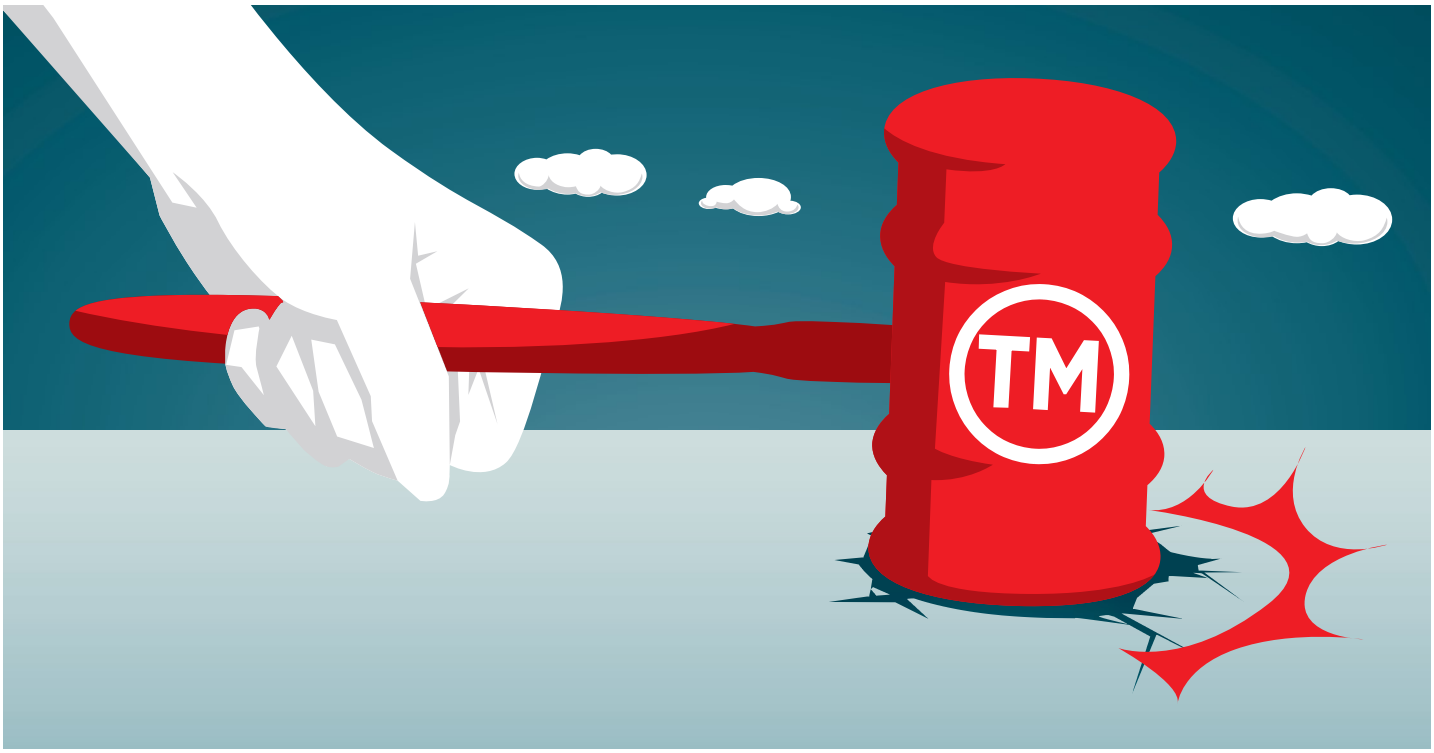

Striking a Balance Between Enforcing IP Rights and Becoming a Trademark Bully

By Paula I. Brueckner and Peter E. Nussbaum

The image of the schoolyard bully is indelible—the big kid who picked on the smaller children simply because the bully was bigger and stronger. In the trademark space, schoolyard bullies have been replaced by trademark bullies—often large companies who engage in overly aggressive tactics to harass and intimidate typically small companies and individuals, beyond the scope of trademark protection afforded by the Lanham Act or by taking an overly broad position regarding their own rights. It is important for trademark owners to protect their trademark rights through policing and enforcement, but doing so overzealously can be highly problematic and detrimental.

By way of example, in 2015, Lagunitas Brewing Company sued Sierra Nevada Brewing Company over the use and display of "IPA" on the labels for Sierra Nevada's then-new Hop Hunter IPA beer cans. As any beer drinker knows, "IPA" is short for "India Pale Ale," a style of hoppy beer in the pale ale category. Lagunitas claimed that the stylization Sierra Nevada chose was too close to its own. Sierra Nevada took to social media, and the backlash against Lagunitas was swift with beer drinkers threatening to boycott. Within one day of filing the lawsuit, Lagunitas voluntarily dismissed the case because of the public outcry. The founder of Lagunitas even took to social media himself, admitting, "Today was in the hands of the ultimate court; The Court of Public Opinion and in it I got an answer to my Question; Our IPA's TM has limits." Lagunitas was publicly shamed for being a trademark bully, even though it believed it was simply policing its mark.

Another example is Louis Vuitton, long known to have a strong enforcement strategy as well as often receiving negative publicity for that approach. Take, for example, the cease-and-desist letter Louis Vuitton sent a group of law students at the University of Pennsylvania in 2012. The students held a fashion-law-themed symposium featuring a design resembling the Louis Vuitton toile print on the flyer. Louis Vuitton's demand letter was ultimately posted on the internet and garnered the company bad press. Some argued Louis Vuitton has deservedly earned a reputation as a trademark bully. However, it is worth noting that it is not only one of the most recognizable brands in the world, but also one of the most counterfeited.

Trademarks and Service Marks such as brand names, slogans, logos, color, product packaging and configuration, and even smells and sounds, are among a company's most valuable assets. Filing for and obtaining a registration with the United States Patent and Trademark Office (USPTO) is a crucial part of a company's overall brand protection strategy, but it is not enough in and of itself. While the USPTO will refuse applications based on a likelihood of confusion with existing registrations, trademark owners need to monitor the marketplace for potential infringement and, if necessary, enforce their rights. As any trademark practitioner knows, an effective enforcement strategy helps brands protect their trademarks and service marks, but an ineffective one can be limiting and damaging, if not fatal, to a company's rights or result in public shaming and bad publicity. Brands that either fail to police their marks or engage in overly aggressive bully tactics can face both legal and commercial repercussions. Thus, trademark practitioners must strike a balance when advising clients on trademark enforcement strategy.

The Lanham Act imposes a duty on trademark owners to be proactive and to police the relevant market for infringers.[1] An effective enforcement strategy enhances the strength and distinctiveness of a trademark by eliminating the use of similar marks in the relevant market.[2] Common examples of enforcement include the use of cease-and-desist letters, the filing of opposition and cancellation proceedings before the USPTO's Trademark Trial and Appeal Board (TTAB) to challenge problematic third-party applications and registrations, submitting letters of protest to the USPTO, enrollment in online marketplace brand registries, submitting takedown notices to online marketplaces and social media websites, filing Uniform Domain Name Dispute Resolution complaints for problematic domain names, recording marks with U.S. Customs and Border Patrol, and filing lawsuits in federal court.

There is no requirement that brand owners object to every use of a similar mark. In fact, doing so would be cost prohibitive for all but the largest companies and result in unnecessary disputes over unrelated goods and services where there is plainly no likelihood of confusion.[3] It is incumbent on trademark practitioners to help trademark owners strike that balance between overly aggressive enforcement and laissez-faire enforcement. Indeed, the law recognizes the dilemma faced by trademark owners. Under the rule of "encroachment," trademark owners can tolerate de minimis or low-level infringement by a junior user without requiring them to take action or file a lawsuit.[4] The trademark owner can wait until that junior user's use expands or changes such that it can cause the trademark owner harm to take action.[5]

Some trademark owners, however, believe they need to object to each and every use of a similar (or what they consider similar) mark no matter how remote the likelihood of confusion. The classic example of a trademark bully is a large company that goes after smaller companies or start-up companies. Trademark bullies engage in overly aggressive tactics to harass and intimidate others beyond the scope of trademark protection afforded by the Lanham Act or by taking an overly broad position regarding their own rights. Their aggressive demand letters can go beyond trying to force the recipient to cease use of a mark or threaten litigation—they sometimes seek to extract unfounded license fees, payouts, or co-existence agreements, all under threat of a lawsuit. Trademark bullies are also known for engaging in abusive tactics prior to and during litigation to intimidate the other party or employ litigation tactics designed to drive up the cost of defending against their frivolous claims. Some trademark owners are so overzealous in their enforcement that they object to fair use and non-infringing use even where unwarranted.

Courts have taken note of these bullies and granted fees in some cases to deter such bad behavior and to reduce frivolous lawsuits.[6] In extreme cases,

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courts have the power to impose Fed. R. Civ. P. 11 sanctions against trademark bullies (and their attorneys) when they engage in particularly vexatious and egregious conduct or pursue frivolous claims. In other situations, trademark bullies have been publicly shamed and received negative publicity for engaging in bully behavior. Particularly today, recipients of unfounded or frivolous cease-and-desist letters or lawsuits are quick to post on social media in shaming campaigns.

Trademark owners who find themselves up against a trademark bully are not without recourse. In addition to seeking fees where appropriate in federal court, taking to social media and public shaming, they can file a declaratory judgment action. When the bully has filed an opposition or cancellation at the TTAB, filing a declaratory judgment action in federal court allows for suspending the TTAB proceeding, moving the case to a venue that can award fees (as the TTAB cannot award attorneys' fees), and crafting a narrative that highlights the bully's behavior.

Failure to enforce trademark rights can have serious consequences for brand owners ranging from limiting those rights or even losing them. For example, waiting too long to object to another's use of a confusingly similar mark can give rise to a laches or acquiescence defense. A party who fails to petition to cancel a problematic registration within five years of that registration will lose the ability to challenge that registration on certain grounds, including that a likelihood of confusion exists.[7] In some instances, the failure to police can result in the entire loss of trademark rights through genericide. For example, the words aspirin, escalator, and thermos were at one time protectible trademarks that eventually became generic. That is, the public learned to associate the mark with the name of the thing itself rather than as the source of the product, causing the owners of those marks to lose trademark protection for them.

Trademark practitioners can help trademark owners navigate the extremes of being a bully and losing rights to find an enforcement strategy that is effective, economical, and reasonable. A balanced enforcement strategy should consider what rights the trademark owner has based on existing registrations and actual use of the mark as well as whether a likelihood of confusion exists or if actual confusion has already occurred. It should also consider what the trademark owner wants to accomplish, such as an immediate or phased end to the infringing behavior, a license, a settlement agreement or continued monitoring for future infringements, and/or some combination of outcomes. It is also important to keep in mind what a realistic and successful enforcement outcome is in each instance. One trademark owner may be satisfied with a reasonable sell-off period and cessation of infringing activity while another may be resolute in obtaining compensation from the infringing party.

Cease-and-desist letters are perhaps the most commonly used enforcement tool in a trademark practitioner's arsenal. That is because they alert an infringing party of the trademark owner's rights and can result in discontinuation of the infringing mark or abandonment of problematic applications without the need for costly litigation, whether before the TTAB or in federal court. In situations where litigation is unavoidable, evidence of having used cease-and-desist letters can support a finding of willfulness, which is defined as the "intent to infringe or a deliberate disregard of a mark holder's rights."[8] In a federal trademark infringement case, a finding of willfulness can entitle the trademark owner to obtain attorneys' fees, and in counterfeiting cases, statutory damages ranging between $1,000 and $200,000 per mark rather than actual damages, which can be hard to prove or minimal.[9] While the TTAB cannot award monetary damages or attorneys' fees, a finding of willfulness can be considered in the likelihood of confusion analysis in an opposition or cancellation proceeding.

In short, a creative cease-and-desist letter can end the problematic behavior and garner positive media attention for the trademark owner. By way of example, in the mid-2010s, a global media company cleverly and creatively asserted its rights by sending an unauthorized pop-up bar a reference-filled, humorous letter making clear that it objected but would allow it to complete its initial scheduled run. The letter went viral, and the public response was positive—for both the pop-up bar and media company. And the lawyers received praise for having taken a metered and creative enforcement approach while avoiding falling into the trademark bully trap. ■

Endnotes

1. McCarthy on Trademarks and Unfair Competition § 11:91 (5th ed. 2024)
2. *Morningside Group Ltd. v. Morningside Capital Group, L.L.C.*, 182 F.3d 133, 51 U.S.P.Q.2d 1183 (2d Cir. 1999); *Dictaphone Corp. v. Dictamatic Corp.*, 199 U.S.P.Q. 437 (D. Or. 1978).
3. McDonald's Corp. v. McKinley, 13 U.S.P.Q.2d 1895 (T.T.A.B. 1989).
4. McCarthy on Trademarks and Unfair Competition § 31:21 (5th ed. 2024)
5. *Id.*
6. *Engage Healthcare Commc'ns, LLC v. Intellisphere, LLC*, No. 12-cv-787 (FLW) (LHG), 2019 WL 1397387, at *6 (D.N.J. Mar. 28, 2019).
7. TBMP § 307.02(a) (2023).
8. *Tri-Union Seafoods, LLC v. Ecuatorianita Imp. & Exp. Corp*, No. 20-cv-9537, 2021 WL 1541054, at *7 (D.N.J. Apr. 20, 2021)
9. 15 U.S.C. §1117(a), (c).