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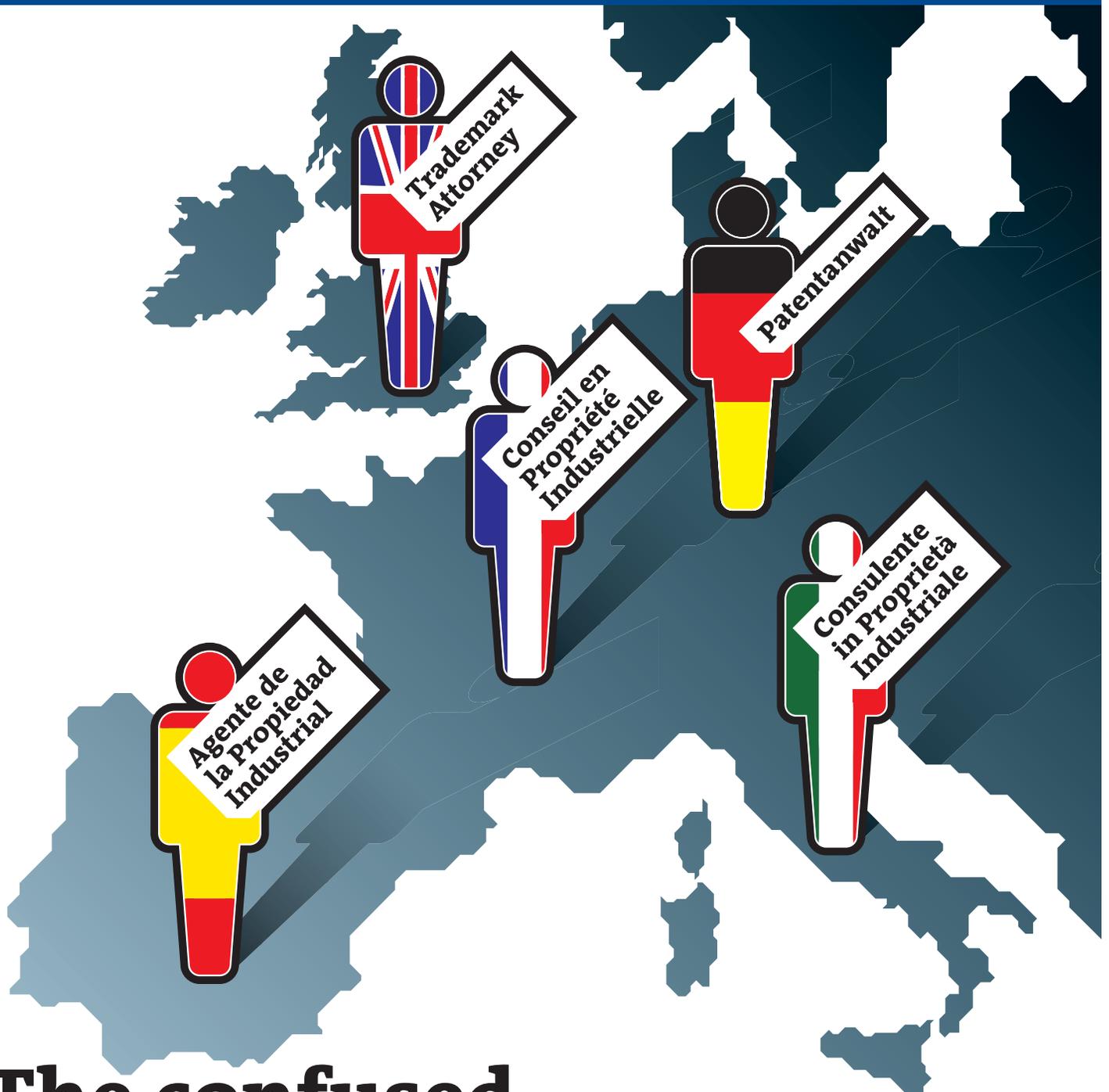
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Brinks Hofer Gilson & Lione

# Cost-effective strategies for resolving US trademark litigation

In the United States, effective trademark enforcement requires a thorough cost-benefit analysis. Federal court litigation, the primary avenue by which most infringement disputes are resolved, can be extremely expensive and time consuming. Alternative dispute resolution can streamline the trademark enforcement process by facilitating compromise and guiding parties towards efficient settlement at a significantly reduced cost

## Federal court litigation

Infringement litigation in the US district courts is a powerful weapon in the protection of trademark rights. However, the remedies available through district court litigation, which are often equitable in nature, come at significant expense. Specifically, a party to a 'large' trademark infringement case can expect to spend well in excess of \$1.5 million if the case is pursued to a trial verdict. For 'small' disputes, where each party can expect to incur on average \$370,000 in legal expenses, litigation may prove to be particularly cost prohibitive. (The 2005 American Intellectual Property Law Association survey, which formed the basis for these figures, defines a 'large' dispute as one in which the amount in controversy is greater than \$25 million. A 'small' dispute is one in which less than \$1 million is at stake.) Roughly two-thirds of litigation expenses are incurred by the end of the discovery process.

## Discovery

Discovery in the United States is particularly wide ranging and burdensome, and as a result, constitutes a substantial litigation expense. The purpose of the discovery process is to allow both parties equal access to relevant information with minimal judicial intervention. As such, parties may inquire into any non-privileged matter reasonably calculated to lead to admissible evidence.

The primary tools of discovery are requests for production of documents, written interrogatories, requests for admission and depositions. Use of these discovery tools can be burdensome and time-consuming for both the propounding and responding parties alike. As a result, the interaction between the parties during the discovery process can become highly contentious and often leads to one or more

parties seeking judicial intervention through the filing of motions to compel information or witnesses or, on the flip side, motions for a protective order. In addition, depositions can be particularly burdensome to litigating parties, as they often require substantial participation from corporate executives.

Another major cost of trademark infringement litigation is the consumer survey. Properly constructed consumer surveys often provide probative evidence of likelihood of confusion and serve as an important tool in the litigation of most trademark infringement cases. Some courts have found that failure to submit consumer survey evidence or other evidence of actual confusion gives rise to an adverse presumption on the issue of likelihood of confusion.

The weight afforded to survey evidence depends on factors such as the credibility of the expert conducting the survey, the extent to which the survey simulates market conditions and whether the survey is flawed in its design, execution or reporting. Common flaws in consumer surveys include the implementation of an improper survey sample, the use of leading questions, evidence of survey bias and the failure to adhere to scientific methodology.

The cost of a well-designed consumer survey can be expected to exceed \$50,000.

Due in part to their high cost, trademark cases often are resolved through settlement. Despite parties' shared interest in early settlement, many trademark disputes are resolved only after expensive discovery and motion practice.

A pre-trial motion for a preliminary injunction often leads to settlement. Preliminary injunction proceedings have the strategic utility of being conducted early in the proceeding, often before a party has incurred substantial discovery expenses. To

prevail on a preliminary injunction motion, a trademark owner must establish irreparable harm and a likelihood of success on the merits. A court's finding on the likelihood of success provides the parties with an early assessment of their case and will often undermine the losing party's resolve and undercut any perceived negotiating power, making settlement likely.

Some cases, however, are not likely candidates for a preliminary injunction motion. When a likelihood of confusion is not overwhelmingly apparent, mark owners should thoroughly explore settlement options prior to commencing litigation or, at a minimum, remain open-minded towards settlement possibilities as litigation progresses.

## Facilitating settlement

Attorneys play an essential role in facilitating efficient settlement, in part through their interaction with clients and with opposing counsel. Attorneys should confer with their clients to determine priorities for the resolution of the particular dispute and to raise the prospect of concessions on certain grounds. Concession on a non-essential point often facilitates compromise and can sweeten the pot for the adversary at minimal cost to the client. Negotiation, mediation and compromise should be viewed not as an admission of weakness, but as a sound business decision.

Smart advocacy views settlement as business, not personal. As such, attorneys should remain collegial whenever possible during negotiations and not attempt to raise the animosity of the adversary unless strategically beneficial. Unnecessary animosity often prolongs negotiations; anger is a transaction cost.

Finally, early in the negotiation process, attorneys should raise with their clients the

possibility of utilizing alternative dispute resolution (ADR) to help effectuate a quick settlement. Although ADR procedures tend to be under-utilized, ADR can be helpful in avoiding negotiation gridlock.

### Mediation and early neutral evaluation

Mediation is a non-binding dispute resolution procedure designed to facilitate, rather than adjudicate, the termination of a dispute. Mediation is similar in many respects to arm's-length settlement negotiations; however, mediation utilizes a neutral third party to facilitate communication between the adverse parties.

Mediation typically follows the following pattern. First, the parties meet jointly with the mediator in order to express their respective versions of the dispute. After the initial conference, the mediator meets individually with the parties in order to probe deeper. Discussions between the mediator and the individual party will be kept in confidence unless disclosure is authorized by the party. The mediator works with each party to help prioritize interests and identify areas of mutual interest or opportunities for value creation, at the same time seeking to ascertain each party's 'bottom line'. The mediator then continues shuttling back and forth between the parties in an effort to arrive at a mutually agreeable solution. However, the mediator has no power to force the parties to agree.

Early neutral evaluation (ENE), which as of October 2006 was used in 18 federal district courts, is a facilitative process, similar to mediation.

ENE is designed to assist parties in case management as well as to facilitate settlement. In ENE, a third-party attorney, selected from a roster of neutrals, meets confidentially with the parties in the early stages of litigation to provide an initial assessment of the case, including a non-binding opinion on the merits. The evaluator also estimates litigation time and expenses, and assists parties in identifying areas of agreement and narrowing the scope of discovery.

Mediation and ENE can be highly effective tools to overcome gridlock in negotiation. One particularly beneficial aspect of mediation is that it directly involves the client in the negotiation process. In the course of mediation, clients are often confronted with the inefficiency of protracted settlement negotiations. In addition, the procedural separation of the parties in mediation can alleviate some of the adversarial nature of typical settlement negotiations, fostering an economic



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approach to settlement and efficient resolution of conflict.

The neutral – whether an attorney, magistrate judge or trial judge – can also provide substantial benefit to the negotiation by identifying common interests and nudging the parties closer to agreement. Furthermore, parties can often choose a neutral with expertise in IP law. Serving as a neutral, an expert trademark attorney can often fashion integrative solutions, mitigating the loss to each party while maximizing the protection for the trademark in question.

Expert neutrals can also serve to close the information gap between parties. The non-binding assessment of a neutral evaluator can identify weaknesses in a plaintiff's case, identify possible defences and help attorneys to educate their clients. Mediators can provide a 'reality check' when a party overstates its position.

A neutral's influence in reaching a settlement can be maximized where the parties consider the neutral's substantive assessment to be authoritative. Organizations such as the International Trademark Association, the American Intellectual Property Law Association and the International Institute for Conflict Prevention and Resolution maintain rosters of experienced trademark mediators. In addition, private ADR providers retain mediators who specialize in IP law.

### Other practical tips for dispute resolution

Before engaging in mediation or ENE, each party should ensure that it and the other parties will have a representative in the process with settlement authority. Mediation without settlement authority is an exercise in futility.

If the parties do reach agreement, it is essential that they leave mediation with a written, signed agreement. While drafting a final settlement agreement is often impractical in a mediation setting, parties should carefully review and execute a 'term sheet' listing all points on which they agree to be bound.

### Conclusion

Trademark litigation in the United States is costly and time intensive. By taking a strategic and pragmatic approach to settlement negotiations, trademark owners can enforce their rights while minimizing the costs of litigation. To facilitate efficient settlement, even in jurisdictions where ADR is not required by the court, parties should strongly consider ADR as a structured way to reach an early settlement. **WTR**