Trademark C&D Letters: 
Special Jurisdictional Considerations

- Opening the door to a DJ action in an undesirable jurisdiction can have significant consequences in trademark litigation:
  - **Statute of Limitations**: Unlike the Copyright and Patent Acts, the Lanham Act has no explicit statute of limitations.
  - Federal courts look to the statute of limitations applicable to the most analogous state law cause of action (typically fraud), which can vary significantly from state to state.
  - The applicable statute of limitations period will define how far back the claimant can look to recover its actual damages and/or disgorge the infringer’s profits.
Trademark C&D Letters: Special Jurisdictional Considerations

Disgorgement of Profits: It can be difficult for a trademark owner to prove actual damages arising from the infringement of its mark, so often times a trademark owner will seek to recover the infringer’s profits attributable to the infringing conduct.

- The requirements for disgorgement vary among the Circuits:
  - A majority of the circuits limit the availability of disgorgement to instances of willful infringement (Second, Eighth, Ninth, Tenth).
  - Some circuits, however, treat willfulness as only a factor but not a prerequisite for disgorgement (Third, Fourth, Fifth, Seventh).
- These distinctions may bear on where a trademark owner — or an alleged infringer with an opportunity to commence a DJ action — elects to commence suit.
Trademark C&D Letters: Special Considerations — Registration v. Use

- A situation may arise where your client does not object to a third-party’s use of a mark, but does object to its registration.
  - There is a thin line between demanding that a trademark applicant/registrant abandon its application/registration, and demanding that a trademark applicant/registrant cease all use of a mark.
  - Important to consider the consequences of sending a C&D letter when your client only objects to a third party’s registration of a mark (i.e., litigating a DJ action in federal court).
  - Merely filing a notice of opposition or petition for cancellation, which invokes the language of infringement, generally is not enough to invoke the Declaratory Judgment Act.
Trademark C&D Letters: Special Considerations — Registration v. Use

- **Recent example:** In June 2014, a CA-based winery received a C&D letter from an OR-based winery with respect to the CA-based winery’s pending intent-to-use application to register a mark for wine. The C&D letter concluded as follows:

  I am therefore writing you as a professional courtesy to let you know that my client is aware of this application and that it intends to petition to cancel it if the registration ever issues. Since your client has not yet received a Certificate of Label Approval for this brand as required by law, we assume that the project is still in the early stages of development. **We therefore request that your client abandon the application and provide my client with an unequivocal undertaking not to use this mark on wine.** If I do not have such an undertaking by July 1, 2014, I will assume that your client’s answer is “no” and we will proceed with a cancellation action at the earliest possible juncture.

- The parties were unable to resolve their dispute, and the complained-of mark was registered on the Principal Register in October 2014.

- In February 2015, the OR-based winery filed a Petition for Cancellation of the CA-based winery’s mark with the TTAB.
Trademark C&D Letters: Special Considerations — Registration v. Use

- The CA-based winery filed a DJ action in the N.D. Cal. seeking a declaration of non-infringement.
- The OR-based winery moved to dismiss for lack of subject matter jurisdiction, claiming there was no justiciable controversy as to infringement (i.e., the CA-based winery’s use of the applied-for mark), and characterizing the parties’ dispute as limited to “the right to register their respective marks.”
- The OR-based winery’s moving papers asserted that it had “never threatened Plaintiff with litigation and damages.”
- In denying the OR-based winery’s motion, the Court pointed to its counsel’s initial C&D letter:
  - “[The OR-based winery’s] claim that it ‘never demanded that Plaintiff cease using the mark’ is rebutted by its own letter and borders on a misrepresentation to the Court.”
  - **C&D Letter**: “[P]rovide my client with an unequivocal undertaking not to use this mark on wine.”
**Trademark C&D Letters:**

**Special Considerations — Registration v. Use**

- **TTAB v. Federal Court:** By litigating the issue of likelihood of confusion in federal court rather than the TTAB, the CA-based winery was able to avoid the TTAB’s more confined approach to determining likelihood of confusion:
  - Where the goods and/or services offered under the marks at issue are identical (e.g., wines), the TTAB presumes that the target consumers are the same and that the goods and/or services are offered through the same channels of trade.

- This was important for the CA-based winery because while the marks at issue were both used on wines, the target consumers and channels of trade differed considerably due to a significant price difference between the parties’ wines.
Trademark C&D Letters:
Special Considerations — Don’t Put Your Client’s Mark at Risk

- **Do Your Homework:** The last thing you want to do when sending out a C&D letter is put your own client’s registration and rights at risk.
  - Any time you send a C&D letter without having a clear understanding of your client’s priority of use vis-á-vis the alleged infringer’s use, you are opening the door to the possibility of an infringement and/or cancellation action.
  - Prior common law use — even exclusively intrastate use — can trump a federal registration and may result in cancellation of your client’s mark. May also result in an injunction and an award of damages against your client.
**Trademark C&D Letters:**

Special Considerations — Putting Your Client’s Mark at Risk

- **Recent example:** A well-known luxury jeweler received a C&D letter from another jeweler who had just obtained a federal trademark registration for a mark it claims to use in connection with a collection of its jewelry products.
  - Investigation revealed that our client had been widely using the very same mark going back five or six years prior to the claimant’s alleged first use date.
  - We were able to turn the tables and demand that the claimant abandon its registration and cease its use of the mark in light of our client’s priority.
Trademark C&D Letters: Alternative Approaches

- **File But Don’t Serve**: Send your C&D letter along with a courtesy copy of the file-stamped complaint.
  - Provide a timeline for compliance with demands and/or negotiations prior to attempting to effectuate service.

- **Send A Draft**: Same approach as above, but accompany your C&D letter with an unfiled draft complaint.
  - Identify the court in which you will be filing and the date you intend to file if the recipient does not comply with demands.

- **Be Specific**: It’s the best way to avoid an improper anticipatory filing.
Patent Troll C&D Letters:
State Anti-Troll Legislation

- In May 2013, Vermont became the first state to pass anti-patent trolling legislation.
  - *What’s a “Patent Troll”:* A non-practicing entity that acquires patents without any intent to market or develop them, but rather to extract licensing fees from third parties.

- In adopting the legislation, the Vermont General Assembly explained:
  - “Abusive patent litigation, and especially the assertion of bad faith infringement claims, can harm Vermont companies. A business that receives a letter asserting such claims faces the threat of expensive and protracted litigation and may feel that it has no choice but to settle and to pay a licensing fee, even if the claim is meritless.”

- **Federal Preemption:** There is a continuing debate as to whether federal preemption of state patent legislation extends to this type of reform. Proponents contend that the states can adopt their own reforms so long as they comply with federal standards defining “bad faith.”
Patent Troll C&D Letters: State Anti-Troll Legislation

- Vermont’s statute states that “[a] person shall not make a bad faith assertion of patent infringement,” and provides a number of factors a court may consider in determining whether an assertion of patent infringement has been made in bad faith:
  - The demand letter does not contain: (A) the patent number; (B) the name and address of the patent owner; and/or (C) specific factual allegations concerning the recipient’s alleged infringement.
  - The person sending the demand letter failed to conduct an analysis comparing the asserted patent to the recipient’s products, services, technology.
  - The recipient requests the foregoing information, and the complaining party fails to provide the requested information within a reasonable period of time.
  - The demand letter demands payment of a license fee or response within an unreasonably short time.
Patent Troll C&D Letters:
State Anti-Troll Legislation

- Vermont’s statute provides that the recipient of a bad faith assertion of patent infringement (as well as the Vermont Attorney General) may bring an action in Superior Court and, if successful, may be awarded:
  - equitable relief;
  - damages;
  - costs and fees, including reasonable attorney’s fees; and
  - exemplary damages in an amount equal to $50,000 or three times the total of damages, costs, and fees, whichever is greater.

- **Availability of Bonding:** Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement:
  - the court shall require the accused person to post a bond in an amount equal to a good faith estimate of the target’s costs to litigate the claim and amounts reasonably likely to be recovered, but shall not exceed $250,000.

- Since 2013, twenty-six states have followed Vermont’s lead and have enacted some variation of anti-patent troll legislation.
State anti-patent trolling legislation has been criticized as well-intentioned but poorly executed.

- A primary criticism is that the legislation’s focus on the content of “demand letters” may actually increase rather than decrease frivolous patent litigation.

Opponents contend that many of these state laws require the upfront disclosure of too much information — i.e., information that the alleged infringer can use to file a DJ action for invalidity or non-infringement.

- To protect against this, some patent owners provide little information in their initial letters, and require the recipient to sign a confidentiality and forbearance agreement before providing the particulars of their claim.
- If there is a risk that such an initial letter may be deemed a “bad faith demand letter,” some patent owners may elect to avoid the risk and simply file suit.
**Patent Troll C&D Letters:**
*State Anti-Troll Legislation — Unintended Consequences*

- Opponents further contend that state-level legislation will result in inconsistent standards and will require both patent owners and targets to keep abreast of complex web of differing laws.
- Is this an issue that is best addressed at the federal level — H.R. 9 – Innovation Act?
- Is Congressional intervention even required — has the issue of abusive patent litigation been exaggerated?