Why 13 Trademark Infringement Lawsuits, With Hundreds of Defendants, Were Dismissed in Chicago

"Finally someone is holding [the plaintiffs'] feet to the fire," said Cory Jay Rosenbaum of Long Island law firm Rosenbaum Famularo & Segall.

What You Need to Know

- Schedule A trademark infringement cases have long been on the rise in the Northern District of Illinois.
- However, a recent wave of dismissals have raised eyebrows among some of the attorneys defending these claims.
- Some speculate that pushback from judges has made it more difficult to plaintiffs to get favorable orders, or that fewer viable defendants have made the system less profitable.

While Schedule A e-commerce trademark infringement complaints continue to surge in the Northern District of Illinois, a new development is bucking the trend's trajectory. This new pattern, however, is not in filings, but dismissals.

Emoji Company, a particularly litigious plaintiff favoring the Schedule A defendant model, represented by Michael Hierl, Robert Mcmurray and William Kalbac of Hughes Socol Piers Resnick & Dym in Chicago, has dismissed 13 of their 14 pending cases cases this year, which is "highly unusual," according to a defense attorney in one such legal action. Neither Hierl, Mcmuray or Kalbac responded to request for comment.

"We're not clear as to why it happened, and them doing so (41(a)'ing everyone) after securing a [temporary restraining order] opens them up to

actions on the bond," Adam E. Urbanczyk, principal attorney at AU LLC, wrote in an email. Urbanczyk, who's represented many Emoji Company defendants, including the recent once who were abruptly dismissed noted "We are in touch with their counsel on other cases they have, which are proceeding normally."

John Kness testifies before the Senate Judiciary Committee during his confirmation hearing to be U.S. District Judge for the Northern District of Illinois, on Wednesday, July 17, 2019. Photo: Diego M. Radzinschi/ALM

The Schedule A defendant model involves naming anywhere between tens to hundreds of alleged infringers in a separate Schedule A document that remains under seal until the Court grants temporary restraining orders against the allegedly infringing companies. This freezes their assets, often before they know there's a pending legal action against them.

The tactic is designed to capture hit-and-run trademark infringers, often small-scale online sellers located in China, though detractors argue it also frequently ensnares American businesses and deprives them of their due process rights.

Leslie Gillis of Long Beach law firm Rosenbaum Famularo & Segall noted defendants in these cases fall into three categories—those

who settle, those who end up with default judgements because they afraid or otherwise unable to appear in the case and state-side companies who shouldn't be there and should have been sued individually if they are, in fact, infringing. Gillis said she thinks it's likely these cases in question are being dismissed because default judgments are being entered in against the defendants.

Ning Zhang of Intelink Law Group, who works with Chinese and American companies offered another hypothesis: "The guess is that there are not enough Chinese sellers getting trapped any more cases and more US sellers being [are] caught in the scheme leading to more investigations," Zhang wrote in an email. "Economically, it is likely not worthwhile for the plaintiff anymore—of course, [that's] just speculation."

According to Gillis' co-counsel, Cory Jay Rosenbaum, it's because "Finally someone is holding [the plaintiffs'] feet to the fire."

"[Judge John Kness] is the first judge in the Northern District that I've been in front of that's been like, 'Wait a second, you don't have any research on the individual sellers? You didn't see whether they actually were located in the U.S. or in China?'" Rosenbaum said.

Zhen Pan of Diaz Reus. Courtesy photo

“I see a trend recently that judges are now paying attention to where the sellers are domiciled and not necessarily believing everything that the plaintiff sticks in their papers,” said Rosenbaum’s co-counsel Leslie Gillis. “They do rubber stamp it [but then they] backtrack and are trying to hold plaintiffs’ counsel accountable.”

Zhen Pan of Miami law firm Diaz Reus successfully argued before Kness to dismiss a different schedule A case when Emoji Company and his client couldn’t come to an amicable resolution. He posited that the court’s opinion may have provided similarly situated defendants some leverage in getting their cases dismissed.

Meanwhile, another defendant in the suit brought against Gillis and Rosenbaum’s’ clients who’s argument to dissolve the asset restraint against his client was unique in that it cited the work of Eric Goldman, a professor at the Santa Clara University School of Law, a critic of Schedule A Defendant litigation, who’s research first identified the framework and outlined how it could potentially abuse the legal system.

Kness, however, isn’t the only judge on the Northern District of Illinois bench to show burgeoning resistance to these cases. Normally, plaintiffs in a Schedule A defendant suit ask for the list of defendants to be sealed until the judge issues a TRO, as well as a bond of around $10,000. However, Judge Steven Seeger, who was assigned four of the 12 cases, balked at both.

Regarding the question of allowing a Schedule A list of defendants to remain under seal, in a Nov. 22, 2023 hearing, Seeger opined, “There is a strong presumption of openness in judicial proceedings. … A party who wants to depart from that longstanding tradition, and litigate in secret, must carry a heavy burden. [The] plaintiff does not come close to doing so here.”

According to Seeger, Emoji Company argued that if the defendants were to learn about the legal proceedings they would likely destroy evidence and hide or transfer their assets. But, Seeger said, Emoji Company, “That’s

the same cut-and-paste boilerplate offered in countless Schedule A cases, often word for word."

"[Emoji Company] gives no concrete reason to think that defendants would destroy documents in this particular case," Seeger continued. "As a practical matter, defendants typically don't produce documents in Schedule A cases anyway, because almost all of them fail to participate in the suit and eventually get tagged with a default judgment. The simple reality is that defendants in Schedule A cases tend to be foreign sellers who do not produce documents at all, so sealing a case to protect documents is likely to be a moot point."

Steven Seeger testifies before the Senate Judiciary Committee during his confirmation hearing to be U.S. District Judge for the Northern District of Illinois, on Wednesday, August 22, 2018. Photo: Diego M. Radzinschi/ALM

In a minute entry on a different, recently dismissed Schedule A defendant case, Seeger denied Emoji Company's motion to reduce a TRO bond from $1,000 per defendant, totaling $247,000, to $10,000.

"[Emoji Company] explains that the average sale price of the goods in question is less than $20 [and] suspects that the 'profit realized by certain Defendants may be minimal,' and that the 'sales volume by certain

defendants may be relatively low.' If that's the case, one wonders how important it is to seek emergency injunctive relief at all. It sure doesn't seem like an emergency," Seeger reasoned. "But if [the] plaintiff does seek emergency injunctive relief, then the Federal Rules require plaintiff to bear the cost. ... A bond of $10,000 is not sufficient to provide security for a TRO against 247 defendants. If Plaintiff does not want to pay the costs of the bond, then Plaintiff can drop its request for a temporary restraining order."

Rosenbaum and Gillis said that Kness did not set bonds that high in the cases they've worked on (and in fact, the highest bond they've seen in a case like this was $60,000). However, they also noted that a high bond on its own likely wouldn't decrease the profitability of filing lawsuits under this model, as Gillis said judges are lenient in returning bonding fees for defendants who were wrongly pulled in.