

Presenting a live 90-minute webinar with interactive Q&A

Drafting Trademark Settlement Agreements to Resolve IP Disputes

Negotiating Exhaustion of Infringing Materials, Restrictions on
Future Trademark Applications, Transfer of Domain Names and More

TUESDAY, SEPTEMBER 27, 2016

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

Andrew S. Hansen, Partner, **Fox Rothschild**, Minneapolis

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Drafting Trademark Settlement Agreements to Resolve IP Disputes

Tuesday, September 27, 2016

1:00 – 2:30 p.m. EST

Speakers:

Andrew S. Hansen, Esq.

Dennis E. Hansen, Esq.

Elizabeth A. Patton, Esq.

Key Considerations

- Topics:
 - Timing
 - Cost
 - Other Considerations

Key Considerations: Timing

- Various points are key periods for obtaining settlement
 - Cease and desist letters
 - Letter attaching draft complaint
 - Commencing litigation
 - After discovery
 - Before trial, after summary judgment
 - Post trial, pending appeal
- Early resolution is best from a cost/distraction perspective

Key Considerations: Timing

- Each point in the adversarial process has advantages and disadvantages
 - Earlier = less cost and distraction, but might not obtain as many conduct or monetary concessions as a later settlement
- Consider potential of fee shifting in exceptional cases

Key Considerations: Cost

- Early settlement is obviously better from a cost standpoint
 - Trademark cases can be very expensive
 - Injunction
 - Voluminous discovery
 - Expensive experts on causation and damages
 - Defendants often have insurance coverage for defense costs of trademark infringement actions
 - Plaintiff pays full cost of the claims
 - Defendants often pay very little, unless policy restrictions
 - Avoid making monetary payment the major factor for settlement

Key Considerations: Other

- Method – mediation, arbitration
- Leverage (shifts depending on timing)
- Risks of settlement
- Type of settlement agreement
 - Settlement agreement requiring ceasing all infringing use
 - License to use agreement
 - Coexistence agreement/Consent agreement
 - There may be an application pending and stayed due to litigation
 - Address issue of likelihood of confusion
- Dismissal with or without prejudice

Key Provisions

- Topics:
 - Scope
 - Exhaustion of infringing materials
 - Abandonment or cancellation of the alleged infringer's trademark applications
 - Removal of materials from the marketplace
 - Restrictions on mark applications in the future
 - Transfer of domain names
 - Tax implications
 - Confidentiality and non-disparagement
 - Injunctive Relief
 - Payment

Key Provisions: Scope

- Injunctive Relief
 - Infringing marks
 - Words/Phrases similar to infringing marks
 - Specific infringing advertisements
 - Other issues
 - Objectionable advertising
 - Patent issues
- Antitrust Concerns
 - Limitations on acceptable scope of restrictions
- Damages
- Scope of Releases

Key Provisions: Exhaustion of Infringing Materials

- Provisions to cease sales of infringing goods
 - Defendants may attempt to obtain a sell-off period
 - Potentially subject to a royalty or set amount of additional damages
 - Plaintiffs will likely want sales to cease immediately
 - Plaintiffs must consider impact of Exhaustion Doctrine/First Sale Doctrine
 - Re-sale of Plaintiffs' goods legitimately sold
 - Stolen goods
 - Gray goods

Key Provisions: Abandonment or Cancellation of TM Applications

- Abandonment of application after opposition
 - Without consent of opposer (plaintiff) results in judgment against applicant
 - Can operate as collateral estoppel before USPTO as to same or highly similar marks
 - Potential *B&B Hardware* implications
 - With consent but “with prejudice” results in abandonment without prejudice (but with prejudice as to right to register same mark for same goods and services), unless parties agree otherwise in writing.
 - Cancellation proceedings apply similar rules – See TBMP § 602

Key Provisions: Removal of Materials from the Marketplace

- Be as specific as possible regarding types of materials, timing for removal, and process
 - Print advertising – newspapers, magazines, mailers, etc.
 - Radio and television advertising
 - Retail store signage, banners, etc.
 - Internet advertising
 - Defendant-controlled websites
 - Third-party websites
 - Social media
 - Other internet-based advertisements
 - Other

Key Provisions: Restrictions on TM Applications in the Future

- Recognition of plaintiff's rights
- Types of marks restricted from registering
 - Infringing marks
 - Words/Phrases similar to infringing marks
- Consider plaintiff's advance approval
- Consider agreeing to process for settling dispute without going through TTAB opposition process
- Or agreement to use but not register

Key Provisions: Transfer of Domain Names

- Include specific domain names in settlement agreement
- Include specific timing for transfer
- Name specific persons responsible for transfer
- Consider whether to draft specific process for transfer
- Consider whether the plaintiff will be allowed to build the site or merely own the site with a “this page cannot be displayed” message

Key Provisions: Confidentiality and Non-Disparagement

- Consider whether confidentiality benefits or detracts your interests
 - Upside: Settlement terms and payment amount cannot be shared (particularly with competitors)
 - Downside: Unable to use in other contexts
- Consider whether non-disparagement benefits or detracts your interests
 - Upside: Protects parties from further disparagement
 - Downside: Opens parties up to broader types of defamation claims

Key Provision: Signatories

- Determine all relevant persons to be signatories to agreement
- Include both individuals and company representatives
 - Make binding on successor organizations
- Draft “no assistance” clause to confirm parties cannot assist others in breaching

Key Provisions: Injunctive Relief

- Types of marks
 - Infringing marks
 - Words/Phrases similar to infringing marks
 - List specific infringing advertisements
- Process for handling future objectionable ads
- Length of injunction
- Consider false advertising claims too

Key Provisions: Payment

- Structure
 - One-time payment
 - Payment over time
 - Royalty structure
- Amount
 - Impact on future disputes
 - Impact on future licensing
- Liquidated damages

Key Provisions: Tax Implications

- Plaintiffs' Implications
 - Treatment of damage to goodwill = capital gain
 - Treatment of cost/disgorged profits = ordinary income
- Defendants Implications
 - Deduction against income
 - Capitalized and amortizable

Key Provisions: Tax Implications

- Origin of Claim Doctrine
 - Payments treated in accordance with ordinary legal claims
 - IRS generally defers to settlement agreement, but not always
 - Include tax professional advice and opinion to bolster position
 - Impact of jury award
 - Impact of expert damages opinion
- The question of withholding
 - “Without regard to any tax”

Best Practices for Negotiating and Structuring the Agreement

- From Plaintiff's perspective, consider what a Defendant is likely to do with advertising and use of your mark after agreement is reached
 - Will it be used in a different but still objectionable way?
 - Consider a liquidated damages provision
 - Consider whether enforceable in your jurisdiction
 - Approval of future advertising using Plaintiff's mark

Best Practices for Negotiating and Structuring the Agreement

- From Defendant's perspective, have new marketing plan in place and negotiate around that
 - Many defendants quickly breach settlement agreements because they don't analyze how the agreement will impact future marketing
 - Propose certain uses of mark that are acceptable and put them in the agreement
 - Notice of breach and cure period

Thank you for attending!

Please feel free to contact us regarding this presentation and any related issues.

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