

Expert Q&A on Trademark Bullying

PLC Intellectual Property & Technology

An expert Q&A with Marc Lieberstein of Kilpatrick Townsend & Stockton LLP on trademark bullying.

To maintain trademark rights, trademark owners must police their marks and take appropriate action against infringements and other trademark violations. However, a trademark owner that is overly aggressive in enforcing its brands risks being labeled a trademark bully, a term that is increasingly used in the media and elsewhere. Practical Law Company asked Marc Lieberstein of Kilpatrick Townsend & Stockton LLP to discuss trademark bullying, including how to approach the issue when counseling clients.

Marc's practice focuses on intellectual property licensing and counseling clients on creating effective strategies for procuring, protecting and enforcing their intellectual property assets, including patent, copyright and trademark prosecution and trademark opposition and cancellation proceedings in the United States Patent and Trademark Office. Marc also provides litigation services involving patents, trademarks, copyrights, e-commerce, domain names, trade secrets and unfair competition. He frequently lectures and writes on intellectual property issues.

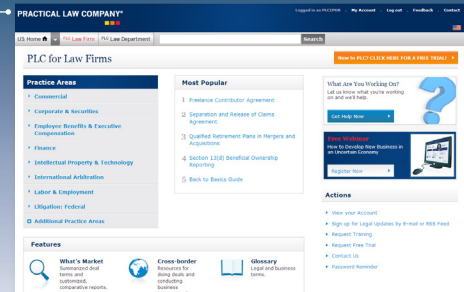
WHAT IS TRADEMARK BULLYING?

The term "trademark bullying" has developed to describe a trademark owner's practice of using overly aggressive tactics to enforce trademark rights beyond the scope of protection that trademark law actually provides. The term has gained prominence as this practice has become prevalent and gained notoriety in the media.

In a typical trademark bullying scenario:

- The trademark bully is a large entity with significant legal and economic resources.
- The target is a smaller entity or individual that may lack the means or resolve to respond, or both, and therefore the target may quickly give in to the bully's demands even though it has a valid defense.

This is just one example of the many online resources Practical Law Company offers.



To access this resource and others, visit practicallaw.com.

While in most cases bullying takes place before a lawsuit is filed, some define bullying as including a lawsuit filed by a brand owner knowing that the suit asserts rights that push or go beyond the limits for legitimate trademark protection.

WHO ARE THE TARGETS OF TRADEMARK BULLIES AND HOW CAN BULLYING HARM THEM?

Targets are usually smaller entities or individuals who typically are not sophisticated or knowledgeable about trademark law or aware of the harm unauthorized or unintentional use of another's mark may have on the value of the mark. However, recent targets have included larger companies and competitors. For example, some may describe as examples of trademark bullying lawsuits by:

- Tiffany against eBay to prevent eBay from selling counterfeit Tiffany merchandise.
- LVMH against Hyundai to stop Hyundai's use of a basketball with LVMH's logo imprinted on it in a commercial.

The primary potential harm to the target is financial. A small entity or individual often does not have the means to challenge the bully and must rebrand, resulting in rebranding costs and a loss in value they may have developed in the brand. Potential direct and indirect costs may include:

- Having to take the accused products off the shelves.
- Loss of market share.
- Injury to reputation from being sued.

In some cases, the target also suffers from the encroachment on its First Amendment right to free speech, parody and satire. Where the target does choose to challenge the bullying, it could incur legal costs it may not be able to recover.

WHAT ARE KEY LEGAL AND BUSINESS RISKS FACING A TRADEMARK OWNER THAT ENGAGES IN BULLYING TACTICS?

Arguably, the most significant risk is reputational harm to the bully or its brand. This may result from either:

- A deliberate negative media campaign by the target.
- Viral campaigns by consumers or advocacy groups.

In today's digital and social media age, a public relations backlash may be more costly than any kind of sanction or lawsuit. Broad negative publicity may destroy the brand's reputation and turn away an entire generation of consumers.

A bully or its attorney may also face legal sanctions in violation of Rule 11 of the Federal Rules of Civil Procedure (FRCP 11), if they assert a claim that is objectively unreasonable (*FRCP 11(c)*). However, this is a fairly high standard to meet and can be particularly difficult to show in trademark cases where determining whether there is a likelihood of confusion or dilution is fact-specific and often involves subjectivity. Therefore, courts frequently deny FRCP 11 sanctions in trademark cases.

Another risk is that the target will file its own claims or counterclaims, which may include, for example:

- A declaratory judgment action seeking to have a court declare its activities lawful.
- A petition to have the bully's trademark declared invalid or unenforceable.

In a domain name dispute, if the arbitrators determine that the trademark owner filed its complaint in bad faith, the trademark owner may be labeled a reverse domain name hijacker, which may make it harder for it to succeed in later actions. In the Supreme Court's recent decision in *Already v. Nike*, the concurrence cautioned that overzealous trademark owners could be found liable for damages resulting from filing a lawsuit, and then seeking to withdraw it by offering a covenant not to sue (*No. 11-982, slip op. (U.S. Jan. 9, 2013)*).

HOW MAY THE SUPREME COURT'S DECISION IN ALREADY V. NIKE DECISION AFFECT THE DISCOURSE AND JURISPRUDENCE ON THIS ISSUE?

The *Already v. Nike* decision does not seem to be a true example of trademark bullying or one that will affect the discourse or jurisprudence on this issue. While some have described Nike's action against *Already* as bullying, others note that:

- *Already* is not a small company.
- Nike wanted to drop the case and offered *Already* a broad covenant not to sue.

Despite Nike's covenant, *Already* still wanted to pursue its trademark invalidity counterclaims. Some may say this made Nike the target, not the bully.

However, the Supreme Court in *Already* made it clear that a trademark owner must meet the high burden under the voluntary

cessation doctrine to have these counterclaims dismissed as moot. Nike showed that it met this standard and that after making its broad covenant not to sue *Already*, Nike "could not reasonably be expected" to resume its enforcement efforts against *Already*.

HOW SHOULD THE ISSUE OF BULLYING FACTOR INTO ADVISING TRADEMARK OWNERS CONSIDERING ENFORCEMENT ACTION?

Trademark policing is a delicate balancing act, one that requires careful consideration of the actual harms, as opposed to any emotional reaction when a brand owner sees an arguably fair, but unauthorized, use of its trademarks. Trademark owners must consider the risk that legitimate enforcement actions may be perceived and widely publicized as bullying. Therefore, before taking any trademark enforcement action, a trademark owner should, in addition to assessing the merits of its potential claim, carefully:

- Consider the likely reaction it may provoke.
- Weigh the perceived harm it wishes to prevent or eliminate against the risks of being labeled a bully.

This evaluation should take into account the particular alleged infringer, including:

- Any reputation it may have for being litigious.
- The customer-base, including how they may react to a negative media campaign.

For example, in a recent widely publicized case, Chick-fil-A received negative publicity for asserting its "EAT MOR CHIKIN" tagline against an individual (Bo Muller-Moore) t-shirt maker for using the mark "EAT MORE KALE" on its shirts. Chick-fil-A sent demand letters to Muller-Moore asserting likelihood of confusion and dilution between that mark and its tagline. It also filed a Letter of Protest against Muller-Moore's trademark application for his mark.

The USPTO granted the Letter of Protest and issued an Office Action refusing Muller-Moore's application, and the case remains pending. However, while Chick-fil-A may win the legal fight against EAT MORE KALE, Chick-fil-A is now involved in a more protracted and costly public relations battle than it likely anticipated and may have harmed their brand image in the consumer marketplace.

When sending a demand letter, the trademark owner should consider adapting the tone based on the particular circumstances. For example, where an alleged infringement is likely inadvertent and by a non-competitor, a softer or friendly demand letter may be less likely to provoke a negative response or bullying campaign and look better in the event the letter is re-published.

A recent example that received positive media attention is a demand letter Jack Daniel's Properties sent to an author who used an obvious copy of the Jack Daniel's label as cover art for his book. One *article* characterized the letter as perhaps "the most polite, encouraging, and empathetic cease-and-desist letter ever to be sent" (*Megan Garber, "This Cease-and-Desist Letter Should Be the Model for Every Cease-and-Desist Letter," The Atlantic, (Jul. 23, 2012)*).



This softer, arguably more respectful and reasonable, approach may enable a brand owner to both:

- Avoid the bully label or the harsh public relations backlash and achieve the same results.
- Let the public know that it aggressively monitors and enforces its rights.

In some cases, a phone call may be the best initial approach, avoiding a written record that can be circulated online and allowing the brand owner or its counsel to explain the trademark owner's position.

For more on issues to consider when evaluating whether to send a cease and desist letter or initiate trademark litigation, see *Trademark Litigation: Pre-suit Toolkit* (www.practicallaw.com/9-521-9777) and *Practice Note, Trademark Litigation: Pre-suit Considerations: Assess Whether Sending a Cease and Desist Letter is Required or Advisable* (www.practicallaw.com/8-520-4922).

WHAT STEPS SHOULD A COMPANY CONSIDER IF IT BELIEVES IT IS BEING BULLIED?

On receiving a demand letter or being sued, the accused infringer should consider:

- Whether its acts are infringing or diluting.
- Regardless, whether it can stop using the mark with little or no harm. In these cases, it is likely reasonable and least costly to stop the activity.

Where the target believes that its uses of the mark are legitimate and stopping the use will likely cause significant damage or loss, approaches to consider include:

- Explaining that to the purported bully.
- Seeking a coexistence or consent agreement.
- Agreeing to rebrand, but requesting a reasonable period to do so and reimbursement of all or some rebranding costs.

Where amicable resolution is not possible, as may be likely in cases of actual bullying, the options become more contentious and may involve:

- Conducting public relations campaigns in the press, on the internet and social media and other outlets to try and pressure the bully to stop.
- Declaratory judgment litigation.

For the links to the documents referenced in this note, please visit our online version at <http://us.practicallaw.com/4-524-3478>.

Practical Law Company provides practical legal know-how for law firms, law departments and law schools. Our online resources help lawyers practice efficiently, get up to speed quickly and spend more time on the work that matters most. This resource is just one example of the many resources Practical Law Company offers. Discover for yourself what the world's leading law firms and law departments use to enhance their practices.

To request a complimentary trial of Practical Law Company's online services, visit practicallaw.com or call 646.562.3405.

