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WE ARE VERY PLEASED TO ANNOUNCE that Fross Zelnick was named the top U.S. trademark and copyright firm for both litigation and counseling/prosecution work in Managing Intellectual Property's 2005 Annual Survey. This year marks the first time that one U.S. law firm was awarded the top ranking nationally in both the contentious and non-contentious categories.

THE 2005 EDITION OF *WHO'S WHO LEGAL* – *The International Who's Who of Business Lawyers*, named Ron Lehrman as one of the sixteen most highly regarded trademark lawyers globally, and one of six nominated from the United States. New York is the leading U.S. state for expertise in trademark law. Two quotes from the text follow: "The 'terrific' Ronald Lehrman of Fross Zelnick Lehrman & Zissu heads the rankings with respondents recognizing him as 'an absolute star.'" "New York has more of this practice area's leading lights than any other US jurisdiction: forty-one in total. Since seven of these practise out of the offices of Fross Zelnick Lehrman & Zissu, the firm is able to boast the greatest concentration of recommended trademark lawyers in the state. Ronald J. Lehrman was sufficiently highly nominated to appear in the list of the leading global practitioners and he is joined in the chapter by the well regarded Susan Upton Douglass. The 'fabulous' Roger Zissu also fared particularly well in the research and he is joined by Marie Driscoll, Michael Davis, Janet Hoffman and Peter Silverman. Such a collection of talent helps Fross Zelnick Lehrman & Zissu PC to secure its place as the leading firm in the state for trademarks expertise."

On a summary judgment motion, Patrick T. Perkins, Craig S. Mende, David Donahue and Justin Deabler succeeded in obtaining dismissal of a number of claims on behalf of Defendant/Counterclaim-Plaintiff The Gillette Company in a breach of contract and copyright infringement action in the U. S. District Court for the District of Massachusetts. Among other things, the Court dismissed the plaintiff's core claim for $15 million in liquidated damages based on Gillette's alleged breach of several hundred license agreements under which the plaintiff photographed Gillette's consumer products for Gillette's use in promotional and marketing materials. The Court also dismissed the plaintiff's fraud and statutory unfair and deceptive business practices claims, as well as the overwhelming majority of the plaintiff's copyright infringement claims against Gillette. Moreover, the Court rejected the plaintiff's motion for summary judgment on Gillette's counterclaims, which remain to be tried along with what remains of plaintiff's breach of contract and copyright infringement claims.

Roger Zissu and Peter Silverman represented The Princeton Review in connection with its recently culminated trademark co-existence agreement with Princeton University. Among other things, the agreement builds on the parties' some 20 years of de facto co-existence and recognizes The Princeton Review's right to use and obtain trademark registrations for its PRINCETON REVIEW mark in the U.S. and other jurisdictions, as long as it uses a specified form of disclaimer of affiliation with the University.

Tamar Niv Bessinger and **Michael Chiappetta** successfully represented Movado in a UDRP proceeding to acquire the domain name wwwmovado.com from a cybersquatter.

Patrick T. Perkins and James Weinberger successfully defended an appeal from a June 2004 decision of the U.S. District Court for the District of Georgia on behalf of Kensington Publishing Corp., its principals, and Jerry Speziale in *Alexander v. AOL Time Warner, Inc.*, Cons. App. Nos. 04-13626, 04-13850, 2005 WL 1182950 (11th Cir. May 18, 2005). The underlying action (see FZLZ Newsletter, September 2004) involved claims by Paul Alexander, a former cooperating witness for the DEA. Speziale, a former New York police officer wrote "Without a Badge: Undercover in the World's Deadliest Criminal Organization" (published by Kensington) chronicling his involvement in sting operations with Alexander's assistance. Alexander's suit alleged invasion of privacy torts. The United States Court of Appeals for the Eleventh Circuit affirmed the District Court grant of summary judgment (on the ground that the claims were barred by the First Amendment) and affirmed an order blocking a last-ditch effort by Alexander to add new claims (on the ground that the motion was untimely and the new claims were futile).

Roger Zissu spoke at Suffolk University Law School's Eighth Annual Intellectual Property Law Concentration Conference, "Forecasting the Future of Copyright," held on April 8, 2005 in Boston. Roger participated in the panel on Constitutional Issues, First Amendment and Parodies, presenting an overview of his article "Funny is Fair: The Case for According Increased Value to Humor in Copyright Fair Use Analysis." This article, along with other contributions from friends, will be included in the July 2005 republication by Reed Elsevier of Professor Benjamin Kaplan's classic, "An Unhurried View of Copyright." The other contributors include Professors Arthur Miller, Lloyd Weinreb, Paul Bender, Paul Goldstein, Robert Gorman, Jane Ginsburg, Iris Geik and Wendy Gordon, with Lois Wasoff, as well as Jon Baumgarten, David Nimmer and Jerry Cohen.

TAMAR NIV BESSINGER'S article entitled, "Do Not Be Afraid To Search," was published in the April 2005 issue of *Managing Intellectual Property*. The article is a guide to in-house counsel on trademark searching and opinions and is available on our website. Tamar also gave a presentation on "The Basics of Trademark Searches and Opinions" at the AIPLA Spring Meeting in Philadelphia on May 11, 2005.

PHIL SHANNON has been named to the New York Intellectual Property Association's Board of Directors, as announced by Mel Garner, President of the NYIPLA. His three-year term commences July 1, 2005.

WE ARE VERY PLEASED TO WELCOME THE FOLLOWING ASSOCIATES:

JUSTIN DEABLER has joined our U.S. Litigation group. Justin comes to us from Richards, Spears, Kibbe & Orbe LLP where he was an associate since October 2003. From July to September 2003 he was an associate at Ladas & Parry LLP, and prior to that was an associate at Sullivan & Cromwell LLP. Justin is a 2001 *magna cum laude* graduate of Harvard Law School where he was Articles Editor of the *Harvard Civil Rights-Civil Liberties Law Review*. He received his Bachelor's Deree *summa cum laude* from Swarthmore College in 1997, where he was a member of Phi Beta Kappa.

BELLA KARAKIS has joined our International group. Bella comes to us from World Wrestling Entertainment, Inc., where she was Vice President, Intellectual Property (June 2002-January 2005) and Intellectual Property Counsel (October 2000-June 2002). Prior to that, she was an associate at Gursky & Ederer, P.C. (April 1997-October 2000) and Dvorak and Traub (January 1995-March 1997). Bella received her J.D. in 1994 from Touro College Jacob D. Fuchsberg Law Center and her B.A. in 1986 from the University of Pennsylvania.

CORRENE KRISTIANSEN has joined our U.S. Litigation group. Correne comes to us from Kronish Lieb Weiner & Hellman LLP where she was an associate since February 2002. From September 2000 to January 2002, Correne was an associate at Dewey Ballantine LLP. Prior to that, she was a Research Assistant to Professor Holly Maguigan of New York University Law School from May 1998 to October 1998. Correne is a 2000 graduate of New York University School of Law. She was the Staff Editor 1998-99 and Associate Editor 1999-2000 for the New York University Law Review. She received her Bachelor's Degree with honors from Johns Hopkins University in 1997.

MELISSA A. MENDELSOHN has joined our International group. Melissa comes to us from Alston & Bird, LLP where she was an associate from August 2002 to January 2005. Melissa is a 2002 graduate of Georgetown University Law Center and received her B.S.

in 1999, *summa cum laude*, from Rutgers College, Rutgers University, where she was a member of Phi Beta Kappa.

CHARLES T. J. WEIGELL III has joined our U.S. Prosecution group. Charles comes to us from Bryan Cave LLP where he was an associate since 2000. Previously, Charles was an associate at Blakely, Sokoloff, Taylor & Zafman, PC from 1998-2000. Prior to that, Charles was a Trademark Examining Attorney for the United States Patent & Trademark Office from 1990-1997. Charles is a 1989 graduate of George Washington University, National Law Center. He received his Bachelor's Degree *cum laude* in 1985 from the University of Southern California.

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

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Information Letter

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UNITED STATES

Federal Dilution Reform Bill:
LIKELIHOOD OF DILUTION

On April 19, 2005, the U.S. House of Representatives passed the Trademark Dilution Revision Act of 2005 (H.R. 683) by a vote of 411 to 8, and the bill will now be considered by the U.S. Senate. This bill seeks to overturn the U.S. Supreme Court's 2003 decision in *Mosley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that the owner of a famous mark must show <u>actual</u> dilution in order to bring a successful claim under the current federal dilution law, Section 43(c) of the Lanham Act (15 U.S.C. § 1125(c). Instead of actual dilution, the bill provides that an owner of a famous mark would only need to prove likelihood of dilution. Proponents of the bill welcome this new standard because it will allow holders of famous marks to prevent dilution at its outset rather than waiting for proof of actual damage by dilution. By the time measurable damage can be proven, proponents argue that much time has passed, the damage is already done and injunctive relief is much less effective.

The bill also defines a "famous" mark. A definition of fame is not provided under the current law and has led to a split among the courts on the issue of whether the subject mark can be famous in a particular niche market or area even if such market or area is small, or whether the mark must be widely known to consumers. The bill offers an answer by defining a "famous" mark as one that is "widely recognized by the general consuming public of the United States." Thus, under the proposed law, marks that are only famous in a niche market or are only recognized in a limited geographic area would not qualify for federal dilution protection. The bill also states several factors (*e.g.*, the duration, extent and geographic reach of advertising of the mark and the extent of actual recognition of the mark) for determining whether a mark is sufficiently famous.

In addition, the bill provides dilution protection not only for famous marks that are inherently distinctive, but also for those famous marks that have acquired distinctiveness. At least one court has said that the current federal dilution law provides dilution protection for inherently distinctive marks only.

The bill also specifically provides that dilution by blurring (*i.e.*, an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark") and dilution by tarnishment (*i.e.*, an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark") are actionable. In *Mosley*, the Supreme Court called into question whether dilution by tarnishment is an actionable claim. The bill also sets forth the following non-exclusive factors that courts may consider when determining whether there is dilution by blurring: the degree of similarity between the marks; the degree of inherent or acquired distinctiveness of the famous mark; the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; the degree of recognition of the famous mark; whether the user of the mark intended to create an association with the famous mark; and any actual association between the marks.

Under the bill, the party against whom such a dilution claim is brought would not need to be using the mark in question as a designation of source to market its goods and services. In order to address First Amendment freedom of speech concerns, the bill protects fair use of a famous mark by another party in comparative commercial advertising or, other than as a designation of source, for purposes of parodying, criticizing or commenting upon the owner of the famous mark or its goods and services or for news reporting and commentary.

The bill still allows dilution claims to be brought under state dilution statutes, which may provide protection for owners of marks that are well-known in particular geographic areas only. In addition, for marks used only in niche markets, owners may still have claims under infringement and unfair competition laws. However, under the bill, a valid federal trademark registration by a party would be a complete bar to action against that party with respect to that mark in an action brought by another person under the common law or a state statute that seeks to prevent dilution by blurring or tarnishment.

Although it is too early to tell how long it will be until the dilution changes become effective, it is expected that most, if not all, of the changes in the House bill will eventually become law.

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Copyright Decision: Common Law Copyright Protection

Capitol Records Inc. v. Naxos of America, Inc., ___ N.E. 2d ___, 2005 WL 756591 April 5, 2005 (N.Y.), 74 U.S.P.Q.2d 1331, 2005 N.Y. Slip Op. 02570 (This decision is uncorrected and subject to revision before publication in the New York Reports.)

In a certified question to the New York Court of Appeals, the United States Court of Appeals for the Second Circuit asked whether there is common law copyright protection under New York law for sound recordings made prior to 1972, the year that federal copyright protection was first extended to sound recordings. The New York Court of Appeals, in a 7-0 decision in a case between two recording companies, held that common law copyright subsists in such sound recordings even if they were made outside of New York State.

Capitol Records Inc. ("Capitol") owns the rights to several classical music recordings of world famous artists made in Great Britain in the 1930's by The Gramophone Company Limited ("Gramophone"), now EMI Records Limited ("EMI"), Capitol's parent company. Gramophone had exclusive licenses with each artist to reproduce and sell copies of these performances. However, under U.K. copyright law in force at the time, copyright subsisted for a period of 50 years, and thus, each of the recordings entered the public domain in the U.K. by 1990.

In 1996, subsidiaries of EMI entered into a series of agreements whereby Capitol was granted an exclusive license to remaster the original recordings to improve their audio quality, digitize them and sell the recordings in the United States. At the same time, another company, Naxos of America Inc. ("Naxos"), restored and remastered copies of the original shellac recordings in the U.K., and, in 1999, began selling its own CD version in the United States.

Capitol sued Naxos in 2002 in federal court in New York, claiming common law copyright infringement, unfair competition, misappropriation and unjust enrichment, all based on New York law. Naxos filed a motion to dismiss for failure to state a claim, arguing that since the recordings had entered the public domain in England, they were also in the public domain in the United States. The District Court granted summary judgment to Naxos and held that since copyright in the original recordings had expired in the United Kingdom, Capitol had no common law rights in the original recordings. The court characterized the claim as "a hybrid copyright, unfair competition claim," ruling that Naxos' recordings were not a "duplicate" or "imitation" of Capitol's recordings but "an entirely new and commercially viable product." The court also found no evidence of bad faith by Naxos to sustain the unfair competition claim.

Capitol appealed to the Second Circuit, which resulted in the following certified question to the New York Court of Appeals, the state's highest court:

> In view of the District Court's assessment of the undisputed facts, but without regard to the issue of abandonment, is Naxos entitled to defeat Capitol's claim of common law copyrights, in the original recordings.

The New York high court was also asked to answer the following three questions:

1. Does the expiration of the term of a copyright in the country of origin terminate a common law copyright in New York?
2. Does a cause of action for common law copyright infringement include some or all of the elements of unfair competition?
3. Is a claim of common law copyright infringement defeated by a defendant showing that the plaintiff's work has slight if any current market in that the defendant's work, although using components of the plaintiff's work, is fairly to be regarded as a 'new product?'

The court found that only post-1972 recordings were protected under federal copyright statutes which left to the states issues relating to common law coverage of property not protected under federal statutes. The court found that New York law "provides common-law copyright protection to sound recordings not covered by the federal copyright act, regardless of the public domain status in the country of origin, if the alleged act of infringement occurred in New York." Since the musical recordings in question were created prior to February 15, 1972, they are therefore entitled to copyright protection under New York common law until the effective date of the federal pre-emption, February 15, 2067. (<u>See</u>*, Sonny Bono Copyright Extension Act* (17 U.S.C. § 301(c), 1998)).

With respect to the first sub-question, the court disagreed with Naxos' argument that since the U.K. copyrights had expired, rights in other jurisdictions, including the United States and New York, should also expire. The court concurred with the Second Circuit's observation that "nothing in federal law denies Capitol's enforcement rights in the original recordings simply because the UK copyrights have expired." (372 F.3d 471, 480 (2nd Cir. 2004)). The court found that nothing prohibits the states from providing common law protection to artistic works that are in the public domain in the country of origin, under federal statutory, constitutional, or international law. Therefore, the copyright law of the situs where the infringement occurs should be applied. Thus, there is no justification under New York law for substituting the British copyright term for New York's common law protection for these recordings.

A copyright infringement cause of action in New York requires: 1) the existence of a valid copyright; and 2) unauthorized reproduction of the work protected by the copyright. Absent is a requirement of fraud or bad faith. In answering the second sub-question, the court distinguished a copyright infringement claim from a claim for unfair competition, the elements of which include 1) unauthorized copying and 2) distribution in the marketplace for commercial benefit. Thus, the court held that the causes of action for copyright infringement and unfair competition are not synonymous under New York law.

With respect to the final sub-question, the court found that "even assuming that Naxos has created a 'new product' due to its remastering efforts that enhance sound quality, that product can be deemed to infringe on Capitol's copyright to the extent that it utilizes the original elements of the protected performances." The court stated that it did not believe that a state common law copyright claim could be defeated under the so-called "new product" analysis. The general rule under the fair use doctrine is that reproduction of an entire copyrighted work constitutes infringement. The court saw no justification for adopting a different rule of state law.

The court concluded that state common law protects ownership interests in sound recordings made before 1972 that are not covered by the federal Copyright Act and stated that without regard to the issue of abandonment, Naxos is not entitled to defeat Capitol's claim for infringement of common law copyright in the original recording. The case will now be decided by the Court of Appeals for the Second Circuit and, considering the importance of this decision and the effect on the music industry, could eventually reach the Supreme Court. We will keep you apprised.

- DR

Trademark Decision:
PROTECTABILITY OF SOUND MARKS

In a rare case about the protectability of sound marks, *Ride the Ducks, L.L.C. v. Duck Boat Tours, Inc.*, No. 04-CV-5595, 2005 WL 670302 (E.D. Pa. March 21, 2005), the court held that plaintiff's sound mark for a quacking noise was not inherently distinctive and that plaintiff had not put forth sufficient evidence of secondary meaning.

Plaintiff Ride the Ducks and defendant Duck Boat Tours ("Super Ducks") operate sightseeing tours in Philadelphia, Pennsylvania using amphibious vehicles that can travel over both land and sea. Ride the Ducks also operates these tours in other cities throughout the United States. Ride the Ducks began operating in Philadelphia in May 2003. A key feature of a Ride the

Ducks tour is the distribution of quacking devices which are used by the patrons to quack at one another, tour personnel and poor, unsuspecting passers-by. In July 2004, Super Ducks began operating similar tours which also featured quacking devices.

Ride the Ducks brought this action alleging that Super Ducks' use of quacking devices infringed its service mark registration for the noise made by such devices and seeking, among other things, an injunction preventing Super Ducks from using the quacking devices in connection with its tours.

As a preliminary matter, the court noted that, though unusual, it is possible for a sound to acquire trademark protection. The court noted further that, as with other marks, the first step in an infringement analysis is to determine whether the sound mark is inherently distinctive. The court found that the quacking sound was not inherently distinctive because it is a familiar, as opposed to unique, noise. The court then considered whether the quacking sound had acquired secondary meaning. The court found that Ride the Ducks had not produced enough evidence to warrant a preliminary injunction. Namely, Ride the Ducks had not produced any direct evidence of secondary meaning (such as a survey), or sufficient circumstantial evidence to meet the heavy evidentiary burden at the preliminary injunction stage. Ride the Ducks, though nationally known, had not been using the quacking devices in the Philadelphia market for very long. Further, Ride the Ducks' advertising, while depicting many images of the quacking devices, did not incorporate the sound itself. The court distinguished any secondary meaning associated with the quacking device from that associated with the sound it makes.

- CSK

Trademark Decision: Surname Rule

In re Dr. Matthias Rath, 402 F.3d 1207 (Fed. Cir. 2005)

In *In re Rath*, the Court of Appeals for the Federal Circuit ("CAFC") affirmed a decision of the Trademark Trial and Appeal Board ("Board") upholding refusal by the United States Patent and Trademark Office ("USPTO") to register RATH and DR. RATH. The applicant, Dr. Mattias Rath, a German citizen, had applied to register the marks under Lanham Act, Section 44, based on his prior German registrations. The USPTO rejected the applications under Lanham Act, Section 2(e)(4), which prohibits registration of a mark that is "primarily merely a surname." While conceding that the mark was primarily merely a surname, Dr. Rath argued on appeal that the "surname rule" of Section 2(e)(4) was not recognized by the Paris Convention as grounds for denying registration to a foreign applicant, and therefore could not be applied to refuse registration to a Section 44 applicant. Dr. Rath relied on Article 6 *quinquies* of the Paris Convention, which provides that marks "duly registered" in a member country of origin could not be denied registration or invalidated in other member countries except, *inter alia*,

> …<u>when they are devoid of any distinctive character</u>, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quantity, quality, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed; . . .

Paris Convention, July 14, 1967, Art. 6 *quinquies*. 21 U.S.T. 1583, 1643-1644 (emphasis added by CAFC).

Rath argued that the later-enacted Lanham Act Section 2(e)(4) prohibition on registration of surnames did not fall within the "devoid of any distinctive character" prohibition of Article 6 *quinquies*, or within the two other enumerated prohibitions of that Article (namely, marks infringing others' rights or comprising matter contrary to morality or public order). He argued further that as a self-executing treaty, under the Supremacy Clause of the United States Constitution (Article VI, Section 2) the Paris Convention takes precedence over the "surname rule" for Section 44 applicants. In the alternative, he argued that Section 44(e) of the Lanham Act itself constituted implementing legislation, and that "section 44(e) itself requires registration because the Paris Convention requires registration." 402 F.3d at 1211.

Without deciding whether Section 2(e)(4) of the Lanham Act conflicts with the Paris Convention, the majority held that 1) the Paris Convention was not self-executing and required domestic implementing legislation to effectuate its provisions; and 2) Section 44(e) (providing for registration of marks by non-U.S. parties based on foreign registrations) incorporates all of the registration prohibitions of Lanham Act Section 2, including the surname rule, irrespective of whether these requirements are consistent with the Paris Convention. In a concurring opinion, Judge Bryson observed that "[t]he question whether the Lanham Act should be read to conflict with and trump the Paris Convention is a difficult one. . . . I would instead decide the case on the narrower ground that the Lanham Act and the Paris Convention are in accord as applied in this case." Id. at 1215. Thus, according to Judge Bryson, a mark that is primarily merely a surname can be considered "devoid of distinctive character" and thus not registrable under Article 6 *quinquies*.

In *In re Rath*, the Federal Circuit saw no reason to depart from the prior practice of applying the same standards of registrability to the marks of non-U.S. as to those of U.S. applicants. Thus, as long as the marks of U.S. and non-U.S. applicants are subject to the same, non-discriminatory, examination standards ("national treatment"), there is no inconsistency with the objectives of the Paris Convention. (See Section 44(e), providing that "[a] mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible…" (emphasis added)). From this perspective, any conclusions in this case relating to the self- or non-self-executing nature of the Paris Convention would appear to be dicta and thus not controlling authority.

- DW, CTJW

U.S. Patent and Trademark Office:
Gray Drawings Now Acceptable

One frustrating aspect of application prosecution practice in the U.S. for logo (device) trademarks is that the USPTO would not accept trademark drawings with gray shading to show color differences. Since many other jurisdictions accept gray shading (half tones) for this purpose, this meant that special drawings had to be ordered showing the gray shading as black and white "stippling" (dots), in order to satisfy USPTO examiners. Applications were often delayed solely because the examiners issued office actions requiring replacement drawings. After years of lobbying by Fross Zelnick and other firms, the USPTO has finally announced a new rule on gray in drawings. This appears in the recently-released fourth edition of the official manual, the Trademark Manual of Examining Procedure, at Section 807.07(e). Gray shading will now be acceptable in trademark drawings. A drawing with such gray shading will be considered a "black-and-white" drawing unless the applicant affirmatively claims the color gray in a written statement in the application. A clarifying statement in the application, to confirm that the gray shading is not a claim to the color gray, will not be required, unless the examiner "believes such a statement is necessary to accurately describe the mark". However, PTO Examination Guide No. 1-05 requires the Examining Attorney to obtain the applicant's confirmation, either in writing or by phone, that a drawing with gray is not a mark in color. Applicants can satisfy this requirement in advance, and avoid delay, by inserting such a statement in the application at the time of filing.

- DE

U.S. Patent and Trademark Office: Fraud Risks

Reminder: Fraud Risks from Claiming Class Headings in U.S. Trademark Applications Based on Foreign Applications or Registrations: We have often advised clients to avoid using very broad class heading lists in the specification of goods in U.S. trademark applications based on foreign applications or registrations, on grounds that this could make the whole U.S. application invalid for fraud. The same advice applies to extensions of international registrations to the United States under the Madrid Protocol. While there is not yet any clear case law on this point in the U.S., developing case law in closely-related areas suggests that use of class headings remains very risky. (All references to "goods" in this discussion mean both "goods and services.")

Under Section 44(d) and 44(e) of the U.S. Trademark Act, a U.S. application based on a national application or registration in the applicant's home country, or based on an EU applicant's CTM application or registration, can validly cover only those goods or services for which the applicant has "a bona fide intention to use the mark in commerce." The phrase "in commerce" means use in the United States. This language was inserted in the U.S. Trademark Act specifically in order to avoid giving a substantial advantage to non-U.S. applicants, as compared to U.S. applicants, that is, to put a limitation on the breadth of the identification of goods that non-U.S. applicants could claim. A U.S. applicant can register only in respect of those goods for which it ultimately uses the mark in the United States, given that its intent-to-use application cannot register until the applicant claims actual use of the mark for all the goods in the application (or claims use for some goods and deletes the remaining goods).

There is very little U.S. case law defining this bona fide intent-to-use, but there is a lot of recent U.S. case law in the U.S. oppositions tribunal (the Trademark Trial and Appeal Board or TTAB) on the issue of fraud in a related context. That case law holds that it is fraud for an applicant to claim use of a mark in the U.S. for goods A and B, when it is only using the mark for good A, including in use-based trademark applications and on renewal. Furthermore, the cases hold that claiming goods for which no use in commerce has been made constitutes fraud which invalidates the whole application or registration. A recent TTAB decision admonishes that applicants read and understand the lists of goods that they claim and that applicants be able to justify them as conforming to the U.S. trademark statute.

Also, in such cases, the TTAB has rejected attorney error as a defense. Thus, it is not a defense for an applicant to claim that s/he signed the documents that his attorney presented for signature, expecting the attorney to advise whether there is a problem. The TTAB has rejected that argument, and still found fraud. Non-U.S. applicants whose marks are challenged based on fraud might seek to make a similar argument, namely that they were misled by the fact that class heading applications are perfectly valid in their own countries. We doubt, however, that the TTAB would accept such a defense.

While there is no definition in the U.S. Trademark Act of what constitutes a bona fide intent-to-use, there is some guidance in the legislative history, that is, Congressional committee reports and the transcripts of the debates in Congress about the law in 1988 which added bona fide intent-to-use as a separate application basis, in Section 1(b), and which simultaneously added the intent-to-use requirement in Section 44. Looking at this legislative history, it seems fairly clear that Congress understood "bona fide intent-to-use" to mean that a company would start to develop a product, select one or more candidate marks for the product, and proceed with market research and product development in preparation for a product launch. In the meantime, in order to reserve the mark or marks, the company would file an application based on intent-to-use. This rationale is summarized in the standard treatise on U.S. trademark law, McCarthy on Trademarks and Unfair Competition, at Sections 19:14 thru 19:17.

Thus, for example, a company likely does not have a bona fide intent to use its mark for every product in Classes 29 and 30 merely because it is in the food business. The question is not whether it might use the marks for all those products in the U.S. in the indefinite future. The proper standard, as suggested above, is whether the applicant has a practical and realistic intention to use the mark in the U.S. for each of the goods claimed in the application within a reasonable time. This is a very practical, fact-based test; tribunals may determine whether a subjective intent exists by making inferences from objective facts.

A U.S. applicant who files an application based on intent-to-use under Section 1(b) has a maximum of three years to file proof of use after its intent-to-use application is published and a notice of allowance issues (which is usually between one and two years after filing). Accordingly, if and when the issue is ever specifically decided by a U.S. tribunal, we expect that the tribunal will hold that a reasonable time in which a non-U.S. applicant must intend to use the mark in the U.S., for the specific goods, is within a few years after the filing date. It is likely that U.S. tribunals will understand that non-U.S. applicants might tend to claim class headings. If an identification of goods closely follows class heading language, that will probably suggest to the U.S. tribunal that this applicant did not really consider its actual commercial plans when it instructed this application. In short, class heading language could be a red flag in such cases. We note, for example, that some class headings include very diverse lists of goods, which almost never bear the same mark (such as Class 9, which covers computer chips and fire extinguishers, and Class 3, which covers dentifrices, laundry detergent and perfume.) This inherent improbability increases the risk of fraud when class headings are claimed.

A party alleging that an application is fraudulent, in an infringement suit, opposition or cancellation, could take discovery about objective facts to support its fraud claim, such as taking the deposition of the non-U.S. applicant's general manager. Its attorney could ask the general manager what the company's actual plans are to use the mark in the U.S. for the unlikely goods concerned, when the company actually last made the goods in question, what facilities it has to manufacture such goods in, and/or ship them to, the U.S., and what documents contain plans to use the mark for such goods. If those goods were included in the application only because the applicant used the class heading, then the responses to these questions will clearly show that the applicant has no plans to use the mark on these goods.

U.S. lawyers who see class heading-type identifications in applications that their clients or companies wish to oppose or registrations that they wish to cancel, are already alleging fraud in opposition and cancellation actions. We have done so on behalf of clients in relevant cases, and, in the next few years, it seems quite likely that the TTAB will be forced to decide a case on whether or not such an application constitutes fraud which invalidates the entire application or registration.

There is no need to claim whole class headings in order to obtain broad protection in the U.S. The United States has a broad related goods rule. Even if an application has a fairly narrow identification of goods, limited to those goods for which a bona fide intent-to-use the mark exists in the U.S., the protection of that application extends broadly to related goods or services not specifically named in the application. Because of the fraud risk, less is really more in U.S. identifications of goods. A narrow identification, limited to the goods for which a bona fide intent-to-use exists, results in a stronger registration, that is, a registration which is not vulnerable to a fraud attack.

Summary

Non-U.S. applicants and their attorneys or agents take an unnecessary risk by covering whole class headings or very broad standard lists of goods in U.S. applications. The safe and correct procedure is to limit the identifications of goods to those goods for which the applicant has a realistic intent to use the mark in the U.S. within the next few years, as distinct from lists of goods which are of potential and theoretical interest in an indefinitely long period (and which just happen to coincide with whole class heading lists). The best time to limit the goods is at the time of filing.

Corrective Action

As to applications already pending, or registrations already issued, it is not certain that the potential fraud would be cured by deleting goods now. U.S. case law is unclear on whether fraud in filing can be cured by later deletions of excess goods. Case law has held that deleting goods after fraud has been alleged in a litigation is not a defense. However, we think that deleting excess goods makes it somewhat less likely that an application or registration would be held fraudulent in a future litigation, both as a legal matter and as a practical matter. As a legal matter, one could argue that the deletion of the excess goods shows that the owner simply made an error in good faith and then corrected it, which helps negate the bad faith usually required in the definition of fraud. As a practical matter, a realistic-looking identification of goods in the application as published, or in the registration, is less likely to cause a hostile party to think of fraud as a possible basis for opposition or cancellation, especially because it takes some work to check official files to see what goods were deleted.

On a related issue, the same bona fide intent-to-use requirement exists for extensions of international registrations to the U.S. under the Madrid Protocol in U.S. Trademark Act Section 66(a). If the international registration covers excess goods, a prudent applicant should use the limitations feature in the extension form to extend to the U.S. for fewer than all the goods covered in the international registration, and to include in the U.S. extension only those goods for which a bona fide intent to use the mark in the U.S. exists.

- DE

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INTERNATIONAL

Brazil: DECISIONS RE HIGHLY REPUTED MARKS

The Brazilian Patent and Trademark Office ("BPTO") recently issued its first decisions in opposition proceedings based on Resolution 110/2004, which regulates the procedure for granting special protection for highly reputed marks in all fields of activity (Section 125 of the Brazilian Industrial Property Law 9279/96).

Under the former Industrial Property Code, which lapsed on May 14, 1997, owners of famous trademarks could protect those marks only if they were registered as "notorious" marks with the BPTO. However, when a new IP law was enacted in 1996, that provision for registration of notorious marks was abolished and owners of well-known marks had to secure recognition of their marks as well-known before the courts. Now, under Resolution 110/2004, a trademark owner can request recognition of a highly reputed mark from the BPTO, but only in conjunction with filing an opposition proceeding or nullity/cancellation action, based on sufficient evidence of the mark's high repute. Once the BPTO recognizes the highly reputed trademark, that mark is protected for a five-year period, during which the trademark owner should not be required to submit new evidence in other opposition or cancellation proceedings.

In its first decision under the new Resolution, the BPTO rejected an application for HOLLYWOOD for "clothing" in Brazilian National Class 25 filed by Atacado Hollywood Ltda. In this case, the BPTO recognized Souza Cruz SA's prior registration of HOLLYWOOD for "cigarettes and clothing" as a highly reputed mark (App. No. 817.437.657, published in the *Industrial Property Journal* of December 21 2004).

In January, 2005, the BPTO granted similar recognition to McDonald's Corporation's highly reputed mark MCDONALD'S and M Design for food products when it rejected an application for MR DOG and M Design (shaped like the McDonald's golden arches) for "food for animals" in Brazilian National Class 21 filed by Mr. Dog Alimentos Congelados Para Cães Ltda (App. No. 819.540.927, published in the *Industrial Property Journal* of January 11 2005).

The BPTO also refused registration of Pirel Comércio e Instalações Elétricas Ltda.'s application for PIREL and Design in Brazilian National Class 9 for "electrical elements" based on Pirelli S.p.A.'s highly reputed mark PIRELLI and Design for "electric and insulating materials." (App. No. 820.970.298, published in the *Industrial Property Journal* of January 11 2005).

It should be noted that all three decisions can be appealed.

- CB

Chile: New Industrial Property Law

In 1995, Chile ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Now, almost a decade later, Chile will come into compliance with its obligations under that agreement, as it introduces significant changes to its existing Industrial Property Law.

After extensive legislative debate, Law 19.996, has finally been published. Some of the more significant changes that will result from the new law include:

- Procedural changes. The new law brings a number of procedural changes, the most significant being the formation of the Industrial Property Court, which replaces the old Arbitral Court. The new court is equipped with additional chambers and members, as well as a larger budget, all geared to quicker, more reliable proceedings.
- Patents. Under the new law patents will be valid for 20 years from the application date (rather than 15 years from the grant of rights). Protection will be extended to micro-organisms and second-use patents. Judges will have the discretion to reverse the burden of proof in civil patent litigations. Most notably, revalidation of foreign patents (which allowed applicants to file in Chile after expiration of the Paris convention deadline) will no longer be allowed.
- Industrial drawings. Among other things, two-dimensional objects, including integrated circuits, are now protectable.
- Industrial secrets. The new law covers industrial secrets in great detail, but begins with a broad definition: knowledge regarding industrial products or processes, unknown to others, that grant the holder of such knowledge an improvement, advance or competitive advantage.
- Enforcement actions. More varied and stronger options for rights enforcement exist under the new law. These include civil infringement actions, which will allow for permanent injunction, as well as recovery of lost profits and royalties. Various new preventative measures have also been established.
- Geographical designations. Previously available only in connection with the protection of wine, geographical and other designation of origin will now be available for other types of products as well. These products will be entered into the newly established Register of Geographic Indications and Designations of Origin.
- Well-known marks. The concept of acquired distinctiveness is explicitly recognized by the new law. In addition, owners of famous marks are now

permitted to oppose similar marks for unrelated goods.

In general, the changes are thought to enhance the types and degree of protection available for industrial property. However, some matters remain open. For example, there are still no specific rules against unfair competition and "non-traditional" trademarks, such as 3-D and olfactory marks, have yet to be recognized. Nonetheless, the new law brings Chilean legislation into greater accord with most international law.

The new law will go into effect after the supplemental regulations are drafted and published. This is expected to happen within the next couple of months, but, by law, must happen no later than **September 11, 2005**. The full text of Law 19.996 is available in the March 11, 2005 edition of the Chilean Official Gazette.

- MAM

Italy: New Code of Industrial Property Rights

Most of the provisions of the new Italian Code of Industrial Property Rights (Legislative Decree 30 of February 10 2005) came into force on **March 19, 2005**. Provisions relating to court proceedings will not enter into force until September 2005. The new Code repeals all prior national laws relating to patents, utility models, designs, trademarks, plant breeders' rights and semiconductor topographies and seeks to consolidate these laws into one. Copyrights continue to be governed by Law No. 633/1941.

The Code further seeks to conform Italian law with international patent and trademark treaties. The Code further seeks to simplify and expedite litigation in Italy. Some of the salient changes included in the new Code are set out below:

Trademarks

- Prohibitions against modifications of a trademark at renewal.
- Allowing renewals for some or all of the goods and/or services covered by the original registration.
- Permitting the splitting of applications into two or more divisional applications.

Domain Names

- Prohibition on adoption of a domain name similar to a trademark, if there is a risk of confusion between the economic activity offered under the domain name and the goods/services covered by the trademark. (Where a trademark enjoys a reputation, and the use of the domain name causes (without due cause) unfair advantage of, or is detrimental to, the distinctive character or repute of the mark, the sphere of economic activity does not need to be similar.)
- Protection for domain names that are known, such that a subsequent trademark can be rejected if there is a risk of confusion and the trademark covers similar goods and/or services.
- Provision for trademark owners to seek a preliminary injunction against objectionable domain names or a temporary assignment thereof through the courts.

Judicial System

- Establishment of twelve specialized Community trademark and design courts, located in Bari, Bologna, Catania, Florence, Genoa, Milan, Naples, Palermo, Rome, Tieste, Turin and Venice. (The jurisdiction of these courts includes disputes relating to national, international and Community trade marks, as well as patents and new plant varieties, utility models, designs and copyright, and unfair competition (where the action relates to the protection of industrial and intellectual property).)

- Provision for obtaining a preliminary injunction and seizure independently of an infringement action. (If a preliminary injunction is not opposed, it will become final without a need to obtain a subsequent court decision on the merits.)
- Provision for combating "piracy" (which requires the presence of intent and systematic infringement).

Additional highlights of the Code include: the establishment of stronger criminal sanctions for serious infringements of Industrial Property rights; the courts' ability to consider in a damages assesssment, in addition to lost revenues, royalties that may be due to trademark owners if a license had been granted; and the ordering of the destruction or seizure of any object that may violate industrial property laws.

- LTG

South Africa: Dilution Decision Reversed

In our March 2005 issue of the Information Letter, we reported the decision of the Supreme Court of Appeal in *Laugh It Off Promotions CC v. South African Breweries International (Finance) BVTA Sabmark International*. This case concerned the well-known Carling Black Label trademark of South African Breweries and a mark reproduced on a t-shirt, with the same format as the former mark, with the words "Black Label" replaced by "Black Labor," and the words "Carling Beer" replaced by "White Guilt." Additionally, the t-shirt label contained the words "Africa's Lusty, Lively Exploitation since 1652" and also "No regard given worldwide." The Supreme Court of Appeal ruled that Defendant's conduct constituted dilution and rejected a parody defense. This decision has now been reversed by The Constitutional Court of South Africa in a lengthy opinion by Moseneke J., in which all other members of The Constitutional Court concurred. The Constitutional Court decision, which in effect accepted the parody defense, will be discussed fully in the next issue of our Information Letter.

- MID

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