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The Advantage Of Venue in Trademark And Dilution Actions

The circuits' procedural and substantive law differences can be key to case outcome.

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THE VENUE RULES governing Lanham Act trademark and dilution actions are very liberal, essentially permitting suit to be brought in any district in which the defendant has advertised or sold the allegedly infringing product.[1] A recent Supreme Court decision affirming a preliminary injunction (in a case having nothing to do with trademarks), and the Trademark Dilution Revision Act's recent enactment, should serve as reminders of the importance in choosing venue of evaluating the procedural, as well as substantive law, differences among the circuits.

Preliminary Injunctions

The plaintiff often seeks a preliminary injunction in trademark and dilution lawsuits because its principal concern is to stop the infringement as soon as possible with the minimum in litigation cost. Although a preliminary injunction's benefits are readily apparent, the different standards the circuits employ can make the choice of venue a key factor in a case's outcome.

With minor variation, six circuits—the First, Third, Fifth, Tenth, Eleventh and District of Columbia—employ the traditional standard requiring that the plaintiff, in addition to establishing irreparable harm, prove

(1) likelihood or probability of success on the merits;

(2) that the balance of equities favors the plaintiff, and

(3) that the public interest favors injunctive relief.[2]

The Sixth and Eighth Circuits examine the same factors, but engage in a balancing process to determine if the balance of equities favors injunctive relief.[3]

The Seventh Circuit uses a "sliding scale" approach—the more likely the plaintiff will succeed, the less the balance of irreparable harm need weigh in its favor, whereas the less likely the plaintiff will succeed, the more the balance must weigh towards it.[4]

The Second, Fourth and Ninth Circuits employ, with some variation, a two-part test where, in addition to irreparable harm, the plaintiff must prove either "(1) a likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation, with a balance of hardships tipping decidedly in the plaintiff's favor."[5]

While there may not be significant differences between the various formulations that require a showing of likely success, there is an obvious difference between having to show a likelihood of success and having to show sufficiently serious questions going to the merits to make them a fair ground for litigation (which is a low threshold to meet).

Even though these differences have existed for decades, the Supreme Court has never resolved the circuit split. Last term, however, in upholding a preliminary injunction in *Gonzales v. O Centro Espirita Beneficente Uniao do Vegetal*,[6] the Court seemed to indicate that the traditional standard requiring the plaintiff to prove likelihood of success was the correct one. At issue was whether enforcement of the Controlled Substances Act to bar a church's use of an hallucinogenic tea in communion would violate the Religious Freedom Restoration Act (RFRA). Even though the government had the evidentiary burden under the RFRA of demonstrating that banning use of the hallucinogenic tea was the least restrictive way of advancing a "compelling interest," it argued that because the evidence was "evenly balanced," there "[wa]s an insufficient basis for issuing a preliminary injunction."[7]

In a unanimous opinion by Chief Justice John Roberts, the Court stated that the government "invok[es] the well-established principle that the party seeking pretrial relief bears the burden of demonstrating a likelihood of success on the merits."[8]

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In support, the Court cited an earlier Supreme Court decision that stated:

> The traditional standard for granting a preliminary injunction requires the plaintiff to show that in the absence of its issuance he will suffer irreparable injury and also that he is likely to prevail on the merits.[9]

The Court affirmed the preliminary injunction, reasoning that because the government had the burden of proof on issues with respect to which the evidence was "evenly balanced," the plaintiff "must be deemed likely to prevail'" on those issues.[10]

To be sure, the Court did not acknowledge—let alone purport to resolve—the circuit split as to the appropriate preliminary injunction standard. Nor did the parties' briefs refer to the split or argue that the Tenth Circuit had applied the wrong standard. Nevertheless, given the Court's statement that takes as a given that likelihood of success must be shown in order to obtain a preliminary injunction, there is certainly a sufficient basis to question whether those circuits' decisions permitting award of a preliminary injunction based on a watered-down showing of likely success or a showing of serious questions going to the merits are good law.

'Polaroid' and Dilution Factors

Following the lead of Judge Henry Friendly's decision in *Polaroid Corp. v. Polarad Elec. Corp.*,[11] each circuit has developed a set of similar, but not identical, factors to evaluate in determining whether a mark infringes the plaintiff's trademark, ranging from the Eighth Circuit's six-factor test[12] to the Federal Circuit's 13-factor test.[13]

Under the Trademark Dilution Revision Act (TDRA), a dilution claim would implicate four or more factors to determine whether a mark is "famous," and six to determine whether "dilution by blurring" has occurred.[14] If an infringement claim is also asserted, the court additionally would have to address the *Polaroid* factors to determine likelihood of confusion (and, in some cases, six or more factors to determine secondary meaning[15]).

As a result, a case involving both trademark claims and dilution claims could involve consideration of more than 20 factors.

So where does this leave a prospective plaintiff?

Determining Appropriate Venue

The first issue to consider on venue is the strength of the case for preliminary injunctive relief. The stronger the case, the less need to sue in a circuit where the alternative preliminary injunction standard applies (assuming the standard survives *Gonzales*). If a case is strong, the plaintiff would not have to prove a balance of hardships tipping decidedly in its favor, because it will be able to establish likelihood of success.

A plaintiff should also consider whether the presence or absence of a *Polaroid* factor in a circuit test, or how courts have applied the *Polaroid* or dilution factors in the circuit, could affect the case's outcome. For example, historically the Second Circuit has been less friendly than other circuits to related goods plaintiffs.[16]

Consideration should also be given to whether the different standards of appellate review could have an effect on the case's outcome. The Second and Sixth Circuits treat the *Polaroid* factors as fact issues subject to the clearly erroneous rule, but treat the ultimate issue of likelihood of confusion as a question of law subject to de novo review.[17] The other circuits treat both the *Polaroid* factors and the overall likelihood-of-confusion issue as fact issues subject to the clearly erroneous rule.[18]

Thus, to the extent a plaintiff has a strong case and anticipates likely success on most or all of the *Polaroid* factors, it may decide it is better off on appeal in a district where both the *Polaroid* factors and the likelihood-of-confusion issue are subject to the clearly erroneous rule.

On the other hand, if the plaintiff anticipates that the district court is more likely to find the *Polaroid* factors evenly split between the parties, making the ultimate outcome of its preliminary injunction motion more doubtful, the plaintiff may conclude it is better off suing in the Second or Sixth Circuits where the ultimate issue of likelihood of confusion is an issue of law subject to de novo review.

The presence of a dilution claim should not affect the analysis because, although no court has directly addressed the issue, it is likely that the Courts of Appeals will apply the same standard of review in evaluating dilution claims as they do trademark claims.[19] Practitioners, however, should be on the lookout for appellate decisions involving dilution claims and how the courts address the issue of the appropriate standard of review.

The next consideration is whether there is any issue of delay in seeking relief. If so, it might make sense to avoid the Second Circuit, which has better-developed law than other circuits in denying preliminary injunctions on the grounds that delay is evidence that the alleged injury is not irreparable.[20] And if the plaintiff seeks monetary relief, it should sue in the Third or Fifth Circuits, which do not require a showing of wilfulness to obtain the defendant's profits on a trademark infringement claim.[21] (The TDRA expressly requires a showing of wilfulness to obtain profits.[22])

Next, one should examine if there are additional legal issues that may be outcome determinative. For example, if the case presents a nominative fair use issue, it makes sense to sue in the Third or Sixth Circuits, which apply a full *Polaroid* likelihood-of-confusion analysis, and not in the Second, Fifth, Seventh or Ninth Circuits, which apply a three-part test that examines whether the defendant's product is readily identifiable without use of the trademark, whether only so much of the mark is used as is reasonably necessary to identify the product, and whether the defendant did anything suggesting sponsorship by the trademark holder.[23]

Finally, the traditional venue factors should be examined: Is there a real home field advantage to one venue versus another? What are the potential judges' quality and experience in trademark matters? Are there third-party witnesses whom you would want to compel to appear for a hearing or trial? If you intend on seeking monetary relief, what are the jury pool's educational and demographic characteristics?

Of course, notwithstanding the results of your circuit-by-circuit analysis of the foregoing issues, if there is a litigable issue of personal jurisdiction or venue in the district court of the circuit most favorable for the plaintiff, you should consider whether the desired forum's benefits outweigh the cost and potential delay that inevitably will be occasioned by litigating a jurisdiction, venue or transfer motion, which is likely to be heard before the preliminary injunction motion. Because what the plaintiff usually wants above all is a preliminary injunction, if it has a strong case on the merits, it makes sense to sue in a forum where there are no jurisdiction or venue issues so that the preliminary injunction motion can be heard as soon as possible.

In short, choosing the best venue for a trademark or dilution lawsuit requires far more analysis and consideration than simply suing in one's home court. The procedural and substantive law differences in the circuits must be fully evaluated to determine which venue, given the issues and the case's strengths and weaknesses, is the optimal choice.

1. 28 U.S.C. 1391(b)-(c) (permitting suit in any jurisdiction having personal jurisdiction over the defendant either due to residence or long-arm jurisdiction).

2. *American Board of Psychiatry & Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 3 (1st Cir. 1997); *American Greetings Corp. v. Dan Dee Imports, Inc.*, 807 F.2d 1136, 1140 (3d Cir. 1986); *Sunbeam Prods., Inc. v. West Bend*, 123 F.3d 246, 250 (5th Cir. 1997); *Prairie Band of Potawatomi Indians v. Pierce*, 253 F.3d 1234, 1246 (10th Cir. 2001); *Davidoff & CIE, S.A. v. PLD Int'l. Corp.*, 263 F.3d 1297, 1300 (11th Cir. 2001); *Nat'l Info. Corp. v. Kiplinger Washington Editors, Inc.*, 771 F. Supp. 460, 462 (D.D.C. 1991).

3. *Tumblebus Inc. v. Cranmer*, 399 F.3d 754, 760 (6th Cir. 2005); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1179 (8th Cir. 1998).

4. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 461 (7th Cir. 2000).

5. *Procter & Gamble Co. v. Chesebrough-Pond's, Inc.*, 747 F.2d 114, 118 (2d Cir. 1984); *Direx Israel, Ltd. v. Breakthrough Med. Corp.*, 952 F.2d 808, 815 (4th Cir. 1991); *Miss World (UK), Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1448 (9th Cir. 1988).

6. 126 S. Ct. 1211 (2006).

7. Id. at 1218-19.

8. Id. at 1219.

9. *Doran v. Salem Inn, Inc.*, 422 U.S. 922, 931 (1975).

10. *Gonzales*, 126 S. Ct. at 1218-19, quoting *Ashcroft v. American Civil Liberties Union*, 542 U.S. 656, 666 (2004).

11. 287 F.2d 492 (2d Cir. 1961).

12. *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).

13. *In re E.I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

14. 15 U.S.C. 1125(c)(2)(B)(i)-(vi), (C).

15. See, e.g., *Thompson Med. Co. v. Pfizer, Inc.*, 753 F.2d 208, 217 (2d Cir. 1985); *CIBA-GEIGY Corp. v. Bolar Pharmaceutical Co.*, 747 F.2d 844, 851-52, 854 (3d Cir. 1984).

16. E.g., *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 968-69 (2d Cir. 1981) (BRAVO's crackers not confusingly similar to BRAVOS tortilla chips).

17. *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 584-85 (2d Cir. 1993); *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 630 (6th Cir. 2002).

18. *Keds Corp. v. Renee Int'l Trading Corp.*, 888 F.2d 215, 222 (1st Cir. 1989); *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 200 (3d Cir. 1995); *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 241 (4th Cir. 1997); *Marathon Mfg. Co. v. Enerlite Prods. Corp.*, 767 F.2d 214, 217 (5th Cir. 1985); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 462 (7th Cir. 2000); *Gateway, Inc. v. Companion Prods., Inc.*, 384 F.3d 503, 509 (8th Cir. 2004); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 (9th Cir. 1985); *Coherent, Inc. v. Coherent Tech., Inc.*, 935 F.2d 1122, 1125 (10th Cir. 1991); *Frehling Enters., Inc. v. Int'l Select Group, Inc.*, 192 F.3d 1330, 1335 (11th Cir. 1999); *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F.2d 636, 639 (D.C. Cir. 1982).

19. See, e.g., *Hasbro, Inc. v. Clue Computing, Inc.*, 232 F.3d 1, 3 (1st Cir. 2000); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 547 (5th Cir. 1998).

20. E.g., *Citibank, N.A. v. Citytrust & Citytrust Bancorp, Inc.*, 756 F.2d 273, 276 (2d Cir. 1985) (10 week delay); *Majorica, S.A. v. R.H. Macy & Co., Inc.*, 762 F.2d 7, 8 (2d Cir. 1985) (7 month delay); *Marcy Playground v. Capitol Records, Inc.*, 6 F. Supp.2d 277, 281 (S.D.N.Y. 1998) (3 month delay).

21. Compare, e.g., *Banjo Buddies, Inc.. v. Renosky*, 399 F.3d 168, 173-78 (3d Cir. 2005), and *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338, 348-49 (5th Cir. 2002), with *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992).

22. 15 U.S.C. 1125(c)(5)(B).

23. Compare, e.g., *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003), with *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 810 (9th Cir. 2003).