

The trademark lawyer as brand manager

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Litigation in the United States is expensive. Among the important skills a good attorney should possess is the ability to keep costs as low as possible

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Trademark lawyers become brand managers when their clients' marks are involved in litigation. Their role is particularly important in the US where, due to the time it takes and the costs involved, litigation can be a frightening prospect. This article provides a synopsis of the trademark litigation options in the US and explains why tight litigation management and budgeting will help to control litigation costs.

USPTO proceedings

If a trademark has been published for opposition and the client's brand management team believes the published mark is too similar to an important mark, and if all efforts at an amicable resolution fail, the application may be opposed. Similarly, if a mark is already the subject of a registration and the brand management team believes the registration is too close to an important mark, a petition to cancel the registration can be filed. Both of these actions are proceedings before the Trademark Trial and Appeal Board (TTAB) at the United States Patent and Trademark Office (USPTO).

The trademark lawyers and the client need to agree upon the objective to be achieved. The jurisdiction of the USPTO is limited to registration issues. The USPTO can only deny registration or cancel a registration; it has no authority to stop the use of a mark. Only a court can stop the use of a mark. If the mark and goods are close to the client's mark and product but do not pose a serious threat to lost sales, an action in the USPTO precluding registration may be sufficient.

Merely filing an action at the TTAB may be enough to cause the second user to reassess

its plans for its mark or persuade the applicant to agree not to use the mark at all. There is also a psychological value for the client to establish a reputation as an aggressive defender of its trademark rights. The client that polices its important brands by filing USPTO proceedings ensures competitors are less likely to adopt and apply to register marks similar to its own.

The opposition

An opposition is filed to prevent the registration of a mark that has been approved for registration. The opposition is tried before the TTAB. Once a notice of opposition is filed, the applicant must file an answer or a default judgment will be entered denying the registration.

After the notice of opposition is filed, the TTAB sets a six-month time period for discovery. Discovery is the period during which the parties obtain information from each other to help prove their case. In a TTAB proceeding, the only issue is the registration of the mark. There are a number of factors to determine if a likelihood of confusion exists and discovery should be to those factors and to the issues of descriptiveness, genericness or dilution if they are asserted.

During discovery, parties will not only seek answers to written questions but will also seek documents, as well as admissions from the other party. Each party is also allowed to take the oral (live) deposition of party opponents.

The discovery process is an area where careful case management can control expense. Sticking to a predetermined discovery plan will certainly control and probably reduce the costs incurred. This is done, for example, by limiting discovery to essential points and necessary procedures.

Once the discovery period closes, the testimony periods open. The testimony period is actually the trial period for that party. The TTAB does not hear live witnesses, so the testimony is by deposition. Each party puts its evidence into the record through its witnesses in a deposition setting rather than in a court setting.

Because the burden of proof in an opposition proceeding is on the opposer, it is allowed a rebuttal testimony period during which it can rebut any new matter or evidence raised by the applicant in its testimony. After the rebuttal period closes, the parties have an opportunity to submit their briefs to the TTAB and may request that the TTAB hold an oral hearing. The TTAB does not encourage oral argument and foregoing oral argument is a means of reducing cost.

The cancellation

Cancellation proceedings are identical to oppositions. The registrant must answer the petition to cancel or a default judgment will be entered. Both parties engage in discovery and testimony periods. The matter is briefed and decided. Under US law, a registration is vulnerable to cancellation after the mark has been registered for five years only for specified statutorily permitted grounds. Those grounds are that the mark is generic for the goods or services registered, the mark is functional, the mark has been abandoned, the registration was obtained by fraud or the mark is being used to misrepresent the source of the goods or services for which it is used.

Depending upon how aggressively they are prosecuted, USPTO proceedings are likely to cost, through the decision on the hearing (trial), anywhere from US\$50,000 to US\$100,000

The federal lawsuit

A federal court lawsuit is usually filed when actual harm occurs and there is a need to have the infringement stopped. Only a court can enjoin the use of a mark through its equitable powers of injunctive relief and only a court can award the recovery of damages. If the case is sufficiently serious, a court can also award the recovery of attorneys' fees to the prevailing party.

The cost of a lawsuit in federal court can be four to five times greater than the cost of a TTAB proceeding. The client must decide if the injury or potential injury warrants the cost of a lawsuit.

Federal courts in the United States

The US is divided into 13 federal circuits: the

First through to the Eleventh Circuits, the Federal Circuit and the District of Columbia Circuit.

Each circuit is divided into districts that serve a local area within a state. For example, the state of California is in the Ninth Circuit. Within California there are four districts: the Eastern District of California, the Central District of California, the Southern District of California and the Northern District of California.

A lawsuit for trademark infringement is filed in a district court. Once a complaint is filed, the district court will oversee the litigation to final judgment. If a party is unhappy with the judgment of the district court, the party may appeal that decision to the circuit court in which the district court falls. For example, a final decision issued by a district court in California must be appealed to the Ninth Circuit Court of Appeals.

If a party is unhappy with a decision of one of the 13 Court of Appeals, that party may seek to have the Supreme Court hear the case by filing a petition for a writ of certiorari. The Supreme Court tries to hear only those cases that it considers are of importance because of social considerations, confusion among the circuits (a split on a particular issue) or a need to have a clear and certain interpretation of a statute.

Instituting the case

A US district court will accept a trademark case if the federal trademark statute is asserted. The federal statute provides for federal court jurisdiction when either registered trademarks or unregistered trademarks, along with allegations of unfair competition, are asserted.

The case begins with the filing of a complaint by which the plaintiff alleges facts to support its claim of injury because the defendant is using a mark confusingly similar to its own. The defendant must answer the complaint or a default judgment will be entered against it.

Discovery

It is well known that a major difference between the US judicial system and that of most other countries is the discovery process. The philosophy in the United States is that the truth is best discovered when direct questioning tests the witnesses, so that their demeanour can be seen and their lawyers are not providing the answers. Unfortunately, this process substantially increases the cost of litigation.

In addition to the deposition, the parties are entitled to ask written interrogatories of the opposing party, request that specific

documents be produced and ask that specific facts be admitted. This is the written discovery.

Invariably, the discovery process leads to the parties filing motions to compel answers that are not forthcoming or to stop the other party from asking questions that are not relevant to the case. Between the depositions and the motions that discovery generates, a fifth of the cost of the litigation may be accrued.

Each of the circuit courts has established a list of factors that it expects the trial court to consider in making the ultimate determination of whether there is a likelihood of confusion that arises from the defendant's use of the mark. These factors provide an outline of subject matter for the parties to direct their discovery efforts.

Surveys

Courts in the United States have shown a preference for the use of surveys that prove or disprove the likelihood of consumer confusion. A qualified expert in consumer surveying conducts the survey in a manner acceptable to the court. The questions must be carefully crafted to avoid leading the respondent to give an answer that is desired, as opposed to an answer that reveals the questioner's view. A typical survey will cost between US\$30,000 and US\$50,000, and, not infrequently, considerably more.

The survey expert is also subject to being deposed. The opposing party seeks to find a flaw in the survey's method and to have the survey barred from trial because only proof of actual confusion is stronger evidence than the survey to show the likelihood of confusion. Survey experts are compensated for the time spent preparing for a deposition and for being deposed. The expert's time at trial adds yet more costs.

Motions

Motion practice occurs when one party seeks the court's ruling on some aspect of the case before trial. There will be motions to preclude the use of certain evidence. Motions for summary judgment in favour of either party asking the court for judgment without trial can be filed if the moving party can show that there are no undisputed material facts that support the other party's position. The summary judgment motion can be directed to one or more or all of the claims.

The court may hold hearings on these motions and ask the attorneys for the parties to appear and argue their respective positions. Preparing the motions and attending hearings are expenses that add to the cost of litigation.

Trial

The trial itself may be three days to a week or more. It could take place before either a jury or the judge alone. There is usually a pre-trial brief setting forth what each party intends to prove and why the law and facts favour its position. Then the plaintiff puts on its evidence, and the defendant cross-examines the plaintiff's witnesses. Once the plaintiff completes its case, the defendant is given an opportunity to put on its case, and the plaintiff's attorney may cross-examine the defendant's witnesses.

Ultimately, the average trademark lawsuit, from start to finish through trial, will cost US\$400,000 to US\$750,000. Sometimes the cost is more, but seldom is it less.

Case management as brand management

It is important, then, for the lawyers to work together and agree upon a plan that attains the goals of the client as efficiently and cost-consciously as possible. A risk analysis should be undertaken. When the objective is determined and the method to achieve it is agreed upon, the client should ask the lawyer for a budget. In house-counsel or the client should manage the budget and require the outside lawyer to stay within it. This management is a critical aspect of litigation and it is a primary role of the trademark lawyer as a brand manager.

Conclusion

While litigation in the United States can be expensive, the costs can be controlled. Controlling costs means applying the same kind of good management practices that are used when adding a production line to a plant or when marketing the product.



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