

# World Trademark Review Daily

University waived sovereign immunity by appealing to district court  
United States - McKeon Meunier Carlin & Curfman

Confusion

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In *Board of Regents of the University of Wisconsin System v Phoenix International Software Inc* (Case 08-4164, August 5 2011), reversing its prior ruling, the US Court of Appeals for the Seventh Circuit has decided that defendant *Phoenix International Software Inc*'s compulsory counterclaims for trademark infringement were not barred by the doctrine of sovereign immunity in a district court action brought by the *University of Wisconsin* appealing the Trademark Trial and Appeal Board's (TTAB) cancellation of the state's registration.

The dispute centred around two computer programs offered under the trademark CONDOR. Phoenix registered the mark in 1997. Four years later, the Board of Regents of the University of Wisconsin registered the same term. In 2004 Phoenix petitioned to cancel the university's registration, claiming that the university's mark was likely to cause confusion. The TTAB granted the petition and cancelled the university's registration.

The university had two appeal options:

- appeal directly to the Federal Circuit Court of Appeals based on the record before the TTAB; or
- appeal by challenging the TTAB decision in a new federal district court action, which would allow the university to augment the record.

The university chose the latter option and filed suit in the US District Court for the Western District of Wisconsin. Phoenix predictably responded by asserting counterclaims for trademark infringement and false designation of origin. The district court dismissed Phoenix's counterclaims on the ground that they were barred by the state's sovereign immunity. The district court also granted the university's motion for summary judgment, finding no likelihood of confusion and reversing the TTAB decision.

In its first opinion, the Seventh Circuit concluded that Phoenix was entitled to a trial on its likelihood of confusion claim and that the doctrine of sovereign immunity barred Phoenix's counterclaims against the university (for further details please see "[State university entitled to sovereign immunity on Lanham Act claims](#)"). On rehearing, however, the appellate court reversed its sovereign immunity ruling in view of the US Supreme Court's decision in *Lapides v Board of Regents of the University System of Georgia* (535 US 613 (2002)).

In *Lapides*, the state of Georgia could have litigated in its home court, but instead invoked the federal court's jurisdiction and removed the case, thereby voluntarily waiving its sovereign immunity. Here, the Seventh Circuit ruled that the university similarly waived its sovereign immunity by litigation conduct - namely, by filing suit in the district court: "To maximize its chances of reversing the [TTAB] decision, the state availed itself of the advantages of a fresh lawsuit, choosing that path over a number of others available." Therefore, even though the university did not initiate the TTAB proceeding, the state did choose to go to the district court after Phoenix prevailed.

The Seventh Circuit viewed the university's initiation of a civil action as both an appeal and a new action. By initiating that new action, the university's desire was to increase its chance of success. The appellate court stated:

*"Choosing one court over another [the district court over the Federal Circuit Court of Appeals] to increase the chance of victory and then denying the chosen court's competence to resolve related claims is exactly the sort of gamesmanship that the Lapides court hoped to discourage. [The University of] Wisconsin's choice to contest the decision of the TTAB in the district court is thus litigation conduct that is inconsistent with an assertion of sovereign immunity."*

Had the university appealed to the Federal Circuit, the state could have maintained its sovereign immunity and litigated the likelihood of confusion issue in the context of a cancellation proceeding. There would have been no issue of an injunction or damages. One can presume that the university filed the civil action in Wisconsin District believing it would gain a home field advantage on the likelihood of confusion issue and avoid any counterclaims by asserting the doctrine of sovereign immunity. Instead, the university has waived its sovereign immunity and must now try the likelihood of confusion issue in the form of Phoenix's counterclaims for trademark infringement and unfair competition and any appropriate remedies allowed under those legal theories. After the Seventh Circuit's change of position on rehearing, the case would seem

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very different from that intended by the university.

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