Responding to a Cease and Desist Letter for Trademark Infringement, Unfair Competition, or Claim of Dilution

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Summary and Outline

A substantive response to a cease and desist letter should be sent only after investigating the apparent respective rights of the parties, the claims made by the owner of the mark(s) who is asserting infringement (i.e., the claimant), the likely goal(s) of the claimant (stated and unstated), the likely defenses to the claims asserted in the cease and desist letter, the practical and legal consequences of the response, and the likely outcomes generated by the response.

I. Client’s Goals
   a. Continue using the allegedly infringing mark?
   b. Avoid litigation?
   c. Limit financial exposure?
   d. Secure time for a phase-out of the allegedly infringing mark?
   e. Coexist with the claimant’s mark?
   f. Obtain more information as to the objecting party’s rights?

II. Pre-Response Research and Evaluation
   a. Is the use of the allegedly infringing mark a “trademark” use?
   b. Was a search done prior to the adoption of the allegedly infringing mark? Is there an opinion of counsel? (Advise clients to keep all relevant records.)
   c. Was the claimant’s mark cited as a conflicting mark during the prosecution of the allegedly infringing mark in any jurisdiction? If so, how was it dealt with? Conversely, was the allegedly infringing mark cited during the prosecution of the claimant’s mark in any jurisdiction?
d. Has there been any actual confusion? Were there any misdirected communications because of alleged similarities between the marks?

e. What information is available regarding the claimant’s use(s) of the relevant mark(s)? Internet research? Does the client have any direct knowledge of the claimant or its trademark? Any information regarding the litigiousness of the claimant?

f. Does the client have the resources (both financial and other) to defend against the assertions?

g. Does the client have insurance that covers trademark infringement? Is there a notice provision? Has it been triggered?

h. If the client owns any relevant registrations in any jurisdictions, are they all in proper order? (E.g., the marks have been in use during the required use period, renewal documents have been timely filed, and the validity of the registrations is not otherwise vulnerable to challenge.)

i. Is it possible that a third party is liable/partially liable for the alleged infringement? Is your client indemnified by a third party?

j. Is there a non-legal/business resolution?

k. Consider the following in connection with assessing an assertion of a likelihood of confusion (for the United States, but many factors may also be relevant in other jurisdictions):

- The nature, similarity, or dissimilarity of the goods/services for which the respective marks are used.
- The similarity or dissimilarity of established, likely-to-continue trade channels.
- The buyers of the goods/services and conditions under which sales are made (e.g., “impulse” buys vs. careful, sophisticated purchases).
- The fame of the claimant’s mark (as measured by notoriety, social media activity, sales, advertising, length of use, etc.).
- The nature and extent of any actual confusion.
- The length of time and conditions under which there has been concurrent use without evidence of actual confusion.
- The variety of goods/services on or in connection with which a mark is or is not used (house mark, “family” mark, product mark).
- The market interface between the claimant and the client.
- The extent to which the claimant has a right to exclude others from use of its mark on goods.
- Any evidence of an intent to trade on the rights of the claimant.
- Any other facts probative of the effect of use by the claimant.

l. Consider the following in connection with assessing an assertion of dilution (for the United States, but many factors may also be relevant in other jurisdictions):

- The degree of inherent or acquired distinctiveness of the claimant’s mark.
- The duration and extent of use of the claimant’s mark in connection with the relevant goods or services in or outside the jurisdiction (i.e., sales or volume turnover or market share).
• The duration and extent of advertising and publicity of the claimant’s mark (e.g., value of advertising costs, of investment in promoting the claimant’s mark, and of unsolicited media attention).
• The geographical extent of the trading area in which the mark is used.
• The channels of trade for the goods/services with which the claimant’s mark is used.
• The degree of recognition of the claimant’s mark in trading areas and channels of trade used by the claimant and by the client.
• The registrations owned by the client for the allegedly infringing mark within the territory.
• How long the claimant’s mark has been registered (and whether the mark is on a primary or secondary register).
• The claimant’s emphasis or lack of emphasis on the claimant’s mark in advertisements.
• The promotional activities relating to the claimant’s mark, including at conventions, exhibitions, and fairs.
• The unsolicited media attention accorded to the claimant’s mark.
• The relevant niches of commerce/business circles for the claimant’s mark, and their extent.
• The nature of the actual and/or potential consumers of goods or services bearing the claimant’s mark and the breadth of the consumer base.
• The extent of recognition of the claimant’s mark by the public.
• The commercial valuation attributed to the claimant’s mark.
• The record of successful enforcement of rights in the claimant’s mark.
• Objectively, is the claimant’s mark famous or well known? Only for specific goods/services? For a range of goods/services? At what point in time did the claimant’s mark become famous? Was it before or after the use asserted to be causing a likelihood of dilution?

m. Anomalies to check for in the claimant’s registration in the United States: Was there an assignment of an intent-to-use application for registration of the mark not in connection with the sale of the business associated with the mark? Was there an assignment of the claimant’s mark without goodwill?

n. Is there a domain name associated with the allegedly infringing mark? If so, should a plan be in place to move away from that domain name, if necessary?

o. Does the client have other (either related or unrelated) claims that it may consider asserting against the claimant (e.g., superior rights in another jurisdiction)? Will other claims affect jurisdictional issues or venue?

p. Research may include: trademark office records (e.g., if the claimant’s marks are registered, could they be subject to cancellation for non-use? Any anomalies or vulnerabilities in the prosecution history or assignment history?); website of the claimant; Internet searching (including social media); annual reports; press releases; earnings reports; advertisements and promotional materials; third-party use of the claimant’s mark (or similar term(s)); previous legal actions/judgments in the jurisdiction in connection with the claimant’s mark; industry-specific resources; hiring a private investigator.
q. Other considerations: would proposing an in-person meeting rather than sending a formal response have any advantages (culturally, legally, or otherwise)?

III. **Assessment of Respective Rights**

a. What court(s) or agency(ies) may have appropriate jurisdiction if dispute escalates? Is there a preferred forum for the issue? Any action that can be taken proactively (e.g., in the United States or Canada, a declaratory judgement action)?

b. Have the factual allegations made by the claimant been verified to the extent possible?

c. Is there any prior relationship between your client and the claimant?

d. Does there appear to be anything improper about the cease and desist letter under local laws (e.g., does it run afoul of the “threat laws” in this particular jurisdiction)?

e. Does the cease and desist letter assert that the claimant’s mark is used in the same geographical area as the allegedly infringing mark?

f. Can the client ascertain its earliest possible use date (or other date on which the claimant may rely) for the allegedly infringing mark?

g. Consider all relevant timelines (business timelines, statutory deadlines, statutory cutoffs related to the claimant’s asserted rights and/or your client’s marks/registrations, etc.).

h. Did the client begin using its mark prior to the claimant’s application filing date or registration date?

i. Did the client obtain a registration for its mark after the claimant’s mark was first used but before the claimant’s mark was registered?

j. In what geographical areas are the parties currently using their respective marks, and what are the potential zones of expansion?

IV. **Possible Defenses and Counterclaims to Claims of Infringement**

a. Has the claimant acquiesced to use by your client (implied or actual acquiescence)?

b. Are there any agreements that may relate to the mark(s) or issues asserted in the cease and desist letter (including agreements by either party’s predecessor)?

c. Has the claimant encouraged the client’s conduct such that the claimant could be estopped?

d. Is there a defense of laches (long delay) for trademark infringement in the jurisdiction, and does it apply? When did the claimant first discover or learn (or when should it have learned) of the alleged infringement?

e. If the claimant’s mark is a word mark, is the client’s use of the mark a “fair use” of the term as a descriptive term?

f. Is the allegedly infringing mark a person’s name or the name of the client or someone closely associated with the client?

g. Has the claimant ceased use (for longer than the statutory non-use period in the relevant jurisdiction)?

h. Is the claimant’s registration vulnerable to an action for cancellation (for lack of distinctiveness, functionality, abandonment, fraud, or other grounds)?
i. If the claim relates to (or includes allegations regarding) another jurisdiction, local
counsel should always be consulted before sending a substantive response to the
correspondence to ensure that all jurisdiction-specific issues are considered.

- Examples of Jurisdiction-Specific Defenses/Counterclaims
  - United States
    - *Dawn Donut* defense (i.e., if the asserted rights are based on a federal
      registration, is the alleged infringer’s use geographically remote from
      the claimant’s use)?
  - Canada
    - Should an expungement proceeding be considered?
    - Should a Section 7(a) counterclaim be considered? (i.e., if a cease and
desist letter was sent to the client’s customers, might it be considered
to be a false or misleading statement tending to discredit the business,
wares, or services of a competitor?)
    - Is either the client’s mark or the claimant’s mark an “official mark” for
      which there are specific regulations?
  - China
    - Is there an unjustified threat of infringement that should be
      considered?
  - European Union
    - Should a plea/challenge of non-use with regard to the claimant’s EU
      trade mark be included in the response letter and the possibility/threat
      of filing a request for revocation due to non-use against the claimant’s
      mark with the EUIPO?
  - Brazil
    - Unfair competition is a very important issue in Brazilian IP law. Bad
      faith (user’s real intention) should always be analyzed in trademark
      issues.

V. Possible Attacks on Claimant’s Rights

a. Does your client have priority of use (particularly in jurisdictions that recognize
   common-law use rights (e.g., United States, United Kingdom, etc.)?
b. Are there permitted widespread usages?
c. Does the owner of the claimant’s mark have unclean hands (i.e., has it done
   anything illegal or inappropriate that would cause a court to be inclined not to rule
   in its favor)? Does this have an effect in the subject jurisdiction?
d. Was there fraud or substantive misrepresentation in the procurement of any
   asserted trademark registration by the owner (or prior owner) of the claimant’s
   mark? Or, for example, were there serial refilings of the claimant’s mark that
   could indicate that the claimant has bad faith (and is this relevant in the particular
   jurisdiction of interest)?
e. Has the claimant’s mark become a generic name of a good or service? Is the
   claimant using the term generically? Are others?
f. Is the claimant’s mark merely descriptive? Or common in the trade? Is the
   claimant using the term descriptively? Are others? Is the claimant’s mark merely
descriptive or generic in another language?
g. Are there a number of third-party users of similar marks for related goods and services such that the claimant’s mark could be considered to be weak?

h. Is the claimant’s mark functional?

i. Are the claimant’s asserted rights preempted by law or contract (e.g., is the claimant’s mark used for goods that are not legal in the jurisdiction, or do the parties have a prior, relevant agreement)?

j. Is the claimant’s mark geographically descriptive or misdescriptive?

k. Are there any third parties you could approach who have trademark rights that could benefit your client? (For example, if the third party has rights that predate the rights asserted by your client.)

l. If any potential vulnerabilities in the claimant’s mark(s) are identified, should proactive action against the claimant’s registrations or marks be considered (at least, establishing watches against the claimant’s marks)?

m. Do your client’s marks and/or registrations have any vulnerabilities that can be shored up prior to a response (e.g., filing any documentation in the jurisdiction’s trademark office and/or vetting the client’s website to ensure that the trademark or term is being properly used and/or considering filing in other jurisdictions to gain a negotiation advantage over the claimant)?

n. Also see Sections II and III.

VI. Cease and Desist Response Letter Content Considerations

a. Consider making changes in connection with the complained-of uses before sending communication (if no negative inference would arise in your jurisdiction). If done, consider identifying the changes for the sender of the cease and desist letter.

b. Consider a brief acknowledgement letter (e.g., a holding letter) while you and your client ascertain and assess relevant facts before taking a specific position.

c. Consider a phone call to the writer of the cease and desist letter to try to assess the seriousness of the assertions and the likely further actions by the claimant and/or how aggressive the claimant may be.

d. Consider a letter asking for additional information or documentation in connection with certain facts asserted in the cease and desist letter.

e. Consider the tone of the substantive response letter:
   • Should there be intimidating “legalese” and express threats (or veiled threats) of retaliation? What kind of retaliation? Legal? Bringing the matter to social media?
   • Should it be explanatory/persuasive, with legal citations and/or additional relevant facts that may be persuasive to the claimant and/or the claimant’s counsel (particularly if claimant’s counsel is a general practitioner rather than an intellectual property specialist)?
   • Should it be brief and dismissive, with just enough information to put the claimant on notice that your client intends to “fight back”?
   • Should it be friendly, and appeal to the claimant’s presumptive desire to reach an amicable settlement?

n. Also see Sections II and III.
• Consider the signatory of the letter. Is it a business person (and if so, what level of seniority/authority within the client organization)? A lawyer? An experienced lawyer? An intellectual property specialist, or a general practitioner? A lawyer known for aggressive tactics?

f. Identify any applicable licenses, distribution agreements, or other applicable contract rights that would have an impact on the matter.

g. If your client is open to a peaceful and quicker resolution, consider a settlement offer to include one or more of the following terms:
• How/where the allegedly infringing mark will be used.
• Limitations to any registration or application for the claimant’s mark.
• Phase-out of the allegedly infringing mark (and possibly a staged phase-out).
• Purchase of the claimant’s mark (if feasible).
• Coexistence only in a specific jurisdiction, or possibly worldwide coexistence (particularly if the client has superior rights in certain countries).
• License(s)—but consider the drawbacks of such a resolution.

h. Consider a statement that the letter is for purposes of settlement, if relevant in your jurisdiction, and/or consider including a disclaimer that the letter is not a complete statement of the facts and does not waive any rights and/or is “without prejudice.”

i. Consider a statement that the absence of a further communication by a certain date will be understood to mean that the matter is concluded.

j. Consider circulating an internal memo to relevant personnel regarding ensuring that all inquiries regarding the claimant’s mark or the client’s mark are addressed through an informed point person and whether the letter triggers any requirements to retain any documentation related to the dispute.