



Declaratory Judgments

THE CASE

—*Surefoot LC v. Sure Foot Corporation*,

No. 06-4294

—Tenth Circuit Court of Appeals

—July 8, 2008

⚡ *Trademark cases not immune from MedImmune: The potential for increased trademark infringement litigation?*

AUTHORS

Anessa Owen Kramer (below left) manages Brooks Kushman's trademark practice, and represents national and international trademark clients with sizable trademark portfolios. She counsels clients on a wide-range of trademark issues and has an active litigation practice in the federal courts and proceedings before the Trademark Trial and Appeal Board. In 2007, Kramer was selected as one of Metro Detroit's "40 Under 40" by Crain's Detroit Business, a leading Southeast Michigan business publication.

Molly Mack Crandall is a trademark attorney at Brooks Kushman specializing in trademark clearance, prosecution and licensing. In addition, she acts as counsel in a range of trademark enforcement matters in the federal courts and proceedings before the Trademark Trial and Appeal Board. Before becoming an attorney, Crandall worked in the trademark licensing business for a large trademark licensing company.



By **Anessa Owen Kramer** and **Molly Mack Crandall** of Brooks Kushman P.C.

In the United States, attorneys are often concerned that sending a cease and desist letter could result in their client being sued as a defendant in a declaratory judgment action. Historically, however, filing an opposition before the Trademark Trial and Appeal Board (TTAB) did not raise that same concern. This is because such actions were typically not considered to put a party in "reasonable apprehension of suit," the historical standard for seeking a declaratory judgment in court. As a result of the recent decision by the Tenth Circuit Court of Appeals in *Surefoot LC v. Sure Foot Corporation*, No. 06-4294 (10th Cir. July 8, 2008), however, trademark owners may need to think twice before proceeding with a TTAB action. Indeed, in some cases, they may wish to file a lawsuit in addition to the TTAB action so that they assure themselves a "driver's seat" in a possible lawsuit.

Surefoot involved a declaratory judgment action relating to claims of trademark infringement. In this case, the declaratory judgment defendant ("Sure Foot ND") sent

the declaratory plaintiff ("Surefoot UT") a cease and desist letter in 1998 asserting that Surefoot UT's use of the "Surefoot" mark infringed its trademark rights and, thus, created a likelihood of confusion among the parties' products. The parties attempted to settle the dispute over the following year. Surefoot UT refused to change its name and Sure Foot ND continued its threats, including threatened litigation, on numerous occasions between 1998 and 1999. Communication between the parties ceased at the end of 1999. However, the dispute reignited in 2002 after Surefoot UT obtained a federal trademark registration for the mark "Surefoot." Sure Foot ND filed a cancellation petition with the TTAB in August 2002 in an attempt to cancel Surefoot UT's trademark registration. Also in 2002, Sure Foot ND filed an opposition with the TTAB against another Surefoot UT pending trademark application.

Between 2003 and 2006, Sure Foot ND filed three more oppositions with the TTAB against pending trademark applications



owned by Surefoot UT. At this point, Surefoot UT asserted that it believed that Sure Foot ND would continue to oppose any possible future trademark applications and that it would eventually sue for trademark infringement. As such, in 2006, Surefoot UT filed a declaratory judgment action seeking a judgment that, among other things, its mark did not infringe any of Sure Foot ND's trademark rights. The federal district court dismissed Surefoot UT's declaratory judgment suit on the ground that Surefoot UT had no reasonable apprehension of imminent suit by Sure Foot ND. Surefoot UT appealed the dismissal of its declaratory suit to the Tenth Circuit.

After the district court dismissed Surefoot UT's declaratory action, but before the case was heard on appeal before the Tenth Circuit, the Supreme Court heard and decided the case of *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007). In *MedImmune*, the Court found a "case or controversy" sufficient for declaratory judgment jurisdiction under the Declaratory Judgment Act of 1934 in a patent case where the declaratory judgment plaintiff had no "reasonable apprehension of suit."

In *MedImmune*, the declaratory plaintiff was a drug manufacturer that reluctantly agreed to pay Genentech patent royalties even though it did not believe its drug infringed on Genentech's patent. *MedImmune*, while continuing to pay royalties to Genentech, filed a declaratory judgment action against Genentech in order to obtain a declaration that it was not infringing its patent or that Genentech's patent was invalid. The district court applied the reasonable apprehension of imminent suit test and dismissed *MedImmune's* suit for lack of jurisdiction. It reasoned that

MedImmune had no reasonable apprehension of litigation as long as it continued to pay Genentech royalties.

The Supreme Court reversed the lower court's decision stating that declaratory judgment jurisdiction did not require a party to break the law or breach a contract before it could file a declaratory judgment suit. The Court also stated that the language of the Declaratory

Judgment Act references Article III's case or controversy requirement and, as such, a declaratory judgment case requires no greater showing than is required for Article III. Therefore, even though *MedImmune* did not have a reasonable apprehension that Genentech would sue, the case presented a dispute sufficient to satisfy and invoke subject matter jurisdiction based on the validity of Genentech's patent.

Importantly, in a footnote, the *MedImmune* Court discarded the reasonable apprehension of suit test by clarifying that declaratory judgment jurisdiction focuses on whether a case's underlying facts show an actual controversy rather than on whether a party will sue the other. In this footnote, the Court supported its holding by citing to several insurance actions where declaratory judgment jurisdiction was found despite there being no reasonable apprehension of suit. *MedImmune*, 127 S. Ct. at 774 n. 11.

In the wake of *MedImmune*, the Tenth Circuit in *Surefoot* found that declaratory judgment jurisdiction existed in this trademark case involving "older" cease and desist letters and more recent TTAB cancellation and opposition proceedings. The Tenth Circuit held that the *MedImmune* decision overruled the Tenth Circuit's holding in *Cardtoons, L.C. v. Major League Baseball Players Ass'n*, 95 F.3d 959, 965 (10th Cir. 1996), which applied a "reasonable apprehension of imminent suit" test to find an actual case or controversy in an intellectual property case. Instead, *Surefoot* considered the case's underlying facts to determine whether an actual case or controversy existed between the parties and not on whether one party would sue the other. So, even though Surefoot UT may arguably not have had a "reasonable

apprehension of imminent suit" because several years had passed since Sure Foot ND threatened litigation, the Court held the case presented a "case or controversy" sufficient for declaratory judgment jurisdiction based on a combination of facts, including five separate TTAB oppositions and an extensive history of allegations of past and current trademark infringement. Thus, as stated by the *Surefoot* Court, the current test for declaratory judgment jurisdiction is whether the alleged facts show:

- a substantial controversy;
- between parties with adverse legal interests; and
- that is sufficiently immediate and real to warrant the issuance of a declaratory judgment. *Surefoot*, No. 06-1294 at 16 (10th Cir. July 8, 2008).

The *Surefoot* Court appears to have left open the question of whether the filing of a single TTAB proceeding or the sending of a single cease and desist letter would also be sufficient to demonstrate the existence of declaratory judgment jurisdiction.¹ The Court even acknowledged in its opinion that some might now have this worry. The Court declined to answer this question, instead stating that its holding is based on a combination of factors, including five separate TTAB oppositions and an extensive history of allegations of trademark infringement by the declaratory defendant against the declaratory plaintiff. The Court also noted that some might be concerned that this holding could lead to a circumvention of the TTAB and its own jurisdiction. *Surefoot*, No. 06-1294 at 22-23, fn. 8 (10th Cir. July 8, 2008).

Trademark lawyers have long been careful in how they word cease and desist letters in the United States – typically balancing the need for strong lawyering against caution in not outright threatening litigation so as to avoid the potential of soliciting a declaratory judgment action. The *post-Surefoot* implication could be a slippery slope leading towards a finding that even a carefully worded cease and desist letter may now be deemed contentious enough to establish a case or controversy giving rise to declaratory judgment jurisdiction, namely, a cease and desist letter that does not threaten imminent litigation. Previously, if one avoided threatening further legal action, it was more difficult for a potential declaratory plaintiff to show a reasonable apprehension of imminent suit. Now, however, a cease and desist letter

without threats of further legal action may be viewed as giving rise to a case or controversy between parties with adverse legal interests. Similarly, the filing of a single or multiple TTAB oppositions or cancellation proceedings, which by itself may not specifically threaten further legal action, may also be viewed as creating a case or controversy sufficient to establish declaratory judgment jurisdiction.

In ruling only upon the specific combination of factors underlying the *Surefoot* case, the Tenth Circuit cited to certain cases in support of its holding that likewise involved a combination of TTAB oppositions and threats of litigation. *Surefoot*, No. 06-4294 at 24, fn. 9 (10th Cir. July 8, 2008). At least one of these cited cases may alleviate some of the declaratory judgment fears created by the *Surefoot* Court. For example, in *IHS IP v. Champion Window Mfg. & Supply Co.*, 510 F. Supp. 2d 948, 956 (M.D. Fla. 2007) the court stated that the defendant was "correct that the filing of a TTAB action is not, on its own, sufficient to create an actual controversy, such is not the issue in this case where it is undisputed that in addition to filing an opposition in the TTAB proceedings, [Defendant] sent correspondence to [Plaintiff] suggesting it would sue if its [infringement] concerns 'could not be settled on an amicable basis.'" The other cited cases in *Surefoot* each involved a combination of claims of infringement, threats of litigation, and the filing of a TTAB proceeding. These cited cases, along with the Court's discussion of the discretionary nature of declaratory judgment jurisdiction, may provide some hints that the mere filing of a single TTAB opposition without claims of trademark infringement or the sending of a single cease and desist letter without threats of litigation may not rise to the level of declaratory judgment jurisdiction.

Even if such actions do rise to the level of declaratory judgment jurisdiction, then declaratory plaintiffs still face the second hurdle of whether such limited actions should be entertained by a court. The *Surefoot* Court devoted parts of its opinion to discussing the fact that the test for declaratory jurisdiction includes a consideration of all of the underlying circumstances and that the question of whether such jurisdiction exists "is often a question of 'degree.'" *Surefoot*, No. 06-4294 at 22 (10th Cir. July 8, 2008), citing

MedImmune, 127 S. Ct. at 771 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 278 (1941)). Once a district court determines that a case meets the declaratory judgment jurisdictional requirements, the court must determine whether the particular suit warrants its attention. In making this determination, the court considers several factors, namely:

- whether a declaratory action would settle the controversy;
- whether it would serve a useful purpose in clarifying the legal relations at issue;
- whether the declaratory remedy is being used merely for the purpose of "procedural fencing" or "to provide an arena for a race to res judicata";
- whether use of a declaratory action would increase friction between our federal and state courts and improperly encroach upon state jurisdiction; and
- whether there is an alternative remedy which is better or more effective.

The combination of time and the *post-Surefoot* case law will determine the practical effects of the *Surefoot* decision. In actuality, there may not be greater concern over the tone of a single cease and desist letter or the filing of a single TTAB opposition, but rather consideration as to whether one should proceed straight to litigation and avoid running the risk of being taken into court as a declaratory defendant altogether.

A successful TTAB opposition provides the plaintiff (opposer) with limited relief. TTAB oppositions decide whether the trademark owner can own a federal trademark registration. The TTAB does not decide whether the owner can use the specific mark – the question is limited to the right to registration. In order to stop a party from using a mark that one believes is infringing, then a party must sue for trademark infringement in federal court (absent settling the case out of court).

While a party may be successful in opposing another party's trademark registration, they may nevertheless be unhappy when the defendant continues to use the mark. Rather than run the risk of being sued in a declaratory judgment action for filing a TTAB action that does not offer full relief, *Surefoot* may have the unintended effect of encouraging parties to proceed directly to an infringement lawsuit in federal court. In that way, they choose the forum, the timing, and frame the lawsuit as a plaintiff.

In addition, amended rules implemented by the TTAB on August 1, 2007 arguably also have the potential to increase federal court litigation and decrease TTAB proceedings. Coupled with the *Surefoot* decision, this may be a "double whammy" effect that limits the desirability of resolving matters in the TTAB. The amended TTAB rules more closely follow the Federal Rules of Civil Procedure (FRCP) such that a TTAB opposition proceeding may be nearly as costly, time consuming and cumbersome as litigation in federal court. For example, the amended TTAB Rules mimic the FRCP with regard to service procedures, settlement/discovery conferences, initial disclosures, expert disclosures, and pre-trial conferences. See FRCP 26, 37 C.F.R. 2.101, and 2.120. Arguably, the amended TTAB rules and the *Surefoot* ruling may "jointly and severably" have the practical effect of circumventing the TTAB.

TTAB opposition proceedings may become a matter of practice in order to merely stay a mark from becoming registered while the parties litigate the issue of trademark infringement in federal court – in the form of a trademark infringement suit, not a declaratory action.

Ultimately, as usual, parties should proceed cautiously while weighing all of the factors and all of the risks when drafting cease and desist letters and/or opposition or cancellation notices before the TTAB. The district court's decision in *Surefoot* on remand should provide further insight at least with regard to the question of whether a court should hear a case involving a combination of underlying factors that rise to the level of a case or controversy for declaratory judgment jurisdiction. ☞

Notes

- 1 In an August 15, 2008 decision, the U.S. Court of Appeals for the Federal Circuit held that a subjective fear of a patent infringement suit, absent any other threats, was insufficient to create a case or controversy, thus making a declaratory judgment action inappropriate. The Court held that there must be an affirmative act by the declaratory judgment defendant. A refusal to sign a covenant not to sue after the filing of the declaratory judgment suit did not render jurisdiction appropriate at the time of filing. See *Prasco LLC v. Medicis Pharmaceutical Corp.*, Fed. Cir. No. 2007-1524, 8/15/08.