

# Article

## Trademark Enforcement: A More nuanced game than whack-a-mole

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*IP Watchdog*

Each year, companies spend hundreds of billions of dollars on advertising. In a report released by the research firm eMarketer on September 19, 2018, the forecasted 2018 U.S. advertising revenue realized by Amazon alone is \$4.61 billion – and, in terms of ad revenue, Amazon is a distant third to Google and Facebook.

A successful advertising campaign promotes goodwill and brand identity, spurring sales, revenue, and profit. But success begets imitation. All too often, imitators attempt to hijack a brand and, with it, all the blood, sweat, tears, and money invested in it. This article attempts to provide guidance for a robust trademark enforcement program.

Brand protection requires the fortitude and persistence to prevail at what may seem like an unending game of whack-a-mole. For those that have not had the cathartic pleasure of the Whac-A-Mole arcade, the game involves quickly and repeatedly hitting the heads of mechanical moles with a mallet as they randomly pop up from holes.

While there are some similarities, the unfortunate reality is trademark enforcement is more nuanced than a game of whack-a-mole. Not every “mole” is worth whacking, some that are whacked may not respond favorably, and sometimes the mallet just is not strong enough to play.

So, what should a trademark owner consider when determining whether to take enforcement action? The first step is to identify the scope and strength of the trademark. Next, it is important to determine whether enforcement will obtain the desired results. Lastly, the impact of inaction should be examined.

The strength of a trademark may be gauged by the mark’s uniqueness. The more arbitrary with respect to the product or services (i.e. KODAK or EXXON) the stronger the mark. Enforcing a strong, unique mark generally presents fewer obstacles than a mark which may merely describe or suggest the product or services associated with the mark (i.e. “HOT AND FRESH” with respect to baked goods).

The scope of trademark rights may also be subject to territorial limitations. In the United States, parties are not required to register their marks to obtain protectable rights. One can establish “common law” rights in a mark based solely on use of the mark in commerce, without a registration. Common law rights are generally limited to the particular geographic area where the mark is actually used.

A federal trademark registration provides a number of significant advantages over common law rights alone, including the exclusive right to use the mark *nationwide* on or in connection with the goods/services listed in the registration. For those trademark owners engaged in e-commerce or sales over the internet, a trademark registration may be particularly advantageous.

A common assumption is that once a trademark owner obtains a federal trademark registration, no one will be able to use the mark in connection with the same or similar services anywhere in the United States. Unfortunately, in practice, enforcing the so-called “nationwide priority” that accompanies federal registration is

not this straightforward. Courts across the country differ in their analysis of what must be satisfied before a registrant can obtain a court order to shut down an infringer.

The majority rule appears to be that to sustain an infringement claim the registrant must show actual use in, or a likelihood of expanding actual use into, the geographic area where the junior user operates – despite the “nationwide priority” that accompanies registration. The registrant must show expansion into the relevant geographic area “is likely in the normal course of [the registrant’s] business.” *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959). This is the “*Dawn Donut* rule.”

Some circuits consider the likelihood of entry as “only one factor to be considered in determining whether a senior user is entitled to an injunction.” *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1057 (6th Cir. 1999). An expansion plan is not necessarily required in these jurisdictions to obtain an injunction or damages, but a showing of a likelihood of confusion is required. Likelihood of entry may also be considered by the court when shaping an equitable injunction.

Many have questioned the continued viability of the *Dawn Donut* rule in the age of the internet. Where the goods or services are offered for sale by the registrant at one physical location (as was the case in *Dawn Donut*), there may not be a likelihood of consumer confusion with another using a similar mark in a geographically remote location. Where the goods or services are offered for sale via the internet, and may be delivered nationwide, the physical location of the registrant is less relevant.

Before pulling starting enforcement action, a trademark owner should take stock of the mark’s strength and whether there is existing or potential geographical overlap with the purported infringer. A strong mark coupled with geographical overlap is a good sign that enforcement will obtain the desired results.

If actual use within a relevant geographic area exists, or expansion to that area is likely, enforcement action may be necessary to avoid consumer confusion and preserve trademark rights. Where actual use within a relevant geographic area does not exist, and expansion to that area is unlikely, enforcement action may not be *required* to preserve trademark rights. However, a thorough analysis of the likelihood of confusion factors still should be conducted to determine the prudence of enforcement action. For those trademark owners that enjoy “famous” marks, a separate analysis should be conducted to determine whether enforcement action is necessary to avoid trademark dilution.

Winston Churchill once said “I never worry about action, but only inaction.” Failing to enforce a trademark in a timely fashion will have serious consequences. Laches, for example, is a defense raised by a junior user where the senior user inexcusably delays in filing legal action and the rights of the junior user are prejudiced by that delay.

Based on recent United States Supreme Court precedent, there was some doubt as to whether laches continues to be a viable trademark infringement defense. Laches is not available as a defense to claims for *copyright* or *patent* infringement brought within the limitations periods prescribed under the Copyright and Patent Acts. *SCA Hygiene Prods. v. First Quality Baby Prod., LLC*, 137 S. Ct. 954, 959 (2017) (Patent Act); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1967 (2014) (Copyright Act).

However, the Lanham Act (the statute governing trademarks) has no statute of limitations and expressly makes laches a defense to cancellation of a registered trademark. Recently, the Ninth Circuit Court of Appeals has held laches is, indeed, available as a defense to a cancellation claim. *Pinkette Clothing, Inc. v. Cosmetic Warriors Limited*, 894 F. 3d 1015 (9th Cir. 2018).

Laches can arise not only with actual notice, but also constructive notice. *Pinkette Clothing v. Cosmetic Warriors Limited* involved a dispute over the term LUSH. In July 2010, Pinkette obtained a trademark registration for the term LUSH in connection with apparel. In 2014, CWL’s trademark application for LUSH in

connection with the same goods was refused based on Pinkette's registration. Claiming use priority, CWL sought to cancel Pinkette's registration. The court concluded laches barred CWL's cancellation claim because CWL had constructive notice of Pinkette's use in July 2010 based on Pinkette's trademark registration. CWL, therefore, was prevented from bringing any cancellation or infringement claims – *even though they acted within a matter of months of receiving actual notice of Pinkette's use and registration.*

This case highlights the importance of being vigilant with respect to monitoring for potential infringement as well as taking prompt enforcement action against potential infringers. It also underscores the importance of federal registration, indicating that, at least in some circumstances, a registration can trump common law rights.

A business can thrive with exceptional service. Without a trademark, the opportunity to connect the business and exceptional service in the minds of consumers is lost. Some moles may escape the mallet, but taking necessary, effective action will protect that which has taken so much heart and soul to build.

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## Related Practices

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