

HOW TRADE MARK DEFENDANTS ARE WINNING FROM *MEDIMMUNE*

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In 2007, the US Supreme Court set a new test for declaratory judgment actions in MedImmune. Its decision continues to have a profound impact on trade mark cases, explain Bobby Ghajar and Carolyn Toto.

ONE-MINUTE READ

In 2007, in the patent case *MedImmune v Genentech*, the US Supreme Court set out a new test for determining whether there is an “actual controversy” required to maintain a declaratory judgment action under the Declaratory Judgment Act. It eliminated the Federal Circuit’s “reasonable apprehension” test and replaced it with an “all circumstances” test, giving district courts broader discretionary powers and also giving would-be defendants more leeway. Over the past six years, various courts have held that *MedImmune* applies equally to trade mark cases. In particular, a trade mark owner’s cease-and-desist letter coupled with another action – such as a follow-up communication with the alleged infringer or filing an opposition or cancellation proceeding with the USPTO – will generally confer the requisite subject matter jurisdiction under the test. Even a single cease-and-desist letter may be enough, depending on the language used in the letter.

It has been six years since the US Supreme Court set out a new test for determining whether there is an “actual controversy” required to maintain a declaratory judgment action under the Declaratory Judgment Act (DJA), (*MedImmune, Inc v Genentech, Inc* (2007)). Despite the passage of time, the *MedImmune* decision continues to have a profound impact on trade mark disputes.

In *MedImmune*, the Supreme Court eliminated the Federal Circuit’s “reasonable apprehension” test and replaced it with an “all circumstances” test, giving the district courts much broader discretionary power to keep declaration actions, and giving would-be defendants more leeway to file declaratory actions: “Basically, the question in each case is whether the facts alleged, *under all the circumstances*, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment” (emphasis added).

MedImmune is a patent case, but a number of courts have held that its holding applies with equal force to trade mark cases. A review of post-*MedImmune* cases reveals that a trade mark owner’s cease-and-desist

letter coupled with another action – such as a follow-up communication with the alleged infringer or filing an opposition or cancellation proceeding with the USPTO – will generally confer the requisite subject matter jurisdiction under the test. Even a single cease-and-desist letter may be enough, depending on the language used in the letter. Here, we explore the various factors used by the courts in analysing whether there is subject matter jurisdiction under the “all circumstances” test.

Examining the language of the cease-and-desist letter

In assessing whether there is subject matter jurisdiction under the DJA, courts routinely look to the interactions between the parties.

Threatening or implying litigation

Not surprisingly, many trade mark cease-and-desist letters contain language suggesting that the recipient is doing something wrong and may face consequences for that alleged wrongdoing. Language that threatens or implies litigation is often considered a supporting fact in finding the existence of “a substantial controversy between parties having adverse legal interest” (*MedImmune*). For example, in *Poly-America, LP v Stego Indus, LLC*, the trade mark owner sent a letter to the accused infringer stating its “intention to vigorously enforce its trademark rights” and “request[ing] in advance that you avoid any use of the color yellow with your products that would lead to a likelihood of confusion with our client’s registered trademark” (ND Tex 2010). In a subsequent conversation, the parties disagreed over the declaratory plaintiff’s belief that it had the right to produce and sell the accused

product without a trade mark licence. The trade mark owner’s assertion of rights on two occasions, coupled with the declaratory plaintiff’s explicit statement that it believed it had the right to produce and sell its yellow vapour-barrier product, were sufficient to confer subject matter jurisdiction.

In another case, the trade mark owner’s statement in a cease-and-desist letter that it was “willing to take legal action to vindicate its rights and safeguard its investment in the reputation of [its marks]” unless the accused infringer ceased use of the accused marks, cancelled its registration, and withdrew its pending application for the accused mark, coupled with some other statements, was enough to confer jurisdiction under the DJA (*Sinclair v StudioCanal, SA* (ED La 2010)). The trade mark owner made it known that it believed the accused marks infringed and diluted its registered mark, and stated that it had superior rights. The court found that the trade mark owner’s preparedness and willingness to enforce its trade mark rights was sufficient to create “a substantial controversy” between the parties “to warrant the issuance of a declaratory judgment.”

In *Crowned Heads, LLC v The National Grange of the Order of Patrons of Husbandry* (MD Tenn April 3 2013), the alleged owner of the mark Grange, used in connection with agricultural goods and services, sent a cease-and-desist letter to an accused infringer who was using the mark Headley Grange in connection with cigars. In the letter, the trade mark owner stated that selling the proposed cigars would violate the its trade mark rights, mentioning both

trade mark infringement and dilution. This implicit threat was a factor in conferring jurisdiction, as the court noted: “[a] justiciable controversy is made out upon plaintiff’s showing if any indirect or implicit or covert charge of infringement or threat of suit or ... any course of action from which any charge or threat could be inferred.”

In contrast, the court in *World Religious Relief v Gospel Music Channel* (ED Mich 2008) dismissed a declaratory plaintiff’s complaint due to the tone and nature of the trade mark owner’s communications. The parties had exchanged three letters and engaged in a single telephone call through counsel. The court noted that the defendant did not threaten litigation nor demand that the use of the words at issue cease entirely. During the phone call, the trade mark owner’s attorney provided suggestions on how to change the words “gospel music” to be less similar visually to the registered marks. In assessing the parties’ communications, the court noted that “[t]he prospect of litigation was not mentioned by either party, and [the trade mark owner’s] tone in its letters, while protective of what it perceives to be its legal interests, was certainly not threatening”. Accordingly, the trade mark owner was able to avoid the plaintiff’s declaratory action, ostensibly because of the tone of its communications with the would-be defendant.

APPLYING MEDIMMUNEM TO TRADE MARKS

Appeal court cases

Nike, Inc v Already, LLC (2d Cir 2011), noting that district courts apply the *MedImmune* totality of the circumstances test in determining whether

a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action involving a trade mark.

Vantage Trailers, Inc v Beall Corp (5th Cir 2009): “A common framework for analysis applies to all patent, copyright, and trademark declaratory judgment suits.”

Green Edge Enterprises, LLC v Rubber Mulch Etc, LLC (Fed Cir 2010), finding that the defendants properly established declaratory judgment jurisdiction over their counterclaims for a declaratory judgment of non-infringement and invalidity of the Rubberific Mulch mark.

Surefoot LC v Sure Foot Corp (10th Cir 2008), concluding that *MedImmune* displaced the jurisdictional test the 10th Circuit previously announced and replacing it with the “all circumstances” test in a trade mark dispute.

District court cases

Blue Athletic, Inc v Nordstrom, Inc (DNH 2010)

Sinclair v StudioCanal, SA (ED La 2010)

Poly-America, LP v Stego Indus, LLC (ND Tex 2010)

Crowned Heads LLC v The National Grange of the Order of Patrons of Husbandry (MD Tenn 2013)

Floyd's 99 Holdings v Woodrum (D Colo 2009)

Avon Product, Inc v Moroccanoil (SDNY, 2013)

World Religious Relief v Gospel Music Channel (ED Mich 2008)

Expressly claiming infringement

Courts have also looked at language or communications in which the trade mark owner explicitly alleges infringement in determining the existence of an actual controversy between the parties. In one case, the trade mark owner sent a cease-and-desist letter to the accused infringer stating that its use of the mark would infringe and dilute the owner's rights in its famous mark (*Express Scripts v Intel Corporation* (ED Mo March 3 2010)). Unbeknownst to the trade mark owner, the accused infringer had already started using the accused mark at the time the letter was sent. In denying the trade mark owner's motion to dismiss the declaratory judgment complaint, the court noted that the ongoing use of the accused mark and the specific allegation of infringement created a concrete dispute that warranted resolution by declaratory judgment.

Similarly, in *Crowned Heads*, the court found the controversy as being sufficiently immediate and real, noting that the trade mark owner sent a cease-and-desist letter which asserted that the accused infringer's sale of goods bearing Headley Grange would constitute infringement and would otherwise violate the trade mark owner's rights protected under the Lanham Act.

Demanding that the alleged infringer stop infringing

Courts also take into account whether the letter demands that the accused infringer cease-and-desist the allegedly infringing actions. For example, in *Sinclair*, the court noted that the trade mark owner “call[ed] upon [Sinclair] to immediately cease any and all use” of the accused mark. The court found that such words

“could reasonably lead one to believe that it is prepared to and willing to enforce its trademark rights”. Similarly, in *Poly-America*, the court noted that a cease-and-desist letter followed by a phone conversation between the parties in which the trade mark owner represented that it would sue the plaintiff if it did not stop selling the infringing products were “affirmative acts that demonstrated [the trade mark owner's] willingness to enforce its trademark rights”. In *Crowned Heads*, the trade mark owner strongly urged the accused infringer to withdraw its pending trademark application for the accused mark and also to refrain from using the Grange mark in interstate commerce. The trade mark owner noted that it would not only oppose the application but also would object to any commercial use of the accused mark. The court found it reasonable to infer that such a “pledge to object to any use [of the accused mark] constituted an implied threat of an infringement suit”.

Setting a deadline for response

Courts have also taken into consideration whether the cease-and-desist letter sets any strict deadlines for responding. In *Geltech Solutions, Inc v Marteel, Ltd* (May 5 2010), the cease-and-desist letter stated that if no response was received within 10 days, “all appropriate action” would be taken to enforce the trade mark owner's rights in the Root-Gel mark. Applying the “all circumstances” test to the facts, including the deadline for a response set forth in the letter, the court found a sufficient controversy between the parties to support the court's jurisdiction. In *Crowned Heads*, the court considered statements by the trade mark owner on its website about its trade mark

“policy” in finding jurisdiction under the DJA. The court noted that in the “Trademark FAQs” section, it was implied that the receipt of a cease-and-desist letter was essentially a charge of infringement that should be taken seriously and that a failure to timely address the issues raised in the letter could directly lead to litigation.

The common thread in these decisions is that the courts look at the content of communication between a trade mark owner and a recipient of its cease-and-desist demands, including the trade mark owner’s “preparedness and willingness” to enforce its rights and the recipient’s actual or planned use of the accused mark (as discussed in the *Express Scripts* case and below). In applying the “all circumstances” test, many district courts have not required much in order to find a justiciable controversy under the DJA. In fact, it appears from the cases reviewed that a single cease-and-desist letter may be sufficient depending on the content and tone of the letter.

Filing a TTAB proceeding

In a number of cases, a trade mark owner files – or threatens to file – an opposition or cancellation against a company’s attempted registration of an accused trade mark. These administrative proceedings are filed and adjudicated with the USPTO’s Trademark Trial and Appeal Board (TTAB). In many ways, TTAB oppositions and cancellations resemble litigation; one significant difference is that the TTAB only has the ability to determine the issue of registration of an accused mark; it cannot issue injunctive relief or damages.

A number of courts have held that the filing of a TTAB proceeding, on its own, is not sufficient to create an actual controversy. However, there are several more recent decisions suggesting that a TTAB proceeding, in combination with threats of an infringement action or failed negotiations, may support the existence of a justiciable case or controversy.

In *Crowned Heads*, the court, in looking at the totality of circumstances, found an actual controversy where the trade mark owner sent a cease-and-desist letter and subsequently filed an opposition against the would-be defendant’s trade mark application. The court stated that “[i]ndeed, it is reasonable to infer that the commencement of opposition proceedings made that threat even more real”. Similarly, in *Blue Athletic, Inc v Nordstrom, Inc* (DNH 2010), the court distinguished the facts from another case in which “the only indicia of a live infringement controversy is the existence of a single TTAB opposition proceeding, or perhaps a single cease-and-desist letter”. Rather, the court noted that there had been “the combination of two demand letters and formal TTAB opposition on infringement grounds, all steeped in the language of trademark infringement” and found that such history was “sufficient to meet the *MedImmune* standard”.

In *Surefoot* (10th Cir 2008), the 10th Circuit noted that, over the course of several years: “Sure Foot Corp has repeatedly accused Surefoot LC, of infringing on its trademark, occasionally threatened litigation if Surefoot LC failed to change its name, and filed five administrative petitions opposing Surefoot LC’s attempts to obtain

trademark registrations.” In applying the “all circumstances” test, the 10th Circuit stated that “many other courts before us have considered TTAB oppositions in combination with threats of litigation sufficient under certain circumstances to suggest a live infringement controversy and thus establish Article III jurisdiction”.

In *Floyd’s 99 Holdings v Woodrum* (D Colo March 24 2009), the court similarly found an actual controversy sufficient to support subject matter jurisdiction under the DJA. The trade mark owner argued that the case should be dismissed for lack of subject matter jurisdiction because the case involved only a single TTAB opposition. The court rejected that argument and explained that it is not the quantity of TTAB proceedings that is probative of the existence of a genuine controversy, but rather, what is alleged in those proceedings that indicates whether a controversy exists (see also *Phillips Performance Nutrition v Bayer HealthCare LLC* (D Colo September 3 2008) concerning actual controversy based on failed negotiations and two TTAB oppositions).

These cases suggest that the “all circumstances” test of *MedImmune* may be read to mean that a TTAB proceeding coupled with only a little more – for example, a single cease-and-desist letter or a history of failed negotiations – may be enough to confer the requisite subject matter jurisdiction. Moreover, at least one district court case has found that an administrative proceeding, other than a TTAB proceeding, coupled with a cease-and-desist letter, may support a declaratory judgment action: *Amazon.com, Inc v Nat’l Ass’n of College*

Stores, Inc (WD Wash 2011) found that sending a cease-and-desist letter and initiating a proceeding before the National Advertising Division of the Council of Better Business Bureaus demonstrated a substantial controversy between the parties.

Prior action against other parties

Several courts have also looked at a trade mark owner's prior actions against other parties in enforcing its rights. In *Crowned Heads*, the court looked at the trade mark owner's website and took into consideration the fact that the trade mark owner advertised its trade mark enforcement policy and past actions enforcing its rights. The website listed and described a number of actions that the trade mark owner initiated against infringers, including stating the number of infringement cases it had won over the past four years. The court found that the website helped to "confirm the immediacy and reality of the dispute".

In contrast, the court in *Avon Product, Inc v Moroccanoil, Inc* (SDNY, March 4 2013) did not see the relevance of any prior actions by the trade mark owner against other parties. In that case, the trade mark owner sent a cease-and-desist letter and made a telephone call to the declaratory plaintiff in which only a Canadian mark was at issue. Other than a brief mention of its rights in the mark in Canada and worldwide, the defendant only raised the issue in connection with Canada. Nonetheless, the declaratory plaintiff brought the declaratory judgment action in the US because it was set to launch a line of products under the allegedly infringing mark in the US. The court found that there was no

claim by the trade mark owner that the declaratory plaintiff was violating, or stood to violate, a US trade mark. In addition, the court refused to take into account the defendant's prosecution of infringement actions in the US against other parties, stating that "[p]rior actions against other infringers do not give rise to an actual controversy with a non-party" (citing *Indigodental GMBH & Co JG v Ivoclar Vivadent, Inc* (SDNY 2008) holding that the defendant's enforcement of its patent against third parties did not create an actual controversy between plaintiff and defendant absent a threat to enforce the patent against the plaintiff). A contrasting result where the court considered prior-filed actions in finding actual controversy in the patent context was *Biomet, Inc v Bonutti Skeletal Innovations, LLC* (ND Indiana July 24 2013).

Ongoing infringement versus possible future infringement

Although much of the analysis focuses on the tone and content of a trade mark owner's demand letter, courts also look at the would-be defendant's conduct, such as whether there is actual ongoing infringement or only the possibility of future infringement. In *Cat Tech LLC v TubeMaster, Inc* (Fed Cir 2008), the Federal Circuit held that "the issue of whether there has been meaningful preparation to conduct potentially infringing activity remains an important element in the totality of circumstances which must be considered in determining whether a declaratory judgment is appropriate" especially when the declaratory plaintiff had "taken significant, concrete steps" to begin production of the potentially infringing devices.

As noted above, in *Express Scripts*, the trade mark owner stated in a cease-and-desist letter that Express Script's prospective use of the accused mark would infringe and dilute the owner's rights. Although Express Scripts had filed an "intent to use" trade mark application with the USPTO, it had already started using the accused mark at the time the letter was sent. The court found that the actual, ongoing use of the accused mark, coupled with the trade mark owner's allegation of infringement, created a concrete dispute that warranted resolution by declaratory judgment, resulting in the denial of the trade mark owner's motion to dismiss the declaratory judgment complaint. Similarly, in *Crowned Heads*, the declaratory plaintiff's infringing goods were planned and ready for release.

However, in *Vantage Trailers, Inc v Beall Corp* (5th Cir 2009), the district court dismissed a declaratory judgment action because the declaratory plaintiff did not have "a substantially fixed and definite [accused product] design when it filed the declaratory judgment action" and the Fifth Circuit agreed. In that case, the trade mark owner sent a cease-and-desist letter asserting that the declaratory plaintiff's use of a certain shape for its dump trailer would infringe its trade dress. Because, at the time of filing suit, the declaratory plaintiff was still developing its trailer and had not yet finalised its design, the Fifth Circuit concluded that the declaratory plaintiff had failed to show that there was a "real and immediate" controversy. The court held: "For a decision in a case such as this to be anything other than an advisory opinion, the plaintiff

must establish that the product presented to the court is the same product which will be produced if a declaration of non-infringement is obtained.”

In pre-*MedImmune* cases, “ripeness” was determined in terms of what actions the accused infringer had taken to develop or sell the accused product or service (see for example *Windsurfing Int’l Inc v AMF Inc* (Fed Cir 1987) rejecting a declaratory plaintiff’s effort to obtain a ruling on whether it could use the term “windsurfer” in the future. In *Société de Conditionnement en Aluminium v Hunter Eng’n Co* (9th Cir 1981) the

court said: “The more acute case or controversy problem in the patent area arises when the plaintiff has not yet begun to manufacture, or make preparations to manufacture, the patented product. In that situation, the plaintiff is asking the court to render an advisory opinion whether its product would be infringing a valid patent if the plaintiff Hunter actually proceeds to the manufacturing stage.” Courts that have examined this issue post-*MedImmune* appear to have reached a similar result.

Since the *MedImmune* decision six years ago, the “all circumstances” test has lowered the standard for

establishing an actual controversy under the DJA in trade mark disputes. While the courts still have discretion whether to hear a case under the DJA (for example, if the court believes that the declaratory suit was filed for an improper purpose), this test has given the courts much wider latitude in finding the existence of an actual controversy. It is important for trade mark owners to be mindful of all of the factors that the courts routinely consider. Keeping these factors in mind, while enforcing one’s trade mark rights, may make all the difference in avoiding an unfavourable or unexpected venue.