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ALTHOUGH *OCTANE FITNESS* DEALT EXCLUSIVELY WITH PATENT CASES, MANY LOWER COURTS HAVE ALREADY APPLIED ITS NEW EXCEPTIONAL CASE STANDARD TO TRADEMARK CASES UNDER THE LANHAM ACT, AS THE STATUTORY LANGUAGE IS THE SAME IN BOTH CASES.



PAY MY FEES! Attorney's Fee Awards in Trademark Cases after *Octane Fitness*

By Jacqueline Prom



Considerable attention has been given to the shift in legal standards for awarding attorney's fees in exceptional trademark cases resulting from the Supreme Court's decision in a patent case, *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*¹ This executive summary will break down the Circuits and point out some litigation strategy implications. *Octane Fitness* redefined an "exceptional case" under the Patent Act's attorney's fees provision² as:

[O]ne that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.³

Although *Octane Fitness* dealt exclusively with patent cases, many lower courts have already applied its new exceptional case standard to trademark cases under the Lanham Act, as the statutory language is the same in both cases. Under Section 35 of the Lanham Act, "the court in exceptional cases may award reasonable attorney's fees to the prevailing party."⁴

The Third Circuit was the first Court of Appeals to apply the new standard to a Lanham Act case.⁵ Since then, the Fourth⁶, Fifth⁷, and Ninth Circuits⁸ have followed. District courts in the Seventh⁹, Tenth¹⁰, and Eleventh Circuits¹¹ have also applied *Octane Fitness* to Lanham Act attorney's fee awards.

So far, the Second and Sixth Circuits have declined opportunities to extend *Octane Fitness* to a Lanham Act case. The Second Circuit acknowledged the new standard, but held "we have not yet decided whether this rule applies in the context of the Lanham Act, but we need not do so here. Even assuming, without deciding, that *Octane Fitness* applies, we nonetheless affirm the district court's denial of attorney's fees."¹² In a recent Sixth Circuit decision, the court simply instructed the lower court to "assess the applicability of *Octane Fitness* before determining whether it is necessary to reassess if this case qualifies as extraordinary under § 1117(a)."¹³ The Sixth Circuit gave no instruction on whether *Octane Fitness* should apply.

There are still a few other hold-outs: the First, D.C., and Federal Circuits have yet to address whether *Octane Fitness* applies to Lanham Act cases.

1. 134 S. Ct. 1749 (2014).
2. 35 U.S.C. §285.
3. *Octane Fitness*, 134 S. Ct. at 1751.
4. 15 U.S.C. §1117(a).
5. *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303 (3d Cir. 2014).
6. *Georgia-Pacific Consumer Prods. LP v. von Drehle Corp.*, 781 F.3d 710, 719 (4th Cir. 2015).
7. *Baker v. DeShong*, 821 F.3d 620 (5th Cir. 2016).
8. *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179 (9th Cir. 2016).
9. *Am. Nat'l Ins. Co. v. Am. Nat'l Inv. Advisors, LLC*, No. 11-CV-4016, 2014 WL 6613342 (N.D. Ill. Nov. 21, 2014).
10. *Orbit Irrigation Prod., Inc. v. Sunhills Int'l, LLC*, No. 1:10-CV-113 TS, 2015 WL 7740405 (D. Utah Nov. 30, 2015).
11. *BMW of N. Am., LLC v. Cuhadar*, No. 6:14-CV-40-ORL-37DAB, 2014 WL 5420133 (M.D. Fla. July 10, 2014).
12. *Penshurst Trading Inc. v. Zodax*, 652 F. App'x 10, 12 (2d Cir. 2016).
13. *Slep-Tone Entm't Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313, 318 (6th Cir. 2015).

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Exceptional Cases under the New Standard

The new, more objective, exceptional case standard under *Octane Fitness* replaces the bad faith or litigation misbehavior test. It will probably increase the frequency and size of attorney's fee awards in Lanham Act cases because courts are no longer required to make the more difficult finding that a party acted in subjective bad faith.

Given this shift, trademark litigants need to ensure their litigating positions, and their actions leading up to and during litigation, are reasonable in the eyes of the court. This applies equally to both plaintiffs and defendants.

For example, the following circumstances have been held to constitute exceptional cases under the new standard, resulting in fee awards:

- Plaintiff offered little to no evidence to support its Lanham Act claim, and the defendants presented evidence that the plaintiff actually filed the lawsuit to harass them, resulting in summary judgment in favor of the defendant. \$46,065.56 in attorney's fees were awarded to the defendant.¹⁴
- Defendants continued to use plaintiff's marks to market their products, despite the plaintiff's three cease and desist letters, an email from the defendants acknowledging one of those letters, and the initiation of a lawsuit, resulting in a default judgment against the defendants. \$168,546.84 in attorney's fees were awarded to the plaintiff.¹⁵
- Defendant continued to use a mark confusingly similar to the plaintiff's trademarks, even after (1) pre-litigation notifications from the plaintiff informing defendant of its infringing conduct, (2) a default judgment entered against the defendant for its infringement, and (3) an injunction issued enjoining the defendant's infringing conduct. \$22,818.60 in attorney's fees were awarded to the plaintiff.¹⁶

Accordingly, Lanham Act plaintiffs must ensure they can demonstrate the reasonableness of their litigation positions in order to avoid a fee award if the defendant should ultimately prevail. Specifically, they must ensure they have reasonable evidence supporting their claims before filing. Also, sending a pre-filing cease and desist letter may be advisable even though it is not legally necessary on the merits of the case. Defendants are in the same boat. They will ignore or take a cavalier attitude toward cease and desist demands at their peril if the plaintiff files suit and prevails. They may have to pay plaintiff's reasonable fees if the court determines they had no legal leg to stand on in forcing the plaintiff to file and prosecute the case.

Venue Selection in Lanham Act Cases

Assuming multiple venue choices are available, trademark litigants should also be mindful of attorney's fee award rules when deciding where to file. Plaintiffs with strong cases against defendants with weak positions should probably file suit in the Third, Fourth, Fifth, or Ninth Circuits if possible, where the new exceptional case standard has already been adopted. Alternatively, plaintiffs with heartfelt but objectively weaker litigating positions might be better off filing in the Second or Sixth Circuit if possible, where the appellate courts have expressed doubt as to the *Octane Fitness* standard, and fee awards may still be based on the more stringent requirement of showing bad faith or litigation misconduct.

Trademark litigants in the First, D.C. and Federal Circuits aiming for a fee award should marshal their arguments (and their conduct) under both the old and new exceptional case standards, since these Circuits have not yet decided whether *Octane Fitness* applies to Lanham Act cases. In any event, the looser standards for recovering attorney's fees invite a stronger emphasis on civility, reasonable litigating positions and perhaps even negotiating positions, and appropriate litigation behavior. ■

14. *Farouk Sys., Inc. v. AG Glob. Prod., LLC*, No. CV H-15-0465, 2016 WL 6037231 (S.D. Tex. Oct. 14, 2016).

15. *Laerdal Med. Corp. v. Basic Med. Supply, LLC*, No. CV H-16-35, 2016 WL 6436557 (S.D. Tex. Oct. 31, 2016).

16. *CarMax Auto Superstores, Inc. v. StarMax Fin., Inc.*, No. 615CV898ORL37TBS, 2016 WL 3406425 (M.D. Fla. June 21, 2016).

WORLD TRADEMARK REVIEW (WTR) 1000

Pattishall McAuliffe received the top Gold Band ranking for both the United States and Illinois in the 2017 *WTR 1000* report. Robert W. Sacoff was nationally ranked Silver for “enforcement and litigation.” Jonathan S. Jennings was ranked Gold in Illinois for “enforcement and litigation” and “prosecution and strategy.” David C. Hilliard was honored as one of two Intellectual Property Luminaries in Illinois. Additional Pattishall lawyers recognized by the *WTR* include Brett A. August, Phillip Barendolts, Thad Chaloeintiarana, Bradley L. Cohn, Janet A. Marvel and Joseph N. Welch II. *WTR* stated: “The staunch protection of vital brand assets is the *raison d’être* of Pattishall McAuliffe. A recognised leader in the trademark community that has been around forever, it sits among the strongest firms out there in terms of the level of clients that it attracts.’ Fully deserving of accolades and its gold ranking, it is especially well known for its top-notch litigation practice – it has historically been the firm that companies go to for their most demanding disputes and continues to be their first choice today.’ Its talented practitioners are renowned authors, speakers, teachers and leaders in the field.”

U.S. NEWS & WORLD REPORT

U.S. News & World Report, Best Law Firms 2017, has designated Pattishall McAuliffe a National Tier 1 Trademark Law Firm, and a Chicago Tier 1 Intellectual Property Litigation Firm.

NEW ASSOCIATE

■ Jacquelyn R. Prom

We are pleased to announce that Jacquelyn R. Prom (Barczak) has joined the firm as an associate after working here as a summer associate in 2014 and 2015. Jacquie received her J.D. from The University of Chicago Law School, where she participated in the Hinton Moot Court Competition and the Willem C. Vis International Commercial Arbitration Moot. She previously received her B.A., *magna cum laude* and *Phi Beta Kappa*, from The Catholic University of America with a degree in Politics and Media Studies. Jacquie studied abroad at The University of Oxford, New College, and in Paris, France. Jacquie also worked for the U.S. Department of State’s Freedom of Information Act Litigation and Appeals Office, which honored her with the State Department Extra Mile Award for assisting the Appeals Review Panel with FOIA appeals.

PUBLICATIONS

■ Jonathan S. Jennings

Jonathan’s article on the recent changes to the Trademark Trial and Appeal Board’s Rules of Practice appeared in the December 2016 issue of The Pharmaceutical Trade Marks Group’s newsletter, *Law, Lore & Practice*.

■ Seth I. Appel



Seth authored the 2017 Update to the “Licensing Online” chapter of the Illinois Institute for Continuing Education (IICLE) *Intellectual Property Law Handbook*.

■ Bradley L. Cohn



Bradley is contributing the chapter on trademark infringement and dilution to an IICLE treatise on *Illinois Causes of Action: Contracts and Business Disputes*.

■ Belinda J. Scrimenti and Jacquelyn R. Prom

Belinda and Jacquie co-authored the latest Cumulative Supplement to the chapter “State Trademark and Unfair Competition Law Remedies” in *Trademark Infringement Remedies* (ABA/Bloomberg 2d Ed. 2012, Supp. Nov. 2016).

Supreme Court *Amicus Curiae* Brief in the *Tam* case

Jonathan S. Jennings and **Jacquelyn Prom** were on the team that authored the American Bar Association's *amicus curiae* brief filed with the U.S. Supreme Court in *Lee v. Tam*, Case No. 15-1293 (U.S. 2016). The case challenges on First Amendment grounds statutory restrictions on registering disparaging trademarks. The ABA brief does not take a position on the constitutional question before the Court. Rather, it seeks to clarify certain trademark and unfair competition law principles that the ABA considers important for a fully informed analysis of the issue. The brief is available at http://www.scotusblog.com/wp-content/uploads/2016/11/15-1293_amicus_np_american_bar_association.pdf.

Illinois Super Lawyers 2017

Brett A. August, Phillip Barengolts, Thad Chaloeintiarana, Bradley L. Cohn, David C. Hilliard, Jonathan S. Jennings, Janet A. Marvel, Robert W. Sacoff, Joseph N. Welch II and **Belinda J. Scrimenti** have been designated Illinois Super Lawyers for 2017, and **Ashly Boesche** has been selected as an Illinois Rising Star and a Top Rated E-Discovery Lawyer.

Emerging Lawyers

Phillip Barengolts and **Ashly Boesche** have been selected as Emerging Lawyers in Illinois by Leading Lawyers, which recognizes the top two percent of lawyers who are under the age of 40 or practicing law for less than ten years.

Martindale-Hubbell AV® Preeminent Rating

Brett A. August, Ashly I. Boesche, Thad Chaloeintiarana, David C. Hilliard, Jonathan S. Jennings, Robert M. Newbury, Robert W. Sacoff and **Joseph N. Welch II** have each received an AV® Preeminent rating from the Martindale-Hubbell Bar Directory for 2017.

Art Institute of Chicago

David Hilliard and his wife Celia were profiled in the December edition of the Art Institute of Chicago's publication, *Portraits*, honoring their love of art, art collecting and how they serve as inspirations to "a new generation of collectors and museum patrons."

Chicago Sister Cities International

Brett August was this year's "Volunteer of the Year" for his work with the Paris Committee and strengthening Chicago's international partnerships through student exchanges. The award was conferred on November 9 at the annual Consular Corps Gala at the Chicago Hilton.