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TRADEMARKS

Policing in the Digital Era: Trademark Rights and Internet and Social Media Monitoring



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It is common knowledge that policing trademark infringement is a trademark owner's responsibility.

A trademark owner's lack of vigilance could, at the very least, affect the value of and scope of protection of its trademark and, at the worst, lead to abandonment of and the loss of rights in the mark.

Historically, a company generally would learn of potentially infringing third-party conduct through the course of the ordinary conduct of its business—employees, for instance, would see an infringing item at a trade show, in a publication or on a store shelf, or a customer would contact the trademark owner under the mistaken impression that it is the source of a similarly branded third-party product or service.

Today, however, companies routinely monitor the web, social media platforms and mobile applications for

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a variety of commercial purposes, including to monitor how they are being referenced by the press, how the company's products and services are being received, and to identify malicious activity related to phishing, online scams or other fraud.

Such monitoring can be as simple as conducting periodic Internet searches, subscribing to automated notification or web crawler services (such as Google Alerts), or retaining third-party consultants to provide more customized and sophisticated searches and analyses.

All of these monitoring activities by necessity search the company's name and key brands to determine how the company and its products and services are being referred to. These searches routinely will identify and report unauthorized uses of a trademark owner's name and marks and any other infringing activity—even if trademark policing and protection are not the reason or purpose for the reports.

Accordingly, trademark counsel for companies conducting such electronic searches should consider the purpose and appropriate scope of such searches and what—if anything—to do with information concerning potential third-party infringements revealed by these monitoring programs.

Specifically, and as described below, trademark counsel should be able to take a measure of comfort that potential infringements revealed by these searches and contained in reports provided to the company should not as a general legal matter require review and enforcement by the trademark unit.

This should come as welcome news to companies conducting on-line monitoring programs, and their trademark counsel. The substantial costs and resources required to address potential third-party infringements revealed by such searches can make such a trademark policing program financially and organizationally prohibitive. Trademark owners and their counsel often do not want to have to monitor and review all potential trademark misuse on the worldwide web, given the

sheer volume and difficulties in identifying, investigating and eliminating such instances.

In addition, the purpose of these monitoring programs generally is not trademark policing, and accordingly these programs can be run more efficiently without the day-to-day involvement of trademark counsel. For this reason, monitoring programs frequently are conducted by non-trademark attorneys and even non-lawyers, such as a company's internal or external public relations and communications group or its anti-fraud unit.

But there is an important role for a company's in-house or outside trademark counsel here. For example, trademark counsel should review and provide input on how best to conduct a monitoring program. Such involvement by trademark counsel could include helping to limit the scope of the electronic searches to tailor them to the particular business purpose, formulating take-down notices and procedures based on fraud, the Digital Millennium Copyright Act or other grounds, and prepare escalation procedures for initially unsuccessful efforts.

Ultimately, what trademark counsel should seek to achieve is to help formulate monitoring services and policies that minimize the possibility that such programs later will unintentionally prevent enforcement against a trademark infringer on the basis that the brand owner "slept on its rights" by not taking action earlier (i.e., when the infringement was first referenced in a monitoring report).

Where a brand owner merely possesses in its files results of searches that have been conducted for other business purposes, even if referencing potential third-party infringements, there is likely not a substantially increased risk of the brand owner being barred from obtaining final injunctive relief in the future on grounds that it did not act on such information when received.

Laches and Final Injunctive Relief

The general consensus among courts is that trademark owners are not obligated to pursue each and every potential trademark infringement to be eligible for final injunctive relief.

The U.S. Court of Appeals for the Fourth Circuit reflected the view of most courts in *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 462, 38 U.S.P.Q.2d 1449 (4th Cir. 1996), where it held that a plaintiff is not obligated to sue until a likelihood of confusion "looms larger" and its "right to protection [has] clearly ripened."

Some courts have applied laches to foreclose a trademark owner's right to a preliminary injunction or to damages. But a brand owner typically is focused foremost on preventing the unauthorized conduct from continuing indefinitely, which is the relief accorded by a final injunction. And the courts generally do not bar final injunctive relief due to a trademark owner's mere knowledge of potentially infringing conduct, especially given that there is a strong public interest in preventing consumer confusion. *See e.g., Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 497-98, 128 U.S.P.Q. 411 (2d Cir. 1961); *Hermès International v. Lederer de Paris Fifth Avenue, Inc.*, 219 F.3d 104, 55 U.S.P.Q.2d 1360 (2d Cir. 2000) (where a plaintiff waited 19 years to file suit, the plaintiff was denied monetary damages on the basis of laches, but was entitled to final injunctive relief); *University of Pittsburgh v. Champion Products*

Inc., 686 F.2d 1040, 215 U.S.P.Q. 921 (3d Cir. 1982) (reversing the district court's finding that a plaintiff's two-decade long delay to file suit barred injunctive relief).

Moreover, many trademark infringers intentionally copy the brand owner's mark, and such bad-faith actors generally are barred from equitable defenses such as laches. This is particularly true with respect to the types of infringements that may be revealed by electronic monitoring, which typically searches for exact matches to the company's name and logo—and not references that may arguably be similar—given that these searches are intended to capture how the company is being referred to publicly.

Indeed, there are very few cases where a brand owner is denied final injunctive relief just because it had some information of the infringement earlier. Cases where final injunctive relief was denied based on laches generally have involved four typical fact-patterns: where the plaintiff has a business relationship or actively communicated with an alleged infringer; where a defendant's use of the mark has become widespread and well known prior to the trademark challenge; where the plaintiff's mark has become sufficiently weak or generic; or where the court did not find a likelihood of confusion. *See e.g., Patsy's Italian Rest., Inc. v. Banas*, 575 F. Supp. 2d 427, 459, 2008 BL 202691 (E.D.N.Y. 2008), *aff'd*, 658 F.3d 254 (2d Cir. 2011).

None of these factors typically are present with respect to brand owners who responsibly police their marks through traditional means, as the brand owner typically would otherwise discover and take action against such infringement when it is creating actual confusion in the marketplace. *Cf. Saul Zaentz Co. v. Wozniak Travel, Inc.*, 627 F. Supp. 2d 1096, 89 U.S.P.Q.2d 1665 (N.D. Cal. 2008) (plaintiff owner of marks related to J.R.R. Tolkien's "The Hobbit" denied final injunctive relief where, prior to bringing legal action, defendant Hobbit Travel in its 30-year history generated over \$1 billion in sales and was referenced in hundreds of newspapers, as well as in radio broadcasts and national television shows).

Finally, there are strong public policy reasons as to why laches and a denial of final injunctive relief to a trademark owner should not result from a company's decision to monitor electronic media. Companies can achieve considerable private and public good by undertaking monitoring programs, such as preventing fraud and other malicious conduct (i.e., phishing, scams or malware), or collecting customer or public commentary to identify and address potential problems with products or to improve service.

Barring companies, via laches, from asserting future claims of trademark infringement based on potentially infringing conduct incidentally gathered but not acted upon would force companies to choose between protecting their valuable marks or improving their overall business performance and customer satisfaction.

Adopting a rule that would in effect punish corporations for monitoring its activities, third-party malicious conduct and consumer and public perception might ultimately discourage companies from engaging in this positive business function.

Ultimately, companies must decide between committing considerable resources to reviewing every instance of potential infringement identified through electronic searches or relying on their historic policing practices. Given the above, the second option should not present

a substantial risk to companies who are concerned about foreclosing future final injunctive relief due to laches defenses.

Closing Thoughts and Best Practices

Companies can adopt cost-effective policies to balance the substantial costs and resources required to address all potential third-party trademark infringement identified by electronic monitoring programs against the potential increased risk of foreclosing final injunctive relief.

For example, a company can decide to decline to treat such monitoring activities as trademark policing programs and instead continue to rely on traditional trademark policing practices in identifying and evaluating potential infringement brought to its attention by customers or in the marketplace.

And trademark counsel at the same time can and should play an important and ongoing role in helping to formulate and implement a company's monitoring program.

This role should help to assure that the program is narrowly tailored to its goals (and as a result not serve as a broad anti-infringement program).

Correspondence and communications to third parties should be based on references revealed by the searches focus on non-trademark grounds (e.g., fraud, phishing or other malicious activity). Policing approaches and principles should not be unintentionally altered or compromised by non-trademark practitioners principally conducting the program.

Notice letters under the DMCA and for trademark take-downs should comply with the company's legal obligations and policies.

Trademark counsel can help guide monitoring programs so they continue to be conducted in the manner intended to ensure that the company is optimizing its core institutional interests of effective electronic monitoring and robust trademark protection.