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## THE SEVENTH CIRCUIT'S APPROACH TO DETECTING THE TRADEMARK TROLL: SAY GOODBYE TO YOUR REGISTRATION AND PAY THE COSTS OF LITIGATION

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### INTRODUCTION

Known for his role as an intellectual property “entrepreneur”<sup>1</sup>, Mr. Leo Stoller is the prototypical trademark troll.<sup>2</sup> Stoller has made it his business to sue as many parties as possible for the use of “his” STEALTH trademark.<sup>3</sup> One court recently described Stoller as

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<sup>1</sup> Colin Moynihan, *He Says He Owns The Word ‘Stealth’ (Actually, He Claims ‘Chutzpa’, Too)*, N.Y. TIMES, July 4, 2005, accessible at: <http://www.nytimes.com/2005/07/04/business/04stealth.html>.

<sup>2</sup> The trademark troll sets out to register as many marks as possible, without the intent to use and invest in the mark. Just as the “forest troll” appears to collect his “toll” from travelers passing over a bridge, the trademark troll magically appears when an unsuspecting producer adopts the same or similar mark and poses upon them two choices: pay to get a license to use my mark or litigate.

<sup>3</sup> *Central Manufacturing, Inc. v. Brett*, 492 F.3d 876, 880 (7th Cir. 2007) (“Acting as a sort of intellectual property entrepreneur, Stoller has federally registered scores of trademarks with the U.S. PTO...many containing everyday words that regularly pop up in commercial enterprise”).

“running an industry that produces often spurious, vexatious, and harassing federal litigation.”<sup>4</sup> The problem with Mr. Stoller is that the intellectual property community and the courts doubt whether Stoller actually uses the STEALTH mark on actual goods sold in commerce.<sup>5</sup> Rather, he merely exploits his trademark registrations to negotiate and extract licensing fees from companies using the mark on their own products.<sup>6</sup> Some of those third parties, when threatened with litigation, have entered into licensing or settlement agreements for use of the STEALTH mark. These agreements cover a startling collection of products, ranging from “hand tools to make prosthetic limbs to construction consulting services to track lighting.”<sup>7</sup> It was reported that Stoller even accused Sony Pictures of infringing the STEALTH mark by including the word as the title of a film featuring Navy pilots.<sup>8</sup>

Although Stoller purports to have been hired to serve as a trademark expert at various trademark trials throughout the country,<sup>9</sup> his situation exemplifies a common misunderstanding that exists among the public, legal practitioners, and even district courts. The mere federal registration of a mark does not give the trademark owner a monopoly over that mark; as the Seventh Circuit has noted, “bare registration is not enough.”<sup>10</sup> Under the Lanham Trademark Act, a

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<sup>4</sup> *Central Manufacturing, Inc. v. Brett*, No. 04 C 3049, 2005 WL 2445898 at \*1 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>5</sup> *Id.* at \*2.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> Moynihan, *supra* note 1.

<sup>9</sup> Stoller’s website is accessible at: <http://rentmark.blogspot.com>. On this site Stoller identifies himself as the “Director and national spokesman” [sic] for the Americans for the Enforcement of Intellectual Property Rights, which “advocates the strict enforcement of American intellectual property rights”. He also identifies himself as a “Trademark Expert” and offers the following services: “trademark valuations, licensing, appeal drafting etc.”

<sup>10</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 485 (7th Cir. 2007); *see also Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499, 504 (7th Cir. 1992) (registration itself only establishes a rebuttable presumption of use as of the filing date.); *Allard Enter., Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350, 356 (6th Cir. 1998) (“One of the bedrock principles of trademark law is that trademark or service marks ownership is not acquired by federal or state registration.

trademark owner must use the mark in commerce to acquire and maintain ownership rights in that mark.<sup>11</sup> This requirement operates to prevent the “banking” or “warehousing” of marks.<sup>12</sup> Warehousing is a term used to describe the practice of a party that registers trademarks and effectively collects and stores them as opposed to actually using them. This type of activity is barred both under the Lanham Act and at common law. One cannot register a trademark, cease using the mark on ones’ products and/or services, and then attempt to extract a licensing fee from sellers of products or services well-suited to adopt that trademark.<sup>13</sup> This type of operation was, and continues to be, Stoller’s *modus operandi*.<sup>14</sup> Stoller or one of his corporate entities have been involved in at least 49 cases in the Northern District of Illinois alone and at least 47 of them purport to involve trademark infringement.<sup>15</sup> Tellingly, no court has ever found infringement of any trademark allegedly held by Stoller or his related companies in any reported opinion.<sup>16</sup> Although one would think that these staggering statistics alone would deter Stoller, this apparently has not been the case. In fact, Stoller’s cases have generally “proven so frivolous and

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Rather, ownership rights flow only from prior appropriation and actual use in the market.”); *Boxcar Media, LLC v. Redneckjunk, LLC*, 345 F. Supp. 2d 76, 79 (D. Mass. 2004) (“Federal registration is irrelevant to a determination of whether a trademark is granted protection.”).

<sup>11</sup> 15 U.S.C. § 1127 (2006).

<sup>12</sup> *Custom Vehicles, Inc.*, 476 F.3d 481 at 485.

<sup>13</sup> *See id.*

<sup>14</sup> *See Central Manufacturing, Inc. v. Brett*, 492 F.3d 876, 880 (7th Cir. 2007) (stating that this practice formed an “essential part of [Stoler’s] business strategy” and noting that if “there was a Hall of Fame for Hyperactive trademark litigators, Stoller would be on it”).

<sup>15</sup> *Central Manufacturing, Inc. v. Brett*, 2005 WL 2445898 \*1, 1 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>16</sup> *Id.* at \*2. The Northern District court alone has ordered Stoller or his corporate entities to pay defendants’ attorneys’ fees and costs in at least six other reported cases: *S Indus., Inc. v. Ecolab Inc.*, 1999 WL 162785, \*1 (N.D. Ill. Mar. 16, 1999); *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796 (N.D. Ill. 1998); *S Indus., Inc. v. Centra 2000, Inc.*, 1998 WL 157067 (N.D. Ill. Mar.31, 1998); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F.Supp. 1012 (N.D. Ill. 1998); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 17 F. Supp. 2d 775 (N.D. Ill. 1998); *S Indus., Inc. v. Hobbico, Inc.*, 940 F. Supp. 210 (N..D. Ill. 1996)

wasteful of court resources” that in his most recent action, the Northern District of Illinois enjoined him from filing any new civil action in the district courts without first obtaining the court’s permission.<sup>17</sup>

In *Central Manufacturing, Inc. v. Brett*, the Seventh Circuit affirmed a decision of the Northern District of Illinois in which the court utilized two important weapons to counter Stoller’s most recent meritless trademark infringement suit: the power to order the cancellation of a trademark registration and the power to award attorney’s fees and costs to the prevailing party.<sup>18</sup> Not only did the Seventh Circuit approve of the district courts decision to cancel the plaintiff’s mark, the court stated that “where . . . a registrant’s asserted rights to a mark are shown to be invalid, cancellation is not merely appropriate, it is the best course.”<sup>19</sup> If the approach taken by the Seventh Circuit is implemented more often by district courts throughout the country, trademark trolls such as Stoller may think twice about bringing suit for infringement of a mark in which no protectable rights exist.

This Comment proposes that other courts should follow the lead of the Seventh Circuit and that the cancellation-as-best-course rule should become the norm rather than the exception.<sup>20</sup> A more liberal invocation of the court’s discretionary power of cancellation promotes trademark law’s three policy components: protection of producers, protection of consumers from confusion, and the encouragement of fair competition. Second, this policy assuages the costs associated with needless trademark litigation. Third, it places the public on notice of cancellations as ordered by the courts and provides increased certainty regarding trademark rights to the public. Finally, this policy also operates as a judicial “refreshing” mechanism for clearance of the unused trademark from the trademark register. The combination of mark cancellation and the award of attorney’s fees and costs to the prevailing party creates a powerful situation which may deter

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<sup>17</sup> *Central Manufacturing, Inc.*, 492 F.3d at 881.

<sup>18</sup> *Id.* at 876.

<sup>19</sup> *Id.* at 883.

<sup>20</sup> *Id.*

trademark trolls, such as Stoller, from filing or threatening to file meritless suit against innocent parties for use of a mark he lacks valid ownership rights.

Section I of this Comment outlines the commercial use requirement as found in the Lanham Trademark Act (“Lanham Act”) including its connection to the acquisition of federal registration, determining priority among competing claimants, and its relevance to deterring trademark warehousing. This section also discusses the commercial use requirement’s relationship to the “triumvirate” – the consumers, producers, and competitors the Lanham Act seeks to protect. Section II analyzes the consequences of the failure to use a mark in commerce, particularly in the context of litigation, where non-use is used to collaterally attack the registration of the plaintiff. Most importantly, this section discusses the power of the court to order the cancellation of registrations pursuant to 15 U.S.C. § 1119 of the Lanham Act. Section III discusses the practical, evidentiary issues of proof where a plaintiff must prove commercial use to establish ownership and prevail on an infringement claim. Section IV introduces the decision of the Seventh Circuit in *Central Manufacturing*. Section V discusses the Seventh Circuit’s view of proper invocation of the power of cancellation and the award of attorneys’ fees in cases involving trademark trolls and proposes the cancellation-as-best-course is a valuable and recommended approach that other circuits should follow. Finally, Section VI sets forth a separate discussion of the award of attorneys’ fees and costs in trademark litigation in the Seventh Circuit and its role in deterring the trademark troll.

## I. BACKGROUND: THE LANHAM ACT AND TRADEMARK LAW POLICY

The Lanham Act was created in 1946 and remains the federal statute governing trademark rights.<sup>21</sup> The Act protects both registered and common law rights and defines the term “trademark” to include “any word, name, symbol, or device or any combination thereof: (1) used by a person or (2) which a person has a bona fide intention to use

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<sup>21</sup> See 15 U.S.C. §§ 1051-1141(n) (2006).

in commerce...to identify and distinguish his or her goods... from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”<sup>22</sup> Under this definition, in order to qualify for protection a mark must be “distinctive.”<sup>23</sup> In *Abercrombie & Fitch Co. v. Hunting World, Inc.*, the Second Circuit set forth the now well-known categories of marks: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.<sup>24</sup> Generic marks never merit protection; descriptive marks are only protectable with proof of secondary meaning or acquired distinctiveness; suggestive and arbitrary or fanciful marks are protectable without proof of secondary meaning.<sup>25</sup> A mark achieves secondary meaning when, after being introduced to the market, unknown to consumers, the products catches on and the mark comes to be uniquely associated with the original source.<sup>26</sup>

The *Abercrombie* spectrum indicates a progressive degree of distinctiveness and therefore a concomitant increase in the strength of a mark.<sup>27</sup> Arbitrary and fanciful marks are on one end and generic marks on the other. A mark owner is “better off adopting a fanciful or arbitrary mark” where they have yet to achieve the brand popularity level of someone like Nike.<sup>28</sup> By not adopting a mark that is merely descriptive, a mark owner need not prove that the mark has acquired secondary meaning in the minds of the relevant buying public.<sup>29</sup> It is easier to gain protection in the first instance and gives the mark owner time to develop consumer recognition through promotion and

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<sup>22</sup> *Id.* at § 1127.

<sup>23</sup> *Wal-Mart Stores v. Samara, Bros.*, 529 U.S. 205, 210-216 (2001) (discussing distinctiveness in the context of trade dress protection).

<sup>24</sup> 537 F.2d 4, 9 (2d Cir. 1976).

<sup>25</sup> *Id.* at 9-11.

<sup>26</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 483-484 (7th Cir. 2007); *see also* 15 U.S.C. § 1052(f) (“...nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce...”).

<sup>27</sup> *American Society of Plumbing Engineers v. TMB Pub., Inc.*, 109 Fed. Appx. 781,789 n.9 (7th Cir. 2004).

<sup>28</sup> *Custom Vehicles*, 476 F.3d 481 at 484 (7th Cir. 2007).

<sup>29</sup> *Id.*

investment. On other hand, refusing protection for generic marks ensures that typical words are not monopolized.

*A. Commercial Use and Acquisition of Trademark Rights*

Once a mark has met the statutory definition of a trademark by obtaining the requisite degree of distinctiveness the mark owner must meet the second requirement for registration: use in commerce.<sup>30</sup> The distinctiveness and commercial use requirements are closely related: the more a mark is used in commerce the more likely the mark is to be viewed as distinctive of the registrant's goods. The commercial use requirement is tied to Congress' ability to regulate trademarks in the first instance: the power to regulate trademarks arises out of the Commerce Clause of the Constitution.<sup>31</sup>

There are two methods of registration.<sup>32</sup> First, a mark owner who has already begun use of the mark in commerce may file an application for registration.<sup>33</sup> Second, a person who has yet to use the mark in commerce, but has a bona fide intent to use the mark in commerce, may file an intent to use application ("ITU").<sup>34</sup> Where a person files an ITU application it must be followed up with proof of actual use of the mark in commerce within six months of the date of filing.<sup>35</sup> Filing an ITU application establishes priority as of the date of

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<sup>30</sup> 15 U.S.C. § 1051.

<sup>31</sup> See *The Trademark Cases*, 100 U.S. 82, 94-95 (1879) (distinguishing between Congress's express power to regulate patent and copyright under Article I, Section 8 and the power to regulate trademarks as falling only under the Commerce Clause); see also 15 U.S.C. § 1127 (defining commerce as "all commerce which may lawfully be regulated").

<sup>32</sup> See 15 U.S.C. §§ 1051(a), 1051(b).

<sup>33</sup> *Id.* at § 1051(a).

<sup>34</sup> *Id.* at § 1051(b) ("(1) A person who has a bona fide intention ... to use a trademark in commerce may request registration ... (3) The statement shall ... specify-- (A) that the person making the verification believes that he or she... [is] be entitled to use the mark in commerce...").

<sup>35</sup> *Id.* at § 1051(d).

filing (except as against those already using the mark) and thus serves as a “place-holder.”<sup>36</sup>

Under the Lanham Act, the term “use in commerce” means the “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”<sup>37</sup> This definition represents an effort on behalf of Congress to eliminate what was known as the “token use” of a trademark, or, minor acts or sales made to meet the threshold commercial use requirement in order to register the mark, maintain the mark, or to even prevent others from adopting the mark.<sup>38</sup>

As evidenced by the aforementioned requirements, although trademark rights are established through use, not by virtue of registration,<sup>39</sup> federal registration remains desirable because it endows additional benefits not provided at common law including: (1) nationwide constructive notice of the use and ownership of the mark; (2) original jurisdiction in federal courts based on federal question jurisdiction for actions concerning the mark; (3) prima facie evidence of the validity of the mark; (4) the right to use the mark nationally; (5) the right to use the mark; (6) the assistance of customs officials in policing the importation products bearing infringing marks.<sup>40</sup>

Thus, in litigation, favorable presumptions of validity, ownership, and the exclusive right to use the mark attach where a registered mark is at issue.<sup>41</sup> The Seventh Circuit has noted, however, that the evidentiary value of a certificate of registration may be one of minor

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<sup>36</sup> *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992).

<sup>37</sup> 15 U.S.C. § 1127.

<sup>38</sup> *See* *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d 1768, 1774 (T.T.A.B 1994); *see also* *The Trademark Law Revision Act*, Public Law 100-667 (1988).

<sup>39</sup> *See* *In re ECCS, Inc.*, 94 F.3d 1578, 1579 (Fed.Cir.1996); *see also* *In re Int'l Flavors & Fragrances, Inc.*, 183 F.3d 1362, 1366 (Fed. Cir. 1999) (“The federal registration of a trademark does not create an exclusive property right in the mark”).

<sup>40</sup> *America Online, Inc. v. AT&T Corp.*, 243 F.3d 812, 818 (4th Cir. 2001); *see also* 15 U.S.C. §§ 1072, 1121, 1115, 1072, 1111, and 1125(b).

<sup>41</sup> 15 U.S.C. § 1115.

significance because the presumption is an easily rebuttable one.<sup>42</sup> It “merely shifts the burden of production to the alleged infringer.”<sup>43</sup>

### *B. Commercial Use and Priority Contests*

Commercial use is also relevant to establishing priority among competing claimants of trademark rights. “Priority contests” arise where two or more parties allege prior use, and thus, valid rights in, the same trademark for similar products or services.<sup>44</sup> The first date of commercial use serves as a guidepost to determining who has better rights, or, priority, in the mark. The first party to use a mark is generally considered the “senior” user and is entitled to enjoin the “junior” user from using the same, or a confusingly similar, mark.<sup>45</sup> The senior user receives priority over the junior user and has the power to enjoin the junior user from using the mark on the same or related goods. Further, the scope of protection enjoyed by a trademark owner is not restricted to the original owner’s use of the mark. The “natural expansion” doctrine allows that owner to extend the scope of its protection for products the mark was originally used, but also related product lines.<sup>46</sup> Under this doctrine, the senior trademark owner’s rights are limited to those goods that have been used and those related to the original goods, but also those that lie within the realm of natural expansion.<sup>47</sup> Accordingly, commercial use has repercussions for a trademark owner’s use of the mark when faced with others using the mark on the same products, but also other products so long as they are related to the original.

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<sup>42</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 486 (7th Cir. 2007).

<sup>43</sup> *Id.* (citing *Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 172 (7th Cir.1996)); *see also* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 604 (9th Cir. 2005).

<sup>44</sup> *See* J. Thomas McCarthy, 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 20:17 (4th Ed.)(2007).

<sup>45</sup> *Id.* at § 16:5 (discussing the nature of the senior users market and the “zone of natural expansion” doctrine).

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

*C. Commercial Use, Trademark Warehousing, and Policy Implications*

The commercial use requirement also prevents mark owners from warehousing and hoarding trademarks.<sup>48</sup> As Judge Posner of the Seventh Circuit recently explained in *Custom Vehicles, Inc. v. Forest River*:

Bare registration is not enough. Trademarks cannot be “banked” or “warehoused”- that is, you cannot register thousands of names, unrelated to any product or service that you sell, in the hope of extracting a license fee from sellers of products or services for which one of your names might be apt.<sup>49</sup>

When trademarks are warehoused they do not serve the principle policies that form the very basis for trademark protection: protecting consumers, protecting trademark owner’s investments in their mark, and protecting and fostering fair competition.

Trademark law protects consumers from confusion between brands in the marketplace and also allows consumers to distinguish between competing products.<sup>50</sup> The law functions to prevent confusion by reserving protection only for marks that are distinctive of the goods or services of the mark owner. Because others are prohibited from using the mark on the same or similar goods, consumers are guaranteed that the products they buy originate with the same source,

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<sup>48</sup> *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1581 (Fed.Cir.1990) (“The Lanham Act was not intended to provide a warehouse for unused marks”).

<sup>49</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 485 (7th Cir. 2007) (citing *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 219 (4th Cir. 2002)).

<sup>50</sup> See Graham B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism In Trademark Law*, 92 IOWA L. REV. 1597, 1613 (2007) (“Once consumer understanding, and hence a trademark right, is established, the primary goal of trademark law is to protect the integrity of that understanding by minimizing consumer confusion.”).

thus preventing consumer confusion. If a mark is not used, the consuming public cannot make the necessary link between the mark and a specific product.<sup>51</sup> Thus, hoarding prevents other producers from making rightful use of a mark and inhibits the creation of real connections between products and their sources.

These connections not only assist consumers in making purchasing decision by distinguishing among competing brands, but also function to reduce consumer search costs.<sup>52</sup> Trademarks serve as source-identifiers by furnishing information about a products source, quality, and other important characteristics in a quick and costless fashion. This phenomenon is referred to as the reduction of “consumer search costs.”<sup>53</sup> When a consumer makes a connection between a product or service in terms of price, quality, or the sheer image of life-style a consumer wishes to exude<sup>54</sup>, the trademark becomes something they can rely on time and again to assist them in making their purchasing decisions. Thus, consumer “search costs” are reduced due to the ease by which a consumer chooses a product based upon the association of the mark with the product and its source.<sup>55</sup> Neither of the aforementioned consumer-related policies of trademark law could be fulfilled without the commercial use requirement. Mark hoarding minimizes the communication between the consumer, the mark, and the producer. Hence, consumers lose meaningful and valuable information that they may use in making purchasing decisions.

Trademark law also functions to protect trademark producers. The law protects the trademark owners’ rightful use from appropriation by others. The law bans pirating use by others who may create and sell products or market services of sub-standard quality. Protection promotes and rewards investment by preserving the value of marks by

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<sup>51</sup> See, e.g. *Panavision Int’l., L.P. v. Toepfen*, 141 F.3d 1316, 1325 (9th Cir. 1998).

<sup>52</sup> See Stephen L. Carter, *The Trouble With Trademark*, 99 *YALE L.J.* 759, 759 (1990) (“Successful marks are like packets of information. They lower consumer search costs, thus promoting the efficient functioning of the market.”).

<sup>53</sup> See generally George J. Stigler, *The Economics of Information*, 69 *J.POL.ECON.* 213 (1961).

<sup>54</sup> *Ty Inc. v. Perryman*, 306 F.3d 509, 510 (7th Cir. 2002).

<sup>55</sup> *Id.* at 510-511.

prohibiting others from using the mark. By prohibiting others from free-loading off of the good-will a mark has established producers and owners are rewarded for investing time, effort, and money in producing and developing new brands with corresponding new products. Thus, producers and owners are rewarded for creation and use by receiving the protection the law affords them in exchange. Trademark owners are also rewarded with continued patronage and brand loyalty, when they have made efficient use of their marks. As noted above, trademarks reduce consumer search costs, thereby increasing the ability and perhaps frequency of repeat purchasers. The use in commerce requirement is a necessary tradeoff for these benefits to accrue to the mark owner. In theory, if they do not use the marks in commerce they will not benefit financially from the trademark registration. Thus, it is always in their best interest to market and promote their mark as much as possible and to create quality goods associated with the mark in order to increase sales and brand loyalty.

The commercial use requirement also functions to protect and promote fair and honest competition between businesses. Commercial use prevents trademark hoarding, thereby discouraging the artificial reservation and depletion of the trademark reservoir. In exchange for protection, mark owners are permitted to appropriate a term. The trademark rights scenario inherently impairs competition by “impeding the ability of competitors to indicate that their brands are in the same product space.”<sup>56</sup> By forcing registrants to actually use marks or lose them trademark law grants producers freedom to pick and choose terms to accurately describe products and services, unless someone has already adopted and made valid, fair use of the term before them. Furthermore, innocent trademark adopters are protected from trademark trolls threatening license or litigation. Confident that the law only protects registrants who make valid commercial use of their mark producers need not heed to such demands.

Accordingly, the commercial use requirement forms the very core of the fundamental policies trademark law was designed to protect.

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<sup>56</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 485 (7th Cir. 2007).

Consumers, trademark owners, and competition all directly benefit by vigilant enforcement of the use in commerce requirement.

## II. CONSEQUENCES OF FAILURE TO USE MARK IN COMMERCE

The failure to use a mark in commerce may arise in two contexts: in inter-partes proceedings before the United State Patent and Trademark Office (“USPTO”) and when raised as a collateral attack in litigation. The Lanham Act gives concurrent power to order the cancellation of a mark to the Trademark Trial and Appeal Board (“TTAB”) and the courts.<sup>57</sup> In either context, the non-use of a mark may be challenged on grounds of abandonment or a user may allege use of the mark prior to the date of registration thereby creating a priority contest.<sup>58</sup> A party may file a petition to cancel a trademark directly with the USPTO subject to certain restrictions as explained *supra* in Section B.<sup>59</sup> One can also challenge the validity of a mark and request a court to order its cancellation during trademark litigation.<sup>60</sup>

### A. Commercial Use and Grounds for Cancellation

In some cases, 15 U.S.C. § 1064 of the Lanham Act acts as five-year statute of limitations on an opponent’s ability to challenge a mark.<sup>61</sup> Marks that have been registered for less than five years may be cancelled “for any reason which would have been sufficient to deny registration in the first instance.”<sup>62</sup> This limit applies to claims that there was no bona fide use of the mark in commerce to support the

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<sup>57</sup> See 15 U.S.C. §§ 1067, 1119.

<sup>58</sup> *Id.* at § 1064 (setting forth grounds for cancellation).

<sup>59</sup> *Id.* at § 1064.

<sup>60</sup> *Id.* at §§ 1119, 1067.

<sup>61</sup> *Id.* at § 1154.

<sup>62</sup> *Id.* at §§ 1064, 1071(b)(1); *Int’l. Order of Jobs Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1091 (Fed. Cir. 1984); see also McCarthy, *supra* note 44, at § 20:52.

original registration.<sup>63</sup> However, a mark may always be challenged on the grounds that it has been abandoned regardless of how long a mark has been registered.<sup>64</sup>

During the hypothetical priority contest, a party will inevitably invoke § 1052(d), which states that a trademark may not be registered if it “consists of or comprises a mark which so resembles” a mark “previously used in the U.S. by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . . .”<sup>65</sup> Where a party realizes that a mark they have been using is the same or confusingly similar to a mark on the register they may have cause to file a petition to cancel that mark if the party’s date of first use is before that of the registrant.<sup>66</sup> In this context, the first step to establish priority is to demonstrate a date of use prior to that of the registrant.<sup>67</sup> The second step is proving likelihood of confusion, assessed under the TTAB’s likelihood of confusion factors, which includes the similarities between the marks and the similarities between the goods or services in which the mark is used.<sup>68</sup> If these two elements are met,

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<sup>63</sup> 15 U.S.C. § 1064; *see also* Jonathon Hudis, *Beginning An Inter Partes Proceedings Before The Trademark Trial and Appeal Board: Nature, Grounds, and Initial Pleadings*, 890 PLI/Pate 103 at 117 (2007).

<sup>64</sup> 15 U.S.C. § 1064. Other challenges that are not subject to the five year statute of limitations includes claims that: (1) the mark has become generic; (2) the mark is functional; (3) the mark was obtained fraudulently; (4) that the mark misrepresents its source; (5) that the mark was obtained contrary to the provisions of § 1064, which sets forth the standards for registering “collective” and “certification” marks; or (6) that the mark . . . is comprised of, among other things . . . immoral, deceptive, or scandalous matter.

<sup>65</sup> *Id.* at § 1052.

<sup>66</sup> *See e.g.* Ford Motor Co. v. Ford, 462 F.2d 1405 (C.C.P.A. 1972), *cert. denied*, 409 U.S. 1109 (1973) (cancelling “Ford Records” registration because of likelihood of confusion with Ford Motor Company’s trademark “Ford”); Southern Enters., Inc. v. Burger King of Florida, Inc., 419 F.2d 460 (C.C.P.A. 1970) (cancelling “Whoppaburger” registration because of likelihood of confusion with Burger King’s “Whopper” trademark”).

<sup>67</sup> Hudis, *supra* note 63, at 120.

<sup>68</sup> *Id.*; *see also* In re E.I. du Pont de Nemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1972) (setting forth factors relevant to likelihood of confusion analysis).

that party will likely be deemed the “senior” user and the registrant the “junior” user and the junior user’s registered mark should be cancelled pursuant to § 1052(d).

On the other hand, a more direct consequence of the failure to make bona fide use of a mark in commerce arises in the context of a claim of abandonment. Pursuant to § 1127, a trademark has been abandoned where use has been discontinued with the intent not to resume.<sup>69</sup> Thus, the existence of abandonment is a two prong inquiry: (1) there must be a period of non-use and (2) the user must also intend not to resume that use.<sup>70</sup> Intent may be inferred from the circumstances.<sup>71</sup> It is also a question of fact.<sup>72</sup> Non-use of a trademark for three consecutive years constitutes prima facie evidence of abandonment.<sup>73</sup> The effect of this prima facie case is to eliminate the challenger’s burden to establish the element of intent.<sup>74</sup> Thus, it shifts the burden of producing evidence to rebut the presumption of intent to abandon to the plaintiff or trademark owner.<sup>75</sup> A claim of abandonment may be the basis of a cancellation proceeding in the TTAB or may be asserted as an affirmative defense to litigation.

### *B. Cancellation and Inter-Partes Proceedings Before the U.S. Patent and Trademark Office*

The TTAB has jurisdiction over four types of inter partes proceedings: oppositions, cancellations, interferences, and concurrent

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<sup>69</sup> *Id.* at § 1127

<sup>70</sup> *Id.*; see also McCarthy, *supra* note 44, at § 17:9.

<sup>71</sup> 15 U.S.C. § 1127; see also M. L. Cross, *Abandonment of a Trademark or Tradename*, 3 A.L.R.2d 1226 (2007) (recognizing that intent is most often presumed from the circumstances because rarely do mark owners expressly indicate their intent to abandon a mark); see also *FirstHealth of Carolinas, Inc. v. CareFirst of Maryland, Inc.* 479 F.3d 825, 830 (Fed. Cir. 2007) (“abandonment is a question of fact”).

<sup>72</sup> *FirstHealth of Carolinas, Inc.*, 479 F.3d 825 at 830.

<sup>73</sup> 15 U.S.C. § 1127.

<sup>74</sup> *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1579 (Fed. Cir. 1990).

<sup>75</sup> *Id.* at 1579.

use proceedings.<sup>76</sup> Cancellation proceedings may be initiated by any person who believes that they are or will be damaged by a registered mark.<sup>77</sup> An inter partes proceedings before the TTAB is similar to district court proceedings in that there are pleadings, motions, discovery and brief filing.<sup>78</sup> They differ, however, because the TTAB is an administrative tribunal and thus, proceedings are conducted solely in writing.<sup>79</sup> A party to a proceedings may never even come before the board, by way of giving witness testimony or otherwise, unless a party requests oral hearing on the matter.<sup>80</sup>

Although the failure to petition for cancellation over a long period of time will not preclude a party from raising cancellation as a defense to an infringement suit brought by the registrant<sup>81</sup>, that failure may “smack tactical afterthoughts” to a court in later proceedings.<sup>82</sup> Thus, where one doubts the validity of a registration it is always the better course to petition to cancel the mark rather than adopting a “wait and see” approach.<sup>83</sup> Although hindsight is twenty-twenty, there are major benefits to filing a petition to cancel, aside from the obvious proactive avoidance of being placed in the defending position in litigation. First, an inter partes proceeding is doubtlessly less costly than the assertion of either priority or abandonment as an affirmative defense in litigation. Second, an inter partes proceeding is a less time-consuming endeavor. Although it is arguable that the TTAB is just as backlogged

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<sup>76</sup> See Hudis, *supra* note 63, at 111; *see also* 15 U.S.C. §§ 1063, 1064, 1092.

<sup>77</sup> A person may oppose the registration of a mark shown in pending application pursuant to 15 U.S.C. § 1063 and may also petition for cancellation of a mark post-registration pursuant to 15 U.S.C. § 1064.

<sup>78</sup> See Trademark Trial and Appeal Board Manual of Procedure (hereinafter “TBMP”), Chapter 102.02, 2d Ed., 1st Rev. (March 12, 2004) accessible at: <http://www.uspto.gov/go/dcom/ttab> (USPTO rules governing the procedures are designed to approximate the proceedings in a courtroom trial).

<sup>79</sup> *Id.* at Chapter 102.02.

<sup>80</sup> *Id.*

<sup>81</sup> *Central Manufacturing Inc. v. Brett*, 2005 WL 2445898 \*1, 6 n.5 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>82</sup> See McCarthy, *supra* note 44, at § 30:109.

<sup>83</sup> *Id.*

as the district courts, the average time is much less than that of litigation.

Further, where a party receives an adverse decision from the TTAB, that party is entitled to appeal. A party may appeal a decision of the TTAB to either the U.S. Court of Appeals for the Federal Circuit or to a federal district court.<sup>84</sup> In an appeal to the Federal Circuit, the case proceeds on the closed administrative record and no new evidence is permitted.<sup>85</sup> In contrast, an appeal to the district court is both an appeal and a new action, which allows the parties to request additional relief and to submit new evidence.<sup>86</sup> The courts of appeals, other than the Federal Circuit, have appellate jurisdiction to review the district court's decision.<sup>87</sup>

### *C. Cancellation and Litigation*

The power to cancel a trademark is not limited to the USPTO. As Judge Easterbrook has noted, “trademark law does not reserve the cancellation power to the PTO. A court may cancel a mark itself or order the agency to do so.”<sup>88</sup> The power to order the cancellation of a mark is governed by 15 U.S.C. § 1119.<sup>89</sup> That section provides: “In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”<sup>90</sup> The “net effect” of 15 U.S.C § 1119 is to give the courts “concurrent

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<sup>84</sup> 15 U.S.C § 1071; *see also* *CAE, Inc. v. Clean Air Engineering, Inc.* 267 F.3d 660, 673 (7th Cir. 2001); *see also* McCarthy, *supra* note 44, at §§ 21:20, 21:25, 21:26.

<sup>85</sup> 15 U.S.C. § 1071(a)(4); *see also* *CAE, Inc.*, 267 F.3d at 660.

<sup>86</sup> *CAE, Inc.*, 267 F.3d at 660 (citing *Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 390 (7th Cir.1992)); *see also* McCarthy, *supra* note 44, at § 21:20.

<sup>87</sup> 15 U.S.C. § 1121(a).

<sup>88</sup> *Ruth Foundation v. World Church of the Creator*, 297 F.3d 662, 665 (7th Cir. 2002).

<sup>89</sup> 15 U.S.C. § 1119; *see also* *Ruth Foundation*, 297 F.3d at 665.

<sup>90</sup> *Ruth Foundation*, 297 F.3d at 665.

power” with the USPTO to conduct cancellation proceedings.<sup>91</sup> The Supreme Court has noted that § 1119 grants the court “broad power” to order the cancellation of a registered mark.”<sup>92</sup>

Unlike *inter partes* procedures before the TTAB, cancellation of a trademark cannot be the only basis of a plaintiff’s suit.<sup>93</sup> The Seventh Circuit has held that federal courts do not have jurisdiction to hear a claim for cancellation brought by a plaintiff without a current registration.<sup>94</sup> The reasoning for this stems from the language of the Lanham Act and policy implications. First, the plain language of 15 U.S.C. § 1119 states that the court may order cancellation “in any action involving a registered mark” and 15 U.S.C. § 1121 grants jurisdiction to the federal courts “of all actions arising under this Act.”<sup>95</sup> Thus, where a registered mark is not involved a plaintiff may not invoke the jurisdictional grants of the Lanham Act.<sup>96</sup> Second, “if one could file suit in federal court solely for cancellation of a registration, this would undercut and short-circuit the power of the [TTAB].”<sup>97</sup> Thus, some other ground for jurisdiction must exist to invoke the federal jurisdiction of the federal courts, but, theoretically, diversity alone would suffice.<sup>98</sup>

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<sup>91</sup> 15 U.S.C. § 1119; *see also* McCarthy, *supra* note 44, at § 30:109.

<sup>92</sup> *Park’n Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 213 (1985).

<sup>93</sup> *See* Jasin R. Berne, *Court Intervention But Not In Classic Form: A Survey of Remedies in Internet Trademark Cases*, 43 ST. LOUIS U.L.J. 1157, 1167 (1999).

<sup>94</sup> *Homemakers, Inc. v. Chicago Home for Friendless*, 313 F.Supp 1087, 1087 (N.D. Ill 1970), *aff’d*, 169 U.S.P.Q. 262 (7th Cir. 1971).

<sup>95</sup> 15 U.S.C. § 1121; *see also id.* at § 1338(a).

<sup>96</sup> *See* McCarthy, *supra* note 44, at § 30:110.

<sup>97</sup> *Id.*

<sup>98</sup> *See, e.g.* *Simmonds Aeroaccessories, Ltd. v. Elastic Stop Nut Corp.*, 257 F.2d 485,486 (3d Cir. 1958) (diversity jurisdiction); *but see* *Sam S. Goldstein Industries, Inc. v. Botany Industries, Inc.*, 301 F. Supp. 728, 730 (S.D.N.Y. 1969).

### III. CENTRAL MANUFACTURING, INC. V. BRETT: CANCELLATION OF THE STEALTH MARK AND THE “EXCEPTIONAL” CASE

On April 29, 2004, Stealth Industries, later amended to include Central Manufacturing, Inc. and Leo Stoller<sup>99</sup>, filed suit against George Brett and Brett Brothers Sports International, Inc., seeking an injunction and damages for the defendant’s improper use of the “STEALTH” mark on baseball bats in the U.S. District Court for the Northern District of Illinois.<sup>100</sup>

In response, the defendants asserted thirteen affirmative defenses, three of which are relevant to this comment: (1) unenforceability due to invalid or void registrations; (2) abandonment due to failure to use the mark in connection with the plaintiff’s business; and (3) non-infringement due to the defendant’s use of the mark prior to the plaintiff’s.<sup>101</sup> In filing their motion for summary judgment, the defendant argued that the plaintiff failed to meet his burden of producing evidence that would create a genuine issue of material fact for trial for three reasons. First, the plaintiff could not show actual use of the mark on goods sold to the public before the defendant’s first use of the mark, despite the existence of a federal registration.<sup>102</sup> Second, even if the registration was valid in the first instance, the plaintiff’s lack of commercial use constituted an abandonment of the mark.<sup>103</sup> Third, there could be no likelihood of confusion between the parties use of the marks because confusion cannot arise in the absence of use.<sup>104</sup> Finally, the defendant asked the court to order the cancellation

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<sup>99</sup> See Defendants' Answer and Affirmative Defenses to Plaintiff's Amended Complaint, 2004 WL 2817117 (N.D. Ill., Sep. 2, 2004) (Stoller is the President and sole shareholder of STEALTH Industries, Inc. and Central Mfg. Co.).

<sup>100</sup> Central Manufacturing Inc. v. Brett, 2005 WL 2445898 \*1, 1 (N.D. Ill. Sept. 30, 2005) *aff'd*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>101</sup> See Defendants' Answer and Affirmative Defenses to Plaintiff's Amended Complaint, 2004 WL 2817117 (N.D. Ill., Sep. 2, 2004).

<sup>102</sup> *Id.*

<sup>103</sup> *Id.*; see also 15 U.S.C. § 1127.

<sup>104</sup> See Defendants' Answer and Affirmative Defenses, 2004 WL 2817117 (N.D. Ill., Sep. 2, 2004). The Seventh Circuit’s likelihood of confusion analysis involves the application of the following factors: (1) the similarity of the marks in appearance

of the plaintiff's '249 registration of the STEALTH mark.<sup>105</sup> The defendant did not mention 15 U.S.C. § 1119, which is the section of the Lanham Act that actually gives the court concurrent authority with the United States Patent and Trademark Office ("USPTO") to order the cancellation of the mark.<sup>106</sup> Instead, the defendant argued that the '249 registration should be cancelled pursuant to 15 U.S.C. § 1052(d), which merely recites the grounds for ordering the cancellation of the mark.<sup>107</sup> However, this distinction is one without much significance. The court still invoked its authority pursuant to that section. After analyzing each of the defendant's arguments in turn, on September 30, 2005, Judge Coar of the Northern District of Illinois granted the defendant's motion for summary judgment and ordered the cancellation of the plaintiff's '249 registration.<sup>108</sup>

First, the court addressed the validity of the plaintiff's trademark, setting forth the two requirements that a plaintiff must demonstrate in order to prove up a claim of trademark infringement: (1) ownership of a valid trademark and (2) the infringement of that mark.<sup>109</sup> In assessing the validity of the plaintiffs' trademark, the court held that despite the presumption of validity that a trademark registration provides, the plaintiffs failed to provide sufficient evidence of use of the mark in

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and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be used by consumers; (5) the strength of the plaintiff's mark; (6) whether any actual confusion exists; and (7) the defendant's intent to palm off its goods as those of the plaintiffs. *See Helene Curtis Industries, Inc. v. Church & Dwight Co., Inc.*, 560 F.2d 1325, 1330 (7th Cir. 1977).

<sup>105</sup> *See Defendants' Answer and Affirmative Defenses*, 2004 WL 2817117 (N.D. Ill., Sep. 2, 2004)(The defendant's invoked 15 U.S.C. §§ 1064 and 1068, which provide that a mark may be cancelled if it would cause confusion with a previously existing mark, stating, "[b]ecause it is undisputed that Brett Bros, use of 'Stealth' for baseball bats pre-dates Stoller's alleged use and the goods contained in Stoller's '249 registration ('baseball, softball and t-ball bats,') are similar to Brett Bros' 'Stealth' mark, there is clearly a likelihood of confusion between the marks").

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at \*1.

<sup>109</sup> *Id.* at \*5.

commerce.<sup>110</sup> Thus, the plaintiffs could not, and did not, own the mark “STEALTH” for baseballs or baseball bats.<sup>111</sup>

*A. The Priority Contest: Evidentiary Proof of Commercial Use*

*Central Manufacturing* was a classic priority contest. The defendants first began using the STEALTH mark on baseball bats and sold them in commerce in 1999.<sup>112</sup> The defendant’s STEALTH baseball bat has been recognized by the Little League Baseball Association and the Major League Baseball Association.<sup>113</sup> To this day, the defendant continues to sell its STEALTH bats online and at various retail outlets.<sup>114</sup>

The plaintiff, on the other hand, claimed that his first use of the STEALTH mark on baseball related products was in at least 1982.<sup>115</sup> As noted above, although the plaintiff claimed to be either the registrant or assignee of “33 federally registered STEALTH or STEALTH formative marks,” only two were conceivably relevant to this suit.<sup>116</sup> This is due to the likelihood of confusion requirement: only the use of a mark that is likely to cause consumer confusion is actionable.<sup>117</sup> Thus, the plaintiff invoked two registrations for products related to baseball rather than invoking the STEALTH registrations on wholly unrelated products. The first registration occurred on August 29, 1984 when the plaintiff registered the STEALTH mark for “sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, soccer balls, golf balls, cross bows, tennis racket strings

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<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.* at \*2.

<sup>114</sup> See Brett Brothers Home Page, <http://www.brettbats.com> (last visited Jan. 3, 2008).

<sup>115</sup> *Central Manufacturing, Inc. v. Brett*, 2005 WL 2445898, \*1, 3 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>116</sup> *Id.* at \*2.

<sup>117</sup> 15 U.S.C. § 1125(a)(1)(A).

and shuttle cocks” (the “378 Registration”).<sup>118</sup> On February 9, 2002, the plaintiff registered the STEALTH mark for “baseball, softball, T-ball bats,” (“the ‘249 Registration’”).<sup>119</sup> The ‘249 Registration’s first use date of the STEALTH mark for baseball bats was January 3, 2001.<sup>120</sup>

The court noted that it was undisputed that the plaintiff acquired a registration for the use of the word “STEALTH” with respect to baseballs in 1984 (the ‘378 Registration), but equally clear was the fact that the plaintiffs did not acquire a registration for the use of the STEALTH mark in relation to baseball *bats* until 2004 (the ‘249 Registration).<sup>121</sup> Thus, if adequate proof existed for the continuous commercial use of the STEALTH mark on baseball related products from the date of the first registration, the plaintiff would have priority over the defendant’s use of the mark.<sup>122</sup> However, the plaintiffs “failed completely to support their claim that they actually used the STEALTH mark in connection with an established, presently existing, and ongoing business prior to [defendant’s] use of the word STEALTH on baseball bats in 1999.”<sup>123</sup> The court found it incredulous that the plaintiff, who claimed to have used the mark for more than a decade, could not provide a sole invoice indicating any commercial transaction involving the sale of any baseball-related product under the STEALTH mark.<sup>124</sup> The defendant, however, easily demonstrated that they began selling baseball bats on their website in 1999 – nearly five years before

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<sup>118</sup> See United States Trademark Registration No. 1,332,378 (filed August 29, 1984) (cancelled June 26, 2007).

<sup>119</sup> See United States Trademark Registration No. 2,892,249 (filed February 1, 2007) (cancelled June 26, 2007).

<sup>120</sup> *Id.*

<sup>121</sup> *Central Manufacturing Inc. v. Brett*, 2005 WL 2445898 \*1, 3 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>122</sup> This would only be the case if the court found that the use of the STEALTH marks on baseball bats was confusingly similar to the plaintiff’s use of the STEALTH marks on baseballs. This argument was only made in the alternative by the parties at the district court level because they simply attacked the validity of the plaintiffs claim to the trademark in the first place under grounds of priority and abandonment.

<sup>123</sup> *Central Manufacturing, Inc.*, 2005 WL 2445898 at \*5.

<sup>124</sup> *Id.*

the 249' Registration.<sup>125</sup> Accordingly, the court found that the defendant could not infringe because they were the “senior” users to the mark.<sup>126</sup> Thus, the defendants were the parties with valid ownership rights in the STEALTH mark for baseball bats by virtue of their prior use.<sup>127</sup>

*Central Manufacturing* illustrates that the type and amount of evidence of commercial use can prove problematic for some plaintiffs. Stoller’s complete and utter lack of proof of commercial use represents the extreme case. But, what sort of evidence is sufficient to prove commercial use? What must a plaintiff show to demonstrate sufficient use in commerce to prove ownership of a valid and enforceable mark?

If there were a commercial use spectrum, *Central Manufacturing* would be at the bottom of the evidentiary standard of proof. In characterizing the plaintiff’s proof as “unsupported assertions” and “unauthenticated evidence of small amounts of sales,” the court held the plaintiff failed to prove ownership rights to the STEALTH mark.<sup>128</sup> The most obvious problem was the lack of invoices and receipts characteristic of actual business transactions between the plaintiff and consumers or businesses.<sup>129</sup> However, to support his claim of ownership the plaintiff attempted to admit the following documentary evidence: advertising material and charts of “sales” activity.<sup>130</sup> The court rejected this evidence as unsubstantiated, unbelievable or both.

First, in rejecting the plaintiff’s attempt to introduce a sporting goods magazine to prove “alleged licensee was active in the baseball market,” the court stated the law was clear that “mere advertising and documentary use of a notion apart from the goods do not constitute technical trademark use.<sup>131</sup> Plaintiff also attempted to introduce an advertising flyer for a STEALTH baseball.<sup>132</sup> Both were rejected

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<sup>125</sup> *Id.* at \*13-15.

<sup>126</sup> *Id.* at \*15.

<sup>127</sup> *Id.*

<sup>128</sup> *Id.* at \*5.

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

<sup>131</sup> *Id.* (quoting *Powermatics, Inc. v. Globe Roofing Prods. Co.*, 341 F.2d 127, 130 (C.C.P.A. 1965)).

<sup>132</sup> *Id.*

because mere “marketing and promotional materials” alone are insufficient to constitute trademark use, particularly in the absence of evidence that the flyer was ever sent out to a potential customer nor resulted in a single sale of the bat.<sup>133</sup>

Second, the plaintiff attempted to introduce “Sale Quote Sheets” and “Stealth Brand Baseball Sales”, but could not explain where the lump sum yearly numbers came from or to whom or where the alleged sales were made.<sup>134</sup> The court stated that there was simply nothing in record to indicate that the “sales sheet[s] bear any relation to reality and is not simply something Plaintiffs generated on a home computer for the purposes of this litigation.”<sup>135</sup> Further, there was no evidence that the “products ever existed except as lines on a piece of promotional paper or that any of these corporations ordered even one item from Plaintiffs.”<sup>136</sup> The sales sheets also failed to overcome the mere advertising hurdle.<sup>137</sup> Although the plaintiff testified at his deposition that he had sold baseball bats, the court refused to give credence to his self-serving deposition testimony.<sup>138</sup>

The court did note that “registration, coupled with slight sales, establishes an exclusive right in the mark against junior users”, but here, there was absolutely no credible evidence of baseball related product sales to establish their exclusive right in the STEALTH mark for baseballs, much less for baseball bats.<sup>139</sup>

So, what type of evidence is sufficient to establish commercial use for the purposes of ownership? The Seventh Circuit has stated that this determination is made on a case by case basis and upon consideration of the “totality of the circumstances.”<sup>140</sup> Although the Ninth Circuit

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<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*

<sup>137</sup> *Id.*

<sup>138</sup> *Id.* at \*3.

<sup>139</sup> *Id.* at \*5.

<sup>140</sup> *See, e.g., Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 433 (7th Cir. 1999) (“The determination of whether a party has established protectable rights in a trademark is made on a case by case basis, considering the totality of the circumstances”).

has held that commercial use sufficient to establish ownership rights may be proven without evidence of a sale, the Seventh Circuit has not been so generous.<sup>141</sup>

In *Zazu Designs v. L'Oreal, S.A.*, the Seventh Circuit found evidence of a few sales of products to which the mark had been affixed insufficient to establish trademark ownership.<sup>142</sup> In that case, the plaintiff hair salon had sold a few bottles of shampoo bearing the mark over the counter and via mail.<sup>143</sup> The court found such limited sales “neither link the [mark] with [the plaintiff’s] product in the minds of consumers nor put other producers on notice.”<sup>144</sup>

Just before *Central Manufacturing* was decided in 2007, the Seventh Circuit was presented with the opportunity to pass on another trademark case relating to the commercial use requirement. In *Custom Vehicles*, the court affirmed the decision of the Northern District of Indiana, dismissing a trademark infringement complaint of the alleged owner of the mark “Work-N-Play.”<sup>145</sup> The court found that the mark was descriptive when used for a van that could be converted from an office to a camper, but more importantly, the court held that the sale of one van without using the trademark was insufficient to place the mark in use in commerce for the purposes of the Lanham Act.<sup>146</sup> The plaintiffs had filed an intent-to-use application for the mark, however, that same year a much larger company started using the same mark in similar types of vans.<sup>147</sup> The sales of the second company totaled more than \$10 million whereas the plaintiff had made only one sale of its van and not even under the Work-N-Play mark.<sup>148</sup> Judge Posner, writing for the court, first noted that even if the mark had been used in

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<sup>141</sup> *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195-1196 (existence of sales or lack thereof does not by itself determine whether a user of a mark has established ownership rights therein).

<sup>142</sup> 979 F.2d at 503-04.

<sup>143</sup> *Id.* at 503.

<sup>144</sup> *Id.*

<sup>145</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 482 (7th Cir. 2007).

<sup>146</sup> *Id.* at 485.

<sup>147</sup> *Id.*

<sup>148</sup> *Id.*

the sale, it would not have been enough to place the trademark in the “ordinary course of trade.”<sup>149</sup> The court then went on to state: “[w]e suppose that one sale of a \$150 million airplane or yacht within the first six months might be sufficient use, for it would be enough to seize the attention of the relevant market.”<sup>150</sup>

The court went on to acknowledge that the Ninth Circuit has held that “where a mark has been placed on goods, a single sale or shipment may be sufficient to support an application to register the mark” so long as that use is bona fide,” but the court declined to follow its reasoning.<sup>151</sup> The court did note an exception for the “superexpensive prototype,” such as the yacht example noted above, where one sale may be sufficient to demonstrate commercial use, but “not one sale of a van.”<sup>152</sup> This singular sale would be too “obscure an event to alert any significant number of consumers” as to the marks existence.<sup>153</sup>

Thus, in assessing the commercial use requirement, the focus is on whether the mark was adopted and used in a manner sufficiently public to identify and distinguish the goods to likely consumers of those particular goods. De minimis use is not sufficient to meet this standard.<sup>154</sup> Hence, slight sales of a product affixed with the mark will likely not meet the commercial use requirement. Accordingly, in the district courts governed by the Seventh Circuit, plaintiffs must be prepared to present actual and substantiated evidence of sales of the specific goods affixed with the mark in question before even contemplating filing suit for trademark infringement.

The defendant’s alternative argument for a claim to priority was that the plaintiff abandoned the STEALTH mark.<sup>155</sup> Although the

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<sup>149</sup> *Id.* (citing Lucent Information Management, Inc. v. Lucent Technologies, Inc., 186 F.3d 315-317 (3<sup>rd</sup> Cir. 1999)).

<sup>150</sup> *Id.*

<sup>151</sup> *Id.* at 485-486 (discussing Chance v. Pac-Tel Teletrac Inc., 242 F.3d 1151, 1157 (9th Cir. 2001)).

<sup>152</sup> *Id.* at 485.

<sup>153</sup> *Id.*

<sup>154</sup> See McCarthy, *supra* note 44, at §16:6.

<sup>155</sup> Central Manufacturing Inc. v. Brett, 2005 WL 2445898 \*1, 5 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

district court already determined that the defendant was in fact the senior user, the court nevertheless engaged in an abandonment analysis, holding that the plaintiff's complete inability to produce evidence of commercial use supported a finding of abandonment.<sup>156</sup>

### *B. The District Court's Ruling*

Finally, despite finding that the plaintiff failed its burden of proving the first prong of the trademark analysis, ownership of a valid mark, the court continued to apply the seven-factor likelihood of confusion test.<sup>157</sup> Stoller argued that the '378 registration, although did not include baseball bats, was sufficiently strong and related to baseball bats to cause likelihood of confusion.<sup>158</sup> The district court, however, found that the application of the likelihood of confusion test weighed overwhelmingly in the defendants favor.<sup>159</sup>

After assessing the parties' respective arguments, the district court granted the defendant's motion for summary judgment.<sup>160</sup> In granting the defendant's motion, the court also took two steps seemingly outside of the norm of trademark litigation: the court ordered the plaintiff to pay the defendant's attorneys' fees and costs and ordered the cancellation of the plaintiff's 249' registration.<sup>161</sup>

First, by invoking the court's power to order the cancellation of a mark pursuant to 15 U.S.C § 1119, the court went beyond what was absolutely required in order for justice to be served in this case. The defendant's argued that because they were the senior users of the STEALTH mark, the plaintiff's continued registration of the STEALTH mark for the same goods, baseball bats, violated 15 U.S.C. 1052(d).<sup>162</sup> This section states that a mark may be cancelled if it "[c]onsists of or comprises a mark which so resembles ... a mark or

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<sup>156</sup> *Id.* at \*6.

<sup>157</sup> *Id.* at \*9-13.

<sup>158</sup> *Id.* at \*10.

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Id.*

<sup>162</sup> *Id.* at \*14.

trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.”<sup>163</sup> Because the defendant’s were the first to use the STEALTH mark and the ‘249 Registration claimed baseball bats, the same goods the defendant’s sold using the mark, sufficiently likelihood of confusion justified cancellation of the ‘249 registration.<sup>164</sup> Accordingly, the district court ordered the cancellation of the ‘249 registration.<sup>165</sup> Second, the award of attorney’s fees under the Lanham Act is reserved only for those “exceptional” cases; thus, it is unlikely that a court will award attorneys fees in trademark litigation. A discussion of the award of attorneys’ fees and costs is discussed in Section VI *infra*.

The plaintiff appealed to the Seventh Circuit, challenging the district court’s grant of summary judgment in favor of the defendants, the cancellation of the plaintiff’s registration, and the award of attorney’s fees in costs.<sup>166</sup>

#### V. CANCELLATION AS “BEST COURSE” AND THE “STINKING DEAD FISH” STANDARD FOR REVIEWING ATTORNEYS FEES: THE SEVENTH CIRCUIT APPROACH

In affirming the district court’s decision regarding the plaintiff’s failure to prove valid commercial use of the mark, the Judge Evans, writing for the court, extensively quoted the district court’s analysis and rejection of the plaintiff’s evidence, or lack thereof, showing commercial use of the mark.<sup>167</sup> In addressing the district court’s decision to cancel the plaintiff’s ‘249 registration, the court stated that “where... a registrant’s asserted rights to a mark are shown to be

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<sup>163</sup> 15 U.S.C. § 1052(d).

<sup>164</sup> *Central Manufacturing Inc. v. Brett*, 2005 WL 2445898 \*1,14 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>165</sup> *Id.* at \*10.

<sup>166</sup> *Central Manufacturing, Inc. v. Brett*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>167</sup> *Id.* at 882-883.

invalid, cancellation is not merely appropriate, it is the best course.”<sup>168</sup> Finally, in upholding the district court’s award of attorney’s fees and costs the court eloquently noted that the court would “not reverse a determination [to award attorney’s fees and costs] for clear error unless it strikes us as wrong with the force of a 5-week-old, unrefrigerated, dead fish.”<sup>169</sup> In applying this “olfactory standard” the court found that the only thing that stunk was the defendant’s actions in filing suit.<sup>170</sup>

The issue of trademark cancellation arose by virtue of the defendant’s collateral attack on the validity of the STEALTH mark.<sup>171</sup> The defendants recognized the existence of two important facts in responding to the plaintiff’s complaint: they were truly the senior users of the STEALTH mark as used on baseball bats and the lack of evidence of commercial use also constituted an abandonment of the STEALTH mark.<sup>172</sup> A district court is not required to order the cancellation of a mark where, as in *Central Manufacturing*, the mark is invalid. However, a court need not even wait for a party to request cancellation: cancellation is a purely optional and discretionary affirmative step taken on behalf of the court, either prompted by the alleged infringer’s response to the complaint or on the court’s own accord. Thus, when the validity of a mark is put in issue<sup>173</sup>, a court is faced with a to-cancel or not-to-cancel dilemma. The power to order the cancellation of a mark is an option often overlooked by many district courts. But, where a registrant-plaintiff clearly lacks rights to a mark, through the failure to commercially use the mark or otherwise, courts should be much more willing to invoke the power of

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<sup>168</sup> *Id.* at 883.

<sup>169</sup> *Id.*

<sup>170</sup> See *Rodriguez v. Anderson*, 973 F.2d 550, 553 (7th Cir. 1992) (describing this standard of review as an “olfactory” one).

<sup>171</sup> *Central Manufacturing Inc. v. Brett*, 2005 WL 2445898 \*1, 14 -15 (N.D. Ill. Sept. 30, 2005) *aff’d*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>172</sup> *Id.*

<sup>173</sup> *Id.* at \*14 (“The court may cancel a trademark in an action where the mark’s validity is placed in issue”).

cancellation, as the Seventh Circuit advocated in *Central Manufacturing*.<sup>174</sup>

The Seventh Circuit not only approved of the district court's invocation of its Section 1119 powers in cancelling the plaintiffs mark but also characterized the action as "not merely appropriate" but "the best course."<sup>175</sup> Accordingly, more courts should invoke their power to cancel in trademark litigation where it is obvious that the plaintiff's trademark rights are invalid. This approach is supported not only by the statutory mandate of commercial use and Section 1119's explicit grant of the power to cancel to the court, but also many important policy considerations. In *Central Manufacturing* the court itself noted two policies justifying this approach in its opinion. First, the court characterized the invocation of Section 1119 as putting "the public on notice of its trademark-related judgments."<sup>176</sup> Second, the court stated that Section 1119 "arms the court with the power to update the federal trademark register to account for a mark's actual legal status (or lack thereof) after it has been adjudicated, thereby reducing the potential for future uncertainty over the rights in a particular mark."<sup>177</sup> Below, these policy implications are assessed. Finally, the Seventh Circuit's unique characterization of its standard of review for attorney's fees in Lanham cases warrants separate attention.<sup>178</sup>

#### A. Certainty, Public Notice, and "Refreshing" Function

The court first noted that a positive effect of the invocation of the power to cancel serves to "put the public on notice of its trademark-related judgments."<sup>179</sup> Once there has been a final judgment either ordering or affirming an order to cancel and the proper procedures are followed, that mark is still present on the register, but its status is "cancelled." Hence, when the court orders cancellation of a mark that

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<sup>174</sup> *Central Manufacturing, Inc. v. Brett*, 492 F.3d 876, 883 (7th Cir. 2007).

<sup>175</sup> *Id.*

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

has been abandoned due to non-use or has been invalidated on the basis of priority, the court fulfills the goal of “rectifying the register” as set forth in Section 1119. This rectification is similar to hitting the refresh button on an internet webpage: once pressed the old data is discarded and only new data remains. Thus, the invocation of Section 1119 cancellation serves an important gap-filling function: the USPTO has neither the resources nor the ability to police every mark on the register to assure that they are being used in commerce. The liberal use of Section 1119 serves as a judicial cleansing mechanism to produce a more updated and coherent register of marks that are actually used, thereby producing a more accurate picture for those searching for conflicts in their quest to adopt their own mark. Thus, judicial refreshment via Section 1119 puts the public on notice of trademark related judgments.

The court also posited that this refreshment mechanism also “reduces the potential for future uncertainty over the rights in a particular mark.”<sup>180</sup> Cancellation results in the release of marks back into the marketplace for others to adopt and invest in. This also encourages healthy competition. Where the public is on notice of what marks or terms are monopolized for the purposes of adoption for specific goods or services, that public is on notice of what marks it can or cannot appropriate in the course of their own trademark development and adoption. The more often the register is refreshed, the more accurate picture trademark-seekers may have to assess trademark conflicts. Thus, new producers and hopeful mark owners may adopt words with ease and with confidence.

### *B. Reduction of Trademark “Thickets”*

In addition to providing greater certainty by putting the public on notice of a marks status, ordering the cancellation of marks reduces trademark “thickets.” In *Custom Vehicles*, Judge Posner used the term “thicket” to describe a situation that would develop where, as here, trademark owners failed to use (or made commercially insignificant

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<sup>180</sup> *Id.*

use of) a registered mark.<sup>181</sup> Trademark thickets “make it difficult for new producers to find suitable names for their products that had not already been appropriated to no worthier end than providing the premise for an infringement suit.”<sup>182</sup> Further, “by insisting that firms use marks to obtain rights in them, the law prevents entrepreneurs from reserving brand names in order to make their rivals’ marketing more costly.”<sup>183</sup> Thus, proper cancellation hinders the development of trademark thickets, thereby ensuring that words or marks are not depleted from the public arena and businesses are free to use and adopt them as their own. Unless a trademark registrant actually makes use of its mark in commerce, the seller should not be allowed to appropriate the mark, “denying its use to sellers who can actually sell.”<sup>184</sup>

### C. *Deterring Trademark Troll and Long-Term Savings*

The liberal use of the power to cancel deters acts of trademark “trolls,” such as Stoller, who have failed to make legitimate use of their marks. This in turn results in long-term savings. Cancellation cuts off the presumptions associated with registration and thus may result in fewer cases filed by trademark trolls. The fewer frivolous trademark infringement suits that are filed, the fewer judicial recourses and time that are wasted. In *Central Manufacturing*, and every other case in which Leo Stoller had filed suit, the end result was the same: dismissal or a grant of summary judgment.

In addition to deterring trademark trolls from filing suit, cancellation protects producers from the threat of suit and/or licensing demands for the use of a trademark that is no longer valid. In *Central Manufacturing*, for example, the plaintiff had “repeatedly sought ways to get around the law’s prohibition of stockpiling of unused marks, and this case is no different.”<sup>185</sup> By cancelling the plaintiff’s mark, the party

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<sup>181</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 485 (7th Cir. 2007).

<sup>182</sup> *Id.* at 485.

<sup>183</sup> *Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992).

<sup>184</sup> *Custom Vehicles, Inc.*, 476 F.3d at 486.

<sup>185</sup> *Id.*

loses a valuable instrument in negotiation: the party no longer has a conceptually concrete basis for threatening to file suit. Where a registration is at issue, parties are much more likely to take the threat seriously than if only common law rights are asserted. Thus, the trademark troll loses an important bargaining chip when attempting to extort licensing fees from unsuspecting, innocent users of marks: the ability to claim ownership rights to, and presumptions associated with, registration of a trademark.

#### *D. Critiques*

The assumptions of long-term savings and deterrence as the result of cancellation is flawed for one important reason: because registration merely confers a presumption of the right to use, ownership, and validity, the loss of the registration results in only the loss of a registered right. Because trademark rights arise out of use and not registration, a party may still claim ownership of a valid mark at common law.<sup>186</sup> Thus, a party like Stoller, who despite never winning one case and being forced to pay for all the costs of litigation in some, are keen on still filing suit may simply continue to do so. Although the presumptions of validity are not present, one can still claim rights to a mark based on mere use pursuant to common law and state claims of unfair competition. The Lanham Act still provides protection for unregistered marks. As such, the cancellation of a mark does not bar an ambitious trademark troll from bringing suit or threatening to file suit if a licensing agreement is not reached between the parties. Thus, deterrence and resulting long-term savings may be positive thinking rather than a realistic result of proactive cancellation by the courts. However, as discussed below, the threat of not only paying one's own costs of litigation, but also the other party's, may provide an even greater push to stop trademark trolls from filing suit for infringement of a mark they do not have rights in.

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<sup>186</sup>See Posting of John L. Welsh to <http://www.thettablog.blogspot.com>, "TTABlog Says: It's Time to Tackle the 'Trademark Trolls,'" January 28, 2006 (urging trademark practitioners to demand that the USPTO and TTAB "crack down" on trademark trolls).

## VI. AWARD OF ATTORNEY'S FEES AND COSTS: LACK OF EVIDENCE OF COMMERCIAL USE

Where mark cancellation and an award of attorney's fees and costs to the defendant are combined, it provides powerful incentives to only bring suit where a party has confidence in the right to use that mark. The Seventh Circuit also has a highly unique way of characterizing the standard under which it reviews a district court's award of attorney fees. In reviewing the award in *Central Manufacturing*, the court stated, "[w]e will not reverse a determination for clear error unless it strikes us as wrong with the force of a 5-week-old, unrefrigerated, dead fish."<sup>187</sup> In applying this "olfactory standard" the court found that the only thing that stunk was the defendant's actions in filing suit.<sup>188</sup>

Aside from this notable characterization of the standard of review for attorney's fees, the Seventh Circuit's review of attorney's fees under the Lanham Act has had a colorful progression.<sup>189</sup> While an award of attorneys' fees to the prevailing party is the exception and not the rule, the Seventh Circuit has broadened the scope of "exceptional" cases to include not just pre-litigation, but also litigation, conduct.<sup>190</sup>

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<sup>187</sup> *Id.*

<sup>188</sup> See *Rodriguez v. Anderson*, 973 F.2d 550, 553 (7th Cir. 1992) (describing this standard of review as an olfactory one). The "dead fish" standard apparently originated with Jude Bauer in *Parts and Elec. Motors, Inc. v. Sterling Elec., Inc.*, 866 F.2d 228, 233 (7th Cir. 1988), an antitrust case and was also used by Judge Evans in an earlier trademark infringement case, *S Industries, Inc. v. Centra 2000 Inc.*, 249 F.3d 625, 627 (7th Cir. 2001), also involving the Stoller. It seems as though Judge Evans reinvented this language and applied it to the trademark contest due to the nature of the Stoller's actions.

<sup>189</sup> See generally Anne M. Mellen, *Awarding Attorneys' Fees Under The Lanham Act: Egregious Litigation Conduct In The Exceptional Case*, 74 U. CIN. L. REV. 1111, 1115 (2004).

<sup>190</sup> *Id.* at 1117 (arguing that "no court has gone as far as the Seventh Circuit, which shifted attorneys fees for egregious litigation conduct other than of the filing of vexatious or harassing lawsuits" in discussion of *TE-TA-MA Truth Foundation-Family of URI, Inc. v. World Church of the Creator*, 297 F.3d 662 (7th Cir. 2002)).

Generally, the award of attorney's fees and litigation costs is an atypical occurrence in trademark litigation.<sup>191</sup> There are five possible bases for awarding attorney fees under federal law.<sup>192</sup> First, the Lanham Act provides for the award of attorneys to the prevailing party for "exceptional cases."<sup>193</sup> Congress added this section in order to address the issue of intentional counterfeiting, which makes an award "virtually mandatory" in such cases.<sup>194</sup> Courts may also authorize attorney fees under Federal Rule of Appellate Procedure 38 where an appeal is "frivolous"<sup>195</sup> and likewise under Federal Rule of Civil Procedure 11 in the form of sanctions.<sup>196</sup> Of course, all federal courts have the power to award attorneys fees in cases of bad-faith litigation practices.<sup>197</sup> These awards are available to the prevailing party, whether that is the prevailing plaintiff or a prevailing defendant.<sup>198</sup>

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<sup>191</sup> See *id.* at 1115.

<sup>192</sup> Theodore H. Davis, Jr. & Jordan S. Weinstein, *The Fifty-Eighth Year of Administration of the Lanham Trademark Act of 1946*, 96 TRADEMARK REP. 6, 191 - 192 (2006) ("It is possible in some jurisdictions for prevailing parties to secure awards of attorneys' fees under state law. Nevertheless, most cases to have addressed the subject have done so under federal law, which generally recognizes five bases for fee awards.").

<sup>193</sup> 15 U.S.C. § 1117(a) (2000). This 1967 Amendment to the Lanham Act has been commonly regarded as a response to the Supreme Court's decision in *Fleischmann Distilling Corp. v. Maier Brewing, Co.*, 386 U.S. 714 (1967) which held that federal courts did not possess the power to grant attorney fee awards under the Lanham Act. See also Davis & Weinstein, *supra* note 192, at 191 - 192 (2006)

<sup>194</sup> See *Rolex Watch U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 50 U.S.P.Q.2d 1939 (9th Cir. 1999) (distinguishing between awards under Section 35(a) and Section 25(b) of the Lanham Act; see also Davis & Weinstein, *supra* note 192, at 191-192 (noting that award of attorney's fees is required by court in cases of intentional counterfeiting "unless the court finds extenuating circumstances").

<sup>195</sup> Fed. R. App. P. 38 ("If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee."); see also Davis & Weinstein, *supra* note 192, at 191-192 (2006).

<sup>196</sup> Fed. R. Civ. P. 11; see also Davis & Weinstein, *supra* note 192, at 191 -192 (2006).

<sup>197</sup> *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45 (1991).

<sup>198</sup> *Central Manufacturing, Inc. v. Brett*, 2005 WL 2445898 \*1, 13 (N.D. Ill. Sept. 30, 2005) *aff'd*, 492 F.3d 876, 880 (7th Cir. 2007); see also 15 U.S.C. § 1117(a).

As the district court in *Central Manufacturing* also explained, there exists a sixth basis to award attorney's fees and costs in trademark litigation where the Illinois Consumer Fraud and Deceptive Business Practice Act ("ICA") is invoked.<sup>199</sup> Stoller alleged a violation of the ICA in addition to his Lanham Act claims.<sup>200</sup> This is the Illinois state equivalent to a trademark statute and essentially traces Section 1114 of the Lanham Act. A person is engaged in a deceptive trade practice if "during the course of his or her business: ... (2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval or certification of goods or services ... [or] (3) causes likelihood of confusion or of misunderstanding as to affiliation, connection, or association with or certification by another."<sup>201</sup>

These claims were resolved against him for the same reasons his Lanham Act claims were rejected: he failed to prove that he had a protectable mark and the defendant's use was not likely to cause confusion.<sup>202</sup> The district court only identified two sources of law authorizing the award of attorneys' fees: the Lanham Act and the ICA.

Under both, the court has discretion to award attorneys' fees to the prevailing parties.<sup>203</sup> As noted above, to qualify under the Lanham Act, the case must be "exceptional."<sup>204</sup> Under the ICA standard, a prevailing defendant must show that the plaintiff's suit was "oppressive."<sup>205</sup> The Seventh Circuit has held that, "a suit can be oppressive because of a lack of merit and cost of defending though the plaintiff honestly though mistakenly believes that he has a good case and is not trying merely to extract a settlement based on the suit's nuisance value."<sup>206</sup> This standard is "malicious, fraudulent, deliberate or willful

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<sup>199</sup> *Central Manufacturing, Inc.*, 2005 WL 2445898 at \*13, citing Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 (West 2007).

<sup>200</sup> *Central Manufacturing Inc.*, 2005 WL 2445898 at \*13.

<sup>201</sup> 815 ILCS 510/2.

<sup>202</sup> *Id.*

<sup>203</sup> *Id.*; see also 15 U.S.C. § 1117(a); see also 815 ILCS 510/10a(c).

<sup>204</sup> 15 U.S.C. § 1117(a).

<sup>205</sup> *Central Manufacturing Inc v. Brett*, 2005 WL 2445898, \*1, 13 (N.D. Ill. Sept. 30, 2005) *aff'd*, 492 F.3d 876, 880 (7th Cir. 2007).

<sup>206</sup> *Id.*

conduct.”<sup>207</sup> The district court found this standard unquestionably met in this case: not only did Stoller offer useless, contradictory, and “seemingly fantastical” documents and uncorroborated “arguably false” testimony, but brought suit before he had even obtained the ‘249 registration.<sup>208</sup> Having found that Stoller’s actions met the “oppressive” standard under the ICA, the court also held that this case was an “exceptional” one, finding a second basis to award attorney’s fees and costs.<sup>209</sup> The court reasoned that the plaintiffs exemplified “paradigmatic examples of litigants in the business of bringing oppressive litigation designed to extract settlement.”<sup>210</sup>

Although the district court *Central Manufacturing* seemed to suggest that the standard for awarding attorneys’ fees and costs were different under the Lanham Act and under the ICA (“exceptional” versus “oppressive”), two trademark decisions by the Seventh Circuit clarify that the court considers this standard to be the same. First, in *Door Systems v. Pro-Line Door Systems, Inc.*,<sup>211</sup> the Seventh Circuit held that the “canonical formula” for determining whether to award attorney’s fees to the defendant in a Lanham Act case in the Seventh Circuit is “malicious, fraudulent, deliberate, or willful.”<sup>212</sup> In *Te-Ta-Ma Truth Foundation-Family of URI, Inc. v. World Church of the Creator*, the Seventh Circuit confirmed its holding in *Door Systems*, stating “we concluded that [in a Lanham Act case] the appropriate inquiry when the defendant is the prevailing party is whether the plaintiff’s suit is oppressive....[w]e have clarified that a suit may be oppressive “if it lacked merit, had elements of an abuse of process claim, and [the] plaintiff’s conduct unreasonably increased the cost of defending against the suit.”<sup>213</sup>

In this case, however, this was a distinction without a difference. It was obvious that the plaintiff’s actions constituted vexatious and

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<sup>207</sup> *Id.*

<sup>208</sup> *Id.* at \*13-14.

<sup>209</sup> *Id.* at \*14.

<sup>210</sup> *Id.*

<sup>211</sup> 126 F.3d 1028, 1031 (7th Cir. 1997).

<sup>212</sup> *Id.*

<sup>213</sup> 392 F.3d 248 257-58 (7th Cir. 2004).

wasteful litigation warranting reprisal and the award of attorneys' fees and costs. The question of whether the failure to provide evidence of commercial use after bringing a trademark infringement suit will always rise to the level of egregiousness in order to qualify for an award of attorney's fees and costs is a fact intensive question assessed on a case-by-case basis.<sup>214</sup>

However, the statutory mandate is explicitly apparent: if one does not use a mark in commerce one does not have ownership rights to that mark. Accordingly, where it is clear at the outset of filing suit that the plaintiff's theory of ownership is meritless or lacking in evidentiary support, the plaintiff's conduct should be considered sufficiently culpable to meet the Seventh Circuit's "oppressive" standard and the award of attorneys' fees and costs should be awarded.

#### CONCLUSION

It is axiomatic that the commercial use of a trademark and not its registration confers enforceable rights in that mark. As basic as it may seem to those well-versed in the field of trademark law, it is apparent that some still misunderstand the U.S.'s use-based system of registration. In *Central Manufacturing*, the plaintiff was certainly confused. Fortunately, the Seventh Circuit got it right.

The district courts should not wait for a defendant to plead cancellation as an affirmative defense to trademark infringement where it is clear that the plaintiff's registration is invalid. Rather, district courts should adopt the "cancellation-as-best-course" approach enunciated by the Seventh Circuit in *Central Manufacturing*, and invoke the power to cancel *sua sponte* when given the opportunity by a plaintiff filing suit without valid rights to the registered mark in question. A more liberal invocation of the courts' power to cancel promotes each of the three policy components that form the very foundation of trademark law: protecting producers, protecting consumers from confusion, and fostering fair competition. In addition,

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<sup>214</sup> *Id.* at 258 ("No one factor is determinative . . . we have concluded that a case may be exceptional if a losing plaintiff's litigation conduct is particularly egregious").

the cancellation-as-best-course route provides greater certainty regarding the status of trademark rights by putting the public on notice of the district court's trademark related judgments and refreshing the federal register. It will also reduce the production of trademark thickets thereby releasing marks into the public domain for other producers to make meaningful use.

Further, a combination of the threat of cancellation and the award of attorney's fees creates a powerful situation which may deter trademark trolls from either filing, or threatening to file, meritless trademark infringement suits. Although *Stoller* was the extreme case due to the nature of his extensive litigation history, *Central Manufacturing* stands for the proposition that if a party chooses to bring a trademark infringement suit, they better be sure to have credible evidence establishing commercial use. Otherwise, they may not only risk losing their registration, but may be forced to pay the costs of litigation.