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## Trademark Trolls: A Problem in the United States?

*Michael S. Mireles\**

### INTRODUCTION

There is a substantial amount of literature concerning evidence of so-called “patent trolls” or “patent assertion entities” and “non-practicing entities.”<sup>1</sup> There are also reports about “copyright trolls.”<sup>2</sup> However, there is much less literature and reporting on “trademark trolls” in the United States. This Paper

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\* Professor of Law, University of the Pacific, McGeorge School of Law. The author is thankful for the research assistance of Kelsey Lim, Paolo Visante, and Gina Guterrez, and the comments of Professor Megan La Belle, Professor Gary Pulsinelli, Professor Mary Lee Ryan, Professor Tom Bell, Brad Greenberg, Lindy Herman, and Chris Arledge. The author is grateful for the research assistance and hospitality of the *Chapman Law Review* editorial staff for the 2015 *Chapman Law Review* Symposium “Trolls or Toll-Takers: Do Intellectual Property Non-practicing Entities Add Value to Society?” including Rachel Baker, Madiha Shahabuddin, and Janelle Wilke.

<sup>1</sup> See, e.g., James F. McDonough III, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189 (2006); Amy L. Landers, *Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law*, 46 SANTA CLARA L. REV. 307 (2006); Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 NOTRE DAME L. REV. 1809 (2007); John M. Golden, Commentary, “*Patent Trolls*” and *Patent Remedies*, 85 TEX. L. REV. 2111 (2007); Mark A. Lemley, *Are Universities Patent Trolls?*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 611 (2008); Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. REV. 1571, 1572 (2009) (noting that in an eight-year period, “[c]ounting suits based on the number of defendants and including [declaratory judgment] cases,” non-practicing entities were involved in “28% of all high-tech patent suits”); Sarah Jeruss, Robin Feldman & Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 DUKE L. & TECH. REV. 357 (2012); Robin Feldman, Tom Ewing & Sarah Jeruss, *The AIA 500 Expanded: The Effects of Patent Monetization Entities*, 17 UCLA J.L. & TECH. 1 (2013); Robin Feldman & W. Nicholson Price II, *Patent Trolling: Why Bio and Pharmaceuticals Are at Risk*, 17 STAN. TECH. L. REV. 773 (2014); Christopher A. Cotropia, Jay P. Kesan & David L. Schwartz, *Unpacking Patent Assertion Entities (PAEs)*, 99 MINN. L. REV. 649 (2014).

<sup>2</sup> See, e.g., James DeBriyn, *Shedding Light on Copyright Trolls: An Analysis of Mass Copyright Litigation in the Age of Statutory Damages*, 19 UCLA ENT. L. REV. 79 (2012); Shyamkrishna Balganesh, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723 (2013); Gregory S. Mortenson, *BitTorrent Copyright Trolling: A Pragmatic Proposal for a Systemic Problem*, 43 SETON HALL L. REV. 1105 (2013); Brad A. Greenberg, *Copyright Trolls and Presumptively Fair Uses*, 85 U. COLO. L. REV. 53 (2014); Jack Vidovich, Comment, *I Want to Be a Non-producer: Copyright Non-practicing Entities and the Group Registration Process for Photographs*, 66 ADMIN. L. REV. 679 (2014).

explains why trademark trolls are not and may not develop as a problem in the United States.<sup>3</sup>

Initially this Paper discusses patent trolls and separates “trolling behavior” from other troubling trademark enforcement practices such as “bullying.”<sup>4</sup> This Paper then gives the reasons why trademark trolls are likely not a problem in the United States. First, the primary defining characteristic of a troll is a failure to practice the intellectual property. Because of the common and federal law requirement of “use” in trademark law in the United States, it is highly unlikely an entity asserting a trademark is not also using the trademark.<sup>5</sup> Additionally, trademark trolling is unlikely to occur because of the requirement that a trademark must not be assigned “in gross” and trademark licensing must not be “naked.”<sup>6</sup> The trademark must be assigned with the corresponding goodwill associated with the mark and the trademark must be licensed with some quality control exercised by the licensor.<sup>7</sup> This presupposes that there is some continued use of the trademark. Second, in circumstances where trademark trolling could occur, such as with Internet domain names, Congress and the Internet Corporation for Assigned Names and Numbers (ICANN) have reacted relatively quickly with laws and policies, respectively, that make trademark trolling unlikely to occur.<sup>8</sup> For example, Congress passed the Anticybersquatting Consumer Protection Act (ACPA) and ICANN utilizes its dispute resolution process to address potential trolls.<sup>9</sup> Moreover, the lessons learned from trademarks and Internet domain names have allowed ICANN to preempt potential trolling issues that may have arisen from the registration of new top-level domains. Foresight, experience, and good planning will likely mitigate the impact of potential trolls. Third, U.S. trademark law utilizes meaningful *inter partes* proceedings, such as opposition and cancellation proceedings, at the United States Patent and Trademark Office (USPTO) to address applied-for marks which may potentially infringe

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<sup>3</sup> Because the law is evolving, a trademark troll problem may develop in the future. For example, the recent U.S. Supreme Court decision *Hana Financial, Inc. v. Hana Bank*, 135 S. Ct. 907 (2015), arguably approves a generous tacking standard. Moreover, the erosion of the use requirement and the prohibitions on naked licensing and assignments in gross could lead to the development of a trademark troll problem.

<sup>4</sup> See *infra* Part Trademark Enforcement Issues and the Reasons There Is Not a Trademark Troll Problem.

<sup>5</sup> See *infra* Part B.1.

<sup>6</sup> See *infra* Part B.1.c.

<sup>7</sup> See *id.*

<sup>8</sup> See *infra* Part B.2.

<sup>9</sup> See *infra* Part B.2.a.

pre-existing marks.<sup>10</sup> Through the publication of the Official Gazette, mark owners are put on notice of potentially infringing marks which get too close to their marks and which may foreclose their expansion into new lines of business.<sup>11</sup> These proceedings also provide an opportunity to challenge applied-for marks that originated in intent-to-use applications.<sup>12</sup>

Fourth, trademark law may benefit from the applicability of law developed to address patent trolls.<sup>13</sup> For example, the U.S. Supreme Court's *eBay v. MercExchange* decision concerning patent injunctions has been applied to trademark injunctions, thus removing a presumption of irreparable harm where a likelihood of success on the merits is demonstrated.<sup>14</sup> The U.S. Supreme Court's *Octane Fitness v. Icon Health & Fitness* decision concerning attorney fees in patent cases has also been applied in trademark cases.<sup>15</sup> Fifth, the litigation and other strategic advantages present in so-called patent trolling cases may not be available in trademark cases.<sup>16</sup> Sixth, state attorney general enforcement of state consumer protection laws against patent trolls may deter a trademark troll problem from developing.<sup>17</sup> Notably, at least one state has already considered legislation specifically targeted at trademark trolls.<sup>18</sup> Moreover, the U.S. Federal Trade Commission's (FTC) enforcement of federal consumer protection laws against patent trolls may similarly deter trademark trolls.<sup>19</sup> Seventh, one commentator has argued that the patent troll problem developed, in part, because of the U.S. Court of Appeals for the Federal Circuit's (Federal Circuit) nationwide exclusive appellate jurisdiction over patent cases.<sup>20</sup> Trademark law is less susceptible to a troll problem developing because the various federal circuit courts of appeals, as well as state courts, have jurisdiction to hear trademark appeals.<sup>21</sup> Finally, an early U.S. Court of Appeals for the Seventh Circuit decision addressing trademark trolling upheld an award of attorney fees against a troll and canceled the troll's mark for

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<sup>10</sup> See *infra* Part B.3.

<sup>11</sup> See *infra* Part B.3.a.

<sup>12</sup> See *infra* Part B.3.

<sup>13</sup> See *infra* Part B.4.

<sup>14</sup> *eBay v. MercExchange*, 547 U.S. 388 (2006).

<sup>15</sup> *Octane Fitness v. Icon Health & Fitness*, 134 S. Ct. 1749 (2014).

<sup>16</sup> See *infra* Part B.5.

<sup>17</sup> See *infra* Part B.6.

<sup>18</sup> See *id.*

<sup>19</sup> See *id.*

<sup>20</sup> See *infra* note 284.

<sup>21</sup> See *infra* Part B.7.

lack of use.<sup>22</sup> This case has perhaps provided a disincentive to trademark trolling.<sup>23</sup>

#### TRADEMARK ENFORCEMENT ISSUES AND THE REASONS THERE IS NOT A TRADEMARK TROLL PROBLEM

This section discusses enforcement issues concerning patents and trademarks, and the reasons why there is not a trademark troll problem. The first part of the section examines the patent troll, trademark bully, and trademark troll question. The second part explains why a trademark troll problem is unlikely to develop.

##### A. An Overview of the Patent Troll, Trademark Bully, and Trademark Troll Problem

This section explains the patent troll and trademark bully problem. It also explains why trademark-bullying conduct should be separated from an analysis of the trademark troll problem.

###### 1. Patent Trolls

There is a substantial amount of discussion in the literature concerning the definition of a so-called patent troll.<sup>24</sup> Sometimes

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<sup>22</sup> See *infra* Part B.8.

<sup>23</sup> See *id.* For an extensive discussion of that case along with an analysis of the use requirement and the district court's ability to cancel marks, see Anna B. Folgers, Note, *The Seventh Circuit's Approach to Detering the Trademark Troll: Say Goodbye to Your Registration and Pay the Costs of Litigation*, 3 SEVENTH CIRCUIT REV. 452 (2007), available at <http://www.kentlaw.edu/7cr/v3-1/folgers.pdf>.

<sup>24</sup> See, e.g., Jason Rantanen, *Slaying the Troll: Litigation as an Effective Strategy Against Patent Threats*, 23 SANTA CLARA COMP. & HIGH TECH. L.J. 159, 164 (2006) ("Despite the difficulty of defining exactly what a patent troll is, it appears clear from contemporary definitions that a patent troll is an entity that neither develops novel technologies nor uses those technologies to provide goods or services to the market. Rather, a patent troll acquires patents for the sole purpose of using them to obtain a revenue stream from a firm that engages in activities arguably falling within the scope of the patent."); Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 2009 (2007) ("Defining a patent troll has proven a tricky business, but that does not mean the problem does not exist. Nonpracticing entities file 30–40% of all patent suits in the computing and electronics industries . . ."); Lemley, *supra* note 1, at 612 ("[A] troll is as a troll does. Universities will sometimes be bad actors. So will non-manufacturing patent owners. So will manufacturing patent owners."); Miranda Jones, *Permanent Injunction, a Remedy by Any Other Name Is Patently Not the Same: How eBay v. MercExchange Affects the Patent Rights of Non-practicing Entities*, 14 GEO. MASON L. REV. 1035, 1041 (2007) (discussing the defining of "patent trolls," including "[r]eformulations of the definition . . . [such as] . . . an enforcing entity's lack of active competition with the infringer, collection of nuisance-value settlements, threat of litigation on dubious patents, and usage of the patents as a means to generate revenue"); John R. Allison, Mark A. Lemley & Joshua Walker, *Extreme Value or Trolls on Top: The Characteristics of the Most-Litigated Patents*, 158 U. PA. L. REV. 1, 10–11 (2009) ("Of the twelve entity classes, only one (Class 8) involves enforcement by a patent owner that actually makes products. The remainder are different types of 'nonpracticing entities,'

patent trolls are referred to as patent assertion entities or non-practicing entities.<sup>25</sup> The troll is essentially a monster who lives under a bridge and extracts a fee from anyone who attempts to cross the bridge.<sup>26</sup> Importantly, the troll did not build the bridge—or invest its labor in building the bridge. Similarly, a patent troll is often an entity that did not develop a patented technology, but is considered the owner of that patent with standing to enforce it.<sup>27</sup> Notably, the defining characteristic of the patent troll is that it does not “practice” the patented invention.<sup>28</sup> The patent troll merely taxes others who practice the invention.<sup>29</sup> Thus, the entities that actually provide access or use of the invention to the public are “held up” by the troll and must license or stop using the patented invention.<sup>30</sup>

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sometimes called ‘patent trolls’ for the prototypical practice of hiding under a bridge they did not build and demanding a toll from surprised passersby.”).

<sup>25</sup> Commentators have attempted to make distinctions between all three categories. See, e.g., Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent EcoSystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 326–32 (2010) (discussing distinctions between non-practicing entities that are “research and development entities,” “patent-assertion entities,” “Defensive Patenting Funds,” and “Startups”); Xun (Michael) Liu, *Joinder Under the AIA: Shifting Non-practicing Entity Patent Assertions Away from Small Businesses*, 19 MICH. TELECOMM. & TECH. L. REV. 489, 491 (2013) (“There is a subset of NPEs [who do not practice an invention], sometimes called patent assertion entities, which use patent licenses and damage awards as their only revenue source. These entities are also referred to as ‘patent trolls’ because they characteristically hold patents until a related product becomes profitable, then emerge to demand payments from unsuspecting companies, much like the trolls of folklore that ambush unsuspecting passersby.”). *But see* Jones, *supra* note 24, at 1041–42 (abandoning use of the term “patent troll” in favor of NPE, who “is a patent owner that does not practice the patented invention and, rather than abandoning the right to exclude, seeks to enforce the patent right through the negotiation of licenses against those who infringe on the patent”).

<sup>26</sup> The affixation of the label “patent troll” to entities engaged in certain conduct is credited to Peter Detkin, Anne Gundelfinger, or Mark Davis. See Joff Wild, *The Real Inventors of the Term “Patent Troll” Revealed*, IAM BLOG (Aug. 22, 2008), <http://www.iam-magazine.com/blog/detail.aspx?g=cff2afd3-c24e-42e5-aa68-a4b4e7524177>.

<sup>27</sup> See also Magliocca, *supra* note 1, at 1814 (“In essence, trolls bring infringement suits based on a patent that was not enforced previously but is being used by others as if the know-how is in the public domain. The ensuing litigation comes as a surprise to a defendant, which is why these suits are analogized to mythical trolls that hid under bridges and leapt out to demand a ransom from travelers.”).

<sup>28</sup> See Liu, *supra* note 25, at 491 (“In general, the term [non-practicing entity] refers to any patent-holding individual or organization that does not practice the invention, but instead licenses or asserts its patents to generate revenue.”); Jones, *supra* note 24, at 1041–42 (“An NPE is a patent owner that does not practice the patented invention . . . .”); Rantanen, *supra* note 24, at 165 (“Typically, to be a patent troll a firm must have no intent to actually practice the patent.”).

<sup>29</sup> See Tracie L. Bryant, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 HARV. J.L. & TECH. 687, 690 (2012) (“While there is no clear definition, most people use the term [patent troll] to refer to [non-practicing entities] that acquire patents only to license or enforce them against companies using the invention. The entity is ‘nonpracticing’ because it does not manufacture products or otherwise make use of the invention.”).

<sup>30</sup> See Lemley & Shapiro, *supra* note 24, at 2008 (“The potential for an injunction against a whole product can and does permit so-called patent trolls to hold up defendants

Patent trolls inflict other related harms as well. Some of those harms include impeding innovation by forcing parties practicing patented inventions to stop using those inventions to innovate and driving up the costs of products and services utilizing patented inventions.<sup>31</sup> The most troubling example of a patent troll is one that threatens alleged infringers based on poor-quality patents.<sup>32</sup> Thus, there is very little justification for allowing that behavior because there are no corresponding benefits provided by that troll. Poor-quality patents exist, in part, because the USPTO may not have access to relevant prior art to determine whether an invention is new or nonobvious.<sup>33</sup> Moreover, some argue that the Federal Circuit is partly responsible for the patent troll problem.<sup>34</sup> The argument is that the troll problem exists because the Federal Circuit is essentially pro-patent.<sup>35</sup> Examples of Federal Circuit pro-patent case law include expanding patent-eligible subject matter and restricting

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by threatening to enjoin products that are predominantly noninfringing. As we have just shown, this threat can easily enable a patent holder to negotiate a settlement for an amount of money significantly exceeding the amount that the patent holder could expect to earn in damages based on reasonable royalties.”).

<sup>31</sup> See Elizabeth D. Ferrill, Comment, *Patent Investment Trusts: Let's Build a Pit to Catch the Patent Trolls*, 6 N.C. J.L. & TECH. 367, 377 (2005) (“One expert concluded that the patent troll problem amounted to a hidden tax on technology products, hampering innovation and preventing a large number of products from entering the market . . .”).

<sup>32</sup> Professor Magliocca explains the problem well:

Low quality patents contribute to trolls in two ways. First, if a patent is erroneously granted on something already in the public domain (e.g., the wheel) then the effective dormancy period will be exceptionally long. This in turn means that the sunk costs of other users will be high when the troll brings its case. Second, if examiners let especially vague patents issue then the uncertainty surrounding what is protected will make it easier for opportunistic licensors to wreak havoc. Understanding the scope of an ordinary patent is hard enough. A defendant in an infringement suit based on an unclear patent, though, faces even more risk of defeat.

Magliocca, *supra* note 1, at 1827; see also James Bessen & Michael J. Meurer, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 46–72 (2008) (discussing vague boundaries of issued patents in some fields); McDonough, *supra* note 1, at 202 (“The first problem frustrating discussion [about patent trolls] is the quality of patents being issued by an understaffed U.S. Patent and Trademark Office. Bad patents are being issued daily.”); Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 49–52 (2010) (discussing poor quality patents).

<sup>33</sup> ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 145 (2004) (discussing problems examiners have in accessing prior art, particularly for software and business methods).

<sup>34</sup> See Eli Dourado, *The True Story of How the Patent Bar Captured a Court and Shrank the Intellectual Commons*, CATO UNBOUND (Sept. 8, 2014), <http://www.cato-unbound.org/2014/09/08/eli-dourado/true-story-how-patent-bar-captured-court-shrank-intellectual-commons>.

<sup>35</sup> *Id.*; JAFFE & LERNER, *supra* note 33, at 125 (“[L]egal commentators . . . collectively agree that the primary direction of the changes [by the Federal Circuit] has been in the direction of strengthening patent-holders’ rights.”).

the use of the obviousness doctrine.<sup>36</sup> Both expansions have increased the likelihood that suspect patents may issue from the USPTO.<sup>37</sup>

A broad definition of a troll may include an entity such as a university.<sup>38</sup> Unsurprisingly, most universities do not actually practice the technology that they patent and may need private partners for commercialization.<sup>39</sup> However, most would not include a university within the definition of a patent troll.<sup>40</sup> Moreover, so-called trolls may provide a benefit to individuals or companies that are not in the position to commercially exploit their invention by providing a way to monetize that patented invention.<sup>41</sup> Trolls provide an affordable way for individuals and small businesses to enforce their patents.<sup>42</sup>

An example of a patent troll is MPHJ Technology Investments (MPHJ)<sup>43</sup>—popularly known in the media as the

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<sup>36</sup> See JAFFE & LERNER, *supra* note 33, at 115–23 (discussing Federal Circuit changes to nonobviousness and patent-eligible subject matter doctrines).

<sup>37</sup> See *id.* However, the U.S. Supreme Court has subsequently acted to restrain the Federal Circuit in a series of cases involving patent-eligible subject matter and in an obviousness case. See, e.g., *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *KSR Int'l. Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

<sup>38</sup> See Liu, *supra* note 25, at 491 (“The term [NPE] may describe universities, research organizations, or other licensing entities.”).

<sup>39</sup> Compare McDonough, *supra* note 1, at 199 (“The universities, funded by the government, do not intend to use or practice the inventions they patent. Nor do they manufacture goods. Instead, the main goal of university research is to earn revenue by licensing the technology.”), with Lemley, *supra* note 1, at 611 (“University technology transfer ought to have as its goal maximizing the social impact of technology, not merely maximizing the university’s licensing revenue.”). This is not true for research tools developed and used by universities. See Michael S. Mireles, *An Examination of Patents, Licensing, Research Tools and the Tragedy of the Anticommons in Biotechnology Innovation*, 38 U. MICH. J.L. REFORM 141, 147 (2004) (noting a market exists for those tools).

<sup>40</sup> See Lemley, *supra* note 1, at 612 (“[Universities] share some characteristics with trolls, at least if the term is broadly defined, but they are not trolls.”); see also Jones, *supra* note 24, at 1042 (distinguishing between NPEs that are “patent generators,” such as universities, versus “patent dealers,” “who have no interest in the inventive process, but acquire patents for the purpose of enforcing them”).

<sup>41</sup> See Bryant, *supra* note 29, at 693–94 (discussing benefits of patent trolls); Ferrill, *supra* note 31, at 378–79; see also Jones, *supra* note 24, at 1043 (discussing that an NPE is beneficial because it: “(1) deters free riders; (2) enforces valid patents; (3) provides a market in which inventors may profit; (4) establishes the market value of patents; and (5) encourages competition and innovation”); McDonough, *supra* note 1, at 190 (“Patent trolls provide liquidity, market clearing, and increased efficiency to the patent markets—the same benefits securities dealers supply capital markets.”). While this may be true with respect to patents and copyrights, it is not true with respect to trademark matters except arguably in cases concerning reverse confusion. Moreover, many of the other asserted benefits of patent trolls do not apply in the context of trademarks. Trademark trolls do not mitigate consumer confusion or protect goodwill because the trademark troll is not using the mark. Thus, there is no opportunity to protect goodwill or prevent confusion because there is no mark to connect with the goodwill and no consumers will be confused.

<sup>42</sup> See Bryant, *supra* note 29, at 694.

<sup>43</sup> Debra Cassens Weiss, *Threatened Patent Suits Amounted to Deceptive Tactics, FTC Alleges; Law Firm and Client Settle*, ABA J. (Nov. 10, 2014, 6:15 AM),



“scanner” troll.<sup>44</sup> MPHJ apparently does not practice the inventions in its patents or any other technology.<sup>45</sup> MPHJ has sent cease-and-desist letters to thousands of purported infringers.<sup>46</sup> Notably, MPHJ apparently did not conduct a detailed investigation whether there was actually an infringement and has not followed through with filing suit.<sup>47</sup> The letters appear to be an attempt to hold up alleged infringers.<sup>48</sup>

Despite the benefits provided by some trolls, patent trolls are subject to severe criticism by commentators. For example, numerous commentators have made proposals addressing the patent troll problem.<sup>49</sup> Indeed, there have been numerous legislative proposals before Congress directed at the troll issue.<sup>50</sup> The courts have also reacted to the troll problem. The U.S. Supreme Court issued the *eBay v. MercExchange* opinion, which addressed patent injunctions and removed the traditional presumption of irreparable harm when a likelihood of success is demonstrated in a patent infringement case.<sup>51</sup> The Federal

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[http://www.abajournal.com/mobile/article/threatened\\_patent\\_suits\\_amounted\\_to\\_deceptive\\_tactics\\_ftc\\_alleges\\_law\\_firm/](http://www.abajournal.com/mobile/article/threatened_patent_suits_amounted_to_deceptive_tactics_ftc_alleges_law_firm/).

<sup>44</sup> See Julie Samuels, *MPHJ Exposed: The Real Dirt on the Notorious Scanner Troll*, TROLLING EFFECTS BLOG (Jan. 14, 2014), <https://trollingeffects.org/blog/mphj-exposed-real-dirt-notorious-scanner-troll>.

<sup>45</sup> See Complaint at 2–3, In the Matter of MPHJ Tech. Invs., LLC et al., F.T.C. File No. 142-3003 (F.T.C. Nov. 6, 2014), available at [http://www.ftc.gov/system/files/documents/cases/141106mphjcmpt.pdf?utm\\_source=govdelivery](http://www.ftc.gov/system/files/documents/cases/141106mphjcmpt.pdf?utm_source=govdelivery).

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* According to the *ABA Journal*, MPHJ Technology Investments’ egregious behavior included the following:

[T]housands of small business owners received a series of three letters from MPHJ subsidiaries and Farney Daniels as part of an effort to sell licenses relating to network computer scanning technology. The law firm was to receive 30 to 40 percent of the money generated as its fee.

The first letter from an MPHJ subsidiary told more than 16,000 small business owners they were likely infringing patents by using common office equipment and they were being contacted to discuss the need for a license, according to the administrative complaint. The second letter on Farney Daniels letterhead, sent to more than 10,000 businesses, said the lack of a response has led its client to “reasonably assume” infringement and the matter has been referred to the law firm. The third letter, sent to more than 4,800 businesses, says that if the recipient does not respond in two weeks, it will be sued for patent infringement. The letter included a draft complaint.

Weiss, *supra* note 43.

<sup>48</sup> For additional examples of patent trolls and how they target small businesses, see generally Liu, *supra* note 25, at 494–500.

<sup>49</sup> See *supra* note 25 and accompanying text.

<sup>50</sup> See *Patent Progress’s Guide to Federal Patent Reform Legislation*, PAT. PROGRESS, <http://www.patentprogress.org/patent-progress-legislation-guides/patent-progress-guide-patent-reform-legislation/> (last visited Nov. 30, 2014) (describing fourteen bills directed at patent reform and trolls); Trevor Nagel & Ruchita Dhawan, *Anti-patent Troll Legislation: What Is Proposed and What It Could Mean*, WHITE & CASE TECH. NEWSFLASH (Apr. 2014), <http://www.whitecase.com/articles/2014/anti-patent-troll-legislation-what-is-proposed-and-what-it-could-mean/>.

<sup>51</sup> See *eBay v. MercExchange*, 547 U.S. 388 (2006).

Circuit has, through former Chief Judge Rader, publicly addressed whether the troll problem should be dealt with through legislation or the courts.<sup>52</sup> Even the White House has made proposals to address patent trolls and innovation.<sup>53</sup> The Electronic Frontier Foundation has created a website to track the activity of patent trolls.<sup>54</sup> Notably, there are even reports of copyright trolls.<sup>55</sup> The copyright troll may be an entity that did not create the copyrighted work and does not publish that work, but merely exists to extract statutory damages or licensing fees from those that make that work available to the public.<sup>56</sup>

## 2. Trademark Enforcement Issues: Trademark Trolls and Trademark Bullies

Despite the reports of patent and copyright trolls, there is—relatively speaking—much less discussion or reporting concerning trademark trolls. Some media reports place the label of “troll” on aggressive enforcement of trademarks; however, this conduct is more appropriately labeled “bullying” and not “trolling.”<sup>57</sup> In cases involving trademark bullying, the trademark owner is enforcing its trademark against an entity—usually with less resources than the trademark owner—with a questionable or overreaching claim.<sup>58</sup> The questionable claim may be based on a

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<sup>52</sup> See Michael S. Mireles, *Chief Judge Rader's Recent Comments on Patents and the Federal Circuit Bar Association*, IP FIN. BLOG (Nov. 5, 2013), <http://ipfinance.blogspot.com/2013/11/chief-judge-raders-recent-comments-on.html>.

<sup>53</sup> Press Release, White House, Fact Sheet: White House Task Force on High Tech Issues (June 4, 2014), available at <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues> (describing five executive actions and seven legislative recommendations to address patent assertion entities).

<sup>54</sup> See Adi Kamdar & Julie Samuels, *Trolling Effects: Taking on Patent Trolls with Your Help*, ELECTRONIC FRONTIER FOUND. (July 31, 2013), <https://www.eff.org/deep-links/2013/07/trolling-effects-taking-patent-trolls-your-help>.

<sup>55</sup> The most commonly noted “copyright troll” is Righthaven, which essentially purchased the copyright to newspaper articles and proceeded to enforce the copyright against many, including nonprofits. See Greenberg, *supra* note 2, at 65–70. Notably, “Righthaven filed 276 lawsuits and reportedly recovered \$352,500 in 141 settlements.” *Id.* at 67.

<sup>56</sup> This is a relatively broad definition of a copyright troll. Notably, there are also problems with defining a copyright troll. Brad Greenberg provides the following definition of a copyright troll:

[T]his Article defines a copyright troll as a copyright owner who: (1) acquires a copyright—either through purchase or act of authorship—for the primary purpose of pursuing past, present, or future infringement actions; (2) compensates authors or creates works with an eye to the litigation value of a work, not the commercial value; (3) lacks a good faith licensing program; and (4) uses the prospect of statutory damages and litigation expenses to extract quick settlements of often weak claims.

*Id.* at 59.

<sup>57</sup> I am not making the argument that trademark enforcement practices are without problems.

<sup>58</sup> Similarly to patent trolls, there is not a universally accepted definition of trademark bullies. See Trevor Little, *List of the Top 'Trademark Bullies' Renew Debate*

trademark infringement theory of association, sponsorship, initial interest, or reverse confusion, that may involve goods and services that are not directly competitive with the alleged infringer's goods and services.<sup>59</sup> The claim could also be based upon dilution theory. The significant amount of money required to defend such a claim along with disputed factual issues, which may preclude early resolution of suit, may incentivize alleged infringers threatened with a cease-and-desist letter to simply stop doing the allegedly infringing activity.<sup>60</sup> The particularly troublesome incidents of trademark bullying impact areas protected by the First Amendment or implicate competition concerns.<sup>61</sup> Thus, a trademark holder may use a cease-and-desist letter based on an underlying weak claim to squash speech or competition.<sup>62</sup>

There is an argument that trademark doctrine and policy itself provides every incentive for trademark owners to vigorously enforce their marks for fear of losing the mark to genericide, to ensure the mark remains strong, to prevent dilution, and to preserve future lines of trade under the mark, among other reasons;<sup>63</sup> however, this does not necessarily mean that the trademark owner is a troll. Those are legitimate reasons and may set up an "enforce it" or "lose it" reasoning process justifying vigorous enforcement of a mark. Indeed, some trademarks have reached valuations in the billions of dollars.<sup>64</sup> Moreover, mark holders control the scope of protection of their mark through

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on *Enforcement Strategies*, WORLD TRADEMARK REV. (Jan. 30, 2013), <http://www.worldtrademarkreview.com/daily/detail.aspx?g=8fc00cc3-ebe7-466f-a124-89d93d84f031>. For a helpful definition of a trademark bully, see Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 642–50 (2011).

<sup>59</sup> Notably, the subject matter of what can be a trademark has expanded. See Jerome Gilson & Anne Gilson LaLonde, *Cinnamon Buns, Marching Ducks and Cherry-Scented Racecar Exhaust: Protecting Nontraditional Trademarks*, 95 TRADEMARK REP. 773, 774 (2005) (discussing expansive nature of trademark subject matter). However, the connection between expanded trademark subject matter per se and increased enforcement of those marks is less clear than with patents. For example, patent-eligible subject matter was arguably expanded to include patents on business methods and software, and those types of patents were and are asserted by patent trolls.

<sup>60</sup> Michael S. Mireles, *Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law*, 44 IND. L. REV. 427, 439 (2011).

<sup>61</sup> *Id.* at 434–35.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 439 (“[T]he structure of trademark law itself, given the focus of trademark law on consumer perception, results in vigorous enforcement and policing of trademark rights by trademark holders.”).

<sup>64</sup> See *Best Global Brands 2014*, INTERBRAND, <http://www.bestglobalbrands.com/2014/ranking/> (last visited Nov. 25, 2014). Moreover, in one year, the sale of licensed products was \$187 billion worldwide. See *The Top 125 Global Licensors*, GLOBAL LICENSE! (Mar. 1, 2010), <http://licensemag.com/license-global/top-125-global-licensors>.

licensing.<sup>65</sup> Again, trademark doctrine and policy encourage this behavior.

The trademark bully ordinarily uses its mark in commerce. Indeed, the trademark owner must use the mark in order to retain legal rights associated with the mark. Thus, one of the arguably defining characteristics of a troll is not present—the trademark owner or bully is practicing the intellectual property.

An additional question concerns the scope of the trademark-bullying problem. The reports regarding trademark bullying are somewhat conflicting.<sup>66</sup> This may be because of the difficulty in defining what is a trademark bully or what is trademark-bullying behavior. Again, the practice of enforcing a mark is encouraged under trademark law and policy, and thus identifying exactly when a party has exceeded the scope of the legal protection of its mark is not clear in many cases. For example, the USPTO produced a study examining whether the trademark-bullying issue was a problem.<sup>67</sup> The study stated:

Most of the direct respondents claimed at least some degree of first-hand knowledge of instances where unduly aggressive trademark litigation or pre-litigation tactics (e.g., cease-and-desist letters) were targeted at a small business . . . . When asked if they currently encounter the problem of other trademark owners using their

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<sup>65</sup> See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1916 (2007) (“Producers are able to frame just about any argument for broader protection in terms of consumer expectations, which they are in position to influence systematically through marketing. Moreover, once courts and Congress began to expand trademark law and committed it to consumer understanding, expansion became self-reinforcing—broader protection begets consumer expectations of greater control, which begets even broader protection.”); James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 907–08 (2007) (explaining why licensing markets emerge when no licenses are needed); Michael A. Johnson, *The Waning Consumer Protection Rationale of Trademark Law: Overprotective Courts and the Path to Stifling Post-Sale Consumer Use*, 101 TRADEMARK REP. 1320, 1355 (2011) (“The proliferation of product placements, cease and desist letters from mark owners in response to unauthorized post-sale uses, and overly protectionist court decisions have all shaped consumer expectations so that consumers now believe that virtually any post-sale use of a mark must be authorized.”); Mireles, *supra* note 60.

<sup>66</sup> For additional discussion of the evidence of trademark bullying, see Michael S. Mireles, *The Nuclear Option: Aesthetic Functionality to Curb Overreaching Trademark Claims*, 13 WAKE FOREST J. BUS. & INTELL. PROP. L., 281, 282–89 (2013) [hereinafter Mireles, *Nuclear Option*]. For discussion of trademark bullying and its harmful effects, see Grinvald, *supra* note 58, at 625; Irina D. Manta, *Bearing Down on Trademark Bullies*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 853 (2012); Jason R. Brege & Kelli A. Ovies, *Taking Down Trademark Bullying: Sketching the Contours of a Trademark Notice and Takedown Statute*, 12 WAKE FOREST J. BUS. & PROP. L. 392 (2012); Jessica M. Kiser, *To Bully or Not to Bully: Understanding the Role of Uncertainty in Trademark Enforcement Decisions*, 37 COLUM. J.L. & ARTS 211 (2014).

<sup>67</sup> See U.S. PATENT & TRADEMARK OFFICE, DEPT OF COMMERCE, TRADEMARK LITIGATION TACTICS AND FEDERAL GOVERNMENT SERVICES TO PROTECT TRADEMARKS AND PREVENT COUNTERFEITING (2011), available at [http://www.uspto.gov/ip/TMLitigationReport\\_final\\_2011April27.pdf](http://www.uspto.gov/ip/TMLitigationReport_final_2011April27.pdf).

trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow (e.g., is “trademark bullying a problem”), few commenters explicitly addressed whether and to what extent this issue is a significant problem. Given the limited number of comments and the varied nature of the commenters [sic] own experiences, the comments may be better viewed as anecdotal.<sup>68</sup>

The USPTO went on to state that “[s]ome commenters explained that trademark owners have an obligation to police their marks, and the cease-and-desist letter is a necessary, cost-effective part of the process.”<sup>69</sup> The USPTO further noted that “[a] handful of small business owners explained that they withdrew their trademark applications after receiving a cease-and-desist letter.”<sup>70</sup> Two studies, one by Professor Port and the other by Professor Gallagher, both support the assertion that over-enforcement of trademark claims may exist.<sup>71</sup> There are numerous anecdotal examples of trademark bullying and attempts to document trademark-bullying practices.<sup>72</sup> Thus, the question of whether trademark bullying is a widespread problem is unclear, and this is, in part, because of the difficult definitional issues concerning the concept. The supposed trademark bully is, however, an entity that uses a mark in which a substantial amount of goodwill has been cultivated and attempts to protect that mark.

Once trademark bullying is appropriately separated from trolling behavior then the question becomes why there are not more reports of actual trademark trolls. As discussed before, this Paper argues that there are at least eight reasons why a trademark troll problem is unlikely to develop in the United States.

#### B. The Reasons Why There Is Not a Trademark Troll Problem in the United States

This section discusses eight reasons why there is not a trademark troll problem in the United States. The reasons include: the trademark use requirement, Congress’ and ICANN’s response to issues concerning domain names, the availability and widespread use of *inter partes* administrative proceedings at the

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<sup>68</sup> *Id.* at 18.

<sup>69</sup> *Id.* at 19.

<sup>70</sup> *Id.* at 18.

<sup>71</sup> See Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 631 (2008); William T. Gallagher, *Trademark and Copyright Enforcement in the Shadow of IP Law*, 28 SANTA CLARA COMP. & HIGH TECH. L.J. 453, 496 (2012).

<sup>72</sup> See Mireles, *Nuclear Option*, *supra* note 66, at 288.

USPTO, Supreme Court precedent addressed to patent trolls applied in trademark cases, litigation and strategic advantages available to patent trolls not present in trademark cases, enforcement of consumer protection laws against patent trolls, shared appellate jurisdiction over trademark cases, and an early appellate case dealing harshly with a trademark troll.

### 1. The Trademark Use Requirement

This section discusses the trademark use requirement and how it underlies other doctrines in trademark law which prevent a trademark troll problem from developing in the United States. Those additional doctrines include abandonment, the prohibition against assignments in gross, and the requirement that licensing not be naked.

#### a. Common Law and Lanham Act Use Requirement

The main reason there are not more reports of trademark trolls in the United States is because of the fundamental requirement under U.S. trademark law that a trademark owner must use the mark in commerce to acquire and maintain rights.<sup>73</sup> Ancillary to this requirement, U.S. trademark law also requires that an assignment of a trademark must not be in gross and that a license of a trademark must not be “naked.”<sup>74</sup> While U.S. trademark law recognizes the ability of some trademark owners to acquire trademark rights without use, such as with intent to use applications or based on foreign use, U.S. law still requires ultimate use by the trademark owner to secure trademark rights.<sup>75</sup> U.S. trademark law recognizes that a

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<sup>73</sup> Most countries do not require use as a prerequisite for “either or both registration or renewal.” See 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:1.75 (4th ed. 2014) (noting only Argentina, Canada, Indonesia, Mexico, the Philippines, and the United States require use for registration and/or renewal). At least two commentators have noted that the “use” requirement prevents a trademark troll problem from developing. See David H. Bernstein & Andrew Gilden, *No Trolls Barred: Trademark Injunctions After eBay*, 99 TRADEMARK REP. 1037, 1064–65 (2009) (citing Gwilym Roberts, *Patent Trolls—New Name—Old Problem?*, CIPA J., Aug. 2005, at 523). Moreover, one commentator has analyzed a Seventh Circuit case which canceled a purported trademark troll’s mark because of a failure to use the mark. See Folgers, *supra* note 23. Folgers explains that the Seventh Circuit properly canceled the trademark registration of the supposed troll based on a finding of a lack of use. See *id.* at 452–55. Folgers also discusses how the cancellation process is an advantageous device to deter trolls who fail to satisfy the use requirement under the Lanham Act. See *id.* at 464–70.

<sup>74</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 33–34 (1995).

<sup>75</sup> See Karol A. Kepchar, *Protecting Trademarks: Common Law, Statutes and Treaties*, SL082 ALI-ABA 39, 43 (2006) (“The only exception to the use requirement in the United States applies to a foreign applicant relying on Paris Convention rights. However, such foreign applicant must use the mark in the United States in order to enforce and maintain the registration and avoid abandonment of the mark.”); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:19 (4th ed. 2014) (“While use as a mark in the United States is not required to obtain a registration under

trademark owner must file affidavits of use to maintain the registration, and a trademark that is not used may be considered abandoned.<sup>76</sup>

As discussed previously, the defining characteristic of a troll is failure to practice the intellectual property. Because the owner of the trademark must “use” the trademark to acquire and maintain rights, it is highly unlikely that the owner of a trademark who enforces its mark will also not “practice” the intellectual property. Practice of a trademark is use of the trademark.

The use requirement in U.S. trademark law has its origins in the common law.<sup>77</sup> In order to acquire trademark rights, a purported trademark owner needs to use the mark in commerce.<sup>78</sup> Thus, common law priority contests concerning the ownership of marks are determined by resort to who used the mark first.<sup>79</sup> Moreover, the importance of the use requirement at common law is exemplified by the common law’s treatment of the geographic extent of trademark protection. Essentially, a trademark owner’s rights only extended to the geographic area in which the trademark owner actually used the mark and where it might naturally expand.<sup>80</sup> For example, in the seminal case *United Drug Co. v. Theodore Rectanus Co.*, the U.S. Supreme Court stated:

There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another’s product as his; and it is not the subject of property except in connection with an existing business . . . .

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§ 44 or a Madrid Protocol extension of protection under § 66(a), use is required within a reasonable time or the protection is subject to cancellation for abandonment. And under § 8 or § 71, foreign owners are required, as are all registrants, to file during the fifth year of registration an affidavit that the mark . . . is in use in the United States.”)

<sup>76</sup> See 15 U.S.C. § 1058 (2012).

<sup>77</sup> See GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 250 (4th ed. 2014) (“For the establishment of rights at common law, *actual use* remains a precondition.”).

<sup>78</sup> See *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1264–65 (5th Cir. 1975) (“Ownership of a mark requires a combination of both appropriation and use in trade. Thus, neither conception of the mark, nor advertising alone establishes trademark rights at common law.”) (citations omitted).

<sup>79</sup> See *id.* at 1265 (“The exclusive right to a trademark belongs to one who first uses it in connection with specified goods.”).

<sup>80</sup> See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97–98 (1918).

It results that the adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade.<sup>81</sup>

Additionally, the federal Lanham Act provides that use is generally a prerequisite to obtaining federal trademark rights. Indeed, concerning the definition of a trademark, the Lanham Act in section 45 provides:

The term “trademark” includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter . . . .<sup>82</sup>

Section 45 of the Lanham Act further defines “use in commerce” as:

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale . . . .<sup>83</sup>

As recognized by the definition of a trademark, there are two main types of trademark applications: the use-based application and the intent-to-use-based application. The intent-to-use-based application rests on a statement of actual use.<sup>84</sup> Under

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<sup>81</sup> *Id.* For a discussion of the common law and federal Lanham Act provision concerning geographic use, see generally David S. Welkowitz, *The Problem of Concurrent Use of Trademarks: An Old/New Proposal*, 28 U. RICH. L. REV. 315 (1994).

<sup>82</sup> Lanham Act § 45, 15 U.S.C. § 1127 (2012). Section 1127 also includes a definition of service marks that also requires use. *Id.*

<sup>83</sup> *Id.* Section 1127 also includes a definition of “use in commerce” in connection with services. *Id.*

<sup>84</sup> *Id.* § 1051(a). Moreover, § 1051(a)(3)(D) requires that:

to the best of the verifier’s knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive.

*Id.* § 1051(a)(3)(D). It also provides an exception for concurrent use applications. *Id.* (“[E]xcept that, in the case of every application claiming concurrent use, the applicant shall—(i) state exceptions to the claim of exclusive use; and (ii) shall specify, to the extent



§ 1051(a)(1)–(3), the applicant must verify facts concerning the use of the mark.<sup>85</sup> These requirements ensure that the mark has been used in commerce. Moreover, if a trademark applicant receives a trademark registration and did not actually use the mark, the trademark applicant has committed fraud and the application is void.<sup>86</sup>

While the Lanham Act allows for a trademark registrant to reserve a priority date through an intent-to-use application, the trademark registrant must have a bona fide intent to use the mark in commerce<sup>87</sup> and must ultimately perfect its application through actual use of the mark in commerce.<sup>88</sup> The trademark registrant must demonstrate it actually used the mark in order to receive the earlier filing date.<sup>89</sup> While this process may appear to provide potential trolls the opportunity to obtain intent-to-use applications without use to hold up actual users, the trademark registrant is likely unable to enforce their mark until they have perfected their application through use. Furthermore, a trademark applicant with an intent-to-use filing cannot receive a final judgment from the Trademark Trial and Appeal Board concerning likelihood of confusion and priority.<sup>90</sup> The applicant must have perfected the application through use to receive a final judgment.<sup>91</sup>

Moreover, the Lanham Act requires that the applicant swear that “no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely . . . to cause confusion, or to cause mistake,

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of the verifier’s knowledge—(I) any concurrent use by others; (II) the goods on or in connection with which and the areas in which each concurrent use exists; (III) the periods of each use; and (IV) the goods and area for which the applicant desires registration.”).

<sup>85</sup> *Id.* § 1051(a).

<sup>86</sup> 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:72 (4th ed. 2014) (“The Trademark Board rule is that, in a use-based application, when at the time of application there was no use on any of the goods or services specified, the application and resulting registration is void . . .”).

<sup>87</sup> 15 U.S.C. § 1051(b)(3)(b).

<sup>88</sup> *Id.* § 1051(d). Section 15(d)(1) of the Lanham Act provides in pertinent part:

Within six months after the date on which the notice of allowance with respect to a mark is issued . . . to an applicant . . . the applicant shall file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Director and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant’s first use of the mark in commerce and those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce.

*Id.* Section 15(d)(2) also allows applicants to apply for extensions of time to file a statement of use. *See id.*

<sup>89</sup> *Id.*

<sup>90</sup> *Id.* § 1058.

<sup>91</sup> *Id.* For additional discussion, see 3 MCCARTHY, *supra* note 73, § 20:27.

or to deceive.”<sup>92</sup> The Lanham Act also prohibits the assignment of intent-to-use applications prior to perfection of the use.<sup>93</sup> This prohibition was added to the Lanham Act to prevent the development of a market for assignments of intent-to-use applications and effectively prevents the “trafficking” of marks that may be used against subsequent users.<sup>94</sup> Additionally, the Lanham Act requires that registered mark owners continue to submit affidavits at certain time periods to demonstrate actual use in commerce.<sup>95</sup>

Notably, the requirements concerning priority of use have led potential trademark owners to conduct relatively extensive searches before adopting a mark or filing a federal registration for a mark to determine if there is a confusingly similar prior use of the mark. Thus, the opportunity for a trademark troll to lie in wait for an unsuspecting trademark owner to develop goodwill surrounding the mark is less likely. The potential trademark owner, who consults with competent counsel, will have conducted an extensive search and will know whether a pre-existing, confusingly similar use exists within the United States.<sup>96</sup> Moreover, the nature of the trademark use is one that is a public use. By contrast, it is apparently not uncommon in some industries for researchers to fail to search for patents before researching in their field for fear of a finding of willful infringement.<sup>97</sup> Indeed, “[w]hen their research leads to an invention, their patent lawyers commonly don’t conduct a search for prior patents before seeking their own protection in the Patent and Trademark Office.”<sup>98</sup> It is also difficult to discover prior art in some fields, such as software, that have been subject to patent trolls. Trademark law benefits from the requirements of priority of use and the nature of a trademark use. The use is

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<sup>92</sup> 15 U.S.C. § 1051(b)(3)(D).

<sup>93</sup> *See id.* § 1060(a) (“Notwithstanding the preceding sentence, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of an amendment under section 1051(c) of this title to bring the application into conformity with section 1051(a) of this title or the filing of the verified statement of use under section 1051(d) of this title . . .”).

<sup>94</sup> DINWOODIE & JANIS, *supra* note 77, at 339 (citing S. Rep. No. 100-5115, 100th Cong., 2d Sess. 25 (1988)).

<sup>95</sup> 15 U.S.C. § 1058.

<sup>96</sup> Indeed, an international search is often undertaken.

<sup>97</sup> DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 31–32 (2009). This practice may be changing in light of Federal Circuit precedent. *See In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (“The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.”).

<sup>98</sup> *Id.*

necessarily one available to the public—allowing for relatively easy searching of confusingly similar or dilutive marks.

b. Abandonment

A trademark owner may lose its rights from failure to use because of abandonment under the common law.<sup>99</sup> The Restatement (Third) of Unfair Competition addresses abandonment and provides in relevant part:

- (1) In an action for infringement of a trademark, trade name, collective mark, or certification mark, it is a defense that the designation was abandoned by the party asserting rights in the designation prior to the commencement of use by the actor.
- (2) A trademark, trade name, collective mark, or certification mark is abandoned if:
  - (a) the party asserting rights in the designation has ceased to use the designation with an intent not to resume use; or
  - (b) the designation has lost its significance as a trademark, trade name, collective mark, or certification mark as a result of a cessation of use or other acts or omissions by the party asserting rights in the designation.<sup>100</sup>

Section 2(a) of the Restatement sets forth the general common law rule for abandonment of a mark through failure to use the mark.<sup>101</sup> Section 2(b) of the Restatement recognizes that marks may become generic, thereby losing their trademark significance, through non-use by the trademark owner.<sup>102</sup> The Lanham Act also recognizes that abandonment may essentially serve as a defense to infringement of registered marks and marks enforced

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<sup>99</sup> See, e.g., *Specht v. Google, Inc.*, 747 F.3d 929, 934 (7th Cir. 2014) (“If Specht abandoned and never resumed use of the mark, then Google could not have infringed on Specht’s intellectual property when it later released the Android operating system in 2007.”); *Cohen v. Nagle*, 76 N.E. 276, 279 (Mass. 1906) (“In such a case the conditions are similar to those existing when one having a trade-mark or trade-name abandons it, and leaves the name open to a future acquisition of rights in it, as if it had never been appropriated. There is no doubt that an abandonment paves the way for future possession and property in another person.”). It is important to note that the development of abandonment doctrine is intimately tied to trademark law’s concern with preventing a likelihood of confusion amongst consumers. Thus, the abandonment doctrine recognizes that residual goodwill may present a chance of confusion even without current use of the mark and requires intent not to resume use. See *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 30 cmt. b (1995) (“A trademark may retain significant good will despite a period of nonuse. A finding of abandonment can therefore result in the forfeiture of valuable rights and can also create the potential for confusion as to the source of goods or services by allowing use of the designation by others. Thus, to support a finding of abandonment, a court may properly require clear and convincing evidence of the former user’s intent not to resume use of the mark.”).

<sup>100</sup> *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 30.

<sup>101</sup> *Id.* § 30(2)(a).

<sup>102</sup> *Id.* § 30(2)(b).

through section 43(a) of the Lanham Act. The Lanham Act provides:

A mark shall be deemed to be “abandoned” if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.<sup>103</sup>

Notably, abandonment also applies to foreign marks holders under 44(e) of the Lanham Act.<sup>104</sup> Thus, a foreign mark holder is required to use the mark even though a foreign mark holder may not initially have to establish use to obtain a registration.

### c. “In Gross” Assignments and “Naked” Licensing

Related to abandonment, the common law also required that assignments not be made in gross and that licenses not be naked.<sup>105</sup> Both requirements are arguably based on the use

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<sup>103</sup> 15 U.S.C. § 1127 (2012). For additional commentary concerning abandonment, see Christopher T. Micheletti, *Preventing Loss of Trademark Rights: Quantitative and Qualitative Assessments of “Use” and Their Impact on Abandonment Determinations*, 94 TRADEMARK REP. 634 (2004).

<sup>104</sup> See Thomas L. Casagrande, *What Must a Foreign Service Mark Holder Do to Create and Maintain Trademark Rights in the United States?*, 93 TRADEMARK REP. 1354, 1356 (2003) (“[T]he concept of ‘abandonment’—the opposite side of the ‘use’ coin—has been applied to foreign mark holders and U.S. mark holders alike, and, in fact, the Lanham Act defines ‘abandonment’ with explicit reference to ‘use’ . . .”). There is a possibility that a trademark holder could fail to use the mark for several years and not be held to have abandoned the mark. Cf. 15 U.S.C. § 1127(b)(1) (noting non-use for three years creates presumption of abandonment).

<sup>105</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 33–34. The Lanham Act allows assignments of trademark registrations with goodwill. See 15 U.S.C. § 1060(a)(1) (“A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark.”). For criticism of these doctrines, see Irene Calboli, *Trademark Assignment “with Goodwill”: A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771, 776 (2005) (advocating “for a change toward free trademark transferability, or assignment ‘with or without’ goodwill, to eliminate the ambiguities and inconsistencies created by the current wording of Section 10”); Irene Calboli, *The Sunset of “Quality Control” in Modern Trademark Licensing*, 57 AM. U. L. REV. 341, 347 (2007) (advocating “for a more flexible approach to assessing the validity of licensing, which will eliminate the inconsistencies resulting from the erratic application of quality control”). For additional commentary concerning

obligation. Specifically, the requirements recognize that trademark rights are based on use of a trademark in connection with specific goods and services and the goodwill developed around that usage. If assignments were made without the goodwill associated with the mark, consumers may be confused.<sup>106</sup> Further, if licensors fail to control the quality of the goods and services sold under the mark, consumers likewise may be confused.<sup>107</sup>

Because an assignment cannot be in gross, another party should not be able to receive trademark rights by assignment without actually having been transferred the mark in connection with the underlying goodwill.<sup>108</sup> Coupled with the use requirement, this essentially means that the assignee must use the mark in commerce—the assignee must “practice” the mark. Moreover, if a trademark owner licenses its trademark to a licensee, the trademark owner is required to exercise some level of control over the use of the mark by the licensee.<sup>109</sup> Again, this

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assignments in gross, see BARTON BEEBE ET AL., TRADEMARKS, UNFAIR COMPETITION, AND BUSINESS TORTS 264–66 (2011).

<sup>106</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 34 cmt. b. The Comment, in relevant part, states:

Accordingly, courts now evaluate each assignment in light of the circumstances of the particular case, including both the terms of the transfer and the nature of the assignee's subsequent use. Recent decisions recognize that the central inquiry is whether the use of the mark by the assignee is likely to confuse prospective purchasers by departing from the expectations created by the presence of the trademark. The traditional requirement of an accompanying transfer of good will can thus be understood as requiring that the assignment not disrupt the existing significance of the mark to consumers.

*Id.*

<sup>107</sup> See *id.* § 33 cmt. b (“An uncontrolled or ‘naked’ license allows use of the trademark on goods or services for which the trademark owner cannot offer a meaningful assurance of quality. When a trademark owner fails to exercise reasonable control over the use of the mark by a licensee, the presence of the mark on the licensee’s goods or services misrepresents their connection with the trademark owner since the mark no longer identifies goods or services that are under the control of the owner of the mark. Although prospective purchasers may continue to perceive the designation as a trademark, the courts have traditionally treated an erosion of the designation’s capacity for accurate identification resulting from uncontrolled licensing as a loss of trademark significance, thus subjecting the owner of the mark to a claim of abandonment under the rule stated in § 30(2)(b).”).

<sup>108</sup> See *id.* § 34. Section 34 provides in relevant part:

An assignment of ownership transfers the assignor’s priority in the use of the designation to the assignee only if the assignee also acquires the line of business that is associated with the designation or otherwise maintains continuity in the use of the designation by continuing the line of business without substantial change. An assignment of ownership that does not maintain continuity in the use of the designation can result in abandonment of the designation under the rule stated in § 30.

*Id.*

<sup>109</sup> See *id.* § 33. Section 33 provides, in relevant part, “Failure of the licensor to exercise reasonable control over the use of the designation by the licensee can result in abandonment of the designation under the rule stated in § 30(2)(b).” *Id.* Notably, at least

assumes that the licensee must use the mark—and must use the mark in a certain prescribed manner. Indeed, the Restatement (Third) of Unfair Competition recognizes that usage by a licensee can inure to the benefit of the licensor<sup>110</sup> and that an assignee cannot obtain the priority date of the assignor unless the “line of business” is transferred—the prior usage.<sup>111</sup> Both of these requirements together seem to prohibit the ability of a party who receives trademark rights from a trademark owner from enforcing its licensed or assigned rights against third parties without actually having used or practiced the mark in connection with the goods and services. This would seem to exclude those parties from the definition of a troll.

A common tactic or strategy of patent trolls is to acquire patents from bankrupt firms.<sup>112</sup> Patent trolls can obtain patents for a very low cost and then use those patents to hold up other firms that actually practice the invention. The use requirement and the rules concerning assignment in gross and naked licensing essentially prohibit the enforcement of marks acquired in a bankruptcy sale against other users. For example, Borders, a large retail bookseller, declared bankruptcy. Arguably, there could be substantial goodwill remaining in the “Borders” mark.<sup>113</sup> A trademark troll could purchase the Borders mark. However, the trademark troll would necessarily have to also acquire the underlying goodwill with the mark and would need to continue to use the mark in commerce. The trademark troll may have a period of time during which it could retain the rights to the mark without use; however, a competent trademark attorney should be able to discover that the trademark troll owns the mark and avoid a holdup situation by avoiding usage of a similar mark in a similar line of business. Moreover, the entire problem is likely avoided in the first instance because competent counsel should have completed a full clearance search discovering the use of “Borders” in connection with retail book sales. Thus, a trademark troll is unlikely to be able to take advantage of a business/litigation model premised on purchasing trademarks for

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one court has stated that attempts to license can serve as evidence of use. *See* *Condom Sense v. Alshalabi*, 390 S.W.3d 734, 756 (Tex. Ct. App. 2012).

<sup>110</sup> *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 33 (“If the licensor exercises reasonable control over the nature and quality of the goods, services, or business on which the designation is used by the licensee, any rights in the designation arising from the licensee’s use accrue to the benefit of the licensor.”).

<sup>111</sup> *Id.* § 33 cmt. c (“An assignee does not succeed to the assignor’s priority in the use of the designation unless the transaction permits the assignee to continue the line of business with which the mark is associated.”).

<sup>112</sup> *See* Bryant, *supra* note 29, at 691 (“Patent trolls often acquire patents from bankrupt firms . . .”).

<sup>113</sup> Thanks to Ann-Michele Hart for this example.

a very low price at a bankruptcy sale and monetizing those trademarks through litigation.

Because of the enduring requirement of use of a trademark in U.S. trademark law, it is unlikely that trademark enforcement practices by trademark owners will be considered trolling behavior. Trademark owners are required to use their marks in commerce—to practice the marks—and if they do not, they may not have any trademark rights at all.<sup>114</sup> This is usually the case whether the trademark owner is attempting to license or assign the trademark.

## 2. Domain Names and Trademark Issues

An area of trademark practice that was ripe for enforcement abuse involved Internet domain names. Essentially, a person would ascertain that an entity owned a particular trademark, usually consisting solely of a word, and that person would register the domain name consisting of that trademark or a slight variation of it. The so-called “domain name squatter” would then attempt to “hold up” the trademark owner—force the trademark owner to pay the domain name squatter in exchange for the domain name. Domain name squatting was rampant in the early days of the Internet and is still a problem. Congress and ICANN responded to this problem with tailored legislation and policies, respectively, designed to provide quick and effective relief to trademark owners. The problem of domain name squatting for top-level domain names recently arose because of the availability for registration of top-level domain names; however, ICANN developed policies designed to intercept any potential issues. The legislation and policies prevent the likelihood of a troll-like problem developing in this area of trademark practice.

Technically, however, domain name squatting is not trolling behavior similar to the actions taken by a patent troll. A patent troll ordinarily does legally own the patent. The patent troll is not practicing the patent. The domain name owner does legally own the domain name registration at the time of registration; however, it may not own trademark rights in the name itself, although that question may depend on whether the domain name holder is actually using the name in connection with goods and services. If the domain name holder is making a good faith use of the name in connection with goods and services that is not confusingly similar or does not dilute the trademark of the trademark owner, then there may not be a trademark problem.

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<sup>114</sup> I am not arguing that patent law should have a “practice” requirement.

In some ways, however, the domain name squatter is analogous to the patent troll. For example, the domain name squatter may be similar to a patent troll who is relying on a low-quality patent to extract licensing fees from a patent owner. The domain name squatter similarly has obtained rights to a domain name with ostensible trademark rights and is attempting to obtain undeserved payment from the trademark owner.

a. The Anticybersquatting Act

An examination of the Anticybersquatting Consumer Protection Act (ACPA)<sup>115</sup> and the ICANN Uniform Dispute Resolution Policy demonstrates how trademark squatting in the domain name arena has been lessened. The ACPA creates a federal cause of action against an individual who—with bad faith intent to profit—registers, traffics, or uses a domain name that is identical or confusingly similar to a trademark owned by another.<sup>116</sup> Importantly, the statute does not require an analysis of the similarity of goods and services, as ordinary trademark infringement analysis does.<sup>117</sup> This modification to the trademark infringement inquiry makes it easier for a trademark holder to address potential cybersquatting. The action also extends protection to famous marks from dilutive use by identical or confusingly similar domain names.<sup>118</sup> One critical portion of the statute addresses the definition of “bad faith intent to profit.” This part of the statute importantly distinguishes between conduct that is considered proper or improper with respect to registering domain names consisting of a trademark of another. Courts are provided with several factors to determine whether “bad faith intent to profit” exists.<sup>119</sup>

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<sup>115</sup> See generally Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1501 (1999) (codified as amended in scattered sections of 15 U.S.C.).

<sup>116</sup> 15 U.S.C. § 1125(d) (2012).

<sup>117</sup> *Sporty's Farm LLC v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 497 n.11 (2d Cir. 2000).

<sup>118</sup> 15 U.S.C. § 1125(d)(1)(A)(ii)(II).

<sup>119</sup> *Id.* § 1125(d)(1)(B)(i). The relevant sections provide:

(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the



The first three factors are directed to any pre-existing legal rights that a person may have had under the domain name.<sup>120</sup> Those pre-existing legal rights may be based upon an actual use of the domain name, which may serve as the basis of intellectual property rights through trademark use or copyright law. Subsection IV recognizes that the person may be making a legally protected use of another's trademark—essentially a use that cannot be prohibited under trademark law, such as fair use.<sup>121</sup> The ACPA is attempting to not provide trademark rights greater than those already accorded under trademark law except to prevent the specific, targeted harm. Subsection V also focuses on the usage of the particular mark in ascertaining whether there is bad faith by examining the intent of the squatter to divert consumers by confusing them or diluting the mark.<sup>122</sup> The next three factors are concerned with specific proof that the squatter is directing its efforts toward “holding up” the trademark owner by examining whether they are selling domain names without use, hiding their identity, or warehousing domain names.<sup>123</sup> The last factor is directed to ensuring that the alleged squatter simply did not obtain a domain name in a term without much trademark significance, and is not itself a victim of an

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goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c) of this section.

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

*Id.* at § 1125(d)(1)(B)(i)–(ii).

<sup>120</sup> *Id.* § 1125(d)(1)(B)(i)(I)–(III).

<sup>121</sup> *Id.* § 1125(d)(1)(B)(i)(IV).

<sup>122</sup> *Id.* § 1125(d)(1)(B)(i)(V).

<sup>123</sup> *Id.* § 1125(d)(1)(B)(i)(VI)–(VIII).

overzealous trademark owner.<sup>124</sup> Importantly, the legislation's remedies are specifically designed to address the harm caused by cybersquatting by providing for cancellation and forfeiture of the domain name by court order.<sup>125</sup> In addition, the statute provides for an "in rem" action against the domain name if the trademark owner cannot identify the cybersquatter.<sup>126</sup> The availability of this relatively well-structured legislation addresses the problem of cybersquatters and prevents abuse of the domain name registration system.<sup>127</sup>

#### b. Uniform Domain Name Dispute Resolution Policy

ICANN also offers a Uniform Domain Name Dispute Resolution Policy (UDRP), which addresses how conflicts over domain names can be resolved.<sup>128</sup> The UDRP provides quick and effective relief to domain name squatting.<sup>129</sup> Indeed, disputes can be resolved in as little as forty-five days from initiation of the action.<sup>130</sup>

The UDRP is incorporated into registration agreements for domain names and mandates an administrative resolution of disputes concerning domain names between two parties.<sup>131</sup> The UDRP is similar to the ACPA in some respects. The UDRP states that disputes concerning domain names are resolved pursuant to the policy if:

- (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and

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<sup>124</sup> *Id.* § 1125(d)(1)(B)(i)(IX).

<sup>125</sup> *Id.* § 1125(d)(1)(C).

<sup>126</sup> *Id.* § 1125(d)(2)(A).

<sup>127</sup> Notably, Professor Goldman has compared the Vermont legislation targeted at bad faith patent assertions to the ACPA. See Eric Goldman, *Vermont Enacts the Nation's First Anti-patent Trolling Law*, FORBES (May 22, 2013, 2:22 PM), <http://www.forbes.com/sites/ericgoldman/2013/05/22/vermont-enacts-the-nations-first-anti-patent-trolling-law/> [hereinafter Goldman, *Vermont*]. Professor Goldman notes that cybersquatting was squashed under the ACPA and that it "is fairly characterized as a solid success." *Id.*; see also Eric Goldman, *The Best and Worst Internet Laws*, INFORMIT (Apr. 20, 2007), <https://www.informit.com/articles/article.aspx?p=717374&seqNum=2>. Professor Goldman does state, however, that some tactics have changed since the '90s, resulting in trademark abuse, such as using the ACPA to attack grippers. *Id.* Congress could pass legislation similar to the ACPA to address patent trolls.

<sup>128</sup> *Uniform Domain Name Dispute Resolution Policy*, ICANN, <https://www.icann.org/resources/pages/policy-2012-02-25-en> (last visited Oct. 17, 2014). For a detailed analysis of the UDRP, see generally A. Michael Froomkin, *ICANN's "Uniform Dispute Resolution Policy"—Causes and (Partial) Cures*, 67 BROOK. L. REV. 605 (2002).

<sup>129</sup> *Uniform Domain Name Dispute Resolution Policy*, *supra* note 128.

<sup>130</sup> 5 MCCARTHY, *supra* note 75, § 25A:21 ("It is designed to be a simple, quick, and inexpensive method of determining if a domain name has been the subject of cybersquatting. If the time limits are adhered to, a dispute can be resolved quickly—within 45 days of the initial filing of a complaint.")

<sup>131</sup> *Uniform Domain Name Dispute Resolution Policy*, *supra* note 128.

(ii) you have no rights or legitimate interests in respect of the domain name; and

(iii) your domain name has been registered and is being used in bad faith.<sup>132</sup>

The UDRP similarly seeks to resolve whether a domain name registrant is attempting to hold up a trademark holder by discerning whether the domain name registrant has some legitimate claim to the domain name or is merely attempting to extract payments from a trademark holder. The key inquiries are whether the domain name holder has a “right[] or [a] legitimate interest[]” with respect to the domain name and has registered and is using the domain name in bad faith.<sup>133</sup> The following facts may demonstrate a “legitimate interest[]” in the domain name:

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.<sup>134</sup>

These factors recognize that multiple parties may have legitimate interests in the same domain name.<sup>135</sup> A party may be able to produce evidence of intent to offer goods and services under the mark which may be sufficiently different from those offered by the trademark owner.<sup>136</sup> Thus, the trademark owner may not have a legitimate trademark claim against the domain name registrant.<sup>137</sup> A party may be able to demonstrate that they are known by the domain name even without trademark rights.<sup>138</sup> Finally, the registrant may be making use of another’s trademark in a way that is not recognized as an infringement because of a defense or exemption from trademark infringement or dilution.<sup>139</sup> This fact recognizes that the underlying interest

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<sup>132</sup> *Id.*

<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *See id.*

<sup>136</sup> *See id.*

<sup>137</sup> *See id.*

<sup>138</sup> *Id.*

<sup>139</sup> *See id.*

protected by the dispute resolution policy in the challenger is based upon trademark principles.<sup>140</sup>

The factors for bad faith point to activity which demonstrates that the registrant is essentially registering the domain name to hold up the trademark owner. The factors for bad faith include:

- (i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or
- (ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or
- (iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or
- (iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.<sup>141</sup>

The first factor expressly takes into account attempts to extract undeserved payments from the trademark owner by attempting to transfer the domain name to the trademark owner.<sup>142</sup> The second factor examines whether a registrant has a history of registering marks for the purpose of preventing the owner of the mark from using it.<sup>143</sup> The third factor looks to intent to interfere with the business of a competitor.<sup>144</sup> Finally, the last factor considers attempts to create a likelihood of confusion to divert consumers to another website for commercial gain.<sup>145</sup>

The UDRP provides for the cancellation and transfer of a domain name registration as a remedy. These remedies effectively end the dispute and any leverage that a domain name squatter may have had against the legitimate trademark owner.

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<sup>140</sup> *See id.*

<sup>141</sup> *Id.*

<sup>142</sup> *Id.*

<sup>143</sup> *Id.*

<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

In addition to the UDRP, some domain name registries also offer “Rights Protection Mechanisms . . . such as a ‘sunrise’ procedure during their pre-launch phase by which rights holders may defensively register or object to the registration of domain names in certain circumstances.”<sup>146</sup> This type of procedure further protects trademark owners from abusive cybersquatters and reduces the likelihood of holdups. The UDRP is widely considered a successful policy in addressing domain name disputes. Notably, the World Intellectual Property Organization (WIPO) has administered over 30,000 cases using the UDRP.<sup>147</sup>

Moreover, bona fide domain name registrants, who may also be the legitimate trademark owners, are protected from abuse of the dispute resolution process by a specific provision of the Lanham Act.<sup>148</sup> Section 1114(2)(D)(iv) of Title 15 of the U.S. Code provides:

If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney’s fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.<sup>149</sup>

This provision essentially allows a legitimate trademark owner to recover “damages[,] . . . costs[,] and attorney fees” based on “abuse of process” or “malicious prosecution” under the dispute resolution process.<sup>150</sup> The Lanham Act ultimately protects trademark owners from frivolous suits and deters the assertion of those suits.

### c. Top-Level Domain Names

Based on the experience developed through dealing with domain name squatting, ICANN has been able to effectively plan for potential cybersquatting issues. In 2005, ICANN began investigating whether to allow the registration of new generic

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<sup>146</sup> *Domain Name Dispute Resolution Service for Generic Top-level Domains*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/amc/en/domains/gtld/> (last visited Oct. 17, 2014).

<sup>147</sup> *Domain Name Dispute Resolution*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/amc/en/domains/> (last visited Oct. 17, 2014).

<sup>148</sup> This abuse is often called “reverse domain name hijacking.” See 5 MCCARTHY, *supra* note 75, § 25A:38 (citing *Rules for Uniform Domain Name Dispute Resolution Policy*, ICANN, <https://www.icann.org/resources/pages/rules-be-2012-02-25-en> (last visited Jan. 13, 2015)).

<sup>149</sup> 15 U.S.C. § 1114(2)(D)(iv) (2012).

<sup>150</sup> 5 MCCARTHY, *supra* note 75, § 25A:38.

top-level domain names.<sup>151</sup> A top-level domain name is often referred to as a gTLD and includes, for example, .com or .net.<sup>152</sup> The opportunity to register a top-level domain name creates obvious issues with respect to trademark rights.<sup>153</sup> Opportunistic cybersquatters could attempt to register the trademarks of other entities and then hold up the trademark owners. However, ICANN began to develop policies for addressing the potential for abuse of the system after deciding to move forward with offering generic top-level domain names for registration.<sup>154</sup> The policies include Legal Rights Objections, the Uniform Rapid Suspension System, Trademark Post-Delegation Dispute Resolution Procedures, and the Trademark Clearinghouse.

First, ICANN took a proactive approach to ensure that rampant domain name squatting would not occur in the first instance.<sup>155</sup> ICANN allowed trademark owners to file “Legal Rights Objection[s]” against applicants for top-level domain names prior to the grant of the name.<sup>156</sup> This procedure was

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<sup>151</sup> *About the Program*, ICANN, <http://newgtlds.icann.org/en/about/program> (last visited Dec. 4, 2014). For a discussion of the history concerning gTLDs and ICANN, see Daniela Michele Spencer, *Much Ado About Nothing: ICANN's New GTLDs*, 29 BERKELEY TECH. L.J. 865, 870–72 (2014). ICANN also required a relatively high fee to attempt register a gTLD as well as a demonstration of financial resources to support the registry. *Id.* at 872 (“The applicant must pay \$185,000 for the evaluation fee, pay for ongoing registry operational costs, and ‘demonstrate sufficient financial depth to keep the registry fully operational . . . .’”) (citing *Benefits & Risks of Operating a New gTLD*, ICANN, <http://newgtlds.icann.org/en/about/benefits-risks> (last visited Jan. 13, 2015)). “The hefty \$185,000 application fee . . . deters cybersquatters from registering [a] gTLD.” Brandon Marsh, *ICANN'T Help Myself: Beneficial Adjustments to the New Generic Top-Level Domain Name Expansion Process*, 95 J. PAT. & TRADEMARK OFF. SOC'Y 195, 198 (2013). ICANN also instituted a background check of all new registrants which included potential disqualification because of past “[c]onviction of a felony or misdemeanor relating to fraud, breach of fiduciary duty, . . . [and i]nvolvement in . . . [past] cybersquatting activit[ies],” among other grounds. Terence P. Ross, *Understanding ICANN's New Top-Level Domain Name Program*, in UNDERSTANDING DEVELOPMENTS IN CYBERSPACE LAW: LEADING LAWS ON EXAMINING PRIVACY ISSUES, ADDRESSING SECURITY CONCERNS, AND RESPONDING TO RECENT IT TRENDS 41, 46–47 (Aspatore 2011).

<sup>152</sup> *New gTLD Fast Facts*, ICANN, <http://newgtlds.icann.org/en/about/program> (last visited Jan. 13, 2015).

<sup>153</sup> See Dennis S. Prah & Eric Null, *The New Generic Top-Level Domain Program: A New Era of Risk for Trademark Owners and the Internet*, 101 TRADEMARK REP. 1757, 1797–99 (2011) (discussing protecting trademarks under new gTLD regime).

<sup>154</sup> For additional commentary concerning the new gTLD system, including measures to protect trademark rights, see *id.* and Marsh, *supra* note 151, at 196 (proposing to “strengthen the new rights protection mechanisms”).

<sup>155</sup> Notably, ICANN solicited input from various stakeholders before developing its policies.

<sup>156</sup> THE INTERNET CORP. FOR ASSIGNED NAMES & NOS., GTLD APPLICANT GUIDEBOOK, MODULE 3, at 3-4 (2012), available at <http://newgtlds.icann.org/en/applicants/agb/objection-procedures-04jun12-en.pdf>; WORLD INTELLECTUAL PROP. ORG., WIPO ARBITRATION AND MEDIATION CENTER END REPORT ON LEGAL RIGHTS OBJECTION PROCEDURE 2013, at 3 (2013), available at <http://www.wipo.int/export/sites/www/amc/en/docs/lroreport.pdf> (“The GNSO released its Final Report on the Introduction of New Generic Top-Level Domains in August 2007, including 19 recommendations for

available for almost a year for new applications for top-level domain names and allowed an action similar to a trademark opposition to be filed against an application. The Applicant Guidebook, designed to provide assistance to potential users of the new top-level domain name program, sets forth the criteria for determining whether there are adequate grounds for a Legal Rights Objection.<sup>157</sup> The criteria include:

whether the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector's registered or unregistered trademark or service mark ("mark") or IGO name or acronym (as identified in the treaty establishing the organization), or unjustifiably impairs the distinctive character or the reputation of the objector's mark or IGO name or acronym, or otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector's mark or IGO name or acronym.<sup>158</sup>

The Applicant Guidebook also provides a list of non-exclusive factors to determine whether a Legal Rights Objection should be sustained.<sup>159</sup> The non-exclusive factors are, in part, directed to a

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implementing a program for the introduction of new gTLDs. Among the recommendations were that '[s]trings must not infringe the existing legal rights of others' (Recommendation 3) and that '[d]ispute resolution and challenge processes must be established prior to the start of the process' (Recommendation 12).")

<sup>157</sup> THE INTERNET CORP. FOR ASSIGNED NAMES & NOS., *supra* note 156, at 3-18.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.* at 3-19. The non-exclusive list of factors to be considered include:

1. Whether the applied-for gTLD is identical or similar, including in appearance, phonetic sound, or meaning, to the objector's existing mark.
2. Whether the objector's acquisition and use of rights in the mark has been bona fide.
3. Whether and to what extent there is recognition in the relevant sector of the public of the sign corresponding to the gTLD, as the mark of the objector, of the applicant or of a third party.
4. Applicant's intent in applying for the gTLD, including whether the applicant, at the time of application for the gTLD, had knowledge of the objector's mark, or could not have reasonably been unaware of that mark, and including whether the applicant has engaged in a pattern of conduct whereby it applied for or operates TLDs or registrations in TLDs which are identical or confusingly similar to the marks of others.
5. Whether and to what extent the applicant has used, or has made demonstrable preparations to use, the sign corresponding to the gTLD in connection with a bona fide offering of goods or services or a bona fide provision of information in a way that does not interfere with the legitimate exercise by the objector of its mark rights.
6. Whether the applicant has marks or other intellectual property rights in the sign corresponding to the gTLD, and, if so, whether any acquisition of such a right in the sign, and use of the sign, has been bona fide, and whether the purported or likely use of the gTLD by the applicant is consistent with such acquisition or use.
7. Whether and to what extent the applicant has been commonly known by the sign corresponding to the gTLD, and if so, whether any purported or likely use of the gTLD by the applicant is consistent therewith and bona fide.

determination of the good faith of the applicant and objector, particularly in examining whether either party has a bona fide right to use the particular name.<sup>160</sup> Similar to the UDRP and the Anticybersquatting Act, Legal Rights Objections provide an opportunity to resolve a dispute concerning a domain name relatively quickly, prior to its registration. Notably, the fees for resolving a Legal Rights Objection case were set at a relatively low rate—\$10,000 for a single panelist.<sup>161</sup> WIPO administered the dispute resolution of the Legal Rights Objections and released a report (WIPO Top-Level Domains Report) detailing its experience.<sup>162</sup> Seventy-one Legal Rights Objections were filed within an almost one-year period of time, and sixty-nine cases were heard by WIPO panels.<sup>163</sup> Of the sixty-nine cases, “[s]ix proceedings were terminated, in 3 cases due to the withdrawal of gTLD applications.”<sup>164</sup> “Expert panels upheld 4 legal rights objections, with dissenting opinions in 3 of these cases. Expert panels rejected 59 legal rights objections.”<sup>165</sup> The cases were also resolved in an average of around fifty days.<sup>166</sup> The WIPO Top-Level Domains Report also noted that the presence of the Legal Rights Objections process may have deterred potential squatters from filing applications for top-level domain names.<sup>167</sup>

ICANN also established a complement to the UDRP, which is the Uniform Rapid Suspension System (URSS). The URSS is designed to resolve domain name disputes in new top-level domains involving clear cases of trademark infringement. The URSS has three basic requirements: first, a confusingly similar use of a trademark; second, the user has no legitimate right or interest in the mark; and third, the domain name is being used in

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8. Whether the applicant’s intended use of the gTLD would create a likelihood of confusion with the objector’s mark as to the source, sponsorship, affiliation, or endorsement of the gTLD.

*Id.*

<sup>160</sup> *Id.*

<sup>161</sup> WORLD INTELLECTUAL PROP. ORG., *supra* note 156, at 7.

<sup>162</sup> *Id.* at 3.

<sup>163</sup> *Id.* at 10–11.

<sup>164</sup> *Id.* at 11.

<sup>165</sup> *Id.* at 11.

<sup>166</sup> *Id.* at 11.

<sup>167</sup> *Id.* at 13 (“Although this remains a matter of speculation, it appears reasonable to presume that the existence itself of the pre-delegation Legal Rights Objection mechanism, including published decision criteria and consideration factors, may have prevented a number of potentially improper gTLD applications from being made.”). See generally *Legal Rights Objections Under ICANN’s New gTLD Program*, WORLD INTEL. PROP. ORG., <http://www.wipo.int/amc/en/domains/lro> (last visited Jan. 15, 2015), and WORLD INTELLECTUAL PROP. ORG., *supra* note 156, at 15–17, for a description of the marks and the identities of the objector and applicant, as well as the resolution of the matter.



bad faith.<sup>168</sup> The URSS also includes a non-exclusive list of factors to determine whether a domain name is used in bad faith.<sup>169</sup> Notably, the URSS factors are similar to the UDRP. The remedy under the URSS is suspension of the domain name.

In addition to the URSS, ICANN also established the Trademark Post-Delegation Dispute Resolution Procedures (Trademark PDDRP), which are designed to address disputes concerning the actions of a top-level domain name registry and trademarks.<sup>170</sup> “The Trademark PDDRP generally address[] a Registry Operator’s complicity in trademark infringement on the first or second level of a New gTLD.”<sup>171</sup> These rules allow the trademark owner to challenge the Registry Operator itself.<sup>172</sup> The

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<sup>168</sup> UNIFORM RAPID SUSPENSION SYSTEM (URS) §§ 1.2.6.1–1.2.6.3 (2013), available at <http://newgtlds.icann.org/en/applicants/urs/procedure-01mar13-en.pdf>.

<sup>169</sup> *Id.* § 1.2.6.3. The factors include:

- a. Registrant has registered or acquired the domain name primarily for the purpose of selling, renting or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of documented out-of-pocket costs directly related to the domain name; or
- b. Registrant has registered the domain name in order to prevent the trademark holder or service mark from reflecting the mark in a corresponding domain name, provided that Registrant has engaged in a pattern of such conduct; or
- c. Registrant registered the domain name primarily for the purpose of disrupting the business of a competitor; or
- d. By using the domain name Registrant has intentionally attempted to attract for commercial gain, Internet users to Registrant’s web site or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of Registrant’s web site or location or of a product or service on that web site or location.

*Id.*

<sup>170</sup> *Post-Delegation Dispute Resolution Procedures (PDDRP)*, ICANN, <http://newgtlds.icann.org/en/program-status/pddrp> (last visited Jan. 15, 2015).

<sup>171</sup> *Id.*

<sup>172</sup> For example, the rules concerning the first level of a new top-level domain name provide that a complainant must prove:

by clear and convincing evidence, that the registry operator’s affirmative conduct in its operation or use of its gTLD string that is identical or confusingly similar to the complainant’s mark, causes or materially contributes to the gTLD doing one of the following:

- (a) taking unfair advantage of the distinctive character or the reputation of the complainant’s mark; or
- (b) impairing the distinctive character or the reputation of the complainant’s mark; or
- (c) creating a likelihood of confusion with the complainant’s mark.

An example of infringement at the top-level is where a TLD string is identical to a trademark and then the registry operator holds itself out as the beneficiary of the mark.

TRADEMARK POST-DELEGATION DISPUTE RESOLUTION PROCEDURE (TRADEMARK PDDRP) § 6.1 (2012), available at <http://newgtlds.icann.org/en/applicants/agb/pddrp-04jun12-en.pdf>.

rules concerning second-level domains are directed toward ascertaining the bad faith intent of the Registry Operator.<sup>173</sup>

Finally, ICANN also established the Trademark Clearinghouse. The Trademark Clearinghouse is a registry of trademarks submitted by trademark owners.<sup>174</sup> Once a trademark is registered in the Trademark Clearinghouse, the trademark owner is notified if a similar top-level domain name is applied for.<sup>175</sup> This allows the trademark owner to easily ascertain whether its trademark may be infringed.<sup>176</sup> This substantially reduces trademark-policing costs.<sup>177</sup>

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<sup>173</sup> *Id.* § 6.2. The rules concerning a second-level domain name of a new top-level domain name provide that complainants are required to prove:

by clear and convincing evidence that, through the registry operator's affirmative conduct:

(a) there is a substantial pattern or practice of specific bad faith intent by the registry operator to profit from the sale of trademark infringing domain names; and

(b) the registry operator's bad faith intent to profit from the systematic registration of domain names within the gTLD that are identical or confusingly similar to the complainant's mark, which:

(i) takes unfair advantage of the distinctive character or the reputation of the complainant's mark; or

(ii) impairs the distinctive character or the reputation of the complainant's mark, or

(iii) creates a likelihood of confusion with the complainant's mark.

In other words, it is not sufficient to show that the registry operator is on notice of possible trademark infringement through registrations in the gTLD. The registry operator is not liable under the PDDRP solely because: (i) infringing names are in its registry; or (ii) the registry operator knows that infringing names are in its registry; or (iii) the registry operator did not monitor the registrations within its registry.

A registry operator is not liable under the PDDRP for any domain name registration that: (i) is registered by a person or entity that is unaffiliated with the registry operator; (ii) is registered without the direct or indirect encouragement, inducement, initiation or direction of any person or entity affiliated with the registry operator; and (iii) provides no direct or indirect benefit to the registry operator other than the typical registration fee (which may include other fees collected incidental to the registration process for value added services such as enhanced [sic] registration security).

An example of infringement at the second level is where a registry operator has a pattern or practice of actively and systematically encouraging registrants to register second level domain names and to take unfair advantage of the trademark to the extent and degree that bad faith is apparent. Another example of infringement at the second level is where a registry operator has a pattern or practice of acting as the registrant or beneficial user of infringing registrations, to monetize and profit in bad faith.

*Id.*

<sup>174</sup> *Trademark Clearinghouse for Rights Holders*, ICANN, <http://newgtlds.icann.org/en/about/trademark-clearinghouse/rights-holders> (last visited Jan. 12, 2015).

<sup>175</sup> *Id.*

<sup>176</sup> *Id.*

<sup>177</sup> *See id.*

While domain name squatters were able to take advantage of trademark owners in the early days of the Internet, ICANN and Congress reacted thoughtfully in curbing the abuse of domain names by establishing effective policies and law.<sup>178</sup> Indeed, several commentators have noted how the ACPA effectively stops cybersquatting.<sup>179</sup> One exhaustive report studying the UDRP states that it is “a success story at least in regard of the number of conflicts which have been submitted for decision by UDRP Panels,” and that “[a]s a matter of principle, the UDRP is functioning satisfactorily.”<sup>180</sup> Moreover, some commentators have

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<sup>178</sup> Moreover, ICANN was able to “discourage gTLD operators from” engaging in conduct to avoid the UDRP and the ACPA by making policy changes to address “domain name tasting.” Domain name tasting is the practice of registering a domain name for a short period to determine if it is profitable and, if not, then returning the domain name under the “add grace period” for no fee. See Mark V.B. Partridge & Scott T. Lonardo, *ICANN Can or Can It? Recent Developments in Internet Governance Involving Cybersquatting, Online Infringement, and Registration Practices*, 1 LANDSLIDE 24, 27 (2009) (“This new measure already has produced a dramatic reduction in domain name tasting. In the first month after the policy went into effect, there was an 84 percent decrease in the number of domain names deleted during the add grace period.”).

<sup>179</sup> See, e.g., Jeremy D. Mishkin, *Master of Your Domain—An Overview of the Anticybersquatting Consumer Protection Act*, 18 COMM. LAW. 3, 6 (2000) (“In the ACPA, practitioners now have a fine tool for protecting the rights of clients quickly and effectively.”); Marc Lorelli, Note, *How Trademark Litigation over Internet Domain Names Will Change After Section 43(d) of the Lanham Act*, 78 U. DET. MERCY L. REV. 97, 127 (2000) (“The [ACPA], though not perfect, does provide trademark owners with a stronger weapon in their fight against domain names that infringe on their trademark rights.”); Jason H. Kaplan, Comment, *The Anticybersquatting Consumer Protection Act: Will It End the Reign of the Cybersquatter?*, 8 UCLA ENT. L. REV. 43, 65 (2000) (noting the “five ways” the “ACPA will stop cybersquatters”); Jason M. Osborn, Note, *Effective and Complementary Solutions to Domain Name Disputes: ICANN’s Uniform Domain Name Dispute Resolution Policy and the Federal Anticybersquatting Consumer Protection Act of 1999*, 76 NOTRE DAME L. REV. 209, 230 (2000) (“The ACPA eliminates judge-made concepts of domain name trademark infringement and dilution by covering through its plain language the overwhelming majority of conceivable instances of cybersquatting and bad faith domain name registration.”); Donna L. Howard, Comment, *Trademarks and Service Marks and Internet Domain Names: Giving ICANN Deference*, 33 ARIZ. ST. L.J. 637, 655 (2001) (“[T]he ACPA specifically addresses trademarks in domain name disputes and provides in rem jurisdiction in some cases [and thus provides] a more efficient method for businesses to protect their trademarks than the traditional trademark laws . . . .”); Adam Silberlight, *Domain Name Disputes Under the ACPA in the New Millennium: When Is Bad Faith Intent to Profit Really Bad Faith and Has Anything Changed with the ACPA’s Inception?*, 13 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 269, 316 (2002) (“[T]he type of behavior the ACPA sought to deter has been effectively controlled.”); Joseph J. Weissman, *The Anticybersquatting Consumer Protection Act: Developments Through Its First Six Years*, 95 TRADEMARK REP. 1058, 1059–60 (2005) (“In the six years that have now passed since enactment of the statute, trademark owners have been successful in enforcing their rights against cybersquatters.”); Sondra Levine, *The Lanham Act’s Role in the Chase After Cybersquatters*, 19 J. CONTEMP. LEGAL ISSUES 513, 519 (2010) (“[T]he ACPA has provided a level of protection to the victims of cybersquatting and cyberpiracy not previously available.”).

<sup>180</sup> ANNETTE KUR, MAX-PLANCK-INST., A STUDY BY THE MAX-PLANCK-INSTITUTE FOR FOREIGN AND INTERNATIONAL PATENT, COPYRIGHT AND COMPETITION LAW 5, 52 (2002), available at [http://www.zar.kit.edu/DATA/projekte/udrp\\_705937a.pdf](http://www.zar.kit.edu/DATA/projekte/udrp_705937a.pdf). Dr. Kur also makes several recommendations to improve the UDRP. *Id.* at 52.

been complimentary of the UDRP.<sup>181</sup> Notably, the lessons learned by ICANN led to the development of preventive policies and other procedures designed to further lessen the possibility of domain name abuse with respect to the availability of top-level domain names and the second-level domains that would be utilized in that system.<sup>182</sup> These thoughtful actions have arguably led to a smooth transition for top-level domains without the development of additional cybersquatters or even trademark trolls.

### 3. The Practice of Trademark Law and Third-Party Proceedings

Trademark law also provides administrative procedures for challenging marks before they have been registered and after they have been federally registered on the Principal Register at the USPTO.<sup>183</sup> Both of these procedures provide an opportunity

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<sup>181</sup> See, e.g., Diane L. Kilpatrick, Comment, *ICANN Dispute Resolution vs. Anti-cybersquatting Consumer Protection Act Remedies: Which Makes More “Cents” for the Client?*, 2 HOUS. BUS. & TAX. L.J. 283, 324 (2002) (“Together, the UDRP and the ACPA can be a cost saving and effective way to prevent cybersquatting with the top-level domain (UDRP) and with the new country codes that are surfacing (ACPA).”); Edward C. Anderson & Timothy S. Cole, *The UDRP—A Model for Dispute Resolution in E-Commerce?*, 6 J. SMALL & EMERGING BUS. L. 235, 248–49 (2002) (noting three “advantages” of UDRP to trademark holders: (1) “efficient[] . . . and expedient [resolution of] their claim”; (2) “relatively low cost”; and (3) “selection of high quality and experienced panelists”); John Magee, *Domain Name Disputes: An Assessment of the UDRP as Against Traditional Litigation*, 2003 U. ILL. J.L. TECH. & POL’Y 203, 216 (2003) (“A consensus seems to have emerged that the operation of the UDRP continues to provide an excellent forum for domain name dispute resolution . . . .”); Amanda Rohrer, Note, *UDRP Arbitration Decisions Overridden: How Sallen Undermines the System*, 18 OHIO ST. J. ON DISP. RESOL. 563, 589 (2003) (“The UDRP has clearly established itself as a powerful tool to fight cybersquatting.”); Nicholas Smith & Erik Wilbers, *The UDRP: Design Elements of an Effective ADR Mechanism*, 15 AM. REV. INT’L ARB. 215, 215 (2004) (“The [UDRP] has proven successful in providing a low-cost alternative means of resolving disputes involving the bad faith registration of trademarks or variations thereof as Internet domain names.”); Stephanie A. Gumm, *UDRP: A Viable Option for Trademark Owners in the Fight Against Cybersquatters*, in UNDERSTANDING TRADEMARK AND COPYRIGHT DEVELOPMENTS FOR ONLINE CONTENT: LEADING LAWYERS ON UNDERSTANDING NEW TECHNOLOGY CHALLENGES, OBTAINING IP PROTECTION FOR CLIENTS, AND LITIGATING INTERNET INFRINGEMENT 21, 35 (Aspatore 2010). (“[I]nitiating a UDRP proceeding is generally the most effective and efficient form of enforcement available to trademark owners in the war against cybersquatters.”); Emily Taylor, *5 Things ICANN Does Well*, EMILY TAYLOR INTERNET RES. (Oct. 28, 2014), <http://www.emilytaylor.eu/5-things-icann-does-well/> (“ICANN’s process should be seen as the gold standard for alternative dispute resolution.”).

<sup>182</sup> For some criticism of the system established by ICANN for gTLDs, see Marsh, *supra* note 151, at 211–21. One commentator specifically critiques ICANN’s allowance of “brand top level domains.” See Benjamin Boroughf, Note, *The New Dot Context: How to Mitigate Trademark Concerns in ICANN’s New gTLD Program*, 10 ISJLP 85, 86 (2014) (“ICANN’s new program is disastrous. When trademarks and brands appear in the top-level domain, they lose their information conveying ability.”).

<sup>183</sup> While the challenges impact the federal registrations, the party attempting to register may still have common law or state law trademark rights. See 3 MCCARTHY, *supra* note 73, § 20:40.

for third parties to ensure that their trademarks are not infringed or diluted by others. Notably, these procedures also allow trademark owners to challenge potential trademark trolls from asserting that they have federal trademark rights in a confusingly similar or dilutive mark that is owned by someone with a prior use date. Indeed, in the patent field, commentators have proposed that meaningful third-party administrative challenges to patents owned by patent trolls could alleviate the troll problem,<sup>184</sup> and the America Invents Act<sup>185</sup> provides for improved third-party challenges to patents.<sup>186</sup> The trademark troll problem has been mitigated because of the presence and relatively widespread usage of third-party challenges in trademark law.

#### a. Opposition Practice

The Lanham Act provides, in part, that “[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register . . . may . . . file an opposition in the Patent and Trademark Office . . . .”<sup>187</sup> Importantly, the standing requirement to bring an opposition proceeding is very broad and includes any party with a “real commercial interest” who is not an “intermeddler.”<sup>188</sup> The party challenging the attempted registration does not even need to own a trademark.<sup>189</sup> This

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<sup>184</sup> See David G. Barker, *Troll or No Troll? Policing Patent Usage with an Open Post-Grant Review*, 2005 DUKE L. & TECH. REV. 9, ¶ 5, available at <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1129&context=dltr> (“This iBrief proposes another aspect of a post-grant review that would prevent patented technology from being exploited by patent trolls and protect legitimate patent holders.”); Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 964–68 (2004) (discussing problems with pre-AIA post-grant proceedings and recommending changes to system); Michael A. Carrier, *Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act*, 45 U.C. DAVIS L. REV. 103, 116 (2011) (noting that a post-grant opposition system “offers a quick and cheap alternative to litigation and solves the problems that have plagued reexamination”).

<sup>185</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.).

<sup>186</sup> See, e.g., 35 U.S.C. §§ 321–29 (2012); see also ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 1046–68 (6th ed. 2013) (discussing “five new types of PTO procedures involving patents”).

<sup>187</sup> 15 U.S.C. § 1063 (2012). Notably, patent commentators tend to argue against pre-grant opposition proceedings in the patent field. See Carrier, *supra* note 184, at 115–16 (“First, it would require early disclosure of patent applications, which could provide secret information to competitors. Second, large firms are more likely to use pre-grant opposition to delay the issuance of patents to small inventors.”).

<sup>188</sup> See 3 MCCARTHY, *supra* note 73, § 20:7.

<sup>189</sup> See generally *id.*; TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 309.03(b) (2014) [hereinafter TBMP] (“A plaintiff need not assert proprietary rights in a term in order to have standing.”). Indeed, “[t]here is no requirement that a plaintiff show a personal interest in the proceeding different from or ‘beyond that of the general public’ in order to establish standing.” *Id.* § 303.03 (citing *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999)).

broad standing requirement allows mark owners to challenge attempted registrations and ensure that spurious mark owners do not obtain federal registration. The grounds for challenging a mark include any of the Lanham Act section 2 grounds for contesting registration of a mark as well as dilution by tarnishment and blurring.<sup>190</sup> The section 2 grounds include challenging marks for a likelihood of confusion with a pre-existing mark.<sup>191</sup> The ability to challenge a mark based on a likelihood of confusion and for dilution grounds enables the trademark holder to prevent potential trolls from establishing federal trademark rights in the first instance and creating harmful confusion or dilution.

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<sup>190</sup> See *id.* § 309.03(c) (“A plaintiff may raise any available statutory ground for opposition or cancellation that negates the defendant’s right to registration.”). The section 2 grounds for challenging the registration of a mark on the Principal Register include:

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement . . . enters into force with respect to the United States.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . . .

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.

15 U.S.C. § 1052. The Trademark Trial and Appeal Board Manual of Procedure lists twenty-three potential grounds for opposing or canceling a mark. TBMP, *supra* note 189, § 309.03(c).

<sup>191</sup> 15 U.S.C. § 1052(d). Moreover, the rules concerning oppositions allow an opposer to challenge a mark for likelihood of confusion based on a trade name or “analogous use” of a mark. See 3 MCCARTHY, *supra* note 73, § 20:16.

The timing to file an opposition is keyed to the publication of the mark in the Trademark Official Gazette.<sup>192</sup> After a trademark attorney determines that a mark should be registered, it is published in the Trademark Official Gazette.<sup>193</sup> The Trademark Official Gazette is a weekly electronic publication of the USPTO and “contains bibliographic information and a representative drawing for each mark published, along with a list of cancelled and renewed registrations.”<sup>194</sup> Interested third parties have thirty days, which can be extended, to file an opposition to a mark published in the Trademark Official Gazette.<sup>195</sup> Trademark owners may review the Trademark Official Gazette for potentially infringing or diluting marks. This provides the necessary information for a trademark owner to assess whether they need to challenge an applied-for mark before it is registered. There is also a Patent Official Gazette.<sup>196</sup>

#### b. Cancellation Practice

Trademark law provides the opportunity for trademark owners to challenge registered marks on a number of grounds through a cancellation proceeding.<sup>197</sup> Similar to the rules concerning oppositions, a party bringing a cancellation action benefits from broad standing requirements<sup>198</sup> and robust grounds

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<sup>192</sup> TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMEP) § 1502 (Jan. 2015) [hereinafter TMEP], available at <http://tmep.uspto.gov/RDMS/detail/manual/TMEP/current/d1e2.xml#/manual/TMEP/current/TMEP-1500d1e1.xml>.

<sup>193</sup> *Id.*

<sup>194</sup> *Trademark Official Gazette (TMOG)*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/news/og/trademark\\_og/index.jsp](http://www.uspto.gov/news/og/trademark_og/index.jsp) (last modified Apr. 7, 2015). The TMOG includes the following information:

The *TMOG* contains a depiction of the mark, the identification of goods and/or services, and owner information for: (1) marks published for opposition that are expected to register on the Principal Register; (2) marks registered on the Principal Register under 15 U.S.C. §1051(d) on the date of the particular *TMOG* issue in which the marks appear; (3) marks registered on the Supplemental Register on the date of the particular *TMOG* issue in which the marks appear; and (4) updated registration certificates. The *TMOG* also contains a list, by International Class, of the registrations issued on the Principal Register on the date of the particular *TMOG* issue and an index of registrants appearing in that issue.

*General Frequently Asked Questions About the Trademark Official Gazette (TMOG)*, USPTO.GOV, [http://www.uspto.gov/trademarks/resources/tm\\_og\\_faqs.jsp](http://www.uspto.gov/trademarks/resources/tm_og_faqs.jsp) (last modified Dec. 5, 2013).

<sup>195</sup> TMEP, *supra* note 192.

<sup>196</sup> *Official Gazette for Patents*, U.S. PAT. & TRADEMARK OFF., [http://www.uspto.gov/news/og/patent\\_og/index.jsp](http://www.uspto.gov/news/og/patent_og/index.jsp) (last modified Apr. 7, 2015).

<sup>197</sup> 15 U.S.C. § 1064 (2012). One commentator argues that district courts should utilize cancellation procedures based on a lack of use to deter trademark trolls and prevent trademark thickets, including a cluttered register. Folgers, *supra* note 23, at 479–84. District courts also have the power to invalidate patents. See *Blonder Tongue Labs. v. Univ. of Ill. Found.* 402 U.S. 313 (1971).

<sup>198</sup> See generally TBMP, *supra* note 189, §§ 303.01–03.

for challenging a registration.<sup>199</sup> One important difference between cancellations and oppositions is that a mark registered for five years is only subject to cancellation on a limited number of grounds.<sup>200</sup> However, the Lanham Act does allow challenges “[a]t any time” based on “the registered mark . . . being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.”<sup>201</sup> This provision allows trademark owners another opportunity to prevent other parties from infringing their marks.

Section 1064 of Title 15 also empowers the Federal Trade Commission (FTC) to bring cancellation actions against registered marks on specific grounds, such as functionality and misrepresentation of the source of goods or services.<sup>202</sup> If a trademark troll problem were to develop, the FTC could bring an action to cancel a mark that was used improperly.

### c. Abuse of Cancellation or Opposition Proceedings

There is the possibility of abuse of a cancellation or opposition proceeding.<sup>203</sup> For example, a supposed trademark troll could use cancellation or opposition proceedings to interfere with a bona fide trademark owner’s ability to obtain a federal registration because of the generous standing requirement. The danger of this occurring is mitigated for at least two reasons. First, the use requirement still exists. For example, analogous use can be used to predate another party’s actual use date, but that analogous use must be perfected. Thus, the opposer, or canceler, must have used the trademark, and therefore would arguably not fit the definition of a troll. Second, trademark law allows the party against whom the opposition or cancellation is filed to raise a counterclaim essentially attacking the other party’s prior registration, if it has been raised.<sup>204</sup> This puts the purported trademark owner’s mark at issue.

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<sup>199</sup> *Id.* § 309.03(c).

<sup>200</sup> *Id.*

<sup>201</sup> 15 U.S.C. § 1064(3).

<sup>202</sup> *Id.*

<sup>203</sup> Notably, LegalForce Trademarkia collects and publishes data about oppositions filed by supposed “trademark bullies.” See *Find a Trademark Bully*, LEGALFORCE TRADEMARKIA, <http://www.trademarkia.com/opposition/opposition-brand.aspx> (last visited Nov. 26, 2014). “Trademark bully” is apparently defined as anyone who opposes a trademark. See *id.*

<sup>204</sup> 3 MCCARTHY, *supra* note 73, at §§ 20:22, 20:66.



#### 4. Supreme Court Precedent Primarily Addressed to Patent Trolls

The U.S. Supreme Court has issued several opinions that were, in part, directed to the patent troll problem. These opinions have, at least, signaled to district courts and appellate courts to be sensitive to potential litigation abuse involving intellectual property claims.<sup>205</sup> One of the opinions concerns the standard for obtaining permanent relief.<sup>206</sup> The second case concerns the availability of attorney fees.

##### a. *eBay v. MercExchange*

The 2006 *eBay v. MercExchange* case concerned injunctive relief and patent law.<sup>207</sup> MercExchange apparently fit the general definition of a patent troll. MercExchange did not practice the invention, but was attempting to extract licensing fees from a company that was using the invention.<sup>208</sup> MercExchange's patent essentially covered an online auction.<sup>209</sup>

In that case, the jury found that MercExchange's patent was valid and infringed.<sup>210</sup> The jury further awarded damages, but the district court did not award injunctive relief.<sup>211</sup> In applying the test for permanent injunctive relief, the district court determined that MercExchange failed to prove that there was an inadequate remedy at law and irreparable harm.<sup>212</sup> The district court reasoned that MercExchange was willing to license its patented technology and thus would accept money in exchange for permission to use its license.<sup>213</sup> The Federal Circuit decided that the district court abused its discretion.<sup>214</sup> The Federal Circuit applied its rule that states that if a patent is valid and infringed, then an injunction must issue absent exceptional

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<sup>205</sup> One U.S. Supreme Court case concerning trademark law could actually help patent trolls. In *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013), the U.S. Supreme Court allowed a supposed trademark bully, Nike, to moot a trademark counterclaim challenging a Nike mark by filing a "Covenant Not to Sue." *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 725, 733 (2013).

<sup>206</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

<sup>207</sup> For additional discussion concerning the *eBay* case, see generally Jones, *supra* note 24.

<sup>208</sup> See Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners at 7, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130) ("Patent owners who do not manufacture the patented or any other competing good, and who seek only to license their invention at a reasonable royalty, should be entitled to injunctive relief only if they would be irreparably injured by the infringement.").

<sup>209</sup> *eBay Inc.*, 547 U.S. at 390.

<sup>210</sup> *Id.* at 390–91.

<sup>211</sup> *Id.* at 391.

<sup>212</sup> *Id.*

<sup>213</sup> *Id.* at 393.

<sup>214</sup> *Id.*

circumstances.<sup>215</sup> The Supreme Court rejected the Federal Circuit rule and the specific reasoning of the district court.<sup>216</sup> Notably, the Supreme Court reaffirmed that courts deciding whether to grant injunctive relief must apply the traditional four-factor test:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>217</sup>

The Supreme Court further rejected the notion that there should be any broad classification of cases that should be entitled to or denied injunctive relief.<sup>218</sup> The Supreme Court not only rejected the Federal Circuit's rule, but also the reasoning of the district court "that a 'plaintiff's willingness to license its patents' and 'its lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue."<sup>219</sup> Notably, in rejecting the district court's analysis, the Supreme Court noted that universities may fit the definition of the district court, but may be entitled to an injunction.<sup>220</sup> The Supreme Court determined that adopting either the Federal Circuit's or district court's classification would be contrary to traditional equitable principles and case law.<sup>221</sup>

Chief Justice Roberts and Justice Kennedy wrote separate concurrences. Chief Justice Roberts observed that the majority correctly noted the applicable law, but that the traditional four-factor test should be applied in light of its historical application.<sup>222</sup> Justice Kennedy agreed with both the majority and Chief Justice Robert's concurrence, but attempted to clarify that the current patent troll situation is relatively new and not something that occurred often in the past. Justice Kennedy explained:

In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents

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<sup>215</sup> *Id.* at 393–94.

<sup>216</sup> *Id.* at 394.

<sup>217</sup> *Id.* at 391.

<sup>218</sup> *Id.* at 394.

<sup>219</sup> *Id.* at 393.

<sup>220</sup> *Id.*

<sup>221</sup> *Id.*

<sup>222</sup> *Id.* at 394–95 (Roberts, C.J., concurring).

not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent. When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest. In addition injunctive relief may have different consequences for the burgeoning number of patents over business methods, which were not of much economic and legal significance in earlier times. The potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test.<sup>223</sup>

Justice Kennedy concluded by noting that equitable discretion allows courts to appropriately consider “the rapid technological and legal developments in the patent system.”<sup>224</sup>

The *eBay v. MercExchange* case was a setback for patent trolls because it lessened their ability to obtain a permanent injunction, which substantially reduced their leverage in settlement negotiations.<sup>225</sup> The *eBay v. MercExchange* case has not only influenced the issuance of injunctions under copyright<sup>226</sup> and patent law, but also has impacted trademark law as well. For example, in the 2012 *Seed Services v. Windsor Grain* decision, the district court noted that after *eBay v. MercExchange* and other decisions, the law is “in flux” concerning the applicability of categorical rules concerning injunctions.<sup>227</sup> A common categorical rule in trademark law is that once a likelihood of success on the merits of a trademark infringement

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<sup>223</sup> *Id.* at 396–97 (Kennedy, J., concurring) (citations omitted).

<sup>224</sup> *Id.* at 397. Notably, the U.S. Supreme Court also issued the *Winter v. Natural Resources Defense Council* decision. The *Winter* case addressed preliminary injunctions and essentially requires district courts to apply all of the traditional equitable factors for determining whether a preliminary injunction should issue and rejected the Ninth Circuit’s “possibility of irreparable harm” standard. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20–22 (2008).

<sup>225</sup> See *Jones*, *supra* note 24, at 1059 (“Applying the traditional four-factor test, as required by *eBay*, [two] courts denied injunctive relief to the plaintiffs, who were arguably NPEs.”); Golden, *supra* note 1, at 2113 (“Since the Supreme Court issued its opinion in *eBay*, district courts appear to have consistently denied permanent injunctions in cases where an infringer has contested the patent holder’s request for such relief and the infringer and patent holder were not competitors.”). But see Ronald J. Schutz & Patrick M. Arenz, *Non-Practicing Entities and Permanent Injunctions Post-eBay*, 12 SEDONA CONF. J. 203, 205 (2011) (noting that several district courts have granted injunctions to non-practicing entities).

<sup>226</sup> See, e.g., *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 981 (9th Cir. 2011) (“In sum, we conclude that our longstanding rule that ‘[a] showing of a reasonable likelihood of success on the merits in a copyright infringement claim raises a presumption of irreparable harm, is clearly irreconcilable with the reasoning’ of the Court’s decision in *eBay* and has therefore been ‘effectively overruled.’”) (citations omitted).

<sup>227</sup> *Seed Servs., Inc. v. Windsor Grain, Inc.*, 868 F. Supp. 2d 998, 1004 (E.D. Cal. 2012).

claim is proved, then there is a presumption of irreparable harm.<sup>228</sup> The district court expressly refused to apply the presumption post-*eBay* and noted that, “[g]iven the overall trend of the case law, the court will not assume the existence of irreparable injury due to a showing of success on the merits.”<sup>229</sup> Numerous other district court cases have questioned or refused to apply the presumption of irreparable harm rule in trademark cases.<sup>230</sup> Notably, the Ninth Circuit and the Third Circuit have held that the presumption of irreparable harm does not apply to Lanham Act cases.<sup>231</sup>

b. *Octane Fitness v. Icon Health and Fitness*

A high standard for obtaining attorney fees could embolden patent owners to bring patent suits or threaten suits even if the grounds for those suits are not very strong. Thus, a lower standard for granting attorney fees could deter patent trolls and also trademark trolls from bringing or threatening an infringement action. In *Octane Fitness v. Icon Health and Fitness* and a companion case, *Highmark v. Allcare Health Management System*,<sup>232</sup> the Supreme Court confronted the Federal Circuit’s

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<sup>228</sup> *Id.*

<sup>229</sup> *Id.* at 1005. Courts dealing with trademark issues have found irreparable harm given evidence of the loss of control over the goodwill of the trademark. *Id.*

<sup>230</sup> See *Jumbo Bright Trading Ltd. v. Gap, Inc.*, No. CV 12-08932 DDP (MANx), 2012 WL 5289784, at \*1 (C.D. Cal. Oct. 25, 2012) (collecting cases questioning or refusing to apply presumption of irreparable harm to trademark cases); *SpiralEdge, Inc. v. SeaWorld Entm’t, Inc.*, No. 13cv296-WQH-BLM, 2013 WL 3467435, at \*2-3 (S.D. Cal. July 9, 2013) (discussing cases refusing to apply presumption to trademark cases).

<sup>231</sup> See *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 216 (3d Cir. 2014) (“Because a presumption of irreparable harm deviates from the traditional principles of equity, which require a movant to demonstrate irreparable harm, we hold that there is no presumption of irreparable harm afforded to parties seeking injunctive relief in Lanham Act cases.”); *Herb Reed Enters., LLC v. Fla. Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013). For an argument that *eBay* should not apply to trademark law’s presumption of irreparable harm, see Bernstein & Gildea, *supra* note 73, at 1038 (concluding “that *eBay* should not be used to eviscerate the normal presumption of irreparable harm that attaches upon a showing of liability in trademark cases”); J. Thomas McCarthy, *Are Preliminary Injunctions Against Trademark Infringement Getting Harder to Achieve?*, 14 INTELL. PROP. L. BULL. 1, 3-5 (2009); Jeffrey M. Sanchez, *The Irreparably Harmed Presumption? Why the Presumption of Irreparable Harm in Trademark Law Will Survive eBay and Winter*, 2011 BYU L. REV. 535, 538 (2011) (arguing that presumption of irreparable harm should still apply to trademark law post-*eBay*). For a review of cases and argument that a presumption of irreparable harm should not apply post-*eBay* to trademark, patent, and copyright, see Aurelia Hepburn-Briscoe, *Irreparable Harm in Patent, Copyright, and Trademark Cases After eBay v. MercExchange*, 55 HOW. L.J. 643, 660-76 (2012); see also Sandra Rierson, *IP Remedies After eBay: Assessing the Impact on Trademark Law*, 2 AKRON INTELL. PROP. J. 163, 176-77 (2008) (“[I]n trademark as well as patent cases, *eBay*’s mandate to avoid formulaic approaches to the assessment of injunctive relief should eliminate the presumption that a trademark holder has, as a matter of law, proven irreparable injury merely by showing a likelihood of confusion sufficient to demonstrate trademark infringement.”).

<sup>232</sup> See generally *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014).

standards for granting attorney fees in patent infringement cases.<sup>233</sup> The Federal Circuit set a relatively high bar for obtaining attorney fees and the Supreme Court rejected that standard.<sup>234</sup> In describing the Federal Circuit's standard, the Supreme Court stated:

In *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378 (2005), the court held that a case is "exceptional" under § 285 only "when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed.R.Civ.P. 11, or like infractions. Absent misconduct in conduct of the litigation or in securing the patent," the Federal Circuit continued, fees "may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless." The Federal Circuit subsequently clarified that litigation is objectively baseless only if it is "so unreasonable that no reasonable litigant could believe it would succeed," *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1378 (2011), and that litigation is brought in subjective bad faith only if the plaintiff "actually know[s]" that it is objectively baseless.

Finally, *Brooks Furniture* held that because "[t]here is a presumption that the assertion of infringement of a duly granted patent is made in good faith[,] . . . the underlying improper conduct and the characterization of the case as exceptional must be established by clear and convincing evidence."<sup>235</sup>

The Supreme Court determined that the language under the Patent Act allowing district courts discretion to grant attorney fees in an "exceptional" case was not as restrictive as the interpretation provided by the Federal Circuit.<sup>236</sup> The Supreme Court explained that "exceptional cases" means unusual or rare cases and held that, "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated."<sup>237</sup> The Federal Circuit's standards were too restrictive and essentially not consistent with the ordinary meaning of "exceptional."<sup>238</sup> The Supreme Court further rejected the Federal Circuit's rule that exceptional cases must be

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<sup>233</sup> *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1752–53 (2014). Notably, ICON Health & Fitness does not fit the standard definition of a patent troll. While ICON Health & Fitness did not practice the invention in the patent, it did manufacture exercise equipment. *Id.* at 1754–55.

<sup>234</sup> *Id.* at 1755–56.

<sup>235</sup> *Id.* at 1754 (citations omitted).

<sup>236</sup> *Id.* at 1756.

<sup>237</sup> *Id.*

<sup>238</sup> *Id.*

proved by clear and convincing evidence.<sup>239</sup> The Supreme Court made it easier for district courts to award attorney fees and, thus, may have deterred some patent trolls from bringing suit.

At least one circuit court of appeals has already applied *Octane Fitness* to a trademark case even though the *Octane Fitness* decision was issued in April of 2014. The Third Circuit, in *Fair Wind Sailing, Inc. v. Dempster*, stated that *Octane Fitness* applies to claims for attorney fees in trade dress cases under section 35(a) of the Lanham Act.<sup>240</sup> Notably, the Third Circuit explained that its prior, more restrictive test for awarding attorney fees under the Lanham Act did not apply:

Importantly, that discretion is not cabined by a threshold requirement that the losing party acted culpably. The losing party's blameworthiness may well play a role in a district court's analysis of the "exceptionality" of a case, but *Octane Fitness* has eliminated the first step in our two-step test for awarding fees under § 35(a) of the Lanham Act.<sup>241</sup>

Thus, in circuits with more restrictive tests, the *Octane Fitness* standard may make attorney fees more available to alleged infringers in trademark cases. The lesser burden to receive attorney fees may serve to deter trademark trolls from bringing or threatening suit.<sup>242</sup>

##### 5. Litigation and Strategic Advantages Associated with Patent Trolls

The business of patent trolling works because of several litigation and strategic advantages available to patent trolls. Five of those advantages are relevant to this discussion. The advantages are "layering" alleged infringers, unavailability of litigation counterclaims, asymmetrical discovery, availability of forum shopping, and the opportunity to engage in holdups.

First, patent trolls are able to assert their patents against multiple accused infringers and take advantage of the ability to

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<sup>239</sup> *Id.* at 1758.

<sup>240</sup> *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 314–15 (3d Cir. 2014).

<sup>241</sup> *Id.* at 315. For a discussion of the various standards for awarding attorney fees under the Lanham Act, see generally *Nightingale Home Healthcare, Inc., v. Anodyne Therapy, LLC*, 626 F.3d 958 (7th Cir. 2010).

<sup>242</sup> *But see Romag Fasteners, Inc. v. Fossil, Inc.*, No. 3:10cv1827 (JBA), 2014 WL 4073204, \*4–5 (D. Conn. Aug. 14, 2014) (refusing to apply *Octane Fitness* to a trademark case and continuing to apply the more restrictive Second Circuit test for determining whether attorney fees may be awarded in trademark cases). For additional discussion, see Bill Donahue, *Octane Fitness Applies to Trademark Cases*, 3rd Circ. Rules, LAW360 (Sept. 4, 2014, 7:34 PM), <http://www.law360.com/articles/574089/octane-fitness-applies-to-trademark-cases-3rd-circ-rules>. Prior to *Octane Fitness*, one commentator endorsed the granting of attorney fees and costs against a supposed trademark troll as a way to deter troll conduct. See Folgers, *supra* note 23, at 485.

“layer” defendants strategically.<sup>243</sup> For example, a patent troll may file the initial suit against a smaller entity that does not have a lot of sales. The smaller entity may accept a settlement with a high royalty rate because of its low amount of sales.<sup>244</sup> The patent troll will then file suit against larger entities with more sales and assert the higher royalty rate in assessing a reasonable royalty rate in damages.<sup>245</sup> Moreover, the patent troll may assert actions against a smaller group of potential infringers with the hope that extracted licensing fees will fund future litigation against large entities.<sup>246</sup> This advantage does not exist for trademark trolls—at least not to the same extent. The trademark troll will ordinarily only have one or a small group of potential infringers or diluters to extract payments from with its trademark. The trademark should only be asserted against confusingly similar or dilutive marks. There is a danger that the trademark may be famous and subject to dilution protection; however, the trademark troll’s trademark must also be “famous.”<sup>247</sup> In order to be famous, the mark would have been well-known to the “general consuming public”<sup>248</sup> and it is unlikely a troll would be able to surprise an existing trademark holder with a famous mark.

Second, patent trolls are usually not subject to counterclaims for infringement because they are not practicing their patented invention or any other invention.<sup>249</sup> In trademark law, in order for the trademark troll to have trademark rights, it generally must be using the mark. Since the supposed trademark troll is using the mark, any trademark troll is also potentially subject to a counterclaim for infringement by the alleged infringer.

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<sup>243</sup> See Liu, *supra* note 25, at 511 (“NPEs . . . may still target small businesses to validate their patents and drive up the royalty rate of licenses in order to pursue larger companies. This strategy, sometimes known as ‘royalty padding,’ involves suing small defendants first and settling the lawsuits through licenses that carry low dollar amounts but represent high royalty rates. Subsequently, the NPE will target a large company and introduce the previous royalty rate as evidence to drive up the damage award.”).

<sup>244</sup> *Id.* at 499 (“[L]icense terms for a patent can be used in subsequent litigation to establish a reasonable royalty rate for damage calculations. As a result, NPEs may also target small companies to strengthen their position in future infringement claims by establishing a favorable royalty rate for their patents.”).

<sup>245</sup> *Id.*

<sup>246</sup> John Ansbach & Deepali Brahmhatt, *Tips on Handling the Patent Troll in Court When Multiple Related Cases Are Involved*, ACC DOCKET, Mar. 2014, at 58, 62.

<sup>247</sup> See 15 U.S.C. § 1125(c)(1) (2012).

<sup>248</sup> *Id.* § 1125(c)(2)(A).

<sup>249</sup> See Adam D. Kline, *Any Given Forum: A Proposed Solution to the Inequitable Economic Advantage that Arises When Non-Practicing Patent Holding Organizations Predetermine Forum*, 48 IDEA 247, 255 (2008) (“[A] patent holding organization does not infringe any patents and is not subject to an infringement counterclaim.”); Rantanen, *supra* note 24, at 169 (“[T]he most dangerous type of patent troll is a troll without any product line at all—in other words, a firm against whom it is impossible to assert patents as a defense.”).

Third, patent trolls have usually purchased the patents that they assert, perhaps in bankruptcy, and have little connection with the inventor or the inventing process.<sup>250</sup> Moreover, the patent troll is not practicing the invention. This means that the troll usually does not have many documents to discover and personnel to depose, and thus the discovery expenses are much lower for the troll.<sup>251</sup> The alleged infringer still has to incur the costs of full discovery. This provides an incentive for the troll to bring the litigation and for the accused infringer to settle and avoid costly discovery.<sup>252</sup> This similarly could be a problem with respect to a trademark troll. A trademark troll may have acquired a trademark from a distressed entity and is claiming a use date from the prior owner.<sup>253</sup> However, the trademark troll must use the trademark to have some rights, and thus there may be more discovery that could be found against that particular troll.

Fourth, patent trolls strategically choose forums that provide some perceived advantage, such as the Eastern District of Texas, where large jury awards, particularly against foreign infringers, are common.<sup>254</sup> A patent troll will often form an entity in the district in which it wishes to bring an action<sup>255</sup> and the alleged infringer, who practices the invention, may have contacts in most jurisdictions. It is not clear whether there are particular districts that are more favorable to trademark owners over trademark infringers with respect to damage awards.

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<sup>250</sup> See Ansbach & Brahmhatt, *supra* note 246, at 62–63.

<sup>251</sup> *Id.* at 62.

<sup>252</sup> *Id.* at 63.

<sup>253</sup> A trademark troll would likely have to wait quite a long time, perhaps abandoning its mark, in order to surprise a subsequent trademark owner who invests in a confusingly similar trademark.

<sup>254</sup> Kline, *supra* note 249, at 247 (“File a patent infringement suit in Marshall, Texas, and your chances of winning at trial average eighty-eight percent; file in New York, and your chances are cut to less than half. The spoils of victory are greater in Marshall, as well, where juries are known for handing out ‘Texas-sized’ awards.”). The America Invents Act includes several provisions that arguably address patent trolls, such as a provision that limits which accused infringers a patentee may join to a suit. See Tracie L. Bryant, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 HARV. J.L. & TECH. 687, 688 (2012) (“This note argues that one of the purposes of the AIA, including the joinder provision, is to address the problem of ‘patent trolls.’”). According to Ms. Bryant, the joining of “large numbers of unrelated, geographically diverse defendants . . . has at least two benefits: (1) . . . joining multiple defendants reduces litigation costs; and (2) . . . the presence of multiple defendants makes it more difficult to transfer the case to a more convenient forum.” *Id.* at 688–89. Moreover, the removal of the opportunity to join unrelated parties makes it more likely that the NPE must face multiple challenges to the validity of the asserted patents. See Liu, *supra* note 25, at 502 (“By consolidating its cases, the NPE reduces the number of times that a court will examine the patent’s validity, thereby reducing the likelihood that its patent will be declared invalid [and lessening the chances of collateral estoppel applying].”).

<sup>255</sup> See Ansbach & Brahmhatt, *supra* note 246, at 63.



Finally, trademark law considers the intent of the alleged infringer in determining liability for infringement and blurring type dilution,<sup>256</sup> although it is one factor amongst several factors used to determine a likelihood of confusion or blurring type dilution.<sup>257</sup> Patent law does not consider intent in assessing direct patent infringement.<sup>258</sup> Thus, a trademark troll is less likely to be able to surprise and hold up an alleged infringer or diluter, unlike a patent troll.<sup>259</sup> The court will, at least, consider the intention of the alleged infringer or diluter.

#### 6. Consumer Protection to Combat Patent Trolls

Another event that could stifle the development of trademark trolls is the possibility that state attorneys general will also sue trademark trolls for sending abusive cease-and-desist letters, as has happened with patent trolls.<sup>260</sup> Moreover, the FTC recently entered a settlement agreement with a patent troll. The possibility that the FTC may bring an action against trademark trolls may lessen the likelihood that a problem with trademark trolls will develop.

The Vermont, Nebraska, and Minnesota Attorneys General have brought suit against patent trolls for the abusive efforts of patent trolls.<sup>261</sup> Moreover, the Vermont Legislature passed a law that is specifically targeted at patent trolls.<sup>262</sup> The law prohibits “bad faith assertions” of patents.<sup>263</sup> The determination of what is bad faith depends on an analysis of various factors, including a failure to include specific information such as specific factual allegations concerning infringement, a failure “to conduct an analysis comparing claims,” whether the claim is meritless or

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<sup>256</sup> Magliocca, *supra* note 1, at 1815 (“[T]he risk presented by these surprise suits is high because patent law holds a defendant liable for infringement even if it does not know that an item is patented. While trademark law considers the intent of an alleged infringer and gives an innocent user the benefit of the doubt, patent law does not.”).

<sup>257</sup> See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979) (listing factors to consider in determining a likelihood of confusion); 15 U.S.C. § 1125(c)(2)(B)(v) (2012).

<sup>258</sup> See Magliocca, *supra* note 1, at 1815.

<sup>259</sup> *Id.*

<sup>260</sup> For additional discussion of state legislation concerning patent trolls, other consumer protection efforts, and proposals to combat abusive cease-and-desist letters, see Leah Chan Grinvald, *Policing the Cease-and-Desist Letter*, 49 U.S.F. L. REV. 33–53 (forthcoming 2015), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2515455](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2515455).

<sup>261</sup> See David Balto, *Vermont Comes After the Trolls*, U.S. NEWS (May 31, 2013, 6:15 PM), <http://www.usnews.com/opinion/blogs/economic-intelligence/2013/05/31/vermont-was-tes-no-time-targeting-patent-trolls>; Pamela M. Prah, *State AGs Target Patent Trolls to Protect Business*, USA TODAY (Nov. 25, 2013, 9:29 AM), <http://www.usatoday.com/story/news/nation/2013/11/25/state-ag-patent-trolls/3696889/>.

<sup>262</sup> VT. STAT. ANN. tit. 9, §§ 4195–99 (2014).

<sup>263</sup> *Id.* § 4197(a).

deceptive, and whether the entity asserting the patent has been successful in prior litigation.<sup>264</sup> Section 4199 of the legislation

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<sup>264</sup> *Id.* § 4197. Section 4197 provides in relevant part:

- (a) A person shall not make a bad faith assertion of patent infringement.
- (b) A court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:
  - (1) The demand letter does not contain the following information:
    - (A) the patent number;
    - (B) the name and address of the patent owner or owners and assignee or assignees, if any; and
    - (C) factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent.
  - (2) Prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent.
  - (3) The demand letter lacks the information described in subdivision (1) of this subsection, the target requests the information, and the person fails to provide the information within a reasonable period of time.
  - (4) The demand letter demands payment of a license fee or response within an unreasonably short period of time.
  - (5) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license.
  - (6) The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless.
  - (7) The claim or assertion of patent infringement is deceptive.
  - (8) The person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement, and:
    - (A) those threats or lawsuits lacked the information described in subdivision (1) of this subsection; or
    - (B) the person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless.
  - (9) Any other factor the court finds relevant.
- (c) A court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:
  - (1) The demand letter contains the information described in subdivision (b)(1) of this section.
  - (2) Where the demand letter lacks the information described in subdivision (b)(1) of this section and the target requests the information, the person provides the information within a reasonable period of time.
  - (3) The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy.
  - (4) The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent.
  - (5) The person is:
    - (A) the inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee; or
    - (B) an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education.

provides for attorney fees, costs, and “exemplary damages in an amount equal to \$50,000.00 or three times the total of damages, costs, and fees, whichever is greater.”<sup>265</sup> Vermont has brought at least one suit against a well-known patent troll under its general consumer protection laws.<sup>266</sup>

Recently, the FTC reached a settlement agreement with a well-known patent troll.<sup>267</sup> Notably, future deceptive conduct will result in relatively substantial fines.<sup>268</sup> The use of consumer protection laws, as well as tailored laws, may deter trademark trolls and will certainly influence the behavior of potential trolls.<sup>269</sup>

### 7. The Federal Circuit and Uniformity as the Root of Trolls

At least one commentator has argued that the Federal Circuit and its case law are essentially responsible for the patent troll problem.<sup>270</sup> Other commentators have criticized the Federal Circuit for its supposedly pro-patent approach and argued that the Federal Circuit should share jurisdiction over patent appeals with the other regional circuits.<sup>271</sup> Thus, the Federal Circuit’s

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(6) The person has:

- (A) demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or
- (B) successfully enforced the patent, or a substantially similar patent, through litigation.

(7) Any other factor the court finds relevant.

*Id.*

<sup>265</sup> *Id.* § 4199.

<sup>266</sup> See Goldman, *Vermont*, *supra* note 127.

<sup>267</sup> See Press Release, Fed. Trade Comm’n, FTC Settlement Bars Patent Assertion Entity From Using Abusive Deceptive Tactics (Nov. 6, 2014), *available at* <http://www.ftc.gov/news-events/press-releases/2014/11/ftc-settlement-bars-patent-assertion-entity-using-deceptive>; see also Michael S. Mireles, *U.S. Federal Trade Commission and NPE Enter Settlement Agreement*, IP FIN. BLOG (Nov. 6, 2014, 9:21 PM), <http://ipfinance.blogspot.com/2014/11/us-federal-trade-commission-and-npe.html>.

<sup>268</sup> See Mireles, *supra* note 267.

<sup>269</sup> The state of Minnesota considered adopting legislation directed at trademark bullies. See Steve Baird, *Minnesota to Own “Trademark Bullies,”* DUETSBLOG (Mar. 18, 2013), <http://www.duetsblog.com/2013/03/articles/trademarks/minnesotas-latest-answer-to-the-trademark-bullying-problem/>. For the Minnesota House version of the bill, see H.R. 1116, 2013 Leg., 88th Sess. (Minn. 2013), *available at* <http://www.duetsblog.com/files/2013/03/MNTMBullying.pdf>.

<sup>270</sup> See Dourado, *supra* note 34; see also Jones, *supra* note 24, at 1040 (“As the property rights of patents became stronger due in part to uniform application of the law under the Federal Circuit, the licensing and enforcing of patents became more lucrative.”).

<sup>271</sup> See, e.g., Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principal*, 101 NW. U. L. REV. 1619, 1625 (2007) (“We propose that, in addition to the Federal Circuit, at least one extant circuit court should be allowed to hear district court appeals relating to patent law. In addition, both the Federal Circuit and United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) should have jurisdiction over appeals from the PTO . . .”); Diane P. Wood, Chief Judge, United States Court of Appeals for the Seventh Circuit, *Keynote Address: Is It Time to Abolish the*

influence over patent law would be reduced, and the Supreme Court would benefit from having other viewpoints concerning patent law from the circuit courts of appeal.<sup>272</sup> Notably, the Supreme Court has heard a number of appeals from the Federal Circuit concerning patent law and has overturned the Federal Circuit numerous times.<sup>273</sup> Some of the potential downsides to removing the Federal Circuit's exclusive jurisdiction over patent appeals would include having a less uniform nationwide patent law<sup>274</sup> and the existence of extensive forum shopping. To the extent that the Federal Circuit is responsible for the patent troll phenomena, trademark law should be less susceptible to the development of the same problem because the Federal Circuit shares jurisdiction over trademark appeals<sup>275</sup> with the other federal circuit courts of appeal.<sup>276</sup> Thus, the problems associated with capture by an interested group<sup>277</sup>—such as trademark lawyers—are less likely and the Supreme Court is able to get various views from the other circuit courts of appeal concerning trademark issues. Moreover, state courts hear trademark cases as well. Notably, many argue that trademark law has continued to expand; however, some circuit courts of appeal have applied doctrines such as nominative fair use and other doctrines to protect competition and First Amendment values.<sup>278</sup> Thus, the nature and structure of the appellate system and development of trademark law could make it less likely that a trademark troll problem could develop similar to the patent troll situation.

#### 8. Early Case Law Dealing Harshly with a Trademark Troll

One Seventh Circuit case dealt relatively harshly with a supposed trademark troll. In 2007, the Seventh Circuit upheld a district court's decision which canceled a purported trademark troll's "Stealth" mark and awarded attorney fees and costs.<sup>279</sup> In that case, the alleged trademark owner, Stoller, was notorious for his litigious conduct, and the Northern District of Illinois "enjoined him or any of his companies from filing any new civil

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*Federal Circuit's Exclusive Jurisdiction in Patent Cases?*, 13 CHI.-KENT J. INTELL. PROP. 1 (2013).

<sup>272</sup> Wood, *supra* note 271, at 10.

<sup>273</sup> See, e.g., Amy Miller, *Comment: Supreme Court Reins in Federal Circuit Decisions Favoring Patent Holders*, MLEX MARKET INSIGHT (Aug. 4, 2014), available at [http://www.uchastings.edu/news/articles/2014/08/MLex\\_Content.pdf](http://www.uchastings.edu/news/articles/2014/08/MLex_Content.pdf).

<sup>274</sup> See Wood, *supra* note 271, at 2.

<sup>275</sup> The Federal Circuit hears appeals from the Trademark Trial and Appeal Board.

<sup>276</sup> I plan to explore this idea in a future paper.

<sup>277</sup> See Dourado, *supra* note 34.

<sup>278</sup> See, e.g., *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211 (3d Cir. 2005).

<sup>279</sup> *Cent. Mfg., Inc. v. Brett*, 492 F.3d 876, 884 (7th Cir. 2007). For a detailed discussion of this case, see Folgers, *supra* note 23.

action in the district's courts without first obtaining the court's permission."<sup>280</sup> Despite evidence that Stoller may have actually used the mark in connection with similar goods, the district court rejected that evidence to support a registration and an earlier use date than the alleged infringer's.<sup>281</sup> The Seventh Circuit found that the district court did not err and stated:

Even if the sufficiency of [Stoller]'s use were not a question of fact warranting deferential treatment on appellate review, it would not be a close question: there is absolutely nothing in the record upon which any reasonable person could conclude that [Stoller] and its predecessors actually sold "Stealth" baseballs prior to Brett Brothers [sic] first use of the mark in 1999. Stoller has repeatedly sought ways to get around trademark law's prohibition on the stockpiling of unused marks, and this case is no different. It is unfathomable that a company claiming to have engaged in thousands of dollars of sales of a product for more than a decade would be unable to produce even a single purchase order or invoice as proof. Self-serving deposition testimony is not enough to defeat a motion for summary judgment. By exposing [Stoller]'s failure to make bona fide use of the "Stealth" mark for baseballs, Brett Brothers met its burden to overcome the presumption afforded by the 1985 registration, and summary judgment in its favor was the appropriate course.<sup>282</sup>

The Seventh Circuit also approved the district court's cancellation of Stoller's mark and grant of attorney fees and costs. In upholding the award of fees and costs, the Seventh Circuit stated that the standard was essentially whether the litigation was "oppressive." The Seventh Circuit noted that:

It filed an infringement lawsuit without evidence of any sales of baseballs or baseball bats to support its claim to rights in the "Stealth" mark for such products. It ignored requests to produce documents to support its claim, forcing the defendants' lawyers to go to court to compel action. Stoller offered confused, misleading deposition testimony with unfulfilled promises of cooperation. And the documents eventually produced effectively made a mockery of the entire proceeding.<sup>283</sup>

Soon after the issuance of the opinion, a commentator argued that the Seventh Circuit's handling of Mr. Stoller may deter trademark trolls.<sup>284</sup> The commentator may be correct given the relatively few reports concerning trademark trolls since the Seventh Circuit's decision. However, trademark-bullying

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<sup>280</sup> *Brett*, 492 F.3d at 881. Notably, Stoller also claimed he owned the "Google" mark. See *Google, Inc. v. Cent. Mfg., Inc.*, 316 F. App'x 491, 492 (7th Cir. 2008).

<sup>281</sup> *Brett*, 492 F.3d at 882.

<sup>282</sup> *Id.* at 883 (citations omitted).

<sup>283</sup> *Id.* at 884.

<sup>284</sup> See generally Folgers, *supra* note 23.

behavior has apparently continued to some extent—likely for the reasons discussed.

#### CONCLUSION

There are enforcement issues with trademark law and practice. However, trademark law and practice do not suffer from a troll problem for the reasons explained. Those reasons include: the trademark use requirement, Congress' and ICANN's response and careful planning to address issues concerning domain names, the availability and widespread use of opposition and cancellation proceedings at the USPTO, Supreme Court precedent addressed to patent trolls applied in trademark cases, litigation and strategic advantages available to patent trolls not present in trademark cases, enforcement of consumer protection laws against patent trolls, shared appellate jurisdiction over trademark cases, and an early appellate case dealing harshly with a trademark troll. If the use requirement and the prohibitions on naked licensing and assignments in gross are discarded or weakened, a trademark troll problem could develop in the United States similar to that in other countries. The problem may not be as severe as the patent troll issue, likely because of the other reasons directed at why a trademark troll problem may not exist.

