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### Bearing Down on Trademark Bullies

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# Bearing Down on Trademark Bullies

Irina D. Manta\*

*Trademark bullying has become a persistent problem, with large companies intimidating smaller entities with cease and desist campaigns and achieving anti-competitive results. A number of tactics exist to deal with bullying behavior. One of them is the imposition of judicial sanctions, but the standards in that area are unclear and the defendants often do not have the financial means to engage in litigation at all. Other, extralegal measures such as shaming have shown some success, but also present numerous drawbacks and prove insufficient when used against powerful actors. This article proposes a new model that draws on the existing functions of the Patent & Trademark Office (PTO) to stem the indiscriminate sending of cease and desist letters by large trademark holders and incentivizes them to file their claims with the PTO under certain conditions. This solution seeks to guard the interests of legitimate victims of infringement while balancing their rights with the need to protect smaller entities from the threat of ruinous litigation. If the PTO could make preliminary determinations about the validity of infringement claims, trademark owners could record evidence of policing while being discouraged from making frivolous claims.*

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## INTRODUCTION

In the last few years, the phenomenon of “trademark bullying” has begun to receive more attention in legal scholarship and the media. Simply stated, a trademark bully is usually a large company that seeks to put an end to behavior by individuals and small businesses that it perceives as a danger to its own intellectual property even though its legal claims against these other parties are spurious or non-existent.<sup>1</sup> The bully puts its opponents under pressure through “cease and desist” (C & D) letters in which it demands that the opponent stop using a certain trademark that it believes resembles its own and threatens legal sanctions if the C & D demands are not met.<sup>2</sup> These letters frequently do not contain detailed explanations of the alleged infringement but instead are intended to intimidate recipients into submission through the use of vague claims masked in legalese and are sent by lawyers who pressure recipients into providing a fast response.<sup>3</sup> Individuals and

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<sup>1</sup> There is some anecdotal evidence of individuals bullying other individuals in this manner, usually for purposes of extorting moderate sums of money as part of a settlement. This piece will, however, mainly focus on the more typical Goliath-versus-David kind of bullying.

<sup>2</sup> See Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 628–29 (2011).

<sup>3</sup> *Id.*; see also ROSEMARY J. COOMBE, *THE CULTURAL LIFE OF INTELLECTUAL PROPERTIES: AUTHORSHIP, APPROPRIATION, AND THE LAW* 66 (1998) (calling trademark infringement claims a “ruse” that companies use to protect against competition).

small businesses often capitulate rather than face a harrowing legal battle that could bring them to the brink of financial destruction.

Trademark bullying engenders a number of costs for society. First, the market suffers a reduction of legitimate competition.<sup>4</sup> The potential downsides of this effect are well-known and include consequences such as higher prices for products and a reduced panoply of choices in the marketplace. Relatedly, bullies create obstacles for consumers' ability to make source-identification connections with products that said consumers may wish to purchase or that could benefit them.<sup>5</sup> Second, bullying can seriously inhibit not only commercial but also non-commercial speech. While individuals are supposed to be able to make fair use of trademarks, even fair use can at times encounter enforcement efforts by way of C & D letters.<sup>6</sup> One such case was when the Lego Group sought to block use of the websites "www.ratemylego.com" and "www.ratemylegos.com."<sup>7</sup> Some have concluded that "[t]rademark law . . . often serves as a blunt instrument of cultural intimidation and censorship."<sup>8</sup>

A recent commercial example that involved a tenuous trademark claim in which the alleged infringer did not cave has been that of Bo Muller-Moore, a folk artist in Vermont who tried to trademark the phrase "Eat More Kale" for his T-shirts only to find himself facing an attack by Chick-fil-A and its mark "EAT MOR CHIKIN."<sup>9</sup> The C & D letter that Muller-Moore received from the fast food giant accused him of "trademark infringement, dilution, and unfair competition in violation of federal and state

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<sup>4</sup> Grinvald, *supra* note 2, at 650.

<sup>5</sup> See, e.g., RONALD MICHMAN ET AL., *LIFESTYLE MARKETING: REACHING THE NEW AMERICAN CONSUMER* 66–67 (2003) (describing the relationship between customers and brands).

<sup>6</sup> See Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1839–40 (2007).

<sup>7</sup> *Id.* at 1840–41 (citations omitted).

<sup>8</sup> DAVID BOLLIER, *BRAND NAME BULLIES: THE QUEST TO OWN AND CONTROL CULTURE* 84 (2005).

<sup>9</sup> Jess Bidgood, *Chicken Chain Says Stop, But T-Shirt Maker Balks*, N.Y. TIMES, Dec. 5, 2011, at A12, available at <http://www.nytimes.com/2011/12/05/us/eat-more-kale-t-shirts-challenged-by-chick-fil-a.html>.

law.”<sup>10</sup> There is no obvious link between chicken and kale, aside from the fact that they are both food items. It is difficult to envision a reasonable reading of the Lanham Act that would enable Chick-fil-A to claim ownership of all variations of the phrase “Eat More . . .” Lest one think that this claim was an isolated incident, however, Chick-fil-A has also initiated legal proceedings or sent C & D letters to a number of other owners of similar phrases, including ones that encouraged individuals to eat more beer, fish, goat, burritos, dog, moo, yogurt, ice cream, chocolate, cereal, authentic, music, kosher, and treats.<sup>11</sup> While at times, infringers appropriate other elements of a trademark or trade dress in such a way as to convey the same source as the original, this does not appear to have been the case for Bo Muller-Moore. The dispute between Muller-Moore and Chick-fil-A continues at the time of this article, but for every Muller-Moore who receives publicity and fights for his rights (by himself or aided by public interest organizations), there are innumerable accused individuals who quietly disappear.

At times, the alleged instances of infringement that owners choose to pursue are downright strange, such as when the National Pork Board (NPB), which owns the slogan “The Other White Meat,” went after a product that was actually an April Fool’s joke. The NPB sent a long C & D letter to ThinkGeek over an ad for Canned Unicorn Meat because the ad contained the message: “Pâté is passé. Unicorn—the new white meat.”<sup>12</sup> ThinkGeek remarked in a tongue-in-cheek comment: “We’d like to publicly apologize to the NPB for the confusion over unicorn and pork—and for their awkward extended pause on the phone after we had explained our unicorn meat doesn’t actually exist.”<sup>13</sup> While this incident is

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<sup>10</sup> Letter of Arnall, Golden, Gregory LLP to Daniel P. Richardson, Oct. 4, 2011, at 2, available at <http://www.scribd.com/doc/74942618/Chick-fil-A-2011-C-D-Letter-Over-Eat-More-Kale>.

<sup>11</sup> *Id.* at 5.

<sup>12</sup> See *Officially Our Best-Ever Cease and Desist*, THINKGEEK (June 21, 2010), <http://www.thinkgeek.com/blog/2010/06/officially-our-bestever-cease.html>.

<sup>13</sup> *Id.* One would think that other elements of the ad, such as the promotion of the meat as an “[e]xcellent source of sparkles” would have been a dead give-away. *Id.* I would be remiss not to further mention the recent C & D letter by one beer manufacturer against another for the use of the term HOPASAURUS REX for a beer, to which the alleged

amusing in many ways, it is also indicative of the knee-jerk reactions of some trademark owners in the face of the slightest perceived infringement.<sup>14</sup> Indeed, the examples delineated here only offer up a taste of the magnitude of the problem, and “trademark holders often threaten to sue in cases which—at least in the eyes of a person familiar with trademark law—would be demonstrably frivolous.”<sup>15</sup> One of the tragic aspects of such bullying is that the abuser is safe from punishment for his actions because they take place outside of the jurisdiction of the judicial system. Even though the conduct occurs in a private forum, the bully is able to use the threat of litigation in a court that will at times favor him and exact onerous expenses from the defendant. Thus, the potential involvement of the judicial system becomes a sword wielded against the victim, while the bully simultaneously

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infringer responded by explaining that it had not sold beer under that name and adding “PS: Please enjoy this drawing of a T-Rex waiving [sic] white flags, which was suggested for inclusion by my attorney. Actually, he’s just my friend, I can’t afford his legal fees.” *Best Letter Ever Written to a Lawyer*, EDIBLE APPLE (Jan. 13, 2012), <http://www.edibleapple.com/2012/01/13/best-letter-ever-written-to-a-lawyer/>.

<sup>14</sup> Another recent example that shook up the academic world was the C & D letter sent by Louis Vuitton to the University of Pennsylvania Law School over the use of a purse-like pattern on a poster evoking Louis Vuitton’s purses and advertising the Penn Intellectual Property Group Annual Symposium whose subject this year was “Fashion Law.” See Michael Pantalony, Letter to Dean Michael A. Fitts, Feb. 29, 2012, *available at* [http://www.law.upenn.edu/fac/pwagner/DropBox/lv\\_letter.pdf](http://www.law.upenn.edu/fac/pwagner/DropBox/lv_letter.pdf) (displaying the letter, which includes a depiction of the pattern). The letter argued that the university’s

egregious action is not only a serious willful infringement and knowingly dilutes the LV Trademarks, but also may mislead others into thinking that this type of unlawful activity is somehow “legal” or constitutes “fair use” because the Penn Intellectual Property Group is sponsoring a seminar on fashion law and “must be experts.”

*Id.* at 2. The University of Pennsylvania argued that the artwork on the poster represented a noncommercial parody that neither created confusion nor diluted Louis Vuitton’s mark. Robert F. Firestone, Letter to Michael Pantalony, March 2, 2012, at 1, *available at* [http://www.law.upenn.edu/fac/pwagner/DropBox/penn\\_ogc\\_letter.pdf](http://www.law.upenn.edu/fac/pwagner/DropBox/penn_ogc_letter.pdf). A number of scholars have condemned Louis Vuitton’s action. See, e.g., Michael Risch, *Really, Louis Vuitton? Really?*, MADISONIAN.NET (March 4, 2012), <http://networkedblogs.com/uL4R1>; Eugene Volokh, *Penn Law School Rejects Louis Vuitton Nastygram*, VOLOKH CONSPIRACY (Mar. 3, 2012), <http://volokh.com/2012/03/03/penn-law-school-rejects-louis-vuitton-nastygram/>. Not everyone in the legal community, however, agrees that Louis Vuitton’s actions constitute bullying. See Steve Baird, *How Fashionable is the Louis Vuitton “Trademark Bully” Label?*, DUETSBLOG (Mar. 12, 2012), <http://www.duetsblog.com/2012/03/articles/trademarks/how-fashionable-is-the-louis-vuitton-trademark-bully-label-2/>.

<sup>15</sup> Desai & Rierson, *supra* note 6, at 1840.

uses private conduct as a shield to avoid the standards of conduct and process that the judicial system imposes.

Trademark bullying is a touchy problem because the law does require owners to police their marks if they want to maintain exclusive rights in their marks and prevent so-called “genericide.”<sup>16</sup> Any proposal to address the problem of bullying therefore has to avoid putting trademark owners into a double-bind in which the lines are blurry and both failure to police and excessively aggressive policing lead to sanctions or loss of rights. This article will outline some of the solutions that have been suggested in this context, including legal avenues that may theoretically be available to address bullying but ultimately prove inadequate, and then propose a new model of dealing with trademark bullying that draws on the existing qualities of the PTO while trying to circumvent its weaknesses.

This article will begin by exploring in Part I the existing options against trademark bullying, with a particular focus on the use of judicial sanctions and extralegal mechanisms such as shaming. Part II will then present an alternative model that harnesses the institutional strengths of the PTO and involves the filing of C & D letters with the agency.

## I. EXISTING OPTIONS AGAINST TRADEMARK BULLYING

### A. *Judicial Sanctions*

One natural question that arises in the trademark bullying context is why, if the behavior of a party or its attorney is excessive, we would not use judicial sanctions to eradicate their actions. Judicial sanctions can be imposed via several mechanisms

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<sup>16</sup> Scholars have criticized courts’ approach to genericide and argued that the “overly broad scope of evidence in deeming a trademark generic [ ] forces irrational behaviors on the part of mark holders in that they must expend resources trying to persuade the media, dictionaries, and others from making fair use of their marks.” Desai & Rierson, *supra* note 6, at 1855. They conclude: “Thus, mark holders waste resources trying to influence actors over whom they have no right or ability to control (through ‘education,’ bullying, and, in some cases, litigation), rather than spending those resources more efficiently elsewhere and/or cutting the cost of their goods or services.” *Id.*

such as Rule 11,<sup>17</sup> 28 U.S.C. § 1927,<sup>18</sup> and Section 35 of the Lanham Act.<sup>19</sup> Rule 11 allows district courts to impose penalties on either the attorney or the client in a case for pleadings filed for an improper purpose, or for frivolous or unsupported legal arguments.<sup>20</sup> Under 28 U.S.C. § 1927, sanctions are available for “unreasonabl[e] and vexatious[]” conduct.<sup>21</sup> Section 35 of the Lanham Act allows for the awarding of attorneys’ fees to the prevailing party in “exceptional cases.”<sup>22</sup> Courts have traditionally defined these as involving bad-faith conduct or willful infringement.<sup>23</sup>

All of these penalties could technically be used to punish trademark owners for policing tactics that rise to the level of intimidation or harassment, and therefore may constitute a potentially beneficial corrective method. Courts could strategically deploy these sanctions against either the attorney or the client, or both.<sup>24</sup> This would allow judges to make factual determinations as to whether the harassment was the result of a bullying client or an overzealous attorney. Targeting the best cost avoider<sup>25</sup> in any given situation could optimize the incentive structure of sanctions. This would also send a strong message to the trademark owner as to what types of behavior will not be tolerated, thereby likely slowing down a mark owner’s attempts to unreasonably expand the scope of his mark’s protection. Similarly, attorneys would think

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<sup>17</sup> FED. R. CIV. P. 11.

<sup>18</sup> 28 U.S.C. § 1927 (2006).

<sup>19</sup> Lanham Act § 35, 15 U.S.C. § 1117 (2006).

<sup>20</sup> See FED. R. CIV. P. 11(b)–(c).

<sup>21</sup> 28 U.S.C. § 1927 (2009).

<sup>22</sup> Lanham Act § 35, 15 U.S.C. § 1117(a) (2006).

<sup>23</sup> See, e.g., *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co., Ltd.*, 2012 WL373102, at \*6 (9th Cir. Feb. 7, 2012) (citing *Stephen W. Boney, Inc. v. Boney Servs.*, 127 F.3d 821, 827 (9th Cir. 1997)).

<sup>24</sup> In some cases, judges favor joint and several liability between the attorney and the client, see Alan E. Untereiner, *A Uniform Approach to Rule 11 Sanctions*, 97 YALE L.J. 901, 906 n.42, although some have proposed otherwise. See, e.g., Karen S. Beck, Note, *Rule 11 and Its Effects on Attorney/Client Relations*, 65 S. CAL. L. REV. 875, 916 (1992) (arguing that courts should hear evidence and then determine what party should bear the loss). I would like to thank Cassandra Robertson for the conversation that we had on this subject.

<sup>25</sup> See GUIDO CALABRESI, *THE COSTS OF ACCIDENTS: A LEGAL AND ECONOMIC ANALYSIS* 174–75 (1970) (defining the concept).



twice before sending aggressive C & D letters on behalf of their clients.

While such sanctions could prove helpful against bullying in some situations, they also entail serious disadvantages for small business owners or individuals under attack by trademark bullies. First, the key leverage that a trademark bully holds over her victims is the disparity in finances that often gives her the upper hand.<sup>26</sup> Litigation can be prohibitively expensive for victims, and the costs of litigation alone can be enough to bankrupt a small business even if it ultimately prevails.<sup>27</sup> To make a motion for judicial sanctions and obtain relief, the victim would have to engage in litigation with the trademark bully; judicial sanctions cannot be imposed outside of the litigation process, which is where the majority of bullying takes place.<sup>28</sup> In addition, judicial sanctions have rarely been granted in trademark actions. When they have been granted, the threshold for bad faith has been very high, and the standards have been all but “bright-line.”<sup>29</sup> There also exists the non-negligible risk that the bully will appeal the sanctions and succeed in having an appellate court overrule the district court’s ruling.<sup>30</sup>

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<sup>26</sup> Grinvald, *supra* note 2, at 656–57.

<sup>27</sup> *Id.* at 653.

<sup>28</sup> Courts can, at times, sanction extra-legal conduct under their inherent power, but it is still conduct that occurs in the general context of litigation. Danielle Kie Hart, *Happy (?) Birthday Rule 11: And the Chill Goes on—Federal Civil Rights Plaintiffs Beware: Rule 11 Vis-à-vis 28 U.S.C. 1927 and the Court’s Inherent Power*, 37 LOY. L.A. L. REV. 645, 654–55 (2004).

<sup>29</sup> See, e.g., *Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1159–60 (7th Cir. 1994) (defining “exceptional cases” as involving truly egregious, purposeful infringement, or other purposeful wrongdoing); *Aromatique Inc. v. Gold Seal Inc.*, 28 F.3d 863, 875–79 (8th Cir. 1994) (defining “exceptional cases” as ones in which the action was groundless, unreasonable, vexatious, or pursued in bad faith); *Cent. Mfg. Co. v. Pure Fishing, Inc.*, 2005 WL 3090988, at \*5–6 (N.D. Ill. 2005) (imposing sanctions and noting that Leo Stoller had been ordered to pay attorneys’ fees in at least seven cases and had been involved in forty-nine cases in the Northern District of Illinois at that point). Leo Stoller was eventually banned from filing any actions in the Northern District of Illinois. *Stoller v. Bank of N.Y. Mellon Trust Co.*, No. 10 C 2028 (N.D. Ill. 2010), available at <http://www.scribd.com/doc/31292372/U-S-DISTRICT-COURT-BANS-LEO-STOLLER>.

<sup>30</sup> For instance, the Second Circuit overturned an award of Rule 11 sanctions against a party even though the party and its counsel had made factual representations and legal

A further complication arises in this context from the fact that courts are split as to the proper standard to apply to Rule 11 and Section 1927 sanctions. Some courts employ a “bad faith” standard, akin to contempt of court, which sets a very high threshold and eliminates liability for careless or negligent conduct.<sup>31</sup> This high threshold could give an incentive to attorneys not to make bona fide efforts to verify their claims, evidence, and so on.<sup>32</sup> Some courts, however, maintain a standard that requires “objective unreasonableness.”<sup>33</sup> While this lower standard gives courts greater latitude in making factual inquiries into negligent conduct, critics have argued that it leaves attorneys vulnerable to liability for good-faith errors, misrepresentations by clients, and arbitrary interpretation by the judiciary.<sup>34</sup>

Further diluting the power of Rule 11 sanctions is its “safe harbor” provision requiring that before an attorney can move for sanctions, he must make a motion to opposing counsel, without alerting the court, and provide twenty-one days for the offender to correct her conduct before the court is notified.<sup>35</sup> While this provision is touted as a method of easing the court’s burden by allowing attorneys to self-police, the disadvantages of the provision are apparent. Because of the confusion surrounding sanctionable conduct, attorneys may be hesitant or unable to distinguish between acceptable and unacceptable behavior and to

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arguments that lacked a reasonable basis. *Storey v. Cello Holdings, L.L.C.*, 347 F.3d 370, 387–93 (2d Cir. 2003).

<sup>31</sup> See Hart, *supra* note 28, at 653.

<sup>32</sup> See Sybil Dunlop, Note, *Are an Empty Head and a Pure Heart Enough? Mens Rea Standards for Judge-Imposed Rule 11 Sanctions and their Effects on Attorney Action*, 61 VAND. L. REV. 615, 626 (2008).

<sup>33</sup> *Id.* at 629–31.

<sup>34</sup> *Id.* at 635–38. For a more general discussion of reasonableness as a legal standard, see, e.g., Alan D. Miller & Ronen Perry, *The Reasonable Person*, 87 N.Y.U. L. REV. 323 (2012).

<sup>35</sup> FED. R. CIV. P. 11(c)(2). In some situations, courts have also implemented Rule 11 sanctions *sua sponte*. For a discussion of *sua sponte* sanctions, see, e.g., *Lucas v. Duncan*, 574 F.3d 772, 775–81 (D.C. Cir. 2009); Theodore C. Hirt, *A Second Look at Amended Rule 11*, 48 AM. U. L. REV. 1007, 1035–36 (1999) (concluding that *sua sponte* “rulings represent a small number of decisions relative to the number of decisions in which courts have considered motions filed by a party.”).

take the appropriate action.<sup>36</sup> Attorneys sometimes additionally fail to report sanctionable behavior because they are afraid of reprisal or because they have a tacit agreement with the opposing counsel to look the other way.<sup>37</sup> Genuine concerns also exist that without the court's oversight, attorneys will be able to use sanction motions as a method to delay the litigation process or as a threat to "bully an opponent into withdrawing a paper or position."<sup>38</sup>

Another avenue of recourse against trademark bullies that has received some attention is the use of anti-SLAPP (Strategic Lawsuit Against Public Participation) regulations.<sup>39</sup> These regulations, which currently only exist at the state level, seek to protect the rights to free speech and to democratic participation against lawsuits that try to undercut such activities by forcing defendants to spend large amounts of money on litigation.<sup>40</sup> Anti-SLAPP regulations allow defendants to expedite the litigation process and to potentially recover their litigation costs from plaintiffs.<sup>41</sup> The quintessential SLAPP against which such regulations are supposed to protect has little or no likelihood of succeeding in court and tries "to interfere with the protected free expression of defendants."<sup>42</sup>

Anti-SLAPP regulations would provide trademark defendants with access to courts at a lower cost and with a way to recover their costs from the plaintiff. At this time, however, they only form a part of state, not federal law, and they are not available in

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<sup>36</sup> See Dunlop, *supra* note 32, at 644–45; see also John Lawrence Hill, *A Utilitarian Theory of Duress*, 84 IOWA L. REV. 275, 326 (1999) (discussing generally the benefits of objective standards of behavior).

<sup>37</sup> See Dunlop, *supra* note 32, at 644–45.

<sup>38</sup> GEORGENE M. VAIRO, RULE 11 SANCTIONS: CASE LAW, PERSPECTIVES, AND PREVENTATIVE MEASURES 14 (Richard G. Johnson ed., 3d ed. 2004).

<sup>39</sup> See Eric Goldman, *Why I Support HR 4364, the Proposed Federal Anti-SLAPP Bill*, ERIC GOLDMAN: TECH. & MKTG. L. BLOG (Mar. 3, 2010, 9:43 AM), [http://blog.ericgoldman.org/archives/2010/03/hr\\_4364.htm](http://blog.ericgoldman.org/archives/2010/03/hr_4364.htm).

<sup>40</sup> See, e.g., *FAQs About SLAPPs*, PUB. PARTICIPATION PROJECT, <http://www.anti-slapp.org/slappdash-faqs-about-slapps/> (last accessed Jan. 28, 2012).

<sup>41</sup> See Goldman, *supra* note 39.

<sup>42</sup> See, e.g., Tom Wyrwich, *A Cure for a "Public Concern": Washington's New Anti-SLAPP Law*, 86 WASH. L. REV. 663, 664 (2011) (citations omitted).

all fifty states.<sup>43</sup> Even in the states where they do exist, they can currently only be used in federal court for cases decided under diversity jurisdiction<sup>44</sup> rather than for claims under federal law<sup>45</sup> (of which trademarks are a part). Additionally, a trademark bully faced with anti-SLAPP regulations would still have the opportunity to appeal his case and try to use the judicial system to cause the defendant hardship. Several changes would need to take place to increase the ability of judicial sanctions to combat trademark bullying. First, the standard for sanctions would require clarification so that the recipients of C & D letters could better evaluate their chances during litigation. Second, the courts would need to moderate their current policies that favor trademark owners and are rooted in the perceived obligation that owners have to aggressively police their marks.<sup>46</sup> An excessively blurry line between forceful but legitimate enforcement and bullying is bound to render judicial sanctions ineffective. Third, courts would have to broaden their analysis to lend greater weight to bad-faith conduct that takes place prior to litigation, such as improper C & D letters and extortionist settlement demands. Because these sanctions currently focus on conduct during litigation, the victim must initiate court proceedings to gain redress. It is easy for bullies to intimidate victims in the private sphere, where a significant proportion of bullying occurs.

Recognizing that illegitimate actions generally take place before litigation and acknowledging that trademark owners will at times minimize record-keeping of their improper enforcement attempts would represent an important step in protecting the victims of bullying.<sup>47</sup> Such a change could potentially also include shifting the target of sanctions from the attorney to the client if it is

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<sup>43</sup> Daniel B. Kelly, *Strategic Spillovers*, 111 COLUM. L. REV. 1641, 1685 n.195 (2011) (putting the number at a bit more than half of all states) (citation omitted).

<sup>44</sup> See, e.g., *United States v. Lockheed Missiles & Space Co.*, 190 F.3d 963, 970–73 (9th Cir. 1999) (applying California’s anti-SLAPP statute in a diversity case).

<sup>45</sup> *Ginx, Inc. v. Soho Alliance*, 720 F. Supp. 2d 342, 366 (S.D.N.Y. 2010) (“No federal court of which [the court is] aware has ever awarded anti-SLAPP sanctions because of a federal claim in a federal forum.”).

<sup>46</sup> Desai & Rierson, *supra* note 6, at 1835.

<sup>47</sup> William E. Ridgway, *Revitalizing the Doctrine of Trademark Misuse*, 21 BERKELEY TECH. L.J. 1547, 1569 (2006).

the client that is primarily responsible for initiating the excessive enforcement attempts. Finally, the legislature could play a role by removing the “safe harbor” provision of Rule 11 and either clarifying the intended use of sanctions or specifying the mens rea required under the law.<sup>48</sup> Some legislative proposals have attempted to make changes to Rule 11, but none has been enacted yet.<sup>49</sup>

Ultimately, while these changes could benefit the victims of trademark bullying, their costs may be too high to warrant implementation. Lowering the threshold for judicial sanctions may conflict with the greater legal policy of zealous representation of clients.<sup>50</sup> Barring a tectonic shift in trademark law and an unprecedented clarification of the standards for proper mark policing, attorneys could find themselves in difficult positions and be subject to disciplinary measures either for aggressive representation or, alternatively, for deficient representation if rights to a mark are eventually lost as a result of genericide.<sup>51</sup> Changing the focus of sanctions from attorneys to clients is problematic as well. After all, clients are presumed to lack sophistication in legal matters and to rely on their attorneys for advice. Attorneys rather than clients are generally in the best position to assess whether enforcement conduct is likely to be improper and to advise accordingly. Attorneys also have to make decisions during trials that do not always allow for extensive conferrals with clients, so it would add numerous complications to sanction clients or apportion blame precisely between attorneys and clients. Hence, even if the political and judicial wills were sufficient to impose changes in the

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<sup>48</sup> STEPHEN B. BURBANK, *RULE 11 IN TRANSITION: THE REPORT OF THE THIRD CIRCUIT TASK FORCE ON FEDERAL RULE OF CIVIL PROCEDURE 11* 10–19 (1989) (stating that courts disagree on the proper standard).

<sup>49</sup> See, e.g., Ann M. Odelson & Timothy B. Parlin, *Proposal to Amend Rule 11 Introduced in Congress*, N.Y. L.J., Sept. 2, 2011, available at <http://www.newyorklawjournal.com/PubArticleNY.jsp?id=1202513143784&slreturn=1> (describing recent proposals to eliminate the safe harbor and make other changes).

<sup>50</sup> See, e.g., Carl Tobias, *The Transmittal Letter Translated*, 46 FLA. L. REV. 127, 131 (1994) (discussing the need to protect attorneys’ ability to engage in zealous advocacy when policymakers determine the rules for sanctions).

<sup>51</sup> Desai & Rierison, *supra* note 6, at 1794–97 (describing the pressure on practitioners to aggressively protect marks based on the tremendous value that marks can have, and the legal implications that can arise from failing to protect a brand).

realm of judicial sanctions, the undesirable consequences are of sufficient magnitude that they should give us pause and encourage consideration of other alternatives.

### *B. Extralegal Measures*

With the proliferation of social media on the Internet, the victims of bullying have obtained increased access to resources and can fight bullying without resorting to legal measures. One tool to combat bullies in this context has been the use of social media to make bullies' behavior the subject of public criticism and to shame them into ceasing their activities. Shaming can prove helpful in the trademark context because the costs of shaming are minimal while the punitive effects can have a lasting impact. Trademark owners generally rely on their public reputations for commercial success, and thus a shaming campaign exposing an owner as a bully can have significant repercussions for the owner's business. There are numerous stories in which individuals or small businesses were able to triumph over giant corporations this way.<sup>52</sup> The threshold for shaming is also much lower than it is for judicial sanctions, and the task is fairly clear: the victim has to convince the public that the bully has violated social and legal norms through his behavior.<sup>53</sup>

Shaming, however, is not without its downsides. Its effect could suffer dilution through overuse if some parties try to employ it excessively and in an illegitimate manner. Because shaming is essentially a private form of conduct that is unregulated by the courts or similar entities, there is no consistent way to prevent abusers of the technique from weakening its power.<sup>54</sup> Shaming also still requires the victim to respond to the bully in a negative manner, which may invoke litigation from the bully who expects capitulation rather than resistance. Furthermore, shamers could

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<sup>52</sup> For example, Rock Art Brewery successfully used Internet shaming against the multi-million dollar company Hansen Beverage when the latter started a C & D campaign regarding use of the term "Vermonster" in the context of beer sales. See Grinvald, *supra* note 2, at 671–74.

<sup>53</sup> *Id.* at 670–72; see also Dan M. Kahan, *What Do Alternative Sanctions Mean?*, 63 U. CHI. L. REV. 591, 636 (1996) (explaining that shaming serves to "denounce the wrong doer and his conduct as contrary to shared moral norms").

<sup>54</sup> See Grinvald, *supra* note 2, at 680–81.

face defamation lawsuits.<sup>55</sup> The situation could escape the victim's control as the public or the media run away with a controversy. A negative impact against the victim could result if she has reached an agreement with the bully and is seeking to withdraw from or end the shaming campaign.

Some mechanisms could improve the effectiveness and smooth functioning of shaming in this context. For instance, we could make greater use of websites that monitor the veracity of shaming claims and could thus hopefully weed out a portion of abusers. Such websites could also serve as a centralized sounding board for dispute resolution such that once the parties have resolved their conflict and the victim wishes to cease its public campaign, the website can alert the public to the resolution, which might then discontinue the shaming. While the use of online tools can serve a critical role in providing information to victims<sup>56</sup> and giving them access to retaliatory measures, the bullies are often so powerful that the effect may not prove strong enough. In some cases, victims may also not be aware of the resources that exist for their protection and could cave before even making efforts to retaliate.

## II. THE ALTERNATIVE OF A PTO PARADIGM

The time may be ripe to consider adopting an altogether different model to combat trademark bullying. I will sketch here a proposal that tries to alleviate the problem of bullying and simultaneously maintain procedural safeguards as well as enable mark owners to properly police their marks. The idea would be to create a new mechanism through the PTO that would balance the large company's duty to police and the individual's or small business' right to compete without unfair harassment. The PTO could offer an oversight process that would allow agency attorneys to review C & D letters and issue rulings on the merits of the

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<sup>55</sup> *Id.* at 682–83.

<sup>56</sup> This is a key function of the Chilling Effects website, but its existence has certainly not extinguished trademark bullying. *See* CHILLING EFFECTS, <http://chillingeffects.org/> (last visited Jan. 28, 2012).

alleged infringement.<sup>57</sup> This would benefit both the trademark owner and the potential bullying victim. The initial requirement would be the filing of the C & D letter with the PTO. The primary purpose of that requirement is to impose some cost on the trademark owner to incentivize him to make careful choices as to when to attempt to enforce his mark.

The process would begin by having the mark owner file the letter, along with a fee determined by the PTO. The fee would have to cover the operating expenses of this mechanism and therefore would likely be more than simply nominal. The trademark owner would also have the option of filing additional supporting evidence. The documentation would then be sent to the alleged infringer, who would have the opportunity to respond. A PTO attorney would analyze the alleged infringement and determine whether legal action by the trademark owner would have merit.

If the PTO decides that infringement took place, the trademark owner could proceed either with private settlement negotiations or he could pursue litigation. Similar to how trademark registrations carry a presumption of validity,<sup>58</sup> the declaration by the PTO would be treated as a presumption of infringement by courts. Further, if he is ultimately successful, part of the trademark owner's recovery could include his PTO filing fees, thus negating possible chilling effects that the costs might have on valid enforcement actions. If the PTO determines that the accusation is unfounded, the victim could use this to establish a presumption of improper conduct in court if further enforcement tactics are employed. This may lower the uncertainty otherwise provided by litigation and partially alleviate the burden to "litigate or capitulate" that defendants currently face.

Trademark owners could continue to send C & D letters without following the PTO procedure. The way I envision the

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<sup>57</sup> This model contains some parallels to my previous work, in particular to a proposal to consider using judges to clear trademark infringement surveys before they are conducted. See generally Irina D. Manta, *In Search of Validity: A New Model for the Content and Procedural Treatment of Trademark Infringement Surveys*, 24 CARDOZO ARTS & ENT. L.J. 1027 (2007).

<sup>58</sup> 15 U.S.C. § 1057(b) (2006).



system is that there would exist a threshold value of a mark above which certain requirements would kick in for owners when they send a letter directly to an alleged infringer.<sup>59</sup> Mark owners would have to add a boilerplate statement indicating that they are or are not also filing the letter with the PTO, and cite the relevant statutes and regulations that cover the practice. With these rules in place, there are three possible scenarios. First, the owner may fail to include the statement. In that case, the letter would not count later if courts ever examine whether the owner properly policed his mark. If he sues the person to whom he sent the letter, his failure to include the statement would also be construed during litigation as bad faith on his part.<sup>60</sup> Second, the owner could state that he is additionally filing the letter with the PTO. This would qualify as evidence of policing and serve as an information-forcing mechanism to show his good faith about his legal claims. The recipient would be on notice and know to take this type of letter seriously. Third, the owner could state that he is *not* filing the letter with the PTO. If that is the case, the letter will not qualify as evidence of policing down the line. The recipient of the letter may be less intimidated and could decide to force a conflict if he feels that he is in the right and the senior user is less than serious about his claims. Owners of less valuable marks would not be required to file the letter with the PTO (although they would have the option

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<sup>59</sup> One could object that mark owners might have an incentive to fudge the valuations of their marks down the line if there was a dispute as to whether they are obligated to meet the new requirements of PTO filings. The fact that the recovery of damages is directly tied to mark value, however, would provide them with a strong disincentive from doing so, especially because they would have difficulty providing inconsistent figures across different lawsuits without being accused of bad faith should they actually be tempted to do so. For a discussion of how the value of brands is determined, see, James T. Berger & Diana Tadzijeva, *Marketing Perspectives on Brand Valuation*, JAMESBERGER.NET, [http://www.jamesberger.net/Brand\\_Valuation\\_Methods.shtml](http://www.jamesberger.net/Brand_Valuation_Methods.shtml) (last visited Feb. 5, 2012).

<sup>60</sup> Similarly, placing phone calls that constitute the substantive equivalents of C & D letters would be construed as bad faith if litigation does proceed. Some attorneys currently advise their clients to use the phone precisely because it avoids the creation of a record. See, e.g., Geri Haight, *Trademark Enforcement, Trademark "Bullies" and Social Media*, COPYRIGHT & TRADEMARK MATTERS (Dec. 5, 2011), <http://www.copyrighttrademarkmatters.com/2011/12/05/trademark-enforcementtrade-mark-bullies-and-social-media/> ("When in doubt, pick up the phone. A one-on-one conversation may be an effective way to resolve the issue amicably—without creating a paper trail.").

of doing so) and/or make related statements in C & D letters because imposing the costs on such owners to go through the PTO may be excessive, and bullying concerns are already reduced with these types of parties.

Trademark owners would receive additional benefits beyond the power of a determination of validity from the PTO procedure. A significant amount of trademark bullying stems from bullies' impression that to maintain a mark, it is the owner's duty to aggressively police it. Thus, many bullying situations involve mark owners who have taken this perceived duty to extreme levels.<sup>61</sup> By permitting the filing of C & D letters to serve as evidence of policing the mark, the trademark owner will be relieved of that burden and hopefully incentivized to make more careful decisions as to when to pursue enforcement actions.

One of the key advantages of the PTO regulation system will be the reduction of private trademark bullying, as the mark owner will most likely review the merits of an enforcement action before incurring the costs of filing a C & D letter. If he is pursuing a legitimate claim, the owner will likely recover those costs later and receive other procedural benefits from having filed the letter. The recipients of C & D letters would receive protection through the oversight of the PTO and the disincentives against bullying that the new system would provide. Recipients would also be able to perform a search of pre-existing PTO decisions if the agency places them online like it does trademark registrations.<sup>62</sup> The average alleged infringer will likely find that these records are easier to search and understand than the results he is likely to obtain by searching judicial decisions in databases such as Westlaw, LexisNexis, or PACER, not to mention much more inexpensive to gather.<sup>63</sup>

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<sup>61</sup> For example, Warner Brothers was embarrassed to find out that it had sent a letter to a 15-year-old girl demanding that she take down her Harry Potter fan site. Kieren McCarthy, *Warner Bros Backs Down on Harry Potter Web Site*, THE REGISTER (Dec. 15, 2000), [http://www.theregister.co.uk/2000/12/15/warner\\_bros\\_backs\\_down/](http://www.theregister.co.uk/2000/12/15/warner_bros_backs_down/).

<sup>62</sup> See U.S. PATENT AND TRADEMARK OFFICE, *Trademark Electronic Search System (TESS)*, USPTO.GOV, <http://tess2.uspto.gov/bin/gate.exe?f=tess&state=4002:v0fmrn.1.1> (last visited Jan. 29, 2012).

<sup>63</sup> *Id.* The TESS system is free to use (meaning that it is agency-funded, but the cost to the agency of this new task would likely be trivial).

This proposal certainly contains drawbacks as well. There would be significant administrative and set-up costs, which could result in filing fees high enough to reduce valid enforcement attempts. In addition, the program would require effective enforcement by the courts and the PTO. If a PTO determination represents a near-certain victory for a trademark owner, his settlement demands could become unreasonable and force the alleged infringer to accept litigation as the only means of protection. Critics may also argue that the PTO will essentially be required to act as a court and that it will be forced to hire more attorneys to undertake this work. These additional salaries would further increase the filing fees and could have a chilling effect on some legitimate claims. At the same time, the PTO already conducts likelihood of confusion analyses as part of the trademark registration process and is thus just as equipped to handle this task as that of registration.<sup>64</sup> The additional costs should not prove insurmountable and the current registration system should not be unduly burdened.

Trademark owners may also argue that imposing PTO regulation on the enforcement process will in effect impose further costs for owners aside from the filing fees. The mark owners may claim that instead of merely issuing C & D letters, which are relatively inexpensive to prepare, owners will now have to engage their lawyers in costly in-depth infringement analyses, in the face of somewhat undefined case law. These cost impositions, however, would most likely not be prohibitive and in fact comport with general trademark policy. As PTO decisions on C & D letters

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<sup>64</sup> Nevertheless, there is no doubt that the PTO is, as I have previously stated, in need of reform to speed up and potentially improve its processing of claims. *See generally* Irina D. Manta, *Privatizing Trademarks*, 51 ARIZ. L. REV. 381 (2009) (proposing the targeted use of private actors to assist in the trademark registration process). Some critics argue that the PTO is not equipped to deal with determining real-world usage and infringement and that an entity like the World Intellectual Property Organization (WIPO) or National Arbitration Forum (NAF) would be better suited for this task. While I believe that my proposal would provide a sensible integration with the current duties of the PTO, these are alternatives worth exploring once more extensive empirical research on the issue takes place. At that stage, part of the focus may also turn toward the possible role of the Trademark Trial and Appeal Board (TTAB) in any new procedures given the TTAB's existing involvement in trademark registration opposition proceedings. I would like to thank Eric Goldman and David Silverman for their comments on this subject.

are issued, these rulings will provide information as to how owners should interpret trademark law and, as indicated above, will potentially be easier to interpret than court decisions on the subject. The cost and uncertainty of legitimate enforcement could therefore actually decrease.<sup>65</sup>

### CONCLUSION

The problem of trademark bullying is tricky but perhaps not entirely intractable. This area of the law remains an outlier in the sense that we do not normally expect such a high level of assertive policing and initiation of legal actions for owners to maintain their rights as we do for trademarks. Changes in the implementation of judicial sanctions and mechanisms such as shaming could alleviate some of the problems associated with bullying, but are likely to leave significant gaps. Public interest organizations will perhaps increase their outreach and provide greater legal representation to the victims of bullying, although this would require focused attention and financial resources. This article proposes a new paradigm to handle the tension between allowing owners to police their marks and preventing them from harassing competitors and silencing speech. While substantive changes in the law will hopefully clarify the line between legitimate and improper enforcement, the time may have come to consider new procedural safeguards as well. The proposal delineated here certainly requires significant further research before its final implementation, including detailed empirical study of the financial costs and benefits. My goal was to advance the conversation by offering another possible instrument in the toolbox at our disposal to fix a system in need of more than just tinkering.

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<sup>65</sup> As this article was going to press, a bill entitled “Small Business Trademark Protection Act” was introduced into the Minnesota State House with the goal of combating trademark bullying, in part through a requirement that all C & D letters include language advising recipients of their right to a settlement conference. See Steve Baird, *Minnesota’s Legislative Answer to “Trademark Bullying”?*, DUETSBLOG (Apr. 9, 2012), <http://www.jdsupra.com/post/documentViewer.aspx?fid=1b1e1dda-5c6f-4285-9254-25d2c757c105>. While my proposal is ultimately quite different from that in this bill, the idea to require specific language in C & D letters and involve administrative actors into the pre-litigation process mirror some of the notions presented in this article. See *id.*

## *Notes & Observations*