
When enforcement becomes bullying

A trademark owner has a legal duty to police its mark. But when does good-faith, albeit aggressive, protection of trademark rights become bad-faith bullying based on a claim of rights which do not exist?

Trademark bullying has become the subject of increasing debate, with President Obama signing the Trademark Technical and Conforming Amendment Act 2010 in March. The act provides for a study to examine “the extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner”.

Trademark bullying essentially occurs when brand owners choose a mark and seek to prevent anyone from using it, even for non-competitive goods and services which do not cause a likelihood of confusion. The line between acting as a prudent trademark owner and being nothing more than a ‘bully’ becomes easily blurred, depending on the strength of the mark. The same actions taken by the owner of a strong, distinctive trademark, when taken by the owner of a descriptive or otherwise weak mark, can be viewed as prudent in the former case and absurd in the latter. The question of when a legal duty to police becomes school-yard bullying is therefore a real concern.

Importantly, bully status is not limited to large companies. One of my clients, a well-known publishing company, was recently threatened by a trademark owner over the descriptive use of a term as the title of an audio disc pertaining to stress reduction. The claimant had a weak registration for an otherwise descriptive term, together with a logo, and had bullied its way around the marketplace for a number of years. It operated under the belief of superior legal rights for a mark it dare not litigate lest it be held descriptive. While my client was prepared to defend on the grounds that the claimant would be required to prove secondary meaning, it voluntarily withdrew the product from the market. The trademark owner’s actions were therefore effective, since it was easier to withdraw a product with modest sales from the market than to fight.

In examining this issue of trademark bullying, both federal court cases and ‘reverse domain name hijacking’ holdings in Uniform Domain Dispute Resolution (UDRP) decisions are relevant.

The duty to police one’s mark

Trademark monitoring and enforcement have never been more important for the average trademark owner, yet smaller companies often lack the resources for costly litigation and many do not understand that a failure to monitor and police their rights can be fatal.

Loss of rights through genericide is the classic threat to any mark left unmonitored. Some mark owners miss the point entirely and ignore or even promote ‘household’ use of their marks, single-handedly contributing to loss of rights.

By failing to inform the public of the generic term of the product in advertisements, trademark owners may not prevent a generic association of the mark. In the United States, former trademarks such as escalator, cellophane and aspirin are among the fallen. On the other hand, Xerox has led the way and serves as an example of how to educate the public and media as to proper use of a mark in advertising as a brand, not an action verb.

Enforcement and monitoring begin at home. Sales and marketing staff, as well as outside advertising agencies, must be taught to use marks properly. Counsel or trained staff should take the time to review publicly disseminated materials, and monitor, enforce and constantly correct misuses of the mark.

But to what degree should a trademark owner’s enforcement be seen as a good-faith effort to police one’s rights and when does it step over the line? This question can be answered by first looking at the strength of the mark and, in the case of domains, when trademark rights were established.

The Monsters hit out

Of the numerous cases dealing with trademark bullying currently in the news, perhaps none has been more publicized than the protracted litigation by Monster Cable. Monster has reportedly filed 190 proceedings before the US Patent and Trademark Office and 30 federal court law suits to protect the word MONSTER – for instance, against job site monster.com, Walt Disney over products tied to the film *Monsters, Inc* and Monster Mini Golf Franchises.

Not to be outdone, Monster energy drink, a brand of Hansen (which itself somehow escaped being sued by Monster Cable), recently used its own Monster status to bring a claim over use of the mark VERMONSTER beer by a small Vermont brewery.

With all this talk of scary monsters, ‘monster’ both as a word and as a mark provides a case study on the possible blurring between good-faith and bad-faith trademark policing. When a word is used as a valid mark, the owner’s enforcement tactics raise important issues germane to any trademark owner.

'Monster' is a classic example of a trademark in an otherwise generic term which has been applied arbitrarily to goods and services. Other classic examples are 'Amazon' (once merely a river, now a term claimed by Amazon.com for anything remotely internet related), and 'Apple' for computers – arguably now as famous for computers and iPods as for a mere fruit.

As an aside, trademark rights in the word 'apple' were limited for a number of years by a consent agreement entered into with the Beatles, who owned the trademark APPLE for their record label. The Beatles objected when Apple first filed in Class 9 for computers, resulting in a "consent to use" that was litigated again upon launch of the iPod.

This early agreement may actually have added to Apple's strategy. When the iPod first came out, Apple could launch its campaign using only the equally famous 'bitten apple' design. The word mark was nowhere to be found and no one seemed to notice that the word 'Apple' was missing on billboards around the world. Brand owners with an arbitrary mark are therefore well served to create a compelling icon capable of becoming synonymous with the word mark.

Defining the bully – related goods and likelihood of confusion

Back to the issue of bullying, the modern-day 'likelihood of confusion' test does not require direct competition between users of a mark. Instead, likelihood of confusion as to source of the goods, sponsorship or affiliation is the key. Judicial opinions applying the rule to fact-specific cases fill volumes interpreting this simple phrase. I would argue that a trademark owner acts as a 'bully' when its enforcement efforts cross the outer limits of likelihood of confusion on non-competitive goods and services, or where they are based on doubtful claims of 'famous' status for purposes of dilution.

Where direct competition is present, aggressive protection of rights is more justified and supported by the courts, even where a mark is relatively weak. In these instances, it is easy to conclude that the trademark owner is acting not only to protect its mark, but also to protect the consuming public from deception or confusion (protecting the public from deception is the public policy underlying the grant of exclusive trademark rights in the first place).

If owners of weak marks can assert rights in non-competitive goods, which could easily become the subject of trademark abuse, what can be said about a stronger, non-identical mark for unrelated goods?

Enter the related goods doctrine, which emerged in 1917 as the *Aunt Jemima* rule (*Aunt Jemima Mill Co v Rigney & Co* (247 F 407, 409-10 (2d Cir 1917))). In this case, the court found that, while not directly competitive, use of the same mark for pancakes and syrup was an infringing use. This early ruling can also be labelled the 'complementary goods' rule, where goods such as vodka and orange juice are considered related for purposes of asserting valid claims against junior users on complementary goods.

The doctrine was expanded beyond complementary goods in another early ruling, holding that YALE for locks and keys could prevent registration of YALE for flashlights and batteries (*Yale Electric Corp v Robertson*, F 2d 972 (2nd Cir 1928)). In this case, Judge Learned Hand raised the issue of the outer limits by asking, "What harm did it do a chewing gum maker to have an ironmonger use his trademark?"

A few years later, in another case, Hand agreed that WATERMAN on razor blades infringed WATERMANS' for fountain pens, but stated: "There is indeed a limit; the goods on which the supposed infringer puts the mark may be too remote from any that the owner would be likely to make or sell" (*LE Waterman Co v Gordon*, 72 F 2d 272 (2d Cir 1934)).

Common mistakes made by companies

It is important to recognize the value of proper protection strategies early on, particularly in the case of small companies. Finding expertise to assist with proper registration is an issue, and many young entrepreneurs operate with the mistaken belief that a good descriptive domain is all that is needed to protect and build a brand. Entire companies have been built off of generic domains, including some that belatedly spend a small fortune seeking to create a trademark where none will likely ever exist. The losing battle of *www.hotels.com* before the Federal Circuit in recent years is a good example (*In re Hotels.com*, Case 2008-1429, July 23 2009); the court found that "the generic term 'hotels' did not lose its generic character by placement in the domain name 'hotels.com'".

Then there are those that never bother to register otherwise good trademarks, but rely solely on rights in domains, leaving them particularly vulnerable to false claims of cybersquatting. This happened to one client challenged by Amazon over a domain that the client had used for years for computer consulting services, featuring a picture of the Amazon River at the landing page of his first site. Without having obtained the registration to which he was justly entitled early on, he was vulnerable to allegations that were simply too costly to defend. This is a perfect example of where a statutory defence of reverse domain name hijacking could have been more appropriate to the facts.

Educating clients on mark protection – the external counsel challenge

Choosing a strong mark that serves as the proverbial shield and also as a potent sword requires a knowledgeable and willing client. Effective counselling takes time and patience, and clients who are able and willing to hear the message. It also means educating clients that protection is an ongoing process and that one does not always have to begin with multiple registrations in multiple classes. Often it is prudent to advise young brand owners to get started and grow their protection proactively through proper planning and budgeting over several years.

Some clients respond only out of fear and hear the message only in reaction to being forced to defend unfounded claims for which they are unprepared. Potential clients which are unable to hear the message and understand the importance of choosing a strong, defensible mark at the outset are best left to their own devices – or to the day of reckoning when faced with expensive costs of defence or loss of rights.

An inquiry of the related nature of the goods is still valid as part of the broader test of likelihood of confusion. It is commonly used today as part of the eight-part *Sleekcraft* test of the Ninth Circuit and the *Polaroid* factors of the Second Circuit, particularly where the goods and services are non-competitive. The test is also often applied by asking whether the allegedly infringing mark is within the senior user's zone of natural expansion. No matter how framed, the key question is that of consumer perception: does the consumer perceive that the goods come from the same source?

Returning to the Monster example, can one argue that Monster is merely testing the outer limits of the test of likelihood of confusion in the case of mini-golf courses and a job website? Is Monster justified in asserting infringement and dilution claims

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against new entrants using the mark on completely unrelated goods and services? Would MONSTER for lipstick be too remote from the original MONSTER cable? Hand, were he around to ask, would likely draw the line in the sand on this use.

Unsubstantiated claims that a mark is famous

A famous US mark, once proven ‘famous’ in a litigated proceeding, can transcend categories and leap tall buildings of unrelated goods and services as a ‘super mark’. Owners of famous marks can prevent dilution regardless of the class or competitive nature of the goods and services.

In 2006 the Federal Trademark Dilution Act was amended, and a successful claim of dilution now requires proof that a mark is not merely famous in a niche area, but also well known to the general public. This differs from the situation in the European Union, where niche market fame is still recognized. Japan requires confusion for well-recognized marks, but not for famous marks.

Just how far can the trademark owner go before becoming a bully for asserting rights in unrelated goods and services with a self-serving claim that its mark is famous – a claim that remains unsubstantiated without the requisite judicial holding on the merits?

In April 2009 Professor J Thomas McCarthy, in an interview with the *Wall Street Journal* about Monster’s suit against Monster Mini Golf Course, “expressed doubt that Monster Cable possesses a famous mark”. Monster, on the other hand, stated in the same article that it believes its mark is indeed famous, although it acknowledged that it has not obtained such a ruling.

Interestingly, a related question is whether the very act of filing so many actions contributes to Monster’s fame. Assuming that McCarthy was correct as to Monster’s lack of a famous mark as of April 2009, is fame therefore Monster’s goal? As time passes and it continues to challenge new entrants that are using ‘Monster’ for unrelated goods and services, is it establishing fame without having to obtain a judicial ruling on the issue? The company continues to garner press for its filings and, as its reputation precedes it, less financially able mark owners either are intimidated into succumbing or cannot afford the fight. In this way, fame is arguably being built.

The question of whether fame becomes the inevitable result of the bully pulpit is a curious one to consider.

UDRP focus on merit

UDRP proceedings arguably offer better protection for domain registrants than the federal courts. There are more results on merit and fewer settlements prior to a costly trial or final decision in opposition proceedings. Moreover, panellists seem fair in

responding to claims of reverse domain hijacking by denying transfer of the domain. In cases where the domain was registered prior to establishment of trademark rights by complainants seeking to recover domains containing the mark, the defence of reverse domain hijacking has resulted in holdings denying transfer to the complainant.

According to UDRP Rule 1, the term ‘reverse domain name hijacking’ means “using [the UDRP] in bad faith to attempt to deprive a registered domain-name holder of a domain name”.

The rule has served to expose overzealous UDRP complainants in a number of instances. The arbitrators tend to look first to other grounds to dispose of or deny transfer of a domain, but increasingly the doctrine has been applied to prevent recapture of a domain from an otherwise innocent registrant.

A recent National Arbitration Forum decision involved the domain ‘austindinersclub.com’. Diners Club International filed against the registrant, an Austin-based club of 140 members who paid an annual fee to enjoy discounted fine dining at local restaurants. While Diners Club proved its rights in the mark, the panel found that the respondent had legitimate rights in the domain, since evidence showed that the domain owner was commonly known in the community as the Austin Diners Club. The panel rejected the reverse domain hijacking claim, as it found that the Austin Diners Club did have legitimate rights in the mark.

Where a domain has been registered for years prior to adoption of the domain as a trademark and the prior registrant has not used the domain competitively, there is a good chance of bringing a successful claim of reverse domain name hijacking.

A 2005 WIPO decision found reverse domain name hijacking of ‘trailblazer.com’ over a domain first registered in 1995. The complainant had changed its name and filed for rights in TRAILBLAZER LEARNING in 2006 and then sought to recapture the domain ‘trailblazer.com’. The arbitrator held: “The complainant filed the complaint because it admittedly wanted the domain name to ‘enhance [its] online presence for marketing to [its] education customers and to make [it] more commonly known to the public.’ While these may be legitimate aspirations, they cannot and should not be achieved through illegitimate means, such as by filing a meritless complaint under the policy that has accomplished nothing more than wasting the time and resources of both parties.”

A 2008 UDRP decision involving the domain ‘hero.com’ also resulted in a holding of reverse domain hijacking. The registrant had owned the domain since 1995 and provided evidence of its use and operation of an early internet café named The Heroic Sandwich. While ‘hero’ is generic in English (itself a factor in the holding), the

US act 'ineffective'?

One provision of the US Anti-cybersquatting Act (15 USC 1114(2)(D)(v)), as currently drafted, lends support that any study of the broader issue should also include a review of the rights of innocent domain owners unfairly attacked by trademark owners.

It states: "A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (iii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant."

Relief from a wrongful transfer order under a UDRP proceeding expressly requires filing a separate civil action, but only after the registrant has been ordered to return the domain. The statute seems meaningless and ineffective, since the issue can be asserted in defence of the original UDRP proceeding – so why would any domain owner go to the expense of filing such a separate federal action?

This provision, while originally well intended, offers little comfort to innocent domain owners being sued by overzealous trademark owners. What of instances where federal court complaints against smaller companies raise issues of infringement by way of earlier registered domains? Can this be asserted by counterclaim? In one case, an attempt to assert reverse domain name hijacking as a form of unfair competition claim was rejected since there was no competition.

complainant had formed what was considered a distinctive mark in Switzerland using two letters from each of the owner's names HE and RO. The respondent had refused offers to sell the domain to the complainant, negating common indicia of bad faith in UDRP proceedings. The three-person panel denied transfer, stating: "[I]t should have been apparent to the complainant, on the basis of its own investigations, that it could not reasonably succeed in bringing a complaint under the policy."

A final consideration for brand owners looking to strongly enforce their rights against any type of similar mark, is the resulting publicity. For many, to be seen as a trademark bully is negative. However, is this really a deterrent to all? Does a less socially conscious brand owner really care about the bad publicity that may inevitably create the fame it needs to satisfy the new US rule? A reputation as a bully can actually be seen as a positive for less socially conscious trademark owners – they can not only potentially monopolize the word as a mark, but also gain fame by becoming infamous. On the other hand, a socially conscious brand might well censor its enforcement efforts in order to avoid being seen as a bully or acting out of alignment with its stated values.

It really is a thin line between right and wrong. [WTR](#)

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