IP LAW360

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Only 14% Of Trademark Suits Decided In '05

Wednesday, May 31, 2006 --- Less than 15% of trademark infringement lawsuits were decided at trial in 2005, with the vast majority of cases either settled out of court or dismissed by federal judges, according to a recent study published by a data research group.

The study, by Maryland-based IP management firm Invotex Group, showed that of the 3,617 trademark lawsuits in U.S. courts in 2005, settlements were reached 68% of the time, while cases were dismissed 18% of the time.

The data was compiled from federal court dockets by the Inter-University Consortium for Political and Social Research, retrieved by Invotex and run through a statistics software package to generate the numbers.

The data also shows a steady increase in trademark infringement lawsuits, with a jump of more than 400 cases between 2001 and 2005. Claims of trademark infringement are increasingly common on the Internet and the World Wide Web.

“A comparison of the case terminations to case filings shows there is very little 'backlog' for this type of suit, which is interesting. It’s good for the parties to the case, but bad for the lawyers,” Riley said.

The statistics are surprising to many trademark attorneys, including David Kera, a senior member of the Trademark and Copyright Department of the IP firm Oblon Spivak McClelland Maier & Neustadt PC, who is a former administrative trademark judge at the Trademark Trial and Appeal Board.

"It is somewhat astonishing to me that settlements were reached only 68% of the time. I would have thought from my experience that the settlement rate was higher,” Kera said.

Although the percentage was less than some might have expected, it shows nonetheless that settlements are the most common way for trademark infringement cases to terminate.

One reason is the cost of litigation - a reason put forth for almost any set of statistics about lawsuit settlements.

“Litigation is very expensive. There comes a stage in almost every lawsuit where one party or the other wants the case to go away. Then it becomes a question of whether the parties can agree on a price to settle,” Kera said.

Settlement negotiations can turn on, among other things, how long the

phasing out period for an allegedly infringing trademark will be.

“Often, after some litigation, the parties may decide they can live together if they accept reciprocal restrictions and qualifications on how their marks will be used in certain trade channels, and with certain types of customers,” Kera said.

Another reason cases settle so frequently is that it often becomes apparent during or after discovery, or during a pretrial conference with the judge, that a one party has a winning case. In those cases, according to Kera, judges may urge the parties to settle.

“Judges will often urge the parties to try alternate dispute resolution, such as mediation or arbitration, and will offer the services of a magistrate judge to assist. There are some U.S. district courts that make alternate dispute resolution compulsory before or during a lawsuit,” Kera said.

As with most lawsuits, litigation is normally a last resort in trademark cases, and one party may file a lawsuit as a negotiating tactic or to be able to pick the jurisdiction where the case will be tried - but always with the intention of settling if at all possible.

“The lawsuit becomes a tactic in the negotiations,” Kera said.

As to the increase in trademark cases, that is something Kera is not shocked by, since 11% is in line with the number of new marks being adopted and put to use by new and established businesses.

“That is especially true given the general trend toward increasing protection of all kinds of intellectual property, including patents, copyrights, trade secrets and product designs,” Kera said.

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