

A row of matches is shown at the bottom of the slide. The match on the far left is lit, with a large, bright yellow and orange flame rising from it. The other matches are unlit. The background is a dark red color.

NYIPLA Hot Topics Program

Pandemic Impacts on Trademark Enforcement, Licensing Breaches/Force Majeure, and Brands in Bankruptcies

8-5-2020

How to Enforce
Trademarks and
other IP Rights in
in the Midst of a
Global Pandemic
(and not be damned fools)

A Primer by
Cameron S. Reuber

Lesson 1:
New Normal \neq
Old Normal

Welcom

THE FUTURE
IS NOW



Way Back, in the Before Times

- Despite ECF, many courts have relied heavily on paper.
- Despite telephony, many courts required in-person conferences.
- Despite all-remote tech, many courts avoided videoconferencing.
- *Why?* Because in a precedent-based system of justice, both courts and practitioners expect the legal system to function as is has in the past.

The Future is Now

- Today, many judges no longer require paper courtesy copies (some even require advance permission to send papers to their chambers).
- In-person conferences are rare (even for criminal matters).
- “All-remote” hearings and conferences are the norm; mostly remote trials are on the horizon.
- *Why?* Because in a precedent-based system of justice, unprecedented times may upset expectations, but the wheels of justice must still turn.

Waging The War for the *Status Quo*

- IP disputes generally involve one party allegedly infringing another's IP rights; the accused prefers the *status quo*, while accusers seek the *status quo ante*.
- Pre-Pandemic, IP owners could file and predictably progress lawsuits, including (somewhat importantly) the availability of preliminary relief restoring the *status quo ante*.
- As the pandemic rages on around us, more *status quo* battles are being won, *i.e.*, disruptions are facilitating maintenance of the *status quo* rather than change.
- Why? *Pandemonium*: IP Owners can still file lawsuits, but every other aspect of the process has been upended, making **preliminary relief unlikely** and progress on the merits much **less predictable** and **slower** to achieve.

Lesson 2: Emergency
Relief is for
Emergencies



**EMERGENCY
ALERT**



Art Ask Agency v. The Individuals, Corporations, LLCs,
Partnerships, and Unincorporated Associations
Identified on Schedule A Hereto
Case Number 1:20-cv-01666 (N.D. Ill.)

Procedural Timeline

- 3/9 – Plaintiff files TM infringement complaint
- 3/10 – Plaintiff files *Ex Parte* Motion for TRO; notices hearing for 3/17
- 3/13 – Court sets hearing for 4/13
- 3/16 – Plaintiff moves for Reconsideration to re-set TRO/PI hearing for later that same week
- 3/16 – General Order extends all deadlines 21 days
- 3/18 – Plaintiff files “Emergency Motion”
- 3/18 – Court (epically) denies Emergency Motion
- 5/19 – Plaintiff voluntarily dismisses action



UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ART ASK AGENCY,)
)
Plaintiff,) Case No. 20-cv-1666
)
v.) Hon. Steven C. Seeger
)
THE INDIVIDUALS, CORPORATIONS,)
LIMITED LIABILITY COMPANIES,)
PARTNERSHIPS AND)
UNINCORPORATED ASSOCIATIONS)
IDENTIFIED ON SCHEDULE A)
HERETO,)
)
Defendants.)

ORDER

This case involves counterfeit unicorn drawings. The complaint includes a few examples of products that allegedly infringe Plaintiff's trademarks, which offer "striking designs and life-like portrayals of fantasy subjects." See Cplt. at ¶ 7 (Dckt. No. 1). One example is a puzzle of an elf-like creature embracing the head of a unicorn on a beach. *Id.* at p.4. Another is a hand purse with a large purple heart, filled with the interlocking heads of two amorous-looking unicorns. *Id.* There are phone cases featuring elves and unicorns, and a unicorn running beneath a castle lit by a full moon. *Id.*

Meanwhile, the world is in the midst of a global pandemic. The President has declared a national emergency. The Governor has issued a state-wide health emergency. As things stand, the government has forced all restaurants and bars in Chicago to shut their doors, and the schools are closed, too. The government has encouraged everyone to stay home, to keep infections to a minimum and help contain the fast-developing public health emergency.

The United States District Court for the Northern District of Illinois took action last week to protect the public, issuing General Order No. 20-0012 entitled **IN RE: CORONAVIRUS COVID-19 PUBLIC EMERGENCY**. See www.ilnd.uscourts.gov (last visited March 16, 2020) (bold and all caps in original). On March 16, the Executive Committee issued an amended Order that, among other things, holds all civil litigation in abeyance. *Id.*

Last week, Plaintiff filed a motion for a temporary restraining order (Dckt. No. 11) against the Defendants (who are located abroad) and requested a hearing. See Dckt. No. 1, at ¶ 12. This Court thought that it was a bad time to hold a hearing on the motion. So, this Court

moved the hearing by a few weeks to protect the health and safety of our community, including counsel and this Court's staff. See Dckt. No. 19. Waiting a few weeks seemed prudent.

Plaintiff has not demonstrated that it will suffer an irreparable injury from waiting a few weeks. At worst, Defendants might sell a few more counterfeit products in the meantime. But Plaintiff makes no showing about the anticipated loss of sales. One wonders if the fake fantasy products are experiencing brisk sales at the moment.

On the flipside, a hearing – even a telephonic one – would take time and consume valuable court resources, especially given the girth of Plaintiff's filings. See Dckt. Nos. 1, 6-7, 11-18. And the proposed temporary restraining order would require the attention of innocent third parties, and create a cascade of obligations. Plaintiff wants to force financial institutions to lock down accounts, and require domain name registries to shut down websites, for example. See Dckt. No. 12. Plaintiff requests an order forcing innocent third parties – such as Amazon, eBay, PayPal, Alibaba, Western Union, plus social media platforms such as "Facebook, YouTube, LinkedIn, [and] Twitter," plus internet search engines such as "Google, Bing and Yahoo," among others – to spring into action within two or three days. Either the order would be a nullity, or it would distract people who may have bigger problems on their hands right now.

In response, Plaintiff Art Ask Agency and its counsel filed a motion for reconsideration. See Dckt. No. 20. They ask this Court to re-think its scheduling order. They want a hearing this week (telephonically if need be).

Plaintiff recognizes that the community is in the midst of a "coronavirus pandemic." *Id.* at ¶ 3. But Plaintiff argues that it will suffer an "irreparable injury" if this Court does not hold a hearing this week and immediately put a stop to the infringing unicorns and the knock-off elves. *Id.* at ¶ 4. To top it off, Plaintiff noticed the motion for a hearing on March 19, 2020, a day that has been blocked off on the Court's calendar – as revealed on its webpage – for several weeks. See www.ilnd.uscourts.gov (last visited March 16, 2020) ("The Honorable Steven C. Seeger will not be holding court on Thursday, March 19, 2020 . . .").

Meanwhile, the Clerk's Office is operating with "limited staff." See Amended General Order No. 20-0012, at ¶ 5. "[P]hone conferencing" is available "in emergency situations and where resources permit." *Id.* at ¶ 1. The Court can still hear emergency motions, but resources are stretched and time is at a premium. *Id.* at ¶ 4. If there's ever a time when emergency motions should be limited to genuine emergencies, now's the time.

Thirty minutes ago, this Court learned that Plaintiff filed yet another emergency motion. They teed it up in front of the designated emergency judge, and thus consumed the attention of the Chief Judge. See Dckt. No. 23. The filing calls to mind the sage words of Elihu Root: "About half of the practice of a decent lawyer is telling would-be clients that they are damned fools and should stop." See *Hill v. Norfolk and Western Railway Co.*, 814 F.2d 1192, 1202 (7th Cir. 1987) (quoting 1 Jessup, Elihu Root 133 (1938)).

The world is facing a real emergency. Plaintiff is not. The motion to reconsider the scheduling order is denied.

03/18/2020	<p>31 MINUTE entry before the Honorable Steven C. Seeger: Plaintiff's Ex Parte Motion for Entry of a Temporary Restraining Order (Dckt. No. 11) is denied without prejudice. Injunctive relief is an "extraordinary remedy," and it is "not granted routinely." 11A Charles Alan Wright & Arthur Miller, Federal Practice and Procedure § 2942 (3d ed. 2019). "Perhaps the most significant single component in the judicial decision whether to exercise equity jurisdiction and grant permanent injunctive relief is the court's discretion." Id. It is a fact-specific inquiry, and "depends on the circumstances of each case." Id. Here, Plaintiff makes next to no showing that it will suffer irreparable harm unless this Court issues emergency relief. The gist of the motion is that Plaintiff will suffer harm from the sale (and the offer for sale) of counterfeit unicorn products on the internet. But Plaintiff gives this Court no information about the anticipated loss of sales. Not even an estimate. Plaintiff doesn't even tell this Court anything about its own sales, let alone anything about the volume of sales that it will lose without immediate Court action. Maybe the loss of sales is de minimis, or maybe not. But the point is that Plaintiff has made no such showing. A generic allegation of harm, without more, does not weigh heavily in the balance. On the flipside, one of the most important considerations before awarding equitable relief is the public interest. Here, Plaintiff proposes a bloated order that imposes extraordinary demands on third parties, including a wide array of technology companies and financial institutions. (Dckt. No. 30) Plaintiff's proposed order would require immediate action, in a matter of days, from firms that have nothing to do with this case. In the meantime, the country is in the midst of a crisis from the coronavirus, and it is not a good time to put significant demands on innocent third parties. See generally General Order 20-0012 (as amended on March 17, 2020). All of them undoubtedly have (more) pressing matters on their plates right now. To put it bluntly, Plaintiff's proposed order seems insensitive to others in the current environment. Simply put, trademark infringement is an important consideration, but so is the strain that the rest of country is facing, too. It is important to keep in perspective the costs and benefits of forcing everyone to drop what they're doing to stop the sale of knock-off unicorn products, in the midst of a pandemic. Without a showing of immediate, real-world harm, this Court cannot impose significant demands on third parties in the current environment. That said, this Court denies the motion without prejudice. Later, perhaps Plaintiff will make a better showing. But for now, Plaintiff has come up short (by a wide margin). As a reminder, the Court expects Plaintiff and its counsel to follow General Order 20-0012, including the admonition about emergency motions. Mailed notice. (jjr,) (Entered: 03/18/2020)</p>
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Lesson 3: COVID-19
is an Emergency





3M

3M Company v. Performance Supply, LLC
Case No. 1:20-cv-02949-LAP (S.D.N.Y)

Procedural Timeline

- 4/10– Plaintiff files complaint (deficient)
- 4/13 – Plaintiff re-files
- 4/24 – Plaintiff files motion for TRO/PI
- 4/24 – Granted; OTSC issues setting telephonic hearing for 5/4
- 5/4 – PI granted
- 6/4 – Plaintiff updates court on Defendant’s failure to answer complaint, criminal charges against Defendant’s principal



Findings of Fact

IV. Issuing a Preliminary Injunction Would Serve the Public Interest of Avoiding Confusion and Protecting Healthcare Workers, First Responders, and Critical Infrastructure Operations from the Risk of Receiving Protective Equipment of Unknown Quality and Inflated Prices

41. During the current COVID-19 pandemic, consumers and government officials, including those here in New York City, understandably lack the time and resources they would have in normal purchasing environments to ensure that sellers are who they purport to be (*e.g.*, authorized distributors of 3M-brand products), and that products are what sellers claim they are (*e.g.*, genuine 3M-brand products). Accordingly, when the public sees purported 3M-brand N95 respirators available for sale, they are relying on the 3M Marks and 3M Slogan and standards associated with the 3M brand now, more than ever, to indicate that the respirators offered for sale are, in fact, genuine and adhere to the 3M brand's rigorous standards.

42. Sellers, such as Defendant, are seeking to exploit the fact that consumers are making rapid purchasing decisions during COVID-19 by falsely representing themselves as authorized distributors of 3M-brand products, as well as offering to sell those products at exorbitantly high prices. Not only is this unlawful conduct likely to confuse and deceive the public about the source and quality of purported 3M-brand products offered under the 3M Marks and 3M Slogan, but also it creates an overall purchasing environment that is materially different from, and irreparably harms, the carefully curated 3M brand and customer experience.

43. Accordingly, unless this Court enjoins Defendant's unlawful conduct, the public will continue suffering harm in the form of confusion and deception about the source and quality of the purported 3M-brand N95 respirators that Defendant is offering to sell for exorbitantly high prices. *See New York City Triathlon, LLC*, 704 F. Supp. 2d at 344 (consumers have an "interest in not being deceived—in being assured that the mark [they] associate [] with a product is not attached to goods of unknown origin and quality"); *see also NYP Holdings v. New York Post Pub. Inc.*, 63 F. Supp. 3d 328, 342 (S.D.N.Y. 2014) (consumers have a "protectable interest in being free from confusion, deception and mistake").

44. Unquestionably, the protection of healthcare professionals who are putting their lives on the line in the fight against COVID 19 is in the public interest. Those brave and selfless professionals deserve trustworthy supply lines of authentic PPE, including N95 respirators, that are free of misrepresentations, false designations of origin, and unscrupulous profiteering.

45. Likewise, precious public resources should not be squandered on needless inquiries and investigations into the truth and the legality of basic commercial terms and representations made in the procurement process. If the market (and the participants in the market) cannot be trusted, procurement will grind to a halt. When lives are at stake and time is of the essence, as is clearly the case in this crisis, the public interest demands accountability.

05/04/2020	22	<p>ORDER ON PLAINTIFF 3M COMPANY'S APPLICATION FOR A PRELIMINARY INJUNCTION AGAINST DEFENDANT PERFORMANCE SUPPLY, LLC: BASED ON THE FOREGOING, the Court hereby GRANTS 3M's Application for a preliminary injunction against Defendant in its entirety, and ORDERS as follows: 1. Pursuant to FED. R. CIV. P. 65(a): a. Defendant, its agents, servants, employees, officers and all persons and entities in active concert and participation with them, are enjoined during the pendency of this action from using the 3M Marks and 3M Slogan, and any other word, name, symbol, device, or combination thereof that is confusingly similar to the 3M Marks and/or the 3M Slogan, for, on, and/or in connection with the manufacture, distribution, advertising, promoting, offering for sale, and/or sale of any goods or services, including, without limitation, Plaintiff's 3M- brand N95 respirators, and b. Defendant, its agents, servants, employees, officers and all persons and entities in active concert and participation with them, are also enjoined during the pendency of this action from engaging in any false, misleading, and/or deceptive conduct in connection with 3M and its products, including, without limitation, representing itself as being an authorized distributor, vendor, agent, representative, retailer, and/or licensee of 3M and/or any of 3M's products (including, without limitation, 3M-brand N95 respirators); falsely representing to have an association or affiliation with, sponsorship by, and/or connection with, 3M and/or any of 3M's products; falsely representing that 3M has increased the price(s) of its 3M-brand N95 respirators; and offering to sell any of 3M's products at a price and/or in a manner that would constitute a violation of NEW YORK GENERAL BUSINESS LAW § 369-R. 2. Pursuant to this Court's equitable powers and discretion, because of 3M's financial situation, it need not post a bond. 3. 3M and/or its authorized representative(s) must serve a copy of this Order on Defendant and/or Defendant's registered agent via overnight mail or courier and/or personal service at 3 Westbrook Way, Manalapan, New Jersey 07726, delivered on or before 5:00 pm on May 6, 2020. The foregoing shall constitute proper service and notice of this Order. 4. This Court shall retain jurisdiction to hear and determine all matters arising out of, relating to, and/or otherwise concerning the interpretation and/or enforcement of this Order. 5. The Temporary Restraining Order entered against Defendant in this action on April 24, 2020 (Dkt. No. 17) is vacated and superseded by this Order. 6. Counsel shall inform the Court by letter no later than June 4, 2020 of the status of the action. SO ORDERED this 4 day of May, 2020. (Signed by Judge Loretta A. Preska on 5/4/2020) (va) (Entered: 05/04/2020)</p>
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Second, on May 21, 2020, the United States District Attorney for the Southern District of New York charged Defendant's principal, Mr. Ronald Romano, in a three-Count criminal Complaint regarding his participation in an alleged "multi-faceted fraud scheme" to sell 3M-branded N95 respirators to government agencies at grossly inflated prices during the COVID-19 global pandemic. I enclose a copy of the unsealed criminal Complaint for the Court's convenience.

As alleged in the criminal Complaint, Mr. Romano participated in the alleged conspiracy with three co-conspirators, three brokers, and a vendor. 3M is working diligently to unravel this vast, complex alleged conspiracy to assess whether it should: (i) seek leave to file an Amended Complaint in this action based on the allegations in the criminal Complaint, and/or (ii) obtain a Certificate of Default, and then move for a Default Judgment against Defendant. We expect to move forward soon.

Compare and Contrast

Art Ask

- Complaint concerned counterfeit product
- Reasonably strong on the merits
- Sought TRO/PI
- Plaintiff's "emergency" unrelated to the pandemic
- Plaintiff withdrew the proceeding

3M

- Complaint concerned legitimate product
- Somewhat unprecedented
- Sought TRO/PI
- Plaintiff's "emergency" tied directly to the pandemic
- Criminal charges filed against D's principal; P files more suits

3M Continues Suing...

- 3M Co. v. Rx2Live LLC, E.D. Cal No. 1:20-cv-00523
 - Complaint filed 4/10
 - TRO entered 4/30; PI entered 5/8
- 3M Co. v. King Law Ctr., Chartered, M.D. Fla. No. 6:20-cv-00760
 - Complaint filed 4/30
 - Settled 5/15
- 3M Co. v. TAC2 Glob. LLC, M.D. Fla. No. 8:20-cv-01003
 - Complaint filed 4/30
 - TRO granted in part 5/13; Settled 6/18
- 3M Co. v. 1 Ignite Capital LLC et al, N.D. FL, No. 4:20-cv-00225
 - Complaint filed 4/30
 - Settled 5/15
- 3M Co. v. Puznak, S.D. Ind. No. 1:20-cv-01287
 - Complaint filed 4/30
 - PI entered 5/19; Consent Judgment and Permanent Injunction entered 7/7
- 3M Co. v. KM Bros. Inc., C.D. Cal., No. 2:20-cv-05049
 - Complaint filed 6/8
- As of June, 3M reported that it had filed **12 lawsuits**, won **5 TROs** and **3 PIs**
- Per the C.D. Cal complaint, “Any damages awarded in this case will be donated by 3M to 15 charitable COVID-19 relief efforts.”

Lesson 4:
Navigating the
Disruption Paradox



Navigating the Disruption Paradox

- The pandemic is a near-universal justification for delaying resolution of IP disputes since every aspect of daily life has been disrupted.
- Advise clients that the courts are not immune to the pandemic.
- Merits aside, gauge whether now is the right time to engage in a dispute (but be mindful of SOLs).
- Where you have multiple targets, be selective.
- Where possible, try to rely on existing extrajudicial self-help mechanisms that require little to no human interaction (*e.g.*, take-down requests).

Navigating the Disruption Paradox, cont.

- Start with a Notice of Rights Letter (the kinder, gentler cousin of the C&D).
 - If you must send a C&D, don't be a jerk about it.
- Limit the initial ask to what you really need to protect your client's interests.
 - Do not ask for the sun, moon, and stars
 - Do not refuse reasonable asks by simply citing the pandemic
- Be candid about your willingness and ability to cooperate.
- Be reasonably generous with response and compliance times.
- Be reasonable in general; consider compromise in lieu of conflict.

Navigating the Disruption Paradox, cont.

- Don't be afraid to escalate to litigation (but be prepared to adapt to evolving challenges).
- Consider how your case will fit into a judge's docket (and proceed accordingly).
- Courts (still) expect compassion, cooperation, and compromise.
- Adjournments and extensions will be unavoidable for both sides; document them, inclusive of the reasons supporting the need to delay.
- Avoid indefinite adjournments/extensions; ask for a set date in the near-term, even if you are likely to have to adjourn again.
- After the first adj/ext., continue to document the specific reasons supporting further delays.
- **Manage client expectations from the outset.**

“About half the practice of a decent lawyer is telling would-be clients that they are damned fools and should shut up.”

— **Elihu Root**