WTR

Trademark Litigation Review

2025

Specialist Chapter: How Brands Manage Trademark Litigation in the Downtimes – and How Private Practice can Provide What They Need

Trademark Litigation Review

2025

The second edition of the WTR Trademark Litigation Review casts an expert eye on some of the most pressing issues facing those involved in litigation on both sides of the divide, blending analytic insight with on-the-ground expertise from the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa.

Generated: August 22, 2024

WTR World Trademark Review

Specialist Chapter: How Brands Manage Trademark Litigation in the Downtimes – and How Private Practice can Provide What They Need

Elizabeth Rutherford-Johnson and Sienna Bentley

Summary

As the economic outlook continues to be precarious, it has never been more challenging for trademark counsel to explain and justify the costs of protecting brands to the C-suite. This goes double when litigation is involved, where outcomes are unpredictable and cases can last for years. However, when it comes to defending intangible assets, sometimes going to court is the only option. When this happens, trademark counsel need to rely on the right outside counsel to manage the litigation and obtain the best outcome for the business.

Patrick Flaherty, senior managing associate general counsel at Verizon, Mark Leonard, general counsel at Sunsweet and David Modzeleski, senior vice president and head of global intellectual property at Warner Bros Discovery, offer their perspectives on what they look for in external law firms and speak frankly about what private practice can do to make themselves better partners. They are joined by Danny Awdeh, partner at Finnegan, to discuss what each side can offer the other and what a successful partnership looks like.

WHAT ARE THE KEY THINGS THAT YOU LOOK FOR WHEN CHOOSING AN EXTERNAL LAW FIRM IN A LITIGATION MATTER?

Mark Leonard (ML): Ideally, they will have had experience with the opposing side or opposing counsel. That is huge. If not, familiarity with the judge also helps. Finally, just a really good knowledge of the subject matter.

A few years ago, we were defending a trademark infringement case and three different firms pitched to us. The one that we went with was the one that clearly demonstrated the most in-depth knowledge of the subject matter. It was sort of an odd case; it really read like a law school exam, there were so many issues. The attorney spotted all of those quickly and recognised that I had a trademark background so did not try to explain things to me in a very basic way. That is why we went with them and it was great, they did a fantastic job.

David Modzeleski (DM): Obviously, we start by looking for subject-matter expertise and knowledge of our business – who we are as a company and the media entertainment industry, in particular.

We look for prior experience that they may have in handling similar claims in the relevant court or jurisdiction; I also like to look for real specificity in terms of how they will staff the matter. It's super important to understand who exactly will be doing what on the case from the start.

I also look for clarity on budget and expected costs associated with any litigation matter and, probably most importantly, I look for a clearly defined strategy. It is crucial in the beginning to be aligned on what the approach will be and the desired outcome. We really look for our litigation firms to be proactive – not reactive – so that they are driving the case forward in a way that helps us best meet our litigation objectives.

Patrick Flaherty (PF): One of the big things that we look for in US outside counsel is diversity – by gender, race and sexual orientation. We have a diversity survey that we ask all of our outside counsel to complete. It's voluntary, but the information does help us keep track of our diversity goals every year.

This is a great way for us to be able to gauge where we are when it comes to who we are working with as outside counsel and determine how diverse that counsel is. We want to see diversity not just at the associate level, but the partner level too.

Danny Awdeh (DA): We have absolutely seen interest in diversity as a growing concern. Clients want their law firms to reflect who they are and it's up to us to provide them with a diverse group of attorneys to work with. Finnegan has placed a huge emphasis on diversity, and we are seeing that diversity is often at the top of the list of requirements from prospective clients. Even in a litigation matter, you need a team that's diverse and capable of providing a full range of perspectives.

I think it's also critical to understand the client's industry and what they are trying to achieve with their business. If we understand this, we can provide the best and most appropriate counsel, and look at contentious matters through a commercially orientated lens. If you are not sensitive to the disruption litigation can bring to a client's business, or if you are not fully aware of how things could play out relative to a client's business interests, then I think it's very difficult to navigate litigation effectively. For me, that is my number one priority. Of course, having a proven track record that gives the client confidence that you have successfully navigated these issues before and that you're giving practical advice based on experience is crucial.

WHEN IT COMES TO COMMENCING LITIGATION, WHAT MAKES FOR A SUCCESSFUL PARTNERSHIP – AND WHAT ARE SOME OF THE THINGS THAT MIGHT SOUR IT?

DM: An open, clear and succinct communication style is super critical. We are all extremely busy these days, so we don't have a lot of time to try to decipher what our external partners are trying to tell us. I am also really looking for what I would describe as 'commercially centred' advice and strategy. We're not just talking about legal concepts but how to apply them – we have to keep our eye on the fact that everything we are doing is for a commercial purpose. So, for example, if they want to talk to us about recent cases or new laws or legislation and how it may impact us in a particular matter, that's fine, but what is the commercial reasoning behind it?

I would also say a clear understanding of expectations and what we view as a successful result. It's a two-way street; we really need to communicate with our external partners as to what we view a successful result in a particular matter to be so that they can work from that, because it is not always clear cut.

ML: Certainly, you want to see efficiency and transparency. When I get my invoice for a litigation matter, I don't like to see that five attorneys have billed on the matter and I don't know four of them. One firm in particular does this very well; when commencing a new litigation matter, there is an intro call where they introduce me to everybody who's going to be on the team, and whether or not they are going to be billing. In some cases, associates will be working on a case but not actually billing. I think that's a really good approach.

One thing that would sour a relationship would be when a budget has been discussed and the firm blows through it without telling me and I only find out when I get my next invoice. If I have to repeatedly ask for updates on the matter, that's not a good sign, either.

PF: We want high-quality work at a reasonable price. We are not looking for the cheapest of the cheap. We also don't always use a fixed-fee arrangement.

HOW ARE BUDGET CONSTRAINTS HITTING THE APPETITE FOR TRADEMARK LITIGATION, ESPECIALLY IN THE CURRENT ENVIRONMENT?

DA: It depends on the nature of the litigation, what's involved, and how significant it is to the business. I do see sensitivities across all cases, but more so on the routine cases and less

so where the outcome can materially affect the company's bottom line. But at both ends of the spectrum, we strive to provide clients with as much certainty as possible as to what their fees will be and to communicate frequently about where we are on the budget relative to what is happening in the litigation. No client wants to be surprised by a bill, and we do our best to get well ahead of any anticipated changes to litigation budgets.

ML: I haven't noticed a particular shift in appetite, but in my space – food and beverage – if we are going to litigate a matter, it is because anything close to a counterfeit is a very, very serious offence, potentially even a health and safety issue.

More generally, everything is more expensive now, including litigation. So unless you have a really strong probability of success, I would say that maybe the appetite for litigation has waned a bit.

PF: When it's not in the United States or other countries where it's expensive to litigate like the United Kingdom, usually this isn't a problem for us. We have enough of a budget for enforcement that allows us to chase down infringement around the world. In some countries, litigation moves very slowly, almost at a glacial pace: you might have a lot of billing upfront in order to file the lawsuit, but as soon as the case starts, everything afterwards moves much more slowly. After that, the additional billing is incremental in nature.

DM: Budget is always a consideration. Legal departments, including IP litigation departments and IP departments, are cost centres so we need to be mindful of our spend and we need to spend our money wisely and smartly. That said, intellectual property, including brands, is extremely valuable and it's critical to protect it, so I think there will always be a need and a place for investing in litigation.

I would say, though, that there are ways to spend smartly and we partner with our firms to closely manage to a budget. We work with them on their rates on a timekeeper-by-timekeeper basis and on staffing decisions to try to drive value without sacrificing quality. We have a lot of discussions about what firms can offer us in terms of alternative billing arrangements. We are always thinking creatively about how we can best manage to a budget and spend as wisely as possible.

ARE THERE THINGS THAT LAW FIRM PARTNERS CAN DO TO HELP CLIENTS FORECAST AND MANAGE LITIGATION BUDGETS?

PF: Yes. If law firms are used to doing fixed-fee arrangements in litigation, that's an important thing to communicate to clients. Knowing that you have some guardrails around how much money you're going to spend makes it easier to decide when to move forward with litigation.

DM: I think the first thing that they should do – or we ask them to do – is to put the budget clearly in writing. After that, periodic and regular updates with regard to how the matter is tracking to the budget are super important.

Firms should also flag any overages that they might see, ideally before they happen. Litigation is dynamic in nature, and things are going to change. So, to the extent that we are getting off budget or going over in certain categories, knowing about that as soon as possible and ideally beforehand is key because that might well inform how we proceed.

Generally, experienced counsel should anticipate the unexpected and include that in the budget from the outset.

DA: I think it's necessary to have transparency and good communication at the outset and throughout the life of the litigation. We draw from extensive experience of litigating across federal courts all over the country with differing levels of complexity to inform how we budget and predict costs. However, every case is different – different adversaries, facts, complexities, judges, and endgames. It's virtually impossible to predict costs with absolute certainty, but it is possible to draw on experience and data to provide informed estimates that help clients manage budgets and control costs.

ML: I'd flag really efficient use of associates, and perhaps even paralegals. Especially at the beginning of a case before you get into discovery, the most senior partner does not need to be the one doing the drafting.

HOW WOULD YOU CHARACTERISE THE US LITIGATION LANDSCAPE RIGHT NOW FROM THE PERSPECTIVE OF BRAND OWNERS?

DM: There will always be a lot of litigation activity for brand owners in the United States, so long as brands and particularly trademarks are considered key IP assets. Given the importance of brands in the media entertainment space, not only associated with content but with other lines of business like consumer products for example, I think we are going to see a lot of enforcement activity, pre-litigation activity and full, actual litigation activity, given the amount of intellectual property that we own and the importance of protecting it. Intellectual property is, in many ways, the backbone of media and entertainment, both trademarks and the content.

PF: I would say that it's trademark friendly. There is one important trademark case that the US Supreme Court took on this year: the Jack Daniels case involving Bad Spaniels, the dog toy maker. We were closely monitoring this case as it relates to dilution claims involving famous/well-known marks and follows a series of other cases of a similar nature. We are glad to see how the Supreme Court decided the Jack Daniels case. The case has now been remanded, so we're watching and waiting to see what the lower court will do as it looks at the case on the grounds of likelihood of confusion and I'm hoping that the trademark owner will win. This lawsuit deals with the parody defence.

We have also been watching all of the litigation involving NFTs, such as the Birkin and Nike cases. These are of interest primarily because they relate to trademarks involving a new piece of technology. Seeing how brand owners can protect their marks has been interesting and it's been going pretty well for them so far, for Birkin and Nike in particular.

ML: It is so hard to generalise. It really depends on the court and the particular judge. Assuming you were in federal court, having a judge that has some familiarity with trademark law would be ideal. If not, if you have maybe a more basic case, you kind of roll the dice.

That is what I would be looking for in filing a new suit – from a jurisdictional perspective, you have probably got a lot of options, depending on the nature of the infringement, and I would try to get to a court that sees a fair amount of trademark infringement suits.

DA: Although it can be costly, the United States is a one of the best places to litigate trademark disputes. These cases are typically litigated in federal district courts where we have great judges nationwide. They're accustomed to seeing trademark cases with some regularity, so they're generally familiar with the issues. Novel trademark issues tend to hit our federal courts first and the resulting decisions (even if they are not dispositive) help brand owners better predict what the ultimate outcome might be and where the law is trending, which is

often far more difficult to do in other jurisdictions. Importantly, the United States is one of the world's most crucial commercial jurisdictions, so the remedies that are available to clients here are often more significant and/or meaningful than they might be elsewhere.

ON A PRACTICAL DAY-TO-DAY LEVEL, HOW DO YOU WORK WITH LAW FIRM PARTNERS TO DETERMINE THE BEST COURSE OF ACTION WHEN CONSIDERING LITIGATION?

PF: We usually make our own decisions about what we want to go after as infringement – we know what we don't like. We have a zero tolerance when it comes to infringement, especially when it involves anybody using the mark VERIZON, even for unrelated goods and services. It's a made-up word so it doesn't mean anything, but it's ours and we want to protect it.

DM: There are certainly instances when filing a claim is necessary and advisable, but we obviously look for ways to avoid full-blown litigation, particularly for more routine and less consequential matters. When working with our law firm partners, we start by evaluating the merits of our position – we clarify our goals and objectives with them for a particular matter. As part of that, we consider what the role of potential litigation might play. But no one really likes to be in prolonged litigation; we try to solve it the best that we can without resorting to litigation. It has its place, but it is in everyone's best interests to try to avoid it if possible, for a variety of reasons like cost and expediency.

DA: I tend to be very collaborative with our clients. I think it's important to do this, mainly to understand what the business is trying to achieve, but also to draw on their own experience within the company and as an attorney. In-house counsel are a huge asset, so we collaborate very closely with clients through them. Some enjoy being quite involved in the case, from reviewing pleadings and providing comments, which is great. Others choose to defer to their outside counsel, but I see great benefit in collaborating, no matter to what extent, with in-house counsel.

ML: Severity of infringement, probability of success and candidness are key factors for us. I have a firm that I use and they will not recommend filing an infringement suit unless they think that we have an 80% chance of success. It varies from firm to firm, but certainly be very upfront at the beginning about all of the strengths and weaknesses, saying: "Okay, we know that this is a clear-cut case of infringement, but the damages are likely to be negligible or very low. From a business standpoint, do we want to spend this money on going after this infringement matter knowing that the likelihood of getting a full recovery is limited?" I want to know that up front, and again, working as efficiently as possible and being responsive.