TRADEMARK SETTLEMENT AGREEMENTS: TOOLS FOR DRAFTING, NEGOTIATING AND COEXISTING

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Trademark Settlement Agreements

Tools for Drafting, Negotiating and Coexisting

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Faculty

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• Judge T. Jeffrey Quinn, USPTO Trademark Trial & Appeal Board
• Robert Lorenzo, USPTO
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Objectives

- Ways that adversaries can settle trademark disputes
- Risks in coexisting and tips on crafting the agreements
- Best practices on tracking coexistence agreements
- Guidance from the USPTO on a consent filed in order to overcome a Section 2(d) refusal
- Recent precedential decisions *In re Bay State Brewing Company, Inc.* (Serial No. 85826258)

When the need for coexistence agreement arises

- The need for coexistence arises early
- Simple, economical solution – outside counsel not usually required
- Both sides typically support the idea
- Circumstances
  - Clearance
    - Potentially conflicting mark identified in clearance search
  - Registration – to address or overcome third-party rights
    - In response to 2(d) or comparable refusal
    - In anticipation of refusal
  - Litigation/Oppositions/Cancellations
    - In resolving a trademark dispute to avoid litigation
    - In settling litigation or TTAB proceedings
  - Geographic Expansion
    - When a geographically remote user expands into another user’s geographic market
  - Product Line Expansion
    - When one user moves into or close to the other’s field of use
  - Mergers and Acquisitions - e.g., purchase and sale of product line
Differences between a coexistence agreement and a one- or two-sided consent, concurrent use or license

- Coexistence agreement permits coexistence of marks, including both use and registration of marks, and provides terms to govern continuing coexistence
  - Both parties have established rights in the mark, e.g., in different geographic regions or for different goods or services
  - Agreement attempts to set forth the respective rights in sufficient detail to avoid future disputes
- Consent agreement is one type of coexistence agreement
  - Typically is a consent to registration, with corresponding right to use
  - May not address respective rights of the parties to the same extent as a coexistence agreement
  - Often limits the rights of the party seeking consent or leaves future issues to be dealt with as they arise
  - May be signed by one or multiple parties
    - TM Office’s perspective between a one- or two-sided consent agreement.
- Concurrent use agreement generally restricts parties’ use geographically for purposes of registration
- License involves a single mark owned by licensor and used by licensee with permission

 Differences (cont’d)

- From the in-house perspective, simplicity and speed are important considerations.
  - Consents often are preferable
  - Full-blown agreements are preferable when:
    - The parties are close competitors
    - We expect similar issues to arise again in the future
    - We otherwise have strong concerns about the other party’s use of the mark
Risks/Downside of approach to cited registrant(s)

- Prior registrant refuses to consent
- Risk of drawing an opposition or infringement claim
- The business concern is to avoid “poking the bear.”
- The business often would rather forego registration to minimize chances that the registrant will think to pursue a claim.
- Limitations on use or expansion may affect value of the trademark or business
- Not all citations truly are infringed marks.
- This decision depends heavily on whether there is negotiating leverage.
  - E.g., do we have our own registration that may block the registrant’s application in the future?
- From TTAB’s perspective, often wonder if a consent was considered; if not, why not?

Dilution/enforceability risks of consenting/coexistence

- Do coexistence agreements make it more difficult to enforce the mark or to prevent subsequent registration of similar marks? Possibly, but little support for this conclusion.
- Because of this risk, the inclination typically is to resist giving consent without a tangible return benefit
- Most commonly sufficient return benefits:
  - Senior party can obtain its own registration
  - Junior party will withdraw opposition/cancellation
Minimum requirements

• Simplified Anatomy
  – Party A Does X
  – Party B Does Y
  – Parties agree no likelihood of confusion and to take additional steps in event of confusion
  – Parties consent to registration of their respective marks

• PTO Perspective
  – What the TM Office looks for when reviewing a consent agreement
  – Avoiding Naked Consent
    • detail the particular reasons why the relevant parties believe no likelihood of confusion exists and specify the arrangements undertaken by the parties to avoid confusing the public more persuasive than "naked" consent agreements. TMEP §1201.01(d)(viii)
    • As a practical matter, naked consents never make it to TTAB
  – Articulate reasons why no likelihood of confusion
  – Agreement to address any confusion in the future by taking steps to remedy and to avoid further confusion

Key Cases Relied Upon by USPTO

• In re Four Seasons Hotels Ltd., 26 USPQ2d 1071 (Fed. Cir. 1993)
• Amalgamated Bank of NY v. Amalgamated Bank, 6 USPQ2d 1305 (Fed. Cir. 1988)
• In re Mastic Inc., 4 USPQ2d 1292 (Fed. Cir. 1987)
• Bongrain Int’l (Am.) Corp. v. Delice De France, Inc., 1 USPQ2d 1775 (Fed. Cir. 1987)
• In re N.A.D. Inc., 224 USPQ 969 (Fed. Cir. 1985)
Key Cases Relied Upon by USPTO (cont.)

- *In re Bay State Brewing Co., Inc.*, 117 USPQ2d 1958 (TTAB 2016)
- *Holmes Oil Co. v. Myers Cruizers of Mena Inc.*, 101 USPQ2d 1148 (TTAB 2011)
- *In re Wacker Neuson SE*, 97 USPQ2d 1408 (TTAB 2010)

Timing Issues / Keeping Case Alive While Attempting to Obtain Consent

- From a business perspective, maintaining priority and minimizing cost are key considerations.
- Therefore, keeping applications alive until consent is obtained is critical.
- TM Office’s procedure when a consent agreement is filed depends if it’s filed after the initial Office Action, after a Final Action or a request for reconsideration; TMEP §714.05(d), §715.03(b) and §715.04(b) (2016)
- As a general rule, the USPTO will not suspend an application to give an applicant time to secure a consent agreement; TMEP §716.02
- TMEP §1201.07(b) (an applicant may file a consent agreement after asserting a unity of control argument under Wella)
- TMEP §716.02(c) and §1504.02; TBMP §605.03 (c) (if the consent is filed after an application has been suspended pending disposition of a cancellation proceeding, the TMO and not the TTAB has jurisdiction of the application)
- TTAB is liberal in granting extensions to obtain consent (approx. one year); additional time given when status details of negotiations are disclosed; TBMP §1203.02(d) (2016)
- Remand for consent may be granted even at a late stage of an appeal; TBMP §1207.02 (if consent is filed "at any time" prior to issuance of the final decision)
From applicant perspective: ability to use, register

• Given common law TM rights in the U.S., use typically is much more important than registration.
  – E.g., for film or television series merchandise
  – Exception: Reserving priority for future use via ITU
    • E.g. television series title that has not yet aired
• Consent to register ideally reflects any restrictions on right to use so as to serve the public notice function of registrations

Differences/Limitations on form and content of mark to be registered/used

• Very helpful when properly drafted, providing for meaningful limitations
• From a business perspective, free use is much more important than broad registration.
• Agreeing to narrow our application in exchange for reduced use restrictions typically is preferable.
• The inverse is true when we are the senior registrant.
• When we must agree to use restrictions, adding a house mark (e.g., UNIVERSAL) is common and typically not too burdensome.
Differences/Limitations on goods/services, trade channels, sophistication of purchasers, pricing

- Very helpful when meaningful limitations are articulated; experienced businessmen are in the best position to know their business and customers
- *In re Donnay Int'l*, S.A., 31 USPQ2d 1953, 1956 (TTAB 1994) (*"[T]he more information that is in the consent agreement as to why the parties believe confusion to be unlikely, and the more evidentiary support for such conclusions in the facts of record or in the way of undertakings by the parties, the more we can assume that the consent is based on a reasoned assessment of the marketplace, and consequently the more weight the consent will be accorded."*)
- Agreeing to divergent trade channels is critical.
  - Both parties want this; neither wants to overlap with the other.
  - It is difficult to sell a coexistence to the business folks if both parties sell to the same customers.
  - E.g. a coexistence between an entertainment company and a pharma company almost always is feasible.
    - Even with similar marks and some overlapping goods.

Future cooperation

- Will parties need to interact? How much can be anticipated?
  - Product expansion
  - Advertising channels
  - Domain name
  - Infringers – duty to report? Who is responsible for enforcement, who may enforce? Settlements with third parties?
  - Changes in mark – new logos, new combinations or variations of mark, can they be registered
    - What if the USPTO does not withdraw the refusal?
- In-house attorneys and business personnel generally wish to avoid future cooperation unless absolutely necessary.
  - Due to volume of coexistences, ongoing cooperation is difficult to manage.
  - Of course, general agreement to remedy any future confusion is common and favored by all parties.
- Critical that parties agree to remedy any future confusion
Anticipation of possibility of PTO refusal

- This is a known risk; it is understood that no registrations are guaranteed.
- Underscores the importance of freedom to use under the coexistence agreement.
- Building in flexibility regarding agreements that include amendments to identifications of goods or services in case they are not accepted.
- Requiring continued cooperation of consenting party at least until refusal is withdrawn.

Choice of law and venue, dispute resolution

- Parties should be willing to bargain on these points.
- Disputes over coexistence agreements are not common, so risk of having to litigate in an inconvenient venue is low.
- Given the volume of coexistence issues, the main goal is to get a workable deal done.
- If agreeing to the other party’s choice of law/venue allows you to negotiate for better scope re: use and registration, generally it is worth it.
- A reasonable middle-ground: venue of the defending party.
- Cure provisions.
- Possibility of ADR.
Term

- Not usually a major point.
- Generally, perpetual.
- The senior rights holder may wish to limit the term, perhaps with an easy renewal mechanism.
  - This helps clear the deadwood if the junior party loses interest.
  - In practice, this does not appear to happen often.
- Trademarks can continue indefinitely, so agreement should last as long as the marks endure
  - Need to provide for abandonment
  - How to establish abandonment

Confidentiality

- Parties should be willing to bargain about this.
- Agreements easily can be drafted to avoid disclosure of non-public information.
- But if the other party wishes to maintain confidentiality, and is willing to bargain for this in exchange for giving on other items, it probably is worth it.
- Consent filed in application cannot be filed under seal unless so issued or ordered by any court or by TTAB
Assignability

- Contract is presumed to be assignable
- License is presumed not to be assignable
- Best practice - specify whether coexistence agreement is assignable and any limitations on assignability, e.g., consent of other party, not to certain competitors
- Business perspective: Assignability is not favored.
  - The decision to coexist is driven heavily by the nature of the other party’s business.
  - E.g. we might coexist re: NBC in Class 25 with food company “Nepalese BBQ Chickens.”
  - But we would be very concerned if Nepalese BBQ Chickens later sold its rights to (e.g.) CBS, who then became free to put the mark NBC on t-shirts.

Costs

- Agreement to pay the senior party’s legal fees in preparing/reviewing a consent is not unusual.
- Beyond that, it is difficult to secure business buy-in for payment to a third party.
- Does inclusion of costs change the leverage?
Geographic scope

• Within U.S. Commerce: Significant fact when parties limit their use to separate geographic areas
• For the sake of simplicity, it is common to prefer limiting the scope of a U.S. coexistence just to the U.S.
• However, many companies have actual or planned international presence, so worldwide scope is common as well.
• Depends heavily on the business.
  – E.g. Universal Pictures has a global reach, so coexistences relating to, e.g., Fast & Furious merchandise may need to be global.

Considerations beyond the US

• Consent agreements not accepted in some jurisdictions
• Coexistence agreements not recognized in some countries – may not be enforceable
• Associated marks doctrine applies in some countries
• Address cooperation, e.g., temporary assignment, license if not possible to obtain registration
• Choice of forum/law/venue
Administrative concerns: tracking limitations on usage

- Given the volume and inevitable personnel turnover, it is critical to have a tracking system in place.
- Internal TM/IP team must be trained to log and store each agreement.
- Team also must be trained to search the repository before filing new applications or advising regarding use restrictions.
  - Example:
    - File storage: We store all files, including agreements, in a searchable matter-specific DMS file.
      - (We happen to use DeskSite.)
    - Records searches: We use the WebTMS “Contracts” module to store brief summaries of each agreement.
      - Marks, parties, dates, key terms, etc.
Thank you!

• Questions?