

LEGAL AND PRIVACY

Are you a trademark bully? How to avoid being and being labeled as one

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Trademark Bully. A label often used to characterize a trademark owner by targets of enforcement efforts.

Sounds bad conjures up images of a powerful, large corporate entity trying to crush the little guy. Congress even asked the United States Patents and Trademarks Office to research and prepare a report about it.

As a defense to enforcement efforts by trademark owners, some targets of enforcement efforts have taken to social media to attempt to generate negative publicity against trademark owners.

In this article, I discuss how to avoid being so labeled and how to fight back against such a charge.

What is trademark bullying?

Trademark owners act to enforce their rights. In fact, trademark law requires them to do so, or their rights will be weakened or lost.

Most of the time, enforcement is through the vehicle of cease-and-desist letters, which point out the infringement, demand it stop, and often threaten litigation. If the letter does not work, litigation may ensue.

But that can lead to abuse. Large and well-heeled trademark owners can use the threat of expensive litigation to bully small companies into giving up legitimate use of marks even if the larger entity's claim for infringement is weak.

The Trademarks Office report defines trademark bullying as "a trademark owner that uses its trademark right to harass and intimidate another business beyond what the law might be reasonably interpreted to allow." In other words, a legally baseless claim, asserted to intimidate someone into capitulation.

That, of course, begs the question when is a claim legally baseless a question that can be legally and factually complex.

What trade bullying is not

Though often portrayed as a big guy versus little guy issue, that is a misleading premise. Big does not mean one is a bully, small does not mean one is being bullied.

As the Trademarks Office report recognizes: "[a] trademark owner must walk a fine line between being too zealous in enforcing its rights and not being zealous enough. The stronger a mark and the more goodwill that attaches to it, the more aggressive an owner is expected and entitled to be in asserting its rights against others."

Big brand owners often have the strongest marks, and they are expected to be more aggressive in enforcing their rights.

Do not forget what we call the Piranha Effect. A bite from a single piranha hurts, but is not fatal. But a hundred piranhas, as we all remember from National Geographic specials, can strip a cow to its bare bones.

The same applies in trademark enforcement.

The sale of 10 counterfeit Rolex watches or Louis Vuitton handbags is not going to be a brand killer. But the cumulative effect of tolerating counterfeits could seriously weaken the brand equity.

Is the claim legally baseless?

Trademarks are a unique form of intellectual property. They represent the name and reputation of a brand.

Trademark rights are not absolute they are only accessory to the business that the trademarks are used in and its goodwill. Even identical marks can live in harmony in different businesses a classic example is DELTA, a registered mark for both an airline and a plumbing supply company.

Trademarks are infringed where someone else uses the mark in a way that is likely to confuse the consuming public about who is the source or who sponsors the product or service tested by "likelihood of confusion."

Public perception is everything how does the public perceive the second user's use of the mark?

While determining whether the use is infringing can be a knotty legal issue, here are the major considerations:

What is business harm?

Trademark owners should answer a basic question: how is what the second user doing harming my business?

Trademark infringement can be a real harm: it weakens or even destroys brand equity, and can divert sales and revenue from the owner.

But in many cases, it seems that the asserted claim is more about ego than business harm.

Consider a recent case, *Virag, S.R.L. v. Sony Computer Entertainment America LLC* (2017), decided by a federal appeals court.

Virag owns the mark VIRAG for commercial flooring. Sony marketed a car-racing video game that featured a famous Italian racetrack. The game included a virtual depiction of Virag's trademark on a bridge in the video game, which in real life appears on the racetrack. The court rejected Virag's trademark claim because this was an artistic use, protected by the First Amendment.

Apart from the legal weakness of the case, it is questionable what harm was caused to Virag's business that prompted it to bring suit. Did its commercial reputation suffer from being featured in the realistic background scenery of a video game? Did its commercial-flooring business suffer? If not, what was the point of the suit?

Or take another example, one from the luxury goods field.

In the comedy movie *Hangover: Part II*, luggage that appeared to be the Louis Vuitton brand appeared briefly, and then a character said a humorous line, "[c]areful, that is . . . that is a Lew-is Vuitton."

Unamused, Louis Vuitton filed suit against Warner Bros. for trademark infringement. The case was dismissed on a similar artistic-use theory. Again, apart from the legal issues, what was the harm to Louis Vuitton? Is a passing, comic reference in a movie something that would harm Louis Vuitton's business?

If the harm to the trademark owner is tenuous, then that is a good sign that it is overreaching, and getting close to being a trademark bully.

Indirect and non-commercial uses

The next question to ask is whether the second user is making a direct, commercial use using a similar mark as its trademark, or whether the use is indirect or referential.

Many trademark bullying cases involve indirect uses: parody, passing reference, criticism and artistic reference. It is

here that the trademark owner is most in danger of becoming a bully.

This reflects a basic point about U.S. trademark law a trademark is not a monopoly on a word or design it is only the right to prevent consumer confusion.

Indirect or referential uses are generally not within the purview of trademark law.

To give an obvious example, if a fashion columnist were to write a column critical of a brand's latest offerings ("Brand X's 2018 fall collection is ugly"), the use of the trademark to refer to the brand in the column clearly falls outside trademark law's protections.

Yet trademark owners persist in trying to prevent such uses:

- Louis Vuitton brought a trademark suit against someone who sold a plain canvas satchel with the words MY OTHER BAG IS A VUITTON imprinted on it. Does that infringe Louis Vuitton's rights? Two federal courts said no, and the Supreme Court denied review. Did anyone at Louis Vuitton seriously think that consumers believed that a Louis Vuitton bag was being offered for sale rather than an amusing reference to a famous luxury brand?
- Mattel brought suit against the promoters of the song BARBIE GIRL, alleging it infringed on their famous BARBIE trademark. But the courts ruled that was an artistic use and social commentary on Barbie dolls, a cultural American icon. The First Amendment precluded trademark liability.
- Louis Vuitton brought suit against the seller of stuffed toys and beds for dogs. The seller was named Haute Diggity Dog, and used humorous takeoffs on famous luxury names: Chewy Vuitton (which Louis Vuitton complained about), as well as Chewnel #5, Dog Perignon and Sniffany & Co. The court rejected Louis Vuitton's suit "Chewy Vuitton" was viewed as witty reference to the luxury brand, and thus a fair use.

Of course, not every indirect infringement is necessarily a case of trademark bullying.

In the "My Other Bag" case, the district court denied the defendant's motion for legal fees. It found that the case was neither frivolous nor litigated in an improper manner. It then turned to what it characterized as the defendant's "strongest argument" for awarding it legal fees that Louis Vuitton is a trademark bully that needs to be deterred from overly aggressive enforcement.

But the district court ultimately rejected an award of fees, because the law does require trademark owners to police infringing uses of their marks, and given Louis Vuitton's size it is not surprising that it engages in extensive, worldwide litigation efforts.

Commercial uses

If the second user is using the similar mark as its trademark to identify goods or services, then the question becomes a classic "likelihood of confusion" analysis. That, unfortunately, can be complex, involving balancing of eight to 10 factors.

But a basic thumbnail approach asks: how strong is the mark, and how close are the accused mark and the goods/services?

The stronger the mark and the closer the goods and services are, the more likely there is to be confusion.

When a consumer sees the accused mark on the accused's goods or services, will she think it is associated somehow with the trademark owner? If yes, there is infringement. If not, not.

Many trademark owners have an exaggerated view of the scope of their marks.

For example, Duke University has been accused of being a trademark bully because it has a habit of opposing almost any trademark application that contains some variation of DUKE or BLUE, the school's colors. Would anyone seriously think that DUKE KABOB for a Middle-Eastern restaurant, or TRUE BLUE for an on-line auto-parts Web site has anything to do with Duke University?

Fighting the PR fight

Let us say your target fights back by using publicity to label you a "trademark bully." How do you fight back? Here are some key points to emphasize in your PR efforts:

- Emphasize harm to the brand. Point out that infringements weaken brand equity, an important asset.
- Emphasize consumer confusion and deception. Trademark law exists to protect consumers as well as

trademark owners. Sales of infringements or counterfeits mislead and even cheat consumers.

- Small is not a defense. Small infringers hurt both the brand and consumers, mainly through their cumulative effect. No one would excuse a petty shoplifter based on smallness. Why should infringers be treated differently?
- Write reasonably but firmly. Targets have often taken to posting cease-and-desist letters on the Internet. The tone of the letter can make as much of an impression as the substance. Consider how the letter will be perceived by someone with little knowledge of trademark law as a reasonable attempt to enforce legal rights, or an attempt to take unfair advantage of greater resources.

TRADEMARK OWNERS face competing pressures. The law requires them to enforce their rights: enforce it or lose it is the legal message.

Business needs also press on the side of more enforcement. Infringers harm the brand's reputation and the company's bottom line.

On the other hand, overaggressive enforcement can result in charges of bullying and lead to public relations problems.

The way to navigate these competing pressures is to ensure that enforcement efforts are targeted at real problems both legally based and those that can hurt the business. And then the substance of the enforcement efforts should reflect that reality, explaining with well-grounded arguments why the complained-of acts are both unlawful and economically harmful.

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