

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

866 UNITED NATIONS PLAZA
AT FIRST AVENUE & 48TH STREET
NEW YORK, N. Y. 10017

TELEPHONE: (212) 813-5900
FACSIMILE: (212) 813-5901
E-MAIL: fzlz@frosszelnick.com
EDITOR: JANET L. HOFFMAN

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WE ARE PLEASED TO ANNOUNCE THAT **FROSS ZELNICK** was honored as "Global Trademarks Law Firm of the Year 2008" for the third consecutive year in the Who's Who Legal Awards. Eight firm attorneys were individually mentioned for their exceptional client service. Overall, the firm had more trademark practitioners singled out for commendation than any other firm. Ron Lehrman was recognized as one of the most highly regarded attorneys based on the overall research. Other partners honored this year were **ROGER ZISSU**, **PETER SILVERMAN**, **JANET HOFFMAN**, **DAVID EHRLICH**, **SUSAN UPTON DOUGLASS**, **STEPHEN BIGGER**, as well as special counsel **MICHAEL DAVIS**. The winners were formally announced in *The International Who's Who of Business Lawyers*, 2008 edition. Collum Campbell, editor-in-chief of that publication, commented "Fross Zelnick's continuing success is reflected in the consistently positive feedback we received, recognizing the firm's exceptional individual and collective talent... We have no hesitation in declaring Fross Zelnick Lehrman & Zissu the leading firm in the world in this area."

WE NOTE ALSO THAT SEVEN OF OUR ATTORNEYS were mentioned in the New York State section of the Corporate Counsel Edition of Super Lawyers (August 2008). **MARK ENGELMANN**, **JANET HOFFMAN**, **NADINE JACOBSON** and **RON LEHRMAN** were listed under "Intellectual Property," and **RICHARD LEHV**, **BARBARA SOLOMON** and **ROGER ZISSU** under "Intellectual Property Litigation."

AT THE 130TH ANNUAL MEETING of the International Trademark Association, Fross Zelnick was named as Top U.S. Trademark Filing Firm for the New York area, and third nationally, by Corporation Service Company, which is in its sixth year of its Insider Awards program. Partner **SUSAN UPTON DOUGLASS** was named among the 25 top U.S. Trademark Filers.

DAVID EHRLICH's article on trademark warranties in M&A transactions was re-published in the August 2008 issue of *Journal of Intellectual Property Law & Practice*, an Oxford University Press publication. Slightly different versions of the article appeared in the

December 2007 issue of our firm newsletter (available on our website) and in the October 2007 issue of the Wall Street Lawyer.

S**USAN DOUGLASS AND VANESSA LUI** recently succeeded before the U.S. Trademark Trial and Appeal Board in overturning an Examiner's ruling that CHINATOWN BRASSERIE was geographically deceptively misdescriptive of a restaurant located outside the Chinatown section of Manhattan, and could not be registered. Details of the case are set out in the U.S. section of this Information Letter.

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Information Letter

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Tel: 212-813-5900
 E-Mail: fzlz@frosszelnick.com
 Editor: Janet L. Hoffman

UNITED STATES

INFRINGEMENT DECISION

- Use of Remote Storage Digital Video Recorders (*Cartoon Network v. CSC Holdings*)

STATE TRADEMARK LAW UPDATE

- Criminal Counterfeiting (Virginia and Florida Updates)

TTAB DECISION

- Purported Geographic Indicator Not Deceptively Misdescriptive (CHINATOWN BRASSERIE & Design)

URDP

- Importance of Use in Domain Name Disputes (*Marval Manufacturing v. Koba Internet Sales LLP*)

Infringement Decision: USE OF REMOTE STORAGE DIGITAL VIDEO RECORDERS (CARTOON NETWORK V. CSC HOLDINGS)

In a decision handed down in August in *Cartoon Network, LP v. CSC Holdings Inc.*, the U.S. Court of Appeals for the Second Circuit, reversing the decision of a federal district court judge in New York, ruled that cable television provider Cablevision did not violate the rights of the plaintiffs (television studios and other content providers) under the U.S. copyright laws by providing its customers with Remote Storage Digital Video Recorders ("RS-DVRs") to time-shift viewing of programming.

How the RS-DVR Works

Cablevision's RS-DVR system is a digital recording system that operates like stand-alone digital video recorder (DVR) devices on the market, such as TiVo or those provided by other cable companies, allowing consumers to record programs digitally for playback at any time. Users of Cablevision's RS-DVR system do not have the recording hardware in their homes. Rather, all of the recording is done remotely on servers located at a Cablevision location.

The TV studios or other content providers send programming to Cablevision, which is streamed to Cablevision subscribers who are authorized to view such programs. Cablevision splits this single stream of data from the content providers into two streams. One stream is broadcast directly to the

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subscribers, and the other flows to the RS-DVR system through a broadband media router, which buffers and reformats the stream, sending it to its servers consisting of two buffers and multiple high-capacity hard drives. The first buffer is where the consumer's request (if any) to record a given program is processed, and the data stream moves from the primary buffer to the secondary buffer and then onto the hard drives. Once on the hard drives, the consumer can recall the program via its remote control for viewing at any time.

Every tenth of a second, the data on the first buffer is deleted and replaced by new data streaming in from the content providers. The broadband media router buffer only holds 1.2 seconds of programming at any given time. While the RS-DVR system is not housed in a single piece of equipment, subscribers experience the RS DVR system as if it were a regular set top DVR. All of the commands to control the RS-DVR system are located on the consumer's remote control for the cable box.

Plaintiffs' Claims

The TV Studios and content providers asserted three theories of copyright infringement against Cablevision: (1) By storing the data in the various buffers integral to the RS-DVR system, Cablevision was making unauthorized copies of Plaintiffs' works; (2) by storing copies on the Cablevision hard drives, Cablevision was directly infringing the plaintiffs' exclusive reproduction right and (3) by transmitting the data from the servers to its subscribers, Cablevision was infringing Plaintiffs' exclusive public performance right. The district court found in favor of Plaintiffs on summary judgment and enjoined Cablevision's use of the RS-DVR system.

Court of Appeals' Analysis

The Second Circuit reversed, rejecting all three of Plaintiffs' theories.

First, the court found that the data stored on the various buffers were not stored for "a period of more than transitory duration," and therefore were not infringing copies of the Plaintiffs' works. Section 101 of the Copyright Act defines copies as "material objects ... in which a work is fixed by any method ... and from which the work can be ... reproduced." Under the statutory definition, a work is "'fixed' in a tangible medium of expression when its embodiment ... is sufficiently permanent or stable to permit it to be ... reproduced ... for a period of more than transitory duration."

Plaintiffs argued that under *MAI Systems Corp. v. Peak Computer, Inc.* 991 F. 2d 511 (9th Cir. 1993), the data stored in the buffers is clearly embodied in the buffer so that it may be reproduced. In *MAI v. Peak* the Ninth Circuit held that loading computer software in the computer's Random Access Memory or RAM, created a copy sufficiently permanent to be perceived or reproduced.

The Second Circuit rejected this argument because the main issue before the Second Circuit concerned whether the embodiment of the work in the buffers was of a sufficient duration, whereas the primary issue faced by the Ninth Circuit was whether the software's embodiment in the computer's RAM was sufficiently permanent. According to the Second Circuit, the *MAI* decision did not fully address the issue of duration. Therefore, the Second Circuit construed *MAI* "as holding that loading a program into a computer's RAM can result in copying that program, [but not] holding ..., as a matter of law, that loading a program into a form of RAM always results in copying." Accordingly, even though Plaintiff's programs were sufficiently embodied in the buffers, the fact that they

were only stored for, at most, 1.2 seconds made such embodiment too transitory to result in the creation of an infringing copying.

As Plaintiffs' second theory, that copies were stored on the RS-DVR hard-drives, the court held Cablevision not liable for direct infringement when it was the customers who authorized the copies to be stored on the hard-drives, by using the RS-DVR system to record programs for later viewing. Cablevision's contribution to this reproduction does not rise to the level of direct infringement, the court held, because it was the subscribers who chose what programs to record using the RS-DVR system. The court made the analogy that the subscribers using the RS-DVR system were like customers using a photocopy service to make copies, concluding that the copy shop would not be liable for direct infringement. (The court noted that Plaintiffs' failure to plead contributory infringement prevented the court from reaching that issue.)

Finally, with respect to the streaming of the stored programs to the subscribers, the court held that playing back recordings from the RS-DVR was not an infringing public performance. After a customer authorizes the RS-DVR system to record a program, the system makes a distinct copy that can be played back only by that customer. The recorded program is only available to the customer who recorded it; accordingly, the Second Circuit ruled, there was no "public" performance involved.

Bottom Line

Ultimately, it appears, the Second Circuit found for Cablevision because it did not believe that an RS-DVR subscriber is sufficiently distinguishable from a VCR or stand-alone DVR user – that is, it would not be fair to impose liability on Cablevision as a direct infringer when the copies are made automatically upon that subscriber's

command just as they are with DVRs, which are not unlawful.

- NHE

State Trademark Law Update:

CRIMINAL COUNTERFEITING (VIRGINIA AND FLORIDA UPDATES)

Bills in both Virginia and Florida were recently signed into law that strengthen the penalties for trademark counterfeiting in those states.

The Virginia law (SB 577, HB 1363) took effect on July 1, 2008. The new rules expand the definition of a trademark within the state to include all trademarks registered with the United States Patent and Trademark Office (U.S.P.T.O.). Marks will no longer need to be registered in Virginia to receive protection under state law or within the state. The changes also enhance the criminal penalties for trademark counterfeiting, making it a felony to sell or possess 100 or more identical counterfeit goods valued at \$200 or more. The law also allows for the seizure of all proceeds and items used in substantial connection with trademark infringement.

The Florida Anti-Counterfeiting Act, §§ 831.03-831.034, F.S., will take effect on October 1, 2008. This new Act will establish a new three-tiered penalty system based on the quantity or the total retail value of counterfeit goods knowingly manufactured, possessed, or sold. It will now be a first degree felony if counterfeiters are found selling 1,000 or more items, or items worth more than \$20,000. Repeat offenders will face enhanced penalties, as will those manufacturing or selling counterfeit goods that disregard human life or safety. These provisions are available for marks registered with the U.S.P.T.O., any state register or protected by the Amateur Sports Act of 1978.

- TM

TTAB Decision: GEOGRAPHIC
INDICATOR NOT DECEPTIVELY
MISDESCRIPTIVE

In re Lafayette Street Partners, LLC, Serial
No. 78/678314 (July 9, 2008)

The Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office (the “Board”) recently issued a decision on whether the mark CHINATOWN BRASSERIE & Design for restaurant services was geographically deceptively misdescriptive of a restaurant not located in the “Chinatown” area of New York City. In a non-precedential opinion, the Board found that the mark was not geographically deceptively misdescriptive, and reversed the Examining Attorney’s previous refusal to register the mark.

The CHINATOWN BRASSERIE restaurant, which offers a variety of Asian “fusion” foods, is located in the NoHo section of New York City, one-half mile north of the “Chinatown” neighborhood in Lower Manhattan. The Examining Attorney took the position that, among other things, the mark CHINATOWN BRASSERIE was geographically deceptively misdescriptive because the Chinatown neighborhoods of New York are known for Chinese cuisine, and potential CHINATOWN BRASSERIE customers would think that the restaurant was located in one of these neighborhoods. The Examining Attorney noted that “[a] tourist taking a cab to Applicant’s restaurant... would be... surprised to find that Applicant’s restaurant was not a Chinatown restaurant at all.”

The Federal Circuit set forth the test for finding a service mark geographically deceptively misdescriptive in *In re Les Halles de Paris J.V.*, 67 U.S.P.Q.2d 1539 (Fed. Cir. 2003). Based on that test, as applied to restaurant services the Examining Attorney must show more than that the geographic location named in the mark could be associated with the services.

There must be a showing that the patrons of the restaurant are likely be misled into making a meaningful connection between the restaurant and the place named in the mark.

The applicant argued that CHINATOWN BRASSERIE was not geographically deceptively misdescriptive because the term CHINATOWN is not merely a geographic indicator, but rather, suggests a style of food. Evidence was submitted as to the large number of CHINATOWN-formative restaurants located outside of Chinatown. Moreover, the applicant argued that the Examiner had not met the burden of establishing a specific services-place association between Chinese cuisine and the term CHINATOWN, noting that there was no “Chinatown” cuisine per se, Chinese fusion food was not exclusively offered in Chinatown, and there was no heightened association between CHINATOWN and Chinese-influenced fusion food. The applicant argued that the Examining Attorney failed to prove that being located in Chinatown was “a material factor in the consumer’s decision to patronize the restaurant.” On a different tack, the applicant argued that the term BRASSERIE, paired with CHINATOWN, was incongruous and therefore further distanced any geographical significance of the mark.

In reversing the refusal, the Board found that the primary significance of CHINATOWN in this case was not to a specific location, noting that the New York area had more than one “Chinatown” neighborhood, and that there were several other “Chinatowns” in other cities. It also found that because many types of businesses were associated with the various “Chinatowns,” there was no specific services-place association as between a restaurant and the term CHINATOWN, or as between the Chinatown neighborhoods and a distinct style of Chinese cuisine. Last, the

Board agreed that the term BRASSERIE was inherently incongruous with the term CHINATOWN, and that the combination of the terms was suggestive. Fross Zelnick attorneys Susan Douglass and Vanessa Hwang Lui represented the applicant in this case.

- VHL

URDP: IMPORTANCE OF USE IN DOMAIN NAME DISPUTES

Marvel Manufacturing Co. v. Koba Internet Sales LP, WIPO Case No. D2008-0265

A recent World Intellectual Property Organization (“WIPO”) decision suggests that UDRP proceedings may not always be the best forum for trademark owners to enforce their rights against internet domain names that incorporate their marks.

The case involved a dispute over the domain name “marvelsawparts.com” between a manufacturer of band saws and related equipment, Marvel Manufacturing Co. (“Marvel”) and Koba Internet Sales LP (“Koba”), an internet business selling replacement parts for MARVEL brand band saws. Koba was not affiliated with or authorized by Marvel to act as a dealer of MARVEL band saw parts.

Marvel owned two U.S. trademark registrations for its MARVEL mark for metal cutting machines and related goods. Marvel filed a complaint with WIPO alleging that Koba’s internet site name “marvelsawparts.com” was confusingly similar to its MARVEL mark.

Although the Panel found that the disputed domain name “marvelsawparts.com” was confusingly similar to the MARVEL mark as to cause confusion, the Panel denied transfer of the domain name to Marvel, having determined also that Koba’s business of selling replacement parts for Marvel brand band saws over the internet constituted *bona fide* use. In reaching its decision, the Panel found that Koba’s use

of the MARVEL mark was descriptive, as necessary to identify the specific brand of saws for which Koba was offering replacement parts, and further noted that there was no evidence of bad faith by Koba in its use of the MARVEL mark.

In light of this and similar WIPO decisions, clients are advised to consult with counsel regarding the relative merits of various proceedings available to enforce their rights in a given case.

- GK

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FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Tel: 212-813-5900
 E-Mail: fzlz@frosszelnick.com
 Editor: Janet L. Hoffman

INTERNATIONAL

AUSTRALIA

- Cancellation for Non-Use (*E. & J. Gallo v. Lion Nation Australia Pty Limited*)

CHINA

- Well-Known Unregistered Packaging Design Protected (*Italian Ferrero SPA v. Montresor (Zhangjiagana) Food Co.*)

EU DECISION

- Comparative Advertising (*02 (UK) Ltd. v. Hutchison 3g UK Ltd.*)

GREAT BRITAIN

- Enforcement of Trademark Rights and New Companies Act

MADRID UNION

- Repeal of Safeguard Clause (Article 9 *sexies* of the Madrid Protocol)

PORTUGAL

- New Trademark Law re Declaration of Intention To Use

SYRIA

- Boycott of Israel Declaration

Australia: CANCELLATION FOR NON-USE

E. & J. Gallo Winery v. Lion Nathan Australia Pty Limited, [2008] FCA 934

On June 20, 2008, the Federal Court of Australia ordered the removal of E. & J. Gallo Winery's ("Gallo") mark BAREFOOT for wine from the Australian Register on the ground of non-use. The order issued pursuant to defendant Lion Nathan Australia's ("Lion Nathan") cross-claim for removal of the mark in a trademark infringement action brought by Gallo against Lion Nathan for use of the mark BAREFOOT RADLER for beer.

Gallo acquired the rights to the BAREFOOT mark in 2005 from Grape Links Inc., which did business under the name Barefoot Cellars and had developed the brand's "carefree, slightly irreverent, California 'surf and sand' lifestyle positioning." By early 2006, Gallo began discussions with Australian wine company McWilliams Wines ("McWilliams") for the sale of BAREFOOT wine in Australia, resulting in the September 2007 licensing of Gallo's Australian BAREFOOT trademark to McWilliams. McWilliams started marketing BAREFOOT wine in Australia on September 14, 2007.

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Beginning about August 2006, Lion Nathan started developing a beer with lemon flavoring to attract legal-aged drinkers who did not drink beer. Lion Nathan decided to call this new product BAREFOOT RADLER after a race horse named “Barefootbondi” and the German name for a traditional Bavarian beer flavored with a blend of lemon and lime. A trademark search made Lion Nathan aware of Gallo’s BAREFOOT mark for wine. Upon finding no evidence of Gallo’s use of the mark in Australia, Lion Nathan filed a removal for non-use action in the Australian Trade Marks Office. When Gallo received notice of the removal action and learned of Lion Nathan’s applications for trademarks that incorporated the term “barefoot,” Gallo sued Lion Nathan in Federal Court for trademark infringement. As part of its defense, Nathan Lion brought its removal action into the Federal Court.

The Court held against Gallo on its infringement claim. Although it found that Lion Nathan’s BAREFOOT RADLER mark was deceptively similar to Gallo’s BAREFOOT mark, it also found that Radler beer and wine were not “goods of the same description.” In reaching this determination, the Court considered the different origins, production, and sales methods of the goods, and the separation of wine production and distribution from that for beer within Lion Nathan and Foster’s, the two producers of both wine and beer in Australia. The Court also held that under Section 120(2) of the 1995 Trade Marks Act – a rarely-invoked defense to infringement – Lion Nathan used its mark in a manner that was not likely to deceive or cause confusion. In reaching this conclusion, the Court found it significant that in liquor outlets, beer and wine were separately stored and displayed for sale: beer was stored in the coolroom with other beers and offered for sale in fridges storing other beers; wine was displayed on the shop floor and categorized by wine type and country of origin.

Further, the Court found that Gallo had not used its BAREFOOT trade mark in good faith in Australia for a continuous period of three years, from May 2004 to May 2007. Under the 1995 Trade Marks Act, non-use for a three-year period after a mark has been registered for at least five years is grounds for removal of the mark from the Register. “Use” necessary to counter an allegation of non-use must be “authorized use,” i.e., use that is “under the control of the owner of the trade mark.”

Gallo argued that there was relevant use because, during the period of alleged non-use, a small amount of BAREFOOT wine had been sold in Australia and Gallo had begun negotiations with McWilliams in preparation for the distribution of BAREFOOT wine in Australia. The Court found that the BAREFOOT wine sold in Australia during the alleged non-use period had made its way there from exports by Gallo’s predecessor, Barefoot Cellars, from the United States to Germany. It was not known how the wine was then exported from Germany to Australia. Because Barefoot Cellars was not involved in any agreements or arrangements to ship the wine to Australia and offer it for sale there, the Court held that there was no “projection” of the BAREFOOT wine into the Australian market or any exercise of control over the sale of the wine by the trade mark owner. As to the negotiations with McWilliams, the Court found that the only resulting action was McWilliams’ allocation of wine production. This unilateral action by McWilliams did not qualify as “use” by Gallo of its BAREFOOT mark. Instead, Gallo had “only engaged in preliminary or preparatory acts.”

Gallo also attempted to rebut Lion Nathan’s allegation of non-use by arguing that there was an obstacle to its use of the BAREFOOT trade mark in Australia in the form of a registered mark by Logan Wines Pty Ltd (“Logan Wines”) for a design mark featuring a footprint that was very similar to

a design mark Gallo had acquired from Barefoot Cellars. Gallo contended that it could not use its BAREFOOT mark until it had acquired the rights to Logan Wines' footprint design. The Court gave short shrift to this argument, holding that nothing prevented Gallo from using the BAREFOOT word mark on its own. In fact, as Lion Nathan pointed out, McWilliams had released 12,000 bottles of wine in the Australian market under the BAREFOOT word mark alone. A more fundamental difficulty in establishing that Gallo faced an "obstacle," the Court explained, was testimony that Gallo never had any intention of marketing its BAREFOOT wine in Australia before the end of 2007. Gallo's focus before then was on developing the market in the United States and in Europe.

Finally, the Court declined to use its discretion not to remove Gallo's mark from the Register, holding that no public interest would be served by exercise of that discretion. Instead, the adverse consequences of Gallo's commercial judgment to leave the development of the Australian market for BAREFOOT wine until the end of 2007 "must now fall upon it." The Court noted that Australian trade mark legislation extends to the restraint of activities likely to dilute "famous" or "well-known" marks, and left open the question of whether the exercise of its discretion would be appropriate had Gallo relied on its international reputation or claims founded upon passing off.

- KL

China: WELL-KNOWN UNREGISTERED PACKAGING DESIGN PROTECTED

Italian Ferrero SPA v. Montresor (Zhangjiagang) Food Co.

The Supreme People's Court of China has issued a decision that should provide some comfort to brand owners seeking to enforce trade dress rights in well-known package designs in China without a trademark

registration. In *Italian Ferrero SPA v. Montresor (Zhangjiagang) Food Co. Ltd., et al.* Supreme People's Court (2006) Min San Ti Zi No. 3, the Court upheld an appeals court ruling finding that use by a subsequent party of a similar packaging design violated Ferrero's unregistered rights in its well known package design under China's Anti-Unfair Competition Act, notwithstanding a lengthy period of coexistence.

Ferrero began selling chocolates in 1984 in China, Taiwan, and Hong Kong under the marks FERRERO ROCHER and *Jin Sha (Chinese characters)*, which translates as "golden name." Ferrero registered the *Jin Sha (Chinese characters)* name in Taiwan in 1990 and Hong Kong in 1993, but did not register the name in China. Meanwhile in China, a local company north of Shanghai called Zhangjiagang First Dairy Factory began to manufacture and sell a noticeably inferior chocolate candy using the *Jin Sha (Chinese characters)* name and a very similar packaging design in 1990. Zhangjiagang, who later merged with another company to form Montresor, applied to register the *Jin Sha (Chinese characters)* mark in 1991. In 1993, when Ferrero moved to increase its sales in mainland China, its use conflicted with that of Montresor, and consumer confusion resulted.

Ferrero, which had no registered trademark rights to assert against Montresor, finally brought an action in 2003 under Article 5(2) of China's Anti-Unfair Competition Law. The Article prohibits businesses from adopting the distinctive packaging or decoration of well-known goods in a way that creates confusion. The Intermediate People's Court found against Ferrero. The court found that although the two packaging designs were similar, the Montresor goods were more famous in China. Montresor had the larger market share and had heavily marketed its products during the course of ten years of coexistence.

Based on this and the fact that the goods bore different trademarks, the court found in favor of Montresor.

On appeal, the High People's Court found in favor of Ferrero on four grounds. First, the court found that under the Paris Convention, the foreign market, not just the China market, must be considered in determining whether the packaging was well known. Second, the Court noted that Montresor had not been able to demonstrate that it had independently created its packaging design. Third, because Montresor had copied the packaging and adopted it in bad faith, it could not achieve well-known status. Finally, the Court held that China's Anti-Unfair Competition Law should be interpreted liberally under the Paris Convention. The court awarded Ferrero damages in the amount of 700,000 RMB.

On review, the Supreme People's Court also found in favor of Ferrero, though on slightly revised grounds. The Supreme People's Court found that although Ferrero's packaging consisted of individual common elements, the particular combination found on Ferrero packaging was unique and distinctive as a whole. In addition, the Court found that while fame abroad may be a factor to consider in assessing fame, there was sufficient evidence here of the fame of the Ferrero mark within China such that the foreign market did not need to be considered. The Court also relied on the fact that Montresor could show no independent evidence of how it developed its packaging. The Court found that the lower Court's reliance on the Paris Convention was unwarranted, and that such reliance would only be necessary if a conflict existed between Chinese law and the treaty, which was not the case here. The Court also reduced the damages award from 700,000 RMB to 500,000 RMB.

Although decisions in China have no precedential value, the *Ferrero* case

provides several important indications to rights holders of the philosophy of the Chinese court. First, the decision suggests that in evaluating fame, the mark must be famous within the Chinese market, although fame abroad may also be taken into consideration. Also, the case suggests that, for unregistered trade dress rights, China's Anti-Unfair Competition Law may provide relief. The case also serves as a reminder to practitioners when registering trademarks in Chinese to consider registering in other jurisdictions of the region – including Taiwan, Hong Kong, Macau, Singapore and Japan.

- DCA

EU Decision: COMPARATIVE ADVERTISING

O2 (UK) Ltd v Hutchison 3G UK Ltd (case C-533/06 12 June 2008)

Traditionally, the U.S. and Europe have had largely divergent approaches to comparative advertising. Although the use of comparative advertising has been permissible since the mid-nineties, Europe has never been home to the type of disparaging comparative use of a competitor's trademark that has been accepted in the U.S.

The recent decision of the European Court of Justice (ECJ) in the matter of O2 (UK) Ltd. ("O2") highlights the growing belief that comparative advertising may not confuse consumers after all but may, in fact, strengthen competition in the marketplace and ultimately improve choice.

Background: O2 and its trademarked depictions of static bubbles on a blue background are well known to residents of the U.K. in connection with telecommunications services. The company has spent hundreds of millions of pounds heavily advertising these figurative trademarks in the past few years alone. It also owns many trademark registrations for its bubble designs, four of which were the

basis for the above action. O2 has a history of zealously guarding the commercial use of bubble imagery on all goods and services that do not hold senior rights, regardless of the potential for confusion.

The defendant, Hutchison 3G UK Ltd. ("3G"), when promoting its newly launched competing telecom service in 2004, ran an advertising campaign using the name O2 with a black and white bubble background similar to the plaintiff's registered trademarks, together with a voiceover message that 3G was cheaper than O2.

O2 brought proceedings for trademark infringement before the English High Court, although it accepted that the price comparison in the advertisement was true, that the advertisement was not misleading and that it did not suggest any connection between O2 and 3G.

European Court of Justice ("ECJ") Decision:

The matter was referred to the ECJ to consider three issues of law while also requesting an interpretation of Article 5(1) of the First Council Directive 89/104/EEC (relating to the rights of a trademark owner) and Article 3a(1) of Council Directive 84/450/EEC, as amended by Directive 97/55/EC (relating to permissible types of comparative advertising).

The questions posed to the ECJ were:

- 1) whether use of a competitor's registered trademark in an advertisement for a trader's own goods and services for the purpose of comparing the respective goods, in such a way as not to cause confusion as to origin, is an infringing use of the trademark.
- 2) whether use of a competitor's trademark must be indispensable to the trader's advertisement in order to be permissible.
- 3) whether the requirement of indispensability, if it exists, excluded

any sign which is not identical to the registered trademark.

The ECJ did not address the second and third questions posed to it in relation to the requirement of indispensability.

The Attorney General in the U.K. had stated that trademark law was not applicable to comparative advertising disputes. The ECJ, on the other hand, held that use of a competitor's registered trademark in a comparative advertisement does constitute use of the mark within the meaning of Article 5 of the Directive and that a trademark owner can bring an infringement action to prevent such use, provided that a likelihood of confusion as to the origin of goods/services can be proven. If, however, use of the trademark complies with all of the rules set down in the Comparative Advertising Directive, a third party will have a defense to a trademark owner's infringement action and such use cannot be prevented.

O2 was ultimately unsuccessful, as the court found that the advertisement complied with the Comparative Advertising Directive checklist, which provided 3G with a defense, including requirements that the ad: 1) not be misleading or deceptive, 2) compare goods or services with the same intended purpose, 3) be objective in its comparison of one or more characteristic or representative feature of the compared goods or services (which may include price), 4) not create confusion for the consumer in respect of the trademarks of the advertiser and its competitor, 5) not disparage or denigrate the competitor's trademark, 6) not take undue advantage of the existing reputation of the mark of a competitor, and 7) not present goods or services as imitations or replicas of the original goods bearing the protected trademark.

- SMW

Great Britain: ENFORCEMENT OF TRADEMARK RIGHTS AND NEW COMPANIES ACT

The UK is introducing a new administrative procedure to counter a line of cases in the European Community in which courts have refused in certain circumstances to enforce trademark rights against company names. The trend has its roots in the 2007 ECJ decision *Celine SARL v. Celine SA*, in which the Court found that the mere adoption of a name as a company name did not constitute use within the meaning of Article 5(1) of the EC Trademark Directive. Rather, to qualify as use, according to the ECJ, the company name must be used to distinguish goods and services in a way that targeted consumers are likely to view the name as a mark designating the source of the goods.

The German Bundesgerichtshof extended the *Celine* theory to apply under Section 9(1) of the EC Trademark Regulation. The German court found that CTM marks are not protected against use of an identical term as a company name. Thus, ownership of a CTM registration cannot protect against use of a confusingly similar name as a company name, if that company name is only used a company name and not in connection with goods or services. This is true even if the store itself sells similar products. Interestingly, the German court did provide trademark owners with one option: ownership of a local German registration. The court found that local marks enjoy the very protection that their CTM counterparts do not. Thus, while trademark owners enforcing CTM registrations must show that the mark is used not just as a company name, but also in relation to goods and services, owners of local German trademarks are not required to meet this burden.

Meanwhile, on October 1, 2008, the UK is set to implement the Company Names Adjudicator Rules of Section 69 of the Companies Act 2006. These rules provide

that brand owners, with or without a trademark registration, can lodge an objection before the Companies Registry objecting to company names that are identical, or sufficiently similar as to be misleading, to a mark in which the owner has goodwill. In contrast to the requirements established by the ECJ and Bundesgerichtshof, there is no requirement that the brand owner show use of the objectionable company name on goods, or damage. On the other side, company name owners have several avenues by which to demonstrate their good faith, including making a showing that the name was adopted before the activities upon which the brand owner relies to establish goodwill, that the company has incurred substantial costs under the name, that the name was once used and is now dormant, or that the name was registered in the ordinary course of business and is now available for sale under standard terms. The procedure does not provide for the award of damages, or for any injunctive relief.

The new U.K. rules provide an alternative to seeking a remedy in court against identical or sufficiently similar company names. In cases where damages or injunctive relief is sought, a court action will still be the appropriate remedy. Brand owners should continue to police company name registries, as well as seek adequate trademark registration protection.

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Madrid Union: REPEAL OF SAFEGUARD CLAUSE (Article 9*sexies* of the Madrid Protocol)

At its thirty-eight session, in October 2007, the Assembly of the Madrid Union approved an amendment to Article 9*sexies* (commonly known as “the safeguard clause”) of the Madrid Protocol Relating to the Madrid Agreement concerning the International Registration of Marks under the Madrid Agreement and Protocol. These

amendments came into effect on September 1, 2008 (the “effective date”) and are discussed in full in WIPO’s Information Notices MADRID/2007/18 and MADRID/2008/18.

The safeguard clause provided that, in relation to either an International Registration or application for an International Registration, where the country of origin is party to both the Protocol and the Agreement then the provisions of the Protocol shall have no effect in another State that is also a party to both the Protocol and the Agreement.

The amendment replaces Paragraph 1 of Article 9*sexies* and provides that, from September 1, 2008, the Protocol alone will apply between two States which are both members of both the Agreement and the Protocol.

One of the fundamental differences between the Agreement and the Protocol is that under the Agreement an International Registration application must be based on a registration. The amendment to Article 9*sexies* will now render it possible to make an International Registration application based on a home country application if the country of origin and the designated country for the application are both bound by both the Agreement and the Protocol.

The more notable ancillary changes resulting from this amendment include:

- 1) From the effective date onwards the Madrid system will be trilingual. In addition to publishing all applications in English, French and Spanish, it will also be possible to file an International Registration application in any one of the three languages.
- 2) Rule 24 (1) relates to the entitlement of an International Registration applicant to designate a subsequent country in their application and states that any such subsequent designations should be made under the Agreement only if

the Protocol is not a common treaty between the home country and the designated jurisdiction.

- 3) New Paragraph 1(b) of Article 9*sexies* preserves the allowance of complementary fees in certain situations (see Schedule of Fees as amended. Annex II, pages 6–8).

- *SMW*

Portugal: NEW TRADEMARK LAW RE DECLARATION OF INTENTION TO USE

Portuguese Industrial Property Decree-Law No. 143/2008, which was published on July 25, 2008, abolishes the need to file a Declaration of Intention to Use for trademarks subsequent to registration. Although the new law does not go into effect until October 1, 2008, the removal of the requirement to file a Declaration of Intention to Use was effective immediately.

Under the previous law, a trademark owner needed to file a Declaration of Intention to Use every five years from the date of registration. Failure to file such a Declaration resulted in the trademark registration being in an “irregular situation” whereby it was vulnerable to cancellation and could not be the basis of an opposition against third parties.

Under the new law, trademark registrations that were previously in an irregular situation for failure to file a Declaration are automatically restored to full force and effect. Accordingly, trademark owners no longer need to file a Declaration of Intention to Use in order to maintain their trademark rights in Portugal. However, failure to use a trademark for a five-year period will still result in the trademark registration being vulnerable to cancellation for non-use.

- *MFK*

Syria: BOYCOTT OF ISRAEL DECLARATION

We have been advised that the Boycott of Israel Declaration previously required of trademark applicants has been waived and is no longer a requirement for registration and other acts.

- *SMW*

FROSS ZELNICK LEHRMAN & ZISSU, P.C.