



June 20, 2011

Hon. Karen Kuhlke  
Administrative Trademark Judge  
United States Patent  
and Trademark Office  
Mail Stop Comments—TTAB  
P.O. Box 1451  
Alexandria, VA, 22313-1451

*Submitted Electronically*

**Re: Trademark Trial and Appeal Board Participation in Settlement Discussions  
(Docket Number PTO-C-2011-0011)**

Dear Judge. Kuhlke:

I am an attorney with over thirty (30) years of experience in handling contested matters before Federal Courts and administrative agencies. For the last twenty years my practice has focused on representing clients in trademark, copyright and related intellectual property matters, including matters before the Trademark Trial and Appeal Board (“the Board”). I am submitting these comments in response to the captioned Notice of Inquiry published in the April 22, 2011 *Federal Register*. The views expressed herein are my own and do not necessarily reflect those of my clients or the International Trademark Association of which I am a former President.

Based on my experience, I do not believe that requiring Board involvement in settlement discussions at any stage of a proceeding would materially increase the likelihood of settlement nor would it be a good allocation of the Board’s scarce resources. My reasons follow.

The “settlement dance” can be a very complex calculus involving many different factors. These might include: cost considerations, damages exposure, personal animosity, marketplace and competitive issues, trademark enforcement program objectives, the possibility of annoying the Judge by being obstinate and unreasonable, and the likelihood of success on the merits. Settlement occurs only when both parties weigh and balance the factors and agree that: (a) “enough is enough”, and (b) can agree on a resolution that is acceptable to both parties. There is no accurate way to predict when this may occur in a case: sometimes it happens right away and sometimes it happens on the courthouse steps.

As the Board recognized when it began to require an early settlement discussion among the parties in 2007, and again in the Notice of Inquiry, the overwhelming majority of cases filed before the Board are settled or otherwise resolved quickly. The early settlement discussion procedure has been a helpful tool for initiating settlement discussions, but in my experience it has not altered the settlement dynamics. I have had very few cases settle as a result of the initial conference. Most cases have continued to follow the traditional trajectory of engaging in some discovery before settlement. This gives the parties insights into the facts which, in turn, allows them to sharpen their litigation risk analysis. When cases settle, it is because one party has decided that the game is not worth the candle, it has signaled that to the other party, settlement discussions ensued and the matter was resolved.

For at least six reasons, it is doubtful that Board involvement would have a material impact on the settlement dynamics.

**1. There is no possibility of a damages or an attorneys' fees award.** In Federal Court cases, one very large "hammer" that can be wielded by a Judge is the prospect of being on the losing side of a monetary judgment. That does not exist in Board proceedings.

**2. There is no risk of making the Judge angry by being unreasonable.** In a Federal Court settlement conference a party must always be concerned about appearing unreasonable to the Magistrate Judge or the District Court Judge. This concern frequently has the effect of moderating settlement demands. A party to a Board proceeding does not know which Administrative Trademark Judges will be deciding the case and so might have a lesser concern about being unreasonable before one particular Trademark Judge.

**3. Telephone settlement conferences are useless, and the Board cannot compel the parties to appear in person.** In my experience, parties who are reluctant to settle cannot be moved by a telephone settlement conference. They are moved when they sit in the same room face-to-face with the Judge. When a Judge looks a party in the eye and says "I think you should do x" it has a very sobering effect. Federal Judges can do this because once they have jurisdiction they can compel parties to appear in the jurisdiction for a settlement conference, and if the party refuses to appear it can be held in contempt. The Board does not have that authority; at most it could require a telephonic conference. That is not the optimum way to facilitate settlement.

**4. The Administrative Trademark Judges have expertise in the law of registration, but the law frequently is not the dispositive factor in settlement.** Administrative Trademark Judges have encyclopedic knowledge of the law regarding registration of a trademark, but this is seldom the dispositive factor in settlement of Board proceedings. The key factors are frequently marketplace and competitive considerations, trademark enforcement program objectives and other business considerations. The Administrative Trademark Judges do not have expertise in these areas. I have had many Board cases where the other side was on notice that the case law was against them but they resisted settlement because of the other considerations.

**5. There is no penalty to adopting a low cost “rope-a-dope” strategy in Board proceedings.** Some parties will simply drag their feet in a case: slow discovery responses, incomplete discovery responses, evasive discovery responses, etc. This is frequently a tactical decision undertaken with settlement in mind: making life difficult (and increasing the cost) in order to force a “cost of litigation” payment as part of a settlement. A party can do this because the Board does not have the authority to levy monetary sanctions for discovery abuse. Accordingly, the mutual cost concerns that can push both parties toward settlement in Federal Court proceedings may not exist in Board proceedings.

**6. Board proceedings are frequently proxies for a marketplace issue.** Most settlements of Board proceedings do not simply involve a registration/no registration agreement or a limitation in the scope of goods. They frequently involve agreements to refrain from selling the goods, geographic or other channel of trade restrictions, restrictions on how the applied-for mark can be depicted and used and the like. This is particularly true with oppositions to Intent to Use applications. Businesses use Board proceedings in this manner because they are relatively inexpensive, a party does not have to worry about jurisdiction and venue issues, and with respect to Intent to Use applications they occur prior to the commencement of use when it is easier to address these kinds of business issues. In other words, the settlement discussions between the parties in Board cases frequently focus on the much broader issue of Federal trademark infringement, not the narrower issue of determining whether the mark should be registered (or continue to be registered). The Board’s expertise does not extend to the former. In fact, the Board has repeatedly stated in its decisions that it is not concerned with actual marketplace issues on some of the *DuPont* factors. This makes the Board particularly unsuited to mediate such disputes.

For these reasons I do not believe that mandating Board involvement in the settlement process is likely to increase the number of cases that settle or to move settlement to an earlier point in the process. The specific questions raised in the Notice of Inquiry are addressed below:

**(1) Should the Board be routinely involved in settlement discussions of parties, or instead, be involved only in particular cases on an “as needed” basis?**

For the reasons stated above, no to both.

**(2) If you believe parties would benefit from involvement of a non-party, would it be preferable for settlement discussions to be handled by (a) an ATJ, (b) an IA, (c) a USPTO employee trained as a mediator but who is not an ATJ or IA, or (d) a third-party mediator?**

I believe that none of these would be effective.

**(3) How would the involvement be triggered? For example, by stipulation of the parties, by unilateral request or by some other trigger? Examples of situations that might be**

**used as triggers for required settlement discussions involving a non-party could include the use by the parties of multiple suspensions for settlement discussions which proved unsuccessful, or events such as the filing of an answer, the exchange of disclosures, the completion of some discovery, or the close of the discovery period.**

If the Board were to do this, a stipulated request would make the most sense and produce the greatest likelihood of producing a settlement because it would necessarily mean that both parties are willing to settle (otherwise they would not have agreed to the stipulation).

A unilateral request could be abused and force a party to spend money on a settlement conference when the likelihood of settlement is nil. This could be used by a large company to bludgeon a small company or an individual into settlement, or it could be used by a small company or individual to try to drag a large company into settlement.

I would not tie a settlement conference to any “trigger.” I note in passing that in Federal Courts where the Scheduling Conference Order requires a settlement conference it is typically scheduled after the close of discovery.

- (4) How many triggers should there be that would prompt Board or mediator involvement in settlement talks? For example, apart from the initial discovery conference, should there be a follow-up inquiry from the Board in the middle of discovery, at the end of discovery, or before pre-trial disclosures are made and commencement of trial is imminent? Should there be a required phone conference after the second or any subsequent request to extend or suspend discovery for settlement?**

If the Board were to do this, there should be one trigger as in Federal Court practice and that trigger should be stated in the initial Scheduling Order. The Board’s statutory function is to decide cases not be a settlement facilitator.

- (5) To what extent should Board personnel involved in settlement discussions be recused from working on the case?**

The Board should follow Federal practice. As with Magistrate Judges, Board personnel involved in settlement discussions do not need to recuse themselves from the case. Administrative Trademark Judges should recuse themselves unless the parties have stipulated otherwise.

- (6) Should motions for summary judgment, the vast majority of which are denied and do not result in judgment, be barred unless the parties have been involved in at least one detailed settlement conference? Should an exception to such a rule be made for motions based on jurisdictional issues or claim or issue preclusion?**

No to both. If a party is prepared to invest in a summary judgment motion it is a safe bet that a settlement conference will not change its mind. If anything, the Board should be more open to disposing of cases on summary judgment.

- (7) **Should the parties be accorded only limited discovery until they have had a detailed settlement discussion with a Board judge, attorney or mediator, with the need for subsequent discovery dependent on the results of the discussion?**

No. The parties will already have had a discussion among themselves as required by the Board's rules. If that does not produce a settlement, the likelihood that further discussion with a third party would produce a settlement is close to nil. It is far more likely that the parties need discovery to determine the facts in the case so they can more accurately assess the litigation risk.

- (8) **Should the Board amend its rules to require that a motion for summary judgment be filed before a plaintiff's pre-trial disclosures are due, and that the parties be required to engage in a settlement conference in conjunction with a discussion of plaintiff's pre-trial disclosures?**

No. These are extremely unlikely to facilitate settlement.

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The Notice of Inquiry observes that these suggested changes might increase the number of settlements, promote efficiency and provide a faster and more cost-effective resolution to these disputes. Based on my experience, I think these are remote outcomes. If anything the costs will be increased because the parties will be forced to prepare settlement conference statements and engage in a settlement conference that has a low likelihood of producing a settlement. It may also lead to inefficiency because it will require the ATJ's and Interlocutory Attorneys to add another significant task to their already-congested dockets with no real prospect of reducing their overall workload.

The bottom line is that responsible parties will always be thinking about settlement. The vast majority of Board cases settle already. Mandating Board involvement in the settlement process is unlikely to materially change the settlement dynamics or promote quicker resolution of Board matters.

Yours sincerely,

