

Navigating Trademark Consent Agreements*

By Jeremy J. Thornton**

For those who have been involved in a trademark dispute, the following scenario may be all too familiar: claims are asserted, letters are exchanged and, unless a settlement can be reached, the next stop is district court. With the inevitable expense and inconvenience of litigation, most parties prefer to find solutions to disputes that do not involve a seemingly endless stream of discovery, depositions, experts, motions and briefs.

In some cases, a trademark consent agreement may appear to be just the ticket to avoid the courtroom. A consent agreement that is not carefully contemplated can, however, have unforeseen consequences, some of which could prove more costly to a trademark owner than the litigation the agreement seeks to avoid.

Agreeing to Avoid Confusion

Ideally, trademark consent agreements—also called trademark co-existence agreements—allow owners of potentially confusing trademarks to continue to use their marks without a likelihood of consumer confusion. These agreements can take a variety of forms, ranging from a bare-bones consent executed to allow registration of another's trademark application to a detailed agreement that defines each party's trademark rights in exhaustive detail.

Because the essential aim of a consent agreement is to avoid a likelihood of confusion, the provisions of an agreement usually correspond with one or more of the likelihood of confusion factors established by case law. As one might expect, there is no one-size-fits-all approach to drafting a consent agreement. In general, the most relevant likelihood of confusion factors include the similarity of the marks, the similarity of the goods and services, and the established, likely to continue trade channels.

By using likelihood of confusion factors as a framework, parties to a consent agreement can delineate the differences between the existing uses of their marks or agree to new restrictions on the uses of their marks to avoid a likelihood of confusion. For example, if two companies use similar marks to sell cleaning products, but one company sells its products only to large institutional customers while the other sells its products exclusively in grocery stores for use in home cleaning, it may make sense for the parties to agree to restrict the use of their marks to their existing trade channels.

On the other hand, if the companies sell their products to the same customers, they might each agree to use their marks only in close proximity with their respective company brand names (called house marks), only in a particular color or stylized font or only with a disclaimer. Other possible avenues for distinction include defining discrete geographic

markets or restricting use to specific categories of products or services.

Unforeseen Consequences

When a consent agreement is all that stands between settlement and litigation, it may be easy to overlook the potential impact that an agreement might have outside the dispute at hand. While it may seem obvious, entering a consent agreement almost always restricts the rights of the parties to the agreement in some way.

Sometimes this may be fine. For example, if Acme Company's corporate colors are blue and white, have been blue and white for the last 100 years and will likely continue to be blue and white for as long as Acme exists, then agreeing to not use the color green for a specific product mark will not have a substantial impact on Acme's business.

On the other hand, something that makes sense at the settlement table could later rear its head in an unexpected way. Take the case of Apple Corps Ltd., the holding company that owns the Beatles' record label, and Apple, Inc., the computer company. In the early 1980's, as part of the settlement of a trademark dispute with Apple records, Apple, Inc. reportedly agreed not to enter the music business. It is difficult to imagine that Apple, Inc. could have envisioned at the time that it would ever want to operate a record store. But less than 25 years later, Apple, Inc. was doing just that through its iTunes® online digital music store.

A less obvious way that a consent agreement can potentially restrict a trademark owner's rights lies not in disputes between the parties to the agreement, but instead, in disputes between a party to the agreement and a third party. By entering a consent agreement, a trademark owner admits, at least implicitly, that there is no likelihood of confusion between its own use of a mark and a specifically defined use of a mark by the other party to the agreement.

If the trademark owner later seeks to enforce its rights against a third party, the third party can point to the consent agreement (even though it was not a party to that agreement) and argue that its disputed use falls within the use the trademark owner previously approved. In some cases, courts have accepted these arguments, finding that the trademark owner is estopped from alleging likelihood of confusion with a specifically defined use.

Considerations

Although consent agreements can be a useful way to avoid litigation, they should be entered only after considering their potential impact, not only for the dispute at issue,

but for future disputes as well. Trademark owners should carefully consider the following before entering into a consent agreement:

- Because consent agreements restrict the parties' trademark rights, the provisions should be drafted narrowly.
- Parties should give thought to their current and future business plans, including markets to which they might expand.
- It may be preferable to leave an agreement "open" on issues that are not directly in dispute. The desire to craft an agreement to address future disputes between the parties should be carefully weighed against

the possibility that the agreement could potentially restrict the parties' rights against others.

Consent agreements can lead to expedient resolution of business disputes, but they should only be entered after weighing the potential drawbacks.

ENDNOTES

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