

Who Are You Calling a Bully?

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The U.S. Patent and Trademark Office ("PTO") recently requested public comment on so-called trademark "bullying," or, "attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner."¹ However, in many cases, so-called corporate "bullies" are often simply fulfilling their duty under federal trademark law to police the marketplace and protect their brands against uses of similar marks.

President Obama signed the Trademark Technical and Conforming Amendment Act, Pub. L. No. 111–146, 124 Stat. 66 (2010) on March 17, 2010. Most of the bill dealt with procedural aspects of trademark law, including harmonizing the U.S. trademark registration procedures with foreign regulations. Notably, however, Senator Patrick Leahy of Vermont tacked on a provision at the end of the act requiring the U.S. Secretary of Commerce to study and report to Congress on "the extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner."² On October 13, 2010, the PTO announced that it would conduct such a study. The PTO announced that it will also look at the "best use of Federal Government services to protect trademarks and prevent counterfeiting," and is currently requesting comments from U.S. trademark owners, practitioners, and others regarding their experiences with "harmful litigation tactics."

Senator Leahy's request came in large part as a response to concerns that local Vermont business Rock Art Brewery was being targeted by Hansen Beverage Company, the producer of MONSTER Energy Drink, because of Rock Art's production of VERMONSTER Beer. In September 2009, Hansen, maker of the popular MONSTER energy drink, sent a letter to Rock Art Brewery's owners asking them to cease and desist use of VERMONSTER as a trademark for beer, claiming it infringes on Hansen's MONSTER Energy trademark and would "undoubtedly create a likelihood of confusion and/or dilute" Hansen's trademark. Although the parties eventually settled this matter, the PTO will study whether different rules should apply when large businesses sue small ones.

In Senator Leahy's words, the legislation,

Requires a study of how the current system can better protect small businesses from abuses of the trademark system by larger corporations. Congress provides strong enforcement tools to intellectual property owners, as we should, to deter infringing activity and to remove counterfeit products from the market. I have become concerned, however, that large corporations are at times abusing the substantial rights Congress has granted them in their intellectual property to the detriment of small businesses . . . When a corporation exaggerates the scope of its rights far beyond a reasonable interpretation in an

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attempt to bully a small business out of the market, that is wrong.³

Asserting Trademark Rights Generally

One of the key requirements of a successful trademark infringement claim brought under the Lanham Act is proof of a likelihood of confusion between the two marks in the eyes of consumers. To answer that ultimate issue, courts typically balance 8 or 9 factors in order to determine if there is a likelihood of confusion.⁴ None of these factors on its own is dispositive, and a plaintiff need not prove all or even a majority of factors to win. Moreover, likelihood of confusion is not only about consumers confusing one item for another and instead also encompasses confusion as to sponsorship, connection, affiliation, licensing, association, and/or approval. The breadth of the factors considered, plus the variety of forms of actionable confusion, suggests that the question of whether a trademark owner is overreaching is not a matter of simply eyeballing the parties' marks and their relative size.

One Person's Bully is Another Person's Brand Protector

Is labeling a company like Hansen as a trademark "bully" justified? The Merriam-Webster dictionary defines bullying as "to treat abusively" or "to affect by means of force or coercion." Senator Leahy fails to mention that trademark law under the Lanham Act, unlike U.S. copyright or patent laws, requires trademark holders themselves to police the market and protect and maintain their own rights. By their very nature, and unlike patents and copyrights, trademarks do not have clearly delineated boundaries. Instead, to maintain rights, trademark owners have a duty to police against users of other marks that may be likely to cause confusion about the source, origin, sponsorship or affiliation between two marks.

In the case of the MONSTER energy drink, regardless of the outcome⁵, Hansen appeared to

have presented a colorable claim against the brewery under trademark law. Rock Art subsumes the entire MONSTER mark within its own VERMONSTER mark; both marks are for beverages (and perhaps "companion goods," insofar as mixing alcohol and non-alcoholic beverages is common); both goods may be sold in the same retail outlets (convenience stores, bars, restaurants), and MONSTER is a fairly strong mark—both inherently because it's arbitrary when applied to beverages and because of substantial secondary meaning created over time. Lastly, the concern for a plaintiff like Hansen is not only whether a person might confuse one product for the other, but also whether someone might question whether there is a relationship between the goods. This analysis of the merits suggests that Hansen was not acting "far beyond a reasonable interpretation [of its trademark rights]" as a trademark owner to police and protect the MONSTER brand.

In another recent and similarly controversial suit, Facebook, the world's largest online social network, filed a trademark suit against startup website "Teachbook," a self-proclaimed "professional, online community for teachers." In its complaint, Facebook claims the term "Teachbook" infringed and dilutes Facebook's trademark, by "misappropriating the distinctive book portion of Facebook's trademark . . . in a blatant attempt to become Facebook 'for Teachers.'" Facebook as a mark is undoubtedly distinctive, and as the company's argument goes, if other companies could freely use a generic term plus the word "book" as a mark for online networking services, targeted to a particular category of individuals (lawyerbook, actorbook or bloggerbook come to mind), the suffix book could become a generic term for "social networking services." As a result, the distinctive Facebook mark would be diluted, making it difficult for the company's marks across the Internet to function as unique and distinctive identifiers of Facebook services.

Putting aside the size and resources of the respective parties in this case, Facebook's argument regarding dilution of its brand undoubtedly has

merit. Its mark combines two words with ordinary, descriptive meanings (face and book) to create a singular term that has acquired secondary meaning in society—some meaning beyond the obvious meaning of the terms, signifying the source of the website's services—because of Facebook's vast presence on the Internet. Thus, when a company like Teachbook adopts one of those descriptive words for similar services, a reasonable argument can be made that the public is likely to be confused into believing that Teachbook is somehow associated with Facebook.

Trademark Protection is Good for Businesses—Even Small Ones

U.S. trademark law was created to encourage and support fair commerce for all businesses, regardless of size, and to aid consumers in identifying and distinguishing goods. While small businesses might throw the word bully at more established brands in response to a trademark challenge, it is their duty as entrants into the business sector to competently search and clear new marks and to consult trademark counsel before launching a new brand. Interestingly, while Senator Leahy and the PTO study both focus on the potential harm to "small businesses," neither one defines that term. Many so-called small businesses can sustain the expense to competently search and clear new marks, and consult trademark counsel in response to such a challenge. Moreover, the relative size of the parties is not an indication of their relative profitability or resources, and is never an indication of the merits of the parties' positions under substantive trademark law.

By all accounts, intellectual property protection is good for business growth. It's not difficult to see that many alleged corporate "bullies" have modest "small business" origins. Hansen Beverages began as a family-owned juice and natural soda company in Southern California, not unlike the Rock Art Brewery. Its juice and soda brands, such as MONSTER energy drink, aid consumers in making informed decisions about Hansen's goods, and more importantly serve as an indicator of quality,

consistency and reputation of those products. Protecting and policing its trademark rights is one reason why Hansen has been able to grow its MONSTER energy drink into a billion-dollar-a-year brand. Similarly, Rock Art Brewery has a right and duty as a trademark owner to protect its own brands, and this protection undoubtedly helps its growth as a brewery and beverage company.

Interestingly, much of trademark "policing" for the Hansens and Facebooks of the world is dealing with infringers who undertook no or inadequate trademark clearance research before adopting their marks. New businesses, whether large or small, have the same ability and obligation to search existing trademarks and avoid adopting marks that might be infringing of existing marks. Never mind that small businesses and individuals can also lodge potentially baseless trademark claims and challenges. Trademark policing also often begins—and ends—with a challenge letter, which can simply serve as an effort to learn facts about the junior user's strength and scope of rights, in order to make a more informed decision about the merits of a potential or escalated challenge. Also, brand owners have additional incentive because failure to act in one instance is often cited by subsequent infringers. For example, if Hansen didn't challenge VERMONSTER beer, it might have a harder time protecting its brand in the future against MONSTER Ice Tea, MONSTER wine coolers, or any other derivation or extension of the mark. To the extent the parties disagree about whether a specific use is infringing, the courts are available to resolve such disputes, and such litigation is a cost of doing business at any scale.

Best Use of Government Services: Leave it to the Courts

While the PTO's study is unlikely to result in any substantial overhaul of the Lanham Act or PTO practice, the current trademark system has remedies in place to discourage and respond to meritless trademark infringement claims, appropriately deterring overly-litigious plaintiffs who file frivolous trademark claims. It is unrealistic

to assume that the Lanham Act could be amended in some way to stop brand owners from bringing such lawsuits in furtherance of their business interests. As long as companies such as Facebook are creating successful products and services, corporate counsel will be called on to protect the rights in their brands.

The federal courts' inherent power to sanction, as well as Fed.R.Civ.P. 11's sanctions, provide a remedy against overreaching infringement plaintiffs. Further, the Lanham Act specifically embodies a fee-shifting provision in 15 U.S.C. § 1117(a),⁶ which grants courts discretion in "exceptional cases [to] award reasonable attorney fees to the prevailing party." These remedies serve as a check on the "Corporations abusing the substantial rights Congress has granted them" and effectively limits brand owners from overreaching their rights through harassing litigation that lacks a reasonable basis.

The underlying problem with the PTO study is that it seeks commentary about aggressive litigation tactics "attempting to enforce trademark rights beyond a reasonable interpretation" when making this determination necessarily requires an analysis of the likelihood of confusion factors, including defendant's intent in establishing the mark. This determination is best left to the courts. As a practical consideration, it's important to note that the recent economy finds brand owners reducing legal budgets and specifically spending less on IP enforcement. Therefore, one would generally expect fewer challenges, and that a greater percentage of those challenges being brought to court will be more solidly rooted. It is also important to note that Senator Leahy's belief that a brand owner might "attempt to bully a small business out of the market" misconstrues the fact that trademark plaintiffs are almost never interested in putting a defendant out of business; rather, the plaintiff wants the defendant to change or modify its name. For a fledgling business (as opposed to a large or established one), that sometimes is not so difficult a problem.

Reasonable people can differ on almost anything, including whether a trademark infringement claim goes beyond an interpretation of the brand owners rights. The law deliberately sets a relatively low bar for owners of valuable brands to challenge marks that come close to a plaintiff's rights. It is the role of the courts to determine which cases are unmeritorious, pursuant to existing legal standards, and it should thus be for the courts to identify and address improper litigation. At a time of enormous budget deficits, commissioning a new study to assess whether trademark "bullying" exists does not seem to be an especially good use of resources.

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¹ See United States Patent and Trademark Office, *Request for Comments: Trademark Litigation Tactics*, http://www.uspto.gov/trademarks/bullies_survey.jsp (last visited December 7, 2010).

² S. 2968, Sec. 4(a)(1).

³ 156 Cong. Rec. S349, Vol. 156, No. 12 (Jan. 28, 2010).

⁴ Factors that courts consider include: 1) the strength of the plaintiff's mark, 2) similarity of the marks, 3) relatedness of the goods/services, 4) defendant's intent in adopting the allegedly infringing mark, 5) existence of actual confusion, 6) similarities in the parties' channels of trade, 7) sophistication of the audience/care of the consumers (impulse purchases versus expensive goods) 7) similarity of methods of advertising/promotion, 8) Actual reputation of defendant, 9) Extent of existing coexistence in the field (i.e., was monster the first product to use that name with a beverage?).

⁵ The settlement between the parties apparently allowed Rock Art to continue to market VERMONSTER beer, but with certain restrictions.

⁶ 15 U.S.C. 117(a).