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Trademark Triage – Protecting Your Most Valuable Asset!

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Saxton & Stump is a full-service legal and consulting firm with recognized practices in franchise law and intellectual property. Led by Thomas Kent, Esq. and Amanda Dempsey, Esq., the franchise practice consistently delivers sophisticated legal advice and business counsel to franchise brands from emerging to established international companies.



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Practice Areas

- ▶ Franchising, Licensing and Distribution
- ▶ Business, Corporate and Tax
- ▶ Mergers and Acquisitions
- ▶ Intellectual Property

Education

- ▶ Widener University School of Law, J.D.
- ▶ Villanova University, B.A.

Tom advises emerging and middle-market franchise brands on franchise law, distribution, and brand development. He provides counsel to U.S. and international companies on state and federal compliance matters as well as the documentation, negotiation and enforcement of franchise agreements.

Tom is experienced with the development and protection of national and international brands and intellectual property including trademark portfolios and copyright matters. He also assists clients with the franchising aspects of developing and implementing growth, monetization and exit strategies, as well as mergers and acquisitions and other corporate and financing transactions.



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Practice Areas

- ▶ Intellectual Property
- ▶ Intellectual Property Litigation
- ▶ Commercial Litigation
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Education

- ▶ University of Pennsylvania School of Law
- ▶ Swarthmore College

M. Kelly Tillery is a nationally known intellectual property litigator who has protected business trademarks and copyrights around the world. In more than 40 years of experience, he has served clients from industries such as entertainment, software and technology and manufacturers. He helps clients by securing (and defending against) injunctions and seizure orders to protect the intellectual property rights of individuals and businesses.

Kelly comes to Saxton & Stump after working as a partner for nearly 20 years in the Philadelphia office of Troutman Pepper, one of the largest law firms in the United States. He came to Troutman Pepper after co-founding his own firm in 1982 – just three years after his graduation from the University of Pennsylvania School of Law – and working in the intellectual property and e-commerce areas.

Trademark – A Foundational Element in Franchising

- Franchisors invest a tremendous amount of time, energy and money to establish their trademarks and to build good will around those marks
- In a franchise relationship, those trademarks are licensed for use by the franchisees in the system who use those marks exclusively in connection with their franchised business
- The franchisor has an obligation to their franchisees to protect and defend the marks they have licensed to their franchisees
- Apart from the duty the franchise agreement places upon the franchisor to protect the trademark, courts have held that Trademark owners have an affirmative duty to police their trademarks

Chattanooga Mfg., Inc. v. Nike, Inc., 301 F.3d 789, 793 (7th Cir. 2002):



- Facts:

- Founded in 1979, Chattanooga Mfg. manufactured women's blouses and other women's apparel under the mark "JORDAN" to identify its Jordan Blouse Division products.
- In 1985, Nike launched the prominent, national advertising campaign for its Michael Jordan-endorsed products, often calling the items "Jordan [type of product]," like "Jordan Muscle Tank" or "Jordan Pullover" and began using the name "Jordan" in connection with its well-known Jumpman logo. Nike's contract specified it as the sole owner of the Michael Jordan-related marks.
- In 1998, the USPTO granted trademark registration to Chattanooga for "JORDAN," in connection with women's apparel (blouses, sweaters, jackets, dresses, etc.).
- In 1999, Nike briefly used the Jordan mark in association with women's athletic shoes. Otherwise, it was only used with men's and boy's apparel and footwear.
- In 1999, Chattanooga sued Nike, Inc. and Michael Jordan alleging trademark infringement and unfair competition in violation of the Lanham Act and seeking damages and injunctive relief.

- Holding:

- Chattanooga's trademark infringement claims were barred:
 - (1) The court found Chattanooga had constructive knowledge of the alleged infringement as early as 1985 (when Nike's national advertising launched) and no later than 1990 (when Chattanooga concedes U.S. media referred to Nike's products as "Jordan").
 - (2) Chattanooga delayed bringing suit for 9 years – 3x longer than the applicable statute of limitations and was presumptively unreasonable. Chattanooga failed to excuse its delay.
 - (3) Nike would be prejudiced if forced to pull its Jordan products – Nike spent millions of dollars annually for over 15 years promoting its Michael Jordan-endorsed products and acquired a position as a market leader.
- * Those who sleep on their rights, lose them. "[A] trademark owner is chargeable with information it might have received had due inquiry been made."

Don't fall into the trap of indifference – stay vigilant - implement a Policing program.

- Internet searches for key terms
- USPTO database
- Franchisors should encourage franchisees to alert them of any identical or similar marks in their markets
- Third-party search firms who you may hire to monitor your marks
 - Assess results and determine whether to act



Trademark Infringement Litigation

Difference Between Trademark Infringement and Regular Litigation

- Timing
- Access to Courts
- Pressure of Imminent Decision
- Outcome Determinative
- One Human Decisionmaker
- Timely, Favorable Economical Results More Likely

Extraordinary Relief Available- “Equity Does what should be done.”

- Temporary Restraining Order
- Expedited Discovery
- Order of Seizure
- Preservation Injunction, Prohibitory Injunction, Mandatory Injunction, Therapeutic Injunction
- Corrective Advertising
- Destruction
- Enjoining of Non-Parties

Four Elements Necessary to Prove To Secure Preliminary Injunction

#1 Likelihood of Success on the Merits

- Own a Valid Trademark
- Use by Another Without Consent
- Likely to Cause Confusion – Factors.

#2 Irreparable Harm

- Presumption (Trademark Modernization Act of 2020) [e-bay v. Mercantile Exchange 2006]

#3 Balance of Hardships

#4 The Public Interest

Effective/Economical Enforcement – Aggressive, But Measured

1. Design Enforcement Model – Saving Time and Money

- Tiered Paradigm – Types of Infringer
 - Terminated Franchisees
 - Imitators – Not Flattering
 - Nibblers – On Your Edges

2. Monitor The Marketplace- Be Ever Vigilant

3. Measured Escalation

- B to B
- Cease and Desist Letter to Seizure Orders

4. Pitfalls to Avoid

- *De Minimis Non Curat Lex*
- The Straight Face Test
- The Streisand Effect
- Trademark Overreaching/Bullying



Avoiding Claims and Counterclaims

1. Do not reap where you have not sown.
2. Ask Permission before, NOT forgiveness after.
3. Don't mess with the Mouse.



New Government Regulation- Threat to the Franchise Business Model?

- “An existential threat”, Chris Kempczinski- McDonald’s CEO
- “...would completely undermine the foundation of hotel franchising by limiting a brand’s ability to enforce brand standards”, Chip Rogers, CEO – American Hotel and Lodging Association

1. FTC/GAO April 17, 2023 Report – Franchises

- 3 of 5 Risks/Challenges Identified Implicate Trademark Law
 - Operational Requirement Changes
 - Competition From Other Franchisees
 - Difficulty Terminating/Renewing



BUT – Cannot Pre-empt The Lanham Act – Threshold Issue of Quality Control.

- QC – Tail that wags the dog.

Extraordinary Relief is Available to protect Your Most Valuable Assets

- “Don’t tell me I cannot do what I want to do, tell me how I can do what I want to do.”

J. Paul Getty

Tillery's ® Tips for Successful Trademark Litigation

1. Staff: Lean Team
2. Goal: Timely, Economical and Favorable Conclusion
3. Find: “Kill Shot”
4. Implement: Innovative Strategy and Tactics
5. Explore: Early and Creative Settlement Options

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