

Trademark Litigation 2022



United States

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A Global Guide



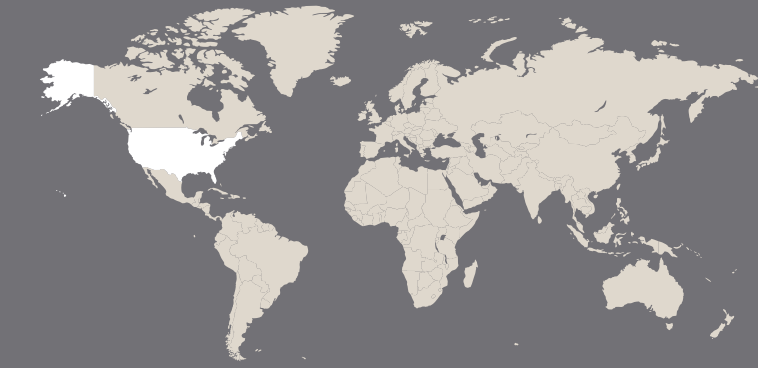
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Legislative framework and causes of action

Establishing protection

With the exception of rights conferred by various international treaties, trademark rights in the United States are established through use of a mark in commerce and are protected by common law within the geographic area in which the mark is used.

Rights owners may choose to register a trademark at state level. Each US state has its own statutory scheme governing registration and related remedies.

More robust protection is available through federal registration at the USPTO. Registration pursuant to the Trademark Act (15 USC Sections 1051 and following) – more commonly known as the Lanham Act – confers certain benefits on the trademark owner, including:

- a statutory presumption that the trademark is valid;
- that it is owned by the registrant; and
- that the registrant has the exclusive right to use the trademark throughout the United States and its territories.

Registrants also have the right to record their registrations with US Customs and Border Protection, which will seize, detain and ultimately destroy infringing and counterfeit goods intended for entry into the United States.

Possible forums

Claims for trademark infringement may be brought in state court pursuant to either federal or state statutes. However, mark owners generally assert trademark-related claims in a US district court pursuant to the Lanham Act, because federal courts tend to have more experience with trademark cases. The Lanham Act provides causes of action for:

- infringement of a registered mark (15 USC Section 1114);
- infringement of an unregistered mark (15 USC Section 1125(a));
- dilution of a famous mark (15 USC Section 1125(c));
- claims arising from a false designation of origin (15 USC Section 1125(a));
- false advertising (15 USC Section 1125(a)); and



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- cybersquatting (15 USC Section 1125(d)). Litigants often add state law claims to bolster their federal claims, invoking state consumer protection statutes or common law unfair competition.

District courts have the authority to enjoin infringing use of a trademark and to order the USPTO to cancel invalid trademark registrations. In this regard, lawsuits can provide more robust relief than administrative actions at the USPTO’s TTAB, which also decides Lanham Act claims but only has jurisdiction to refuse an application for registration or cancel an existing registration under certain enumerated statutory categories. However, complaints filed at the TTAB can serve as useful tools for common law or registered mark owners seeking leverage to resolve a dispute without expending additional resources on more fulsome federal court litigation.

In cases involving the import of infringing goods, a second administrative body, the International Trade Commission (ITC), might provide additional relief. Both common law and registered mark owners can file complaints seeking investigation and ultimately an exclusion order that can operate more effectively than Customs and Border Protection seizures.

Test for infringement

Regardless of the forum, trademark-related claims under both state and federal law hinge on:

- showing valid prior rights;
- use in commerce (even for owners of registrations obtained through international treaty without having to show use initially); and

- whether the allegedly infringing mark is likely to cause confusion, mistake or deception by consumers regarding the origin of the goods or services.

The likelihood of confusion test involves weighing several factors that vary slightly by jurisdiction, but generally include:

- similarities in sight, sound and meaning of the marks;
- the strength of the trademark owner’s mark;
- whether the marks are used on the same, related or complementary kinds of goods or services;
- whether the goods or services are likely to be sold in the same or similar shops or outlets, or advertised in similar media;
- the degree of care applied by purchasers of the parties’ respective goods and services;
- instances of actual confusion; and
- whether there was an intent to use a mark similar to the trademark owner’s mark.

Alternative dispute resolution

Alternative dispute resolution (ADR) is an increasingly popular means of resolving trademark disputes before state and federal courts, the TTAB, the ITC and even in the absence of a formal proceeding.

ADR, which might involve a settlement conference before a judge or a mediation facilitated by a trained mediator, allows parties flexibility in selecting governing rules and confidentiality requirements. It can also be far less expensive than traditional litigation, making ADR especially appealing to parties involved in court proceedings as opposed to litigants involved in the TTAB’s more streamlined dispute resolution procedure, where only registration (as



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opposed to continued use of a mark in commerce and a possible monetary award) is at stake.

Most federal and state courts now require the parties to participate in some form of ADR and even maintain panels of potential mediators that include active or retired trademark practitioners. These subject matter experts can provide neutral views on the strengths or weaknesses of each side's case, which may help change the dynamics for potential resolution of the case.

Litigation venue and formats

Proper venue and forum shopping

Because the Lanham Act is a federal statute that is applied relatively uniformly across federal district courts – trial courts assigned to govern specific geographic territories within each US state – choice of venue for a trademark infringement lawsuit is typically dictated by the geographic locations of the parties. Mark owners seeking to inconvenience the infringer by filing far from where they are located may have to weigh

that advantage against the possibility of a procedural motion delaying the lawsuit.

The US Constitution dictates that a defendant may be sued only in a jurisdiction in which it can reasonably expect to be dragged into court (ie, where the defendant lives and/or does business). A defendant infringer can bring a motion to transfer the lawsuit to another court or have it dismissed entirely if the court where it is brought has no personal jurisdiction over the infringer.

Even if a particular district court has personal jurisdiction over the infringer, transfer or dismissal can result if the requirements of the federal venue statute, 28 USC Section 1391, are not met. Pursuant to that statute, trademark infringement cases may be brought in:

- the court located where one of the alleged infringers resides, if all reside in the same state;
- a court located where “a substantial part of the events or omissions giving rise to the claim occurred”; or
- if neither of these apply, where any alleged infringer is subject to the court’s personal jurisdiction.

An alleged infringer who is not a US resident can be sued in any district court.

The same jurisdiction and venue questions arise in state court actions, which are typically governed by state procedural statutes aligning with the same constitutional requirements present in federal cases.

These considerations, however, do not apply to administrative proceedings at the TTAB or the ITC. Any owner of a US trademark application or registration may be subjected to TTAB jurisdiction, while any party with some nexus to the import of infringing goods into the United States could find itself the subject of an ITC investigation or adjudication.

Right to a jury trial

While TTAB and ITC matters are decided by specially appointed administrative law judges who are experts in their fields, a defendant in federal district court or state court has a right to make a timely written demand for a trial by jury of randomly selected members of the local community. Alternatively, parties

can agree to have a case tried by the judge assigned to preside over the case (who may not be a subject matter expert). The choice between judge or jury may hinge on whether a case is highly technical or easy to understand, how persuasive the evidence is, and whether an alleged infringer might garner more – or less – sympathy from a jury.

Damages and remedies

Monetary relief

The federal Lanham Act and many state statutes provide vehicles for recovery of an infringer’s profits, actual damages and costs in traditional trademark infringement cases. The trier of fact, be it a jury or a judge, awards such relief.

For disgorgement of profits, the trademark owner need only prove the gross revenue received by the infringer from the sale of the infringing goods or services. It is then incumbent on the infringer to prove what, if any, costs can be deducted. Historically, proof of wilfulness was required to recover a defendant’s profits in many cases. However, in 2020, the US Supreme Court rejected that requirement.

With regard to actual damages, a trademark owner is entitled to recover:

- any quantifiable economic loss caused by the infringement, such as lost profits (provided that they are not duplicative of the infringer’s profits);
- lost goodwill or reputation; and
- the cost of remedial advertising.

The Lanham Act affords courts discretion to award up to three times the actual damages “according to the circumstances of the case”.

Recoverable costs include certain disbursements made during litigation, excluding attorneys’ fees. However, fees may be awarded in the relatively rare instance where a judge determines that a case was exceptional.

Further enhancements are available in Lanham Act counterfeiting cases, where the mark owner can elect to seek treble damages (even without extenuating circumstances) or statutory damages, which can range from \$1,000 to \$200,000 per counterfeit mark per type of good or service. The upward limit



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jumps to \$2 million if the counterfeiting is found to be wilful.

Injunctive relief

The federal Lanham Act and many state statutes also allow for injunctive relief, including:

- temporary restraining orders to prevent imminent and irreparable harm in the near term;
- preliminary injunctions to maintain the status quo during litigation; or
- permanent injunctions.

Injunctions can take many forms, from stopping certain activities or advertising, to the destruction of merchandise or the means of infringement and the cancellation of registrations.

Injunctions are only awarded prior to final judgment if a plaintiff can demonstrate:

- likelihood of success on the merits of its claims;
- irreparable harm without injunctive relief;
- a balance of hardships in its favour; and
- public interest in issuing an injunction.

It became much easier for mark owners to obtain preliminary and permanent injunctive relief following the December 2020 enactment of the Trademark Modernisation Act, which amended the Lanham Act to create a rebuttable presumption of irreparable harm on a showing of success on the asserted claims.

Evidencing the case

Investigations and first steps

All trademark proceedings require proof of valid prior rights and likelihood of consumer

confusion. The initial investigation of any matter must focus on these elements.

It is prudent to begin by confirming that the claimant began using its mark in commerce before the alleged infringer. Because US trademark rights are conferred by use, even prior common law use can trump a registrant's rights and create a valid defence to an infringement claim. Taking action against a party that actually began using its mark in commerce first can even result in loss of the claimant's trademark rights. Once a senior user is on notice of the junior user's claim of likelihood of confusion, the senior user may decide to take adverse action to challenge the junior user's asserted trademark.

A potential litigant should also investigate and gather the evidence required to support the other elements of its claims. This includes:

- evidence of use;
- determining whether the trademark to be asserted might be vulnerable to attack and gathering evidence to blunt such an attack;
- determining whether and to what extent there is evidence of actual harm; and
- gathering evidence of any other relevant circumstances such as actual confusion in the marketplace (which is not required to prove a claim but is considered to carry a great deal of weight).

All this evidence should be collected and preserved because sanctions up to and including dismissal of a case can be levied for failure to preserve evidence.

Evidence not in the claimant's possession that would be useful to more fully develop claims and defences can be obtained through discovery during the proceeding. Courts and the TTAB allow for robust discovery from both

parties and non-parties, including requests for a party to:

- produce documents;
- respond to written questions; and
- produce witnesses for deposition.

There can be significant expense associated with this process, however, and parties may factor in such potential costs when evaluating whether to commence a proceeding in the first instance.

Survey evidence

Consumer survey evidence may be used in both court and TTAB litigation. When conducted in accordance with standards developed through case law over the years, surveys can be persuasive on issues such as fame, secondary meaning, genericness, likelihood of confusion, consumer perceptions of allegedly false advertising, and many of the other factors implicated by trademark and false advertising claims.

Use of expert witnesses

Expert witnesses may be used with regard to surveys or to measure the tangible – and sometimes intangible – impact of infringement or false advertising claims for the purpose of seeking monetary damages. A linguistics expert might also be used to opine on aural similarities between marks, as well as the origins and meaning of a mark.

Care should be taken in selecting an expert, because challenges to the expert’s experience and methodology can result in exclusion of the expert evidence from the record. A party should adhere to the well-developed standards set out in the case law to avoid this outcome.

Available defences

In all trademark litigation, the party asserting claims bears the burden of proving all the elements of each claim. The defendant will prevail where the claimant has not introduced sufficient evidence to prove all elements, or where the defendant is able to develop sufficient evidence to defeat one or more elements.

For example, in recent years, federal district courts and the TTAB have recognised that the existence of a significant number of similar, but not identical, marks can indicate that the relevant consuming public has learned to distinguish between those similar marks based on small differences. Because the burden of presenting evidence of third-party use is on the defendant, it can be technically considered a defence to defeat a key element in the likelihood of confusion analysis: strength of the claimant’s mark. Similarly, evidence of differences in goods or classes of consumer, or any of the other confusion factors, may be viewed as defences to a trademark claim. In cases where common law rights are asserted, a defendant may argue that no likelihood of confusion exists because it was innocently using its mark in a geographically distinct market, and therefore no overlap in consumer base exists.

A claim can also be defeated by asserting the affirmative defence of invalidity of the asserted mark. Bases for an invalidity defence include the following:

- The asserted mark is generic and therefore does not function as a source identifier. Even previously registered marks may be rendered generic.
- The asserted mark was abandoned through intentional non-use.
- The registration of the asserted mark is void. A registration may be void if:
 - the mark was not in use when a use-based application was filed;
 - the applicant was not the actual owner of the mark at the time of filing; or
 - the applicant or registrant committed fraud on the USPTO by filing a declaration that was intentionally false or was filed with reckless disregard for the truth.

Improper transfer of an intent-to-use application to a new owner can also render the application void.

Equitable defences such as estoppel, laches and unclean hands can be asserted if supported by the underlying facts.

Appeals process

Appeals can be taken, as of right, from any decision by a federal district court, a state court or the TTAB.

State court decisions may be appealed to a state-specific appellate court, while federal district court decisions are generally appealed to the Court of Appeals in the geographic circuit where the district court is located. The US Court of Appeals for the Federal Circuit is uniquely situated in that, unlike other appellate courts, it has nationwide jurisdiction over all patent and administrative trademark decisions (including TTAB and ITC decisions), and is therefore very familiar with IP issues.

A party may choose whether to appeal a TTAB decision to the Federal Circuit, in which case no new evidence can be introduced, or to appeal by filing a new lawsuit in any federal district court with jurisdiction over the parties. In this instance, the parties can introduce new evidence and, in light of the expanded remedies available in district court, will generally assert claims that seek

relief beyond the refusal or cancellation of a registration. The district court's decision may then be further reviewed by a Court of Appeals.

A party can ask the US Supreme Court to review a decision of a Circuit Court of Appeals, but the Supreme Court has discretion to decline further review. **WTR**



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