

Cases and Controversies in Post-MedImmune Trademark Infringement and Unfair Competition Declaratory Judgment Actions

By Theodore H. Davis Jr.

Both Article III of the U.S. Constitution and the Declaratory Judgment Act require courts acting under their authority to find an “actual controversy” before proceeding.¹ Under this rule, “[p]arties that have their legal interests threatened in an actual controversy have standing to sue under the Declaratory Judgment Act. On the other hand, declaratory judgments cannot be used to seek advisory opinions on hypothetical factual scenarios.”²

The Supreme Court’s 2007 opinion in *MedImmune, Inc. v. Genentech, Inc.*,³ loosened the standard governing this requirement, holding it satisfied when “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”⁴ In *MedImmune*’s wake, courts have increasingly found actionable controversies on the theory that:

[W]here a trademark holder asserts rights . . . based on certain identified ongoing or planned activity of another party, and where that party contends it has the right to engage in the accused activity without a license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.⁵

This article examines the evolving standards for evaluating whether an actionable unfair competition case and controversy exists under federal law. The article first surveys opinions in declaratory judgment actions arising from existing litigation between the parties, with a particular emphasis on the significance of matters pending before the Trademark Trial and Appeal Board (TTAB). It then examines the circumstances under which courts have found or declined to find federal subject matter jurisdiction based on written threats of litigation. The article concludes with suggestions for trademark owners or other parties with potential unfair competition claims on how to avoid becoming defendants in declaratory judgment actions.

Determining the Existence of Cases and Controversies after *MedImmune*

Alleged Cases and Controversies Arising from Pending Litigation

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Some defendants have made things easy for courts weighing the existence of federal subject matter jurisdiction by initiating their own litigation against the plaintiffs suing them for declaratory relief. For example, a mark owner in one Federal Circuit appeal had sued a competitor but then had assigned its mark to a successor, which itself began to threaten the competitor with a lawsuit.⁶ These circumstances failed to convince the district court of the competitor’s standing to pursue counterclaims for the mark’s invalidation and for a declaratory judgment of noninfringement, but the appellate court reversed the dismissal of the counterclaims below. With respect to the original mark owner, the court held:

In this case, [the competitor’s] trademark noninfringement and invalidity counterclaims were pled in response to [the original mark owner’s] trademark infringement claims against it. Thus, there was more than an apprehension of suit from [the original mark owner]; [the competitor] had actually been sued. A *fortiori*, a party that has been sued for trademark infringement has established declaratory judgment jurisdiction to allege noninfringement and invalidity. To hold otherwise would prevent a defendant from raising defenses to the charge against it.⁷

This analysis led to a second holding that a controversy also existed between the competitor and the original mark owner’s successor in interest:

Here, [the successor] not only threatened suit, but it is the alleged assignee of [the original mark owner’s] trademark, and [the original mark owner] already filed suit for infringement of that trademark. Thus, if [the successor] is found to be the legitimate assignee, only [the successor] has standing to sue for infringement. . . . Therefore, if [the original mark owner] is ultimately found not to have standing to pursue its infringement claim, [the successor] may be in a position to be substituted for [the original mark owner] as the real party in interest. Such a possibility, especially given [the successor’s] actual threat of suit in its cease and desist letter, constitutes a threat or controversy of “sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”⁸

A preexisting lawsuit between the parties also led to a holding that a group of defendants were entitled to challenge the constitutionality of the Washington Personality Rights Act (WPRA),⁹ despite the absence from the suit of any allegations that the defendants had violated that statute.¹⁰ The Lanham Act and causes of action that were advanced by the plaintiffs sounded in the theory that that plaintiffs owned proprietary rights to the name, image, and persona of Jimi Hendrix and that the defendants had violated those rights by selling memorabilia bearing words, phrases, and images associated with the late guitarist. Apparently aware that the WPRA suffered from

constitutional deficiencies,¹¹ the plaintiffs deliberately omitted all mention of it from their complaint and, indeed, went so far as to represent to the court that the statute had “nothing to do with this lawsuit.”¹²

Invoking both the plaintiffs’ averments and claims made on the plaintiffs’ website, the court disagreed, holding instead that the “defendants here demonstrate the type of fear necessary to proceed on their counterclaims under the [Declaratory Judgment Act].”¹³ It therefore denied the plaintiffs’ motion to dismiss the defendants’ counterclaims for declaratory relief with the explanation that:

This case does not involve only a remote chance of litigation. To the contrary, [the lead plaintiff] sued defendants (albeit on Lanham Act and state law claims) long before defendants filed these counterclaims. Although [the lead plaintiff] currently makes no claim under the WPRA, the specter of an alleged “right of publicity” is evident not only in the Amended Complaint, but also on [the lead plaintiff’s] publicly available website. Thus, defendants can reasonably postulate that, absent a trademark—or copyright-based rationale for suing defendants, [the lead plaintiff] would likely resort to litigation under the WPRA.¹⁴

In contrast, it was preexisting state court litigation that was the primary basis for a finding of a case and controversy in a different dispute.¹⁵ Over a decade earlier, the parties had entered into an agreement that obligated the plaintiff to restrict its use of a particular mark. When it suspected the plaintiff was violating the agreement, the defendant filed a breach of contract suit in New York state court. The plaintiff responded with a declaratory judgment action in the Southern District of New York, in which it argued that the defendant was improperly seeking remedies in the state court action that were available only under federal trademark law.¹⁶ During oral argument on the defendant’s motion to dismiss the federal court action, the plaintiff represented that it would withdraw its complaint if the defendant agreed to limit the scope of the parties’ dispute to the defendant’s breach of contract claim.¹⁷ The defendant declined to do so, and that was all the court needed to know:

[The defendant] has specifically stated it retains its ability to bring a trademark infringement suit against [the plaintiff] in federal court. [The plaintiff] is thus entitled to bring this declaratory judgment action because the conduct of the parties indicates there is a genuine issue in dispute over the scope of [the defendant’s] federally protected trademarks. Accordingly, this declaratory judgment action is proper and defendant’s motion to dismiss the complaint is denied.¹⁸

These cases involved preexisting disputes before courts, but what of TTAB litigation? Under ordinary circumstances, “remarks made during an opposition proceeding and, generally, correspondence connected to it, cannot be the basis for a declaratory-judgment action.”¹⁹ Nevertheless, some courts have applied Article III more loosely in disputes in which there is a pending *inter partes* proceeding between the parties. For example, the Ninth Circuit has held that the filing of multiple oppositions coupled with threats of infringement litigation may satisfy that court’s “flexible” approach to determining whether a reasonable apprehension of suit exists:

“In applying this standard, we focus[] upon the position and perceptions of the plaintiff, declining to identify specific acts or intentions of the defendant that would automatically constitute a threat of litigation. The acts of the defendant [a]re instead to be examined in view of their likely impact on competition and the risks imposed upon the plaintiff, to determine if the threat perceived by the plaintiff were [sic] real and reasonable.”²⁰

Concluding that the district court had mistakenly found that no cognizable controversy existed, the Ninth Circuit observed:

Under the circumstances of this case, [the plaintiff’s] perception of threats was more than reasonable. Not only did [the defendant] allegedly make three concrete threats of infringement litigation, but it did so on the heels of years of unsuccessful and tense settlement negotiations, and after [the defendant] initiated seven actions in the TTAB. [The plaintiff] thus had good reason to worry about the stability and profitability of its product lines, and to suspect that [the defendant] would make good on its threats and seek hefty damages for any infringement.²¹

The Tenth Circuit similarly reversed the dismissal of a declaratory judgment action against a defendant that had filed five oppositions against the plaintiff’s applications and, during those proceedings, periodically threatened the plaintiff with district court litigation.²² After *MedImmune*, the court held, “the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”²³ Several considerations in the case at hand satisfied this standard: (1) the parties were using “the same” or “at least . . . very similar” marks;²⁴ (2) the defendant had, “through various communications with [the plaintiff], made clear its belief that [the plaintiff’s] use of the [plaintiff’s] mark already causes confusion in the market and therefore currently infringes on [the defendant’s] trademark rights”;²⁵ and (3) the defendant had itself threatened to initiate legal proceedings.²⁶ As to the significance of the pending opposition proceedings between the parties, the court then held:

[W]e underscore that we have no need today to pass on what *MedImmune* means to a case where the only indicia of a live infringement controversy is the existence of a single TTAB opposition proceeding, or perhaps a single cease-and-desist letter. In this case, we have five separate TTAB oppositions combined with an extensive history of interactions between the parties in which the . . . defendant expressly and repeatedly suggested historical and existing infringing activity by the . . . plaintiff. It is only this combination that we pass upon today and which we hold suffices to demonstrate the existence of Article III jurisdiction. . . . To the extent one might worry that allowing declaratory litigation might supersede or even supplant already-ongoing administrative TTAB proceedings, or that it might impede efforts by parties to secure an informal resolution through correspondence and personal negotiation, we note that there exists a more appropriate venue for addressing such concerns: Before assuming declaratory judgment jurisdiction, a district court must not only consider its Article III authority to hear the case, it is also free to consider a range of other discretionary factors in assessing whether or not to exercise jurisdiction under the Act. At the end of the day, however, such discretionary considerations should not be confused

with, or included in, the very different and non-discretionary assessment whether the Article III case-or-controversy requirement has been satisfied.²⁷

Some district courts have proven particularly receptive to declaratory judgment actions in disputes presenting preexisting TTAB litigation. In one case producing an extreme example of this phenomenon, the plaintiff responded to the defendant's notice of its opposition to an application filed by the plaintiff²⁸ by seeking a declaratory judgment of noninfringement and nondilution in its local federal district court. The plaintiff's complaint survived the defendant's motion to dismiss. Reviewing the notice of opposition, the district court found that it "invoked the language of trademark infringement and dilution, which could give Plaintiff a reasonable apprehension that Defendant would sue Plaintiff if Plaintiff continues to use its . . . mark."²⁹ What's more, "[t]he fact that Defendant has not yet acted upon its veiled threat does not erase the threat's effect."³⁰ Accordingly—and without addressing the issue of how the pleading requirements of §§ 2(d) and 13 of the Lanham Act³¹ can be satisfied *without* using "the language of trademark infringement and dilution"—the court concluded that a sufficient controversy existed to allow it to exercise jurisdiction over the matter.

In another case producing the same result, the defendant had opposed an application filed by the plaintiffs, had demanded that the plaintiffs discontinue the applied-for mark's use, had sought reimbursement of its attorneys' fees, and had offered to release the plaintiffs from liability as part of a proposed settlement; the defendant also threatened an infringement suit if its demands went unmet.³² In the plaintiffs' subsequent declaratory judgment action, the court rejected the defendant's claim that its threats of litigation were contingent on the outcome of the opposition. As the court concluded, "Plaintiffs' counsel recounts that [the defendant's] attorney stated that 'when his client won before the TTAB, it would seek relief against the alleged infringement in court.' This is hardly as speculative or contingent on the TTAB proceedings as [the defendant] would have this Court believe."³³ Moreover, "an email sent by [the defendant] to Plaintiffs' counsel, which discusses release of [the defendant's] infringement claims, does not include any qualifications."³⁴

A similar combination of actual and threatened litigation proved to be the ticket to federal court in a declaratory judgment action filed in the District of New Hampshire.³⁵ The basis for the plaintiff's request for declaratory relief was two-fold: The defendants had sent demand letters asking for the discontinuance of the plaintiff's mark and a domain name incorporating the mark, as well as the abandonment of a pending application to register the mark. Then, shortly afterwards, they challenged the plaintiff's application before the TTAB. The court held that this conduct, especially the defendants' "explicit" invocation of the Lanham Act, created a dispute that was ripe for resolution:

[The letters] allege conduct on [the plaintiff's] part that, if proven, would violate the Lanham Act. Moreover, while the demand letters . . . did not expressly state that [the defendants] would initiate an infringement action if [the plaintiff] did not capitulate, a specific threat is not necessary to create a

reasonable anticipation, and, in any event, those letters characterized the capitulation they demanded as "resolving this matter *amicably*," which was more than enough to suggest the possibility of a less amicable resolution, i.e., legal action.³⁶

In still another case producing a similar outcome, a National Football League player discovered four pending intent-to-use applications to register marks that the player considered to infringe his rights, and he and his licensing company both opposed the applications and sued the applicants.³⁷ Although holding that the mere filing of an intent-to-use application ordinarily cannot itself serve as the basis for a case and controversy, the court found that the defendants' conduct extended beyond simply staking a claim in the United States Patent and Trademark Office (USPTO). Specifically, the lead defendant testified during the TTAB proceeding that he would "try and prohibit" the use by another party of the marks underlying his application, which were the same ones to which the plaintiffs claimed rights.³⁸ Not only had the defendants' counsel made similar statements, his clients had undertaken "preparations to use the marks, including producing samples of various products incorporating the marks, contacting manufacturers, and 'testing the market.'"³⁹ The district court focused on the defendants' thinly veiled threats to pursue relief before a court to conclude that:

When a trademark applicant asserts rights based on certain identified ongoing or planned activity of another party, and that party contends that it has the rights to those marks, an Article III case or controversy may arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.⁴⁰

Alternatively, "[i]f . . . a party has taken steps such as producing prototypes or samples of the allegedly infringing products, soliciting business from and sending advertising to potential customers, or otherwise investing significant funds in preparation to produce the products, the case or controversy requirement is satisfied."⁴¹ Particularly because "a trademark application need not have matured into a registration before an actual controversy of sufficient immediacy and reality exists between the parties,"⁴² the defendants' motion to dismiss was meritless.⁴³

MedImmune has even made appearances in disputes in which the parties' "litigation" takes the form of arbitrations before the National Advertising Division (NAD) of the Council of Better Business Bureaus. At issue in one such case was the plaintiffs' promotional claim that, inter alia, they were distributing "a truly authentic Russian vodka of the highest quality."⁴⁴ The lead defendant sent a demand letter averring that the plaintiffs were falsely claiming their vodka was the only authentic Russian vodka available in the United States, while a second defendant held a press conference to similar effect and then initiated an NAD proceeding.⁴⁵ The plaintiffs sought declaratory relief, and the defendants moved to dismiss on the ground that their conduct had not created the case and controversy required by Article III.

Denying the defendants' motion as to any future conduct by the plaintiffs, the court held:

Here, plaintiffs allege that they have an advertising campaign centered on highlighting the distinction between [the parties'] vodka, and that they plan to question the authenticity of [the

defendants'] vodka. Defendants have engaged in conduct that indicates that there would be a controversy between the parties by sending a cease and desist letter to plaintiffs and initiating a proceeding at the NAD. Both parties['] conduct indicate that "there is a substantial controversy, between . . . parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of [a] declaratory judgment" regarding any future statements that plaintiffs will make regarding . . . [the] authenticity [of the defendants' vodka].⁴⁶

Falling back on pre-*MedImmune* authority, the court additionally held that: (1) an exercise of jurisdiction would serve a useful purpose "in settling . . . legal issues because a threat of future suit still exists concerning plaintiffs['] future advertising campaigns";⁴⁷ and (2) its disposition of the parties' various claims against each other "would offer relief from uncertainty because the parties would be on notice of their rights regarding plaintiffs' ability to comment on [the defendants' vodka's] authenticity as a Russian vodka."⁴⁸

A closely similar set of facts produced the same result in a declaratory judgment action brought by an online book retailer after a trade association representing the campus retailing industry initiated an NAD proceeding against three of the retailer's advertising claims.⁴⁹ The defendant did not threaten the plaintiff with a false advertising cause of action in conjunction with its NAD complaint, but the filing of that document led the plaintiff to seek declaratory relief; the defendant in turn responded to the plaintiff's district court filing with a press release averring that the plaintiff's advertising was "misleading and deceptive because [the plaintiff's] sales platform makes it virtually impossible to substantiate the advertised discounts"⁵⁰ and that one of the plaintiff's claims in particular was literally false.⁵¹

The court professed to have "little trouble concluding that there exists an actual controversy between the parties that justifies the exercise of subject matter jurisdiction."⁵² To begin with, "[t]he legal dispute between [the plaintiff] and [the defendant] is clearly delineated: the issue is whether [the plaintiff's] present and ongoing use of the three specific advertising claims challenged in [the defendant's] NAD Complaint constitutes a false and misleading representation."⁵³ Moreover, "[the defendant] has contended, through its NAD complaint and in its press release, that [the plaintiff's] claims are misleading, deceptive, literally false, and unsubstantiated."⁵⁴ Under these circumstances, "there is nothing hypothetical or speculative about this dispute; rather, the dispute is 'real and substantial and admit[s] of specific relief through a decree of a conclusive character' . . . 'as distinguished from an opinion advising what the law would be upon a hypothetical set of facts.'"⁵⁵

These holdings notwithstanding, not all plaintiffs relying on the existence of pending litigation have successfully demonstrated the existence of actionable controversies. For example, having had an intent-to-use application to register its mark opposed by the defendant, one plaintiff sought to bootstrap that proceeding and demand letters sent by the defendant into a declaratory judgment action.⁵⁶ The federal magistrate judge assigned to the litigation addressed the issue of whether a case and controversy existed in the context of the defendant's bid to stay discovery pending the disposition of a motion to dismiss. Although the defendant's demand letters asserted

both likely confusion and likely dilution, the magistrate held that the motion to dismiss was sufficiently viable that a stay was appropriate. It might be true that "[t]he . . . complaint's allegations are fairly detailed and specific with respect to Defendant's claims that Plaintiff's mark is confusingly similar and infringes its trademark rights."⁵⁷ Nevertheless, "the . . . amended complaint's allegations are vague, conclusory and contradictory about whether Plaintiff is actually using the mark or has expended significant resources to develop and use the mark."⁵⁸ In the absence of more detailed averments on those subjects, the magistrate concluded that "this case involves a would-be competitor seeking to test the waters by asking for an advisory opinion on an adverse mark."⁵⁹

In another dispute arising from an opposition proceeding before the TTAB, the absence of objections to the plaintiff's use of its mark produced a finding of no case or controversy.⁶⁰ Prior to that administrative litigation, the defendant sent a demand letter to the plaintiff, but the letter "demanded simply that [the plaintiff] abandon its pending trademark application. [The defendant] did not claim trademark infringement, contest [the] plaintiff's continued use of the mark, or make any further demands."⁶¹ When the defendant rejected settlement proposals that would have allowed the plaintiff to continue using its mark, the plaintiff sought declaratory relief, but the court held that neither the defendant's settlement posture nor its earlier letter created the required controversy. Rather, and especially because the plaintiff had used its mark for seven years without objection from the defendant, "[t]he TTAB is the appropriate forum to resolve the only concrete dispute between the parties—that is, the dispute over registration of the [plaintiff's] mark."⁶²

Active litigation between the parties may not result in federal subject matter jurisdiction over claims that have been brought in response to irrevocably dismissed causes of action. One plaintiff taking advantage of this rule prosecuted a suit to protect its federally registered product design mark for approximately eight months, while the defendant pursued counterclaims to invalidate the plaintiff's mark and to cancel the various registrations covering it.⁶³ The plaintiff then presented the defendant with a "covenant not to sue," which recited, among other things, that the plaintiff had "recently learned that [the defendant's] actions complained of in the Complaint no longer infringe or dilute [the plaintiff's mark] at a level sufficient to warrant the substantial time and expense of continued litigation and [the plaintiff] wishes to conserve resources relating to its enforcement of the [mark]."⁶⁴ Where the plaintiff's mark was concerned, the covenant also obligated the plaintiff

to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or in equity, against [the defendant] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law.⁶⁵

The federal district court hearing the action dismissed the defendant's counterclaims, and the Second Circuit affirmed. According to the appellate court:

In determining whether a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action

involving a trademark, district courts applying the *MedImmune* totality of the circumstances test should especially consider, in addition to other factors: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products, and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.⁶⁶

Reviewing the covenant against this doctrinal backdrop, the court concluded that the defendant's counterclaims properly had been dismissed. To begin with, "[t]he language of the Covenant is broad, covering both present and future products."⁶⁷ This unconditional and permanent renunciation of the plaintiff's claims, the court held, "renders the threat of litigation remote or nonexistent even if [the defendant] continues to market and sell [the goods accused of violating the plaintiff's rights] or significantly increases their production."⁶⁸ Indeed, "[g]iven the similarity of [the defendant's goods] to the [plaintiff's registered mark] and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the . . . mark and yet not fall under the Covenant."⁶⁹ As a final matter, the court rejected the defendant's argument that dismissal was inappropriate because an inability to defend itself against the ongoing *de minimis* infringement alleged in the covenant would cause potential investors to direct their capital elsewhere: "In this case, potential investor concerns about infringement lawsuits against the company, despite [the plaintiff's] broad Covenant, fail to establish the sort of genuinely adverse legal interests between [the parties] that *MedImmune* requires."⁷⁰

In another case demonstrating much the same point, the plaintiff sought declaratory relief and the cancellation of certain of the defendant's registrations, while the defendant counterclaimed for infringement of the marks covered by those registrations.⁷¹ After several years of protracted litigation, the defendant dismissed its counterclaim with prejudice; it then also moved the court to dismiss the plaintiff's declaratory judgment action for lack of federal subject matter jurisdiction. The defendant's proffered notice of dismissal acknowledged that the defendant no longer considered the plaintiff's conduct infringing, and this concession determined the court's disposition of the defendant's motion. As it explained, "[n]ow that [the defendant] has agreed to dismiss its Counterclaim with prejudice and concedes that [the plaintiff] is not infringing its name or mark, . . . [the defendant's] conduct no longer creates 'a real and reasonable apprehension of liability on the part of the plaintiff.'"⁷² Dismissal therefore was appropriate because "[a]n actual controversy regarding trademark law between the parties therefore no longer exists."⁷³

Finally, active litigation may not be dispositive if it does not involve the particular plaintiff bringing a declaratory judgment action. The Federal Circuit therefore has declined to allow one would-be counterclaim plaintiff to seek declaratory relief against a mark owner and its assignee in a suit in which those parties asserted a claim of utility patent infringement against the counterclaim plaintiff, as well as claims of trademark infringement against a third-party defendant.⁷⁴ As the court explained of the counterclaim plaintiff's claim of standing, "[u]nlike [the third party], [the plaintiff] had been neither sued nor threatened with suit. [The plaintiff's] sole argument is that it uses the same

term . . . for which [the third party] was sued."⁷⁵ Although a pattern of suits against third parties involving the same mark might favor the existence of declaratory judgment jurisdiction, neither the single suit at issue nor the fact that the counterclaim plaintiff had been sued for utility patent infringement met the grade; rather, the absence of trademark-related allegations directed toward the counterclaim plaintiff meant that "there was no case or controversy with respect to [the counterclaim plaintiff] regarding its trademark counterclaims."⁷⁶

Alleged Cases and Controversies Arising from Threatened Litigation

Of course, the existence of pending litigation between the parties is not a prerequisite for a finding that a case and controversy exists. Some post-*MedImmune* disputes not involving a prior proceeding clearly qualified, including one triggered by an e-mail to the plaintiff from the defendants' principal, which advised the plaintiff of the defendants' intent to file suit by a date certain and concluded by advising the plaintiff that: "This is not a threat it is a promise."⁷⁷ The Fifth Circuit district court hearing the plaintiff's suit for declaratory relief made short work of the defendants' motion to dismiss under the relevant factors extant in that circuit, namely: (1) whether there was a pending state court action in which all the matters in controversy might be fully litigated, (2) whether the plaintiff filed suit in anticipation of a lawsuit by the defendants, (3) whether the plaintiff engaged in forum shopping, (4) whether there were possible inequities in allowing the plaintiff to proceed in the forum jurisdiction, (5) whether the court was a convenient forum for the parties and witnesses, (6) whether the suit's retention would serve judicial economy, and (7) whether the court was being called upon to construe a state judicial decree involving the same parties.⁷⁸ The court found that these factors warranted it retaining jurisdiction, concluding, *inter alia*, that "[o]f particular significance is the absence of a parallel state proceeding involving the subject matter of this dispute";⁷⁹ also coming into play, however, were threats of litigation allegedly posted on the defendants' website.⁸⁰ "Under these circumstances, plaintiff was entitled to bring this declaratory judgment action in federal court rather than wait to see if defendants ever made good on their threats."⁸¹

A date certain in a demand letter helped lead to the same outcome in another case.⁸² Having discovered that the plaintiff had received a federal registration of his TERMINATOR mark and that he was prosecuting an application to register it again for different goods, the defendant's counsel advised counsel for the plaintiff of the following:

Any use by your client of the mark TERMINATOR . . . causes serious injury to out [sic] client, confuses and misleads the consuming public . . . , suggests a connection with our client that your client does not have and dilutes the distinctiveness of our client's TERMINATOR Marks. . . . U.S. federal and state laws as well as similar laws in other non-U.S. jurisdictions provide significant penalties for such conduct, including injunctive relief, your client's profits and our client's damages and attorney's fees, all of which our client is entitled to.⁸³

Setting a two-week response deadline, the defendant's letter requested the plaintiff "to immediately cease an[y] and

all use whatsoever of and agree not to use in the future the mark TERMINATOR or any mark confusingly similar to TERMINATOR in connection with all products and advertising and promotion thereof”;⁸⁴ it also demanded that the plaintiff abandon or surrender for cancellation any claims to the mark he had pending in the USPTO.⁸⁵

Denying a motion to dismiss, the court observed that “threats of litigation, without more, cannot create an actual controversy.”⁸⁶ Nevertheless, it found that “[the defendant] has made it known that it believes [the plaintiff’s] marks infringe its [own] mark and that it intends to litigate that infringement if [the plaintiff] does not cease his use of [his] mark, cancel [his] registration and withdraw his pending application.”⁸⁷ An actionable controversy therefore existed because “[the defendant’s] words could reasonably lead one to believe that it is prepared to and willing to enforce its trademark rights; the Declaratory Judgment Act does not require [the plaintiff] to first expose himself to liability before challenging in court the basis for the threat.”⁸⁸

Two express threats of litigation from another defendant, the second of which set a 10-day deadline for compliance with the defendant’s demands *and* requested the plaintiffs to implement a litigation hold, also were found to create a justiciable controversy.⁸⁹ A magistrate judge recommended the denial of the plaintiffs’ request for injunctive relief because of the defendant’s professed lack of interest in pursuing its claims against the plaintiffs, but the plaintiffs successfully objected to this aspect of the magistrate’s report when it reached the district court. As the latter concluded, “[b]y making overt threats of litigation, [the Defendant] caused the Plaintiffs, two of its competitors, to spend thousands of dollars in legal fees in connection with their request for a declaratory judgment.”⁹⁰ Having done so, “[the Defendant] may not now escape a declaratory judgment by claiming that, at least for the time being, it has decided not to pursue legal remedies against the Plaintiffs.”⁹¹

Somewhat less aggressive prelitigation claims triggered a finding of an active controversy between two manufacturers of vapor barriers and vapor retarders in the housing industry.⁹² The defendant owned a federal registration of the color yellow covering these goods, while the plaintiff had taken “definite, concrete steps in manufacturing and marketing its [own] yellow vapor-barrier product.”⁹³ The action was filed after two encounters between the parties, the first of which was a letter from the defendant’s counsel advising the plaintiff of the defendant’s “intention to vigorously enforce its trademark rights” and “request[ing] in advance that you avoid any use of the color yellow with your products that would lead to a likelihood of confusion with our client’s registered trademark.”⁹⁴ The second was a conversation in which, depending on the competing accounts of it proffered by the parties, a principal of the defendant either represented that the defendant would sue the plaintiff for willful infringement if the plaintiff introduced a yellow product, or, alternatively, represented only that the defendant would enforce its trademark rights if the product the plaintiff introduced infringed those rights.⁹⁵ In denying the defendant’s motion to dismiss, the court held that “[a]n actual controversy can exist before a declaratory judgment plaintiff faces guaranteed litigation or is certain that

its conduct is illegal”;⁹⁶ accordingly, “[a] potential declaratory-judgment defendant cannot defeat jurisdiction over a declaratory judgment action by couching specific assertions of its rights in generally applicable language.”⁹⁷ That the defendant had not yet seen the plaintiff’s product did not make the threat of litigation any less real.⁹⁸

In a final notable case featuring an unsuccessful motion to dismiss, the plaintiff had proposed during prefilings settlement negotiations that each party give the other three days’ notice before filing suit.⁹⁹ The defendant failed to give “a reciprocal assurance,” but it nevertheless sought to enforce the three-day proposal when the plaintiff filed suit without any notice. The court declined to dismiss the action, noting that the defendant “does not allege that there was any reasonable likelihood that further negotiations between the parties would have been successful.”¹⁰⁰ Beyond that, the defendant was unable to establish that it would have sued the plaintiff in another forum or that it would be disadvantaged by having to litigate its infringement claims as counterclaims in the plaintiff’s suit. Because “[the defendant] has not presented a compelling argument for declining jurisdiction over [the plaintiff’s] declaratory judgment claim,” its challenge to that jurisdiction failed.¹⁰¹

MedImmune notwithstanding, however, a Fifth Circuit case has confirmed that Article III cannot be stretched to fit every situation in which a demand letter has been sent.¹⁰² Having received a letter from the defendant asserting that the plaintiff’s under-development dump trailer had the same shape as a model produced by the defendant and suggesting that the trailer’s introduction would infringe the defendant’s trade dress, the plaintiff sought a declaratory judgment of noninfringement from its local federal district court. That court dismissed the action, and the Fifth Circuit affirmed. As the latter pointed out, “[f]or a decision in a case such as this to be anything other than an advisory opinion, the plaintiff must establish that the product presented to the court is the same product which will be produced if a declaration of noninfringement is obtained.”¹⁰³ Because the plaintiff was not “immediately prepared to manufacture and sell the trailers at the time it filed suit”¹⁰⁴ nor had its design “become sufficiently fixed at the time of suit to compare its shape against that of [the defendant’s] trailers,”¹⁰⁵ no federal subject matter jurisdiction existed.

Likewise, a Michigan district court declined to find that the transmittal of a demand letter with a two-week response deadline triggered the availability of declaratory relief.¹⁰⁶ On its face, the letter had an air of menace: It alleged ownership of a federal registration covering the “words ‘gospel music’ in a distinctive, lower case font”¹⁰⁷ and alleged that an advertisement placed by the plaintiff using the words “gospel music” constituted a “violation of both federal and state trademark laws, as well as unfair competition and dilution of [Defendant’s] marks.”¹⁰⁸ In a subsequent exchange of correspondence, the defendant’s counsel clarified that his client’s objections were to the particular presentation of the words, rather than to the plaintiff’s use of them. Granting the defendant’s motion to dismiss, the court faulted the plaintiff, which, “rather than addressing Defendant’s concern, seems to have made an effort to create a larger controversy than Defendant asserted.”¹⁰⁹ As it noted, “the correspondence does

not create an issue of sufficient immediacy for the Court to assume jurisdiction, as the possibility of litigation or trademark enforcement was never mentioned in the three cordial letters exchanged between the parties.”¹¹⁰

Conclusion

If *MedImmune* has not entirely changed the playing field in trademark and unfair competition actions, it nevertheless has tilted that field in favor of declaratory judgment plaintiffs. Post-*MedImmune* case law strongly suggests that trademark owners and other claimants under the Lanham Act and related causes of action should assert their rights in a measured fashion that does not invoke the remedies potentially available in a litigation before a court, that does not expressly demand discontinuance, and that does not set a date certain for a satisfactory response; moreover, the significance of recitations of this sort in oral or written communications will be magnified if the parties already are engaged in litigation before a tribunal such as the TTAB or even if they are pursuing alternative dispute resolution. No strategy, of course, can guarantee that the expression of concerns about another party’s conduct will not produce a justiciable case and controversy. Nevertheless, attention to the principles set forth above can help the party expressing its concerns from becoming an unwilling defendant in an action seeking declaratory relief. ■

Endnotes

1. U.S. CONST. art. III, § 2, cl. 1; 28 U.S.C. § 2201 (2006).
2. *Sinclair v. StudioCanal, S.A.*, 709 F. Supp. 2d 496, 502 (E.D. La. 2010) (citations omitted).
3. 549 U.S. 118 (2007).
4. *Id.* at 127.
5. *EnviroGLAS Prods., Inc. v. EnviroGLAS Prods., LLC*, 705 F. Supp. 2d 560, 567 (N.D. Tex. 2010).
6. *Green Edge Enters., LLC v. Rubber Mulch Etc., LLC*, 620 F.3d 1287 (Fed. Cir. 2010) (applying Eighth Circuit law).
7. *Id.* at 1300.
8. *Id.* at 1301 (citations omitted) (quoting *MedImmune*, 549 U.S. at 127).
9. WASH. REV. CODE §§ 63.60.010 *et seq.* (2008).
10. *See Experience Hendrix, L.L.C. v. HendrixLicensing.com, Ltd.*, 766 F. Supp. 2d 1122 (W.D. Wash. 2011).
11. The court ultimately held that the WPRA violated the Due Process, Full Faith and Credit, and Dormant Commerce Clauses of the Constitution. *See id.* at 1134–43.
12. *Id.* at 1130.
13. *Id.* at 1134.
14. *Id.*
15. *See Tequila Cuervo la Rojena S.A. de C.V. v. Jim Beam Brands Co.*, 95 U.S.P.Q.2d 1574 (S.D.N.Y. 2010).
16. *See id.* at 1575.
17. *See id.*
18. *Id.* at 1576 (citations omitted).
19. *Trosper v. Metal Mulisha LLC*, 95 U.S.P.Q.2d 1640, 1642 (N.D. Tex. 2010).
20. *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1157 (9th Cir. 2007) (alterations in original) (quoting *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982)).
21. *Id.* at 1158.
22. *See Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236 (10th Cir. 2008).
23. *Id.* at 1244 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)).
24. *Id.*

25. *Id.*
26. *See id.* at 1245.
27. *Id.* at 1247–48 (citations omitted).
28. *See Neilmmed Prods., Inc. v. Med-Sys., Inc.*, 472 F. Supp. 2d 1178 (N.D. Cal. 2007).
29. *Id.* at 1181.
30. *Id.* at 1182.
31. 15 U.S.C. §§ 1052(d), 1063 (2006).
32. *See Trosper*, 95 U.S.P.Q.2d 1640.
33. *Id.* at 1643 (citation omitted).
34. *Id.*
35. *See Blue Athletic Inc. v. Nordstrom Inc.*, 97 U.S.P.Q.2d 1706 (D.N.H. 2010).
36. *Id.* at 1710 (citations omitted).
37. *See Young v. Vannerson*, 612 F. Supp. 2d 829 (S.D. Tex. 2009).
38. *Id.* at 837.
39. *Id.* at 838.
40. *Id.* at 841.
41. *Id.* at 844.
42. *Id.* at 845 (internal quotation marks omitted).
43. *See id.* at 846.
44. *Russian Standard Vodka USA, Inc. v. Allied Domecq Spirits & Wine USA, Inc.*, 523 F. Supp. 2d 376, 379 (S.D.N.Y. 2007).
45. *See id.* at 378–80.
46. *Id.* at 383 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)).
47. *Id.*
48. *Id.*
49. *See Amazon.com, Inc. v. Nat’l Ass’n of College Stores, Inc.*, No. C11-0754JLR, 2011 WL 6008971 (W.D. Wash. Sept. 26, 2011).
50. *Id.* at *3.
51. *See id.*
52. *Id.* at *4.
53. *Id.*
54. *Id.*
55. *Id.* (alteration in original) (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)).
56. *See Tradebay, LLC v. eBay, Inc.*, No. 2:11-cv-00702-ECR-PAL, 2011 WL 6182039 (D. Nev. Dec. 13, 2011).
57. *Id.* at *11.
58. *Id.*
59. *Id.* at *12.
60. *See Viña Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391 (S.D.N.Y. 2011).
61. *Id.* at 395.
62. *Id.* at 397.
63. *See Nike, Inc. v. Already, LLC*, 663 F.3d 89 (2d Cir. 2011).
64. *Id.* at *92.
65. *Id.* (second alteration in original).
66. *Id.* at 96 (footnote omitted).
67. *Id.* at 97.
68. *Id.*
69. *Id.*
70. *Id.*
71. *See Amerimax Real Estate Partners, Inc. v. RE/MAX Int’l, Inc.*, 600 F. Supp. 2d 1003 (N.D. Ill. 2009).
72. *Id.* at 1009 (quoting *Planet Hollywood (Region IV), Inc. v. Hollywood Casino Corp.*, 80 F. Supp. 2d 815, 873 (N.D. Ill. 1999)).
73. *Id.*; *see also id.* at 1009–10 (employing similar analysis to dismiss plaintiff’s claim for cancellation of defendant’s registrations).
74. *See Green Edge Enters., LLC v. Rubber Mulch Etc., LLC*, 620 F.3d 1287 (Fed. Cir. 2010).
75. *Id.* at 1302.
76. *Id.*
77. *Ceramic Performance Worldwide, LLC v. Motor Works, LLC*, 93 U.S.P.Q.2d 1771, 1772 (N.D. Tex. 2010).
78. *See id.* at 1772–73.

79. *Id.* at 1773.
80. *See id.*
81. *Id.*
82. *Sinclair v. StudioCanal, S.A.*, 709 F. Supp. 2d 496 (E.D. La. 2010).
83. *Id.* at 501.
84. *Id.*
85. *See id.*
86. *Id.* at 503.
87. *Id.*
88. *Id.* at 503–04. Having concluded that the requirements of Article III and the Declaratory Judgment Act were satisfied, the court noted that “[e]ven when there is an actual controversy and the Court has subject matter jurisdiction, the Court has discretion to decline to exercise its declaratory judgment jurisdiction.” *Id.* at 504. It then decided to do so under an application of the same factors listed in *supra* text accompanying note 78. *See id.* at 504–05.
89. *See Cosa Instrument Corp. v. Hobre Instruments BV*, 698 F. Supp. 2d 345 (E.D.N.Y. 2010).
90. *Id.* at 350.
91. *Id.*
92. *See Poly-Am., L.P. v. Stego Indus., L.L.C.*, 694 F. Supp. 2d 600 (N.D. Tex. 2010).
93. *Id.* at 602.
94. *Id.* at 602–03.
95. *Id.* at 606.
96. *Id.*
97. *Id.*
98. *See id.* at 608–09.
99. *See Constellation Brands, Inc. v. Arbor Hill Assocs.*, 535 F. Supp. 2d 347 (W.D.N.Y. 2008).
100. *Id.* at 359.
101. *Id.*
102. *See Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745 (5th Cir. 2009).
103. *Id.* at 749 (quoting *Int’l Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1216 (7th Cir. 1980)).
104. *Id.* at 750 (internal quotation marks omitted).
105. *Id.*
106. *World Religious Relief v. Gospel Music Channel*, 563 F. Supp. 2d 714 (E.D. Mich. 2008).
107. *Id.* at 715.
108. *Id.* (alteration in original).
109. *Id.* at 717.
110. *Id.* (internal quotation marks omitted).