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SEPTEMBER 2007

ROGER ZISSU and JAMES WEINBERGER were part of the defense team responsible for a major victory for clients Time Warner Inc., Warner Communications, Inc., Warner Bros. Entertainment Inc., Warner Bros. Television Production Inc. and DC Comics, the defendants in the ongoing litigation in the U.S. District Court for the Central District of California over the copyright termination interest in Superman and Superboy characters allegedly owned by the heirs of co-creator Jerry Siegel. On July 27, 2007, the Court granted defendants' motion for reconsideration of its March 23, 2006 ruling that a 1948 decision of the New York State Supreme Court between the parties' predecessors-in-interest determining various claims under state law precluded defendants from asserting several copyright law defenses to the plaintiffs' attempts under section 304(c) of the 1976 Copyright Act, applicable to works created before 1978, to terminate a grant of rights in Superboy. The Court vacated the prior ruling, holding that all such defenses were found to be grounded in *copyright* law and not subject to any preclusive effect of the 1948 litigation, which involved *state* law. By its ruling, the court reinstated potentially dispositive defenses that the first Superboy story was (1) a derivative work of Superman containing little new material beyond the idea for depicting the character at age 12, (2) like Superman, a joint work that remains co-owned by DC Comics, and (3) not subject to termination because it was never published so as to be copyrighted before January 1, 1978, and requested supplemental briefing on these issues. The decision appears at *Siegel v. Time Warner Inc.*, Case No. CV-04-8776 SGL (RZx), 2007 WL 2172822 (C.D. Cal. July 27, 2007).

JOHAN MARGIOTTA and ROGER ZISSU successfully concluded their representation of Timex Corporation in its defense against copyright and trademark infringement claims brought against it by Polar Bear Productions, Inc. In 2002, when our firm first became involved in the case, Polar Bear had been awarded a \$2.415 million jury verdict for Timex's copyright infringement of a kayaking video entitled "PaddleQuest." We took over the appeal, and, in 2004, the Ninth Circuit vacated the entire \$2.1 million award under Section 504(b) of the Copyright Act of Timex's profits allegedly attributable to the copyright infringement as unduly speculative and cut the damage award from \$315,000 to \$115,000 on the same grounds. *Polar Bear Productions, Inc. v. Timex Corporation*, 384 F.3d 700 (9th Cir. 2004). The case was

then remanded to the district court on Polar Bear's remaining trademark claims. Upon Timex's motion the court dismissed all of Polar Bear's remaining trademark claims, and Polar Bear appealed the dismissal of its claims to the Ninth Circuit. The Ninth Circuit, in an unpublished opinion dated July 21, 2007, affirmed final dismissal of the case.

JAMES D. WEINBERGER represented Anvil Knitwear, Inc. in a successful motion for summary judgment dismissing claims for copyright infringement brought by Reva and Lucretia Payne in the U.S. District Court for the Central District of California. The Paynes contended that they owned rights under copyright to certain anvil designs which were infringed by similar designs owned by Anvil. On its motion for summary judgment, Anvil provided the court with incontrovertible evidence that Anvil's designs were created years before the Paynes' designs were created, thus precluding the Paynes from proving a key element of their claim, namely, access by Anvil to the allegedly infringed works. The Court agreed, granting Anvil's motion in its entirety and dismissing the case, as well as awarding a substantial amount of attorneys' fees. The case is now on appeal to the U.S. Court of Appeals for the Ninth Circuit. Associates **CAROLINE G. BOEHM** and **NICHOLAS H. EISENMAN** also worked on the case to help achieve this result.

RICHARD LEHV and **EVAN GOURVITZ** won a decision from the United States District Court for the Eastern District of New York, striking a demand for a jury trial in a trademark case, where the plaintiff had no proof of any monetary injury. *Overbeck Corp. v. Overbeck GmbH*. The case is discussed in greater detail on page 4 of the U.S. section of this Information Letter.

JOHN MARGIOTTA and **CAROLINE G. BOEHM** won a domain name arbitration proceeding for Novartis International AG before WIPO. The decision, issued on August 21, 2007, awarded the domain name chiron.net to Novartis International AG, the complainant in the Uniform Domain Name Dispute Resolution Policy ("UDRP") proceeding, and also found Novartis' CHIRON mark to be famous. The domain name was being used by the registrant, without authorization from Novartis, for a directory website that contained click-through links to websites of competitors.

MARIO AIETA and **BETSY JUDELSON** successfully represented client Barbara Stewart in winning a \$2.5 million jury verdict in the New York State Supreme Court, Commercial Division. The case concerned a dispute over the proceeds from an agreement transferring rights in various international business entities.

RICHARD LEHV spoke on "The Trademark Dilution Revision Act of 2006: New Opportunities and Challenges for Surveys" at the American Intellectual Property Law Association Spring Meeting in Boston on May 10, 2007.

ALLISON STRICKLAND gave a presentation entitled "Advanced Trademark Prosecution Issues" on May 15, 2007, as part of the Practising Law Institute's Advanced Seminar on Trademark Law in New York City.

DAVID DONAHUE participated as a panelist in Managing Intellectual Property's June 27, 2007 Web Seminar entitled "Guerilla Cyber-Assaults: Protecting Your Brand on the Internet."

WE ARE PLEASED TO WELCOME BACK DIANE MARCOVICI PLAUT, who has joined us as Counsel in the U.S. Prosecution Group. Diane worked for the firm from June 1995 to February 2000 as an associate in the U.S. Prosecution Group. She left for a time to live in London where her husband's work had taken him. The Plaunts moved back to the United States a few years ago and now Diane is returning to continue the fine work she did when she was here previously.

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Information Letter

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UNITED STATES

COPYRIGHT DECISIONS

- Restoration of Copyright
- Contributory Liability

TRADEMARK DECISION

- Entitlement to a Jury Trial

TRADEMARK TRIAL AND APPEAL BOARD

- Dilution Decision; Family of Marks
- Rule Changes

Copyright Decision: RESTORATION OF COPYRIGHT

Troll Co. v. Uneeda Doll Co., 483 F.3d 150 (2d Cir. 2007).

In a case pitting plaintiff's famous fuzzy-haired "Good Luck Troll" doll against the defendant's look-alike "Wish-niks," the U.S. Court of Appeals for the Second Circuit construed for the first time a key provision in the Uruguay Round Agreements Act ("URAA"), the 1994 legislation that "restored" copyrights in many foreign works that had been thrust into the public domain for failure to comply with notice and registration requirements peculiar to earlier U.S. copyright law. Ruling in favor of plaintiff and its Good Luck Troll, the court held that while the defendant may have originally produced Wish-niks while the Good Luck Troll was in the public domain, defendant's cessation of sales for 10 years disqualified it from being a "reliance party" entitled to a limited exemption from liability

for selling copies of Troll Co.'s restored work.

Restoration of Copyrights in Foreign Works Under the URAA

Troll Co. v. Uneeda Doll Co., 483 F.3d 150 (2nd Cir. 2007)

Before revisions to the U.S. copyright laws, authors could lose their copyrights in the United States ("U.S.") if they failed to comply with certain statutory "formalities" such as filing to renew their copyright registrations, and affixing copyright notices in a strictly prescribed form on all publicly distributed copies of their works. The restoration provision of the URAA was enacted to bring the U.S. into compliance with treaty provisions that prohibit member countries from denying copyright protection to foreign copyright owners for failure to comply with such formalities. This provision, as discussed below, served to uphold the plaintiff's rights in this case.

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Restoration of The Good Luck Troll

Thomas Dam, the Danish doll maker who founded Troll Company (a/k/a Dam Things of Denmark), created the first Good Luck Troll doll in the late 1950s as a present for his daughter. Soon, however, he began making copies for sale to others, and the Good Luck Troll quickly gained popularity throughout Europe and then the U.S., becoming one of the most successful doll properties in history. Unlike most of the trolls in Norse mythology, Dam's Good Luck Troll is a happy creature with upright arms, a broad smile and a prodigious shock of hair. It was said to bring good luck to whoever possessed it.

In the 1960s, however, some bad luck befell Dam and his company. After a U.S. licensee sold copies of the Good Luck Troll without the proper form of copyright notice, a federal court ruled that the U.S. copyright in the work was forfeited, and the Good Luck Troll was thereafter in the public domain for anyone to copy. And, in fact, many companies started marketing their own copies of the Good Luck Troll in the U.S., selling millions of troll dolls over the next thirty years.

In 1996, however, when the URAA restoration provision took effect, copyright in the Good Luck Troll was brought back to life, and after that, Troll Co. – still in the Dam family (Thomas died in 1989, leaving the business to his children) – began to enforce its newly-restored rights in the Good Luck Troll and seek to revitalize the property through a new licensing program and marketing campaign.

Reliance Party Exemption

The automatic restoration of copyrights under the URAA presented a special problem for those who had built businesses around exploiting (formerly) public domain works. To ameliorate the impact of restoration on such parties, the U.S. Congress provided a limited exemption for

so-called “reliance parties,” defined to include those who had manufactured or sold copies of a restored work while it was in the public domain, and who “continue[d]” to do so after enactment of the URAA. Under the statute, “reliance parties” are permitted to continue selling their copies for up to 12 months after receiving a formal notice from the copyright owner -- effected either through a filing in the Copyright Office during a two-year period following the URAA's enactment or by serving a “Notice of Intent to Enforce” directly on the reliance party.

Uneeda Held Not to be a Reliance Party: Injunction Against Wish-niks Upheld

In 2005, as Troll Co. was gearing up for a major marketing campaign for its re-branded “Classic Trolls” and the launch of a new television cartoon series called “Trollz,” Uneeda – whose predecessor had stopped selling its Wish-nik look-alike dolls nearly 10 years earlier – tried to bring its dolls back to the market, selling large quantities of newly-produced Wish-niks to Wal-Mart. Troll Co. filed a motion for a preliminary injunction against Uneeda, in the U.S. District Court for the Southern District of New York. After a day-long hearing in late 2005, the court granted Troll Co.'s motion.

Uneeda appealed to the Second Circuit, alleging that its predecessor originally manufactured and sold Wish-nik dolls under license from Dam's company in the 1960s, and continued to sell them periodically during the thirty years that the Good Luck Troll was in the public domain in the U.S. Uneeda argued that while sales of Wish-niks were not constant over the years, its 2005 re-entry into the market was really a “continuation” of its predecessor's pattern of exploitation of the dolls during the 30 years that the Good Luck Troll copyright was restored – selling for at least a year or two during each decade, based on the cyclical nature of the Good Luck

Troll's popularity. On this basis, Uneeda claimed to be a reliance party under the statutory definition because it "continue[d]" selling copies before and after restoration of the Good Luck Troll.

The Court of Appeals rejected Uneeda's "continue[d]" exploitation argument, holding that the URAA's restoration provision was meant to protect only those who had "invested time and resources into ongoing exploitation of a work in reliance on the work's public domain status" and who "would incur substantial harm from the sudden inability to engage in that business." "By contrast," the court noted, "a party that has voluntarily ceased exploitation for a non-trivial period of time, here, nine or ten years – even where such exploitation was episodic due to the cyclical nature of consumers' interest in the product – has a less substantial interest in being able to resume that exploitation after restoration" of the plaintiff's copyright. (Fross Zelnick attorneys Craig Mende and Mike Chiappetta represented the plaintiff in the district and circuit courts.)

- CSM

Copyright Decisions: CONTRIBUTORY LIABILITY

In two separate cases brought by Perfect Ten, Inc., owner of copyrights in several thousand photographs of nude models, the Ninth Circuit addressed the doctrine of contributory liability for copyright infringement on the Internet. Although the Ninth Circuit attempted to clarify the limits of contributory liability in cyberspace, its holdings in the two Perfect 10 cases may have the effect of creating more confusion about the reach of the doctrine.

In *Perfect Ten, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir. 2007), Perfect Ten sued Google, Inc., and Amazon.com, Inc. for direct and contributory copyright infringement, based on the appearance of unauthorized copies of Perfect 10

photographs in Google's "Image Search" search engine results. Perfect 10 took issue both with the display of the thumbnail images in the initial search results, as well as the search engine's "in-line linking" from the thumbnail images to third-party websites that contained the full-size infringing photographs. The case, which received considerable attention for its discussion of direct infringement and fair use, is equally significant for its discussion of contributory infringement. Our analysis below addresses only the court's treatment of this aspect of the case.

The court first acknowledged the general rule that "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." It then rejected the district court's finding that "Google did not materially contribute to infringing conduct because it did not undertake any substantial promotional or advertising efforts to encourage visits to infringing websites, nor provide a significant revenue stream to the infringing websites." In the Ninth Circuit's view, Google potentially could be found to have materially contributed to infringing conduct because "there is no dispute that Google substantially assists websites to distribute their infringing copies to a worldwide market and assists a worldwide audience of users to access infringing materials." The court remanded the case to the district court with instructions to determine whether Google (i) had *actual* knowledge that *specific* infringing material was available, (ii) could have taken simple measures to prevent further damage to the copyrighted works, and (iii) failed to take such steps. The court concluded that Google could be held liable for contributory copyright infringement if it had actual knowledge of the third-party websites' display of the infringing Perfect 10 materials and could have taken "reasonable and feasible

means” to refrain from providing access to the infringing materials, but failed to do so.

Less than two months later, the Ninth Circuit issued a second decision in *Perfect 10, Inc. v. Visa International Service Assoc., Inc.*, 2007 U.S. App. LEXIS 15824 (9th Cir. July 3, 2007), where it was called upon again to determine the reach of contributory liability for copyright infringement in cyberspace. This time, Perfect 10 sued several financial institutions that process credit card payments by Internet users who pay for access to the websites that display the allegedly infringing Perfect 10 photographs. Distinguishing credit card processing and payments from the search functions at issue in *Amazon.com*, the Court found that, unlike the Google search engine, which “itself assists in the distribution of infringing content to Internet users,” the processing of payments does not materially contribute to the copyright infringement. The court repeatedly emphasized the distinction between making it easier for third parties to locate and distribute infringing material, which is a direct cause of further infringement, and merely making it easier for infringers to make a profit.

In a scathing dissent from the *Visa* decision, Judge Kozinski argued that the credit card companies “knowingly provide a financial bridge between buyers and sellers of pirated works,” and thus could be held contributorily liable. Judge Kozinski saw no legal distinction between Google’s conduct and the credit card company’s conduct, and asked the rhetorical question, “why is *locating* infringing images more central to infringement than *paying* for them?”

As Judge Kozinski’s dissent suggests, it is unclear how the Ninth Circuit would assess contributory liability on a material contribution theory with respect to other Internet-related conduct that does not involve search engines or processing

online payments. And it remains to be seen whether courts in other U.S. circuits will adopt the Ninth Circuit’s test for what constitutes “material contribution” to infringing activity. We will continue to monitor developments in this ever evolving area.

-BCJ

Trademark Decision: ENTITLEMENT TO A JURY TRIAL

Overbeck Corp. v. Overbeck GmbH, No. 03-CV-0844 (DRH) (ETB), 2007 WL 1029025 (E.D.N.Y. Mar. 30, 2007).

RICHARD Z. LEHV and **EVAN GOURVITZ** recently prevailed on their motion to strike a jury verdict against the German grinding machine company Overbeck GmbH, its parent, the Spanish cooperative Danobat S. Coop., and its U.S. affiliate Danobat Tool Co., Inc., in the U.S. District Court for the Eastern District of New York.

This case concerned ownership of the trademark OVERBECK in the U.S. for grinding machines. Overbeck GmbH, a German company, manufactures and sells high-technology grinding machines, which are used to finish industrial parts. For over eighty years Overbeck GmbH and its predecessors manufactured grinding machines in Germany and sold them worldwide under the OVERBECK mark. Plaintiff was the exclusive North American distributor for Overbeck GmbH’s predecessors. Under established law, as between a foreign manufacturer and its U.S. distributor, the manufacturer owns the trademark absent an agreement to the contrary, and the distributor does not have any right to register the mark. In 2001, however, without the consent of Overbeck GmbH or its predecessors, the plaintiff registered the OVERBECK trademark in the U.S. Patent and Trademark Office, falsely claiming to be the owner of the mark. Overbeck GmbH threatened to sue the plaintiff. Before it could file suit, the

plaintiff, in an attempt to gain a tactical advantage, filed this suit against defendants. Plaintiff asserted trademark infringement and related federal and state law claims, as well as misappropriation of trade secrets and tortious interference with prospective business relations. In response, Overbeck GmbH brought counterclaims for federal unfair competition and related federal and state law claims, as well as claims for cancellation or transfer of the OVERBECK trademark registration. The lawsuit proceeded through discovery to a jury trial. At the beginning of the trial, the court dismissed the plaintiff's monetary claims because of the plaintiff's failure to respond to discovery requests concerning its monetary demands. The court also dismissed Overbeck GmbH's monetary claims for lack of evidence. Defendants then moved to strike the jury demand. The court decided to allow the case to go to the jury and to rule on the motion to strike the jury demand after the trial, apparently in the belief that if there were ever an appeal, and a jury trial were deemed appropriate, there would be no need for a new trial. The jury found for plaintiff on November 17, 2005.

Following the trial, defendants renewed the motion to strike the jury demand and filed extensive briefs on the issue. Fross Zelnick attorneys **RICHARD Z. LEHV** and **EVAN GOURVITZ** argued in the motion to strike the jury demand that plaintiff was not entitled to a jury trial on its remaining causes of action or Overbeck GmbH's counterclaims, because the parties' monetary claims were no longer part of the case, and only equitable remedies, which do not entitle a party to a jury trial, remained. The plaintiff made a number of arguments in response. First, the plaintiff claimed, entitlement to a jury should be assessed based on the claims made in the complaint, not the claims that existed at the time of trial. Second, the plaintiff argued that once the trial began it was too late to move to strike the jury demand. Third, the plaintiff claimed

that it had prepared its case for a jury and it would somehow be unfair to decide, after the start of trial, that the court would be the trier of fact.

The court agreed with the defendants' arguments. The court held that there was no time limit for moving to strike a jury demand, that entitlement to a jury trial could be assessed at the time of trial, and that the plaintiff had not pointed to anything it would have done differently in terms of presenting its case had it known the court would be the trier of fact. Accordingly, the court granted defendants' motion to strike the jury demand and held that the court would be the trier of fact. (Before issuing a decision on the merits of the case, the court ordered the parties to participate in a settlement conference with a Magistrate Judge and the matter was resolved.)

- EG, RZL

Trademark Trial and Appeal

Board: DILUTION DECISION; FAMILY OF MARKS

7-Eleven, Inc. v. Wechsler, Opposition No. 91,117,739 (T.T.A.B. May 15, 2007).

The U.S. Patent & Trademark Office's Trademark Trial & Appeal Board (the "Board") recently issued a rare, citable decision regarding dilution—one of only a handful of citable Board decisions on dilution law since Congress introduced dilution as a ground for opposing registration in 1996, and the first since Congress overhauled federal dilution law through passage of the Trademark Dilution Revision Act of 2006. In addition to its treatment of dilution law, the decision is notable for its discussion of the "family of marks" doctrine, both in terms of how to establish rights in a family of marks and how to analyze a claim of likelihood of confusion with respect to a family of marks.

The case involved an opposition brought by the well-known convenience store franchise owner 7-Eleven, Inc. (“7-Eleven”) to Lawrence I. Wechsler’s application to register the mark GULPY for “portable animal water dishes and animal water containers sold empty.” 7-Eleven claimed, among other things, that registration should be denied because use and registration of the mark as applied for in the application would be (i) likely to cause confusion in light of 7-Eleven’s prior rights in a “family” of GULP-formative marks for fountain drinks and related products, (ii) likely to cause confusion in light of 7-Eleven’s prior rights in the BIG GULP mark, and (iii) likely to cause dilution by blurring the distinctiveness of 7-Eleven’s BIG GULP mark.

The Board first considered whether 7-Eleven owned a “family of marks” based on its use of various GULP-formative marks, including SUPER GULP, MINI GULP, XTREME GULP, FRUIT GULP, SALAD GULP, in addition to its well-known BIG GULP mark. The Board explained that a family of marks exists only when a “pattern of usage of a common element” in a series of marks “is sufficient to be indicative of the origin of the family.” It found that 7-Eleven’s use of GULP as a common element met this standard, pointing to undisputed evidence that (i) 7-Eleven often advertised products under its various GULP marks together, including on in-store displays, (ii) press reports concerning 7-Eleven often discussed its various GULP products together, and (iii) that consumers experience the family of marks when deciding which GULP drink to buy.

The Board found, however, that there was no likelihood of confusion between GULPY and the GULP family of marks. The Board noted that “the question is not whether applicant’s mark is similar to opposer’s individual marks, but whether applicant’s mark would be likely to be viewed as a

member of opposer’s ‘Gulp’ family of marks.” It answered this question “no” because 7-Eleven had never used the “Y” suffix in any of GULP-formative marks, the words GULP and GULPY give vastly distinct commercial impressions, and the parties’ “disparate products would be bought under different circumstances and conditions and would not be encountered by the same persons under conditions likely to give rise to the mistaken belief that the products emanate from the same source.”

The Board next considered and rejected 7-Eleven’s claim of a likelihood of confusion between GULPY and 7-Eleven’s BIG GULP mark standing alone. Notably, the Board held that despite the fame of 7-Eleven’s BIG GULP mark – which it acknowledged is somewhat of a fixture in America’s popular culture – the differences between the commercial impressions given by the parties’ respective marks and between the goods in connection with which the marks are used in commerce were simply too great to support a finding that consumers would be confused as to the source of the parties’ products.

Turning to 7-Eleven’s dilution claim, the Board asked three questions: (i) whether the BIG GULP mark meets the high standard of fame required under the Lanham Act, (ii) whether BIG GULP became famous prior to GULPY’s trademark application, and (iii) whether GULPY is likely to dilute the BIG GULP mark by blurring its distinctiveness.

As to the first question, the Board found that BIG GULP is famous for dilution purposes, which is no small feat considering that the Board has issued only one other citable decision in which it unequivocally held a mark (NASDAQ) to be famous enough to warrant protection under federal anti-dilution law. In support of its finding, the Board relied on the extensive media attention that the BIG GULP has

received – particularly the press references identifying the mark as “a symbol of American culture” – and a market research study evidencing a 73% unaided awareness among all consumers, including non-users of 7-Eleven’s products and services.

Because the applicant's application was based on his intent to use the mark as opposed to actual use in commerce, the Board’s second question was whether 7-Eleven’s BIG GULP mark became famous before the filing date of the application. All the evidence relied upon by the Board came long before the filing, so 7-Eleven easily satisfied this requirement.

But 7-Eleven’s dilution claim stalled on the third question – whether GULPY is likely to blur the distinctiveness of 7-Eleven’s BIG GULP mark. The Board applied a six-factor test to determine dilution by blurring, assessing (i) the degree of similarity between the GULPY and GULP marks, (ii) the degree of inherent or acquired distinctiveness of BIG GULP, (iii) the exclusive use of BIG GULP by 7-Eleven, (iv) the degree of recognition of BIG GULP in relation to other famous marks, (v) whether Applicant intended to create an association with 7-Eleven, and (vi) any actual association between Applicant and 7-Eleven. Ultimately, the Board held that “the facts that the marks are not so substantially similar as to support a dilution claim, that there is no evidence demonstrating any association between the parties’ marks, and that there is no evidence that applicant intended to create an association with opposer’s mark far outweigh the fame, distinctiveness, and substantially exclusive use of the BIG GULP trademark.” Accordingly, the Board held that the GULPY mark is not likely to blur the distinctiveness of the BIG GULP mark and rejected 7-Eleven’s opposition.

-NE

Trademark Trial and Appeal

Board: RULE CHANGES

The Trademark Trial and Appeal Board ("TTAB") has implemented substantial rules changes for opposition and cancellation proceedings, including requiring parties to TTAB proceedings to engage in mandatory settlement and discovery conferences, initial disclosures and expert disclosures akin to those that are required in U.S. federal litigation, as well as making the TTAB standard confidentiality order applicable in all proceedings (pending or otherwise) unless the parties agree to some alternative arrangement. Fross Zelnick will provide a comprehensive explanation and analysis of these changes shortly on our website, <http://www.frosszelnick.com>.

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INTERNATIONAL

ARGENTINA

- Licensor Liability

DOMAIN NAME NEWS

- .asia Sunrise Registration Dates

EUROPEAN UNION

- Grounds for Non-Use Cancellation

IRAQ

- Boycott Declaration No Longer Required

PHILIPPINES

- Well-Known Trademark Decision

SOUTH AFRICA

- Unauthorized Use Not an Infringement

UNITED KINGDOM

- Changes in Examination Procedures
- New Trademark Provisions

Argentina: LICENSOR LIABILITY

In a recent decision (Case 26073/2003 of May 18, 2007), the Court of Appeals in Argentina held a trademark licensor liable for damage caused by a defective product manufactured by a former licensee. In this case, the plaintiff sustained a severe eye injury due to the breaking of two carbonated water containers, manufactured by Soda Profesional SA. The bottles were manufactured and sold under the mark IVESS, used under license from an organization called Instituto Verificador de Elaboración de Soda en Sifones (Instituto). Members of the Instituto that abide by certain technical guidelines are permitted to license use of the IVESS mark. The plaintiff sued Soda Profesional, as

manufacturer, and Instituto, as the trademark owner, for compensation for her injuries. In addition to finding Soda Profesional liable as manufacturer, the court found Instituto, the trademark owner, liable even though Soda Profesional, the manufacturer, was no longer a member of the Instituto. In so concluding, the court reasoned that Instituto had a duty to take the necessary steps to prevent the unauthorized use of the IVESS mark, or at least to publicize that Soda Profesional had ceased to be a member, since the consuming public had a right to know that the manufacture was no longer held to Instituto standards of quality. By failing to inform the public, Instituto was itself liable for the damage caused.

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We note that Section 40 of Consumer Protection Law 24.240 provides that where consumers are damaged by a defective good or service, the producer, manufacturer, importer, distributor, supplier or any party that used its mark in connection with such good or service, is liable. The owner of the mark may be exempt from such concurrent liability with the manufacturer if it can prove that the cause of the damage was out of its control. Here, the Instituto's failure to advise the public of the manufacturer's non-member status was sufficient to preclude that exemption in this case.

- JLH/CC

Domain Name News: .ASIA SUNRISE REGISTRATION DATES

Following up on our report in the March 2007 and June 2007 Information Letter, the Dot Asia Organization ("DAO") has announced the official launch schedule for the new .ASIA top-level domain.

The schedule includes a series of "sunrise periods" intended to give priority to those who own rights in marks or trade names contained in a domain name. The "early bird" sunrise period, for holders of trademark registrations applied for before March 16, 2004, and registered at the time of the domain name application, will begin on October 9, 2007 and last through October 30, 2007. Thereafter, concurrent sunrise period for (i) general registered marks applied for before December 6, 2006 and registered at the time of the domain name application (ii) extensions of registered marks that include words contained in the goods or services identification in the registration, and (iii) registered entity names, each will begin November 13, 2007 and end on January 15, 2008.

After the conclusion of the sunrise periods, a land rush period will begin in February of 2008. During this period, members of the

general public will be able to bid on any domain name not registered during the sunrise periods. Thereafter, beginning in March 2008, all other domain names will be available to the general public on a first-come, first-served basis.

Registration during all phases described above will be limited to entities or individuals who have a "local presence" within the Dot Asia Community, which includes the Middle East as well as the Asia-Pacific region.

-PK

European Union: GROUNDS FOR NON- USE CANCELLATION

On July 10, 2007, the European Court of Justice ("ECJ") issued a ruling clarifying issues relating to claims for cancellation of a trademark on the grounds of non-use. The decision in *Armin Häupl v Lidl Stiftung & Co. KG* (Case C-246/05) stemmed from a reference for a preliminary ruling of the Oberster Patent-und Markensenat (Supreme Patent and Trade Mark Adjudication Tribunal) in Austria. It concerned the interpretation of Articles 10(1) and 12(1) of First Council Directive 89/104/EEC ("First Council Directive") which provide as follows:

Article 10(1): If, within a period of five years following the date of the completion of the registration procedure, the proprietor has not put the trade mark to genuine use in the Member State in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the trade mark shall be subject to the sanctions provided for in this Directive, unless there are proper reasons for non-use.

Article 12(1):... [a] trade mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the

Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use

Background:

Lidl, which operates a supermarket chain, registered a trademark containing the words "Le Chef DE CUISINE" in Germany in July 1993. Austria was designated in its International Registration, which was registered on October 12, 1993 and notified by the International Bureau to the designated countries on December 2, 1993. The trademark was for use on ready-made meals which were sold only in Lidl supermarkets. Lidl did not use the trademark in Austria until November 1998 when it opened its first Lidl supermarket there, and explained that this was due to "bureaucratic obstacles," in particular, delays in the issuance of operating licenses, over which it had no control and which interfered with its commercial strategy. Lidl also claimed that it had until December 2, 1998 before the expiry of the five year period within which it had to make use of its mark, i.e., five years from the date on which the examination procedure before the office responsible for that procedure is completed

Armin Häupl sought to have the mark cancelled for Austria on the ground of non-use on October 13, 1998. At first instance, the court declared Lidl's registration cancelled in Austria as of October 12, 1998. On appeal by Lidl, the Oberster Patent- und Markensenat stayed the proceedings and referred the following questions to the ECJ:

1. Do the words "*the date of the completion of the registration procedure*" in Article 10 (1) refer to the start of the period of protection (i.e., the registration date, which is how it would be interpreted in light of Austrian procedural rules)?

2. Is Article 12(1) to be interpreted to mean that there are proper reasons for non-use of a trademark if the implementation of the corporate strategy being pursued by the trademark owner is delayed for reasons outside the control of the undertaking, or is the trademark owner obliged to change its business strategy so as to be able to use the mark in good time?

The Rulings:

Question 1: "The date of the 'completion of the registration procedure' within the meaning of Article 10(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate laws of the Member States relating to trade marks must be determined in each Member State in accordance with the procedural rules on registration in force in that State."

Question 2: "Article 12(1) of Directive 89/104 must be interpreted as meaning that obstacles having a direct relationship with a trademark which make its use impossible or unreasonable and which are independent of the will of the proprietor of that mark constitute 'proper reasons for non-use' of the mark. It is for the national court or tribunal to assess the facts in the main proceedings in the light of that guidance."

With respect to the first question, the ECJ noted that Article 10(1) does not determine in an unambiguous manner the beginning of the period of use and therefore the starting point of the relevant five-year period. Its wording in fact defines that starting point in relation to the registration procedure, which is an area that is not harmonized by the First Council Directive. It follows that the Member States are free to organize their registration procedures and, accordingly, they can decide in particular when that procedure is to be regarded as having been completed. In the case of an International Registration, the ECJ held that it is for the Member State for which the registration application has been filed to

determine the time at which the registration procedure comes to an end in accordance with its own procedural rules.

With respect to the second question, the ECJ noted that the First Council Directive is silent as to proper reasons for non-use, and therefore looked to the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPs”), which deals with the requirement of use of a trademark and the reasons justifying non-use. Article 19(1) of TRIPs provides that circumstances arising independent of the will of the trademark owner, constituting an obstacle to use of a trademark, must be recognized as valid reasons for non-use. However, the ECJ noted also that it would be contrary to the scheme of Article 12(1) to confer too broad a scope on the concept of proper reasons for non-use of a mark since its objective is to reduce the total number of unused trademarks registered in the Community. The ECJ thus held that the obstacles preventing use of the mark must not only be beyond the proprietor’s control, but they must also have a direct relationship with the mark, so much so that its use “depends on the successful completion of the administrative action concerned.” The ECJ pointed out, however, that the obstacle does not have to rise to the level of “impossibility” to be regarded as having a sufficiently direct relationship with the mark; obstacles which make the use unreasonable can also constitute “proper reasons for non-use.” According to the ECJ, “[i]f an obstacle is such to jeopardize seriously the appropriate use of the mark, its proprietor cannot reasonably be required to use it nonetheless. Thus, for example, the proprietor of a trade mark cannot reasonably be required to sell its goods in the sales outlets of its competitors...It must be assessed on a case by case basis whether a change in the strategy of the undertaking to circumvent the obstacle

under consideration would make the use of that mark unreasonable.”

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Iraq: BOYCOTT DECLARATION NO LONGER REQUIRED

The Iraqi Trademark Office has advised that a Boycott Declaration is no longer required for filing applications for trademarks, patents and designs in that jurisdiction. Accordingly, American companies, as well as many others, are now able to secure coverage without having to execute such Declarations. Moreover, we are advised that applications that were filed, but have been held in limbo due to failure to submit a Boycott Declaration, may now proceed to registration.

- JLH

Philippines: WELL-KNOWN TRADEMARK DECISION

The firm, in conjunction with Filipino counsel, SyCip Salazar Hernandez & Gatmaitan, helped secure a well-known mark decision in the Philippines for Tiffany and Company (“Tiffany”) with respect to its TIFFANY mark. The ruling, issued by the Director General of the Intellectual Property Office of the Philippines, helps reaffirm the protection of well-known marks in the Philippines and overturns a lower court’s ruling in the matter that had brought the scope of this protection into question.

The decision arose from an opposition filed by Tiffany and Company against an application for TIFFANY in Class 20 for pillows, foam, mattresses, cushions, spring beds, sofa beds, and beddings by Dewey Choachuy, a local trader in the Philippines. Because Tiffany did not have a prior Class 20 registration or prior use for the covered goods (it did have prior registrations in Classes 3, 8, 14, 16, 18, 21, and 25). Tiffany opposed the Class 20 application based on the well-known mark provisions of

the Philippines IP Code, Article 6bis of the Paris Convention, and Article 16(2) of TRIPS. Although the applicant did not respond to the opposition, the Director of the BLA rejected Tiffany's opposition on the ground that the TIFFANY mark was not well-known in the Philippines. The BLA Director held that the mark was not well-known because it was not one of the enumerated world famous marks that were listed in a memorandum prepared in 1980 by a former Philippines Minister of Trade. The Director stated further that well-known mark protection in the Philippines can only be invoked when the mark is used by a third party for similar or identical goods (the BLA Director did not believe that the goods covered by the subject application were sufficiently close to Tiffany's goods). Curiously, the BLA Director's ruling was in direct conflict with a decision the Director had made three years earlier in *Tiffany and Company v. Winston Hankies & Needlepoint Co.* (Case No. 14-2001-00008). There, the Director opined that TIFFANY was well-known in the Philippines and upheld Tiffany's opposition against a Class 25 application for TIFFANY.

Tiffany and Company appealed and, on May 3, 2007, the Director General of the Philippines Intellectual Property Office reversed the BLA Director's ruling. The Director General held that, contrary to the lower court's ruling, the provisions of the Philippines IP Code (Sec. 123.1(f), among others) implemented pursuant to country's obligations under TRIPS supported a well-known mark finding for the TIFFANY mark. The Director General relied on, among other things, the extensive world-wide use and registration evidence submitted by Tiffany that attested to the international goodwill associated with the mark among consumers. The Director General also cited to the prior 2003 Philippines decision finding TIFFANY to be a well-known mark in the Philippines. The Director General further clarified that protection of well-

known marks in the Philippines can be extended to dissimilar and unrelated goods and services, since even this use can have the potential to indicate a false connection or association. Last, the Director General expressed surprise that the BLA Director had ignored its own prior fame decision regarding the TIFFANY mark and had overlooked the fact that the TRIPS amendment to the IP Code did not require identical or similar goods to support a finding in favor of the opponent.

The Director General's ruling helps clarify and reaffirm protection for well-known marks in the Philippines. Most importantly for famous mark owners, the decision clarifies that the IP Code in the Philippines allows for the extension of protection for well-known marks to dissimilar goods and services. Janet L. Hoffman, Lydia Gobena, and Angela Kim represented Tiffany and Company in this matter along with Vicente B. Amador of SyCip Salazar Hernandez & Gatmaitan in the Philippines.

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South Africa: UNAUTHORIZED USE NOT AN INFRINGEMENT

The Supreme Court of Appeal in South Africa has handed down a decision addressing when the unauthorized use of a registered third party mark will not constitute infringement.

The decision in question was authored by the Deputy President of Appeal Court, Judge L.T.C. Harms, who has particular expertise in intellectual property. The other members of the Court concurred in the Opinion of the Deputy President.

In this matter, the plaintiffs, owners of the well-known BMW trademark for motor vehicles, had brought an action for trademark infringement against a television marketing company which produced advertisements for a DIAMOND GUARD car care kit and car polish. The advertisements used a BMW motor vehicle

to demonstrate the qualities of the DIAMOND GUARD product.

The plaintiffs claimed that this use of the BMW Logo infringed their rights under the South African trademark registration for BMW. The defendant contended that for their use to be actionable as infringement, it needed to be “trademark use,” meaning use for the purpose of indicating origin of the goods or services in question. The defendant’s contention was upheld by the Supreme Court of Appeal, which followed the decision of the House of Lords in the U.K. in the case of R.v. Johnstone handed down in 2003.

Harms ADP concluded as follows:

...I am satisfied that any customer would regard the presence of the logo on the picture of the BMW car as identifying the car and being part and parcel of the car. It is use of the car to illustrate Diamond Guard’s properties rather than use of the trademark. No-one, in my judgment, would perceive that there exists a material link between BMW and Diamond Guard or that that logo on the car performs any guarantee of origin function in relation to Diamond Guard.

It seems that the likely effect of the decision will be to promote greater use of comparative advertising in South Africa.

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United Kingdom: NEW TRADEMARK PROVISIONS

On **October 1, 2007**, the UK Intellectual Property Office (UKIPO) will introduce sweeping legislation amending the Trade Marks Act and Rules that fundamentally changes the trademark application process in the UK. Most significantly, the legislation aligns the UK system with the CTM application model by abolishing examination on relative grounds. The process that the UKIPO has elected to

follow has significant ramifications not only for owners of pending UK applications and registrations (and International Registrations designating the UK), but also for owners of CTM trademark registrations.

Provisions

The basic framework of the new law is relatively straightforward. Beginning October 1, 2007, the UKIPO will no longer cite earlier filed or registered marks as bars to registration of applications filed in the UK. The UKIPO will continue to search the UK and CTM registries, however, for prior conflicting marks. As the search will be conducted by a professional service, its scope is expected to be broader than the prior rights searches conducted under the previous regime, though not as all-encompassing as the computer-generated searches under the OHIM system. Applicants will receive a notification list of marks revealed by the prior rights search, and will have two months from receipt of the list to request withdrawal of the application, restriction of the application, or to indicate any marks they believe were included in error. The two-month period can be extended for an additional two months if the Applicant demonstrates that it is seeking consent from the owner of one of the prior marks on the list, or if one of the prior listed marks is currently being opposed. Applicants may also request immediate publication of their marks. Once an application is published, the UKIPO will notify only the owners or agents of record of UK registrations and International Registrations designating the UK. The owners of CTM registrations and International Registrations designating the CTM will not be notified unless they have “opted-in.” The proposed opt-in fee is \$400 per CTM mark for a 10-year period.

Ramifications

The retention of the UK relative grounds review system concurrent with the CTM opposition-only system has often had the

effect of making it easier to obtain a registration with European-wide effect than a UK registration. The introduction of the new UK system should make protection more consistent across jurisdictions. That said, there are several important issues of which owners in both the UK and CTM need to be aware.

First, owners of CTM registrations (and International Registrations designating the CTM) need to consider whether they will opt-in to the UK system, or rely solely on commercial watch services for publication notices. For rights owners with only a few CTM registrations who are primarily interested in the UK market, it likely makes sense to opt in. Because the UKIPO's search will not be computer-generated, owners will only be notified of pending applications that create potentially serious conflicts. The downside to opting in is the cost (particularly for brands that are covered by more than one CTM registration), and that the opt in period as currently proposed is not coterminous with the CTM registration period. This could create more record keeping difficulties unless the system is modified over time. For this reason, if cost is a concern and an entity owns many CTM registrations for similar marks, and is interested in numerous EU countries outside the UK, it may make sense to forego the opt-in expense and continue to rely on a watch service. Given that the opt-in system will likely generate only the most relevant conflicts however, many rights owners may decide to rely on both services, at least initially.

Second, owners of UK registrations (and International Registrations designating the UK) need to verify that the address of service on their UK registrations remains accurate to ensure that they receive timely notices.

Also, licensees of UK marks will need be particularly vigilant. Under the new system,

licensees will no longer have standing to oppose registration. The new system requires that the licensor oppose, though the licensee may subsequently intervene. Also, licensees of UK registrations will not be notified of pending applications, even if the license is recorded. These developments could create problems for licensees who do not have close and responsive relationships with their licensors, or who have difficulty getting their licensors to cooperate in enforcement actions. Such licensees will likely want to engage a watch service for the licensed mark. As a safeguard, licensees will still have standing to file invalidity and/or infringement proceedings if the opposition period is missed.

Finally, there are several considerations for current applicants. If you own a currently pending UK application that has yet to be examined or has been refused based on a prior right, you may want to consider contacting the UKIPO and requesting suspension of your application until the new rules take effect. The UKIPO is honoring such requests, even though conflicting marks have already been cited under the current system. In addition, prior applicants may wish to consider refiling applications for marks that had been refused on relative grounds under the current system.

- DCA

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