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*ADMITTED IN NORTH CAROLINA

SEPTEMBER 2006

PLEASE VISIT OUR WEBSITE: www.frosszelnick.com.

WE ARE PLEASED TO REPORT that twelve of our lawyers, **STEPHEN BIGGER**, **MICHAEL DAVIS**, **SUSAN DOUGLASS**, **MARIE DRISCOLL**, **DAVID EHRLICH**, **MARK ENGELMANN**, **JANET HOFFMAN**, **NADINE JACOBSON**, **RONALD LEHRMAN**, **RICHARD LEHV**, **PETER SILVERMAN**, and **BARBARA SOLOMON**, were recognized in the 2006 edition of <u>Guide to the World's Leading Trade Mark Law Practitioners</u>, published by Euromoney Legal Media Group. Fross Zelnick had more U.S. lawyers named than any other firm. The Guide relies on a survey of over 4,000 senior partners and in-house counsel who are asked to nominate practitioners who are the best in their field based on their work and reputation.

WE ARE ALSO PLEASED TO REPORT that seven of our partners, **MARK ENGELMANN**, **JANET HOFFMAN**, **RONALD LEHRMAN**, **RICHARD LEHV**, **BARBARA SOLOMON**, **DAVID WEILD** and **ROGER ZISSU**, were selected as top lawyers in the intellectual property field by the magazine "New York Super Lawyers 2006 – Manhattan Edition."

MARIE DRISCOLL, **BARBARA SOLOMON**, **DAVID DONAHUE** and **LAURA POPP-ROSENBERG** won a trial before the United States District Court for the Southern District of New York on behalf of plaintiffs De Beers LV Limited and De Beers LV Trademark Limited, owners of rights in the famous DE BEERS mark. Calling the DE BEERS mark "one of the most famous brands in the world," the District Court ruled that the defendants' attempt to use the DE BEERS name to sell diamonds over the Internet was "entirely in bad faith" and accordingly found the defendants liable for trademark infringement, trademark dilution and unfair competition. See *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.*, 2006 WL 1582035 (S.D.N.Y. 2006), ____ F. Supp. 2d _____.

MICHAEL CHIAPPETTA succeeded in securing a decision in favor of The Tea Board of India, owner of the DARJEELING geographic certification mark for tea, in its opposition against a trademark application for DARJEELING NOUVEAU, covering tea, of Republic of Tea ("ROT"). In a 61-page decision, the Trademark Trial and Appeal Board upheld the opposition and denied ROT's counterclaim for cancellation in which ROT argued that DARJEELING is generic. This important case is discussed in greater detail in the U.S. section of this Information Letter.

ROGER ZISSU, **DAVID DONAHUE** and **LAURA POPP-ROSENBERG** successfully represented Stephen Slesinger, Inc. in opposing plaintiff Clare Milne's Petition for a Writ of Certiorari filed in the U.S. Supreme Court in the Winnie the Pooh copyright termination case. The Supreme Court's denial of certiorari leaves in place the decision of the U.S. Court of Appeals for the Ninth Circuit, which rejected an attempt by Milne and Disney to terminate a 1930 agreement and thereby cut off Slesinger's right to receive royalties from the exploitation of Winnie the Pooh and related characters. (*See* previous items on this case in the firm's March 2006 and December 2004 Information Letters).

ON JUNE 29, 2006, the Russian Patent and Trademark Office (Rospatent) issued a decision declaring TIFFANY a famous trademark. At the time of the hearing in this matter, there were 55 marks of 32 owners recognized as well known under the Russian Federation Rules on Well-Known Marks. Of the 32 successful applicants, 12 were based outside the Russian Federation (three of which were from certain of the countries formerly comprising the U.S.S.R.). **JANET L. HOFFMAN** coordinated the handling of this case.

DAVID DONAHUE was elected to the Board of Trustees of the Copyright Society of the U.S.A., effective June 11, 2006. David will serve a three-year term.

EVAN GOURVITZ has been chosen as one of Lawdragon's "500 New Stars New Worlds," which it describes as "the leading look at the lawyers who will define the future of the legal profession."

CRAIG MENDE gave a presentation entitled "Controlling Counterfeit Trade on the Internet" on July 14, 2006, at the American Conference Institute's *Corporate Counsel's Guide to Anti-Counterfeiting & Brand Integrity Protection* conference in New York City.

WE ARE PLEASED TO WELCOME VANESSA HWANG LUI, who joined us as an associate in our U.S. Prosecution group. Vanessa comes to us from Goulston and Storrs, P.C., where she was an associate since December 2003. Previously, she was an associate at Skadden, Arps, Slate, Meagher and Flom LLP from September 2001 through October 2003. During the summer of 2000, Vanessa worked at Weil, Gotshal and Manges. Vanessa is a 2001 graduate of Columbia University School of Law, where she was a Harlan Fiske Stone Scholar. She received her bachelor's degree *summa cum laude* in 1998 from The Ohio State University.

WE ARE PLEASED TO WELCOME DOROTHY (DOLLY) ALEVIZATOS, who joined us as an associate in our International group. Dolly comes to us from Torys, LLP where she worked since June 2004. Prior to that, she was Assistant General Counsel (July 2001-January 2004) and consultant (January 2004-June 2004) at Nike, Inc. Dolly was an associate at Hunton & Williams (January 1999 to June 2001), at Fitzpatrick, Cella, Harper & Scinto (March 1997 to December 1998), and at Gordon, Feinblatt, Rothman, Hoffberger & Hollander LLC (September 1995 to February 1997). Dolly is a 1995 honors graduate of the University of Maryland School of Law, where she was Associate Editor of the Maryland Law Review. She received her Bachelor's Degree in 1990 from Yale University.

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

SEPTEMBER 2006

Information Letter

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UNITED STATES

ANTI-COUNTERFEITING
- New Legislation Enacted

CUSTOMS RECORDAL
- Possible Increase in Fees

DESIGN PATENT DECISION
- *Lawman v. Winner*

NEW PTO EXAMINATION GUIDE
- Geographical Indications for Wines and Spirits

OPPOSITION DECISION
- Geographic Certification Marks; Definition of "Generic" (*Tea Board of India* Case)

Anti-Counterfeiting: NEW LEGISLATION ENACTED

On March 16, 2006, the President of the United States signed the Stop Counterfeiting in Manufactured Goods Act . This law closes a loophole that had allowed counterfeiters to avoid criminal penalties by importing labels or packaging bearing counterfeit marks separate and apart from the goods to which they would be applied. In particular, the new legislation criminalizes trafficking in "labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature" bearing a counterfeit mark. The law also provides for the forfeiture of any article bearing or consisting of a counterfeit mark, any property used to commit or facilitate a violation of the anti-trafficking provisions, and all proceeds derived from any such violation.

This bi-partisan legislation enjoyed the strong support of the International Trademark Association, the International Anti-Counterfeiting Coalition (IACC), and a number of other manufacturers' trade associations. In its press release, the IACC characterized the Act as "the most significant anti-counterfeiting legislation in more than 20 years" and as "setting a new world standard for anti-counterfeiting protection."

- ZH

Customs Recordal: POSSIBLE INCREASE IN FEES

It has been informally reported that the United States government is considering a proposal to increase Customs recordation fees to $1,000 per class per registration at the end of 2006. The report indicated that Customs renewal fees would also increase significantly. The current cost to record is $190 and $80 to renew, per class. Accordingly, this change would represent a substantial increase over the present fees. Although no proposal has been formally issued, and there is likely to be strong opposition to such drastic increases, it may be prudent for trademark owners to record registrations before the end of 2006.

- CSM

Design Patent Decision: *LAWMAN v. WINNER*

The decision by the U.S. Court of Appeals for the Federal Circuit in *Lawman Armor Corporation v. Winner International LLC*, 437 F.3d 1383, 77 U.S.P.Q. 2d 2017 (Fed. Cir. 2006), issued on February 22, 2006, has raised doubts about the fundamental nature of U.S. design patent protection and attracted much attention among the design patent bar.

In the U.S., design patent infringement is determined first by an "ordinary observer" test. This test asks whether, from the viewpoint of an ordinary observer, the visual appearance of an accused product is substantially similar to the design shown in the drawings of a design patent. But even where the patented design is arguably substantially the same as the accused design, the accused design does not infringe unless the accused product also passes the "point of novelty" test. To do so, the accused product must have appropriated those features in the patented design which distinguished it from prior art designs.

The case here involved Lawman's U.S. design patent in a rod-like design for a steering wheel lock assembly, which Lawman asserted was infringed by a Winner product. Before the Eastern District of Pennsylvania, Winner moved for summary judgment for non-infringement. In response, Lawman argued that the Winner product incorporated eight specific "points of novelty" present in its patented design.

To support its non-infringement argument, Winner submitted prior art patents for automobile wheel lock designs that, taken separately, depicted each of Lawman's asserted "points of novelty." Winner argued that each of Lawman's proposed points of novelty were found in the prior art; thus, they could not be novel or unique to Lawman's patent. The court agreed and granted Winner's motion for summary judgment.

On appeal to the Federal Circuit, Lawman argued that the prior art submitted by Winner did not disclose or suggest combining all eight "points of novelty" in one design, as Lawman had done in its patented design. The court, per Judge Friedman, rejected this argument as it only concerned the patent's validity, namely, whether the prior art showed the patented design to be obvious and not properly patentable. The court considered the argument irrelevant to the issue of whether the patent was infringed. The court then went further and characterized Lawman's argument as essentially asserting a "ninth" point of novelty, namely, a combination of the eight former "points of novelty." The court stated that this argument undermined "the rationale of the points of novelty test," 437 F.3d at 1385, and would "provid[e] patent protection for designs that in fact involve no significant changes from the prior art." 437 F.3d at1386.

Reaction to the Federal Circuit decision was swift. Almost immediately after it came down, the decision was criticized by design patent practitioners. Amicus briefs were filed by the American Intellectual Property Law Association, The Industrial Designers Society of America and Nike, Inc., requesting the Federal Circuit to reconsider the case "*en banc,*" i.e., before all judges of the tribunal. At issue was the patentable novelty of designs which combine older and established design features. The U.S. PTO usually takes the position that these are design patentable so long as the specific combination of elements taken together creates a unique, novel and non-obvious ornamental design notwithstanding that individual elements, taken separately, are found in the prior art. Given this, and assuming the U.S. PTO would continue to issue such design patents, the question on many practitioners' minds was: Could potential infringers simply break down patented designs into discrete elements, show each to be in the prior art, and thereby thwart a design patentee's infringement claims?

In a split decision issued on May 31, 2006, eight of eleven Federal Circuit judges voted to deny the request for *en banc* rehearing. This decision, its order, and accompanying supplemental and dissenting opinions are at *Lawman Armor Corp. v. Winner International, LLC*, 449 F.3d 1190 (Fed. Cir. 2006). Three judges dissented from the denial, including Judge Newman, who noted in her dissenting opinion that "the panel's decision can have highly disruptive consequences" (449 F.3d. at 1194). In the supplemental opinion supporting denial of rehearing, Judge Friedman sought to qualify his earlier opinion. He emphasized that the combination was asserted as an additional point of novelty, where eight other supposed points had failed and were not novel, and concluded that "we did not intend to cast any doubt upon our prior decisions indicating that in appropriate circumstances a combination of design elements itself may constitute a 'point of novelty.'" 449 F.3d at 1192.

Based on the supplemental opinion denying rehearing, the original Lawman decision appears limited to its specific circumstances. Still, the case remains a published and citable precedent with powerful language that at a minimum warrants great care when arguing the "points of novelty" in design patent litigation, as well as a close review of individual design elements depicted in the drawings submitted with design patent applications. Further clarification will hopefully follow in subsequent Federal Circuit design patent decisions.

- LEA, CW

New PTO Examination Guide:

GEOGRAPHICAL INDICATIONS FOR WINES AND SPIRITS

Recent clarifications of PTO practice may result in examining attorneys rejecting fewer "deceptive" marks for wines and spirits.

The United States trademark laws have long included prohibitions against registration of deceptive geographical indications. However, a special provision of Section 2(a) of the Trademark Act prohibiting registration of false geographic "wines and spirits" designations became effective in 1996. This prohibition applies unless the mark was in use by the applicant prior to January 1, 1996 (the date the corresponding GATT TRIPS provisions went into effect in the U.S). A false geographic designation is one which "identif[ies] a place other than the [actual] origin of the goods." U.S. law, at least in theory, apparently makes it tougher to register a false designation for wines and spirits than a false designation for other goods, such as cheese, for which no special provision applies.

On May 9, 2006, the U.S. PTO issued Examination Guide No. 1-06 ("Guide"), an instruction to U.S. PTO examining attorneys covering applications for marks which comprise or include geographical indications used for wines and spirits. The Guide focuses mainly on the specific "wine and spirits" preclusion under Section 2(a) and is available at www.uspto.gov/web/offices/tac/notices/examguide 1-06.htm.

As the Guide makes clear, a geographical indication for wines or spirits can be refused registration on other grounds as well, including a general prohibition against registration of "deceptive" marks also provided for under Trademark Act, Sec. 2(a) (and which applies to marks used by applicants before 1996). Also, registration may be refused based on Trademark Act, Sec. 2(e)(3) which prohibits registration of marks which are geographically misdescriptive of the goods. In addition, where the geographic designation at issue is not false (i.e., the wines or spirits originate in the region named by the mark), refusals under Trademark Act, Sec. 2(e)(1) (mere descriptiveness) and Sec. 2(e)(2) (geographic descriptiveness) may apply[1].

As to the specific "wine and spirits" prohibition of Sec. 2(a), the Guide clarifies prior examination practice (reflected in T.M.E.P., Sec. 1210.08, which the present Guide supersedes). For instance, it states that the geographical indication[2] can be either "a place name, abbreviation, nickname, or symbol; or an outline or map of a geographic area." It also clarifies that to support a proper refusal, the examining attorney must demonstrate that "a purchaser's erroneous belief as to the geographic origin of the goods would *materially* affect the purchaser's decision to buy the goods." (Guide 1-06, emphasis added).

This "materiality" requirement, developed in case law, is fundamental to "deceptiveness" findings for all types of goods, not just wine and spirits. Therefore, it applies also to refusals based on general deceptiveness under Trademark Act, Sec. 2(a) and to geographically deceptive misdescriptive refusals under Sec. 2(e)(3). As to each of these refusals, "materiality" is also the most difficult requirement for U.S. examining attorneys to meet. It must be supported by substantial evidence showing extensive fame of the geographic region in question and the desirability among U.S. consumers that circumstantially shows that region's specific products (corresponding to the goods names in the application). This evidence supports the contention that the false geographic designation, as appearing on products sold in the U.S., would materially influence the purchasing decisions of U.S. consumers and so deceive them.

Interestingly, the statutory Sec. 2(a) "wines and spirits" prohibition does not explicitly require a showing of deceptiveness, or, hence, evidence of "materiality." The section states only that the refusal applies to marks which consist of or comprise a "geographical indication which, when used on or in connection with wine or spirits, identifies a place other than the origin of the goods" (where first used by the applicant before January 1, 1996). Therefore, the interpretation advanced by the Guide may largely eliminate whatever special protections Congress might have intended against false designations for wines and spirits and place false wine and spirits marks in the same position as deceptive marks for all other goods. In other words, basically the same deceptiveness standard, requiring evidence of

[1] Disclaimer of the geographic term and/or proof of acquired distinctiveness usually is sufficient to remove Section 2(e)(1) and 2(e)(2) grounds for refusal. Unlike refusals under these sections, Sec. 2(a) and Sec. 2(e)(3) are absolute bars to registration, i.e., no disclaimer or proof of acquired distinctiveness can overcome them.

[2] "Geographical indication" under Sec. 2(a) is not specifically defined by the U.S. Trademark Act, but is considered to reference geographic spirit producing or viticultural regions, which can be as small as a particular valley, district, province, or other circumscribed locality, or can be as large as a country or geographic areas that cross international borders (examples of the latter are: Flanders, The Danubian Plain, and The Moselle River regions).

"materiality," would apply to determine whether a wine and spirits mark is a false designation under Sec. 2(a) as applies to determine whether a mark for any type of product is deceptive under Sec. 2(a).

While the U.S. PTO makes some (limited) sources available to examining attorneys which list recognized geographic wine and spirits geographical indications, with respect to the "materiality" requirement, examining attorneys often lack the resources necessary to conduct extensive research into wine and spirit producing geographic regions abroad and their fame among U.S. consumers. Given these difficulties, examining attorneys may be reluctant to issue these rejections except against marks that contain wine and spirit geographical indications which are exceptionally well-known.

This is a good reason for owners of geographical indications for wines or spirits to place geographical indications on a trademark watch service so they can receive notice of an application that the examining attorney may have erroneously approved and consider opposing. Moreover, a party interested in protecting a geographical indication for wine or spirits in the U.S., might also consider applying for a U.S. certification mark registration in appropriate circumstances.

- CW

Opposition Decision: GEOGRAPHIC CERTIFICATION MARKS; DEFINITION OF "GENERIC" *(Tea Board of India v. The Republic of Tea, Inc.*, Opposition No. 91118587, August 23, 2006)

In a decision issued on August 23, 2006, the Trademark Trial and Appeal Board ("TTAB") ruled in favor of The Tea Board of India ("The Tea Board"), owner of the registered DARJEELING geographic certification mark for tea, in its opposition against an application for DARJEELING NOUVEAU (covering tea), of Republic of Tea ("ROT"). In the same decision, the TTAB also denied ROT's counterclaim that DARJEELING is generic for a particular type of tea. After full briefing on the opposition and counterclaim, and a hearing, in a 61-page decision, the TTAB made several findings that set precedent in the area of geographic certification marks. We address the "genericness" issue first.

In the few previous geographic certification mark cases that addressed whether a geographic certification mark had become generic, the TTAB had considered various factors in making its determination, including (1) whether and to what extent the mark owner controlled use of the mark (e.g., by enforcement, licensing, etc.), (2) the extent of misuse of the mark in connection with non-genuine goods (i.e., goods from a region other than the region indicated by the mark) by third parties and (3) whether consumers understood the mark as used on the product as having geographic significance. In this case, ROT argued that The Tea Board failed to control the DARJEELING mark, that the mark is misused by third parties in connection with non-genuine Darjeeling tea and that consumers view Darjeeling tea as a type of tea without regard to geographic origin.

Clarifying the standard for finding a geographic certification mark generic, the TTAB held that the pivotal issue is the relevant public's understanding of the meaning of the mark. While misuse of the mark in connection with non-genuine goods and lack of control by the mark owner can both lead to public perception of the mark as a generic term, these are not determining factors. In other words, regardless of the control mechanisms in place and the extent of third party misuse, unless ROT could demonstrate by a preponderance of the evidence that consumers view DARJEELING as a generic "type" of tea, its cancellation counterclaim would be rejected.

Applicant ROT's primary evidence of consumer understanding was a consumer survey purportedly showing that consumers view DARJEELING as a "type" of tea and not an indication of geographic origin. The Tea Board challenged ROT's survey, and the TTAB rejected it altogether as flawed and unreliable. Also, The Tea Board offered, and the TTAB considered, dictionary definitions, trade articles, newspaper articles, websites and other evidence showing proper use and meaning of DARJEELING as supporting The Tea Board's position that the mark functions to indicate geographic origin.

ROT also pointed to admissions by The Tea Board that misuse was a problem in the past and that it had never taken legal action to remedy such misuse. ROT argued that this demonstrates a lack of control by The Tea Board and suggests that the misuse has not been remedied and must still exist. It also argued that The Tea Board's revisions to its certification mark licensing program over the years demonstrate The Tea Board's recognition that there continues to be a problem with consumer understanding. The TTAB was not persuaded by these arguments and referred to The Tea Board's campaign to educate consumers, commenting that the Applicant had not actually demonstrated any current misuse of the DARJEELING mark. The TTAB further viewed The Tea Board's periodic enhancement of its licensing program as supportive of The Tea Board's continuing efforts to maintain control of the mark and protect its value as a geographic indication. The TTAB highlighted that "control" only need be "adequate" such that proper consumer understanding is maintained, and that ROT had not satisfied its burden of proving that consumers view DARJEELING as a generic term.

The Applicant argued also that The Tea Board itself allowed misuse of the DARJEELING certification mark by one time permitting use of the mark in connection with tea comprised of less than 100% pure Darjeeling tea (although the relevant Regulations have since changed). However, recognizing that a certification mark does not exist in a vacuum and cannot be considered apart from that aspect of a product being certified and the standards for certification, the TTAB determined that there is nothing inherently deceptive in permitting use of the DARJEELING mark to identify some component of tea, if it is the component being certified. Based on these, and a number of other arguments and evidentiary submissions, the TTAB concluded that ROT had failed to satisfy its burden of proving DARJEELING generic and denied the cancellation counterclaim.

Finally, ROT argued, on the main claim of confusing similarity, that confusion is not likely because its DARJEELING NOUVEAU product would contain 100% genuine Darjeeling tea actually certified by The Tea Board. It proposed to amend its specification of goods to reflect this (namely, tea consisting of 100% genuine Darjeeling tea certified by The Tea Board of India). However, following the lead of the seminal geographic certification mark case, *Institut National Des Appellations d'Origine v. Brown-Forman Corp.*, 47 U.S.P.Q. 2d 1875 (T.T.A.B. 1998), the TTAB held that genuineness of product contents is not a defense to an infringement claim. In fact, the TTAB held that use of an allegedly infringing mark on genuine certified product actually enhances the likelihood of consumer confusion as to an association with the mark owner. Applying the same multi-factor *DuPont* analysis used in trademark infringement cases (per the holding of *Institut*), the TTAB held that consumer confusion is likely and ruled in favor of Opposer The Tea Board.

- MC

SEPTEMBER 2006

Information Letter

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INTERNATIONAL

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- New Regulation on Geographical Indications

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- Well-known Marks (*Mattel* and *Veuve Clicquot* Cases)

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- Enlargement to Include Bulgaria and Romania
- OHIM Comments on Genuine Use (*Sunrider VITAFRUIT* Case)

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VIETNAM
- Joined Madrid Protocol
- New Intellectual Property Law

Agricultural Council of Europe:

NEW REGULATION ON GEOGRAPHICAL INDICATIONS

The Agricultural Council of Europe recently adopted a new regulation on geographical indications ("GIs") and designations of origins ("DOs"), Regulation 510/2006, which replaces Regulation 2081/92. This regulation was developed in response to recommendations from the World Trade Organization ("WTO") Dispute Settlement Body ("DSB") following its March 2005 ruling in a case brought by the United States and Australia against the European Union ("EU"). It affects only certain agricultural products and foodstuffs, including beer and non-alcoholic beverages, but not wines or spirits.

The WTO's Trade Related Aspects of Intellectual Property Rights ("TRIPs") define GIs as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographic origin." The U.S. protects GIs through its trademark, certification mark or collective mark system, which gives access on a non-discriminatory basis and in a manner that protects the rights of trademark owners, as required under TRIPs. Moreover, the U.S. registration system does not require participation by the applicant's government in the application process. On the other hand, the EU has a regulatory system (separate from its Community Trademark system), which in principle depends on government intervention to obtain a GI.

The U.S. and Australia challenged the prior regulation on two grounds: 1) national discrimination; and 2) the relationship between trademarks and geographical indications. The EU regulatory system for GIs and DOs, the U.S. and Australia argued, *inter alia*, prevented non-EU nationals from having equal access to GI protection in the EU. The DSB largely upheld the U.S. and Australia's first claim, finding that the earlier EU regulation regarding GIs was inconsistent with TRIPs and discriminated against foreign entities because 1) registration of a GI from a country outside the EU was conditional on that country adopting an equivalent system of GI protection and offering reciprocal protection to EU products; and 2) applications and objections from countries outside the EU had to be processed by the governments of those countries and those governments were required to operate systems of product inspection similar to those of EU member states. Regulation 510/2006 sets forth new rules for the application and objection procedures for obtaining protection for GIs and no longer requires a reciprocal system of protection in the applicant's country or, in respect of non-EU GIs, participation of the applicant's government in the application and objection process. The EU Commission provides guidelines for filing new GI applications from third countries directly with the Commission (see http://ec.europa.eu/agriculture/foodqual/protec/thirdcountries/proced_en.pdf).

On the second claim, the U.S. and Australia argued that the regulation did not permit trademark owners to prevent use of similar GIs which would result in a likelihood of confusion with a prior trademark and thus violated TRIPs. The Panel construed the scope of the provision on coexistence of prior trademarks and later geographical indications in the EU Regulation (Article 14(2)) very narrowly, noting that where the likelihood of confusion was relatively high, the exception in Article 14(2) would not apply. In this context, it referred to the rules on objections based on prior trademark rights and to the fact that the positive right to use a registered geographical indication would be limited to the geographical indication as registered and would not cover translations. Against this background, the DSB concluded that although the EU system was inconsistent with Article 16 of TRIPs, this inconsistency was justified under Article 17 of TRIPS which permits member states to "...provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."

The wording of the coexistence provision has been slightly changed in the new Regulation. According to Article 14(2) of

Regulation 510/06, the use of a trademark, which has been applied for, registered or established by use, before either the date of protection of the GI in the country of origin or before January 1, 1996, may continue, notwithstanding the registration of a later GI. Under Regulation 2081/92, the relevant reference date had been either the date of protection or the date on which the GI application had been submitted to the European Commission. The new wording is unclear as to whether trademarks filed after January 1, 1996 can coexist with conflicting GIs submitted for registration subsequently. It is noteworthy that the European Commission has expressed the view that this wording does not prevent coexistence of trademarks applied for, registered or established by use after the date with GIs registered at a later date.

The new regulation responds to the DSB recommendations as concerns the reciprocity requirement and by permitting applications and objections from outside the EU to be submitted directly to the European Commission and thus simplify the registration process.

It remains to be seen whether there will be further litigation concerning the regulation and what the outcome(s) might be.

- CB

Canada: WELL-KNOWN MARKS (*MATTEL* AND *VEUVE CLICQUOT* CASES)

The Supreme Court of Canada recently issued two landmark decisions which clarify the scope of protection for famous trademarks: *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22 (June 2, 2006) and *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée, et al*, 2006 SCC 23 (June 2, 2006). Although the court rejected the appeals filed by Mattel and Veuve Clicquot, both of which had sought to stop the use/registration of similar marks on non-competing goods and services, the court made clear that the fame of a mark can be successfully asserted against trademark use in different product or service categories in the right case.

The *Mattel* case was an opposition against a use (since 1992)-based application for BARBIE'S & Design for "restaurant services, take-out services, catering and banquet services," filed by the owner of a small chain of restaurants in Montreal. Mattel claimed confusing similarity with its registered BARBIE mark. The Opposition Board of the Canadian Intellectual Property Office (the "Board") acknowledged that Mattel's BARBIE mark was very well known if not famous, but held that the parties' respective goods and services and target clientele were quite different, and rejected the opposition. Mattel appealed to the Federal Court and filed survey evidence to support its argument that there was a likelihood of confusion between the trademarks. The Federal Court, and later, the Federal Court of Appeal, rejected the survey evidence, concluding that it established only a possibility of confusion, and not a reasonable likelihood of confusion. Mattel then sought leave to appeal to the Supreme Court of Canada on the ground that its BARBIE brand dolls and accessories had acquired such fame that the mark BARBIE could not be used on most consumer goods and services in Canada without causing confusion. The Supreme Court agreed to hear the case in conjunction with the *Veuve Clicquot* case (see below), since both concerned the role of fame in likelihood of confusion claims.

The Supreme Court noted in *Mattel* that the evidence showed Mattel's BARBIE mark to be very well known in Canada only when used for dolls and doll accessories and that the mark had no reputation for restaurant services. It observed also that there was no evidence of actual confusion, stating that although the relevant inquiry is one of "likelihood of confusion" and not "actual confusion," "an adverse inference *may* be drawn from the lack of evidence of actual confusion in circumstances where it would readily be available if the allegation of likely confusion was justified." In finding no likelihood of confusion, the court considered all the "surrounding circumstances," as set out in Section 6 of the Canadian Trade-marks Act (the "Act"). Section 6(5) of the Act states that in determining whether trademarks or trade names are confusing, the court or the Registrar must consider all surrounding circumstances, including:

A) the inherent distinctiveness of the trade-marks or trade names and the extent to which they have become known;

B) the length of time the trade-marks or trade names have been in use;

C) the nature of the wares, services or business;

D) the nature of the trade; and

E) the degree of resemblance between the trade-marks or trade names in appearance or sound or in the ideas suggested by them.

The court also gave weight to the fame of the BARBIE trademark but held that in this case, there was no likelihood of confusion because of the great differences between the goods and services, as well as the channels of trade, of the two parties.

The court expressly disagreed with the Federal Court of Appeal's 1998 Pink Panther decision (*United Artists v. Pink Panther Beauty Corp*.) which held that "only in exceptional circumstances, if ever, should property rights be extended into areas of commerce that do not remotely affect the trade-mark owner." The court observed that this test raised the bar too high and was too rigid. The court concluded:

> If the results of the use of the new mark would be to introduce confusion into the marketplace, it should not be accepted for registration 'whether or not the wares or services are of the same general class' (s.6(2)). The relevant point about famous marks is that fame *is* capable of carrying the mark across product lines where lesser marks would be circumscribed to their traditional wares or services.

The court noted further, however, that while the fame of a trademark should be considered in the confusion analysis, it is not a factor that trumps all other factors, such as those set out in Section 6 of the Act. According to the court: "a difference in the goods or services does not deliver the knockout blow, but nor does the fame of the trade-mark. Each situation must be judged in its full factual context."

In *Veuve Clicquot*, the owner of the registered trademark VEUVE CLICQUOT for wines and champagnes, brought an action for trademark infringement and depreciation of good will against a small Quebec-based chain of women's wear shops which had been using the trade name "Cliquot" since 1995. The plaintiff also sought to have the retailer's registered trademarks CLIQUOT and CLIQUOT "UN MONDE A PART" expunged from the trademark register, based on likelihood of confusion. Veuve Clicquot argued that the fame of its mark entitled it to broad protection and the requested relief. The Federal Court of Canada, at trial and on appeal, dismissed the suit on the ground that Veuve Clicquot failed to prove likelihood of confusion as to source or depreciation of goodwill.

Although the trial judge found VEUVE CLICQUOT well known and unique and deserving of broad protection, she did not find that fact decisive. Rather, she found the renown of the mark just one factor to be assessed, along with all the others. The key factor for the trial judge was the significant difference between Veuve

Clicquot 's goods and those of the clothing retailer. The Supreme Court upheld the decision, observing that the trial judge was entitled to place emphasis on the product differences in this particular case. It held that although the evidence established that VEUVE CLICQUOT is famous and might not necessarily be restricted in the minds of customers to champagne and related promotional products and could extend more broadly into the luxury goods market, the evidence did not establish that the mark would be associated by ordinary consumers with mid-priced women's clothing.

The court again dismissed earlier famous mark cases to the extent that they placed too much emphasis on the similarities and dissimilarities of goods and services and strayed from the statutory "all the surrounding circumstances" test. The court pointed out that although fame is not, as such, an enumerated circumstance, it is "implicit in three of the enumerated factors, namely inherent distinctiveness, the extent to which a mark has become known, and the length of time it has been used."

In discussing the importance of fame in a likelihood of confusion analysis, the court stated:

> The finding that VEUVE is a 'famous' mark is of importance in considering 'all the surrounding circumstances' because fame presupposes that the mark transcends at least to some extent the wares with which it is normally associated.

Again, as in *Mattel*, the court concluded that fame does not trump all other factors and that different circumstances will be given different weight in a context-specific assessment. It noted that "famous marks do not come in one size" and explained that depending upon its inherent strength and associated goodwill, one well-known brand may largely transcend product line differences, while another will have very specific associations and be given a narrower scope of protection.

In the *Veuve Clicquot* case, the court considered an additional ground of complaint, namely Section 22 of the Act which provides:

> 22(1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

As noted by the court, this anti-dilution provision, which is not confusion-based, has received "surprisingly little judicial attention" since its enactment more than 50 years ago. The court identified four elements that need to be established under Section 22:

1. The claimant's registered trademark was used by the defendant in connection with goods or services whether or not such goods and services are competitive with those of the claimant. (As to this factor, the court stated that the defendant could be liable even though it did not use a mark that was identical to that registered by the complainant; the mark just has to be sufficiently similar to evoke some kind of mental association with the claimant's mark in the consumer's mind.)
2. The claimant's registered trademark is sufficiently well known to have significant goodwill attached to it. (The court noted on this point that, in contrast to analogous European and U.S. anti-dilution laws, the mark does not have to be well known or famous.)
3. The claimant's mark was used in a manner likely to have an effect on that goodwill (i.e. linkage); and
4. The likely effect would be to depreciate the value of or damage the complainant's goodwill.

As to the last two elements, the Supreme court agreed with the trial judge that Veuve Clicquot had failed to establish that consumers would make any link or connection between Veuve Clicquot and Boutiques Cliquot as a result of the latter's use of the mark CLIQUOT. It held that without the link, there could be no impact on the goodwill attached to the mark.

- AK

European Union: ENLARGEMENT TO INCLUDE BULGARIA AND ROMANIA

On January 1, 2007, the European Union will be enlarged to include Bulgaria and Romania. This development means that CTM applications and registrations predating January 1, 2007 will automatically be extended to cover these countries, without any associated fee increase. The effective priority date in Bulgaria and Romania for such extended applications and registrations will be January 1, 2007. In addition, CTM applications may be rejected on grounds of descriptiveness or deceptiveness in the languages of the new member countries after January 1, 2007. Therefore, trademark owners seeking protection in Bulgaria and Romania by way of a CTM application are encouraged to file before January 1, 2007 to take advantage of the automatic extension.

- AS

European Union: OHIM COMMENTS ON GENUINE USE (*SUNRIDER VITAFRUIT* CASE)

Background

In April 1996, Sunrider Corporation filed CTM Application No. 156422 for VITAFRUIT in International Classes 5, 29, and 32. In April 1998, the application was opposed by Juan Espadafor Caba, a Spanish citizen, on the basis of prior Spanish Registration No. M 0372221 for VITAFRUT in Class 32. In response to the opposition and in accord with Article 43 of Council Regulation (EC) No. 40/49, Sunrider requested that Espadafor Caba provide proof that his mark had been in use during the five (5) years preceding publication of the CTM application.

Both the Opposition Division and the Court of First Instance found genuine use of Espadafor Caba's mark and refused, in part, to register Sunrider's application for certain products in Classes 30 and 32. Sunrider appealed and brought an action for annulment. As a result, in May 2006, OHIM issued a judgment in favor of Espadafor Caba confirming the sufficiency of his use evidence and generally analyzing the meaning of genuine use.

Present Dispute

Under Article 43(2) and (3) of Regulation No. 40/94, at the request of an Applicant, the Opposer must provide proof of genuine use of the trademark(s) on which the opposition is based.

Specifically, Article 43, paragraphs 2 and 3, provide:

> 2. If the applicant so requests, the proprietor of an earlier Community trade mark who has given notice of opposition shall furnish proof that, during the period of five years preceding the date of publication of the Community trade mark application, the earlier Community trade mark has been put to genuine use in the Community in connection with the goods or services in respect of which it is registered and which he cites as justification for his opposition …, provided the earlier Community trade mark has at that date been registered for not less than five years. In the absence of proof to this effect, the opposition shall be rejected. If the earlier Community trade mark has been

used in relation to only part of the goods or services for which it is registered it shall, for the purposes of the examination of the opposition, be deemed to be registered in respect only of that part of the goods or services.

3. Paragraph 2 shall apply to earlier national trade marks referred to in Article 8(2)(a), by substituting use in the Member State in which the earlier national trade mark is protected for use in the Community. [Emphasis added.]

Espadafor Caba provided OHIM with six (6) juice bottle labels and 14 invoices, 10 of which predated the publication of Sunrider's mark, as proof of use of his mark. The invoices were issued by Industrias Espadafor, S.A. Analysis of that evidence follows:

A) Use By A Third Party

Under Article 15 of Council Regulation (EC) No. 40/94 (December 1993), genuine use of a trademark can be made only by the owner or with the owner's consent. See Article 15(3) ("Use of a Community trade mark with the consent of the proprietor shall be deemed to constitute use by the proprietor.") The invoices provided by Espadafor Caba were not in his name, but rather in the name of Industrias Espadafor, S.A. Espadafor Caba could not provide written evidence of his consent to the company's use of his trademark.

The Court of First Instance held, and OHIM confirmed, that it was appropriate to rely on the presumption that Espadafor Caba had consented to use of his trademark and that such a presumption was not a reversal of the burden of proof. In particular, OHIM noted that Espadafor Caba would likely not have had access to invoices of sale, had he not consented to those sales. OHIM held that the burden of proof was not shifted onto Sunrider to prove lack of consent; rather, Espadafor Caba met his burden by proving consent by presenting the corporation's invoices.

B) Sufficiency of the Evidence

Sunrider contended, however, that, consent aside, the use evidence provided was insufficient to constitute genuine use. Sunrider argued that despite Espadafor Caba's goods being intended for daily use by the consumer and easy to sell due to their low cost, sales amounted to only €4,8000. Further, Sunrider noted that the sales were limited (totaling 293 cases of 12 items each) and sporadic (constituting 5 transactions over 11 months). Finally, Sunrider pointed out that sales were not present in a substantial part of the territory, since they were limited to only one customer.

Agreeing that all of the above factors should be taken into account, OHIM noted that they must be considered within proper context. Established case law, according to OHIM, clarifies that genuine use of a trademark is that which identifies the origin of a product and is intended to create or preserve an outlet for the goods. Genuine use does not include use intended solely to preserve rights in a trademark. Further, consideration must be given to *all* facts and circumstances that may determine whether use is token or true commercial exploitation in the normal course of trade.

In this case, OHIM agreed with Sunrider that the proffered use was on a "rather small-scale." However, OHIM noted further that there is no *de minimis* rule as to genuine use. Where, as here, the use serves a real commercial purpose, even *de minimis* use can be sufficient to establish genuine use.

Conclusion

This case establishes that genuine use is not something that can be determined *a priori* or in the abstract. Instead, the quantitative threshold is to be determined on a case-by-case basis and should take into account the trademark owner's actual commercial intent. Accordingly, outcomes may differ in separate matters, even if the sales volumes are the same. This decision appears to indicate that it is difficult to predict or draw general conclusions about what might constitute genuine use, based on prior cases.

- MAM

Mexico: TRADEMARK PROTECTION FOR THREE-DIMENSIONAL PRODUCT SHAPE

Although the Mexican Industrial Property Law ("MIPL") expressly recognizes the availability of trademark protection for three-dimensional product shapes, obtaining a trademark registration for such marks in Mexico has historically been quite difficult. The Mexican Trademark Office ("MTO") has typically rejected applications for three-dimensional product shape marks, finding the marks to be descriptive of their associated underlying goods.

A Mexican appellate court's recent holding that the three-dimensional shape of a watch is entitled to trademark protection may cause the MTO to reconsider its conservative approach to applications for such marks. The case involved a trademark application filed by the watch maker, Tag Heuer, for a unique three-dimensional watch shape. The MTO rejected the application, finding that the watch shape was descriptive of the underlying Class 14 watch goods and incapable of functioning as a trademark. Tag Heuer appealed the decision up to the Third Collegiate Tribunal on Administrative Matters.

The MTO defended its rejection of the application by arguing that, although the watch shape did contain unique characteristics such as the watch bracelet's link shape, the watch shape itself was simply not capable of functioning as a trademark. The appellate court overturned the decision. The court first clarified that a product shape can function as a trademark under Mexican trademark law, provided that: (1) the shape is not the ordinary or common shape for such a product, (2) the shape is not primarily functional in nature, and (3) original and distinctive elements in the product shape serve to sufficiently distinguish the product's shape from other goods of the same type. Applying this analysis to the Tag Heuer watch shape at issue, the court found that Tag Heuer's unique aesthetic and ornamental elements differentiated the watch shape, when viewed as a whole, from the typical shape of watches of others in the market. The court further stated that Tag Heuer's unique design elements were not descriptive of the underlying product and that protecting the shape would not harm third parties' ability to develop competing watches. Accordingly, the court found the watch shape entitled to trademark protection in Mexico.

It is anticipated that the appellate court's reversal of the MTO's decision in the Tag Heuer case may cause the MTO to alter its restrictive approach to three- dimensional product shape marks in the future. This decision may therefore open the door to more trademark applications in Mexico for three- dimensional product shape marks.

- CK

Poland: AMENDMENT OF INDUSTRIAL PROPERTY LAW

On July 4, 2006, the Polish Government accepted a proposed amendment to the Industrial Property Law ("IP Law") submitted by the Polish Patent Office. The amendment introduced a provision requiring that all supporting evidence be submitted with the initial complaint in a motion for cancellation of a trademark registration. The amendment must now be reviewed by both chambers of the Polish Parliament, the Sejm and the Senate. Once Parliament accepts the amendment, it will be signed into law by the President and published. We anticipate that the amendment will come into force at the end of 2006.

By its terms, this amendment applies only to cancellation actions, not oppositions or informal observations (which are filed during the course of the registration procedure). In Poland, a motion for cancellation is filed generally after the opposition period (i.e., 6 months from publication of the registration) has lapsed. Cancellation actions are considered "contentious proceedings" and are regulated by a separate section under the IP Law, whereas oppositions and informal observations are considered filed during registration proceedings and are thus regulated by other sections of the IP Law. This distinction may explain why the amendment pertains only to cancellation actions. However, it is possible that during its review, Parliament may note this inconsistency and address it.

In the meantime, it is likely that any motions for cancellation filed in the near term will be subject to the former law and thus, it should be possible to submit supplemental evidence after filing. However, once the amendment comes into force, it will be necessary to submit <u>all evidence</u> in support of the action at the time of filing, with no possibility for supplementing the evidence later.

- CB

Puerto Rico: TIMELY FILING OF DECLARATIONS OF USE (*ARRIBAS* CASE)

On August 14, 1991, the section of Puerto Rico's Trademark Statute (10 LPRA § 171 et seq.) providing for registration of trademarks on the basis of intent to use, was enacted. This legislation provided that a Declaration of Use must be filed with the Trademark Office within five years of an ITU registration, or the registration would be cancelled. The five-year time limit, however, was generally ignored. The Supreme Court of Puerto Rico decision of October 3, 2005, in *Arribas & Associates, Inc.* v. *Santa Clara C. Por A.*, 2005 TSPR 143, has now changed this situation drastically.

In *Arribas*, the court ordered the Trademark Office strictly to enforce its Rules and Regulations, requiring that the Office automatically cancel any and all ITU trademark registrations that failed to comply in the past or in the future with the five-year time limit for filing the mandatory Declaration of Use. This decision caused consternation among Puerto Rico's trademark bar, which was obliged to ascertain what marks were affected and to inform their clients that the subject marks had been cancelled.

One firm, Reichard & Calaf, of San Juan, took action. Several representatives of the firm approached the Director of the Trademark Office, requesting that the Office provide a transitional "grace" period before the rule of *Arribas* became effective. The Director pointed out, however, that the Office was bound by the case, and asked that the firm draft an amendment to the rule, to preserve those registrations that had in fact been used within the five-year period following registration but had been cancelled because the Declaration of Use had not been timely filed. Based on that draft, the Trademark Office amended its Trademark Rules, effective July 7, 2006, as follows:

Section 3(a): Any trademark owner that filed an application based on intent to use and that has not filed a Declaration of Use within five years following its registration, will have six (6) months since the approval of this amendment to file the use declaration, as long as use of said trademark began within the five (5) years since registration.

Section 3(b): Once the six (6) month period expires, trademark owners who had not filed the Declaration of Use within the five (5) year period since registration will not be able to take advantage of this transitory disposition and their trademarks will be cancelled.

The six-month period in Puerto Rico does not begin to run from the end of each registrant's five-year term from ITU registration, but from the yet-to-be-established effective date of Rules 3(a) and 3(b). Before the amended rules become effective, the State Department Legal Division must first submit the amendment for signature to the Secretary of State. Once the document is signed, it will be filed at the State Department's Office of Certification of Rules and Regulations. In accordance with Puerto Rico's Uniform Administrative Procedure Act, the rules amendments are next sent to the library of the legislature, and they go into effect 30 days after their filing at the Legislative Library.

Thus, the amended rules postpone the effective date of the grace period for several months. The exact date of the commencement and end of the six-month window should have been set by the end of August 2006 and will be reported in the next issue of the Information Letter. After the expiration of the six-month grace period, absent the filing of a Declaration of Use with the Puerto Rican Trademark Office within five years from registration, a Puerto Rican ITU registration will be cancelled automatically and irretrievably.

- PTS

Serbia and Montenegro: UNION DISSOLVED

By referendum on May 21, 2006, Montenegro voted to secede from the State Union of Serbia and Montenegro ("the Union"), effectively dissolving the Union. For now, the Serbian Intellectual Property Office in Belgrade remains in charge of trademark registration for Serbia. Trademarks which were registered in the Union will remain valid in Serbia. Cases pending before the Court of Serbia and Montenegro will be transferred to the Supreme Court of Serbia, which is the appellate body for decisions rendered by the Serbian Intellectual Property Office. Montenegro, which passed a law on intellectual property enforcement (effective January 1, 2006) has not yet set up an independent Intellectual Property office. While marks registered in the Union remain valid in Montenegro, it is possible that revalidation may be required at a later time, assuming Montenegro enacts an independent law governing trademark registration. Marks registered by the Serbian Intellectual Property Office in Belgrade are also valid in Kosovo, which may also become independent in the near future. The Kosovo Parliament, for example, passed a trademark law in 2005, which has not yet come into effect. We are closely monitoring these developments.

- JLH

South Africa: REVERSIONARY COPYRIGHTS (*LION SLEEPS TONIGHT* CASE)

There has recently been litigation and commentary in the U.S. concerning reversionary copyright interests acquired by heirs of famous creators. This includes matters involving works by John Steinbeck and A.A. Milne (Winnie The Pooh), and the control exercised by the heir to James Joyce. See *Steinbeck v. McInTosh, Inc.*, No. 04-CV-5497, 2006 WL 1586547 (S.D.N.Y. June 8, 2006); *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 126 S.Ct. 2969 (2006); *Shloss v. Sweeney*, No. 06-CV-03718-JW (N.D. Cal.).

Less known to the majority of those familiar with the song, *The Lion Sleeps Tonight*, is that the composer of the music was a poor, black South African, Solomon Linda, who died a pauper in 1962. Linda called the song "MBUBE," the Zulu word for "lion." He assigned the copyright in the song to a South African company, Gallo (Africa) Limited, in 1952 for 10 shillings. Gallo then registered the copyright in the U.S. in its own name. Subsequently, the U.S. copyright was acquired by a music publisher called Folkways.

Folkways also secured an assignment from Solomon Linda's wife, Regina, of any rights in MBUBE which she might have possessed, and then registered the work in its renewal term in Folkways' name. Regina Linda died in 1990 and willed all her assets to her four daughters. Thereafter, Folkways secured an assignment from the four daughters of any rights they might have held under copyright in the song MBUBE.

As noted in a forthcoming article on the song to be published by a leading South African copyright lawyer, Owen Dean, of the Spoor & Fisher firm:

> No effort was spared in ensuring that Solomon Linda and his descendants divested themselves of any possible vestiges of the copyright in MBUBE which they might have held.

However, as events unfolded, these efforts were ultimately unsuccessful.

A further development regarding the song was the addition of English lyrics in the United States, under the name *The Lion Sleeps Tonight*. As such, it was popularized by Disney, and featured in its stage musical, *The Lion King*.

Fortuitously, as a law student Owen Dean had researched the rather arcane provisions in the 1911 British Copyright Law relating to "reversionary interests" concerning the copyrights of deceased authors and composers, and the knowledge he gained proved decisive when he was consulted by the Linda heirs about the MBUBE song. He concluded that under the terms of the 1911 Law, which had been extended to South Africa upon its enactment, and reincorporated in subsequent local legislation, the copyright in question would have vested in Linda's estate. On Owen Dean's advice, an executor was appointed to the Linda estate. The executor then asserted that the copyright in the original song in South Africa and also in the U.K., and other British Common Law countries where the reversionary interest provisions of the 1911 Imperial Copyright Act had effect, vested in the Linda estate.

Disney had by then released the motion picture, *The Lion King*, featuring the music composed by Solomon Linda. The executor then sued Disney and various co-defendants involved in the dissemination of the song, alleging infringement of the copyright in the music composed by Linda.

The suit was initially vigorously contested on substantive and jurisdictional grounds, but the South African Court upheld the right of the executor to pursue the case.

Negotiations then followed which resulted in a settlement pursuant to which substantial royalties became payable to the estate of Solomon Linda, and Solomon Linda would thereafter be designated as a co-composer of the song, *The Lion Sleeps Tonight*.[1 2]

- MID

United Kingdom: DOMAIN NAMES INFRINGE SERVICE MARKS (*TESCO* CASE)

On March 8, 2006, the High Court of Justice, Chancery Division (England & Wales) granted summary judgment and injunctive relief to Tesco Stores, the largest supermarket chain in the United Kingdom, in its trademark infringement and passing off claim against Elogicom Limited. *Tesco Stores Ltd. v. Elogicom Ltd.* [2006] EWHC 403 (Ch) (March 8, 2006).

Elogicom belonged to the "Tesco Affiliate Program," which meant that Elogicom could generate commissions by redirecting online customers from its websites to the official Tesco websites. As part of this marketing scheme, Elogicom registered domain names such as avon4me.co.uk and avonlady.co.uk to attract and subsequently redirect online traffic to the Tesco site. This arrangement unraveled when Elogicom registered multiple domain names containing the word "tesco" (*e.g.,* tescodiet.co.uk, tescodiet.com, tescodvd.co.uk, jerseytesco.co.uk, and tesco2u.co.uk), despite the fact that Tesco owns UK trademark registrations for TESCO and TESCO.COM, and actively sells goods and services online through websites incorporating these marks. When Tesco became aware of these registrations, it ended its "affiliate" relationship with Elogicom and demanded transfer of the domain names. Elogicom refused, claiming that its use of the "tesco" domain names did not take unfair advantage of Tesco's reputation or goodwill, but rather enhanced it by enabling online customers to access the Tesco site. Tesco subsequently sued for trademark infringement and passing off.

The court found Elogicom in violation of Section 10(2)(b) of the Trade Marks Act of 1994, which reads as follows:

> A person infringes a registered trade mark if he uses in the course of trade a sign where because the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.

In order to make this finding, the court first classified use of a domain name as a service offered to the public, thereby placing Elogicom's actions squarely within in the scope of Section 10(2)(b). According to the court, Elogicom used a sign (domain name) similar to Tesco's trademarks, in the course of trade (to generate commissions), for services (the provision of access to Tesco's websites) similar to Tesco's registered marks (characterized by the court as covering "the provision of Internet access to shopping services") in circumstances where a likelihood of confusion exists on behalf of the public. The court found Elogicom in violation of Section 10(3) as well, which prohibits use of a sign similar to a mark having a reputation in the United Kingdom, to take unfair advantage of or harm the distinctive character or reputation of the mark, without due cause. Finally, the court also granted Tesco's passing off claim, since Elogicom had sought to associate itself with and

[1] A full history of the copyrights in question, the preparation of the litigation, and the outcome is the subject of an article to be published in a South African legal publication called "De Rebus."

[2] To obtain jurisdiction under South African law against Disney, the executor secured an Order of Attachment against the registered trademarks owned by Disney in South Africa, and joined various co-defendants in the litigation. The defendants had initially argued vigorously that the Attachment was improper, and claimed Attorneys' fees both against the executor, and Owen Dean's law firm, and sought its disqualification.

trade upon the considerable goodwill of the Tesco name.

Elogicom argued that its actions were defensible under Section 10(6) of the Act. This provision allows use of a registered mark for the purpose of identifying the goods and/or services of the owner, provided such use is in accordance with "honest practices in industrial or commercial matters" and does not take unfair advantage of the distinctive character or reputation of the mark. The judge rejected this defense because Elogicom's actions were inconsistent with honest practices in commercial matters. Elogicom also pointed to domain names registered worldwide containing the word "tesco," but this did not diminish Tesco's reputation or goodwill in the eyes of the court because "there is no material prospect that any consumer in the United Kingdom would confuse Tesco, the United Kingdom supermarket chain, with these sites or businesses."

In granting injunctive relief, the court relied on the Court of Appeal's decision in *British Telecommunications Plc v. One in a Million Ltd.* [1999] FSR 1. In applying this decision, the court declared that Elogicom's mere maintenance of the domain name registrations constitutes a continuing infringement of Tesco's marks, and therefore warrants injunctive relief.

Some commentators have questioned the merits of this decision. One issue of concern is the nature of the confusion attributable to Elogicom's actions. Online customers may have been attracted to Elogicom's sites because of the Tesco name, but since they were ultimately directed to the official Tesco site, where lies the confusion? Along the same lines, what misrepresentation did Elogicom bring to bear upon the public to support the passing off claim? Another point troubling to some is the court's low threshold for the similarity of services required for infringement. The decision suggests similarity will be found when a trademark is used as part of a domain name as long as the trademark registration covers Internet access to shopping services, regardless of the goods and/or services actually sold under the mark. It remains to be seen whether this broad view of services as applied to domain names will become accepted doctrine in this evolving area of the law.

- AJS

United Kingdom: ELEMENTS OF A PASSING OFF CLAIM (*PHONES 4U* CASE)

The England and Wales Court of Appeal has partially overturned a lower court's ruling in *Phones4U Ltd. v. Phone4u.co.uk Internet Ltd.*, allowing the appeal of the passing off claim but upholding dismissal of the trademark infringement claim.

Phones 4U Ltd. (Phones 4u), a subsidiary of Caudwell Holdings Ltd., has owned and operated mobile telephone shops that sell mobile phones and arrange contracts with mobile phone service providers since 1995. In May 1997 the company registered the domain name phones4u.co.uk and "by the end of 1999 […] there was a PHONES 4U shop in most major towns and cities in England." In 1999, Caudwell registered the PHONES 4U Logo

limiting it to the colors red, white and blue.

In August 1999, Abdul Heykali registered the domain name phone4u.co.uk for use in connection with an Internet-based mobile phone business. In February 2004, subsequent to sending three cease and desist letters, Phones 4u filed passing off and trademark infringement claims against Mr. Heykali.

The judge of first instance dismissed the passing off and infringement claims finding that PHONES 4U had not acquired any goodwill since it was a descriptive mark; even if PHONES 4U had acquired goodwill, there was no evidence of damage through any direct diversion of sales; and there was no trademark infringement because the PHONES 4U Logo registration was limited to the colors as registered. Phones 4u appealed and the Court of Appeal held there was compelling evidence to support the passing off claim.

A passing off claim is the equivalent of a common law unfair competition action, the success of which depends on the evidence submitted. There are three elements to a successful passing off claim. First, a plaintiff must establish that a goodwill or reputation has attached to the mark in connection with the goods and/or services offered. Second, the plaintiff "must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by him are the goods or services of the plaintiff." In this connection, there is a difference between "mere confusion" and deception. Whereas deception is likely to result in <u>actual</u> damages to the claimant, mere confusion is unlikely to result in any "real" damage. In cases where a mark is considered descriptive, a case of mere confusion caused by the use of a very similar description would not amount to passing off. However, the determination as to whether a claimant in a passing off action has a "descriptive" mark is considered at a much lower standard than whether a mark is sufficiently distinctive for trademark registration. Accordingly, although a mark may not be considered registrable due to non-distinctiveness, if a claimant can prove that use of the same mark in a set area was well known, use of a deceptively similar mark in the same area could be the basis of a passing off action. Third, the plaintiff must demonstrate actual or potential damage resulting from the defendant's misrepresentation. The actual or potential damage cannot be limited to direct diversion of sales caused by misrepresentation since this would fail to protect the claimant's property in the goodwill.

Phones 4u appealed the passing off dismissal on four grounds: 1) the trial judge applied the wrong test in deciding whether PHONES 4U had acquired any goodwill; 2) fraud per se was committed the day Mr. Heykali registered the phone4u.co.uk domain name; 3) the trial judge wrongly characterized numerous instances of deception as "mere confusion;" and 4) the trial judge erred by placing significance in the co-existence of the marks without "deception" by not considering the extent of Mr. Heykali's use during the relevant time.

With respect to goodwill, the judge of first instance held that PHONES 4U was essentially unknown until August 2001, when the first brand survey was taken, and that it is a descriptive phrase that required proof of acquired distinctiveness in order to have acquired goodwill. The key evidence necessary to show goodwill are the actions taken to publicize the name or mark. The fact that there were numerous PHONES 4U locations throughout England that had sold over 185,000 phones by 1999 was sufficient to infer that a substantial portion of the public, especially those interested in mobile phones, was aware of this business at that time. Also, Phones 4u's extensive advertising always included their registered logo. Further, the concept of descriptiveness with respect to goodwill differs from distinctiveness for trademark registration. Although the mark PHONES 4U may not have been sufficiently distinctive for trademark registration without a claim to color, the level of distinctiveness required to establish goodwill is not as stringent as that required for registration. The Court of Appeal did not consider this mark so descriptive that anyone would describe a mobile phone business as a PHONES 4U shop and therefore held that PHONES 4U had an established goodwill in August 1999.

With respect to the registration by Mr. Heykali of the phone4u.co.uk domain name, following *BT v One in a Million* [1999] FSR 1 (holding that "registration of a domain name of a well-known company was an actionable passing off") the Court of Appeal concluded that since PHONES 4U had an established goodwill, it automatically followed that Mr. Heykali's use of the domain name would lead to confusion.

As to the distinction between mere confusion and deception, the judge of first instance had found that customers of PHONES 4U were erroneously visiting Mr. Heykali's website in the belief that it was connected to the PHONES 4U mobile phone business. However, since Caudwell did not provide evidence of actual trade diversion, this was a case of mere confusion and not deception. In this regard, the Court of Appeal determined that the trial judge erred by only considering damage in the form of trade diversion, finding clear and convincing evidence of damage to goodwill. According to the court, the e-mails provided by the defendant showed that "customers of Caudwell thought they were communicating with those who own and run the PHONES 4U shops." These e-mails evidenced damaging misrepresentation since, at least in some cases, defendants sought to take advantage of the deception by dealing directly with the customers.

Finally, with respect to co-existence of the marks, the first instance judge found it persuasive that Caudwell did not provide evidence of any loss of business resulting from actual confusion during the 5½ years after the first alleged passing off. Typically, evidence of substantial coexistence without confusion would create an inference that there was no confusion or deception. However, Mr. Heykali did not provide evidence regarding the extent of his trade, accounts or sales. In fact, it appears that Mr. Heykali had very little business throughout this period, so there could have been only limited coexistence and there was insufficient evidence to support the inference of no deception.

In sum, the Court of Appeal found compelling evidence of passing off and allowed the appeal. However, the Court of Appeal dismissed the appeal with respect to trademark infringement. The court held that the PHONES 4U Logo trademark registration was not infringed by the phone4u.co.uk domain name since the registration was specifically limited to the colors red, white and blue. When a registrant chooses to limit a registration to certain color(s) in order to overcome a non-distinctiveness objection, the registrant must accept the corresponding limited rights. If subsequent use of the mark leads to it becoming distinctive, however, the registrant can then apply to register the mark for broader rights.

- MFK

Vietnam: JOINED MADRID PROTOCOL

Effective July 11, 2006, Vietnam joined the Madrid Protocol as a Contracting Party.

- JLH

Vietnam: NEW INTELLECTUAL PROPERTY LAW

As previously reported in our March 2006 Information Letter, in November 2005, the National Assembly of Vietnam enacted the Law on Intellectual Property ("new Law"). The new Law officially came into force on July 1, 2006 and sets forth new provisions in addition to incorporating many of the old laws, which were previously set forth in the Vietnamese Civil Code, the Implementation Regulations, governmental decrees, ministry circulars and other legal documents. The new IP law provides for protection and enforcement of industrial property rights, copyrights, and plant varieties. Under the new Law, "industrial property rights" also includes geographical indications, unfair competition, trade names and trade secrets.

This is yet another development in Vietnam's efforts to join the World Trade Organization ("WTO"). In preparation for WTO membership, Vietnam has taken many steps to comply with the WTO's Trade Related Aspects of Intellectual Property Rights ("TRIPs"), including, among other actions, entering Bilateral Trade Agreements (in particular, with the U.S. in 2000), joining the Berne Convention in October 2004, and enacting a new Civil Procedure Code in compliance with TRIPs.

To avoid conflict with other national laws and international treaties, Article 5 of the new Law specifically provides that: 1) where another law includes IP-related provisions contrary to the new Law, the new Law will apply; 2) where an IP-related civil matter is not provided for in the new Law, the Civil Code will apply; and 3) where the new Law's provisions are contrary to an international treaty of which Vietnam is a member, the treaty provisions will apply.

Although much of the prior IP laws remain intact, there have been some noteworthy changes. Some key trademark developments are described below:

<u>Geographical indications</u>

The new Law creates a system for registering geographical indications, which will also cover Appellations of Origin. (Art.88)

<u>Well-known marks</u>

As a member of the Paris Convention since 1949, Vietnam was required to protect well-known trademarks. However, the old laws did not establish criteria for determining what constituted a well-known mark. Article 75 now provides criteria for evaluating well-known marks, which will facilitate enforcement of such marks. Also, the new Law no longer requires registration/recordation of well-known marks in order to enforce them.

<u>Collective and Certification Marks</u>

The new Law now provides for protection of certification marks. Article 105 sets forth new regulations for the use of collective marks and certification marks.

<u>Shorter Examination Procedures</u>

The new Law requires that examination as to form of trademark applications be completed within one (1) month of the filing date and that substantive examination of trademark applications be completed within six (6) months of the publication date.

<u>Powers of Attorney for Trademark Applications</u>

Powers of Attorney no longer require notarization.

- CB

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