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Protecting Small Businesses Against Trademark Bullying: Creating a Federal Law to Remove the Disparity of Leverage Trademark Holders Maintain Over Small Businesses

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Protecting Small Businesses Against Trademark Bullying: Creating a Federal Law to Remove the Disparity of Leverage Trademark Holders Maintain Over Small Businesses

ANTHONY JAMES DISPOTO*

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I. INTRODUCTION

On December 9, 2013, Exit 6 Brewery, a small establishment located forty miles outside of St. Louis, received a letter from Starbucks demanding that the brewery stop serving a beer called the “Frappicino” at their venue.¹ Starbucks asserted that Exit 6 Brewery was infringing upon Starbucks’ trademarked “Frappuccino” coffee drink, and that the “Frappicino” brew might be confused² for an officially licensed Starbucks product.³ In response to the cease-and-desist letter, Jeff Britton, the owner of Exit 6 Brewery, ceased use of the “Frappicino” brew and sent Starbucks a check for six dollars, claiming it was the net profit from the three “Frappicino” beers sold.⁴ Along with the check, Britton sent a letter joking about the Frappuccino coffee by referring to it as the “F word” and noting, “We just want to help Starbucks. Us small businesses need to stick together.”⁵ Instantly, the facetious letter went viral in a seeming attempt to shame Starbucks.⁶

1. Belle Cushing, *Starbucks Sends Cease and Desist to Brewpub Serving ‘Frappicino’ Beer, Owner Responds*, GRUB STREET (Dec. 30, 2013, 11:20 AM), <http://www.grubstreet.com/2013/12/exit-6-missouri-starbucks.html>.

2. Federal and state trademark law uses a likelihood of confusion test because owners can hold the same trademark in different products as long as there is no confusion, i.e. Bentley cars and Bentley lumber. Many different circuits have developed their own formulations of what determines a likelihood of confusion, but one of the first formulations was developed in the *Polaroid Corp. v. Polarad Electronics Corp.* case. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2nd Cir. 1961) (A likelihood of confusion’s success is based on the following factors: (1) the strength of his mark, (2) the degree of similarity between the two marks, (3) the proximity of the products, (4) the likelihood that the prior owner will bridge the gap, (5) actual confusion, (6) the reciprocal of defendant’s good faith in adopting its own mark, (7) the quality of defendant’s product, and (8) the sophistication of the buyers); *see also* *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (To determine confusion between related goods, the following factors are relevant: (1) strength of the mark, (2) proximity of the goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels, (6) type of goods and the degree of care likely to be exercised by the purchase, (7) defendant’s intent in selecting the mark, and (8) likelihood of expansion of the product lines).

3. Cushing, *supra* note 1.

4. *Id.*

5. *Id.*

6. *See id.*; *see also* Graham Averill, *Starbucks Threatens Nano-Brewery With Lawsuit; Brewer Gets Funny*, PASTE, Dec. 31, 2013, <http://www.pastemagazine.com/articles/2013/12/starbucks-threatens-nano-brewery-with-lawsuit-brew.html>; Ian Froeb, *Local Brewers’ response to Starbucks cease-and-desist goes viral*, ST. LOUIS POST-DISPATCH, Dec. 31, 2013, http://www.stltoday.com/entertainment/dining/bars-and-clubs-other/hip-hops/local-brewer-s-response-to-starbucks-cease-and-desist-goes/article_5a4d65e-e-cdb4-51a6-9d2c-718adf74beaa.html.

Shaming is just one of the modern defense tactics companies use instead of pursuing trademark litigation.⁷ Most companies use this strategy to inform the public of a bullying company.⁸ If the company continues such behavior, it may lose consumer loyalty or disassociation with the brand and, in turn, lose goodwill.⁹

It is common for trademark holders to threaten legal action against many individuals, even if they do not have a strong claim of infringement. This is considered “overactive policing” of their trademark.¹⁰ There is the potential for this overactive policing to result in an abuse of trademark protection, either by extending a company’s trademark protection or bullying those that have a valid claim in a trademark, which will be discussed further within the comment.¹¹ Markholders¹² that do this are usually attempting to intimidate smaller holders of trademarks,¹³ or individuals using descriptive terms similar or identical to their trademark, into ceasing use of their trademarks.¹⁴ The markholder will typically attempt to claim broader rights in their trademark or use overactive policing efforts to

7. See generally Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625 (2011) (discussing the effectiveness and availability of shaming to small businesses and individuals).

8. *Id.* at 665–66.

9. *Id.* at 672–74.

10. Overactive policing is not uncommon because it is an easy method for an individual to protect their trademarks, however, it is arguably a necessary task to protect a trademark considering the uncertain protections of the current trademark regime. In fact, the uncertainty in trademark rights allows dilution actions to be brought by individuals who are not in the same market or dealing with the same products/services as an alleged infringer because these actions do not require competition or evidence of confusion or passing off, making the rights of a famous mark unreasonably broad. *Id.* at 640–45.

11. *Id.*

12. The term “markholders” will be used synonymously with “trademark bully,” “trademark owner,” and “markholder.” “Markholders” is a term of art designated to refer to the owner of a trademark. See generally Lisa P. Ramsey, *Brandjacking on Social Networks: Trademark Infringement by Impersonation of Markholders*, 58 BUFF. L. REV. 851 (2010).

13. Targets of markholders will hereinafter be referred to as “accused infringer,” “target of a trademark holder,” or “targeted party.” These terms refer to the party or individuals who are being “bullied” or harassed by companies through the sending of cease-and-desist letters and unethical, yet legal, groundless litigation tactics to persuade the “target” from continuing use of their trademark.

14. Grinvald, *supra* note 7, at 642.

maintain protection of their already overly broad trademark rights, whether an alleged infringer ceases use of the mark or not.¹⁵

The goal of shaming as an alternative to trademark litigation, like that seen with Mr. Britton, is to curb this “bullying” behavior from markholders.¹⁶ While this may be an occasionally effective, informal way to deal with overly aggressive markholders, a formal codified solution would be more effective to deter markholders from acting aggressively in order to preserve the value of trademarks. When markholders are bullying, the value of the trademark may be reduced when the public gains a negative association with their brand.¹⁷ When alleged infringers are bullied, the value to consumers is reduced because the alleged infringers are bullied out of markets before they are able to firmly secure a foothold.

While some trademark holders choose to act aggressively on their own accord, other trademark holders are forced to act to protect their trademarks from being used by other parties.¹⁸ One such example occurred in Los Feliz, Los Angeles, after a comedian opened a coffee shop named “Dumb Starbucks.”¹⁹ Everything in the store replicated Starbucks products, except that the word “dumb” preceded every menu item, and the comedian included conspicuous disclosures of disassociation with the large coffee chain throughout the store.²⁰ Instances of association with a trademark are not usually as blatant as this, but they are arguably protectable under freedom of speech or parody.²¹ However, if third parties frequently use

15. *Id.* at 645–51; *see, e.g.*, Kirk Carapezza, *Chicken Vs. Kale: Artist Fights Chick-Fil-A Suit*, NPR, Dec. 6, 2011, <http://www.npr.org/2011/12/06/143195033/chicken-vs-kale-vt-artist-fights-chick-fil-a-suit>; Pete Mason, *The Difference Between ‘Eat More Kale’ and ‘Eat Mor Chikin,’* HUFFINGTON POST, May 3, 2012, http://www.huffingtonpost.com/pete-mason/eat-more-kale_b_1469661.html. In this circumstance, Chick-fil-A was attempting to maintain an overly broad interest in their trademark “Eat More Chicken” by claiming infringement of the mark “Eat More Kale.” The context of this threat of legal action attempts to extend the rights of the Chick-fil-A trademark to essentially “Eat More” which is too descriptive and broad of a term to deserve trademark protection.

16. Grinvald, *supra* note 7, at 664.

17. Grinvald, *supra* note 7, at 665–66.

18. Lanham Act, 15 U.S.C. 1064 (2012).

19. Emily Greenhouse, *Dumb Starbucks and the Art of the Hoax*, NEW YORKER, Feb. 15, 2014, <http://www.newyorker.com/online/blogs/elements/2014/02/dumb-starbucks-and-the-art-of-the-hoax.html>.

20. *Id.*

21. *See Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*, No. 3:14-cv-02361-RS, 2014 WL6655844 (N.D. Cal. Nov. 24, 2014) (Seeborg, J.) (where a district court granted summary judgment in favor of a video game publisher that had used a military patch design in a military combat-themed video game, citing earlier precedent that video games qualify as expressive works entitled to the protections of the First Amendment); *Lyons P’ship v. Giannoulous*, 179 F.3d 384, 390 (5th Cir. 1999) (where the satirical or parodic use of a trademark will likely influence a court’s decision in determining customer confusion of the

similar trademarks that associate with a well-known trademark, the distinctiveness²² and value of the well-known trademark could and likely will decline.²³

Starbucks was surprised by the individual behind Dumb Starbucks and initially did not bring suit because they were unsure how to handle the situation.²⁴ One could speculate that a reason Starbucks did not sue right away was to preserve its reputation, which might start to decline if they are demonstrably a bully in their market, especially given the recent events of Starbucks and the Exit 6 Brewery described at the beginning of this comment. Because the Starbucks trademark has a great deal of value associated with the company, it is likely that a lawsuit will be brought against the Dumb Starbucks creator, otherwise Starbucks would seem to condone such actions, potentially spawning other impersonators. Since the Lanham Act protects trademarks that are not generic or abandoned, most companies would bring a lawsuit under the Act in order to protect their trademark and show they do not condone impersonation.²⁵ The Lanham Act incentivizes trademark holders to be proactive in their enforcement of trademarks in order to maintain their trademark's distinctiveness and goodwill.²⁶ However, sometimes that legislative incentive is too strong. In order to minimize large trademark holders' overactive

use, however, the strength of the mark might make it easier for an audience to understand the use is satirical or a parody).

22. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (1976) (demonstrating the spectrum of "distinctiveness," or essentially what makes the mark itself different than other producers of goods, as a tiered system of generic, descriptive, suggestive and arbitrary or fanciful).

23. Throughout this paper, policing efforts of trademark holders will be discussed and should be understood to be a balancing approach. On the one hand, a trademark holder must actively police their trademark so that it will not become generic, in order to maintain the protections afforded trademarks under the Lanham Act. On the other hand is the overactive policing of trademark bullies who use similar trademark efforts to expand their trademark protections beyond what should be allowed for the trademark. See Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1793–97 (2007) (stating that the 15 U.S.C. § 1127 of the Lanham Act requires self-policing of marks in order to maintain their source-identifying purpose, otherwise the mark may be deemed to be abandoned, in which case all protections of trademark law would disappear).

24. Jolie Lee, *Starbucks responds to Dumb Starbucks in L.A.*, USA TODAY, Feb. 11, 2014, <http://www.usatoday.com/story/news/nation-now/2014/02/10/dumb-starbucks-parody-free-coffee/5357597/>.

25. Lanham Act, 15 U.S.C. §§ 1064, 1127 (2012).

26. See *id.*

policing against their respective targets, Congress must add provisions to the current trademark statute to dissuade markholders from overly policing their trademarks.²⁷

This Comment will first seek to understand the problem of overactive trademark policing by starting with a brief introduction to trademarks, trademark bullying, and the modern methods that companies use against trademark bullying. Second, this Comment will make a comparative analysis of the United States federal and state statutory provisions, proposed legislation from Minnesota, a trademark reform theory from William McGeeveran, and current trademark statutory provisions in the United Kingdom.²⁸ After analyzing the most pertinent provisions of the active and proposed domestic trademark laws and the trademark law from the foreign jurisdiction, this comment will seek to solve the problem of trademark holders' overactive policing efforts by proposing a new domestic statute that would better protect targets of their bullying.

II. TRADEMARKS AND TRADEMARK BULLYING

In the United States, a trademark is defined by the Lanham Act as a “word, name, symbol, or device, or any combination thereof . . . to identify and distinguish [a company’s] goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”²⁹ Trademarks act as a source identifier,³⁰ which helps consumers identify a specific product, or the quality and reputation of a product or manufacturer.³¹

Trademarks are very specific and are capable of protecting the myriad of different ways that a producer can distinguish its product to the consuming public. One product may be trademarked in several different ways as long as the trademark holder uses the mark as a way to identify

27. Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 587 (2008).

28. The United Kingdom was specifically chosen because it has a statute that is relevant to deter individuals from sending groundless cease-and-desist letters, which is a major problem associated with trademark bullying and an act that the proposed amendment will attempt to eliminate as a method of trademark bullying.

29. 15 U.S.C. § 1127.

30. Martin J. Rome, *The Trouble With Trademarks: Product Namers Beware*, ASHA, <http://www.asha.org/Publications/leader/2011/110118/The-Trouble-With-Trademarks—Product-Namers-Beware.htm>.

31. See DEP’T OF CONGRESS, REPORT TO CONGRESS: TRADEMARK LITIGATION TACTICS AND FEDERAL GOVERNMENT SERVICES TO PROTECT TRADEMARKS AND PREVENT COUNTERFEITING 4, (Apr. 2011), http://www.uspto.gov/ip/TMLitigationReport_final_2011April27.pdf [hereinafter “REPORT TO CONGRESS”]; *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 163–64 (1995).

the product's source or origin.³² Consider the word “Red Bull,” as a trademark for energy drinks, where the name of the product can be trademarked, or the image of two red bulls charging at each other before a circle backdrop can be trademarked as a logo for the product. There is even the potential that the silver, blue, red, and yellow color scheme can become trademarked if the consumers comes to associate those colors directly to the Red Bull Product. The name, logo, and color association can all demonstrate to the consumer what the Red Bull product is after their first experience with it, and any time that consumer sees the same name, logo, or color association, the consumer will remember their previous experience.³³

The Lanham Act, state statutes, and common law protect both trademarks registered with the United States Patent and Trademark Office (“USPTO”) and—in an attempt to prevent confusion—trademarks that are not so registered.³⁴ Once a trademark becomes inarguably “famous,” its trademark holder(s) can sue infringers for diluting the distinctiveness of that trademark without having to prove confusion, mistake or deception, which is normally needed to prove trademark infringement of a registered or unregistered mark.³⁵ These dilution actions are available to protect trademark holders against alleged infringers who tarnish or blur the mark's image, which could inflict irreparable damage upon the goodwill associated with the trademark.³⁶ In a general infringement action, the

32. See 15 U.S.C. § 1127; *Overview of Trademark Law*, <https://cyber.law.harvard.edu/metaschool/fisher/domain/tm.htm>.

33. Where the original intention was for the purpose of determining a quality product, the same reason exists today to determine if the product has a reliable quality and whether the product was adequate for the needs of the consumer. See *Chapter 2. The History and Development of Trademark Law, Section 1: The History of Trademark Law*, Dec. 25, 1999, at 1, available at <http://www.iip.or.jp/translation/ono/ch2.pdf>.

34. See 15 U.S.C. §§ 1114, 1125(a). Since not all trademarks are held by registered markholders, third parties may not know the scope of their trademark rights until a lawsuit is filed. This creates an incentive for markholders to send cease-and-desist letters to anyone that uses identical or similar marks, regardless of whether the goods or services are related, and regardless of whether the parties are in direct competition. This perpetrates a pro-litigation attitude. See also REPORT TO CONGRESS, *supra* note 31 (citing *Esquire, Inc. v. Esquire Slipper Mfg. Co., Inc.*, 243 F.2d 540, 545 (1st Cir. 1957), where an owner's zealous enforcement of its trademark may not have been justified by the intrinsic strength of the trademark, but rather was borne by the owner's enthusiasm and not an attempt to unjustly defend and overly extend the rights in the trademark *Esquire*).

35. 15 U.S.C. § 1125(c), amended by Trademark Dilution Revision Act of 2006, Pub. L. No. 109–312; see also 15 U.S.C. §§ 1114(a), 1125(a).

36. See 15 U.S.C. § 1125(c); CAL. BUS. & PROF. CODE § 14247(a) (West 2008).

court may award damages or costs of the action; however, a court will only grant injunctive relief if a lawsuit is brought as a claim for trademark dilution.³⁷

Failing to actively use, or “reasonably” enforce or police,³⁸ a trademark can lead to an abandoned or generic trademark.³⁹ An abandoned or generic trademark will lose its intrinsic value and distinct identification by the public and can possibly lose value from a loss of reputation and decline in sales.⁴⁰ Conversely, a properly maintained and policed trademark can increase a company’s value.⁴¹ This can occur by the creation of reduced transaction costs or consumer search costs in the market, which will save a trademark holder money in advertising costs to repeat purchasers and could make the product more recognizable and desirable to the public.⁴²

One of the most widely recognized trademarks is Apple, a technology company that designs, develops, and sells technological devices.⁴³ In 2013, Interbrand ranked Apple at the top of its list of the most well-known and valued global brands.⁴⁴ Interbrand valued the Apple brand at \$98.⁴⁵ The commercial value of a company can be based on many different things, including trademarks, goodwill, reputation, and the overall brand of a company.⁴⁶ In 2009, Apple was estimated to have a “Brand Value” around \$15 billion.⁴⁷ The discrepancy in value between reputation and assets comes from the company’s near-instantaneous public recognition and its well-established connection with high-quality products.⁴⁸ Apple’s exemplary value comes from the company name, marketability, and quality associated with the company, thus demonstrating the necessity to take great measures to protect trademarks associated with a company brand and

37. See 15 U.S.C. §§ 1114(1)(b), 1116(a), 1125(b), (c)(2).

38. “Reasonable” enforcement is necessary in order to actively maintain protection over a valid trademark, but what is considered reasonable is uncertain and only determined on a case-by-case basis. See *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 367–68 (2d Cir. 1959).

39. See generally *Hart’s Food Stores, Inc.*, 267 F.2d 358 (1959).

40. See Michael S. Mireles, *The Nuclear Option: Aesthetic Functionality to Curb Overreaching Trademark Claims*, 13 WAKE FOREST J. BUS. & INTEL. PROP. L. 281, 282–83 (2013); See Port, *supra* note 27, at 586–88.

41. See Port, *supra* note 27, at 592.

42. *Id.*

43. See *Best Global Brands 2013*, INTERBRAND, <http://www.interbrand.com/en/best-global-brands/2013/Apple>.

44. *Id.*

45. *Id.*; REPORT TO CONGRESS, *supra* note 31, at 1.

46. See Paul Hague, *Measuring Brand Value – How Much Are Brands Worth?*, B2B INTERNATIONAL, <https://www.b2binternational.com/publications/value-of-brands/>; see also REPORT TO CONGRESS, *supra* note 31, at 1.

47. Hague, *supra* note 46.

48. *Id.*

reputation. However, if a company such as Apple overreaches in taking protective measures, it may be accused of trademark bullying.

The USPTO defines “trademark bullying” as the practice of a trademark holder using litigation tactics to harass and intimidate other businesses in an attempt to extend their trademark rights beyond the interpretation of what the law would reasonably allow.⁴⁹ The litigation tactic most commonly used by trademark bullies is to send cease-and-desist letters to alleged infringers to put the “trademark target” on notice that they are infringing the sender’s trademark.⁵⁰ There are some circumstances where sending a cease-and-desist letter to an alleged infringer does not amount to trademark bullying. However, there are also instances where the utilization of a cease-and-desist letter is necessarily trademark bullying, because it is so unlikely that the target of such a letter is attempting to copy a specific trademark or to trick consumers as to the source of the mark.⁵¹ In such instances, the trademark holders’ motive in sending cease-and-desist letters is to intimidate the trademark target.⁵² Trademark bullies use this method of intimidation to coerce the trademark target to cease use of the trademark altogether.⁵³ This tactic is usually successful in pressuring alleged infringers to cease using the mark, settle with the “bullying” company, and obtain a license to use the trademark; but most importantly, it allows the trademark bullies to improperly extend the protection of their trademark in the market.⁵⁴

One of Chick-fil-A’s trademark disputes is illustrative of the trademark bullying process. Recently, Chick-fil-A attempted to broaden the trademark

49. Trademark Bullying can additionally occur through confusion as to sponsorship or affiliation as well as dilution of the distinctive trademark; however, this paper will focus more directly on the passing-off or extension of legal rights claims. *Request for Comments: Trademark Litigation Tactics*, USPTO, at n.1, http://www.uspto.gov/trademarks/litigation_study.jsp#_ftnref1; William Mitchell College of Law, *Trademark Bullying*, <http://web.wmitchell.edu/intellectual-property/trademark-bullying/>.

50. See Grinvald, *supra* note 7, at 628; REPORT TO CONGRESS, *supra* note 31, at 9–10.

51. See Grinvald, *supra* note 7, at 628, 648–49.

52. REPORT TO CONGRESS, *supra* note 31, at 9–10; *see also* Grinvald, *supra* note 7, at 628.

53. REPORT TO CONGRESS, *supra* note 31, at 9–10

54. *Id.* at 9–10, 13–14 (describing how trademark holders in a market might use intimidation tactics to broaden the rights of their trademark and eliminate individuals with similar trademarks in the same market so that the trademark holder can create a larger market for their own trademark).

rights granted in its “Eat Mor Chikin” trademark.⁵⁵ Chick-fil-A got into a dispute with a Vermont folk artist named Bo Muller-Moore, who created “Eat More Kale” shirts to garner support for the surrounding kale farming community.⁵⁶ When Moore tried to register his “Eat More Kale” trademark, Chick-fil-A issued a cease-and-desist letter for the infringement of its “Eat Mor Chikin” trademark. Moore decided to enlist legal aid rather than settle with Chick-fil-A, which led Chick-fil-A to file suit.⁵⁷ While this is an instance where Chick-fil-A has a valid trademark in “Eat Mor Chikin,” this legal action demonstrates Chick-fil-A’s efforts to overextend its famous slogan beyond what should be legally protected.⁵⁸

First, the use of the slogan “Eat More” in association with a restaurant chain is only a descriptive or generic phrase, since it denotes the advertisement of some edible product in connection with the company’s goods.⁵⁹ Chick-fil-A purposely misspelled the slogan and used a stylistic, graffiti-esque font to create a more distinctive trademark.⁶⁰ “Eat More” is merely a descriptive phrase that should be usable by more than one individual. A court should not grant the rights to only one party, especially in connection with a food service.

Second, Chick-fil-A used the “Eat Mor Chikin” slogan with its “cow campaign,” which consists of cows protesting against customers eating burgers.⁶¹ The efforts of the campaign are to demonstrate cows and their mischievous activity to persuade the customer to not eat beef, but chicken. This can help to create a distinctive meaning of the phrase and has the

55. “Eat Mor Chikin” is a live trademark for the Chick-fil-A Corporation, which has protection in this mark for the use of costumed cattle in association with restaurant services and clothing products. EAT MOR CHIKIN, Registration Nos. 76192789, 76184298, 75342586, 75340161, 75031044.

56. Carapezza, *supra* note 15.

57. Mason, *supra* note 15.

58. If there might seem to be a conflict between aggressive policing and trademark bullying, it is because one exists. There is a very fine line between what can be considered aggressive policing and trademark bullying, sometimes so fine that it might be hard to distinguish whether it is a problem or not. This is where the current trademark regime is flawed and where there needs to be an increase in protection in order to adequately protect a trademark holders’ rights. *Id.*

59. See *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 793–95, 797 (5th Cir. 1983) (describing that trademarks require secondary meaning to warrant protection, and allowing others descriptive fair use, especially if the protection would substantially limit the ability to adequately compete in the market).

60. The “cow campaign” is one of Chick-fil-A’s advertising campaigns used to promote its products. The cows partake in human-like acts in an attempt to persuade customers to eat chicken instead of beef. The cows paint billboards and hold signs to protest outside Chick-fil-A restaurants. Additionally, the campaign is used as decor for the restaurant. See *The Cow Campaign: A Brief History*, CHICK-FIL-A (Feb. 17, 2014), <http://www.chick-fil-a.com/Cows/Campaign-History>.

61. See *id.*

potential to create a connection with Chick-fil-A and the mischievous cows. This would make one believe the phrase “Eat Mor Chikin” is a more specific, more distinctive, and more recognizable trademark than competing trademarks.⁶² The cow campaign in conjunction with the phrase “Eat Mor Chikin” makes the brand more recognizable to the customer, and makes the specific phrase “Eat Mor” more distinctive. Since the connection of “Eat Mor” is used with the cow campaign, this is the phrase that should be protected.

Third, the context of the situation shows that there was no attempt to dilute Chick-Fil-A’s trademark. Moore lives in Montpelier, Vermont, which is a simple farming community over 100 miles away from any Chick-fil-A location. Furthermore, Moore’s use of the “Eat More Kale” brand in plain bold black writing is not an interference or an attempt to pass-off his mark as being somehow associated with Chick-fil-A.⁶³

These two marks are only similar in that they share the “Eat More” phrase, but that distinction is only apparent when spoken, since Chick-Fil-A purposely misspells the word “more.” Beyond that, there is no connection and no reason to believe that Moore intended to confuse his mark with Chick-fil-A in order to gain from Chick-fil-A’s goodwill.

Although Chick-fil-A must remain vigilant to protect its “Eat Mor” mark, this is a perfect example of a company trying to maintain overly broad rights through overactive policing litigation tactics.⁶⁴ The phrase “Eat More” is far too generic to be controlled by one trademark holder. While the specific stylized wording of the mark, its association with the cow campaign, or its association with fast food may be unique, for a court to hold that Chick-fil-A is the sole owner of the phrase “Eat More” would be too broad and a hindrance to competition in the marketplace.⁶⁵ The case

62. *Id.*

63. Mason, *supra* note 15.

64. See Wilson Ring, *Eat more kale: A David vs. Goliath fight with Chick-fil-A?*, ASSOCIATED PRESS (Nov. 28, 2011), <http://www.csmonitor.com/Business/Latest-News-Wires/2011/1128/Eat-more-kale-A-David-vs.-Golaith-fight-with-Chick-fil-A>.

65. See 15 U.S.C. § 1064; REPORT TO CONGRESS, *supra* note 31, at 8 (articulation of factors for likelihood of confusion differs between different circuits, however, they range between: (1) similarity of the marks, (2) the similarity or relationship of the respective goods and/or services, (3) the strength (inherent and marketplace) of the asserted mark, (4) the commonality of trade channels and advertising methods, (5) the sophistication of purchasers, (6) whether the accused mark was adopted in bad faith, and (7) the existence of actual confusion).

was resolved in Moore's favor when the USPTO granted the application for the trademark "Eat More Kale."⁶⁶

Not all individuals standing in Moore's shoes would stand up to a large trademark holder to protect their product.⁶⁷ The threat of prolonged litigation not only may lead to alleged infringers prematurely settling with the threatening party, it could lead to them giving up entirely. For instance, a USPTO Trademark Litigation Study found that several individuals threatened with the process of litigation withdrew their own registration for trademarks altogether, without settling, because the possibility of litigation was too expensive to be a viable option for a small businesses or individual trademark holders.⁶⁸

Threatening litigation is not an uncommon tactic for multiple reasons.⁶⁹ First, enforcing trademark rights, even if the claim is weak, is an effective strategy with relatively few downsides.⁷⁰ Second, aggressive trademark enforcement is often effective in settling disputes without the claims ever rising to the level of litigation.⁷¹ Third, cases that do go to court have limited case law upon which to rely.⁷² This could result in excessive fees when a party would have to craft an original argument for trial, potentially costing an alleged infringer, which is usually a small business, a substantial amount of in attorney's fees.⁷³ Small businesses may not have sufficient support from human resources, may not be able to dedicate the time to prepare for such a lawsuit, or just may not have the financial ability to

66. Christina Park, *Chik-fil-A Fails to Stop 'Eat More Kale' Trademark*, FORBES, Dec. 15, 2014, <http://www.forbes.com/sites/christinapark/2014/12/15/chick-fil-a-fails-to-stop-eat-more-kale-trademark/2/>; Wilson Ring, *Man celebrates his new 'eat more kale' trademark*, ASSOCIATED PRESS, Dec. 12, 2014, <http://bigstory.ap.org/article/9a6fc4cd32e649a39c5c409cf15abd4e/apnewsbreak-artist-wins-eat-more-kale-trademark>; Rudner & Paleudis, LLC, *Corporate Trademark Bullying: Smaller Businesses Challenge Larger Corporations in Trademark Disputes*, Jan. 7, 2015), <http://www.newyorkbusinesslitigationlawyer-blog.com/2015/01/corporate-trademark-bullying-smaller-businesses-challenge-larger-corporations-trademark-disputes.html>.

67. Mason, *supra* note 15; REPORT TO CONGRESS, *supra* note 31, at 18–19.

68. Conduct amounting to intimidation of targets of trademark holders includes, but is not limited to, subjecting the alleged infringer to tremendous attorney's fees, writing complex and intricate legal documents that require professionals to decipher them, providing short response times to cease-and-desist letters, and requiring the trademark user to cease all use of the mark or be sued. Grinvald, *supra* note 7, at 628–29, 646–47; REPORT TO CONGRESS, *supra* note 31, at 18–19.

69. See Port, *supra* note 27, at 661–62.

70. *Id.*

71. REPORT TO CONGRESS, *supra* note 31, at 18–19.

72. See *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013) [hereinafter *Already*]; Grinvald, *supra* note 7, at 657–58; REPORT TO CONGRESS, *supra* note 31, at 15 (stating that approximately 1.5% of cases arrive in court, meaning that many cases are dealt with at pre-litigation stages).

73. Port, *supra* note 27, at 631–32; REPORT TO CONGRESS, *supra* note 31, at 15, 18.

defend a suit.⁷⁴ Even if a small business is capable of securing free or low cost legal assistance, the time devoted to the lawsuit would take away from the operation of the business, which could bury a company in debt.⁷⁵

These threatened legal actions burden the targeted company rather than the trademark holders that send out the cease-and-desist letters.⁷⁶ The targeted company is in a precarious situation in deciding which action to take.⁷⁷ They can choose to wait and see if the threatening party will take legal action against them, while continuing to potentially infringe the trademark. Otherwise, the targeted company may seek a declaratory judgment, which could state that its trademark does not infringe upon the other party's mark, thereby precluding further legal action against it.⁷⁸ The threatening party suffers no consequences from sending such letters. Since they are often viewed as aggressive policing tactics, no sanctions are imposed and the threatening party can decide whether or not to pursue legal action.⁷⁹ Small businesses are particularly influenced by the potential threat of litigation, which in turn is externalized as a cost to the consumer and the economy.⁸⁰

By extrapolating the theory of famous economist Adam Smith, it seems that this externalized cost in trademark bullying creates a barrier to entry, which in turn limits the choices available to consumers.⁸¹ It does so by imposing higher costs in the market place, thereby increasing the initial amount of capital investment needed for new market entrants and ultimately limiting the amount of entrants who are capable of success in the market.⁸² Cease-and-desist letters specifically impose high costs on businesses, not just in legal fees, but also in time diverted from the

74. Port, *supra* note 27, at 654–56.

75. *Id.* at 655–56.

76. Grinvald, *supra* note 7, at 661–63.

77. *See id.*

78. *Id.*

79. *See id.*; REPORT TO CONGRESS, *supra* note 31, at 20.

80. REPORT TO CONGRESS, *supra* note 31, at 20; Grinvald, *supra* note 7, at 628–29.

81. Grinvald, *supra* note 7, at 628–29. “Invisible hand” reflects the ideology that the market is guided by the competition of the free market, effectively creating the products that the consumer wants to have. The market expands based on the idea that more entrants will create products based on the consumer's demand, which will effectively create higher quality products and lower prices based on the producer's competition for the consumer. Adam Smith, Biography, in LIBRARY OF ECONOMICS AND LIBERTY, THE CONCISE ENCYCLOPEDIA OF ECONOMICS (2008) [hereinafter “Invisible Hand”], <http://www.econlib.org/library/Enc/bios/Smith.html>.

82. *See* Port, *supra* note 27, at 589.

business.⁸³ This harms the consumer, because the fewer companies that are in the market, the fewer products that are available to the public, and those available will tend to be of a lower quality.⁸⁴ Competition between companies improves the quality of products and lowers prices, because competitors produce better and cheaper goods or services in order to win consumers.⁸⁵

In a unanimous decision, the Supreme Court seemed to agree that there were higher costs to a business because of infringement claims and it warned in *Already, LLC v. Nike, Inc.* that litigation produces limitations in the marketplace and that other costs could arise from the threat of trademark infringement:

[C]harges of trademark infringement can be disruptive to the good business relations between the manufacturer alleged to have been an infringer and its distributors, retailers, and investors. The mere pendency of litigation can mean that other actors in the marketplace may be reluctant to have future dealings with the alleged infringer.⁸⁶

In other words, the threat of trademark litigation is effecting the marketplace.

Circumstantial evidence supports the Supreme Court's statement concerning litigation's threatening effect on the marketplace.⁸⁷ Within the past decade, the injunctions, attorney's fees, and damages ordered by courts in trademark actions have dropped by approximately ninety-nine percent; however, the number of trademark infringement claims filed is ascending on a yearly basis.⁸⁸ This demonstrates that while more cases are being filed, a substantial number of them are being resolved in the pre-litigation stages.

Professors Kenneth Port and Leah Chan Grinvald believe the result of bringing trademark infringement cases is at least in part due to companies' improper desire to expand their market share and thereby impose greater

83. See REPORT TO CONGRESS, *supra* note 31, at 20 n.54.

84. See Nicole Manuel, *How Does a Monopoly Affect Business and Consumers?*, HOUSTON CHRON., <http://smallbusiness.chron.com/monopoly-affect-business-consumers-70033.html>.

85. See discussion of the "Invisible Hand", *supra* note 81.

86. *Already*, *supra* note 72, at 733–34.

87. Threatening a small business not only imposes the costs of trademark infringement but, based on Justice Kennedy's words, could harm potential future profits for a business as well. With a small business where the potential to improve can be astronomical, the harm that can be incurred cannot reasonably be valued. For those trademark bullies that bring actions against small companies, there is potential for abuse that may bring a trademark infringement action purposefully to stall a small businesses development. See Port, *supra* note 27, at 622–23, 633.

88. *Already*, *supra* note 72, at 733–34 (2013); see also Grinvald, *supra* note 7.

costs onto the market.⁸⁹ The greater market costs are caused by greater legal costs, which companies must calculate as additional investment and may become a barrier to entry for new market entrants.⁹⁰ With a higher likelihood that they will have to face legal action to stay in the market, similar to the Chick-fil-A/Eat More Kale case above, potential entrants might stay away from the market altogether.⁹¹ By dissuading potential entrants, the marketplace is affected, because the market's efficiency will suffer due to less competition and less need to innovate, the market's suppliers will have fewer individuals to sell to, and the consumer will have fewer choices, thus diminishing the effectiveness of the trademark laws meant to protect those individuals.⁹²

After examining how litigious tactics can be used in an attempt to dissuade new entrants into the market, and how the tactics allow current trademark holders to broaden their trademark rights, it becomes apparent how trademark holders can abuse the legal system. It also demonstrates the need to protect alleged infringers from those who use litigation tactics to overstep the boundaries of their trademark protection and force others out of the market. The next several sections of this comment will examine current laws that may limit or discourage trademark bullying in United States, as well as in the United Kingdom.

III. U.S. TRADEMARK LAW AND THE PROBLEM OF TRADEMARK BULLYING

The first trademark law to consider is the United States' Lanham Act.⁹³ The Lanham Act is a federal law that protects both registered marks, under

89. See Port, *supra* note 27, at 622, 633–34 (stating that trademark extortion is one plausible explanation for the rise in the number of trademark infringement cases with a decline in trademark infringement trials, and believing that this rise can effectually circumvent antitrust laws); see also Grinvald, *supra* note 7, at 640–41 (stating that trademark laws force the owners to bring legal tactics in order to police their trademarks, which has the potential to lead to abuse).

90. See Grinvald, *supra* note 7, at 603–04.

91. By “threatening” new market participants, a trademark holder can increase their market share without actually expanding the business, by merging or buying out smaller businesses, and can in some circumstances avoid antitrust laws. See Port, *supra* note 27, at 622, 633–34; see also Grinvald, *supra* note 7, at 650–51; see also *supra* notes 55–64 and accompanying text.

92. See Port, *supra* note 27, at 632–34; see also Grinvald, *supra* note 7, at 650–51.

93. Lanham Act, 15 U.S.C. § 1051 *et seq.* (2012).

section 1114(a) and (b), and unregistered marks under section 1125(a).⁹⁴ Civil actions are available under either section for trademarks used in connection with goods that are similar enough to another trademark, such that it is “likely to cause confusion or cause mistake.”⁹⁵ Additionally, under section 1125(c), trademark protection extends to those marks that are “famous” if an infringing party’s use makes the mark less distinctive or tarnishes the image associated with the trademark.⁹⁶ If a mark likely causes confusion to the market’s customers, then a trademark holder can bring a lawsuit for either damages (lost profits and, for exceptional circumstances, treble damages) or an injunction, and on some occasions, parties are awarded costs.⁹⁷

Most remedies attempt to compensate the plaintiff by awarding damages to the trademark holder for any loss of exclusivity of the marks and seek to return the trademark holder to the same financial position it would have been in had the defendant-infringer never infringed or never entered the market.⁹⁸ For example, the Lanham Act may return to the trademark holder the costs incurred from litigation, profits made by a trademark infringer, and any costs that resulted from the harm done to the trademark holder, such as loss of sales.⁹⁹ However, while measuring and granting damages *ex post* will remedy the plaintiff in some circumstances,

94. 15 U.S.C. §§ 1114(a)–(b), 1125(a). Similar provisions are found in several state statutes as well. For instance, California has the same provisions and effectually mirrors the protections, requirements and defenses that are found within the Lanham Act. The policy for the California Business and Professions Code acts similarly to the Lanham Act as well by attempting to put an infringed markholder in the same place they were in before the infringement occurred. This policy is based on the assumption that no damage will occur to the reputation as a result of the infringer or the infringed company bringing a lawsuit against the infringer. If there is damage to the reputation of a product or company, then a dilution action may be brought but will only allow an injunctive relief. CAL. BUS. & PROF. CODE §§ 14245–50.

95. 15 U.S.C. § 1125(a).

96. Under a claim of dilution, the only available remedy is an injunction. *Id.* § 1125(c).

97. *Id.* §§ 1116(a), 1117(a)–(b).

98. If damages are distributed for the purpose of compensating an individual for harm that has occurred, then to compensate someone that has incurred an injury based on confusion would be to compensate that individual assuming that the damages can place the individual in the same position where the company would have been had there been no damage from confusion. Thus, the damages are restorative and are for the purpose of returning them to the same position they were in prior to harm occurring, at least to the extent that the damages can adequately compensate them. *Id.* § 1117; MARTHA CHAMALLAS, THE MEASURE OF INJURY: RACE, GENDER, AND TORT LAW 157 (2010).

99. 15 U.S.C. §§ 1116(d)(4), 1117(a).

it will not always resolve and remedy disputes, especially those concerning new entrants into the marketplace.¹⁰⁰

While the Lanham Act provides for damages after the infringement occurs, it is impossible to measure lost profits if a company is bullied out of the market before it has a chance to accumulate any profits.¹⁰¹ Additionally, the target of a trademark holder will not likely be afforded the right to an injunction at law because they are not making claims of infringement or dilution against the trademark bully.¹⁰² Generally, the only option for alleged infringers is to seek a declaratory judgment, which may be difficult because the target of a trademark holder usually does not have the necessary financial resources, personnel, or time to maintain such a lawsuit.¹⁰³ Furthermore, if an alleged infringer attempts to dismiss a lawsuit against it, there are limited chances for it to succeed because trademark suits contain many questions of fact, which are issues for a jury. Ultimately, the likely end result is a settlement that the alleged infringer was forced into because they were not able to compete with the costs of litigation.

Some trademark bullies mass send cease-and-desist letters without intending to follow up with any formal legal action.¹⁰⁴ In such a scenario, the alleged infringer has a few options, but none are ideal. First, the recipient of such a letter could file a lawsuit in order to secure venue or to act preemptively against the trademark holders that sent the letter alleging

100. See Port, *supra* note 27; Paul Graham, *Startup = Growth*, Sep. 9, 2012, <http://www.paulgraham.com/growth.html> (since startups grow so fast, it can be difficult to pinpoint how much a startup would make in the early stages of its life); Jules Maltz, *How Fast Should You Be Growing?*, TECHCRUNCH (Aug. 24, 2013), <http://techcrunch.com/2013/08/24/how-fast-should-you-be-growing/>.

101. See *id.*

102. It is unlikely that a smaller business will bring a trademark infringement action against a much larger company under a theory of reverse confusion where the large company has the personnel and the money to finance extensive litigation. While this has happened in this past, it could potentially lead to negative consequences to the small business owner, who has the potential to get buried in legal costs, lack resources to manage their own business while seeking litigation, or lose association or distinctiveness with their mark from heated litigation. See Lanham Act §§ 1114, 1125; see also Grinvald, *supra* note 7, at 654–57.

103. See 15 U.S.C. §§ 1116, 1117; see also Grinvald, *supra* note 7, at 654–57.

104. This is a very common and effective strategy because there is relatively little downside to aggression when trying to police one's trademark. What is "reasonable" to one party is a subjective idea and could be considered over aggressive, or even too lenient, to another. See Grinvald, *supra* note 7, at 628, 632–33, 639–40, 644.

their trademark is invalid.¹⁰⁵ However, this may not be a smart strategic move because, if the trademark bully was mass sending cease-and-desist letters, it might not know how strong of a trademark infringement case it has against the target. Moreover, by proactively bringing a suit against the trademark bully, who might not have litigated at all, the alleged infringer could potentially be giving notice that it's using the trademark, when it otherwise could have just flown under the radar.¹⁰⁶ Second, the receiver of a letter could file a declaratory action against the trademark bully and obtain a court order declaring that they are not infringing on the markholder's trademark. However, this will likely result in a counterclaim for infringement or dilution. Third, the receiver could take no action, otherwise known as the "wait-and-see" approach. If the letter was meritless, this would be the best option. However, lack of merit is difficult to determine beforehand and the letter informs the party of the other's trademark, which, if the alleged infringer continues to utilize the trademark, the court might later consider willful infringement.¹⁰⁷ Moreover, unlike some foreign jurisdictions, United States law does not include a provision governing groundless threats.¹⁰⁸ Thus, those living in the United States are limited in their avenues of action against trademark bullies.

While there remain options for alleged infringers to pursue, these options are only plausible for companies and individuals that have been established long enough for their revenues to have steadied and plateaued, and thus have sufficient resources to maintain a legal action.¹⁰⁹ Furthermore, while the Lanham Act is predominately favored by those that could maintain a legal action, the protections are still functional to targets of trademark bullies, however a difficulty may arise in assessing damages.¹¹⁰

105. See 15 U.S.C. § 1064.

106. The current trademark regime could allow this action to happen, because someone who acts to aggressively police their own trademark will not incur any penalties. See Grinvald, *supra* note 7, at 628, 632–33, 639–40.

107. Since a cease-and-desist letter has the potential to put an infringer on notice of their infringement, it may be assumed that a continuation of a trademark after a letter is received is willful infringement. *Burger King v. Mason*, 855 F.2d 779, 780–781 (1988) (finding that the court has a wide range of discretion to confer damages, including an award of lost profits, even if there is no actual demonstration of damage).

108. See 15 U.S.C. § 1051 *et seq.*; Trade Marks Act, 1994, c. 26, § 21 (U.K.); *Trade Marks Act 1995* (Cth) s 129 (Austl.).

109. See Grinvald, *supra* note 7, at 653–57.

110. Financial analysts can help determine and predict damages, but they cannot provide accurate readings based on pure assumptions. See 15 U.S.C. § 1117; *see also* *Ramada Inns, Inc. v. Gadsden Motel Co.*, 804 F.2d 1562, 1564 (11th Cir. 1986) (acknowledging that trademark infringement damages must be based on proof of actual damages and that some evidence of harm arising from the violation must exist); BRIAN P. BRINING, *FINANCE & ACCOUNTING FOR LAWYERS* 256, 267–68 (2011) (stating that while courts will allow damages for new business ventures, much of the calculation for such

Since revenues for small businesses have the potential to rapidly expand, justice might not be served if a small business cannot accurately assess what its revenues would be, what internal damages were incurred, or what harm was actually accrued to its small business brand.¹¹¹ This lack of valuation is a problem.

The problem is the ability of a trademark holder to bully and abuse an alleged infringer's business with the intention of slowing the expansion of the target company. Litigation imposed on an alleged infringer in this manner could ruin the target of a markholder's business momentum. However, because the trademark bully is usually the one spearheading all litigation efforts, the proper remedy would be a dismissal of the action or a declaratory judgment in favor of the defendant instead of an award of damages.¹¹²

Alternatively, an alleged infringer could initiate the lawsuit against the large trademark holder in order to obtain a declaratory judgment, but this is rarely the case.¹¹³ While different than the wait-and-see approach previously discussed, it is not a strategic business tactic, especially if the markholder has financial resources at their disposal.¹¹⁴ The markholder could draw out a trial and bury the alleged infringer in litigation costs, effectually ruining the alleged infringer.

It may not always be the best idea to initiate litigation, but it is often markholders' chosen tactic to protect their trademark. This is the most

damages is speculative and requires more assumptions than an established business); ROBERT L. DUNN, RECOVERY OF DAMAGES FOR LOST PROFITS 378 (6th ed. 2005) (lost profits of an unestablished business recovery is increasing, but requires that they be adequately proved with reasonable certainty); Kenneth M. Kolaski, *Measuring Commercial Damages via Lost Profits or Loss of Business Value: Are these Measures Redundant or Distinguishable?*, PACE LAW SCHOOL (last visited Mar. 24, 2015), <http://www.cisg.law.pace.edu/cisg/biblio/kolaski.html>.

111. See Graham, *supra* note 100; Maltz, *supra* note 100.

112. Port, *supra* note 27, at 587–89 (demonstrating that litigation is one of the costs imposed on the marketplace that makes entrance more difficult).

113. Nathaniel Edwards, *I am . . . Other – How Trademark Owners can Avoid Declaratory Judgment Actions*, INTELLECTUAL PROPERTY BLOG OF LEWIS ROCA ROTHGERBER LLP (July 7, 2013, 5:46 PM), <http://www.lrrlaw.com/ipblog/blog.aspx?entry=762> (explaining that this alternative rarely occurs because of the disparity of power between the parties, but also because there are ways to avoid creating an “actual controversy” between the parties, such as avoiding attaching a draft complaint to cease-and-desist letters, writing “soft” cease-and-desist letters, or not threatening proceedings in cease-and-desist letters); see *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 725 (2013) (demonstrating that a more typical way to defend a company trademark is to cross-complain that the mark is invalid).

114. Port, *supra* note 27, at 633–34.

apparent disadvantage of the Lanham Act.¹¹⁵ Companies actively police trademarks because it is necessary to keep them distinctive under the Lanham Act.¹¹⁶ Allowing others to use a trademark increases the likelihood that the trademark will become generic, which would void protection from the Lanham Act.¹¹⁷ Fear of losing protection and reputation creates the necessity to actively police trademarks, thus perpetuating the mindset of sending cease-and-desist letters to similar trademark users.¹¹⁸

One such area of trademarks that has particularly active policing is product design. Because there are a tremendous amount of knock-off products in the market, it is often necessary for product designers to remain proactive in prohibiting individuals from copying the exact designs of a trademark.¹¹⁹ The following case demonstrates an example of how Nike, Inc. acted in accordance with this active policing approach for its Air Force 1 trademark.

In *Already, LLC v. Nike Inc.*, Nike sued under Lanham Act section 1114(a) for infringement and section 1125(c) for dilution of Nike's Air Force 1 trademark.¹²⁰ Already, LLC ("Already") defended its trademark by arguing that Nike's trademark was invalid, and in return, Nike offered a settlement as long as Already signed a covenant not to sue.¹²¹ The case settled four months after Already counterclaimed arguing invalidity of Nike's trademark, but there was no decision reached as to the validity of the Air Force 1 trademark.¹²²

While Nike's actions were ostensibly suspicious, the settlement prevented the court from looking into the validity of Nike's trademark by rendering the case moot. Already's decision to settle allowed Nike to slip through the cracks and continue using its mark in association with its product and to continue bullying other companies.¹²³

115. See Port, *supra* note 27, at 588; see also Grinvald, *supra* note 7, at 640.

116. Companies need to actively police so that their trademarks do not become generic and get cancelled. 15 U.S.C. § 1064.

117. See *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 97 (2d Cir. 1989) (holding that because other companies in the industry started using the term "Murphy Bed" to describe a general type of bed, the term became generic and lost its association with the company).

118. See Grinvald, *supra* note 7, at 641–42.

119. See *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 208–09 (2000) (remanding the case to determine if the product design had secondary meaning after Wal-Mart contracted with a clothing supplier to intentionally make clothes similar to Samara Brothers clothing line).

120. The case discusses trademark dilution under the Lanham Act, which may only arise under 1125(c). *Already, LLC v. Nike, Inc.*, 663 F.3d 89, 91 (2nd Cir. 2011).

121. *Id.*

122. *Id.*

123. See *id.* By signing a covenant not to sue and rendering the case moot, the court did not address the validity of the Nike trademark thereby allowing Nike to continue

This action demonstrates one of the problems associated with the Lanham Act and current American trademark law: large companies can buy their way out of a lawsuit or intimidate their competitors into submission.¹²⁴ Nike's financial strength was its greatest tool in this case and exemplifies that a markholder can hold the threat of litigation over others' heads.¹²⁵ By buying Already's option to bring suit, Nike proved that trademark bullying could extend beyond the confines of the courtroom.¹²⁶ Additionally, Nike will likely remain protected, because no other individuals will likely want to engage in a lawsuit with Nike, one of the largest athletic brands in the world.¹²⁷

Overall, the Lanham Act presents a problem because it provides a cure or "remedy" after an injury has already occurred.¹²⁸ Thus, an alleged infringer is more likely to concede to a settlement than to fight for their trademark, because of coercive pressure that is exerted onto the alleged infringer from a disparity in financial leverage.

IV. ALTERNATIVE TRADEMARK THEORIES

The next two sections will address theoretical acts of law that could address some of the concerns derived from the disparity in financial leverage between trademark holders and their potential targets. Neither

having all the protections that trademark law allows despite having a response about the validity of the trademark.

124. See *id.*; see also 15 U.S.C. § 1117 (exemplifying the lack of pre-litigation protections available for businesses that are much smaller than the trademark bully. It is likely that Already was "forced" into a settlement in order to not incur tremendous litigation costs by a corporation that has the finances and legal resources to potentially draw out a litigation).

125. See *Already, supra* note 72, at 724 (stating that utilizing covenants not to sue is not beneficial for trademark holders in the long run, but bringing lawsuits against more humble competitors is encouraged in light of challenging their portfolios of intellectual property).

126. See *generally id.*

127. This is based on the assumption that most small companies would not want to have a legal battle with a financial giant like Nike, who holds the highest value sports brand at \$12 Billion on the Forbes top 40. *The Forbes Fab 40: The World's Most Valuable Sports Brands*, FORBES (last visited Mar. 24, 2015), <http://www.forbes.com/pictures/mlm45jemm/1-nike/>.

128. See 15 U.S.C. § 1114 (demonstrating that the remedies are granted after there has been some demonstrative reproduction, counterfeit or copy used in commerce or has been used in the packaging or signs intended to be used in commerce. All these occur after there has been a use in commerce, except for the one instance of intent to use applications).

have been adopted at this point in time, but either one would help to dissuade large trademark holders from acting like bullies.

A. *The Small Business Trademark Protection Act*

The Small Business Trademark Protection Act (“SBTPA”) was proposed by the William Mitchell College of Law to Minnesota State legislators,¹²⁹ and was created to give smaller businesses an alternative to litigation.¹³⁰ SBTPA requires settlement conferences as a primary method for settling disputes between trademark holders.¹³¹ Either party to the dispute can invoke a settlement conference after receiving a cease-and-desist letter.¹³² In the settlement conferences, an administrative law judge oversees the parties’ dispute.¹³³ If proceedings continue after the settlement conference, the administrative judge has the authority to make declarative judgments on undisputed matters in order to expedite trial proceedings.¹³⁴ Furthermore, the proposed statute imposes a penalty on those who sent cease-and-desist letters without participating in a settlement conference.¹³⁵ This penalty attempts to discourage trademark bullies from casually or aimlessly

129. The initial written version of the bill was sent to the committee on Jobs and Economic Growth. It was brought before the State Senate again in 2013-2014 and was redirected to the Committee on Commerce and Consumer Protection Finance and Policy. While it has not yet been enacted, the proposed statute is continuing to run its course through the legislature. Minnesota is one of few states attempting to limit the ability of markholders to bully other alleged infringers. There is no indication that other states have attempted or introduced into Senate a bill limiting the ability of markholders to “bully” others. Ultimately the proposal died in the committee, however it remains the view of the author that this proposal would benefit small business trademark holders if it was to be enacted. *William Mitchell students craft bill to protect Minnesota’s small-business owners*, WILLIAM MITCHELL COLLEGE OF LAW INTELLECTUAL PROPERTY INSTITUTE (Apr. 5, 2012), <http://web.wmitchell.edu/intellectual-property/2012/04/bill-protects-minnesota-small-business-owners/>.

130. Small Business Trademark Protection Act, H.F. No. 2996, 2012 H.R., 87th Sess. (Minn. 2012), available at <http://wdoc.house.leg.state.mn.us/leg/LS87/HF2996.0.pdf>; *rev’d* by H.F. No. 1116, 2014 H.R., 88th Leg. (Minn. 2014), available at https://www.revisor.mn.gov/bills/text.php?session=ls88&number=HF1116&session_number=0&session_year=2013&version=list.

131. The settlement conferences act as a cheaper alternative to litigation by removing the necessity of paid counsel, although counsel is permitted. H.F. No. 2996 § 4, subdiv. 1.

132. *See id.*

133. *See id.* § 4, subdiv. 7.

134. *Id.*

135. This penalty is similar to those seen in the groundless threat provisions of the U.K. and Australian Trade Marks Acts of 1994 and 1995, respectively. *Id.* § 4, subdiv. 9; Trade Marks Act, 1994, c. 26, § 21 (U.K.); *Trade Marks Act 1995* (Cth) s 129 (Austl.).

sending cease-and-desist letters without any intention to materialize the threats.¹³⁶

In principle, this proposed legislation would place the target of a trademark holder in a better position by reducing the costs of initial negotiations between the parties and by removing the disparity in bargaining power between the parties.¹³⁷ By removing the costs of litigation, the costs imposed on new market entrants are lessened, thus more entrants will be able to remain in the market, ultimately benefiting the consumer.¹³⁸ Due to the mandatory settlement conferences, alleged infringers' concerns about litigation costs will decrease and trademark bullies will become less successful in their overactive policing efforts.¹³⁹ This will reduce the coercive effect of overactive policing, even though some proactive policing will continue.¹⁴⁰

While many of the provisions dissuade trademark holders from bullying others in order to prevent litigation, uncertainties remain in cases where the conflict does result in litigation.¹⁴¹ If the parties do not agree to anything during the negotiations, then the time and money spent to prepare for the settlement conference is wasted, for it is likely that only minimal benefit resulted from the discussions, except for possible declaratory non-

136. See H.F. No. 2996 § 4, subdiv. 9 (this provision dissuades aimless cease-and-desist letters by imposing a penalty on those parties who do not participate in the mandatory settlement conferences because those who aimlessly send cease-and-desist letters usually have no attempt to follow up on those letters. When they are forced to follow up by making their lawyers show up in settlement conferences it is likely an additional expense that those companies are not willing to undertake, especially when the cease-and-desist letters are very vague and can be used with multiple trademark holders); see also Grinvald, *supra* note 7, at 643 (Grinvald notes a case where Warner Brothers policed Harry Potter by sending out cease-and-desist letters to anyone that had registered a website with 'harry potter' in the domain name without assessing the operation of the website).

137. See generally H.F. No. 2996 (allowing parties to negotiate pre-litigation and forcing the parties into settlement conferences can potentially put the parties on the same level, rather than being intimidated through the force of litigation, and may reduce costs if the action never makes it to negotiation).

138. Cf. Port, *supra* note 27, at 587, 589 (Professor Kenneth Port explains that by using litigation tactics to impose costs into the marketplace, barriers are created, and fewer entrants will come into the market).

139. In addition to the penalties imposed, if the court finds that the entity is in fact a trademark bully, more extreme measures are taken, such as imposing certificates of dissolution or revoking certificates of authority for foreign companies. See H.F. No. 2996 § 4, subdivs. 1, 2, 10 (b) (1)–(2).

140. *Id.*

141. See generally H.F. No. 2996 (stating nothing about cases that result in litigation).

issue matters decided by the mediator.¹⁴² The negotiations will lead to litigation, which will most likely end with the alleged infringer settling the matter.¹⁴³ A markholder that is willing to hold out during negotiations would render SBTPA an insufficient protection against trademark bullying.¹⁴⁴

Still, while it is not perfect, the Small Business Trademark Protection Act, if enacted, is a step in the right direction. However, it does not solve all of the problems associated with trademark bullying. By adding to the Small Business Trademark Protection Act and addressing the potential “timeliness problems,”¹⁴⁵ this law could significantly improve current trademark jurisprudence.

B. The Trademark Fair Use Reform Act

William McGeeveran’s Trademark Fair Use Reform Act is an alternative proposal to consider.¹⁴⁶ According to McGeeveran, there are three main ways to reform trademark fair use: (1) focusing on the reduction of administrative costs, (2) creating clearly stated rules, rather than general standards, and (3) adding defenses or exemptions independent from the prima facie liability requirements.¹⁴⁷ All three changes seek to increase competition between companies, which benefits consumers. Currently, companies are stifled because the current state of the law imposes great barriers in the marketplace.¹⁴⁸

142. *Id.* § 4, subd. 7 (orders by an administrative law judge may expedite trial time by pinpointing facts that are not at issue between the parties).

143. *See* Grinvald, *supra* note 7, at 654–64.

144. *See generally* H.F. No. 2996. Since the main purpose of the proposed trademark statute is to attempt to resolve disputes amicably, a party may dispute all the terms for the purpose of attempting to bring the case to litigation. Subdivisions 6 and 9 describe a penalty for being prepared to discuss matters, but they do not discuss whether there needs to be attempts to solve any dispute between the parties. Furthermore, subdivision 4 specifies that the parties should be prepared to participate in “meaningful settlement discussions,” but does not actually specify any cost or penalty applicable for failure to do so. The statute seems to lack any coercive effects that would make the parties adhere to the ostensible purpose of amicable discussion.

145. This term is meant to denote the fact that a party could prolong litigation in such a way as to drain all the money out of the small business, making the venture fail. If the venture failed, there would be almost no point in continuing to seek trademark rights through litigation if the alleged infringers wouldn’t have the potential to use that trademark, since the venture was already without money. By granting an additional avenue of action, there could be amicable discussion to dissuade this prolonged litigation problem.

146. McGeeveran’s theory focuses on the intersection of trademark protection and freedom of speech, as exemplified in the Starbucks example found in the introduction to this paper. *See supra* notes 1–5 and accompanying text; *see generally* William McGeeveran, *The Trademark Fair Use Reform Act*, 90 B.U. L. REV. 2267 (2010).

147. *Id.* at 2279.

148. *See id.* at 2282.

McGeeveran seeks to amend the Lanham Act by adding exclusions for dilution and categorical exemptions for both trademark dilution and infringement.¹⁴⁹ If adopted, a court would only need to determine if the conduct or the actions of the alleged infringer were either exempted or controlled by a safe harbor provision.¹⁵⁰ This would be an effective approach because—although not necessarily deterring bullying—it would streamline the trademark system for exempted or safe harbored infringement actions.¹⁵¹ As a result, filed infringement actions would likely decline because legal threats would be less imminent, as long as the alleged infringer could prove their mark falls into an exemption or safe harbor.¹⁵² While these provisions would be a vast departure from the current trademark system, it would meld well with the underlying policies of the current statutory scheme through a reduction of ambiguity and an increase in court efficiency.¹⁵³

Although these proposals would help small businesses by reducing administrative costs and adding protection, the parties still must go to court because both of these rules are dependent on the court reaching a solution.¹⁵⁴ While the process might be shorter and less costly to small business owners, the problem of intimidation and the disparity of leverage between the parties still exists.¹⁵⁵ The mere threat of litigation could stop companies from pursuing business opportunities or pressure them to submit to settlement.¹⁵⁶ To address this issue, small businesses need a way to side-step litigation or obtain a declaratory judgment in an expedited proceeding.

While many of the above proposals have beneficial components, it is apparent that none of them are completely effective. However, while there is no perfect domestic solution, many of the above proposals could be improved by incorporating elements of British trademark law. The United Kingdom has passed legislation designed to discourage and eliminate trademark bullying that is worth examining.

149. *Id.* at 2303–04.

150. *Id.*

151. *Id.* at 2304.

152. *Id.* at 2278–79.

153. *Id.* at 2317–18.

154. *Id.* at 2303.

155. *See* REPORT TO CONGRESS, *supra* note 31, at 1–2.

156. *Id.* at 18.

V. CURRENT UNITED KINGDOM LAWS PROTECTING AGAINST TRADEMARK BULLYING

The United Kingdom and Australia have stronger trademark rights for protecting small businesses than the United States.¹⁵⁷ However, because both statutes are very similar, this comment will only analyze the United Kingdom Trade Marks Act of 1994.

The Trade Marks Act of 1994 defines a trademark as “any sign capable of being represented graphically which is capable of distinguishing goods or services of undertaking from those of other undertakings.”¹⁵⁸ The law does not prevent a property or legal right if the mark is unregistered.¹⁵⁹ Similar to the Lanham Act, the United Kingdom uses a likelihood of confusion test in order to protect only those markholders that have distinctive marks.¹⁶⁰

Additionally, trademark defenses are similar in the United Kingdom to the United States. The Lanham Act’s fair use defense, in which a third party may use a descriptive term (even if similarly situated with another’s trademark), reads: “party’s individual name in his own business, of the name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.”¹⁶¹ The United Kingdom statute similarly states that a third party may use another’s trademark without legally infringing on the markholder’s rights if the third party’s use would be of “his own name or address, the use of indications

157. While Australia has some very subtle differences in the law compared to the United Kingdom, Australia’s Trade Marks Act of 1995 has all of the same elements that make the Trade Marks Act of 1994 better at protecting small businesses than the United States’ Lanham Act. For example, Australia’s Trade Marks Act of 1994 allows for actions in response to groundless threats, codifies a common law found in the Trade Marks Act of 1995 (which has no substantive difference), and grants an explicit right of action to anyone who is directly or indirectly harmed financially due to the infringement or groundless threat against a markholder. *See generally* Trade Marks Act, 1994, c. 26 § 21 (U.K.); *Trade Marks Act 1995* (Cth) s 129(1), (3), (5) (Austl.); Grinvald, *supra* note 7, at 630, 685–86; *see Jaybeam Ltd. v Abru Aluminum Ltd.*, [1975] FSR 334, 340 (Austl.); *see also* ROBERT BURRELL & MICHAEL HANDLER, *AUSTRALIAN TRADEMARK LAW* 517 (2010). Additionally, while section 129 allows for actions against groundless threats, it does not eliminate an action once litigation starts, but only allows the party an additional avenue to respond to a party once they have been threatened with litigation. *See Advanced Data Integration Pty Ltd. v ADI Ltd.*, (2004) 138 FCR 520, [17], [18] (Austl.); *see also Montana Tyres Rims & Tubes Pty Ltd. v Transport Tyre Sales Pty Ltd.* (1998) 155 ALR 489, 509–10 (Austl.).

158. While the Trade Marks Act of 1994 has different wording than the United States’ Lanham Act, it effectively creates the same law focusing on source-identification. Trade Marks Act, 1994, c. 26, § 1 (U.K.).

159. *Id.* at § 1(2).

160. *Id.* at § 10(2).

161. 15 U.S.C. § 1115(b)(4).

concerning the kind, quality, intended purpose, value, geographical origin, or other characteristics of the goods or services, and the use of the trademark where it is necessary to indicate the intended purpose of a product or service.¹⁶² These two provisions are nearly identical. Furthermore, similar remedies are available in the United Kingdom's courts where the markholder may be granted damages, injunctions, accounts or other remedies in respect to the infringement of any property right.¹⁶³

One major departure from United States law is the common rule of the United Kingdom concerning attorney's fees. Fees are shifted to the losing party, which differs from the "American rule," in which statutes or contracts are the circumstances required for attorney's fees under United States law.¹⁶⁴ The possibility of paying significant attorney's fees should discourage frivolous litigation threats.¹⁶⁵

While the trend in the United States is to promote mandatory settlement conferences to encourage resolution before trial, similar pretrial procedures are not mandatory in the United Kingdom.¹⁶⁶ Parties have the option of settling before trial, but the attempts are not compulsory and are less effective without a judge present.¹⁶⁷

Specifically in respect to protecting small businesses, the United Kingdom has one provision that overshadows the protections granted under the Lanham Act. Section 21 of the Trade Marks Act of 1994 is a provision specifically directed at parties sending groundless threats.¹⁶⁸ According to

162. Trade Marks Act, 1994, c. 26, § 11(2) (Eng.).

163. *Id.* at § 14(2).

164. See Werner Pfennigstorf, *The European Experience with Attorney Fee Shifting*, 47 LAW & CONTEMP. PROBS. 37, 45-46 (1984); Walter Olson, *Loser Pays*, POINT OF LAW (May 21, 2004), <http://www.pointoflaw.com/loserpays/overview.php>. 15 U.S.C. § 1117 (the Lanham Act requires exceptional circumstances for issuance of attorney's fees).

165. See Pfennigstorf, *supra* note 164, at 73.

166. See S.D. CAL. CIV. R. 16.3, 26.1, *available at* <https://www.casd.uscourts.gov/Rules/Lists/Rules/Attachments/1/Local%20Rules.pdf>.

167. Ostensibly there are trade-offs with different court systems; the United States mandates pre-trial settlement conferences in the hopes of maintaining the policies concerning costliness, efficiency and speed, whereas the United Kingdom adopted more specific trademark laws. See generally *Civil Rules & Practice Directions Part 36*, JUSTICE, *available at* <https://www.justice.gov.uk/courts/procedure-rules/civil/rules/part36>; Trade Marks Act, 1994, c.26 § 21 (U.K.).

168. *Id.* Because groundless threats are the most common tactic used by trademark bullies, these types of threat actions will be the focus throughout the analysis of foreign law. *Id.* at § 21(1) (noting that another downside of Section 21 is that it does not cover three types of infringement: when the mark is applied to goods or packaging, when applied to imported good, and does not apply when the mark is applied to services).

L’Oreal (U.K.) Ltd. v. Johnson & Johnson, a groundless threat will not occur as long as a real issue of fact remains and the declarant has a real interest in the outcome.¹⁶⁹ Only requiring proof of a real issue of fact and a real interest make the barrier of “good faith” easy to overcome.¹⁷⁰

Similar to the occurrence of trademark bullying in the United States, cease-and-desist letters are the common way to initiate groundless threat actions in the United Kingdom.¹⁷¹ Cease-and-desist letters are not the only means of starting a groundless threat action, however, as any type of oral or written communication meant to intimidate or make known that litigation is a viable avenue of action can be considered a groundless threat.¹⁷² For example, in *Prince Plc. v. Prince Sports Group Inc.* the court found that a principal letter indicating interest in litigation constituted a threat, and that a company could not retrospectively withdraw the threat through subsequent letters.¹⁷³ The provision disallowing withdrawal of threats holds companies accountable for their actions and forces potential issuers of cease-and-desist letters to think twice before sending them.¹⁷⁴

Under section 21 of the Trade Marks Act of 1994, remedies are available when “a person threatens another party with proceedings of infringement of a registered trademark.”¹⁷⁵ Anyone who is an “aggrieved party” may bring an action.¹⁷⁶ An “aggrieved party” is defined in *Jaybeam Ltd. v. Abru Aluminum Ltd.*, as a party “likely to be adversely affected in a real as opposed to a fanciful or minimal way.”¹⁷⁷ The remedies available to aggrieved parties that bring actions are limited to declaratory statements that the threats are unjustified, injunctions against the continuation of threats, and damages equivalent to any loss sustained as a result of the threats.¹⁷⁸

The purpose behind this section of the Trade Marks Act of 1994 is to provide relief from actions, whether they are *ex ante* or *ex post*.¹⁷⁹ By

169. *L’Oreal (UK) Ltd. v. Johnson & Johnson and Another*, [2000] F.S.R. 686, 688, 701.

170. *See id.*

171. As stated previously, not all cease-and-desist letters are groundless, but sending these letters is the most common way to groundlessly threaten other parties.

172. *See L’Oreal (UK) Ltd. v. Johnson & Johnson and Another*, [2000] F.S.R. 686, 688, 701.

173. *Prince Plc. v. Prince Sports Group Inc.*, [1998] F.S.R. 21, 22.

174. *See id.*

175. Trade Marks Act, 1994, c. 26, § 21(1)(a)–(c) (U.K.).

176. *Id.*

177. PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS, LAW COMM’N NO. 345 p. 18 (2013) (citing *Jaybeam Ltd. v. Abru Aluminum Ltd.*, [1975] F.S.R. 334, for the definition of aggrieved party), available at http://lawcommission.justice.gov.uk/docs/lc346_patents_groundless_threats.pdf.

178. Trade Marks Act, 1994, c. 26, § 21(2)(a)–(c) (U.K.).

179. *See id.* (the problems can be curbed through the use of pre-litigation tactics such as punitive measures for groundless threat actions and post litigation through a grant of

obtaining a declaratory judgment, a targeted party can take preemptive action to protect against trademark bullies, and by obtaining damages a targeting party can reimburse a party for any damage incurred due to the threat of a trademark infringement action.¹⁸⁰ Furthermore, an injunction prohibiting the continuance of unjustifiable threats can be used preemptively in reaction to an initial cease-and-desist letter and act almost like a declaratory action, but can also act as a defense to prevent future actions of bullying from markholders.¹⁸¹

The main advantage of injunctions and declaratory judgments is that the targeted party does not have to wait-and-see, but can instead be proactive.¹⁸² The main concern of litigation is time, because both trial preparation and procedure are extremely time-consuming. A targeted party, especially if it is a small business, may not have the workforce to stay in business and simultaneously prepare for trial. However, the sections providing for declaratory actions and injunctions may grant parties more strategic tools and potentially help them to receive judgments expeditiously to prevent the stagnation of small businesses.¹⁸³

The provision on groundless threat actions strongly advocates a “sue-first, talk-later” attitude, because threatening trademark companies sue rather than wait for a declaratory judgment or other action in response to

damages to the prevailing party); Department for Business, Innovation & Skills Intellectual Property Office, *UK government to improve protection for businesses against groundless IP threats*, Gov.UK (Feb. 26, 2015), <https://www.gov.uk/government/news/uk-government-to-improve-protection-for-businesses-against-groundless-ip-threats>.

180. Damages could extend to cover loss of sales revenue or losses associated with case preparation. Trade Marks Act, 1994, c. 26, § 21(2)(a)–(c) (Eng.).

181. *Id.* at § 21(2)(b).

182. *Id.*

183. By drafting into the statute declaratory judgments and injunctions from the issuance of threats, the courts understand that there is a problem with over policing trademark holders. Utilizing the tools available through the drafted statute, small business owners can act proactively and bring suit rather than building up a trademark only to be forced to rebrand at a later point in time. *See id.*; Grinvald, *supra* note 7, at 647 (stating that a legal system is set up so that billion dollar companies can prolong a lawsuit through appeals, if necessary, to drag out litigation to win the litigation by default when the small business can no longer pay to be represented); Evan Raynes, *Declaratory Judgment Actions in Intellectual Property Cases*, SYMBUS THE BLOG, (Mar. 14, 2014), <https://symbus.com/blog/?p=483> (stating that there are multiple reason for the initiation of a preemptive lawsuit, such as: forum selection, time pressures on early parties, and setting the overall tone of the case).

cease-and-desist letters.¹⁸⁴ If the threatening party sues the targeted party first and only then starts negotiations, the targeted party has no power to utilize the preemptory provisions.¹⁸⁵ Therefore, the threatening party can force the targeted party into the courtroom and the targeted party will have no recourse but to submit to litigation or to accept an offer if the parties negotiate and settle.¹⁸⁶ This poses a similar problem to some provisions in the Lanham Act.¹⁸⁷ Trademark bullies, which are usually large companies with multiple trademarks, often attack and threaten alleged infringers who have a legal right to use their trademarks, but are intimidated by the markholders' threats.¹⁸⁸ Moreover, based on the sheer inequality of power between the parties, the smaller alleged infringer will likely submit to the settlement offered by the markholder.

Additionally, this "sue-first, talk-later" approach seems to contrast with the main policy consideration of resolving disputes amicably before reaching litigation proceedings.¹⁸⁹ Where one could initially send a cease-and-desist letter in order to notify another of a company's trademark and start amicable discussions to settle or avoid litigation, this process is removed.¹⁹⁰ A trademark holder will get around the "sue-first, talk-later" approach through initiating litigation and will be able to leverage the intimidation that comes along with such a threatening action.¹⁹¹ Usually, an individual receiving a cease-and-desist letter has the choice to bring a lawsuit first, if they choose to, and has the advantage of choosing venue. However, by serving the

184. To prevent a small business from taking advantage of a preemptive strike against the trademark holder, markholders can simply sue first or even simultaneously file a suit and issue the cease-and-desist letter. This would prevent the issue of a groundless threat action where the small business owner would file first on receiving the letter. One issue of concern regarding this would be the need to bring a case or controversy before the court, which might be a problem for those trademark holders mass mailing cease-and-desist letters, but not likely for those with more targeted letters. *See* Grinvald, *supra* note 7, at 686.

185. *See* Trade Marks Act, 1994, c. 26, §§ 10, 21 (U.K.).

186. *See id.*

187. *See supra* notes 95-99 and accompanying text.

188. *See, e.g., Already, supra* note 72.

189. *See* Grinvald, *supra* note 7, at 686; Howard Johnson, 13 INT'L BANKING FIN. L. 54, 54-55 (1994) (Eng.).

190. If we view the purpose of pretrial settlement conferences as resolving disputes to avoid costly trials and encourage parties to settle, it can be seen that a sue-first, and talk-later approach in law effectively removes this encouragement. When an individual sues, they come from a place of power and act as a threat, especially if the one suing comes from a well-funded company. On the other hand, a weaker individual who brings a suit for declaratory suit has more potential to place both parties on equal footing and allow an amicable discussion to occur. *See* Johnson, *supra* note 189, at 55; Glen Gallins, *The Settlement Conference*, THE LAW CENTRE (Mar. 2008), http://thelawcentre.ca/self_help/small_claims_factsheets/fact_12.

191. *See* Johnson, *supra* note 189.

alleged infringer, a trademark holder can circumvent the issue of another party choosing venue. With this circumvention of amicable discussion, a trademark holder can use intimidation and threats to change the procedures of these actions to become more heavily based on the pre-litigation stage. A major departure such as this potentially could change mindsets towards litigation, such as the traditional desire to avoid litigation, or drive small companies to sue trademark holders early-on to make certain they have a right to use their trademark, rather than being hauled into court in a foreign jurisdiction. However, this does not seem to create an entirely negative result. Some uncertainty in litigation will effectively be removed since trademark holders may establish a new norm on dealing with trademark litigation, however it does not necessarily follow that the removal of uncertainty is beneficial.¹⁹² While this statute has effectively eliminated the problem of aimless cease-and-desist letters, it has also created a “sue-first, talk-later” mentality.¹⁹³

Therefore, as with the domestic proposals previously examined, the United Kingdom model is not sufficient to resolve the problem associated with trademark bullying on its own. The provision on groundless threat actions might be sufficient if more is added to protect small business holders and if the problem of the “sue-first, talk-later” approach can be removed. The next section will propose legislation that can remove the “sue-first, talk-later” approach, but keep the protection from groundless threat actions. Thus, it aims to combine the best aspects of all the incomplete proposals above, as well as some additional ideas, in order to create a more effective statutory model.

192. See “No Tears,” 32 INT’L R. INDUS. PROP. COPYRIGHT L. 463, 463–66 (2001) (Eng.). See Grinvald, *supra* note 7, at 658–59 (trademark cases are extremely fact-specific, therefore issues that are brought to the court will need to arise to the trial level to be found by the fact-finder); Erin Coe, *SoCal Gains Traction As Hot Spot For Patent Cases*, Law360 (Dec. 2, 2013), <http://www.law360.com/articles/492220/socal-gains-traction-as-hot-spot-for-patent-cases>. While consistency in procedure might occur that does not effectively mean that litigation efforts will become more consistent or that courts will handle cases more efficiently. There is potential for more consistent or effective efforts to occur if the trademark disputes develop into a program designed around such disputes, such as a Patent Pilot Program. The purpose of the program is to set up front timelines that are to be adhered to throughout the litigation stages. While litigation provides some inconsistency, the patent pilot program has such specified dates to move cases expeditiously and proceed towards resolution.

193. See Grinvald, *supra* note 7, at 686.

VII. PROPOSAL FOR A TRADEMARK BULLYING STATUTE

The current status of trademark statutes in the United States, as well as the United Kingdom, is inadequate to protect the rights of a small business trademark holder. By looking to the various statutes created to protect trademark rights and compiling them into a single law, one could create a new statute that would adequately protect the interests of a target of a trademark bully.¹⁹⁴

Ultimately, the purpose of this proposed statute is to give an alleged-infringer the option to seek a mediator before a claim is filed.¹⁹⁵ By creating an avenue that potentially circumvents litigation, a targeted party will likely choose to pursue the alternative rather than let the threatening trademark holder intimidate or coerce them into ceasing use of the trademark.¹⁹⁶

Attached at the end of this comment is a proposed statute, entitled the Prevention of Overreach through Litigation Tactics Act (“POLTA”).¹⁹⁷ This proposed statute is in the form of an American federal act that will help protect the target of a trademark bully by eliminating the “sue-first, talk-later” problem associated with the United Kingdom trademark act as well as creating preemptive measures lacking from the current United States law.¹⁹⁸

Under POLTA, either party may opt-in to a pre-filing settlement conference¹⁹⁹ when a trademark holder alleges infringement of a trademark

194. See Lanham Act, 15 U.S.C. § 1051 *et seq.* (2012); Small Business Trademark Protection Act, H.F. No. 2996, 2012 H.R., 87th Sess. (Minn. 2012), *available at* <http://wdoc.house.leg.state.mn.us/leg/LS87/HF2996.0.pdf>; Trade Marks Act, 1994, c. 26, § 21 (U.K.); *Trade Marks Act 1995* (Cth) s 129 (Austl.).

195. See Appendix: Proposed Legislation, §§ 2, 3, which is attached to the end of this Comment.

196. See generally Appendix: Proposed Legislation.

197. *Id.*

198. See note 192, *supra*.

199. Due to the possibility of abuse and disparity in leverage between parties to trademark bullying cases, this comment proposes a mandatory pre-filing settlement conference similar to that of bankruptcy actions or child custody disputes. Similar to these types of cases, pre-filing is the appropriate measure in instances of trademark bullying because the disparity of leverage in cases of trademark bullying is sufficient to force companies out of business. Because young companies and start-ups have potential to grow at astronomical rates, it is imperative that these companies are not restrained to courtroom procedures or forced to pay litigation expenses that could defeat the business. See Raf Weverbergh, *So how fast must your startup grow? Y Combinator has a growth benchmark to determine that*, WHITEBOARD, <http://www.whiteboardmag.com/startup-grow-y-combinator-growth-benchmark/>; Bankruptcy Abuse and Consumer Protection Act of 2005, 11 U.S.C. § 1325 (2012); Child Custody Information Sheet—Child Custody Mediation, JUDICIAL COUNCIL OF CALIFORNIA, (Jan. 1, 2012), *available at* <http://www.courts.ca.gov/1189.htm>.

through either oral or written statements.²⁰⁰ If either party opts-in the pre-file settlement conference becomes mandatory and will commence within 45 days of the targeted party's notification to the threatening party that they opted-in.²⁰¹ This provision provides preemptive remedies similar to the groundless threat sections contained in both of the Trade Marks Acts.²⁰² Under the Trade Marks Acts of 1994 and 1995, a threatening party could circumvent the preemptive provision by simply forcing the party into litigation before threatening action.²⁰³ However, under section 3, subdivision 1 of POLTA, even if a threatening party initiates litigation, the targeted party can act by requesting that mediation occur before the litigation may proceed.²⁰⁴ By granting a targeted party this option, even after litigation proceedings have begun, and by mandating that parties participate in mediation before a lawsuit can continue, false or groundless threats should reduce and would likely cease altogether.²⁰⁵ If a party brings a groundless threat, the case will ultimately end in mediation, where the mediator will have the power to bring judgment and award remedies to the targeted party.²⁰⁶ The combination of these provisions should be sufficient to decrease the number of false threats, because going to mediation and splitting costs will grant the target of a trademark holder an opportunity to be heard rather than be forced into settlement.²⁰⁷ This effectively removes the potential intimidation, coercion, and tremendous leverage that markholders have over alleged infringers.

Another important provision of POLTA imposes punitive measures onto the threatening party if the party does not attend a pre-filing conference after threatening a party with litigation, or if a threatening party sends an unspecific cease-and-desist letter.²⁰⁸ The purpose of this provision is to impose punitive measures on those parties that send cease-and-desist letters without substantiating the reasons for such actions or

200. Appendix: Proposed Legislation, §§ 1(1), 2(1).

201. *Id.*

202. See Trade Marks Act, 1994, c. 26, § 21(2)(a) (U.K.); see also *Trade Marks Act 1995* (Cth) s 129(2)(a) (Austl.).

203. Trade Marks Act, 1994, c. 26, § 21(2)(a) (U.K.); *Trade Marks Act 1995* (Cth) s 129(2)(a) (Austl.).

204. Appendix: Proposed Legislation, § 3(1).

205. See Jeff Rifleman, *Mandatory Mediation: Implications and Challenges*, *MEDIATE.COM* (Dec. 2005), <http://www.mediate.com/mobile/article.cfm?id=1863>.

206. See Appendix: Proposed Legislation, § 2(1)–(8).

207. See *id.*

208. *Id.* § 2(7).

those that send letters purely to intimidate alleged infringers. The requirement forces threatening parties to articulate valid reasons for the threat or else subject themselves to penalties for attempting to unjustly broaden their trademark protection in the marketplace.²⁰⁹

In certain situations, a party from out of state may be unable to appear before the court, whereas the mediator should consider such circumstances when deciding whether to impose punitive measures. The timeliness of the procedure makes this a potential concern, but a party subjecting themselves to the jurisdiction of the state should anticipate such a situation.

The last important provision of POLTA differs from all of the previously mentioned statutes in that it concerns a policy that will allow a good faith user to retain profits earned during negotiations.²¹⁰ Under this section, a party that uses a trademark in good faith will not have their profits disgorged by the continuous use of the trademark during mediation.²¹¹ Good faith under POLTA requires that the party will not attempt to use the mark to be associated with a trademark holder's goods or services, or use a mark to take advantage of the goodwill of a trademark. This provision's policy is to allow a trademark holder's target to continue normal business operations without suffering stagnation caused by the alleged infringing action. While this provision may be subject to abuse, it is unlikely, because if a mediator finds that the alleged infringer is willfully riding-off the goodwill of the trademark holder threatening suit, he or she has the discretion to impose punitive damages on the target in the form of treble damages of profits.²¹²

Admittedly, there are disadvantages associated with this proposal. First, this proposed statute extends the process before which a trial court could affirm the pre-file settlement conference decision.²¹³ If this procedure becomes compulsory, then, for anyone who takes advantage of the pre-filing settlement discussions, the trial process will be extended at least 45 days before a court with jurisdiction can make a binding judgment. In terms of the overall time litigation consumes, this is a negligible amount, however it may still be a concern if parties want disputes to be finalized as soon as possible.

209. This type of punitive measure is becoming a trend in intellectual property law. Current patent reform discussions indicate an intent to require patent holding companies to pay attorney's fees to reduce extortion. *See* Grinvald, *supra* note 7, at 650–51; *see also* Jessica Meyers, *Lawmakers: Patent reform will advance*, POLITICO (Mar. 5, 2014, 2:48 PM), <http://www.politico.com/story/2014/03/patent-reform-104278.html>.

210. Appendix: Proposed Legislation, § 2(9)–(10).

211. *Id.*

212. While the damages are not binding, the mediator can recommend damages and punitive measures to the court where they may be enforced at the court's discretion. *Id.*

213. *Id.* § 2(4).

Second, if a trademark holder's target does not have a rightful claim to use a trademark but forces a threatening trademark holder to go through the procedures of POLTA, the trademark holder may have his trademark "appropriated" for several months.²¹⁴ Because the process is mandatory if opted-in to, both parties must complete all pre-file procedures before an action is brought to court. While the process is long and "appropriation" is possible, it is more likely the mediator would catch cases of blatant infringement and recommend appropriate damages and punitive measures to courts.²¹⁵

Third, because both parties are responsible for their own discovery, the disparity of leverage between the parties still exists.²¹⁶ Since either party may choose to spend different amounts of time and money on discovery, large company markholders would have an obvious advantage. While this continues to produce a disparity between the parties, the one threatening trademark infringement would still be required to show a real interest and harm incurred from the infringement. If evidence or interest or harm does not exist, the leverage disparity will not affect the target of a trademark holder. Additionally, because a target of a trademark holder can retain profits if use of the trademark is in good faith, alleging trademark holders will be incentivized to find a balance between offering sufficient evidence to prove infringement and keeping their argument concise so that the negotiations are not overly extensive.²¹⁷ Therefore, while there is potential for abuse, it is unlikely and if the actions amount to trademark bullying, the mediator would likely become aware of it before a lengthy negotiation would occur.

Fourth, the proposal calls for mediation, which results in removing actions from the court system.²¹⁸ This unique construct could cause procedural problems if not supported by the legislature. Mandatory mediation is a construct that is generally accepted in instances of violence, or a peril that requires urgent need and is regarded as being a denial of

214. Hijacking in this instance means that an individual could purposely use a similar trademark in order to ride off the trademark of another party. Since the process takes up to 45 days to meet for a pre-file settlement conference and any time afterwards if the alleged infringer appeals, a markholder may have their trademark taken or "hijacked" from them during this time period. *Id.* §§ 2(4), (9).

215. *Id.*

216. *Id.* § 2(5).

217. *See id.* § 2(9)–(10).

218. *Id.* § 3(1).

justice.²¹⁹ Cases with this type of procedure usually involve family law (divorce and custody), collective bargaining contracts, community development, and small claims, and are all backed by strong policy.²²⁰ However, public policy also shows that trademark bullying cases are likewise better left to mediation than litigation.²²¹ Even during mediation, the “alleged infringer” is at a disadvantage since either party may bring in all evidence at their own expense. Trademark bullies could potentially take advantage of this and produce substantial data against an alleged infringer.²²² It is likely that this will not substantially affect the proceedings because a small business will not have a substantial amount of evidence to bring forth, thus making it cost effective on their part. Large trademark holders may bring as much evidence in as they desire, however, they will need to keep in mind how much the case is worth to them, as well as, how much evidence the alleged infringer needs to produce to demonstrate it has a rightful use to using a trademark. Mediation in this instance would act to dissuade a large company from bringing disputes without merit for

219. Bankruptcy, divorce, and custody proceedings are examples where mandatory mediation is common, and are instances where strong policy dictates that it is necessary for mediation to be mandatory between the parties. *See* Bankruptcy Abuse and Consumer Protection Act of 2005, *supra* note 199; Child Custody Information Sheet—Child Custody Mediation, *supra* note 199; Martin Svatos, *Mandatory Mediation Strikes Back*, MEDIATE.COM (Nov. 2013), <http://www.mediate.com/articles/SvatosM1.cfm>.

220. The policy behind allowing mediation rather than litigation is to encourage families to work out issues on their own and independent of the court, or because certain issues are only exacerbated through the use of the court system. *How Courts Work: In What Cases Might Mediation Be Used?*, A.B.A., http://www.americanbar.org/groups/public_education/resources/law_related_education_network/how_courts_work/mediation_whenuse.html (last visited Feb. 22, 2015); *How Courts Work: What are the Advantages to Mediation?*, A.B.A., http://www.americanbar.org/groups/public_education/resources/law_related_education_network/how_courts_work/mediation_advantages.html (last visited Feb. 22, 2015).

221. POLTA’s proposed pre-file settlement mediation closely resembles the pre-filing settlement conferences discussed in family law, collective bargaining contracts, community development, and small claims proceedings. This proposal relies on pre-filing strategies that weigh the balance of freedom to commercialize and the enormous growth potential of small companies, which may be made vulnerable by threats of litigation or trademark bullying. The early stage development of start-ups have enormous potential and trademark bullying is an easy way to frustrate these businesses and for trademark holders to create high barriers to entry in markets. Thus, there is a need to have some front end protection for these small businesses. *See How Courts Work: What are the Advantages to Mediation?*, A.B.A., http://www.americanbar.org/groups/publiceducation/resources/law_related_education_network/how_courts_work/mediation_advantages.html (last visited Feb. 22, 2015).

222. Certain law clinics allow students to provide free legal work for small businesses/trademark holders, but the services are limited because of the level of skill required for complicated trademark cases. *See, e.g., Small Business and Trademark Clinics*, DEDMAN SCHOOL OF LAW, <http://www.law.smu.edu/Academics/Clinical-Program/Small-Business-Trademark-Clinic.aspx> (last visited Feb. 22, 2015).

they might spend more in costs than they could extort from a potential licensee, thus making a lack of financial resources no longer an issue.

Lastly, mediation might not be sufficiently coercive, because it is not binding. However, by creating more barriers and obstacles to impede those who have fruitless claims, this strategy will prevent trademark bullies from sending frivolous letters without any intent to pursue their claims. Some might criticize this proposal as merely extending and increasing the cost of litigation by paying for several stages before ultimately arriving in court. However, the use of settlement conferences before trial promotes policies of efficiency and expediency in resolving disputes between parties. Mediation and settlement conferences force the idea that alternatives to litigation are possible, as well as allow both parties to express their views concerning the dispute on a faster timeline than the litigation system.

While this statute may risk occasional abuses, the benefits far outweigh the possibility of abuse. The statutes currently in force are subject to greater abuse than POLTA.²²³ By enacting a cheaper alternative for targets of trademark holders, there is a higher likelihood for protection of the valid trademarks and business ideas that would otherwise be intimidated into submission. The relatively low risk for abuse is outweighed by the utilitarian benefit to consumers due to the increase of business ventures and alternatives in the marketplace.²²⁴

Overall, POLTA attempts to combine the best provisions of trademark protection laws worldwide. It aims to grant preemptive measures and to remove the “sue-first, talk-later” approach that circumvents the protections of the United Kingdom Trade Marks Act. While there is possibility for abuse, the potential benefit greatly outweighs the potential abuse.

VIII. CONCLUSION

In conclusion, after comparing United States federal and state statutes, proposed legislation, and United Kingdom trademark laws regarding trademark bullying protection, it is clear that the United States has not done enough to deter trademark holders from overreaching and expanding their market share through unfair litigation tactics. In fact, the Lanham Act ensures that companies will continue to act proactively by sending

223. Compare Lanham Act, 15 U.S.C. § 1051 *et seq.* (2012), with Appendix: Proposed Legislation.

224. See Invisible Hand, *supra* note 81.

cease-and-desist letters because there is little recourse for alleged infringers for such acts.²²⁵

By adopting the statute recommended in this comment, a new substantive right of action will be created that will remove the “sue-first, talk-later” approach associated with these statutes, similar to both the Trade Marks Act 1994 and the Trade Marks Act 1995.²²⁶ By creating a federal action for these preemptive measures, trademark holders that send groundless cease-and-desist letters will be held accountable.²²⁷

Enacting this law will prevent trademark holders from acting aggressively, thereby reducing the false accusations of trademark holders and removing the tremendous disparity of leverage between the trademark holders and alleged infringers.²²⁸ Providing targets of trademark holders an avenue to pursue lawsuits will be a significant improvement to the current federal statutory scheme, and is necessary so that targets can have their voices heard and their business’s protected.

225. Port, *supra* note 27, at 588-89.

226. See Trade Marks Act, 1994, c. 26, § 21 (U.K.); *Trade Marks Act 1995* (Cth) s 129 (Austl.).

227. See *generally* Appendix: Proposed Legislation.

228. See *id.*

VIX. APPENDIX: PROPOSED LEGISLATION

A bill for an act relating to trademarks; enacting the Prevention of the Overreach Through Litigation Tactics Act; proposing new legislation containing provisions for timely mandatory pre-file settlement conferences, penalty damages available for nonspecific cease-and-desist letters, post-litigation procedures for mediation, and broad standing for any parties aggrieved by threat actions.

BE IT ENACTED BY THE LEGISLATURE OF THE UNITED STATES.

Section 1. The Prevention of the Overreach through Litigations Tactic Act is created for the protection of small businesses, from trademark bullying or intimidation through the use of disparity of leverage of larger businesses, through mandatory pre-file settlement procedures.

Subdivision 1. **Trademark bullying.** “Trademark bullying” as used in all sections means the practice of a trademark holder using litigation tactics to harass and intimidate other businesses in an attempt to extend their trademark rights beyond the interpretation of what the law would reasonably allow.

Subdivision 2. **Trademark dispute.** “Trademark dispute” as used in all sections means the preliminary action of a trademark holder initiating contact with another party alleging infringement of a trademark; including initiation through cease-and-desist letters, and oral or written communication between the parties.

Subdivision 3. **Groundless threat.** “Groundless threat” as used in all sections means the intimidation or use of litigation tactics unaccompanied by specific articulable instances of infringement of an owned trademark. Examples include but are not limited to cease-and-desist letters and communication between both parties concerning the cessation of a trademark.

Section 2. **Pre-file Settlement Conference**

Subdivision 1. **Initiation.** Any party affected by a trademark dispute has the option to opt-in to a settlement conference. Upon the request of any party to a trademark dispute, the parties shall seek a mediator using the procedures provided in this article. Pre-file settlement conferences are mandatory before trial is available if either party opts-in.

Subdivision 2. **Purpose.** A pre-file settlement conference is for the primary purpose of assisting both parties to attain a quick resolution to a trademark dispute and to provide smaller companies an opportunity to have their case pleaded without the threat of significant attorney's fees.

Subdivision 3. **Request for Preliminary Judgment.** After the mediator or both parties come to a resolution that the action presented is not a groundless threat, either party may request a non-actionable judgment by the mediator. The mediator has the authority to state his judgment concerning preliminary facts and if the action is appealed to a trial court, the court appealing the matter should review the mediator's suggestion.

Subdivision 4. **Procedures.** All parties shall attend or be represented at the pre-file settlement conference. Parties attending shall be prepared to make reasonable attempts to settle the trademark dispute. A pre-file conference must be initiated within 45 days after the request of a pre-file settlement conference has been delivered to the other party in the dispute.

Subdivision 5. **Information provided.** All parties attending the settlement conference shall be prepared to discuss all matters relevant to the trademark dispute. In preparation of the pre-file settlement conference, both parties may provide all information they deem necessary or helpful in proving their case at their own cost. Parties may provide information relating but not limited to expert testimony, surveys of consumer impressions, industry practice standards, and evidence of trademark use in commerce.

Subdivision 6. **Orders.** If, following the pre-file settlement conference, all parties have not come to an agreement but have agreed on an issue of fact or any other issue, the mediator may submit an opinion to the court confirming the matters agreed between the parties. If both parties agree, the mediator may submit a ruling on the matter confirming a preliminary judgment based upon the information presented before him. This preliminary ruling will be given deference if the trademark dispute continues to trial.

Subdivision 7. **Penalties.** Penalties shall be imposed on those that act contrary to the purpose of this enactment. Penalties are as follows:

- (a) if the party alleging trademark infringement refuses to participate in the settlement conference aforementioned in this article; or
- (b) the party alleging trademark infringement sends a cease-and-desist letter without substantiating specific instances of infringing conduct by the alleging party,

that party is liable for a fine of \$1,000 dollars and all costs incurred by the other party including loss of revenue or costs in preparation for mediation.

Subdivision 8. **Remedies.** If both parties are in agreement and the mediator issues an opinion that the cease-and-desist letter is a groundless threat and an act of trademark bullying, an opinion may be submitted to the court confirming and adjudging in favor of the defending party. The following remedies shall be available to be chosen by the mediator, who has discretion to determine what is proper given the current circumstances, to be issued to the targeted party:

- (a) a declaratory judgment that the threats are unjustifiable;
- (b) an injunction against the continuance of threats; or
- (c) damages sustained from the groundless threat, including court costs, attorney's fees and treble damages, shall be available if the threatening party's actions are found to be willfully and knowingly groundless.

Any appeals of this decision are to be submitted to any district court within 50 miles of the mediation venue.

Subdivision 9. **Collection.** If the mediator issues an opinion and the losing party does not submit to the opinion of the mediator, the mediator's opinion shall be brought forth to an appropriate venue where a judgment may be issued and proper collective proceedings initiated.

Subdivision 10. **Profits made during negotiations.** Any profits realized by the alleged infringing business will not be disgorged from the business for any profits realized up until an opinion is made by the mediator, unless the alleged infringing company acts with unreasonable delay in the pre-file settlement conference or is found to be willfully and knowingly infringing. The mediator has the authority to issue an opinion concerning unreasonable delay or willful and knowing infringement by either party. If the party is found to be willfully and knowingly infringing the trademark, treble damages may be issued measured by the profits realized.

Subdivision 11. **Standing requirement.** Any party that is aggrieved by the sending of the cease-and-desist letter will have standing to assert the mandatory pre-file settlement conference between the parties or to bring

countersuit against the trademark holder who sent the cease-and-desist letter for purposes of a declaratory statement that demonstrates the legal usage of the alleged infringing trademark.

Subdivision 12. **Cost of pre-file settlement conference.** The cost of the pre-file settlement conference is to be split evenly between both parties, unless the mediator or judge orders otherwise.

Subdivision 13. **Cease-and-desist letter requirement.**

(a) All cease-and-desist letters involving a trademark dispute sent by an individual in United States must contain the following conspicuous statement at the beginning of the cease-and-desist letter:

“All parties named in this letter may exercise their right to a mandatory pre-file settlement conference regarding this trademark dispute to a mediator of both parties choosing, with costs to be split evenly amongst all parties, unless the mediator judges otherwise.”

Section 3. **Litigation initiated.**

Subdivision 1. If litigation has already initiated and the issue in dispute concerns the extension of protection between either party’s trademark, either party may request the action to be transferred to a mediator, who may judge whether the trademark user with senior priority is being infringed, before litigation is resumed.

Section 4. **Effective date.**

Subdivision 1. The effective date of this act is to start 120 days after voted in by the United States legislature.