SETTLEMENT & COEXISTENCE AGREEMENTS

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Purpose: Many trademark disputes are resolved by the parties to avoid or settle litigation, and are often documented through settlement agreements including coexistence agreements. Such agreements may contain many of the same provisions and they often overlap in part as to purpose. However, sometimes they diverge in purpose in that some settlement agreements may require one party to acknowledge (implicitly or explicitly) the other party’s superior rights, and either cease using the trademark in question, or continue to use it, subject to a license. In coexistence agreements, on the other hand, neither party ceases use of its mark, and either party or both parties promise not to challenge the other party’s use, or sometimes registration, of its mark in its field of use. This checklist is intended to set out some of the issues that should be considered when drafting settlement and coexistence agreements. This checklist is based largely on U.S. and Canadian law and practice with some observations regarding international agreements.

I. Identify Objectives

1. What end result does the client seek?
   
   Prohibit all use of similar marks?
   
   o by agreement
   
   o by consent injunction
- Acknowledgment of rights
  - marks (and related names) each party may use and/or register without objection
  - seniority
  - carve-out for junior party
- Confine the other party to defined markets in terms of:
  - marks
  - products/services
  - territories
  - distribution channels
  - customers
- Provisions to enable or prevent future expansion or encroachment either geographically or in additional product markets
- Prevent dilution by a party’s similar registrations or uses
- Financial remedies for infringement
  - damages
  - royalties
  - attorneys’ fees
  - costs
- Future licensing
  - paid up
  - running royalties
II. Common Provisions

1. Identify the registered and unregistered names, marks and designs at issue including:
   - Registrations and applications
   - Common law marks
   - Trade names
   - Design marks
     - stylizations
     - trade dress and packaging
     - signage
     - electronic stylizations
   - Registrations to be canceled or amended
   - Future variations
   - Domain names

2. Identify any other defined terms including:
   - Relevant markets
     - products, services, fields of use, industries
     - customers
     - distribution channels
     - geographical territories

3. Identify parties and entities to be bound by the agreement:
   - Owners of marks and related rights
   - Others who must comply
     - parents, controlling entities
subsidiaries
o other related companies or potential claimants
o licensees, distributors

- Successors and assigns
- Interested third parties
- Authority, capacity of signers to bind all necessary parties

4. Recitation of consideration:

- Payments
- Undertakings (See II. 7 below.)
- Forbearance

5. Territorial scope:

- Single jurisdiction
  o entire country
  o defined regions of one country
- Multiple countries
  o regions
  o worldwide
- Cyberspace platforms, media and devices

6. Effective date/implementation schedule:

- Actions to be taken by both parties
- Joint submissions to a court or Trademark Office, administrative tribunal
- forms of consent orders to be entered
- Phase-out periods
- Deadlines for termination, completion of phase out steps
- Disposition of remaining inventory, signage, packaging, etc.
- New advertising placements and product manufacture
- Corrective advertising
- Notices to third parties
  - customers
  - suppliers
  - landlords, etc.
- Press release(s)/announcement(s)

7. Undertakings/obligations:

- Marks each party may use and/or register without objection
- Possible permission for limited use without registration
- Assignments of rights
- Releases including existing known and unknown claims, future claims or covenants not to sue (Consider various common law or statutory requirements and restrictions affecting validity and/or enforceability with respect to claims arising under the laws of multiple jurisdictions, such as release of claims against joint tortfeasors in many US states or the prohibition against release of unknown claims under California law.)
- Representations and warranties
  - organization
  - authority of signatories
  - ownership
o no conflicting agreements

• No-contest provisions
• Obligation to consent to future registrations
• Confidentiality and exceptions
• Nondisparagement
• Notices of infringement, cooperation, joint enforcement against third parties
• Cooperation to prevent or remedy confusion
• Further assurances, additional steps or documents to give effect to contractual obligations

8. Future implementation:

• Expansion rights or prohibitions of either or both parties
  o new geographical territories
  o new products and/or services

• Breach including consideration of issues such as the right to receive notice of alleged breaches and opportunity to cure claimed breaches within a specified time period

• Remedies for breach including termination and injunctive relief

• Termination
  o with cause
  o without cause
  o upon expiration of a fixed term
  o upon the occurrence of a specified event such as abandonment of use or lapse of registration

• Post-termination rights and duties
  o potential use
9. Dispute resolution:

- Choice of law and forum
  - equitable and monetary relief availability and agreed limitations

- Consideration of enforceability under laws of all covered jurisdictions especially in multi-country agreements in light of territoriality principles and jurisdictional limitations of national and supra-national laws and treaties

- Alternative dispute resolution
  - mediation and/or arbitration
  - applicable rules, location and language

10. General contract terms:

- Miscellaneous contract provisions
  - entire agreement clause
  - provisions on assignments
  - binding effect
  - provisions for amendment
  - severability
  - survival of certain provisions after termination,
  - signing in counterparts
  - who notices are to be sent to, etc.

11. Public policy considerations:

- Antitrust/competition law implications if parties are competitors

- Enforceability of prescribed remedies under applicable law
• Enforceability of obligations or prohibitions that exceed the scope of the legal rights of either party (e.g., limitations on use of generic and descriptive terms)

12. Tax considerations:

• Does the characterization of any payment have tax implications for either party?

• Does the timing of any payment have tax implications for either party?

• Can a party write off investment in an abandoned mark?

III. PROVISIONS MORE LIKELY TO BE INCLUDED IN SETTLEMENT AGREEMENTS

1. Nature of the original dispute and basis of claims by one party and alleged wrongs by the other party

2. Admission or denial of liability by the other party

3. Monetary terms including:

• Agreed settlement amount

• Liquidated damages payment based on one party’s claimed actual damages

• Royalties for past infringing sales

• Attorneys’ fees

• Who will bear each party’s costs

• Payment of part or all of other party’s rebranding expenses

• Payment of costs of corrective advertising

• Mechanics of payments

4. Disposition of current claims:

• Dismissal of litigation with or without prejudice
• Entry of consent injunction  
  o make sure terms are very specific  
• Agreement to discontinue or limit use of other party’s mark -- may impose higher standard than law, i.e., “similarity”  
• Limitations on publicity, agreed press statement  
• Stipulations to vacate damaging orders  
• Return of documents  
• Release, covenant not to sue  
  o If joint tortfeasor, research applicable state law regarding effect of release

5. Steps to be taken and schedule for implementation:  
• Withdrawal or amendment of applications  
• Discontinuance or modification of products, signs, advertising, website, trade dress or other existing uses  
• Change corporate name  
• Transfer of registrations, applications and domain names  
• Notices to customers or other third parties  
• Short or long-term phase out of existing inventory, packaging, advertising, etc.  
• Disclaimer (but consider that disclaimers may reinforce rather than dispel association or likely confusion)

6. Future enforcement:  
• Injunctive relief, specific performance  
• Liquidated damages  
• Attorneys’ fees
• Costs
• Arbitration, mediation
• Forum
• Parties entitled to enforce
• Preservation of rights in case of actual confusion
• Assignability, sublicensing
• Recitation of reliance on truthful representations and warranties as condition of settlement and penalty for material misrepresentations
• Reservation of all rights not expressly granted

7. Possible grant of short or long-term license:
• Royalty free, fully paid up
• Existing product standard
• Enforceable by termination (rather than imposing compliance which could complicate the relationship beyond the intended purpose and scope of the license)
• Beware of naked licensing (abandonment)
• Indemnification, insurance

IV. PROVISIONS MORE LIKELY TO BE INCLUDED IN MUTUAL COEXISTENCE AGREEMENTS

1. Recitation of public policy rationale
• Parties are not competitors
• Confusion is not likely
• Parties are undertaking steps to differentiate
2. Identification of each party’s respective marks that are subject to the agreement, with exhibits
   - Word marks
   - Designs
     - colors
     - stylizations

3. Identification of goods and services, and permitted field of use for each party’s marks including:
   - Products
   - Distribution channels
   - Territory
   - Media, platforms

4. Unilateral or mutual promises to use only within permitted field of use and/or not to expand use

5. Limitations on manner of use or requirements for accompanying usage of other elements
   - Trade dress, colors
   - Trade name, corporate name
   - House mark
   - Domain names
   - Placement, size
   - Affixation
6. Unilateral or mutual promises not to challenge use and/or registration by the other party within its field of use

7. Notice to the other party in the event confusion, mistake or deception arises
   • Duties, if any, upon receipt of such notice

8. Agreement to take steps to minimize likelihood of confusion or remedy any instances of actual confusion

9. Specify permitted and prohibited registrations

10. Agreement to execute and deliver documents upon request, including consents, if necessary, for a Trademark Office
   • The parties should consider the effect of such coexistence on the distinctiveness of their marks
   • The parties should also consider whether the relevant Trademark Offices will accept the coexistence agreement or consent
   • The parties may wish to agree to provide short form versions of the Agreement for public filings to avoid disclosure of the full terms

11. Consider joint ownership or purchase of rights with license back

12. Successors and assigns
   • Authorization or limitations
   • Consider prohibition of transfer to competitor of other party

13. Consultation and possibly third-party conciliation as a prerequisite to any formal ADR or other enforcement steps in the event of any dispute

14. Conveyance of rights in the event of future changes
   • Change of control
• Discontinuance of use

15. Future expansion rights or prohibitions of either or both parties

• Unoccupied territories

• Additional products or services
  - related
  - unrelated

• New technologies including electronic media, devices or platforms

• New versions or related marks

16. Future Expiration or termination of the Coexistence Agreement

• After a specified term

• Upon discontinuation of use or lapse of registration

• In the event of a change of ownership of a party which may alter the underlying rationale for coexistence

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