
A game of chess: defending a trademark infringement suit in the United States

Not every defendant is a wrongdoer, and there are a range of tactics that counsel should consider when in a defensive position

Trademark attorneys often write about protecting their clients' marks, brand protection and how to stop the 'evil' infringers. But for every lawsuit claiming trademark infringement, there is at least one defendant, which is not always a wicked wrongdoer. More often than not, the defendant in a trademark infringement lawsuit may be a legitimate competitor, an uninformed start-up business, an innocent infringer, an unsophisticated individual or a middleman. No matter what the allegations, that defendant is your client – so how best to defend it?

Understanding the US court system

For non US-based attorneys, a general understanding of the US court system with regard to litigating trademark infringement disputes is helpful. While litigation in the United States may be brought in federal or state courts, trademark litigation will almost always be held in federal court. This is because most trademark infringement cases are based on the Lanham Act (15 USC § 1051, *et seq.*), a federal statute that covers infringement claims for both registered and unregistered trademarks and claims of false designation of origin. Even if the plaintiff files the complaint in state court and alleges a Lanham Act violation, the defendant should be able to remove such action to federal court. In other words, it is rare to have a trademark infringement lawsuit heard in state court.

For this reason, this article references federal court procedures as opposed to state court procedures, which will vary across the 50 different states. Unlike in many other countries, trademark litigation in the United States is not decided before a specialised tribunal or a judge with a technical background – or even one with IP law experience. But just because the federal judge is not an IP attorney, let alone one with specific trademark experience, does not mean that

he or she is inept to the issues at hand. Most federal judges have a great deal of expertise and litigation knowledge, even if they were not IP attorneys in their previous lives.

Another unique aspect of US litigation is that all cases, including trademark infringement cases, are entitled to be heard before a jury. Thus, the federal judge may not even be the ultimate fact finder, but rather a potential jury pool comprised of a variety of citizens, many of whom have no knowledge of trademark law and – even more daunting – some of whom have very little education. Your jury pool could range from a college professor to a nurse, a retired dock worker, an unemployed high school drop-out and so on. If the plaintiff requests a trial by jury, you are stuck with a jury trial unless both sides subsequently agree to waive the right to a jury trial. However, if the plaintiff does not request a jury trial, the defendant has the option of deciding whether it wants a judge or jury to decide the matter.

There are no specialised court rules for trademark infringement litigation. Rather, the general Federal Rules of Civil Procedure will apply; but each district court may have its own local rules and each particular judge may have individual practices and procedures to follow. These local rules usually relate to discovery and trial procedures, which must be adhered to. This is one of the reasons why counsel, when involved in litigation outside their home state, will retain local counsel in order to assist with the defence and local procedures.

Another aspect of US litigation that differs from the practice in many other countries is the breadth of the discovery process for all cases, including claims of trademark infringement. Federal discovery can also come in multiple forms (eg, written questions, demands for documents, request for admissions and deposition of the plaintiff's witnesses). As a general rule, you may obtain discovery regarding any non-privileged matter relevant to the subject matter of the pending action, regardless of whether it relates to the claim or defence of the party seeking discovery or to the claim or defence of any other party. If the information sought appears reasonably calculated to lead to the discovery of admissible evidence, the plaintiff may not object to your discovery request on the grounds that the information sought



will be inadmissible at trial.

As an example, a competitor sues you for trademark infringement. You may seek to obtain a slew of information related to the plaintiff's sales, profits, costs and so on, all on the basis of seeking discovery to defeat the plaintiff's damages claim. Alternatively, this information may relate to the discovery of admissible evidence on the issue of which marketing channels the plaintiff used for its goods or services, so that you can compare or contrast them to those which you used. All of this is done as part of your claim that there is no likelihood of confusion between the marks at issue. The strategic point is that by suing you, the plaintiff may not be prepared to share certain documents that you can legitimately seek and use as a pressure point as a defence to the underlying claims.

In federal court it is not difficult to obtain documents or testimony from third parties, even those located in other parts of the country. These third parties can range from customers to vendors, suppliers, distributors, former employees and the like. In other words, there is a broad range of third parties that you can seek discovery from. While not unfettered, the use of third-party subpoenas to obtain additional discovery is another tool through which to develop your defences and overall strategy against the plaintiff's claims.

Jurisdiction – is my client in the right court?

There are 91 regional federal district courts in the United States, broken down into 11 circuits (www.uscourts.gov/uscourts/images/CircuitMap.pdf), and the plaintiff initially gets to file the complaint in its forum of choice. This does not mean that the plaintiff can randomly choose any one of these 91 districts in which to file its complaint. Rather, the plaintiff must ensure that all of the parties are subject to the personal jurisdiction of the particular venue, and that there is at least some tie to the facts at issue within that particular jurisdiction. Of course, this may still leave the plaintiff with a plethora of jurisdictions to choose from – some of which may be unfavourable to your client. For example, if you are accused of infringement by a big-box retailer which is the largest employer in the region, you may not want to be a defendant there. Or what if your client makes a product that is unpopular in the area where the complaint has been filed? Just because the plaintiff has selected a particular venue does not mean that you should automatically accept this decision. Law students are often taught that forum shopping is an ugly practice that is frowned upon, but this is simply untrue. The US Supreme Court has stated that forum shopping is a "litigation strategy of countless plaintiffs who seek a forum with favorable substantive or procedural rules or sympathetic local populations" (*Keeton v Hustler Magazine, Inc* 465 US 770, 779 (1984)).

Thus, one of the first questions that a defendant in a trademark case should ask is: do I want to be in this particular jurisdiction? If not, determine whether your client is subject to personal jurisdiction in that particular court. For example, if the lawsuit is brought in the Central District of California (Los Angeles area), but your client's business is in Alabama and Georgia and it has no connections to California, then your client may not be subject to personal jurisdiction in California and could file a motion to dismiss the complaint. This may not completely end the matter, because you may then end up as a defendant in a new lawsuit that is re-filed in Alabama; but who knows – the plaintiff may not want to litigate there. Also, if there is some type of contractual relationship between the parties, check to see whether they have previously agreed on a particular forum or arbitration, which may affect where the case could be heard. A defendant has a wide variety of defences to choose

from, and challenging the jurisdiction of the particular venue is just the first step.

Even if your client is subject to personal jurisdiction of the court, is that particular venue the best choice for your client from a *forum non conveniens* viewpoint? A federal judge has the discretion to transfer an action to another jurisdiction. In particular, 28 USC § 1404(a) states: "for the convenience of parties and witnesses, in the interest of justice, the district court may transfer any civil action to any other district or division where it might have been brought." Thus, if there is subject and personal jurisdiction over the matter in another district that you find more suitable, you may seek to have the judge transfer the case; but the burden will be on the party seeking to move the case, with the understanding that most courts will defer to the plaintiff's choice of forum. The factors to argue for a transfer are:

- convenience of the parties and witnesses;
- the interests of justice;
- the applicable law, if there is a difference between the districts;
- the connection of the facts to a particular location;
- judicial resources; and
- resolution of the trial in the new forum.

Some considerations before seeking to move the matter to a different location include the following:

- How has the appellate court for that jurisdiction handled trademark cases?
- Where are the key witnesses and documents located?
- Do courts in the present district generally move quickly or slowly in handling trademark disputes?
- What is your assessment of the potential jury pool for the particular district?

Also, depending on the specific claims raised by the plaintiff, different circuits have slightly different tests for determining whether there is a likelihood of confusion – the main test to determine whether there is infringement. Different courts also treat evidence differently. For example, the courts in some circuits allow testimony via affidavits during preliminary injunction hearings, while others require that witnesses physically appear to testify. This may be an issue if your witnesses have to travel far or if you anticipate logistical issues. Thus, determining the location of the battle is often the first step.

What does my client want?

When your client is served with a complaint, you may already know about the dispute through a cease and desist letter or other communications with the plaintiff; but it may also come as a total surprise. Either way, it is critical to quickly ascertain as many facts as possible. Trademark litigation is very much a chess game: you constantly need to be thinking several moves ahead. The last thing you want to do is play checkers if your opponent is playing chess. But unlike in chess, winning is not always the goal. Of course, there is nothing wrong with wanting to win, and to have the plaintiff's complaint dismissed and its trademark invalidated. But you must first determine your client's goals. For example, it may turn out that your client cannot afford a protracted, expensive trial and is willing to enter into a licence agreement or a quick settlement with the plaintiff. This is not uncommon: according to a 2011 survey conducted by the American Intellectual Property Law Association, the average cost (excluding judgments and awarded damages) of a trademark infringement suit through trial are over \$380,000 for disputes under \$1 million and \$1 million for disputes of between \$1

million and \$25 million. Certainly, many cases settle before trial, but there is no doubt that the discovery process and litigation can be expensive.

Another option arises if your client's product may be brand new and not even on the market yet; in such cases it may be less expensive simply to pick a new brand name. On the other hand, your client may be in the middle of a major transaction and simply need to delay the discovery process so as not to kill the deal. The point is that while you need to think several steps ahead of your opponent, you first need to determine what it is that your client wants. At the same time, don't forget that as things are revealed during discovery, your client's goals may adjust and you need to monitor this constantly.

While a plaintiff may choose the initial forum and its claims, the defendant has a large arsenal of options to achieve its own

objectives. Of course, every case is different and no two sets of facts are the same. However, as the defendant, you have the opportunity to question every part of the case (again, depending on your client's goals, you may not want to). As a practical matter, many trademark cases are not based on pure claims of infringement, but often revolve around some other relationship between the parties (eg, breach of a licence or distribution agreement, or an employee's violation of a non-disclosure agreement). This is also important, because depending on the nature of the claims, your client may have applicable insurance coverage, or at least coverage to defend and pay for legal fees to defend the matter. Understanding the origins of the dispute and the relationship between the parties may thus assist in developing your defence strategy.

Is there a preliminary injunction?

If the plaintiff has filed a motion for a preliminary injunction, you have a great deal of work to do in a short timeframe. In all likelihood, there will be a hearing within a few weeks or a month or so, depending on the specifics of the claims. As a general rule, in order for the plaintiff to prevail on a preliminary injunction, it must prove that:

- there is a likelihood of success on the merits;
- it will suffer irreparable harm if the injunction is denied;
- granting preliminary relief would not result in even greater harm to the non-moving party; and
- the public interest favours such relief.

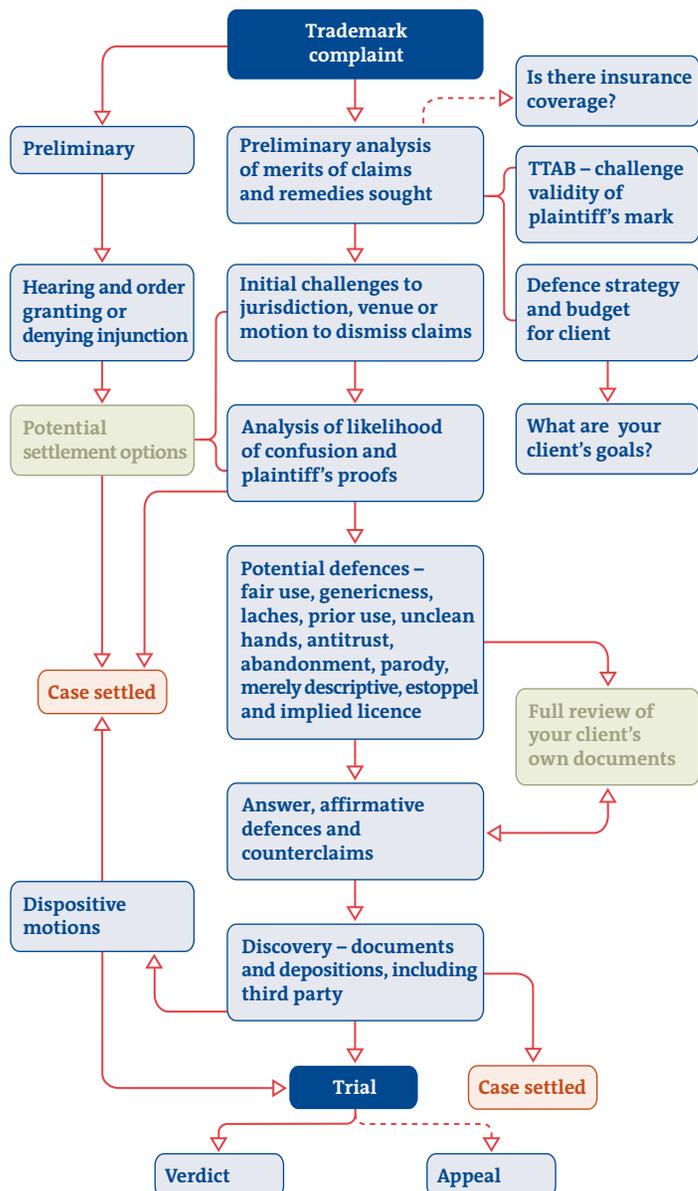
If the plaintiff first filed a temporary restraining order, things will move even faster. In fact, the temporary restraining order may have been granted by the judge without notice to you. As a defendant, you can request permission to take early discovery, including depositions, to expose weaknesses in the plaintiff's claim. This could include showing that the plaintiff delayed in bringing its action or is unlikely to prevail on the merits, or that your client will suffer a greater harm in granting the injunction – or as many other defences as you can realistically claim to tip the balance in your favour. Remember, in a preliminary injunction setting, the court is not determining the ultimate outcome, but rather is dealing only with the present issue and balancing the claim for immediate relief. You need to be diligent if there is a preliminary injunction motion, so that the injunction is not granted. This is because a vast number of cases are fully resolved through some type of settlement or other resolution following a preliminary injunction ruling.

If you have valid defences – even if only partial ones – to some of the specific counts, determine whether you should file a motion to dismiss. If you succeed, you may eliminate (or narrow) the claims prior to the preliminary injunction. The motion to dismiss may also have the effect of delaying the preliminary injunction, because the court will most likely need to determine those issues first. This is especially true if you challenge jurisdiction or the validity of any of the claims on which the preliminary injunction is based. Another option is to determine whether you have a claim to argue that the plaintiff has acted unlawfully. If so, perhaps you can file your own counter-preliminary injunction motion, which should be combined with the plaintiff's preliminary injunction. While you may wish to win the preliminary injunction, it is possible that your goal (or realistic expectation) is not to win the preliminary injunction, but rather to raise sufficient doubt to cause the judge to deny both motions and send the case on to full discovery.

Potential defences to a claim of infringement

As a defendant, you may wish to view the plaintiff's claim from the

Figure 1. **Defending a trademark infringement claim**





discovery standpoint of, 'Be careful what you ask for'. Certainly, your defences may consist of arguments that your client did not infringe the plaintiff's trademark. While the specifics of each test may vary slightly from circuit to circuit, the basic test for determining trademark infringement is whether there is a likelihood of confusion. In other words, is your client's use of the mark in connection of certain goods or services likely to cause consumer confusion as to the source or sponsorship of such goods or services? As an example, the court will look at the following factors to determine whether there is a likelihood of confusion:

- the strength of the mark;
- the proximity of the goods;
- the similarity of the marks;
- evidence of actual confusion;
- the similarity of marketing channels used;
- the degree of caution exercised by the typical purchaser; and
- the defendant's intent.

As the defendant, you have the opportunity to seek discovery of any of these issues and, as discussed above, the plaintiff may not be comfortable revealing all of the information that you are entitled to seek.

In addition to arguing that there is no likelihood of confusion, which will be a critical component of your defence strategy, some of the other defences that you may want to consider include the following:

- Abandonment – trademark law protects only trademarks that are used. Therefore, if you can claim non-use for a certain period of time (usually at least three years), then under a theory of abandonment, the plaintiff may have lost all rights to the trademark.
- Acquiescence – this defence is based on the plaintiff's failure to take any action against an infringing party.
- Estoppel – this is the legal defence of 'stopping' a claim of infringement due to approval of the defendant's use of the trademark.
- Fair use – this occurs when a descriptive mark is used in good faith for its primary purpose, such that there will be no consumer confusion. This defence will work only where the mark is used in a purely descriptive manner.
- Functionality – this is limited to a claim of trade dress. If the particular aspect of the trade dress that is being protected is really based on functionality, as opposed to visual appearance, then the mark may be invalidated.
- Genericness – while a trademark may have been distinctive at one point, if not protected a mark may become generic over time and thus no longer be entitled to protection. Examples include 'aspirin', 'zipper' and 'escalator'.
- Improper licensing – if the trademark is licensed without any quality controls (also referred to as a 'naked licence'), then the trademark may be cancelled under the claim that the trademark no longer serves its purpose of identifying the goods or services of a particular provider.
- Laches – this is an affirmative defence due to the other party's neglect in timely asserting its claim. It is different from a statute of limitations argument. Rather, it is an unusual lapse in time which causes prejudice to the defendant and operates as a bar to the plaintiff's claims.
- Lack of personal jurisdiction – as discussed above, if you can show that your client does not belong in the particular jurisdiction, then the court has no authority over your client.
- Nominative fair use – in some jurisdictions there is a defence if

your client used the trademark only for the necessary purpose of identifying another's product, and not for its own goods or services.

- Parody – this is a subjective defence that allows artistic and editorial expression, in which the First Amendment (the right of free speech) is applied. However, this defence usually works only where the parody is not tied to commercial use.
- Prior use – a prior use defence may be made as long as your client's use occurred prior to any claim of registration, and has been continuous and remote.
- Unclean hands – this defence is evoked by the courts when the plaintiff's actions are improper such that there is a public interest in punishing the plaintiff which outweighs its right to pursue its claims against the defendant.

Several other potential defences are used less frequently and may have less to do with the actual trademark, but can nonetheless be used as part of your defence strategy. Some of these include statute of limitations, malicious prosecution, abuse of process, invasion of privacy, defamation, unfair competition, conversion, fraud, misappropriation and Rule 11.

Potential counterclaims

Sometimes, the best defence is a good offence. Thus, while you are defending against the plaintiff's claims of infringement, determine whether your client has a legitimate claim against some activity of the plaintiff. This does not necessarily mean that you need a winning counterclaim; you need only one which is valid and legitimate, so that you are not violating any rules of court or ethical considerations. The mere raising of certain counterclaims can be used as a defensive strategy to level the playing field, to obtain additional discovery from the plaintiff or even to try to bridge the gap between the parties in order to reach a resolution. Some example claims that the defendant can raise, depending on the specific facts, are malicious prosecution, abuse of process, misuse of court order, invasion of privacy, defamation, unfair competition, interference with existing/prospective contractual relationships, infliction of emotional distress, civil Racketeer Influenced and Corrupt Organisations Act, negligence, trade libel or disparagement, conversion, civil conspiracy, *prima facie* tort, antitrust, fraud, cancellation of the plaintiff's mark, non-infringement, trade secret misappropriation, trespass, breach of fiduciary duty, false advertising and unclean hands.

Conclusion

Defending a claim of trademark infringement will keep you on your toes and your mind sharp. In doing so, there are many different strategies and defences that you can raise and pursue as you attempt to achieve your client's goals, which will be different in every case. As a result, you will have plenty of opportunities to use your analytical and litigation skills to assess your shifting options as the litigation progresses. As shown in the flowchart on p.52, there is a lot involved in successfully defending a claim of trademark infringement. [WTR](#)

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