

# The long and winding road: successful trademark litigation in the United States

Litigation is often viewed as a last resort, but it can be the most effective way to police your mark. Success rests on careful cost management, thorough due diligence and a strategy that can be adapted as new evidence comes to light

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The importance of trademarks is apparent today more than ever. Despite their intangible nature, trademarks can be the most important assets a company maintains. As a trademark owner, you have invested time, effort and serious amounts of capital in building the goodwill that develops brand loyalty among consumers and reminds them of your high and consistent quality.

This valuable asset can be lost entirely if it is not adequately policed and protected. This means two things. First, you have a duty to take action against third parties that use your marks without your permission in a manner that is likely to cause confusion or deceive consumers into thinking that you are somehow associated with them. Second, you also have a duty to make reasonably sure that no one is trading on the goodwill underlying your marks, and to ensure that the quality of your products and services does not go unchecked – particularly if your mark is used by others through licences or other forms of permission. This article focuses on the former responsibility of policing your marks and taking action against infringers in a way that makes economic sense while balancing your risk and exposure.

When it comes to your attention that a third party is taking advantage of your efforts to build a brand, an identity and a loyal customer base, you may wonder what the next step is. How will your company face this challenge? Should you file a lawsuit against the infringing party? Are there any ways to resolve the problem other than litigating? What is it going to cost and how long is it going to take for the problem to go away? The answers provided in this article should help you in making the decisions that can dramatically impact on the value of your marks. Of course, there are several ways to resolve a dispute involving a third party's unauthorised use of your marks; but prior to looking at the before, during and after of a trademark lawsuit, we first examine the issue of cost.

## **I've seen that road before – cost**

Litigation is often viewed as the last resort to end a dispute with a trademark infringer, but it can be the most effective message to more than just the defendant. A successful trademark infringement win lets other unscrupulous offenders know that they could be next. The injunction against an infringer may result in other potential defendants stopping their infringing actions and moving on. Competitors are forewarned to take you more seriously than they otherwise may have when considering conducting comparative advertising or other business transactions. A well-thought-out cost-benefit analysis is critical to the decision to sue for trademark infringement in the United States.

One aspect of US trademark infringement litigation that does not exist in some other jurisdictions around the world and that contributes greatly to the overall costs of trademark infringement litigation is the discovery procedures set

forth in the Federal Rules of Civil Procedure. Interrogatories, document requests, requests for admissions and depositions are all part of the fact discovery phase of US trademark infringement litigation. To obtain a survey or not to obtain a survey – that is also a question. If the answer is yes, should the survey address the legal issue of likelihood of confusion and/or dilution? Finally, decisions must be made as to whether to retain experts either to prepare initial evidentiary reports or to rebut your opponent’s expert reports.

One way to manage the costs of discovery is to engage in thorough due diligence prior to filing any complaint. The extent to which you can utilise the services of a private investigator and obtain as much information about the potential defendant as possible should allow you to tailor your discovery requests during the litigation. Focus is key to controlling costs. You may be able to formulate a targeted approach to discovery if, before entering the litigation, you already have an idea of the evidence that you want to obtain from your opponent that supports your position on the issue of likelihood of confusion.

You may be able to prevent fishing expeditions if you have a focused discovery plan. If the litigation has begun and you do not know what to look for or where to find the necessary evidence from your opponent, the costs will likely escalate due to the time it takes counsel to work on these issues. Likewise, if your opponent seeks discovery from you that is overly broad, unduly burdensome to collect or unlikely to lead to the discovery of admissible evidence, the costs can rise quickly. At that point, however, you will want to consider seeking a protective order to limit the type of information that will be produced in the case. Some judges will take the approach that what is fair for the plaintiff to have (or forgo) is fair for the defendant to have (or forgo). This is important to bear in mind when setting forth your reasons for wanting your opponent to produce documents and information: your opponent may use those same reasons to try to get information from you that may or may not be relevant to the case. Trying to control this type of discovery can help in budgeting for litigation.

#### **How long will I be standing here – timing**

Budgeting for a lengthy federal litigation in the United States is extremely important. Arranging with outside counsel for budgets and possibly for task-based or project-

based billing can aid in controlling costs and avoiding surprising spiked invoices. Once the trademark infringement complaint is filed, the time it takes to get to trial likely will be longer than one year – more likely closer to two years, and possibly three.

Once the trial is complete, there is a period of post-trial briefing and an appellate period. If there is an appeal, then the final resolution may be another year down that road. Avoid unrealistic expectations and be prepared for the possibility of a lengthy trial.

#### **Lead me to the court’s door – the lawsuit**

Trademark owners are protected under several regulations and statutes against infringers such as the Lanham Act (Title 15, Chapter 22 of the United States Code) and the Federal Trademark Dilution Act (Title 15, Chapter 22 of the United States Code), as well as various state laws that proscribe trademark infringement, dilution, unfair and deceptive business practices, and false advertising. Having the grounds to sue does not mean you must proceed in this manner.

One option other than immediate litigation is to send a “cease and desist” letter to the infringer. Tell the infringer to cease infringing and to desist from ever doing it again. Keep in mind that, depending on the language of the communication, the infringer may be in a position to file for declaratory relief in federal court, which gets you into federal court when you wanted to avoid that path.

A communication to the infringer that is somewhat softer may have the preferred result of allowing you to negotiate a satisfactory resolution and avoid litigation. Perhaps you can work out the terms of a licence that puts you in the position of controlling the quality of the mark as it is used by someone else and also protects the goodwill underlying the mark – all of which should uphold the value of the mark and thus your balance sheet.

While avoiding litigation by way of licensing or cease-and-desist agreements may be desirable, it is not always possible. Time should be spent analysing these questions:

- Whom will you sue? Conduct a thorough investigation to identify the correct defendant(s). Undoing the actions taken against the wrong party can be costly in terms of money outlay and business reputation, which is a cost that may be difficult to recover.
- Where will you file? Identify the federal court that will be most suitable for the

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case. Consult with your outside counsel to assist you in assessing this issue. Something to take into account is that trademark litigation in federal court is governed by the Federal Rules of Civil Procedure, which apply regardless of the specific court. Moreover, judges tend to have their individual rules that apply to their cases; be sure to find those as well. Most are available online through [www.uscourts.gov](http://www.uscourts.gov) – just find the specific federal district court and judge within.

- What is your objective? A federal court is empowered to grant an injunction that orders the infringer permanently to stop the offending activity (15 USC § 1116(a)). A federal court can also order the defendant to pay money (15 USC § 1117(a)). Determining your goal early on can direct the case and focus the discovery efforts. The courts seldom grant attorneys' fees. Therefore, if your goal is something other than what a court has the power to grant, settlement rather than trial may be the answer, because you are then not limited to asking for what the court can do.

There may be an opportunity in the case to seek a temporary restraining order under Federal Rule of Civil Procedure 65(b), which provides that a court may, “without written or oral notice to the adverse party or that party’s attorney”, enjoin the specified actions where “immediate and irreparable injury, loss, or damage will result to the applicant before the adverse party or that party’s attorney can be heard in opposition”. If you succeed, then the temporary restraining order may impact on the defendant sufficiently to end the litigation. If it does not, then there is still

the possibility to obtain a preliminary injunction. Winning the motion for a preliminary injunction prevents the defendant from engaging in the complained-of activity during the pendency of the litigation. A preliminary injunction can issue only after notice and a hearing at which the court will determine the likelihood that you will ultimately prevail at trial on the merits, while also balancing the hardship of the injunction on the parties.

Under the Lanham Act, you may be able to recover money in the form of defendant’s profits, damages sustained by the plaintiff and the costs of the action (not including legal fees). The court determines the monetary award based on the defendant’s sales of the infringing item. The defendant will have the opportunity to proffer evidence of costs or deductions to offset any such award. The court has the discretion, in the interests of justice, to compensate the plaintiff with up to, but not exceeding, three times the original damages calculation. Only in exceptional cases defined by case law may the court award reasonable attorneys’ fees to the prevailing party (15 USC § 1117(a)).

In some federal jurisdictions, judges mandate alternative dispute resolution (ADR) for trademark infringement cases. This may take the form of mediation or arbitration; it may be binding or non-binding. Consult with your outside counsel on the particular rules of the court, and specifically of the judge. An important advantage of ADR can be the time it may save if it lends itself to your favour. ADR can provide a foreshadowing of what the court may ultimately decide, which can lend insight to your decision making concerning settlement.

Mediation employs a neutral third party to aid in the resolution of the disputed

issues and is somewhat informal in format. In the course of non-binding mediation, a neutral attempts to assist the parties in settling the dispute. Upon conclusion, the parties are free to decide to continue with the litigation, but with greater insight into the strength of the evidence.

Arbitration utilises the services of a neutral as well as mediation, and sometimes involves a panel of three neutrals. The arbitration can be binding or non-binding, just as with mediation. However, generally an arbitrator acts in a capacity similar to a judge by making evidentiary decisions based on the applicable law and rules, and by providing a written opinion to the parties with a decision about who should win. This road can lead to results faster than full pre-trial and trial preparation, but can be expensive because of the costs of paying for the time of the arbitrators, depending on

the time it takes to present the case to them. Be mindful of your goals and the likelihood of success, which should all be assessed with the help of your US trademark litigation counsel.

### Conclusion

When contemplating how to approach a possible dispute, explore every alternative course of action with your in-house and outside counsel, and balance the costs and possible outcome associated with each. If litigation is the ultimate answer, try to manage the costs with a thoughtful strategy and thorough due diligence in advance of filing the complaint. Remember to re-examine the strategy implemented as new evidence is discovered. The long and winding road that may lead litigation to your door is a road that can be successfully driven. **iam**



Possessing wide experience in intellectual property law, Julie Katz works primarily on trademark, copyright, patent, trade secret and unfair competition matters. She has represented companies of all sizes, as well as individuals, in enforcing their intellectual property rights and in defending against alleged violations of the intellectual property rights of others. She has extensive knowledge concerning the procurement of US and international trademarks and US copyright registrations, as well as protecting those rights through the US customs system.

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