



US litigation focus

In today's cost-conscious corporate environment, litigation is usually regarded as a last resort in the event of infringement – but sometimes it is the only available solution. In such cases it is important to ensure that you have the right strategy in place, both to maximise the chances of success and to ensure that resources are properly allocated. Over the following 23 pages, *WTR* presents an examination of strategies and best practices as they relate to the US litigation landscape.

In any action, selection of the right forum and format make a significant contribution to achieving a successful outcome. There are many factors to consider in determining whether a jury trial or bench trial is preferable in trademark enforcement proceedings; Jon O Nelson and Anna L King explain how to make the right decision. On page 43, Jonathan Hudis then provides an overview of the factors that should influence your choice of forum.

One potent tool available to trademark practitioners is survey evidence; but there are certain pitfalls to avoid, and such evidence will prove effective only if the survey is designed, executed, interpreted and presented methodically and objectively. Robert W Sacoff reveals all (page 45).

For every plaintiff in a trademark infringement lawsuit, there is a defendant, which may not be the wicked wrongdoer that the opposing lawyers would seek to portray it as; and when defending a claim, a number of strategies can be employed. On page 50, Barry L Cohen explores best practice for the defence of infringement claims.

Switching the focus to outcomes, Weston Anson, David Noble and Jeff Anderson consider trends in IP valuation and damage calculations, drawing on a number of practical case studies (page 54). To round off the focus, Peter S Sloane considers whether trademark bullying is a legitimate problem (page 59).



Be prepared: the importance of due diligence in choosing between bench and jury trials

A key decision when facing litigation is whether to push for a jury or bench trial. Careful due diligence can help rights holders to determine which type of trial would best suit their case – and be most likely to yield a favourable outcome

Choosing between a jury trial and bench trial can be a crucial decision in any trademark enforcement proceeding, but it is not always a straightforward one. Careful due diligence can be crucial when it comes to deciding where to have your suit heard.

Due diligence investigation

A rights holder which has identified a potential infringer and its alleged infringing activity must conduct a detailed background investigation before asserting a claim. This is necessary not only as an ethical obligation, but also as a basis to establish a strategy for enforcing its rights. Such an investigation should include the following:

- a history of the use of the marks or trade dress rights to be asserted;
- identification and review of any prior litigation involving the marks or trade dress;
- whether a family of marks is involved and whether there are other related marks owned by the putative plaintiff – if the latter, their history;
- the ownership record of the marks or trade dress at issue, including:
 - whether these rights have previously been transferred;
 - whether the transfer history has been appropriately documented;
 - whether licence rights were ever granted with respect to the marks;
- the terms and conditions of those licence grants, if any;
- the history of the marks in the context of the goods and services associated with them, including examples of use, volume of sales for services or goods, advertising expenses and the like; and
- whether the registered trademarks have been utilised as collateral and assigned to a financial institution (a common occurrence);
- an analysis of the mark's strength – the rights holder should perform a thorough pre-litigation search and identify competitors' marks that are similar for the same or similar goods/services, including whether there been any conflicts with competitors in the past and, if so, the results;
- whether the rights holder is a member of a trade association or organisation and, if so, what involvement it and the potential defendant have had in such organisations, and whether there are any applicable rules of conduct that may affect a conflict;
- how the mark is used (eg, internet use, print, video, audio with personnel), and whether any blogs have used the mark or have commented with regard to the goods or services;
- whether the mark is famous (see *RJ Reynolds Tobacco Co v R Seelig & Hille*, 201 USPQ 856 (TTAB 1978) – “[I]t is well recognized that the law today rewards a famous or well-known mark with a larger cloak of protection”);
- any likely witnesses, including where they are located, their pedigree and whether they are likely to be sympathetic;
- whether there has been actual confusion in the marketplace or any pre-litigation surveys – if not, whether a survey would be appropriate to demonstrate, for example, that the mark is famous or known to potential consumers;
- the type of expert evidence that would be most relevant – here the expert's credibility and relevance become relevant, especially who they might be and what type of testimony they would offer in order to comply with a Daubert challenge (see *Daubert v*



Merrell Dow Pharmaceuticals, 509 US 579 (1993));

- the anticipated damages associated with the infringement; and
- if the mark is especially important, an unusual but not necessarily extreme preliminary evaluation of the case utilising a mock jury.

In addition, the rights holder should investigate the potential defendant's business activities and litigation history, including its reputation, location, involvement in business organisations and experience in prior litigation. All of these factors are relevant and should be investigated before a claim or even a notice of infringement is initiated – although the degree of research may be moderated by practical considerations. Rights holders can use information that is publicly available or online to answer the majority of these questions without incurring too much expense – although in some circumstances, it can be a good idea to use a private investigator.

The amount of time and money that the rights holder should spend on research will correspond to the importance of the mark. Due diligence concerning the rights owned by the putative plaintiff is critical to the strategic decision of whether to seek preliminary relief or bypass this in favour of trial before a jury or a judge. The results of the investigation will also help to determine whether a judge or jury would be more appropriate to the case.

Defendants must also conduct similar due diligence efforts. After receiving an infringement notice, a defendant should first look into its actual use of the mark. It should also research the claims made in the infringement notice, as well as the plaintiff's background, litigation history and trademark portfolio. Many of the due diligence factors listed above will also be relevant to developing a defence strategy.

Pre-notice strategic planning

Relevant facts derived through a due diligence exercise, coupled with legal research results, will enable each party to establish its strategic priorities. Though not typical, it is recommended that parties prepare a preliminary plan of action, including a trial plan. Having carried out background research, a party asserting rights should have enough information to comply with federal rules which support a cause of action, since the allegation of an infringement must be made pursuant to certain ethical obligations, as well as the Federal Rules of Civil Procedure (see Fed R Civ P Rule 11(b)).

If a complaint is to be drafted or a notice of infringement exercised, there should be a plan specifying the desired remedy. This plan should also consider whether it would be best to have a jury or a bench trial and whether preliminary relief should be sought, and set out at least a rough outline of the presentation of evidence in support of the claim.

For example, if the infringement is considered to be extreme, highly damaging and a significant peril to a business, any plan will likely prioritise preliminary relief and present evidence to secure a temporary restraining order or preliminary injunction as quickly as possible.

However, the risk of loss in an effort to secure preliminary relief must be taken into account; if the risk is too high, the seeking of preliminary relief may be waived and the right to a jury trial maintained. Factors that impact upon this choice will be apparent from the due diligence and the significance or extent of the alleged infringement.

However, other factors may be overwhelming – for instance, the party seeking relief may have decided that certain venues are favourable, particularly if it is seeking a jury trial. Again, carrying out the due diligence investigation and preparing a trial plan at the

very early stages of any conflict enable parties to adopt strategies that preserve the opportunity for a jury trial, as well an early and favourable determination by a judge.

Implications of infringement notices

It is common practice before instituting many trademark infringement actions to provide a written infringement notice. However, there is a hierarchy of strategic decisions concerning whether such a notice should be issued and how it should be presented. One common strategy is to incorporate an infringement notice with a copy of a complaint that will be filed or has been filed, but not served. A strategic decision should be made as to whether such a complaint should be prepared. Is it worth the cost? Does it send the correct message regarding the severity of the claim? Is it likely to be taken seriously? Will it trigger a pre-emptory response or settlement dialogue?

Having decided whether it is appropriate to draft a complaint, the next decision to be made is whether to file it. Typically, a complaint is filed before a notice is served in order to obtain the desired venue. However, filing may have a strategic downside once litigation is initiated, as the option to withdraw may carry penalties and undesired costs. Filing may also close off certain options, including:

- whether to proceed with litigation – the party is committed once a complaint is filed; or
- securing a reasonable settlement between the parties via licence or an agreement as to certain rules of trademark use and conduct in the marketplace.

In addition, filing may prompt an accused infringer to give an emotional, retaliatory response rather than a logical, reasonable one. Failure to consider these factors may result in the loss of the right to a bench trial. In addition, the accused party may merely proceed to exercise its right to demand a jury trial.

Causes of action

Another important factor that will impact upon the strategic choice of a judge or jury is the choice of the causes of action. Trademark infringement is a cause that is made available under federal law pursuant to 15 USC 1114. The basic test is whether there is a likelihood of confusion with respect to the use of the plaintiff's mark and a mark, logo or design adopted by the defendant (*id*). From a non-theoretical viewpoint, the law relating to a pure trademark infringement issue is more straightforward than that of some other issues that arise in conflicts of this nature. For example, a typical trademark infringement action is likely to be coupled with state and federal counts of unfair competition and trade dress infringement, as well as claims of dilution and disparagement. These are more complex and present difficult evidentiary issues, which are unlikely to involve a claim for preliminary relief. State law causes of action under state unfair competition law associated with branding, trade dress and trademark include passing off, reverse passing off, right of publicity and misappropriation.

For example, passing off occurs when a producer misrepresents its own goods or services as someone else's. In reverse passing off, the producer misrepresents someone else's goods or services as his own (Rightslib §14:28). The right of publicity protects a person from commercial appropriation of one's identity without consent (*Experience Hendrix, LLC v Electric Hendrix, LLC*, 90 USPQ 2d 1883, 2008 WL 3243896 (WD Wash 2008)). Misappropriation occurs when a plaintiff has invested a substantial amount of time, effort and money into the thing misappropriated, such that it is considered a property right; the defendant has appropriated the thing at little

to no cost and the plaintiff is injured by this misappropriation (*McCarthy* §10:51).

These actions are typically more complex, often highly emotional and believed to be more suitable for presentation before a sympathetic jury. Thus, if the potential evidence can demonstrate intent to infringe or cause confusion, the rights holder might be advised to seek a jury trial. Likelihood of confusion by itself may be a bland and academic exercise. However, if this is linked to additional state and federal claims of passing off, and associated ill motive and intent, then this case becomes another good candidate to present to a jury. In sum, ancillary causes of action can become a factor in the strategic decision of whether to push for a bench or a jury trial and, to some extent, whether to seek preliminary relief.

The impact of preliminary determinations by the bench

The decision to seek preliminary relief is typically based upon the plaintiff's ability to demonstrate a likelihood of success on the merits, likelihood of irreparable injury, that the balance of equities is in its favour and that an injunction is in the public interest (Fed R Civ P 65(b); see, for example, *Dataphase Sys, Inc v CL Sys, Inc*, 640 F 2d 109, 114 (8th Cir 1981)). Assuming that this can be achieved, preliminary relief is a smart and strategic goal. Not only will the court grant relief to re-establish the status quo, but the strategic advantage resulting from a grant makes it more likely that the accused party will discuss settlement rationally.

Preliminary relief is especially important in determining whether to proceed with a jury or bench trial. This is because most, if not all, trademark, trade dress and similar actions involve the issue of preliminary injunctive relief, which is decided by a judge (see *Hanson Trust PLC v SCM Corp*, 774 F 2d 47, 60 (2nd Cir 1985), where a preliminary injunction is "one of the most drastic tools in the arsenal of judicial remedies"; see also *McCarthy* §30:54, "A hearing for preliminary injunction is 100% equitable and there is no right to a jury"). As a consequence, most trademark and trademark-related conflicts are imbued with a history of preliminary decisions by judges (many of which are sufficient to determine the outcome without further judicial or jury intervention).

Thus, the choice between a jury or a bench trial will in most circumstances depend upon the outcome of the bench's preliminary decisions. The party succeeding in the preliminary part of a conflict will more likely be inclined to continue the action without seeking a jury. The party that was initially unsuccessful is more likely to seek a jury trial, if for no other reason than to have a fresh opportunity to make its case and respond to the bench's decisions before a new audience (the jury), in the hope that jury instructions – which usually try to be evenly balanced – will neutralise the impact of prior determinations by the judge.

Other considerations

Juries can be unpredictable. Even with meticulous jury selection, it is impossible to determine what a jury will decide. However, some factors may weigh towards finding a jury decision favourable. If the case is well suited to be understood by a so-called 'ordinary consumer', then a jury may be preferable. For instance, a case involving competing producers of basketballs may be better understood by a jury than a case involving competing producers of highly technical and expensive scientific equipment. Juries may also be more sympathetic to a small business in an infringement proceeding with a large company. They may also be more moved by showings of intent and egregious infringement than a judge.

By contrast, judges are arguably an easier read because their case history is readily available. If the judge presided over the preliminary

hearings, his or her persuasions in the current proceeding are even somewhat known. Judges may be well suited to preside over less appealing cases, which would not readily captivate a jury. For instance, a judge would be more likely to invest the time and effort to understand the market and products related to semi-processed thermoplastic polymer resins. Judges may also be more neutral if the infringement involves high-priced consumer goods or companies with questionable reputations.

All of these determinations hinge on a complete due diligence analysis. As the research brings to light a full picture of the parties and their actions, it will become clearer whether a jury or judge will be more likely to decide in a party's favour.

Yet another factor to be considered is that the ability to point out mistakes and achieve some relief is more likely with a judicially crafted decision as opposed to a jury verdict. Indeed, the likelihood of appellate reversal is generally reduced in a jury decision. For example, on appellate review, the Fifth Circuit has held that a jury verdict must be upheld unless the facts and inferences point so strongly and so overwhelmingly in favour of one party that reasonable persons could not arrive at a contrary verdict (*Conan Properties, Inc v Conans Pizza, Inc*, 752 F 2d 145, 225 USPQ 379 (5th Cir 1985)).

Another consideration is that even if a jury trial is to take place, the judge maintains considerable control of the outcome, with jury instructions becoming quite important (according to *McCarthy*, it has been held that an appeal court should review a district court's jury instructions only for abuses of discretion. *McCarthy* §23:74). The instructions may help a rights holder in any appeal and may control, to some extent, the determination of a judge with respect to injunctive relief and post-trial motions.

While juries have the right to determine damages in cases of this nature, the judge has the power to reduce or increase the award (see *Big O Tire Dealers, Inc v Goodyear Tire & Rubber Co*, 408 F Supp 1219, 189 USPQ 17 (D Colo 1976), modified, 561 F 2d 1365, 195 USPQ 417 (10th Cir 1977), cert dismissed, 434 US 1052, 54 L Ed 2d 805, 98 S Ct 905 (1978) – jury award of \$19.6 million reduced on appeal to \$4.7 million; compare this to *Taco Cabana Int'l, Inc v Two Pesos, Inc*, 932 F 2d 1113, 19 USPQ 2d 1253 (5th Cir 1991), aff'd, 505 US 763, 120 L Ed 2d 615, 112 S Ct 2753, 23 USPQ 2d 1081 (1992) – judge doubled award from \$934,300 jury award to an award of almost \$1.9 million and \$1 million in attorney's fees).

Conclusion

A complete due diligence effort and a well-crafted trial plan are essential in deciding whether to opt for a jury or bench trial in trademark matters. Trademarks are unique in that preliminary injunctions are almost always involved in initial enforcement efforts and the outcome of these hearings can often weigh heavily in a judge/jury decision. However, as this article demonstrates, there are many other factors to consider in this determination, which rely on a complete due diligence investigation and strategic trial planning. [WTR](#)

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