize.

Not every trademark issue requires immediate remediation.

Some issues are easy to fix such as updating ownership records, filing additional applications, cleaning up documentation, or formalizing existing licenses.

Some issues can simply be disclosed including a pending application, a manageable third-party conflict, or a registration gap in a non-core market.

A smaller number of issues may require more significant solutions such as ownership disputes, threats to core brands, unresolved infringement claims, and gaps affecting a major revenue stream.

The goal is not to eliminate every imperfection before a deal begins. Few companies have a flawless trademark portfolio. The goal is to understand the business significance of each issue and respond proportionately.

Overreacting to minor issues can unnecessarily slow a transaction. Ignoring meaningful issues can create greater problems later. Effective counsel helps the business distinguish between the two.

Preparing Without Overengineering

Strong trademark preparation before an acquisition does not require an unnecessarily complicated process. It requires awareness and consistency.

Periodic trademark portfolio reviews can identify ownership gaps and protection issues before they appear in diligence. Internal procedures can ensure new brands are cleared and protected before significant investments are made. Basic documentation practices can prevent questions about who owns important assets.

Most importantly, in-house counsel should avoid waiting until a transaction is underway to understand the company's trademark position.

A buyer's diligence request should not be the first time anyone asks:

- What trademarks do we own?
- Who owns them?
- Where are they protected?
- Are they being used consistently?
- Are there known risks?

When those questions have already been answered, diligence becomes faster and more predictable.

Trademarks Support Transactions When They Are Understandable and Defensible

Trademarks do not need to be perfect to support an M&A transaction. They do, however, need to be understandable, defensible, and aligned with the business.

For in-house counsel, the objective is not to become a trademark expert. It is to recognize the issues that affect deal value and timing, identify risks early, and ensure that the company can clearly explain the strength and limitations of its brand portfolio.

The companies that handle trademark diligence most effectively are not necessarily those with the largest number of registrations. They are the companies that understand what they own, why it matters, and how those rights support the business they are building.