Ethical Issues in Trademark Practice

TIPS FOR ETHICALLY MANAGING TRADEMARK DILIGENCE

Panelists:
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American Bar Association - Section of Intellectual Property Law
33rd Annual Intellectual Property Law Conference
April 20, 2018 • Arlington, VA
Applicable Ethics Rules

USPTO Rules of Professional Conduct, 37 C.F.R. Part 11
◦ Effective May 3, 2013
◦ Prior to 2013, see 37 C.F.R. Part 10
◦ Enforcement by Office of Enrollment and Discipline (“OED”)
◦ See pages 12-17 of the Bessinger Article (in your materials) for brief listing of key applicable rules

State Ethics Rules
◦ Enforcement by the applicable state supreme court (disciplinary board)
◦ Overlap between state rules and USPTO rules

Representation in USPTO by Non-Attorney or Foreign Counsel?
◦ Includes paralegals as well as attorneys admitted in foreign countries
◦ Significant restrictions - see USPTO’s Warning re Unauthorized Law Practice.
◦ Attorney MUST supervise non-attorneys in their practice
Trademark Searching: Knockout vs. Full Search

Benefits
- Prophylactic
- Certainty
- Good Faith Reliance on Counsel Defense

Considerations
- Cost
- Timing
- Long-term use
- Descriptive terms added to protected mark

- 3 McCarthy on Trademarks and Unfair Competition § 19:6 (5th ed. 2018) (“[T]he law imposes no obligation to conduct a trademark search, and the failure to do so does not automatically mark a junior user as guilty of bad faith.”)
- Savin Corp. v. Savin Group, 391 F. 3d 439 (2d Cir. 2004) (failure to perform a trademark search does not prove that junior user acted with bad faith in using a mark); Streetwise Maps, Inc. v. VanDam, Inc., 159 F.3d 739 (2d Cir. 1998) (same).
- George & Co., LLC v. Imagination Ent’mt Ltd., 575 F.3d 383 (4th Cir. 2009) (failure to conduct a trademark search or consult counsel “shows carelessness at most” but “is not the same as an intent to mislead and to cause consumer confusion”); SecuraComm Consulting Inc. v. Securacom Inc., 166 F.3d 182 (3d Cir. 1999) (failure to conduct a search did not establish “willful ignorance akin to willful infringement”).
Trademark Searching: Good Faith Reliance on Advice of Counsel

Defendant’s Intent in Selecting the Mark
  ◦ Subjective intent
  ◦ No Negative Inference of Bad Faith if Opinion Not Disclosed

Willfulness
  ◦ Negates a finding of willfulness
    ◦ Unless the advice is ignored or the advice is incompetent

Defendant Must Rely on the Advice Before Commencing Use

Scope of Waiver
  ◦ All documents related to the subject matter of the advice

Need Not Be Plead As Affirmative Defense
  ◦ Disclose before close of fact discovery

Conflicts:
What Happens When Marks of Clients Appear in Search Results for Other Clients?

If mark not problematic, include in list of “notable marks”

If mark is absolute block: two schools of thought
  ◦ Advise client that you cannot opine
  ◦ Advise client of the block

If there is a risk of citation/protest, but reasonable arguments exist, conflict precludes providing advice

  ◦ USPTO Rule 11.107; USPTO Rule 11.109
Ethical Issues in Trademark Prosecution and Post-Registration

Attorney has a duty of candor to the PTO
- 37 C.F.R. 10.23
- 37 C.F.R. 10.85

Issues Arise in Trademark Applications
- Use
- Bona Fide Intent-to-Use
- Section 44(d) and 44(e)
- Section 71 (Madrid Protocol)

Issues Arise in Post-Registration Declarations of Use
- Section 8 – Statement of use
- Section 15 – Statement of continuous use for 5 years
- Section 9 - Renewal
Withdrawal of Representation Before the USPTO

37 CFR § 11.116 Declining or Terminating Representation

- Party in proceeding or applicant/registrant (TMEP 607)
- May Not Prejudice Applicant or Registrant
- Timing
- Notice to client
- Retention of files versus declaration required on TEAS form (“all documents and property in the practitioner’s file concerning the application or registration to which the client is entitled.”)
Fraudulent Filings as Obstacles to Registration

Why the recent increase in fraudulent filings?

- Incentives paid to applicants by local Chinese provinces
- Least expensive path to registration is based on use (if there is no home-country registration)
- Potential misunderstanding of the value of a US registration without use of the mark
- Nefarious uses: license or sell mark to legitimate owner; initiate Amazon (or similar) takedown of legitimate goods

How to spot fraudulent filings?

- Name of the attorney, or common address—there are some very prolific filers
- Not just China—Gleissner is a major issue as well.
- Does the image look altered/edited?
- Google images search can locate the legitimate image that has been stolen and altered
Fraudulent Filings as Obstacles to Registration

Examples of different marks applied (digitally) to the same goods

Ser. No. 87/355,439
Ser. No. 87/386,209
Ser. No. 87/362,495

Fraudulent Filings as Obstacles to Registration

More examples of different marks applied (digitally) to the same goods

Ser. No. 87/259,898  Ser. No. 87/293,287  Ser. No. 87/282,485

*Detailed explanation in 11/20/17 Office Action issued on Ser. No. 87/293,287.*
Fraudulent Filings as Obstacles to Registration

More examples of different marks applied (digitally) to the same goods

Ser. No. 87/342,935
Ser. No. 87/303,636*
Ser. No. 87/299,991

* Achieved registration

Fraudulent Filings as Obstacles to Registration

Applicant: Fujian Gospel Precision Medicine Co Ltd, of Fujian, China
Correspondent: Chen Chengjia in Hangzhou, Zhejiang China
Classes: 5, 10, 35, 36, 42, 44

“Registration is refused because the specimen in International Classes 5, 10, 35, 36, 42, and 44 appears to consist of a digitally altered image or a mock-up of the intended depiction of the mark on the goods, their packaging, or on business signage for future use in commerce; however, these provisional samples do not show the applied-for mark in actual use in commerce.”
Fraudulent Filings as Obstacles to Registration

Applicant: Wuxi Maoledada E-commerce Co., Ltd., of Wuxi, China
Correspondent: ZHANG YI in SHENZHEN CHINA

Dada D.C. Dam
Serial No.: 87/398,703
Reg. No.: 5,345,329

Source: Emporio Armani Macy’s (online)
Fraudulent Filings as Obstacles to Registration

Potential Strategies

- PTO Task Force
- Email to USPTO: TMSpecimenProtest@uspto.gov
  - New Trademark Alert from USPTO (3/6/18)
- Letter of protest
- Demand letters seem relatively ineffective
- Opposition/Cancellation
  - Lack of Bona Fide Intent-to-Use (likely default judgment)
  - Void *ab initio*
  - Fraud (higher pleading requirement)
Trademark Bullying

What is Trademark Bullying and When Does it Occur

Ethical and Legal Rules to Combat Behavior

- ABA Model Rule 3.1 – “A lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis in law and fact for doing so that is not frivolous, which includes a good faith argument for an extension, modification or reversal of existing law.”

- ABA Model Rule 4.1 – Prohibits attorneys from “mak[ing] a false statement of material fact or law to a third person.”

- FRCP 11 - Federal Rule of Civil Procedure 11 provides that a district court may sanction attorneys or parties who submit pleadings for an improper purpose or that contain frivolous arguments or arguments that have no evidentiary support.
Trademark Bullying

Other Deterrents to Bullying
- Declaratory Judgment actions
  - The court in exceptional cases may award reasonable attorney fees to the prevailing party.
  - “Exceptional Cases” – When a case is brought that is groundless, unreasonable, vexatious or pursued in bad faith

Pitfalls of Bullying
- Self-Help strategies - Public shaming on social media
Trademark Bullying

Strategies for Avoiding Allegations of Bullying

- Evaluate both the merits of the claim and the likely reaction of the alleged infringer and the public

- Avoid a one-size-fits-all approach
  - Tone of demand should match the circumstances

- Creative solutions for policing
Trademark Investigations

Common law use

Federal registration that may be abandoned

Investigation should be thorough
  ◦ Hire investigator

Seeking consent
  ◦ Be prepared to walk away

Trademark Negotiations

Issues in Negotiations

◦ Disclosures
  ◦ Must all information be disclosed

◦ ABA Model Rule 4.1
  ◦ A lawyer shall not knowingly: (a) make a false statement of material fact or law to a third person; or (b) fail to disclose a material fact to a third person when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client
  ◦ This Rule does not forbid non-disclosure of non-material facts

◦ Lawyer’s duty to act with diligence does not license a lawyer to use offensive or underhanded tactics

◦ Negotiating on behalf of an anonymous client
Trademark Due Diligence

Must be careful not to disclose privileged or other confidential information to a counterparty without first consulting relevant rules allowing for disclosure of that information without waiver

Use of confidentiality agreements

Use of common interest agreements
Pre-Filing Considerations

Cease and Desist Letters – Client Experience

◦ Does your client have experience with C&Ds
◦ Explain potential outcomes
◦ Manage client’s expectations
◦ What trademark law does and does not protect
◦ Prepare your client for potential *publicity*
Pre-Filing Considerations

Canned Unicorn Meat

Paté is passé. Unicorn - the new white meat.

Excellent source of sparkle!

Unicorns, as we all know, frolic all over the world, poopin rainbows and marshmallows wherever they go. What you don’t know is that when unicorns reach the end of their lifespan, they are drawn to County Meath, Ireland. The Sisters at Radiant Farms have dedicated their lives to nursing these elegant creatures through their final days. Taking a cue from the Kobe beef industry, they massage each unicorn’s coat with Guinness daily and fatten them on a diet comprised entirely of candy corn.

https://www.thinkgeek.com/blog/2010/06/officially-our-bestever-cease.html
Pre-Filing Considerations

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. From our press release [PDF or text]:

"It was never our intention to cause a national crisis and misguide American citizens regarding the differences between the pig and the unicorn," said Scott Kauffman, President and CEO of Geeknet. "In fact, ThinkGeek's canned unicorn meat is sparkly, a bit red, and not approved by any government entity."

We'd also like to extend a special discount to everyone we offended with our portrayal of Unicorn Meat as "the new white meat." For a limited time, take $10 off any order of $40 or more by using the code PORKBOARD at checkout, good until 6/30/2010 at 11:59PM ET.

The PORKBOARD discount is good on any ThinkGeek product, but you might want to check out shirts like Periodic BaCoN or Prime Cuts of Unicorn. There's also the popular Tactical Bacon or really anything from our entire line of pork-inspired products. Note: Please excuse the Zombies in the Bacon special interest section, we like to mix our meats.

Finally, thanks, National Pork Board, for giving us yet another reason to keep the April Fool's Day tradition alive. We'll always wonder if our Canned Unicorn Meat played some small, magical part in your rethinking of your brand.
Pre-Filing Considerations

Jack Daniels
Pre-Filing Considerations

“We are certainly flattered by your affection for the brand, ... but while we can appreciate the pop culture appeal of Jack Daniel’s, we also have to be diligent to ensure that the Jack Daniel’s trademarks are used correctly. Given the brand’s popularity, it will probably come as no surprise that we come across designs like this on a regular basis. **What may not be so apparent, however, is that if we allow uses like this one, we run the very real risk that our trademark will be weakened. As a fan of the brand, I’m sure that is not something you intended or would want to see happen. ...**

“In order to resolve this matter, because you are both a Louisville ‘neighbor’ and a fan of the brand, we simply request that you change the cover design when the book is re-printed. If you would be willing to change the design sooner than that (including on the digital version), we would be willing to contribute a reasonable amount towards the costs of doing so.”

Pre-Filing Considerations
Pre-Filing Considerations

PUBLIC CITIZEN LITIGATION GROUP

BY TELEPHONE: (804) 346-0800

October 5, 2007

Donald Morris, Esquire

Federal Internet Law
West Shore III, Suite 100
361 Concourse Boulevard
Glen Allen, Virginia 23059

Re: How not to write a cease and desist letter—
as open letter in response to your September 21 threat

Dear Mr. Morris:

Here at Public Citizen, we frequently receive requests for assistance from prospective clients who have received cease and desist letters from lawyers whose clients have asked them to try to quash criticisms by threatening litigation over some form of defamation, trademark, or copyright infringement. And we can understand why a client that has been criticized online might want to find some way to avoid the criticism, rather than having to speak publicly to respond to it. But sometimes the first demand letters that go over the top, making foolish legal assertions and seizing violations where a more detached, objective response might be to tell the client that is a criticism that will have to be met—or ignored. Indeed, sometimes we wonder whether the lawyer sending the letter has thought to tell his client that the result of sending a demand letter might bring attention to criticisms that otherwise might have been less visible.

On September 21, 2007, you sent a letter to Justin Leonard, complaining about criticisms of DirectBuy on the websites www.informercialblog.com, www.informercialfindings.com, and www.informercialsreview.com. These websites give more accurate information about the company than you perhaps realize. The letter begins by claiming that the words “sleazy” and “scamy” used on your own website are defamatory, and that “sleazy” is copyright infringement. The letter also demands that you stop using the word “sleazy” on your website, in addition to the word “defamatory.” As the demand letter by elucidating the postings’ opinions. Of course, words like “sleazy” and “scamy” are statements of rhetorical opinion that do not support a claim for defamation. McCullough v. Rutkin, 814 F.2d 839, 842 (1st Cir. 1987). Moreover, the words fairly characterize the bulk of the opinions of former customers who have sent their accounts of their experiences with DirectBuy to Leonard’s website. Even worse is the claim that Leonard defames DirectBuy by pointing out that there had been a sudden influx of similarly worded favorable ratings from DirectBuy on his website, all posted from the same location—and wondering whether DirectBuy might be “behind this.” This is an example of opinion based on disclosed facts—unless you have some information suggesting that the stated facts are false.

Next, you assert that, by creating a category of report called “sleazy,” and allowing members of the public to complete reports within that category if the posting person believes that the company being criticized has misbehaved in the marketplace, Leonard becomes responsible for whatever liability may exist in the posted reports. In fact, there is a long line of decisions in state and federal courts that recognize that providers of interactive computer services like Leonard’s are immune from liability, and even from suit, under the Communications Decency Act, 47 U.S.C. § 230. E.g., Rusty v. South, 533 F.3d 1018 (9th Cir. 2008). You point to the Ninth Circuit’s recent decision in Fair Housing Council v. Roommates.com, 489 F.3d 921 (9th Cir. 2006), which allowed a claim to go forward under the Fair Housing Act on the theory that the creation of questionnaire categories for gender preference, sexual preference, and family status is itself inherently unlawful under the Federal Fair Housing Act. But of course there is nothing inherently unlawful about allowing consumers to characterize informational offers as “sleazy.”

You make the point that DirectBuy has operations in Canada, where it allegedly suffers injury. You told my colleague Greg Beck that you might bring suit in Canada, and you made a point of referring to openness in Canada when I called you. I gather that you hope to take advantage of the fact that there is no CDA and no First Amendment in Canada. Before you spend your client’s money on suing in Canada, you might consider whether Leonard has any assets there, and whether an injunction obtained in Canada would be worth the paper it is written on. Moreover, Canada does provide some protections for fair comment. Instead of suing in Canada, why not bring suit in Texas? At least you’d get an exotic trip out of it, and litigation in a totalitarian state would be more consistent with the view that the Internet makes it too easy for consumers to criticise businesses. But Leonard won’t be in a position to defend a lawsuit in either location.

But the worst thing about your letter is the end: “Please be aware that this letter is copyrighted by our law firm, and you are not authorized to republish this in any manner. Use of this letter in a posting, in full or in part, will subject you to further legal causes of action.” Such wording would be fair use. Moreover, inquiry by my colleague Greg Beck produced the interesting information that the copyright to the letter has not been registered. Sadly, according to what you told him, you have been successful in this endeavor because none of your cease and desist letters has ever been posted.

There is always a first time. We are posting the letter on the Public Citizen website so the public can assess our differences by comparing your contentions with ours. By posting this letter, we are inviting you to test the validity of your theory that the writing of a cease and desist letter can avoid public scrutiny by threatening to file a copyright law suit if the letter is disclosed publicly. On the Internet.

Sincerely yours,

Paul Alan Levy

https://www.citizen.org/sites/default/files/directbuyresponse.pdf
International Billing

Processing and payment of foreign counsel fees. Who is responsible for the bill?

- IBA (International Bar Association) International Code of Ethics, Rule 19: Lawyers who instruct foreign counsel on client legal matters abroad are responsible for foreign counsel’s fees and expenses unless there is an express agreement to the contrary.

Issues with Advance Payment and Contingency Fees

- IOLTA Accounts
- See, e.g., In re Terzo, Proceeding No. D2016-35 (USPTO Nov. 2, 2016) (accepting resignation of attorney for, among other things, requiring prepayment for trademark services and depositing those prepayments into operating accounts)

Multijurisdictional or Transnational Practice

- ABA Model Rule 8.5 addresses questions of where a lawyer can be disciplined for misconduct (everywhere), and which jurisdiction’s rules should apply (location of tribunal).
Hypo #1

You file a trademark application on behalf of your client. The USPTO issues an Office action based on 2(d).

- Prior pending application is based on an apparently fraudulent specimen
- What research do you conduct?
  - Google Image Search
  - Research applicant/correspondent
- Reach out to prior applicant
  - Email to that new email address
- Respond to OA showing third party use of same specimen
  - Signed SOU knowing that it was a false statement
  - Specimen shows doctoring
  - Reserve the right to allege other causes of action
- Letter of Protest (careful including alleged fraudulent activity)
- Email to the TM Specimen email address
Hypo #2

Your client asks you to file a new application to file. Claims the mark is in use in commerce in Class 25 (long laundry list) – provides you with the specimen below:

What do you do?
Hypo #2

What do you do?

- Diligence: confirm current use in commerce
- Ask client how specimen was created
- Consider filing an extension to file an SOU (some limitations);
- Change the basis (1b instead of 1a) to allow client to develop a legitimate specimen; or
- Base application on home country registration (without needing to rely on use in commerce)

Hypo #2

Another unacceptable specimen:

Source: http://www.cutpasteandprint.com/proof-what-5-tips-for-reviewing-a-printers-proof/
Hypo #3

You conduct a pre-application clearance for your Client ABC, Inc.

- In the results, marks owned by Client XYZ, Inc. appear
- Do you report these results to Client ABC?
  - Does it matter whether the results are material?

What if Client ABC gives you a list of marks that have come up in its own searches – and asks you to identify any marks owned by any other client?
USPTO Contact Info

To make corrections: [https://www.uspto.gov/trademark/contact trademarks](https://www.uspto.gov/trademark/contact-trade)marks

To report zombie marks: [Tmfeedback@uspto.gov](mailto:Tmfeedback@uspto.gov)

To report fraudulent specimens: [TMSpecimenProtest@uspto.gov](mailto:TMSpecimenProtest@uspto.gov)
Questions?
Thank you.

Panelists:
Tamar Niv Bessinger, Fross Zelnick Lehrman & Zissu, P.C.
Dyan Finguerra-DuCharme, Pryor Cashman LLP
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