Let the Trademark "Bully" Be!

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I. Introduction

In the current trademark arena, trademark owners who use their trademark rights to harass and intimidate other businesses beyond what the law might be reasonably interpreted to allow are considered trademark “bullies.” The hallmark of a bully is the use of supposed intimidation tactics. However, a trademark owner’s rights can be lost or restricted through a failure to control how third parties use the mark, or even similar marks. Some academics have questioned “why case law insists that mark holders must ‘police’ their marks . . . After all, one person’s policing is another person’s harassment, or worse, abusive litigation.” No one likes a bully, but current trademark law does not allow trademark owners to vigorously enforce their marks – it forces them to do so. Attempting to curb “bullying,” without changing other aspects of trademark law, puts trademark owners in a difficult if not impossible situation.

Congress has recently expressed some interest on the topic of trademark bullying. On January 28, 2010, Senator Leahy from Vermont introduced the Trade Technical and Conforming Amendment Act of 2010 as part of Senate Bill 2968. This is in response to the legal conflict born out of Rock Art Brewery’s, a beer manufacturer from Vermont, use of “VERMONSTER” as a trademark for beer, that prompted Hansen’s to send the former a cease and desist letter for said

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1 Intellectual Property Fellow, Thomas Jefferson School of Law.
2 Professor of Law, Thomas Jefferson School of Law. This article has benefited from her advice and guidance on this project.
5 See Id. at 16.
use. This provision was aptly dubbed the “Trademark Bullies Provision.” It requires the Secretary of Commerce to “[s]tudy and report to Congress on the true extent to which small businesses may be harmed by litigation tactics [sic] attempting to enforce trademark rights beyond reasonable interpretation of scope of rights granted to trademark owners.” Shortly thereafter, Senator Leahy agreed to remove the words “by corporations” from the provision prior to the Bill’s passage. This study was entrusted to the Secretary of Commerce working in conjunction with the Intellectual Property Enforcement Coordinator. The results are to be reported back to the Committees on the Judiciary of the House and Senate on the extent to which small businesses may be harmed by litigation tactics employed by corporations to enforce trademark rights beyond a reasonable interpretation of the protection of trademark rights, and the best use of the Federal Government services to protect marks and prevent counterfeiting.

The discussion to follow aims at examining the conflicts that this provision may raise in the context of abandonment, trademark dilution, acquiescence and laches. Trademark owners have an obligation to restrict unauthorized uses leading to loss of the mark’s ability to serve as a source indicator. According to the Trademark Dilution Revision Act (“TDRA”), one of the factors considered when courts determine dilution by blurring is the extent that famous mark owners engage in substantially exclusive use of the trademarks. The discussion will show provision’s aim is to determine whether “litigation tactics” are “reasonable” could lead to

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10 Trademark Law Technical and Conforming Amendments Act, Congressional Record S613 (February 22, 2010).
11 Trademark Technical and Conforming Amendment Act, Public Law 111-146, 124 Stat. 66 (2010). The provision as part of Senate Bill 2968, was passed by both the House and Senate of the 111th Congress, and signed into law by President Obama on March 19th, 2010 to become law.
12 See Footnote 8, supra.
13 See Sweetheart Plastics, Inc. v. Detroit Forming, Inc., 743 F.2d 1039, 1047-48 (4th Cir. 1984); Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1080 (5th Cir.) (cert denied, 522 U.S. 915 (1997)). Two cases discussing the need to enforce trademark rights and how the lack of enforcement could lead to genericide and loss of rights in the marks.
conflicting laws that introduce uncertainty in enforcing trademark rights. This leaves mark owners open to loss of rights through the theories of abandonment, dilution, acquiescence and laches.

II. Small Business Study

In early 2011, the USPTO issued a request for feedback from trademark owners and practitioners through its 12-question Small Business Study in response to the requests signed into law. Question one asks for general information on the size and nature of the business or trademark practice of the respondents. The next question asks, whether in the past five years, there were any instances of which you have first-hand knowledge where a small business may have been the target of litigation tactics to enforce trademark rights beyond a reasonable interpretation of the scope of those rights. It fails to further define what is a “reasonable interpretation of the scope” of such rights. Questions four and five ask for responses regarding any proceedings in state or federal courts, or the USPTO. Question six attempts to ask respondent if she believes trademark “bullies” are problems for mark owners and seriousness of said problem. It again alludes to the “reasonableness” of the mark owners’ rights. However, it fails to define any standard for determining reasonableness. The rest of the questions concern what respondents think about the responsibilities of USPTO, U.S. courts and agencies, and Congress to discourage trademark bullying.

In complying with the request by Congress that Secretary of Commerce, in Conjunction with the Intellectual Property Enforcement Coordinator the USPTO issued a list of twelve survey

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15 See Footnote 8, supra.
17 See Footnote 10, supra.
18 See Footnote 17, supra. Question 2.
19 See Id. Question 6.
20 See Id.
21 See Id. Questions 7-12.
questions. These questions ask for responses regarding trademark litigation, if respondents think trademark “bullies” are a problem for owners, and what they think are the responsibilities of the USPTO in regards to trademark bullying. However, they focus on the so called “trademark bullying” but neglect to balance the survey with questions that seek to determine risks that trademark owners face when they do not police their rights.

III. Abandonment

When trademark owners fail to take action against an infringer, they risk losing their marks under the theory of abandonment. Under the Lanham Act, a mark is deemed “abandoned” when its use has been discontinued with intent not to resume such use; or the owner allows the mark to become the generic name for the goods or services on or in connection with which it is used, or otherwise to lose its significance as a mark.\(^{22}\) A generic mark is a “type, kind, genus or subcategory of goods.”\(^{23}\) Courts have long held that acts of omission causing a mark to lose its significance as an indication of origin include failing to take action against infringers.\(^{24}\) Yet a trademark owner’s failure to pursue potential infringers does not establish whether the mark lost its significance as a source indicator.\(^{25}\) It is further acknowledged that in litigation when mark owners fail to by prosecuting infringers by policing their marks, said marks’ strengths to serve as source indicators are weakened.\(^{26}\) Initial failures to police their marks do not quite reach the point of abandonment until they continue have entirely lost their abilities to serve as source indicators.\(^{27}\) Otherwise, the typical case of failure to police trademark rights typically

\(^{22}\) See Lanham Act § 45, 15 U.S.C. §1127 (1946). Specifically, subsection [2] provides that when an owner omits to enforce his or her trademark rights, leading to the marking to lose its significance as a mark.

\(^{23}\) Heileman Brewing Co. v. Anheuser-Busch, Inc., 873 F.2d 985, 997 (7th Cir. 1989).

\(^{24}\) See Sweetheart Plastics, Inc. v. Detroit Forming, Inc., 743 F.2d 1039, 1047-48 (4th Cir. 1984); Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1080 (5th Cir.) (cert denied, 522 U.S. 915 (1997)).

\(^{25}\) See Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1080 (5th Cir. 1997) (citing Babbit Elecs. Inc. v. Dynascan Corp., 38 F.3d 1161, 1180 (11th Cir. 1994)).

\(^{26}\) See Id.

\(^{27}\) See Id.
lead to the mark being weakened by the numerous similar marks belonging to competitors. In other words, the detrimental effect of not enforcing trademark rights is the risk of the mark losing its strength to serve as a source indicator. Where repeated neglect by the mark owners to police their rights would chip away at the marks’ strength and distinctiveness leading to abandonment through omission.

In order to avoid the consequences of weakening marks, trademark owners must take measures against parties who use substantially similar marks. Defendants of infringement causes of action routinely raise the defense of abandonment. To overcome this defense, mark owners must show they were “diligently protecting [their] mark.” Therefore, mark owners who do not actively enforce their trademark rights to the full extent of their powers run the risk of their marks losing strength as a source indicator, which lead to a findings of abandonment of said marks. The “Trademark Bullies” Provision creates uncertainty for trademark owners who are required to actively protect their trademark rights, leaving them open to the lessening of mark strength; unsure as to whether or not their actions will be seen as protective or “bullying.”

IV. Dilution

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28 See Id.
30 See Id.
31 See Footnote 24, supra.
32 See Footnote 24, supra. Sweetheart Plastics, Inc. is a plastic ice-cream dish manufacturer who brought an action against another manufacturer for injunctive relief for false designation of origin under the Lanham Act and for unfair competition. Defendant’s evidence that two other manufactures’ dishes of substantially similar designs for approximately five years was insufficient to establish defense of abandonment, in light of plaintiff’s evidence that it took remedial action against each of the third-party manufacturers and in the absence of evidence that the adverse use of the dish designs was so extensive that the designs lost their significance as an indication of source for their goods.
33 Footnote 25, supra. The plaintiff, Exxon Corp., seek out infringers of its mark and worked to enter into agreements designed to preserve the distinctiveness and strength of their mark. Regardless of the method used in “diligently protecting its mark,” the point is that the trademark owner must not allow its mark to lost lose its significance as a source indicator through omission.
When trademark owners are not “diligent in protecting [their] rights” they may lose the ability to protect those rights under the theory of dilution by blurring. Blurring, as defined by Congress, is:

[A]ssociation arising from the similarity between a mark or trade name and a famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following: (i) the degree of similarity between the mark or trade name and the famous mark; (ii) the degree of inherent or acquired distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) the degree of recognition of the famous mark; (v) whether the user of the mark or trade name intended to create an association with the famous mark; (vi) any actual association between the mark or trade name and the famous mark.

For the purposes of analyzing the “Trademark Bullies” Provision, the third factor is the relevant one: the “extent to which the owner is engaging in substantially exclusive use of the famous mark.” Additionally, the law merely requires substantially exclusive use of a famous mark. In weighing this factor, courts must necessarily look at if others are using the same or substantially similar mark causing the owners marks to lose strengths as a source identifiers. The factor often weighs heavily on the court’s finding of no likelihood of dilution where the evidence shows that others use the owners’ marks without permission. By not pursuing the small business infringers, the mark owners fail to show they have exclusive use of the mark and thereby lose rights to said marks. For example, in Pan American World Airways, Inc. v. Flight 001, Inc., the court held that because numerous other companies were using the plaintiff’s Pan Am Globe logo,
“PAN AM” word mark and trade name, its light blue and white color combination.\textsuperscript{40} Numerous other uses of the logos suggest that the defendants’ logo is not likely to diminish or otherwise adversely affect the capacity of plaintiff’s to identify and distinguish goods and services.\textsuperscript{41} Based upon this non-exclusive use, courts would find against trademark dilution.\textsuperscript{42} This non-exclusive use is demonstrated in \textit{Dover Sports, Inc. v. Hockey.com, Inc.} where the court held that Dover’s claim of exclusive use of HOCKEY.COM is undercut in that any number of websites and domain names use some variation of this mark.\textsuperscript{43}

Courts have held active and aggressive policing of unauthorized uses of a mark supports a finding that the owner is engaging in substantially exclusive use of the mark and so is more likely to prevail on a dilution claim.\textsuperscript{44} Active policing has been defined as anything from cease and desist letters, trademark oppositions, to litigation.\textsuperscript{45} Therefore, courts have interpreted 15 U.S.C. 1125 (c)(2)(B) to require that trademark owners must demonstrate active policing efforts\textsuperscript{46} to protect their marks and demonstrate exclusive use of such marks.

\textsuperscript{40} \textit{See Pan American World Airways, Inc. v. Flight 001, Inc.}, No. 06CIV14442CSH, 2007 WL 2040588, at *19 (S.D.N.Y., July 13, 2007). “In this action, plaintiff Pan American World Airways, Inc. (“Pan Am”) alleges trademark infringement and unfair competition by defendants Flight 001, Inc. and Flight 001 Holdings, Inc. (collectively, “Flight 001”). Plaintiff contends that Flight 001 intentionally appropriated the goodwill and mystique associated with Pan Am’s famous brand by using the Pan Am Globe logo, PAN AM word mark, PAN AM trade name, its light blue and white color combination, and the FLIGHT 001 mark in defendants’ stores and on their website.”

\textsuperscript{41} \textit{See Id.}

\textsuperscript{42} \textit{See Id.}


\textsuperscript{44} \textit{See General Motors Co v. Urban Gorilla, LLC}, NO. 2:06-CV-001338SJ, 2010 WL 5395065, at * 12 (D.Utah, December 27, 2010) (\textit{citing Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.}, 559 F.Supp.2d 472, 477 (S.D.N.Y.2008); \textit{V. Secret Catalogue, Inc. v. Moseley}, 558 F.Supp.2d 734, 746 (W.D.Ky.2008). Here the court found that GM had substantially exclusive use due to its pursuing of “litigation related to unauthorized trademark use against Tatonka Products, Humbug, Hum J-7, “Hummer” golf cart manufacturers, toy manufacturers using the marks, and Avanti. The company also sends cease and desist letters to alleged infringers. These active policing efforts by GM support a finding of substantially exclusive use[.]”

\textsuperscript{45} \textit{See V Secret Catalogue, Inc. v. Moseley}, 558 F.Supp.2d 734, at 746 (W.D.Ky. 2008). Here “V Secret asserts that it is engaged in substantially exclusive use of the VICTORIA’S SECRET mark. In support of this contention, Vice President Kriss avers that V Secret actively and aggressively polices its mark against unauthorized and dilutive uses by others. It pursues unauthorized users through cease and desist letters, trademark oppositions, and litigation .... We therefore find the requisite substantially exclusive use of the mark.”

\textsuperscript{46} \textit{See Id.}
Congress sends a mixed message with the “Trademark Bullies” Provision. The law’s aim is to curtail the trademark owners’ exercise of their rights; which would only lead to confusion; the “Trademark Bullies” Provision looks at whether their trademark tactics in enforcing their trademark rights are harming small businesses.\(^47\) On the one hand, trademark owners are required to actively police\(^48\) their marks. This inconsistency creates confusion and uncertainty in trademark law. It directly undercut anti-dilution trademark law meant to prevent dilution by protecting the trademark owners from the erosion of the distinctiveness and prestige of a mark caused by a borrowings, that while not degrading the original seller’s mark, are so numerous as to deprive the mark of its distinctiveness and impact.\(^50\)

V. Acquiescence & Laches

Furthermore, trademark owners must do everything in their power to protect the mark from infringers or risk losing any rights to a mark, as to that particular infringer, through estoppel by acquiescence and laches. Permitting third parties to use infringing marks is relevant to three issues in a trademark case. If the mark owners have expressly or impliedly given an assurance to third party users that they will not assert their trademark rights, they may be barred from enforcing their marks against those third-party users, by reason of estoppel by acquiescence.\(^51\) Implied acquiescence can be inferred from conduct; meaning that any delay in enforcement and protection of a trademark against the infringer may be significant in determining estoppels by acquiescence.\(^52\) If one defense is established, registration is merely prima facie and not

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\(^{47}\) See Footnote 10, supra.

\(^{48}\) See Id.

\(^{50}\) See Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 466 (7th Cir. 2000).


\(^{52}\) See Id. (citing Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena, 433 F.2d 686 (2nd Cir. 1970); Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, 165 F.2d 693 (4th Cir. 1947)).
conclusive evidence of the marks owners rights to exclusive use of those marks.53 Then registration evidence is reduced to prima facie as opposed to exclusive use of the mark.54 As a result, the “Trademark Bullies” provision would leave the trademark owners vulnerable to loss of his or her trademark rights through estoppels by implied acquiescence. Therefore, a law that prevents trademark owners from fully and aggressively enforcing their rights would lead to infringers raising and prevailing under the defense of acquiescence.55

Abandonment through acquiescence in the use of marks by third parties must be established by proving infringing use and existence of equitable estoppel.56 Similarly, laches is based on inequitable conduct of trademark claimants and inequity to third parties that would result if the claim was enforced.57 Inequitable conduct is demonstrated by the parties’ imputed knowledge of their rights and opportunity to protect such rights, but by delaying they gave third parties reasonable belief that they abandoned their rights; any subsequent assertion of any such rights would be unjust.58 If trademark owners are not diligent at protecting their rights, they could lose protections for those rights when infringers truly believe, or at least raise the defense of so believing, that by not taking action in a timely manner the mark owners have given up their rights.

VI. Registration

In addition to confusing expectations of the law regarding abandonment, dilution, acquiescence and laches, the Trademark “Bullies” Provision also conflicts with registration rights. Interestingly, “proof of substantially exclusive and continuous use thereof as a mark by

54 See Id.
55 See e.g. What-A-Burger of Virginia, Inc. v. Whataburger, Inc. of Corpus Christi, Texas, 357 F.3d 441, 452 (4th Cir. 2004). The court held that an infringement action is barred when the trademark owner has expressly or impliedly consented to the infringement.
57 See Id.
58 See Id.
the applicant in commerce for five years before the date on which the claim of distinctiveness is made creates a presumption of secondary meaning. This is strong support for priority of registration, and hence trademark rights. Therefore, an applicant may obtain rights to a mark by showing substantially exclusive use of that mark for a period of five years and continuity for five years. In other words, courts have held that while proof of substantially exclusive and continuous use as a mark by applicant in commerce for five years before the claim of distinctiveness is prima facie evidence of distinctiveness, where lack of such exclusive use would not lead to a finding of secondary meaning, even with five years of use. Any use that is not exclusive destroys this presumption and no secondary meaning is found.

Without secondary meaning, the applicant has not met the requirement for registration for descriptive marks. A presumption of secondary meaning that lends support for registration of the descriptive mark is yet another incentive of the Lanham Act to entice the applicants into using their marks exclusively to obtain trademark rights. This registration incentive demonstrates that from the beginning, trademark owners must use their mark substantially exclusively to obtain their trademark rights. Thereafter they must continue this substantially exclusive use in order to protect their marks from losing strength and ability to act as a source identifier. Consequently, the “Trademark Bullies” Provision is counterintuitive when viewed in light of § 1052(f).

VII. Conclusion

One person’s bully is another person’s diligent trademark owner. The Trademark Bullies Provision would create confusion and leave trademark owners open to loss of strength or their

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60 See Id.
61 See Art Attacks Ink, LLC v. MGA Entertainment Inc., 581 F.3d 1138, 1146 (9th Cir. September 16, 2009); Gift of Learning Foundation, Inc. v. TGC, Inc., 329 F.3d 792, 799 (11th Cir. April 24, 2003).
63 See Footnote 3, supra. In 2010, Congress passed into law a Trade Technical and Conforming Amendment Act of 2010 as part of Senate Bill 2968 which called for the Secretary of Commerce to conduct a study and report to Congress the extent to which small
mark, potentially leading to loss of said mark based upon a number of theories, including abandonment, dilution, acquiescence and laches, and failure to obtain registration by a lack of showing of secondary meaning. Under abandonment, mark owners who do not actively enforce their rights run the risk of said marks losing strengths to act as a source indicators. This erosion of mark strengths to serve as a source identifiers may lead to a loss of the mark itself under abandonment. Similarly, under dilution by blurring, mark owners who do not police their marks risk the marks erosion by borrowings; so numerous as to degrade their original mark.64

These conflicts with abandonment, dilution, acquiescence and laches and registration arise when the “Trademark Bullies” Provision aims at preventing litigation and enforcement that goes beyond the scope of trademark rights. The Provision leaves trademark owners uncertain as to how they can protect their trademark rights. By enforcing those rights, they run the risk of having enforcement tactics labeled as exceeding their reasonable boundaries. However, not enforcing those rights would lead to a lessening of the power of their marks to serve as a source indicators. This erosion of the strengths of their marks could lead to a complete losses of such rights that create confusion and stunt growth of the trademark.

The “Trademark Bullies” Provision would lead to conflict in the protection of trademark rights against a single infringer under the doctrines of estoppels by implied acquiescence and laches. Any delay in enforcement of trademark rights is a strong support for estoppels by implied acquiescence. Further, a delay in enforcement of rights would lead to an assumed intentional forfeiture of rights to marks under laches. When mark owners neglect to enforce their rights to a mark, they risk losing them on the grounds implied forfeiture through actions, or lack thereof, in enforcement of those rights. Time is of the essence when it comes to enforcing trademark rights,

businesses may be harmed by litigation tactics aimed at enforcing trademark rights and whether those tactics are reasonably interpreted based upon the owners’ rights.

64 See Footnote 43, supra.
but aggressive enforcement may be considered by the “Trademark Bullies” Provision as exceeding the bounds of trademark rights.

Similarly, the “Trademark Bullies” Provision would conflict with trademark law for registration. Mark owners must use their marks substantially exclusively to make adequate showings of presumption of secondary meanings for their trademarks. They must continue this use in order to protect their marks from losing secondary meaning and ability to act as a source identifier for the purpose of registration. In order to have substantially exclusive use, a trademark owners must actively and aggressively enforce their rights against all infringers; otherwise, there is no right. Furthermore, this Provision is outside the ambit of legislature where statute interpretation is under the purview of the judiciary. The issue of whether trademark law has been reasonably interpreted would logically fall within their jurisdiction and not that of the legislature. It is not for the legislature to decide if there was reasonable interpretation of the law, and if the legislature believes that an interpretation is inconsistent with legislative intent; then it can pass new laws to amend those issues.

For these reasons, the “Trademark Bullies” Provision is counterintuitive to trademark law, the very essence of which is to protect the exclusive use and uniqueness of a mark’s ability to serve as a source identifier. The Provision undermines this by playing the blame game and pointing fingers at mark owners who are merely doing what they must, according to trademark law, to protect the strength of their mark and their rights in those marks. Senator Leahy had it all wrong when he crafted the “Trademark Bullies” Provision. The trademark owner may be the biggest kid on the playground, but the bullies are the mob of smaller kids who take every chance they get to chip away at the goodwill that the mark owner has worked hard to build in the minds of consumers. The purpose of trademark law is to: (1) protect against consumer confusion, and
(2) preserve and optimize efficiency and competition.\textsuperscript{65} Therefore, I propose the Provision be abandoned and no further laws be passed, as a result of this study, that may cause confusion and raise uncertainty of rights of trademark owners.

\textsuperscript{65} See Footnote 6, supra, at 1844.