

Barbarians at the Gate:  
Investigations at the ITC and  
Trials in the Eastern District of Virginia

The Pauline Newman  
IP American Inn of Court  
April 23, 2014



# *Dramatis Personae:*

Dr. Goldberg

Endless Energy

Globalcorp

Rube Goldberg Foundation (“Rube Goldberg Machine”)

Adobes Systems, Inc. (“ColdFusion”)

Cold Fusion Gelato

The Story So Far:

# Options

- Settle
- Go on the Offense
- Prepare for Defense

# Declaratory Judgment

# Declaratory Judgment

Declaratory Judgment is discretionary by district court, not an automatic jurisdictional grant. Requires Art. III “case or controversy” standing requirement & federal subject matter jurisdiction.

Dunn Computer Corp. v. Loudcloud Inc., 133 F. Supp. 2d 823 (E.D. Va. 2001)  
(*discussing* Skelly Oil Co. v. Phillips Petroleum Co., 339 U.S. 667, 671-72 (1950);  
Jeffrey Banks, Ltd. v. Jos. A. Bank Clothiers, Inc., 619 F.Supp. 998, 1001 (D. Md. 1985))

# Test for case or controversy

Two-prong test for trademark cases:

- 1) objectively real and reasonable apprehension of litigation
- 2) course of conduct which brought plaintiff into adversarial conflict with declaratory defendant.

Windsurfing Int'l Inc. v. AMF Inc., 828 F.2d 755, 757, 4 U.S.P.Q. 2d 1052 (Fed. Cir. 1987)

# E.D. Virginia Speaks:

## Dunn Comp. Corp. v. Loudcloud Inc.

133 F. Supp. 2d 823, 57 U.S.P.Q.  
2d 1626 (2001)



E.D. Va. speaks:  
Dunn Computer

“One cease and desist letter does not a case or controversy make where . . . that letter invites negotiation, but does not explicitly threaten litigation, and was defendant’s sole act directed at plaintiff. . . . more is required.”

# Dunn Computer example criteria

- Cease and desist letter threatens litigation and sets forth prima facie case of trademark infringement
- Cease and desist letter coupled with USPTO opposition filed by defendant against plaintiff's mark
- Defendant consents to suit by filing infringement counterclaim
- Cease and desist letter followed by failed attempts to negotiate
- Cease and desist letter coupled with ongoing litigation between parties.

# Application of Dunn Computer

## Adobes Demand Letter:

“ASI is also the owner of U.S. Trademark Reg. No. 5,431,224 for COLD FUSION which issued on December 6, 2007 . . . This registration is valid, subsisting and serves as *prima facie* evidence of the validity of ASI’s exclusive right to the mark . . .”

“[Y]ou have announced plans to manufacture and sell a personalized nickel-hydrogen fusion reactor to be called RUBE GOLDBERG’S COLD FUSION MACHINE. This proposed name would appropriate the entirety of our client’s valuable mark . . . any use of RUBE GOLDBERG’S COLD FUSION MACHINE is likely to lead to confusion, as it will suggest that ASI is selling, endorsing, or sponsoring your product.”

“You are hereby on notice that any use of this mark would constitute trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), false designation of origin and unfair competition . . . dilution . . . as well as a violation of related state laws.”

# Application of Dunn Computer

Standing for Declaratory Judgment may be granted in view of “a cease-and-desist letter threatening litigation and setting forth the elements of a prima facie claim of trademark infringement against the declaratory judgment plaintiff”. Dunn Comp. at 827 (*citing* Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393, 396-97 (9th Cir.1982)).

Here, we see Adobe specifically asserting a prima facie case of trademark infringement (owner of valid mark & claim of likely confusion) and other specific federal claims, and so meets first Dunn Comp. criterion.

This is not an invitation to negotiate, it is an ultimatum. “We demand written confirmation from you within two weeks from the date of this letter that you will permanently discontinue any use of, or plans to use, the mark RUBE GOLDBERG’S COLD FUSION MACHINE or any other mark that is similar to our client’s COLD FUSION mark, and expressly abandon any trademark application for registration of the mark that you may have sought.”

# Application of Dunn Computer

Rube Goldberg Foundation Demand Letter:

“The Foundation owns U.S. Registration Number 5793195 for the mark RUBE GOLDBERG MACHINE.”

“[Y]ou plan to manufacture and sell a personalized nickel-hydrogen fusion reactor to be called RUBE GOLDBERG’S COLD FUSION MACHINE. Use of this name would infringe our rights under German and U.S. law.”

“As you can see, our registration covers ‘nuclear reactors’ among other things. Thus, we own the earlier right to use this mark for these goods and your use is prohibited.”

“Please send us written confirmation within two weeks that you will not use the name RUBE GOLDBERG in connection with your device or business.”

# Application of Dunn Computer

Contrast with Adobes letter:

No allegation of specific claims under Lanham Act or “prima facie” magic words, just vague allegation that use would infringe the Foundation’s rights.

No allegation of likeliness of confusion, merely claim that use is “prohibited”.

No specific threat of litigation, just a request not to use the name RUBE GOLDBERG.

So unlike the Adobes letter, the Foundation letter fails the first Dunn Computer criterion, and as a whole seems more like an invitation to negotiation, not a threat that puts Dr. Goldberg in reasonable application of **imminent** litigation.

Note that while this letter by itself likely would not be sufficient to present standing for Declaratory Judgment, the Foundation’s trademark opposition is another Dunn Computer factor that would likely allow standing.

# Application of Dunn Computer

## Cold Fusion Gelato Demand Letter

“We are hopeful that we can work this out without having to get lawyers involved, but we are prepared to to take that step if necessary.”

## Other claims

Trademark misuse? No. While that may be a defense, it is not a cause of action itself. A complaint alleging trademark misuse will be dismissed as unripe. Dunn Computer at 830-831.



# Preparing for Defense

To consider:

- Who is actually likely to follow through with their Cease and Desist letters? Do any of these letters look like the work of shake-down artists?
- If we are sued, is this worth litigating, or should we settle?

# Preparing for Defense

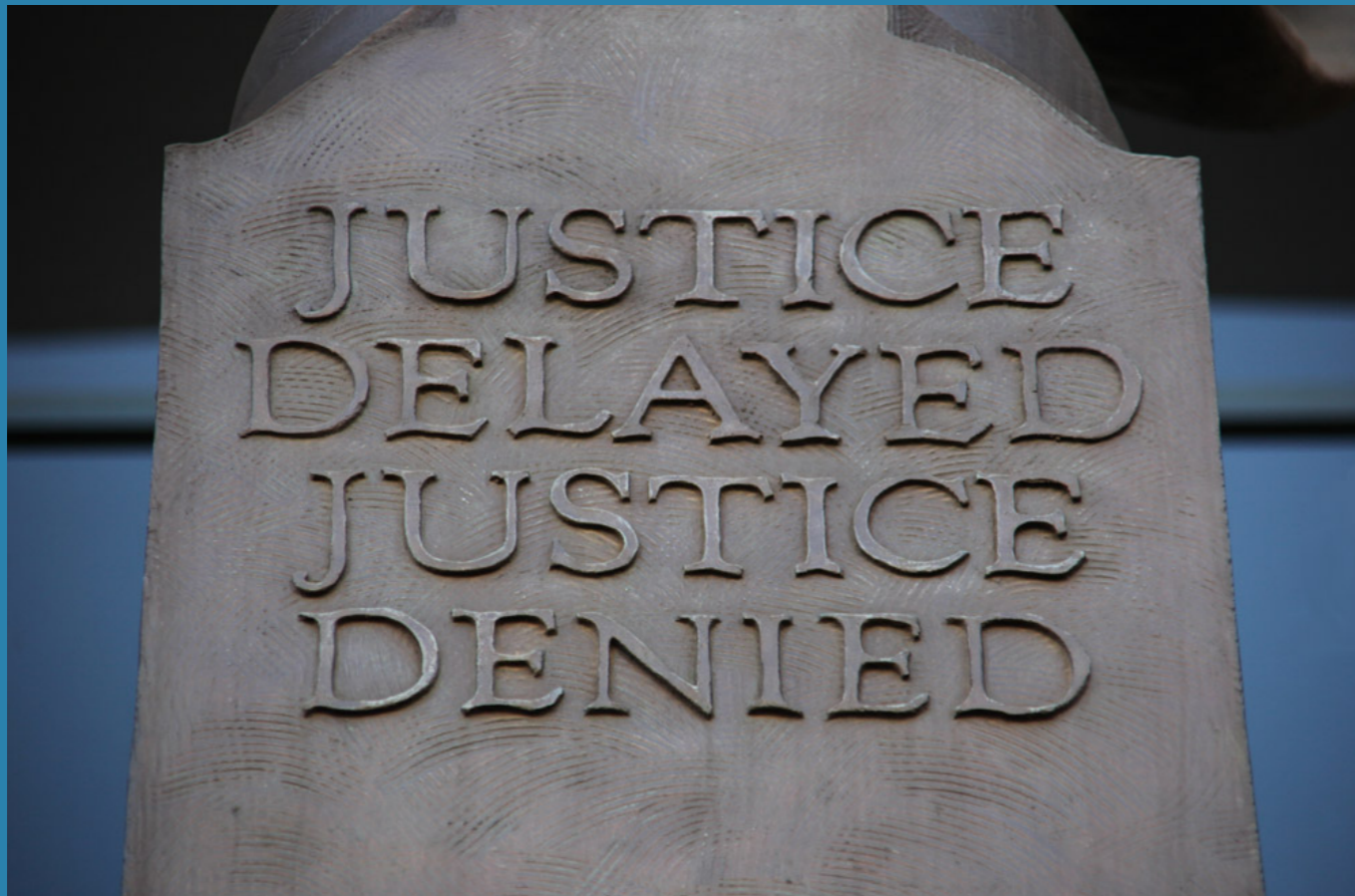
Regardless of whether we file a DJ action, we must still preserve any documents that might be relevant in litigating the trademark issues.

This includes data such as back-up tapes.

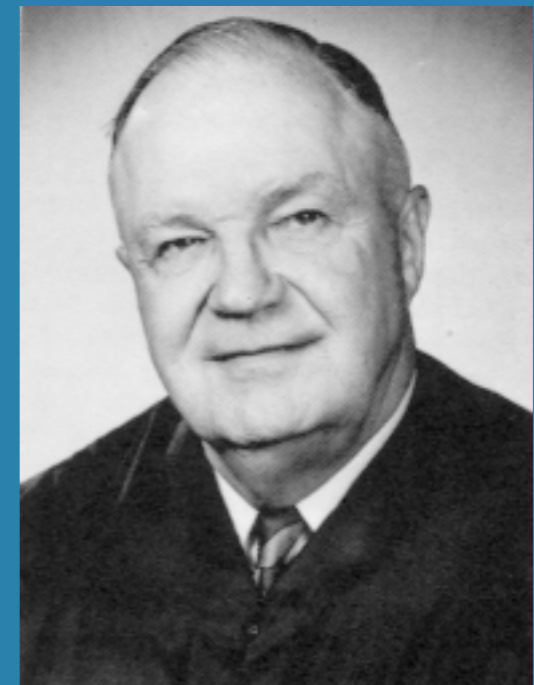
# Hitting the Ground Running

- Legal team: lead counsel and local counsel
- Experts: review all relevant information
- In-house team: executives ready to address any issues
- Data: all documents reviewed and ready
- Cash: ability to pay all expenses (including e-discovery)
- Prognostication: preparing for potential claims made by an opponent.

# Welcome to the Rocket Docket



Entrance to Albert V. Bryan  
Federal Courthouse



Judge Walter E.  
Hoffman  
(1907-1996)

*(C) 2012 Tim Evanson, used under terms of Creative Commons license*

# Welcome to the Rocket Docket

The Eastern District is traditionally the fastest of the Union — fastest to settlement and fastest to trial

# Rocket Docket: “typical” timeline in Alexandria Division

- T=0: complaint filed
- T+8 days: service of complaint (must be within 120 days)
- T+29 days: (within 1 month): Defendant files responsive pleading
- T+59 days (within 2 months, as little as several days): Initial order; discovery begins
- T+73 days (2+ months): R. 26(f) conference to discuss discovery plan including proposed protective order
- T+80 days (within 3 months): proposed discovery plan must be filed, due one week before:
- T+87 days (within 3 months) (Wednesday Morning): Rule 16(B) conference held with Magistrate judge; default time to set discovery deadlines
- T+7 months: discovery completed (Friday before third Thursday of month)
- T+8 months: Trial

# Trials and Tribulations

- In theory, faster cases are less expensive, and so only the best claims and defenses are brought.
- Parties must assume case is going to trial from the start, since there is not enough time after good-faith negotiations fail to prepare.
- Continuances are more than disfavored (see Local Rules 7(G), (I))

## How do they do it?

- Magistrates handle discovery motions, heard almost every Friday, within a week of filing.
- District Judges handle dispositive motions, heard within about two weeks of filing.
- Decisions are made normally the day the motion is argued.



# Sleeping on Your Rights

If a party fails to prosecute or defend timely, he will not later be heard to complain or ask for a continuance.

# Confidentiality & Privilege

- The Court may, upon request, grant a party leave to file a document or a portion thereof under seal, but blanket sealing orders will not likely be entertained.
- Documents protected by the Attorney-Client Privilege or Work Product Doctrine will not likely need be produced, but care should be taken to preserve any protection, including an early start on a privilege log.

# Playing roulette

Most cases filed in the Eastern District will be assigned to the Division in which they were filed, including nearly all trademark cases.

BUT — patent cases are assigned randomly to one of the four divisions (Alexandria, Newport News, Norfolk, or Richmond) regardless of where the case is filed.

Potentially, you could file a patent case in Alexandria but drive six hours to a discovery motion every week.

# Pleasant Surprise: Productive Mediation

The Court may ask the parties to participate in (free!) settlement discussions with a magistrate judge experienced in mediation.

# References

- U.S. Const. Art. III Sec. 2
- Skelly Oil Co. v. Phillips Petroleum Co., 339 U.S. 667 (1950)
- Windsurfing Int'l Inc. v. AMF Inc., 828 F.2d 755 (Fed. Cir. 1987)
- Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393 (9th Cir. 1982)
- Dunn Computer Corp. v. Loudcloud, Inc., 132 F. Supp. 2d 823 (E.D. Va. 2001)
- Jeffrey Banks, Ltd. v. Jos. A. Bank Clothiers, Inc., 619 F.Supp. 998, 1001 (D.Md.1985)
- Fed. R. Civ. P. 4, 16, 26
- E.D. Va. R. 5, 7, 16, 26
- R.M. Tata & W.C. McGraw, “What Litigators Must Know about Virginia’s Rocket Docket”, Law360, March 18, 2013
- DiMuroGinsburg PC, “The Rocket Docket: U.S. District Court for the Eastern District of Virginia (Including Local Procedures for Patent Infringement/Invalidity Cases)”, Online, May 16, 2012