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Trademark Bullies Beware the Seventh Circuit

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Actually, not just the Seventh Circuit Court of Appeals (governing appeals from the federal district courts in Illinois, Indiana, and Wisconsin), but the Seventh Circuit is the most recent to reaffirm that our current legal system does, in fact, provide protection against real "trademark bullies" -- and more generally -- those who abuse the legal process with unfounded Lanham Act claims.

Last week, in Nightingale Home Healthcare Inc. v. Anodyne Therapy LLC, after laying out a complete circuit by circuit analysis of what makes a trademark or false advertising case sufficiently "exceptional" to warrant an award of attorneys fees to the prevailing defendant under the Lanham Act, Judge Posner wrote:

We conclude that a case under the Lanham Act is "exceptional," in the sense of warranting an award of reasonable attorneys' fees to the winning party, if the losing party was the plaintiff and was guilty of abuse of process in suing . . . .

With respect to when a plaintiff should be found guilty of "abuse of process," Posner added:

When the plaintiff is the oppressor, the concept of abuse of process provides a helpful characterization of his conduct. Unlike malicious prosecution, which involves filing a baseless suit to harass or intimidate an antagonist, abuse of process is the use of the litigation process for an improper purpose, whether or not the claim is colorable. "The gist of the abuse of process tort is said to be misuse of legal process primarily to accomplish a purpose for which it was not designed, usually to compel the victim to yield on some matter not involved in the suit. If the plaintiff can show instigation of a suit for an improper purpose without probable cause and with a termination favorable to the now plaintiff, she has a malicious prosecution or a wrongful litigation claim, not a claim for abuse of process. [T]he abuse of process claim permits the plaintiff to recover without showing the traditional want of probable cause for the original suit and without showing termination of that suit." 2 Dan B. Dobbs, The Law of Torts § 438 (2001). Abuse of process is a prime example of litigating in bad faith.

As you may recall, just last month I took the position that we don't need new legislation specifically designed to address the growing focus on what has popularly been described as "trademark bullying":

I'm not convinced the trademark system needs an overhaul, or even a new cause of action, to deal with what have been only very rare and infrequent encounters with real trademark bullies, at least in my twenty years of experience. Moreover, there seem to be enough existing legal tools to handle a real trademark bully, namely, one that brings frivolous, bad faith, vexatious or objectively baseless litigation. Rule 11 sanctions apply not only in federal court, but in TTAB proceedings before the USPTO too. In addition, it should not be forgotten that attorneys fees can be and have been awarded in "exceptional" federal district court cases under the Lanham Act, even in favor of a trademark defendant, and even to the tune of $2.5M.

Although only time will tell whether this position turns out to be "claim chowder," at least for the time being, it seems to me, the *Nightingale* decision offers further support for the position that we already have satisfactory legal tools in place to deal with real "trademark bullying."

Last, although some may disagree as to the sufficiency of this additional tool to combat "trademark bullying," defendants who find themselves wanting to fend off a real "trademark bully" shouldn't underestimate the power of an appropriate PR campaign to shine a spotlight on the objectionable conduct.

So, where do you come down on the issue? Do we need new laws to fight "trademark bullies," or does our existing legal system already provide sufficient tools?

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