Open Letter to Director David Kappos of the United States Patent and Trademark Office

Abstract
I appreciate the opportunity to respond to the Request for Comments on the extent to which small businesses may be harmed by litigation tactics by corporations’ attempts to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner; the best use of Government services to protect trademarks and prevent counterfeiting; and appropriate policy recommendations.

The PTO should be commended for considering whether the use of trademark litigation as a form of “bullying” is a problem for the U.S. trademark system. While some consider trademark litigation as a justifiable effort to police marks to avoid acquiescence to infringing uses, our comprehensive study supports another explanation. We have observed that trademark litigation is increasingly used as a bullying tactic, rather than an effort to reduce serious infringing activity. Merriam-Webster’s Collegiate Dictionary defines bullying as treating others “abusively” or “to affect by means of force or coercion.”

I urge you to consider the suggestions made herein, including adoption of a “Fame Registry” by the PTO, creation of a federal cause of action for bullying under the Sherman Act, and finally, the recommendation that Congress amend the FTDA to make the test for dilution “actual dilution,” rather than a “likelihood of dilution,” wherein plaintiffs would not be encouraged to obtain fame at any cost.

Keywords
trademarks, trademark law, PTO, patent and trademark office, intellectual property

Disciplines
Intellectual Property Law

This article is available at Mitchell Hamline Open Access: http://open.mitchellhamline.edu/facsch/203
OPEN LETTER TO DIRECTOR DAVID KAPPOS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

KENNETH L. PORT†

I. INTRODUCTION AND GENERAL REMARKS ........................................... 14

II. “BULLYING” OR EXTORTION? ........................................................................... 15

III. SEEKING A BROADENING OF TRADEMARK RIGHTS (E.G., ONCE “FAMOUS,” AND ELIGIBLE FOR DILUTION PROTECTION, COMPETITION NO LONGER IS RELEVANT) ........................................................................................................ 17

IV. EFFECTS OF TRADEMARK EXTORTION ...................................................... 19

V. CORRELATION BETWEEN DROP IN CASE FILINGS AND BULLYING ............. 20

VI. DOES SIZE CONFER AN ADVANTAGE IN TRADEMARK LITIGATION? .............. 20

VII. BULLYING EXAMPLE: KOI RESTAURANT, LOS ANGELES, CA ...................... 21

VIII. THE U.S. PATENT & TRADEMARK OFFICE ROLE IN DISCOURAGEMENT AND PREVENTION OF TRADEMARK BULLYING ................................................................. 22

IX. THE U.S. COURTS ROLE IN DISCOURAGING TRADEMARK BULLIES .............. 23

X. CONGRESS’ ROLE IN DISCOURAGING OR PREVENTING TRADEMARK BULLYING .................................................................................................................. 23

XI. CONCLUSION ...................................................................................................... 24

† Professor of Trademark Law, Comparative Japanese Law, and Comparative International Copyright and Trademark Law at William Mitchell College of Law; Director, William Mitchell College of Law Intellectual Property Law Institute.
February 18, 2011

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450  


Dear Under Secretary Kappos:

I appreciate the opportunity to respond to the Request for Comments on the extent to which small businesses may be harmed by litigation tactics by corporations’ attempts to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner; the best use of Government services to protect trademarks and prevent counterfeiting; and appropriate policy recommendations.

I am a Professor of Law and Director of the Intellectual Property Institute at the William Mitchell College of Law. Under my direction, the Institute recently completed a comprehensive study of nearly 7,500 reported trademark litigation decisions between 1947 and 2005, and published our findings in Trademark Extortion: The End of Trademark Law, which is attached for reference. The data is maintained and annually updated at http://www.wmitchell.edu/intellectual-property/?page=321&Mitchell+Study+on+Trademark+Litigation.

I. INTRODUCTION AND GENERAL REMARKS

The PTO should be commended for considering whether the use of trademark litigation as a form of “bullying” is a problem for the U.S. trademark system. While some consider trademark litigation as a justifiable effort to police marks to avoid acquiescence to infringing uses, our comprehensive study supports another explanation. We have observed that trademark litigation is increasingly used as a

---

bullying tactic, rather than an effort to reduce serious infringing activity. *Merriam-Webster’s Collegiate Dictionary* defines bullying as treating others “abusively” or “to affect by means of force or coercion.”

The Mitchell Study on Trademark Litigation indicates that trademark holders are increasingly filing infringement suits, but also notes a considerable decline in cases that are prosecuted to a conclusion on their merits. In fact, the data shows that if prosecuted to a trial on their merits, the trademark holder/plaintiff would likely lose. In the 60 year history of the Lanham Act, plaintiffs have prevailed 50% of the time. In the decade of 1980 to 1989, plaintiffs prevailed nearly 54% of the time. This piece of data is not yet public; however, in the decade of 2000 to 2009, defendants prevailed nearly 54% of the time. This “strike suit” conduct and the fact that plaintiffs prevail less frequently suggests that trademark holders are using suits, or the threat of suits, in a predatory fashion to force defendants to either acquiesce or to spend money and time defending or settling suits.

II. “BULLYING” OR EXTORTION?

Of course, trademark holders must police their trademarks or suffer the fate of a court subsequently finding that they have acquiesced to infringing uses or that the mark now lacks distinctiveness. Therefore, when truly infringing or dilutive conduct is detected, it is imperative for the trademark holder to act.

---

4 *Port*, *supra* note 1, at 589.
5 *Id.* at 613 graph B.
6 *See id.* graph C.
7 *Wallpaper Mfrs.*, 680 F.2d at 766.
8 Infringement is present when there is a likelihood of confusion between two marks. *See*, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 112, 120 (2004) (noting that prima facie claims for trademark infringement require the element of likelihood of consumer confusion). The traditional formulation of trademark infringement required there to be competition between the parties, that is, “commerce that could be regulated by Congress.” *See* U.S. CONST. art. I, § 8, cl. 3. This provision has long been thought to be the constitutional justification of trademarks after the U.S. Supreme Court held that the Patent and Copyright Clause, *id.* cl. 8, could not be used to justify federal protection of trademarks. *In re Trademark Cases*, 100 U.S. 82, 95–97 (1879). Recently, there seems to be some “mission shift” as some courts are not requiring there to be competition before finding a likelihood of confusion. *See*, e.g., *Anheuser-Busch, Inc. v. Balducci Publ'ns*, 28 F.3d 769, 774 (8th Cir. 1994) (“[C]onfusion . . . may exist in the absence of direct competition.”). Originally and constitutionally, without competition there could be no likelihood of confusion and therefore no infringement. That is, “one merchant shall not divert customers from another by representing what he sells as emanating from the second.” *See* Yale Elec. Corp. *v. Robertson*, 26 F.2d 972, 973 (2d Cir. 1928). Under the Lanham Act, trademark infringement is governed by 15 U.S.C. § 1114 (2006), but this provision neither mentions “likelihood of confusion” nor defines it in any way.
9 Trademark dilution occurs when the use of a trademark by another “lessen[s] the capacity of a famous mark to identify and distinguish goods or services, regardless of [competition or
The trademark holder is under no obligation to send cease and desist letters to all infringers, nor sue every infringer. The trademark holder need only use reasonable efforts to police their trademarks. However, if long periods of infringing use are not objected to, the trademark holder may experience difficulty in subsequently enforcing that mark. Therefore, under the incentive to protect trademark rights, policing the mark is a necessary part of trademark maintenance.

The normal course of conduct followed in protecting trademark rights is logical and facially legitimate. The process starts when the trademark holder sends a cease and desist letter to an offending user of a mark and objects to that usage. If ignored, or if the other party responds that it will not cease use, an infringement or dilution law suit may result. This is the normal, rational course of conduct in trademark litigation.

However, I respectively submit that some trademark holders are not being reasonable in their assertions of infringement and are merely doing so to make their marks famous so that they can exploit the dilution provisions of the Lanham Act.

10 This article concentrates on Article III court proceedings. However, a similar argument can be made about trademark oppositions and cancellations before the PTO, an administrative body. For example, there were over 6,500 oppositions filed in calendar year 2006. Jon W. Dudas, Performance and Accountability Report: Fiscal Year 2006, 2006 USPTO ANN. REP. 145 tbl.23, http://www.uspto.gov/about/stratplan/ar/2006/2006annualreport.pdf. However, over 95% of these will result in settlement or dismissal prior to a final disposition. Roberta S. Bren, Opposition Proceedings Before the Patent & Trademark Office Trial and Appeal Board, 183, 185 (A.L.I.-A.B.A. Course of Study, Apr. 23, 1998), WL SC68 ALI-ABA 183; see also Roberta S. Bren, Opposition Proceedings Before the Patent & Trademark Office Trademark Trial and Appeal Board Exhibits, 375 (A.L.I.-A.B.A. Course of Study, Apr. 23, 1998), WL SC68 ALI-ABA 375.

11 Accurate Merch. Inc. v. American Pac., 186 U.S.P.Q. (BNA) 197, 200 (1975) (“This statute places an affirmative duty upon a licensor of a registered trademark, such as TELE-TENDER to take reasonable measures to detect and prevent misleading uses of his trademark by his licensees or suffer cancellation of his federal registration. 15 U.S.C. §U 1064 (2006) provides that a trademark registration may be cancelled because the trademark has been “abandoned”).

12 Wallpaper Mfrs., 680 F.2d at 763.

13 Hermes Int'l v. Lederer de Paris Fifth Ave., Inc., 219 F.3d 104, 110 (2d Cir. 2000).

14 See, e.g., Ty Inc. v. Softbelly's, Inc., 353 F.3d 528, 531 (7th Cir. 2003) (“Ty polices the use of ‘Beanie(s)’ vigorously by filing lawsuits, sending cease and desist letters, and opposing trademark applications for the word or its cognates”).
III. SEEKING A BROADENING OF TRADEMARK RIGHTS
(E.G., ONCE “FAMOUS,” AND ELIGIBLE FOR DILUTION PROTECTION, COMPETITION NO LONGER IS RELEVANT)

Some trademark holders use this legitimate course of conduct beyond its intended purpose to object to truly objectionable uses. The growing trend shows that the normal course of conduct is being used to expand their trademark rights. A compelling indication of this theory: trademark holders send thousands of cease and desist letters to a degree that “sample” cease and desist letters are readily available on the Internet.\(^{15}\)

This rampant increase in cease and desist correspondence has been followed by hundreds of trademark infringement filings.\(^{16}\) These cases are not necessarily prosecuted to a conclusion on their merits. In fact, if prosecuted to a trial on their merits, the trademark holder/plaintiff would likely lose because the underlying claims are often unmeritorious.\(^{17}\) Reliance on unwarranted claims in litigation is referred to as a “strike suit.”\(^{18}\) These are lawsuits which, in the trademark context involving cease and desist letters, have a different objective than merely stopping the use or conduct of the would-be defendant (hereinafter “strike suit conduct”). Their objective is to raise market entrance or continuation costs to the competitor.

Only 1.3% of federal trademark cases reached a trial on the merits last year.\(^{19}\) Although much is said about litigious Americans,\(^{20}\) the ratio of trademark cases that reach a trial on the merits continues to decline,\(^{21}\) but the total number of cases filed continues to go up.\(^{22}\) While there may be several causes for the shrinking percentage of cases that make it to a trial on the merits (such as money, time,

---

\(^{15}\) See, e.g., Charles Runyan, Sample Cease & Desist Letter to Sent to a Domain Name Owner Whose Domain Name is Infringing on a Trademark, KEYTLAW — A LEGAL INFORMATION RESOURCE, http://www.keytlaw.com/urls/c&d.htm (last modified Oct. 21, 2008).


\(^{17}\) Even when not an apparent strike suit because the plaintiff does seek to litigate the case to a final decision on the merits, the trademark holder only prevails about half of the time. See supra text accompanying notes 5–6.

\(^{18}\) See Behlen v. Merrill Lynch, 311 F.3d 1087, 1091 n.1 (11th Cir. 2002) (“A strike suit is defined as ‘[a] suit . . . often based on no valid claim, brought either for nuisance value or as leverage to obtain a favorable or inflated settlement.’” (quoting BLACK’S LAW DICTIONARY1448 (Bryan A. Garner ed., 7th ed. 1999))).

\(^{19}\) Port, supra note 1, at 619 graph N.


\(^{21}\) See Port, supra note 19, at 619 graph N.

\(^{22}\) See id., at 618 graph L.
etc.), one cause of this small percentage seems to be the prevalence of strike suit conduct.

This strike suit conduct is also prevalent at the registration stage. In this case, a trademark holder objects to the registration of a mark. The objection is based on the idea that the trademark holder has to plow a wide path through commerce in the United States. The wider this path is, the better it is for the existing trademark holder. It is better in a sense that, as more third parties acquiesce to its use, the stronger the mark becomes.

As the trademark holder plows this wide swath through American commerce, through strike suit conduct in litigation before Article III courts, cease and desist letters, or objecting to the registration of marks, the trademark holder’s mark becomes that much more distinctive and strong.\(^{24}\)

With this conduct, gradually but assuredly, the actual scope of protection of the trademark broadens. As the trademark scope broadens, the mark becomes more distinctive. As it becomes more distinctive, the more likely it is that a skilled litigant can successfully argue that it has become famous. Once famous, it becomes subject to protection from dilution.\(^{25}\) Once a mark is protected from dilution, it has reached the zenith of its power to exclude others, regardless of whether the goods on or in connection with which the marks are used are in competition. That is, once the mark becomes famous and eligible for dilution protection, competition is no longer relevant.\(^{26}\)

\(^{23}\) This is the practice of filing petitions to cancel registered marks or to oppose the registration of trademark applications. These proceedings are not Article III style court proceedings but rather administrative proceedings before the Trademark Trial and Appeal Board (T.T.A.B. 2004). See T.T.A.B. Manual of Procedure, http://www.uspto.gov/web/offices/dcom/ttab/tbmp/index.html.

\(^{24}\) Abercrombie & Fitch v. Hunting World, Inc., 537 F.2d 4, 10 (2d Cir. 1976).

\(^{25}\) 15 U.S.C. § 1125(c)(2)(A) (2006) (“For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following: (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties. (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark. (iii) The extent of actual recognition of the mark. (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register”).

\(^{26}\) See 15 U.S.C. 1125 § 2(b)–(c)(2006) (“[D]ilution by blurring” is an association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following: (i) The
IV. EFFECTS OF TRADEMARK EXTORTION

This strike suit conduct, whether employed at the cease and desist stage, litigation stage, or registration stage, is a form of trademark extortion, and it has the following effects:

1) The scope of the trademark increases through this extortion rather than increased use;
2) Competition is made more expensive and therefore there is less of it as parties avoid conflict with an existing market player;
3) Once the scope of the trademark becomes wide enough, the holder of the trademark can call its mark “famous” and take advantage of all that the Federal Trademark Dilution Act has to offer;
4) Parties use trademark extortion as a tactic for reasons beyond mere victory in court. As a result, trademark rights are not based on use, as the Constitution and the Lanham Act demand, but, instead, based on trademark extortion;
5) The purpose of the FTDA was to protect famous marks from dilutive conduct, yet to the extent trademark holders are creating their fame through trademark extortion rather than through use, the FTDA is not served. Ironically, the FTDA actually encourages trademark extortion because it places such a premium on making a mark famous. Therefore, to make its mark famous, trademark holders will employ any strategy necessary, including trademark extortion.

The attached article fully documents these assertions.27

Our data further suggests that large trademark holders often have no need to file suit to extort settlements from small businesses. Bullies rely on threats to sue, and also create notorious reputations to give market entrants the impression that they will be sued for trademark infringement, among other things. Use of these intimidation tactics against market entrants is often enough to raise competitor costs and deter market entry.28

---

27 Port, supra note 1, at 591.
28 See id. at 603–05; see also id., at 604 nn.102–03.
V. Correlation Between Drop in Case Filings and Bullying

Trademark litigation has fallen precipitously since the 2001 recession.\(^{29}\) Damage awards, attorney fee awards, the number of reported claims, and dispositive decisions continue to decrease while the number of cases initially filed continues to increase.\(^{30}\) These filings appear to be directly related to a desire to cause the alleged infringer to acquiesce to the demands of the trademark holder because of actual or threatened trademark litigation. We know that these holders do not actually litigate cases to a conclusion because all trademark litigation indicators are in a precipitous free fall. Only initial filings are increasing, indicating these companies are filing suit, but are not following through with the litigation. This phenomenon may lead to trademark rights being based on a lawsuit or threat of a lawsuit, not based on use.

VI. Does Size Confer an Advantage in Trademark Litigation?

Our study included all reported cases (7,414) that relied on the Lanham Act from July, 1946 to December, 2005.\(^{31}\) After removing all non-substantive trademark cases and those decided on procedural grounds, we were left with 2,659 cases, each of which dispositively and terminally adjudicated a trademark claim.\(^{32}\) We observed in eighty-six cases at least one of the parties was listed on the Dow Jones Industrial Average (DJIA). Of these, the company on the Dow prevailed nearly 75% of the time. “Compared to all cases, the trademark claimant only prevailed about 50% of the time.”\(^{33}\) The track record of parties ever listed on the Dow at the time of the litigation is as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Wins</th>
<th>Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>American Express</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Chrysler</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Eastman Kodak</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Exxon</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>General Electric Co.</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

\(^{29}\) Id. at 622 (noting a 30% decline in infringement claims from 2001 to 2005).

\(^{30}\) Id.

\(^{31}\) The Institute database is in process of being updated, and case data through 2008 will be added to our results in mid-2011. The results can be accessed through our website: www.cybaris.com.

\(^{32}\) Port, supra note 1, at 623.

\(^{33}\) Id. at 630.
General Foods  2  1
General Motors Corp  8  1
Goodyear  2  2
Hewlett-Packard  1  1
Honeywell  1  0
IBM  2  0
J.P. Morgan  1  0
McDonalds  5  2
Microsoft  7  2
Pfizer  1  0
Philip Morris  2  0
Procter & Gamble  4  1
Sears Roebuck & Co.  5  3
Texaco  1  0
Union Carbide  2  1
Wal-Mart  1  0
Walt Disney  2  1
Westinghouse Electric  1  1

This data supports the conclusion that companies listed on the DJIA have a significantly higher chance of succeeding on the merits than if the company is not listed.

Data for all litigants, regardless of size, shows that through 2005, trademark holders had a slightly better than 50% chance of succeeding on the merits in cases which proceeded to litigation.\footnote{Id. at 613 graph B; see also id. at 631.} They have a 55% chance of obtaining an injunction, if demanded.\footnote{Id.} They have a 5.5% chance of receiving any damages at all.\footnote{Id.} The claimant succeeds on the merits only about half the time.\footnote{Id.}

VII. BULLYING EXAMPLE: KOI RESTAURANT, LOS ANGELES, CA

In \textit{Sikder Holdings, Inc. v. Koi Asian Bistro, Inc.},\footnote{Complaint and Demand for Jury Trial ¶ 28, Sikder Holdings, Inc. v. Koi Asian Bistro, Inc., No. 4:06-CV-186, 2006 WL 2579515 (E.D.N.C. Aug. 25, 2006) (asserting that the defendant’s unauthorized continued use of Koi marks absent authorization constitutes infringement of the plaintiff’s exclusive rights to the registered marks).} the plaintiff alleged that five of its registered trademarks (Reg. Nos. 2,950,303; 2,946,808; 2,961,393; 2,970473; 78,455,283) amounted to an exclusive right to use the word “koi” on or
in connection with Japanese-style restaurants. The plaintiff claimed that the word “koi” was famous and arbitrary as it had no meaning in any language. Although the Examiner was convinced and withdrew the 2(d) refusal based on this logic, the word “koi,” actually is a ubiquitous term in the Japanese restaurant business. It means “carp.” It has broad appeal in the Japanese society. A carp, or “koi,” is often served at festive occasions.

For one entity to claim that it could obtain exclusive rights to the word “koi” for use in Japanese-style restaurants is completely inconsistent with the reality of the word as it is actually used. Upon information and belief, the plaintiff in this cause of action is a well-known restaurant in the Los Angeles area. It was attempting to become famous nationwide. To do so, it believed it was necessary to stomp out all other uses of this ubiquitous term in Japanese restaurants and even mislead the Trademark Office with statements in the file wrapper that the word “koi” meant nothing in any foreign language.

This is a perfect, specific example of bullying. I refer to it as extortion. The defendant in this case was saved merely by the fact that its insurance carrier was made to defend against this law suit. But for that insurance coverage, Koi Asian Bistro, a small restaurant in North Carolina, would have been forced to change their name.

VIII. THE U.S. PATENT & TRADEMARK OFFICE ROLE IN DISCOURAGEMENT AND PREVENTION OF TRADEMARK BULLYING

Since, as indicated above, the real cause of trademark bullying is the drive to make marks famous, the PTO could effectively and substantially alleviate this issue by adopting a “Fame Registry.” Only marks on this registry would be permitted to use section 43(c) in an offensive manner. Trademark registrants would apply to the Fame Registry and the PTO would determine whether or not a mark was truly and normatively famous. This would prevent creative lawyers from arguing that a mark had become famous through bullying behavior rather than from use.

39 MERRIAM-WEBSTER’S COLLEGIATE DICTIONARY, supra note 3, at 692 (“[A] carp bred especially in Japan for large size and a variety of colors and often stocked in ornamental ponds”).
40 See generally Koi Asian Bistro, 2007 WL 4885065, at *1 (E.D.N.C. dismissed Nov. 27, 2007) (indicating that the plaintiff, Sikder Holdings, stipulated to a voluntary dismissal pursuant to Fed. R. Civ. P. 41(a)(1)(ii) only after Koi Asian Bistro maintained its defense for over 15 months of litigation).
IX. THE U.S. COURTS ROLE IN DISCOURAGING TRADEMARK BULLIES

In fact, U.S. courts have a responsibility to curb trademark bullying and they are doing so. The data indicates that, even as the number of initial infringement claims increases, the percentage of cases that reach a trial on the merits continues to go down. Even though this is the real setting, the number of cases where the plaintiff prevails is dropping drastically. This appears to be a clear example of how courts are handling trademark bullying. Plaintiffs simply prevail less frequently.

However, courts could be even more aggressive in combating trademark bullying. One possibility would be to make trademark bullying an illegal restraint of trade under the Sherman Act.

X. CONGRESS’ ROLE IN DISCOURAGING OR PREVENTING TRADEMARK BULLYING

Congress has the largest responsibility to eliminate trademark bullying; however, Congressional action in the last decade has only encouraged it. As indicated above, trademark owners deem “fame” to be the ultimate objective of their trademark. Some trademark owners are willing to invest serious resources to obtain a “famous” designation. Once famous, the scope of protection a trademark receives under the dilution theory expands exponentially.

If, for example, Congress merely made the test for dilution “actual dilution” instead of a “likelihood of dilution,” plaintiffs would not be encouraged to obtain fame at any cost. Plaintiffs would use the dilution statute as it was originally intended: a gap filling provision to be used only when other trademark remedies failed and when a trademark owner was exposed to real harm in the marketplace. As is, trademark holders are encouraged to make their marks famous to deny market access to competitors and non-competitors alike.

In addition, Congress (and/or State legislatures) could mandate that insurance carriers defend against trademark infringement. This would provide great value to level the playing field between aggressive trademark plaintiffs and smaller entity trademark defendants. Some courts have determined that trademark infringement is an “advertising injury.” However, in such States, insurance companies have quickly re-written insurance policies to exempt trademark infringement from coverage. Presently, it seems that the only way to see smaller entity trademark users play on a balanced field is to somehow require that insurance companies cover trademark infringement as an advertising injury.

---

42 General Cas. Co. v. Wozniak Travel, Inc., 762 N.W.2d 572 (Minn. 2009).
XI. CONCLUSION

I commend the PTO for its solicitation of comments on whether trademark litigation is being used as bullying and is harmful to small employers. I think the problem is larger than mere bullying and amounts to trademark extortion. This extortion is manifest as strike suit conduct designed to raise the cost of market entrance or continuation costs of competitors. I also believe that size of litigants does matter. Dow Jones listed companies prevailed nearly 75% of the time in trademark cases, compared to 50% for all cases. In addition, this strike suit conduct has the effect of making already well known marks even more prominence, giving rise to holders claims that their marks are now “famous” and subject to Federal Trademark Dilution Act protection.

Illustrating the problem for small employers was “Koi Restaurant” in Los Angeles. If the defendant had not secured insurance coverage to defend itself in a non-meritorious claim, it would have been forced to give up its name, merely because it lacked the resources to defend itself.

I urge you to consider the suggestions made herein, including adoption of a “Fame Registry” by the PTO, creation of a federal cause of action for bullying under the Sherman Act, and finally, the recommendation that Congress amend the FTDA to make the test for dilution “actual dilution,” rather than a “likelihood of dilution,” wherein plaintiffs would not be encouraged to obtain fame at any cost.

Respectfully submitted,

Kenneth L. Port

Professor & IP Institute Director
William Mitchell College of Law
875 Summit Ave.
St. Paul, Minnesota 55105