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IS YOUR COMPANY A TRADEMARK BULLY?

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Depending on one's perspective, a "trademark bully" is either simply a vigorous enforcer of its valid trademark rights who is unduly criticized for such enforcement or an overreaching behemoth trying to unfairly expand its trademark rights well beyond the reasonable boundaries of its protection. For this second category, think "Goliath" challenging the unprotected "Davids" in the market.

The "behemoth" is the most common image and was called to mind squarely when the U.S. Patent & Trademark Office solicited comments in 2010 about harassing trademark litigation tactics, and defined a trademark bully as "a trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow."¹ No additional legislation resulted from that study, but the phrase "trademark bully" stays with us.

This article addresses ways in which trademark owners can vigorously protect their rights, determine which infringements are worth pursuing, learn how to avoid being the subject of

social media shaming and consider how the playing field may change if the accused infringer obtains pro bono counsel or has insurance coverage to defend the claim. The goal of any enforcement plan is to protect the owner's full rights at the lowest possible cost, while avoiding any negative publicity that may result from an overreaching program, which could damage the owner's reputation or goodwill associated with its name and mark.

Vigorous Enforcement of Trademark Rights

In general, if an owner fails to enforce its exclusive rights to use a particular name or mark in connection with specific goods or services, the value of the owner's mark and its ability to enforce it against others may diminish over time.

In cases of owner inattention, junior users or potential infringers may begin to use the mark or something very similar in jurisdictions where the owner's goods or services are not yet sold or offered, and are not yet known by the local purchasing public, and thereby develop a loyal following that recognizes the potential infringer's use of the mark over the owner's. This infringement can be very damaging to the owner's reputation, sales and business development, as well as the bottom line. If customers seek the relevant goods and services from the potential infringer instead of from the owner, then the owner's mark loses its value as an indication that the goods are – or should have been – sourced by the owner when the owner enters that market.

If an owner takes action early, it is likely to be more successful in stopping use by the potential infringer. The longer the owner waits, however, the more difficult it will become to reassert the owner's senior position in the market. Similarly, the longer the two marks coexist in the same marketplace for similar goods and services – and particularly where there is no evidence of actual confusion by consumers – the weaker and more narrow the owner's rights in the mark may be. If more infringers using the same or similar marks for the same or related goods or services enter commerce without challenge, then the field becomes "crowded" and everyone's rights in their similar marks become very narrow, to the point where only exact matches or very close approximations would be considered infringing.

In addition, if the owner knew about the potential infringers and declined to take any action for one reason or another, the owner may have difficulty obtaining relief – such as an injunction against continued infringement. The owner also may later be found to have waived its rights to pursue the potential infringer for such infringement, or to have acquiesced to their use, or to have unreasonably delayed enforcing its rights (*i.e.*, laches), thus making it inequitable to require the potential infringer to stop using the mark where it has become established.

As a result, trademark owners should consider implementing a watch system – which can have varying degrees of complexity – that searches the marketplace, the internet and relevant industry materials for potentially infringing use. The more effective programs will search regularly for potentially competing marks in a variety of relevant places and use search

parameters designed to identify close matches, rather than limiting a search to a very narrow, exact match.

Once potentially infringing watch results are identified, the trademark owner should analyze them carefully to determine whether contact with the potential infringer is warranted and/or necessary to preserve the owner's rights.

Determining Which Infringements are Worth Pursuing

Owners should establish early in the trademark rights' pendency a set of protocols that will help the owner determine when to challenge apparently unauthorized uses by third parties. Some factors to consider when establishing such a program are:

1. What are the owner's core names and marks? At a bare minimum, these names and marks should be protected the most vigorously against potential infringement. Owners might forgo zealous enforcement efforts for marks that are anticipated to have a short life – such as for products or product lines or advertising campaigns that will have a limited run or short duration in commerce.
2. How closely related must the goods or services of an unauthorized user be to the owner's goods or services? The answer to this question may depend on the number and nature of third party uses of similar marks already in place.
3. How did the owner learn about the unauthorized use? From a complaint by a customer about poor customer service or quality referring to the unauthorized user's goods or services, thus demonstrating "actual confusion" and potential damage to the owner's reputation and goodwill?
4. What is the owner's end-game in the enforcement program? To litigate all potential infringements to their final conclusion? To get the unauthorized user to recognize the owner's senior rights and obtain a license producing a revenue stream where the goods may be related but are not competitive?

With respect to each of these factors, it is critical that owners evaluate the potential likelihood of confusing customers and potential customers about the source of the goods or services distributed under the mark, the potential misunderstanding about the owner's endorsement of, sponsorship of or affiliation with the potential infringer, and the potential for damage to the goodwill and other value of the owner's mark if the potential infringer's quality is not as good as the owner's.

Avoiding Social Media "Shaming" and other Public Relations Missteps

Whenever an owner drafts a cease and desist letter to a potential infringer, care should be taken not to unnecessarily inflame the recipient or invite re-publishing that letter on the internet for purposes of ridicule and shaming. This phenomenon is common today using

social media outlets. Inflammatory language and threats of imminent lawsuits with draconian remedies are likely to increase the risk of such re-distribution, causing public relations discomfort that may take some time to correct.

Instead, owners may be better served by identifying genuine concerns they have with the potential infringer's use and asking for corrective action in the form of discrete, reasonable requests that are feasible for the potential infringer to complete. These requests can be forceful and rigorous, but they should be constructed with a view toward maximizing the possibility of compliance and resolution. Cease and desist letters are not a required prerequisite to filing a federal lawsuit, but they can be valuable tools to negotiate an acceptable settlement before incurring significant legal costs. If the potential infringer declines to respond, follow up letters can be more strident, but it is rarely prudent to start off that way unless the owner is immune to bad publicity.

If the Owner's actions become the subject of social media hype, consider carefully before jumping in and disputing each individual claim. Attention span on the internet is relatively short. After the initial frenzy about a hot topic, the audience typically moves on to the next. If the subject of the frenzy answers by continuing to argue that its actions were reasonable and defensible, the debate will only serve to keep the issue "front and center" in the minds of the purchasing public, which may damage the owner's goodwill and reputation more than the initial infringement – commonly known as the "Streisand Effect."²

Change in Dynamics if the Potential Infringer Uses *Pro Bono* Counsel or Has Insurance Coverage

A frequently held (but not always correct) assumption is that an owner who is a "trademark bully" must have deep pockets and able to continue litigation without consideration of increasing costs. Similarly, victims of so-called bullies are generally assumed to be smaller entities, without significant resources. Thus, the theory proceeds, these trademark-bully-owners seek to extort settlements from these smaller entities in a way that expands the owner's trademark rights unfairly.

If a potential infringer accused of trademark infringement by an owner is represented by *pro bono* counsel or has insurance coverage, however, the possibility of an extortive settlement may decline. When the potential infringer is not paying its legal fees for defense out of its own pockets, it may be less inclined to accept an unreasonable settlement demand just to reduce its steadily climbing legal costs.

As an owner, consider carefully the actual economic position of the potential infringer, to the extent that such information is available in the early stages of the dispute. Be aware of the public's assumptions about the potential infringer and its role in the community, and manage public relations needs from the inception of the dispute. Do not wait for an emergency to arise before addressing public relations issues. The more the potential infringer can be cast as

a “victim of a bully” the more likely the owner’s goodwill and business reputation could be harmed by bad press, including social media.

Conclusions

Enforcement programs are essential to any owner’s ability to manage the business’s names and marks, maintaining its exclusive right to use these names and marks in connection with specific goods and services as long as feasible. While overly aggressive and unreasonable programs may legitimately be called “bullying,” owners must take seriously their obligations to monitor and enforce the use of their marks in commerce to avoid losing or de-valuing their rights.

¹ See Request for Comments: Trademark Litigation Tactics, n.1 in https://www.uspto.gov/trademarks/litigation_study.jsp

² See What is the Streisand Effect?, *The Economist Explains (blog)*, April 15, 2013, <http://www.economist.com/blogs/economist-explains/2013/04/economist-explains-what-streisand-effect>, which explains, “Named after the American singer and actress Barbra Streisand, the Streisand Effect describes how efforts to suppress a juicy piece of online information can backfire and end up making things worse for the would-be censor.”

Bio



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Christina D. Frangiosa focuses her combined litigation and transactional practice on intellectual property and technology law, counseling clients in various industries from software and website development and entertainment companies to manufacturers and retail establishments about copyright and trademarks, counterfeiting, infringement, unfair competition, false advertising, trade secrets, licensing and policy development. Active in the legal community, Chris has served in leadership roles with the American Bar Association Section of Intellectual Property Law, provided legal commentary and articles in the media, led CLE sessions and publishes the Privacy and IP Law Blog. She graduated from Temple University School of Law and American University.