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Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

TTAB Guidance On Sanctions

Law360, New York (January 06, 2009) -- A little over a year ago, amendments to the rules of the Trademark Trial and Appeal Board (TTAB) at the U.S. Patent and Trademark Office introduced a requirement that parties adhere to the Federal Rules of Civil Procedure relating to disclosure, discovery and expert discovery in proceedings before the Board.

Proceedings before the TTAB have operated under the Federal Rules of Civil Procedure for years, but this rule change brought the rules for oppositions, cancellations and other actions before the Board into closer conformity with the procedural requirements litigants must address in Federal Court Actions.

Two major differences between a TTAB action and a lawsuit in Federal Court are that the Board cannot award money damages, including attorney's fees or costs, and that its power to sanction parties acting in bad faith remains limited to procedural measures. The Board cannot order one party to pay the costs of another to settle discovery disputes nor can it hold a party or anyone else in contempt.

The big change for Trademark litigants was the requirement for a scheduling conference and disclosures regarding experts and other witnesses.

This included the provisions of Rule 26 of the Federal Rules of Civil Procedure requiring parties to make initial disclosures before discovery may commence in earnest. Trademark Rule 2.120(a) requires parties to serve initial disclosures no later than 30 days after opening of the discovery period.

Because damages are not an issue in TTAB proceedings, initial disclosures are limited to the names, addresses and locations of potential witnesses and descriptions and locations of documents to be produced under Federal Rule of Civil Procedure 26(a)(1)(A)(i) and (ii). No disclosures regarding potential damages or insurance coverage need be made as the Board

cannot award damages.

Without damages as a possibility, insurance coverage will not come into play. Therefore a party need not concern itself with subsections (iii) and (iv).

As a result, the requirements under Trademark Rule 2.120(a) should be relatively simple and easy to meet; a party should name its most likely witnesses, describe the relevant documents in its possession and say where it keeps its documents.

An Opposer in an ongoing Opposition proceeding before the TTAB recently failed to make the required initial disclosures within the prescribed time period.

Under the Notice of Institution issued by the Board on Jan. 16, 2008, the parties' reciprocal disclosures were due on April 25, 2008. Applicant made its disclosures on that day, but Opposer did not.

A month later, Applicant moved for sanctions against Opposer, arguing that dismissal of the Opposition would be an appropriate sanction under Trademark Rule 2.120(g)(1). *Kairos Institute of Sound Healing LLC v. Doolittle Gardens LLC*, 88 USPQ2d 1541 (2008).

The Applicant argued that it had been prejudiced by Opposer's failure to make appropriate disclosures as Applicant could only speculate as to the evidence Opposer would introduce and who Opposer would call as a witness, making it difficult, if not impossible for Applicant to formulate a discovery plan.

Opposer pointed out that it had served its initial disclosures, although late, and that Applicant had not been prejudiced, seeing as the discovery period was still open and would be for several more months.

Sanctions are appropriate under Rule 2.120(g)(1) of the Trademark Rules of Practice in situations where a party fails to comply with an Order of the Trademark Trial and Appeal Board or under Rule 2.120(g)(2) where a party fails to make initial disclosures or expert testimony disclosures and informs the party entitled to receive such disclosures that no such information will be forthcoming.

The Notice of Institution setting the deadlines in a proceeding is not considered an "Order" of the Board and therefore the Opposer in the *Kairos Institute* case could not be said to have ignored an Order of the TTAB.

The Board observed that "A notice of institution is merely a scheduling order, whereas the type of order that is contemplated as a prerequisite to a motion for sanctions under Trademark Rule 2.120(g)(1) is an order granting or denying a motion to compel or a motion for a protective order."

Sanctions have been ordered in cases where a party failed to comply with the Board's orders granting motions to compel. Because Applicant had not filed a motion to compel and because there was no order from the Board, the TTAB held that Applicant's motion for sanctions in the nature of dismissal was premature and therefore denied.

The Board's ruling not to sanction the opposer in Kairos Institute for its failure to simply identify a few witnesses and describe some documents and indicate where they are stored does not reach the level of groundbreaking precedent.

What would seem to be important in this decision is the fact that the Board had the decision published and reported. The case may now be cited for precedent and trademark litigants would be wise to take note of what the TTAB went on to say after it denied the applicant's motion for sanctions.

In its decision, the Board continued by stating that if the applicant had filed a motion to compel Opposer's initial disclosures and opposer had failed to make appropriate disclosure even after issuance of such an order, then applicant would have been able to move for sanctions.

The TTAB cited the Final Rulemaking of Aug. 1, 2007, to underline its power: "the Board must retain the discretion to tailor sanctions to the circumstances of each case."

The Board in its Kairos Institute then provided additional guidance to TTAB litigants on its interpretation procedure under the new requirements and on what sanctions would be possible in situations where a party ignores a Board ruling.

The Board reiterated language from the Notice of Final Rulemaking published in the Federal Register of Aug. 1, 2007, that initial disclosures would be treated the same as discovery responses and that making such disclosures should be considered an obligation not to be taken lightly.

Rule 2.120(g) of the Trademark Rules of Practice states that "If a party fails to comply with an order of the Trademark Trial and Appeal Board relating to discovery, including a

protective order, the Board may make any appropriate order, including any of the orders provided in Rule 37(b)(2) of the Federal Rules of Civil Procedure, except that the Board will not hold any person in contempt or award any expenses to any party."

The rule goes on to say that sanctions may be imposed if a party fails to comply with a protective order.

Trademark practitioners may wonder, however, just what the Board can do to enforce rulings and keep order. The Board may appear toothless and perhaps even ineffectual. It does not have the ability to hold a party or counsel in contempt or to make a party acting in bad faith pay for the other side's costs when a bad actor fails to answer discovery requests or if it provides inadequate responses to document requests or interrogatories.

In *Kairos Institute*, the TTAB made clear that it would punish a party's "lax approach" to its initial disclosure obligation and that it would not hesitate in implementation of sanctions in response to a well-taken motion.

The options for sanctions specifically identified by the Board to penalize a party failing to provide initial disclosures after a motion to compel included:

- Imposing a limit on the number of depositions a party may take;
- Directing that a party may only serve a certain number of interrogatories or document requests;
- Extending the discovery period for the moving party alone in order to account for the impediment that late service of disclosures presented; and
- An order precluding the party acting in bad faith from relying at trial on information or documents which should have been disclosed.

The Board also cited that part of the Final Rulemaking of Aug. 1, 2007, in *Kairos Institute* that stated "[a] party may seek to strike any testimony or portions of testimony, whether or not from an expert, when related disclosures were untimely, improper or inadequate."

Initial disclosure obligations are relatively narrow, but this statement should serve as a warning that the Board does recognize its ability and power to enforce the Federal Rules of Civil Procedure and the Trademark Rules of practice. The TTAB has other weapons at its disposal as well.

Rule 37(b)(2) of the Federal Rules of Civil Procedure provides for the following "just orders" where a party fails to obey an order to provide or permit discovery:

- (i) directing that the matters embraced in the order or other designated facts be taken as established for purposes of the action, as the prevailing party claims;
- (ii) prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence;
- (iii) striking pleadings in whole or in part;
- (iv) staying further proceedings until the order is obeyed;
- (v) dismissing the action or proceeding in whole or in part;
- (vi) rendering a default judgment against the disobedient party; or
- (vii) treating as contempt of court the failure to obey any order except an order to submit to a physical or mental examination.

Obviously subsection (vii) of Rule 37(b)(2) of the Federal Rules is not an option for the TTAB, as it specifically may not hold a party or person in contempt. The other choices, however, constitute powerful tools for the Board. Those practicing before the Board should take notice.

Although the Judges on the Trademark Trial and Appeal Board will apply the rules based upon their own reading of the laws and the facts, parties before the Board would be well-advised to review the language of Kairos Institute and Rule 37(b)(2) of the Federal Rules of Civil Procedure.

Requests for sanctions based upon the precedential language of the Board are more likely to be well-taken than other such requests.

--Thomas W. Brooke, Holland & Knight LLP

Thomas Brooke is a partner with Holland & Knight in the firm's Washington, D.C., office.

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