

DECLARATORY JUDGMENT ACTION STILL REQUIRES CASE OR CONTROVERSY

The Fifth Circuit Court of Appeals recently addressed the standard for a declaratory judgment action in the context of trademark rights. In *Vantage Trailers, Inc. v. Beall Corporation*, 567 F.3d 745 (5th Cir. 2009), Vantage filed civil action seeking declaratory judgment finding that its designed for a new aluminum bottom dump trailer would not infringe on any valid trademark rights of Beall Corporation. Beall manufactures and sells an aluminum bottom dump trailer which is protected by a registered trademark. In early 2006, Vantage began designing its own aluminum bottom dump trailer. In July 2006, Beall's vice president sent a letter to Vantage stating that if your company places any trailers into service that violate any of Beall's trademarks we will pursue legal action to stop the infringement. In response to the letter, Vantage filed a civil action seeking a declaratory judgment that Beall's trademark is invalid and that the design of Vantage's trailer did not infringe on any intellectual property rights of Beall's.

Beall filed a motion to dismiss the claim for lack of subject matter jurisdiction. The district court granted the motion which the Fifth Circuit affirmed. The Fifth Circuit stated that the Declar-

atory Judgment Act requires an actual controversy between the parties. A declaratory judgment plaintiff must establish this requirement as of the time the complaint is filed; post-filing conduct is not relevant. The dispute must be definite and concrete, real and substantial, and seek specific relief through a decree of a conclusive character. A declaratory judgment cannot be used to seek an opinion advising what the law would be in a hypothetical set of circumstances.

Vantage argued that its activities related to the design and attempted sale of an aluminum bottom dump trailer demonstrated the immediacy and reality of the controversy between itself and Beall. Vantage had worked with an engineer on private development and began construction of a new manufacturing facility, purchased specialized equipment, built a sub-frame and offered to sell its new model trailers. Although it was undisputed that Vantage had begun to manufacture a type of trailer, Vantage's design was not substantially fixed and definite when it filed the action. Even during the litigation, Vantage had made modifications to the external configuration or appearance of the trailers it was working to build. Thus, the court could not compare the

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potentially infringing characteristics of Vantage's trailer against those of the Beall trailers.

This ruling highlights that although a threatening letter had been sent, this threat alone cannot create an actual controversy under the Declaratory Judgment Act. In order for a case to exist, a person must use a trademark or service mark. A word, slogan, design or product configuration can only function as a trademark or service mark if used in commerce to identify and distinguish certain goods/services from those of others. A mark is used in commerce when it is affixed to a good or service which is sold or transported in commerce. In this instance, the potentially infringing elements, i.e., the appearance of the trailers, were not substantially fixed, so as to constitute a distinctive shape that functioned to identify a source. Therefore, no true controversy existed. Vantage was not yet using a mark in commerce

so as to give rise to a controversy. The ruling shows that the "cart must be before the horse" – a controversy must in fact exist as a matter of law before one can seek a declaration as to rights and obligations involving such controversy, regardless of the "warning shot" letter.



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