GETTING A GRIP ON A TRADEMARK/TRADE DRESS CASE BEFORE IT GETS A GRIP ON THE BUDGET: USING SUBJECT-SAVVY EARLY NEUTRAL EVALUATORS TO GRAPPLE WITH DIFFICULT DILEMMAS

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Why Might Early Neutral Evaluation ["ENE"] Be Needed In Trademark Cases?

As you already know, modern trademark litigation can rock your budgetary boat. As you also know, trademark litigation has become more contentious, more detailed, more lengthy, and thus more expensive. And measures of direct costs (e.g., lawyers' fees, investigatory charges, expert witness retainers and fees, and threatened monetary awards) don't even start to account for the lost time and energy of key executives diverted from business to litigation strategy meetings and preparation for, and attendance at, depositions and in courtrooms.

Even a fairly routine trademark case that isn't resolved by cease and desist correspondence and conversations can morph into an unwieldy lawsuit that costs many, many thousands of dollars--especially with the complexities of modern e-discovery, the need for expert testimony, and controversies about survey evidence. And that's just for the preliminary injunction phase! More complex and/or "big" cases easily can run into the millions of dollars. Beyond that, some very valuable company assets – trademarks representing large reservoirs of good will – often are endangered by trademark litigation.

Why Might ENE Be Effective In Trademark Cases?

ENE can be an effective *evaluative* technique in various intellectual property disputes. ENE allows an unbiased third party, a person deeply steeped in the legal subject matter and trained to listen to all sides, to help both sides – or, in *ex parte* situations, the sole retaining party – understand the strengths/weaknesses of their positions *before* large litigation expenses are incurred. Indeed, ENE can be commenced very early, based on existing allegations and information, thus possibly avoiding substantial "discovery" expenditures. As an unbiased neutral, the ENE professional can see the problem from perspectives different from those of the disputing parties and she/he can identify dimensions and possible solutions which may not be apparent to them.

Because ENE proceedings are voluntary and nonbinding, and because they are private, confidential, and inadmissible in court – all matters confirmed in express preliminary agreements – they can be designed to meet the special needs of each situation. This flexibility is in stark contrast to the rigid procedures of court cases and U.S. Patent and Trademark Office Trademark Trial and Appeal Board ["TTAB"] proceedings. Moreover, ENE proceedings often can reduce the time and costs associated with litigation by narrowing or eliminating issues. The speed and informality of ENE are other benefits of this type of ADR.

For What Issues Might ENE Be Useful In Trademark Cases?

ENE can be used successfully in these types of trademark controversies:

- Trademark and service mark infringements involving various issues
- Opposition and/or cancellation proceedings before the TTAB
- Trademark license and/or contract disputes
- Trade dress (product design and/or package design) infringements
- False advertising and trade disparagement disputes
- Dilution (federal and/or state; blurring and/or tarnishment) disputes
- Domain name, corporate name and/or trade name disputes

How Might ENE Simplify/Clarify/Shorten Trademark Cases?

When deciding if ENE is right for a specific conflict, consider these benefits:

- ENE can be scheduled early in a dispute, thus identifying critical issues in a much shorter timeframe and minimizing litigation-related charges and administrative costs
- Early issue identification can reduce the time executives and key employees are kept away from business matters
- ENE illuminates the strengths/weaknesses of a case, so the parties can negotiate with full knowledge of their absolute and relative positions
- ENE is especially appropriate:
    - in complicated, unusual cases;
    - where there's great need for quick and private resolution;
    - where expert witnesses' opinions may need to be evaluated
- As compared to some litigation counsel engagements, the scope of ENE professional engagements is easier to define and to control, thus increasing the likelihood of achieving cost effective solutions

How Does *Inter Partes* ENE Fit In With Other Types of Alternative Dispute Resolution?

The *understanding* generated by the ENE process may empower and encourage the parties to seek settlement through mediation:

- Many risks of adjudication (judicial or arbitral) can be avoided by mediation
- The ENE professional can become the mediator, changing his/her primary approach from evaluation to facilitation, thereby increasing the likelihood of settlement

Appendix

Alternative Dispute Resolution ["ADR"] is an umbrella term for techniques/processes *other than* the typical negotiation and litigation approaches. Whereas negotiation involves two "sides," ADR always adds a neutral non-combatant to the mix – thus substantially changing the dynamics of dispute resolution. ADR comes in many varieties, some being pure and some being blended: arbitration (private judging, binding or non-binding); mediation (facilitative); and mini-trials, summary jury trials, and early neutral evaluation (evaluative) ["ENE"]. ENE involves:

E*arly*: aims to nip the dispute in the bud, before great "investment"

N*eutral*: is conducted by a subject-savvy professional with no stake (either substantive or procedural) in the controversy

E*valuation*: proffers an honest and knowledgeable appraisal, a "reality check"

Interested parties can "get to" ENE in a number of ways:

1. Voluntarily, either by pre-dispute agreement (such as an ENE clause in a licensing contract[1]) or by ad hoc agreement adopted to forestall and/or avoid plenary judicial proceedings.

2. Mandatorily, pursuant to a court order,[2] which can be premised upon one of two approaches:

[1] Nowadays, many agreements include ADR provisions. Indeed, some of these provisions *require* ADR before litigation can be commenced.

[2] Many federal courts – both trial and appellate – have adopted rules creating ADR programs. Whenever such programs are in place, parties can agree to access them or one party can formally "move" the relevant court to require the other party to engage in ADR.

a. Alternative Dispute Resolution Act of 1998, 28 U.S.C. § 651[3] *et seq.*, authorizes each U.S. District Court to promulgate and administer Local Rules requiring the litigants to engage in listed type(s) of ADR – which specifically includes ENE. "Congress passed the ADR Act to promote the utilization of alternative dispute resolution methods in the federal courts and to set appropriate guidelines for their use." *In re Atlantic Pipe Corp.*, 304 F.3d 135, 141 (1st Cir. 2002). However, "[i]n the absence of such local rules, the ADR Act itself does not authorize any specific court to use a particular ADR mechanism." *Id.*

b. Inherent Judicial Power.[4] Some courts have concluded that, even without recourse to the ADR Act, they can order litigants to engage in (non-binding) ADR processes. *Id.* at 144-45 (distinguishing contrary cases); *In re African-American Slave Descendants' Litigation*, 272 F. Supp. 2d 755, 760 (N.D. Ill. 2003).

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[3] In pertinent part, § 651 provides as follows:

> § 651. **Authorization of alternative dispute resolution**
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> **(a) Definition.**--For purposes of this chapter, an alternative dispute resolution process includes any process or procedure, other than an adjudication by a presiding judge, in which a neutral third party participates to assist in the resolution of issues in controversy, through processes such as early neutral evaluation, mediation, mini-trial, and arbitration as provided in sections 654 through 658.
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> **(b) Authority.**--Each United States district court shall authorize, by local rule adopted under section 2071(a), the use of alternative dispute resolution processes in all civil actions, including adversary proceedings in bankruptcy, in accordance with this chapter, except that the use of arbitration may be authorized only as provided in section 654. Each United States district court shall devise and implement its own alternative dispute resolution program, by local rule adopted under section 2071(a), to encourage and promote the use of alternative dispute resolution in its district.

[4] *See* Amy M. Pugh & Richard A. Bales, *The Inherent Power of the Federal Courts to Compel Participation in Forms of Alternative Dispute Resolution*, 42 Duq. L. Rev. 1 (2003).