

LITIGATING TRADEMARK CASES

IV. Defences To A Charge Of Trademark Infringement

A. In General

As is true with other forms of litigation, there are numerous defences to a charge of trademark infringement. These defences typically exist whether the action is brought under the common law, or Canadian and/or the USA Trademark Act.

B. Laches And Acquiescence

An estoppel by laches occurs where there has been an inexcusable delay between the time that the plaintiff could have asserted his rights and the time such action is actually taken, coupled with a resultant prejudice to defendant. In other words, the defendant must demonstrate that the plaintiff's delay has so prejudiced him that it would now be inequitable to prevent him from continuing to use the mark. Depending on the circumstances of the case, laches may either form a complete defence, or may be a bar to the recovery of monetary damages but not equitable relief.

C. Abandonment And Genericness

Under Canadian and/or the USA Trademark Act, a mark is deemed to be abandoned when its use has been discontinued with intent not to resume, and abandonment may be presumed from nonuse for two consecutive years. However, the presumption of abandonment may be rebutted by a showing that nonuse was due to special circumstances such as war, a labour strike, bankruptcy, import problems or some other involuntary action and not an intention to abandon the mark. Abandonment may also arise where a trademark has ceased to function as a designation of origin. This may occur under several sets of circumstances, among which are the following: (1) Where a trademark owner has licensed use of his trademark without adequate quality control. Such uncontrolled licensing is called "naked" licensing; (2) Where a trademark owner fails to take legal action against infringers and such infringement becomes so widespread that the consuming public no longer associates the mark with a single source; (3) Where the trademark has become generic, i.e., the public comes to know and refer to the particular type of goods only by the trademark. Recently, after years of litigation, including an appeal to the United States Supreme Court, Parker Brothers lost rights in the trademark MONOPOLY for a real estate trading game, on the grounds that the same had become a generic term.

V. Discovery In Trademark Cases

A. General Considerations

Few propositions of trademark law are more accurate than the one that provides that each trademark case is decided on its own facts. The principal inquiries of trademark litigation are inherently factual. Even in consideration of likelihood of confusion, it is well recognized that the conclusion as to likelihood of confusion is based on strictly factual inquiries, including the nature (or "strength") of the plaintiff's trademark, the similarity between marks, the proximity of the products, and the like. The often crucial issue of secondary meaning, likewise, is inextricably bound up in the facts of the matter at hand; and the successful plaintiff

must submit evidence as to volume of sales, length and manner of trademark use, nature of advertising, consumer testimony, consumer surveys, etc. Similarly, many of the defences raised against the charge of trademark infringement involve particularly factual issues, for example, whether the defendant is using a trademark "fairly" and "descriptively." In sum, trademark cases are won or lost depending on the facts presented.

As such, the role of discovery in trademark cases is of particular importance. From the plaintiff's perspective, while there are certain facts that are uniquely within its knowledge (for example, the length and manner of use of its trademark, the level of its advertising, etc.) there are other areas in which discovery of defendant is crucial. The successful plaintiff must identify the way in which the defendant uses the accused mark (on goods or services themselves, as well as on advertising and promotional material, store signs, delivery trucks and the like), in an attempt to convince the trier of fact that this use by the defendant is of such a nature as to tilt one or more of the likelihood of confusion factors in the plaintiff's favour. A plaintiff also requires discovery concerning the channels of trade in which the defendant's products move, so that a determination can be made as to how similar those channels are to the channels in which the plaintiff's products move. Discovery is also needed by a trademark plaintiff on the issues of defendant's overall marketing approach, its knowledge of the plaintiff's trademark at the time of adoption of its own mark and the defendant's intent in making such adoption.

Discovery is also important as to the existence of actual confusion. It may well be that actual confusion is the hook on which a judge who is predisposed to find for one party or the other may elect to hang his or her hat. There are plenty of cases made by courts which hold that actual confusion is the best evidence of likelihood of confusion; but those same courts may well state, in other cases, that a few isolated instances of misdirected communication do not necessarily prove a likelihood of confusion. Nonetheless, every trademark plaintiff is quite happy to find instances of actual confusion, and therefore discovery on this issue is crucial.

Discovery may be even more important in trademark litigation for the defendant. A simple corollary suggests that anything that the plaintiff must prove, the defendant should discover. Thus, a defendant's discovery should include discovery seeking evidence (in both dollar volume and unit number) of sales of products under the mark, volume and nature of advertising, length and manner of use, the method in which the plaintiff uses its trademark, channels of trade and advertising medium of the plaintiff's products, levels of sophistication of customers and the like. Some of these areas are of particular interest in discovery, in that the plaintiff's activities prior to litigation may be inconsistent with the position that it seeks to take during litigation. For example, a trademark plaintiff always seeks to prove, wherever possible, that consumers for its products are not of the highest level of sophistication and do not exercise a great deal of attention in the purchase of its products, suggesting that such consumers are more likely to be confused by the defendant's activities. Of course, this may be directly contrary to the position which the plaintiff has taken in advertising and promotional materials directed to these very consumers, in that no company tells its customers that it thinks they are unsophisticated. Comparably, a plaintiff who has been sensitized previously to anti-trust concerns may have sought to posture

itself as being a relatively small factor in its particular market and not being so predominant as to have acquired “monopoly power.” Of course, this is contrary to the position of a plaintiff in a trademark case, who typically would wish to prove that it is the dominant force in its field and that its products are so widespread and common place that everyone having anything to do with that field knows of its trademarks.

VI. Remedies

A. In General

The successful plaintiff in a trademark infringement litigation is typically entitled to relief falling into two broad categories, injunctive relief and monetary damages. Of the two, injunctive relief is the more common.

B. Injunctive Relief

Injunctive relief in trademark infringement cases is quite important in view of the ephemeral nature of trademark rights themselves. The damage that is done to the goodwill associated with the trademark often cannot be measured in monetary terms. That is, once a trademark becomes associated with the inferior product of the defendant, then it is difficult to calculate the extent to which damage has been done, the number or amount of sales which have been lost and the like. Indeed, it has become more and more common for courts to presume that irreparable injury flows automatically from the finding of a likelihood of confusion, and to grant injunctive relief once likelihood of confusion has been established.

Injunctions most often take the form of prohibiting the unsuccessful defendant from continuing to use the particular trademark or continue the particular activity which has been held to be likely to cause confusion; but as well, should also contain a general prohibition against “infringing plaintiff’s trademarks,” so that the defendant does not seek to make modest changes in his own trademark and reappear in the marketplace. In sum, injunctions in trademark cases should be formulated to be both specific (to relate to the specific activity which is to be enjoined) and broad (to prevent additional, similar infringement in the future). Under appropriate circumstances, injunctive relief also may be mandatory, in the sense of requiring a recall of infringing merchandise.

C. Damages

Both Canadian and the USA Trademark Act, cover the award of monetary relief in cases of trademark infringement and unfair competition and provides for an award of (1) defendant’s profits; (2) any damages sustained by the plaintiff; and (3) the costs of the action. An award of profits is appropriate against wilful infringers. In connection with a recovery of profits, the plaintiff ought to prove the defendant’s gross sales of infringing merchandise, with the burden then on the defendant to demonstrate any costs which should be subtracted to arrive at computation of profits. As to an award of monetary damages, damages are typically measured by any direct injury that a plaintiff can prove, as well as any lost profits that the plaintiff would have earned but for the infringement. Such damages are typically proved by demonstrating the volume of sales of infringing products, then proving the profit which the plaintiff would have made on that volume of merchandise, and then, most importantly, proving that but for the defendant’s infringing activities, plaintiff would have made such sales.

Obviously, this method of proof is typically available only in circumstances where the plaintiff and the defendant sell competing products, or, in some cases, where the plaintiff has a licensing of franchising program, and can clearly compute his lost revenues based on his lost royalty payments.

VII. Settlement

Like all litigation, trademark litigation is by its nature inherently unpredictable, typically time-consuming, and always expensive. For some trademark owners, a program of trademark enforcement is vital to protect their rights, especially in fields (like designer products) where infringements, counterfeits, etc. are rampant. As discussed in the section on trademark abandonment above, all trademark owners must be vigilant in preventing a loss of trademark rights through abandonment resulting from failure to police the mark against infringers. Nonetheless, the fact that litigation may be necessary, does not mean that it always must be carried through to trial where a final determination is made as to trademark rights. Instead, the parties to the action, through their lawyers, should always try to resolve the trademark controversy, even after litigation has begun, by settlement.

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