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LITIGATION

Lessons learned from a trademark infringement trial

By Ben M. Davidson and Heather H. Fan

One of the most difficult jobs facing general counsel today is how to effectively manage an intellectual property case. IP cases can be more complicated, unpredictable and expensive than other cases. A recent trademark infringement case highlights some of these challenges. Earlier this month, the Central District of California returned a verdict of \$8.6 million for compensatory and punitive damages in favor of Canadian toy and game manufacturer Spin Master Ltd. and its licensors. The verdict ended a 7-year litigation regarding the trademark "WOULD YOU RATHER..." used by both sides on board games, humor books and entertainment products.

The dispute actually began years earlier, in 1997, after both sides filed trademark applications to protect the mark and then became engaged in a trademark opposition proceeding at the U.S. Patent and Trademark Office. A trademark infringement lawsuit was filed in 2006, and, two years later, the defendants obtained summary judgment that the trademark was invalid and not protectable. Then, in 2010, the 9th U.S. Circuit Court of Appeals remanded the case for trial, clarifying the tests for determining the validity of a trademark and ruling that the issue had to be decided by a jury. The two-week jury trial and interviews with some of the jurors provided insights about how juries ultimately resolve disputes in IP cases.

Discuss biases.

After remand, the defendants took discovery to prove that they beat the plaintiffs in the marketplace because they sold better games. They argued that the plaintiffs failed to get their first game accepted because it was "loaded with explicit sexual references." During *voir dire*, counsel engaged potential jurors to talk about their feelings about "edgy" humor found on TV shows like *South Park*. That led to one juror being excused for cause because she would find it difficult to even watch an R-rated movie. The open discussion during *voir dire* also led other jurors to promise to be fair to the plaintiffs, whatever their personal feelings about edgy, adult humor used in the initial game.

Simplify.

Trademark cases, like other intellectual property cases, can be confusing to anyone, including a jury sitting through weeks of testimony. As the plaintiff with the burden of proving infringement, Spin Master's general

counsel agreed to allow a streamlined presentation focusing only on a single basis for proving trademark validity. This allowed the trial team to eliminate lengthy expert testimony and dozens of trial exhibits, reduce the number of jury instructions, and significantly shorten the trial. As one juror explained after trial, the case boiled down to one company wanting something somebody else owned and deciding to take it.

Spin Master had retained a leading industry expert to explain why the plaintiffs' mark was distinctive. But as the trial went on, it became clear that his testimony wasn't necessary. The jury had already learned about the distinctiveness of the mark through fact witnesses, including the cross examination of the defendants' main witness.

In a trial that lasts any length of time, jurors begin to understand which side's version of the facts is more trustworthy.

Relatable witnesses.

General counsel often deal with the challenge of choosing corporate representatives who can present the corporation's human face at trial. Spin Master explained its case through the two young writers who had developed the brand, were forced out of business by the defendants' infringement, and later, during the litigation, licensed the brand to Spin Master. As one juror explained in a post-trial interview, the jury was able to relate to these young authors because the defendants thought there was nothing they could do about the infringement before they had licensed their intellectual property.

Depositions as part of the trial.

After the case was remanded, the defendants challenged the plaintiffs' right to seek profits made through infringement, arguing that they would have made the same profits if they didn't infringe. To support that theory, the defendants took depositions of national retailers who had been selling their games. The dilemma faced by the defendants was that these retailers typically do not want to be deposed. Jurors who were interviewed after the verdict said they found these retailer witnesses particularly credible when they saw their videotaped depositions because they were clearly independent witnesses. So when the retailers explained that the defendants had blocked the plaintiffs from retailer shelves

by using the plaintiffs' brand first, their testimony was given a lot of weight.

Experts who do their own work.

Spin Master retained a damages expert who conducted his own interviews with witnesses, including an industry expert, and who read every page of witness depositions in the case. The defendants' expert, though highly credentialed, did not have as much first-hand knowledge of the facts of the case. During cross examination, the jury learned that it had seen more deposition testimony at trial than the expert had read by the time he submitted his expert report. That empowered the jury to reject the defense expert's opinions and accept the plaintiffs' damage number.

Credibility.

Gerry Spence often says that the only thing a trial lawyer has to sell to jurors is credibility. In a trial that lasts any length of time, jurors begin to understand which side's version of the facts is more trustworthy. In this case, the defendants' principal insisted that he had obtained "consent" from the plaintiffs to use the mark. The jurors explained after trial that this defense never made sense because the plaintiffs would never have agreed to give away their brand for free. As one juror put it after the trial, the defendants hurt themselves every time they "tried to sell us on consent."

While every IP case presents its own nuances and own challenges, these cases must often be decided by a jury, no matter how complex they are or how many thousands of documents or pages of deposition transcripts they generate in discovery. By always keeping their focus on the jury, general counsel can make choices from the outset that will maximize the chances for presenting their companies and their case in a way that will be most credible and persuasive at trial.

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