

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

DECEMBER 2008

WE ARE DELIGHTED TO REPORT THAT FROSS ZELNICK PARTNER **ROGER ZISSU** was featured in the 2008 edition of *New York Super Lawyers* magazine (New York Metro). The extensive profile provides an in-depth look at Roger's storied career, with anecdotes from his college, law school and early practice days, his leading role in landmark copyright and trademark cases, including protection of some of the world's most iconic characters, such as TARZAN, SUPERMAN, WINNIE THE POOH and others. Also listed as 2008 "Super Lawyers" for intellectual property and/or intellectual property litigation were partners **SUSAN UPTON DOUGLASS**, **DAVID W. EHRLICH**, **MARK D. ENGELMANN**, **JANET L. HOFFMAN**, **RONALD LEHRMAN**, **RICHARD Z. LEHV** and **BARBARA A. SOLOMON**.

FROSS ZELNICK WAS ALSO NAMED "GLOBAL TRADEMARKS LAW FIRM OF THE YEAR" for a third consecutive time by *International Who's Who of Business Lawyer* (2008). Eight Fross Zelnick attorneys were individually named for their exceptional client service, with **RON LEHRMAN** receiving special mention. Partners **STEPHEN BIGGER**, **SUSAN UPTON DOUGLASS**, **DAVID EHRLICH**, **JANET L. HOFFMAN**, **PETER J. SILVERMAN** and **ROGER ZISSU** were also recognized, as was Special Counsel **MICHAEL I. DAVIS**. Editor-in-Chief of *International Who's Who*, Callum Campbell, 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 ARE PLEASED TO WELCOME **CASEY MEE LEE DAUM**, who joined us as an Associate in the International Group. Casey comes to us from Ropes & Gray where she had been an Associate since September 2006, and summered in 2005. Casey was also a summer Associate at Baker & Hostetler in 2004. Casey is a 2006 *cum laude* Harvard Law School graduate. While at Harvard, she was active in the Asian Pacific American Law Students Association, the Korean Association of Harvard Law School, and the Child Advocacy Project, among other organizations. Casey received her undergraduate degree *magna cum laude* from Harvard College in 2003.

WE ARE ALSO PLEASED TO WELCOME JASON JONES, who joined us as an Associate in the Litigation Group. Jason comes to us from Paul, Weiss where he had been an Associate since September 2005. Previously, Jason was a summer Associate at Proskauer Rose. Jason attended the University of Texas School of Law where he graduated Order of the Coif with High Honors and was an Associate Editor of the *Texas Law Review*. Jason was also a Mock Trial Tournament Finalist as well as a Moot Court Competition Semifinalist, among other academic achievements. Jason received his B.A. from Hendrix College in Conway, Arkansas where he graduated with distinction.

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

COPYRIGHT DECISIONS

- Fair Use (*Warner (Bros. Entm't Inc. v. RDR Books*)
- Wristwatch Protectable (*Omega, S.A. v. Costco Wholesale Corporation*)

COUNTERFEITING

- Prioritizing Resources and Organization for Intellectual Property Act

PATENT DECISION

- Legal Test for Design Patent Infringement (*Egyptian Goddess, Inc. v. Swisa Inc.*)

Copyright Decision: FAIR USE

Warner Bros. Entm't Inc. v. RDR Books, 575 F.Supp.2d 513 (S.D.N.Y. 2008)

In a recent case exploring the fair use doctrine, a federal court ruled that an unauthorized reference guide to the world of Harry Potter infringed the copyrights in the highly popular Harry Potter series of novels and author J.K. Rowling's two companion guides (i.e., *Fantastic Beasts and Where to Find Them* (an encyclopedia of the beasts and beings in her novels) and *Quiddich Through the Ages* (a history of one of the sports featured in her novels)). See *Warner Bros. Entm't Inc. v. RDR Books*, 575 F.Supp.2d 513, 519 (S.D.N.Y. 2008). The lawsuit, brought by Rowling and Warner Brothers (the owner of the exclusive film rights in the Harry Potter series), sought to enjoin publication of RDR Books' reference guide, entitled The Lexicon

("Lexicon"), which is "an A-to-Z guide to the creatures, characters, objects, events and places that exist in the world of Harry Potter." *Id.* at 524. With more than 2,400 entries, the Lexicon "cover[s] every spell (e.g., Expecto Patronum, Expelliarmus, and Incendio), potion (e.g., Love Potion, Felix Felicis, and Draught of Living Death), magical item or device (e.g., Deathly Hallows, Horcrux, Cloak of Invisibility), form of magic (e.g., Legilimency, Occlumency, and the Dark Arts), creature (e.g. Blast-Ended Skrewt, Dementors, and Blood Sucking Bugbears), character (e.g., Harry Potter, Hagrid, and Lord Voldemort), group or force (e.g., Aurors, Dumbledore's Army, Death Eaters), invented game (e.g., Quidditch), and imaginary place (e.g., Hogwarts School of Witchcraft and Wizardry, Diagon Alley, and the Ministry of Magic) that appear in the Harry Potter works." *Id.* at 524-25. The court found that the Lexicon "contains at least a troubling

DISCLAIMER: This Information Letter is provided as a public service to interested persons and its receipt does not create an attorney-client relationship, or revive a concluded attorney-client relationship, between the firm and recipients. It is designed to highlight items of current interest and is not intended to be a full review of any subject matter, for which specific legal advice should always be obtained.

amount of direct quotation or close paraphrasing of Rowling's original language." *Id.* at 527.

After a three-day bench trial, the court ruled that the elements of copyright infringement were established. There was no dispute about Rowling's ownership of the copyrights in the Harry Potter works or whether copying occurred. The principal issue before the court was whether the quantity and quality of the copying was sufficient to support a finding of infringement. In holding that there was sufficient copying of protectable material to constitute infringement, the court rejected defendant's argument that the Lexicon copied only "facts," pointing out that the "factual" elements of Harry Potter were not fact, but fictional material created by Rowling.

After concluding that a *prima facie* case for infringement had been established, the court considered the defense of fair use. Under section 107 of the Copyright Act, in determining whether a use is "fair," courts consider a number of factors, including, but not limited to: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion in relation to the copyrighted work as a whole; and (4) the effect of use on the potential market for or value of the copyright. The fair use analysis requires that all factors "be explored, and the results weighed together, in light of the purposes of copyright." *Id.* at 540.

With respect to the purpose and character of the work, the court considered "whether and to what extent the new work is transformative," i.e. whether the work "supercede[s]... the original creation or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message." *Id.* at 540-41. Although the court found that the purpose of the work was transformative as to the Harry Potter

novels, it found it was less so as to the elements copied from Rowling's companion books, which themselves serve an informational purpose. The court found also that the transformative nature of the work was diminished by the Lexicon's extensive verbatim copying and that the commercial nature of the work further weighed slightly against a finding of fair use. The sub-factor of "bad faith," in the court's view, weighed only slightly against a finding of fair use because the defendant believed that the Lexicon was a fair use of the copyrighted works.

As to the nature of the copyrighted work, the court held that because the Harry Potter works are "highly imaginative and creative fictional works [that] are close to the core of copyright protection," the second factor favored the plaintiff. *Id.* at 549.

With regard to the third factor, the amount and substantiality of the work, the court recognized that it is reasonably necessary to make use of the original works to create a reference guide, but found that the "verbatim copying and close paraphrasing" of "highly aesthetic expression raises a significant question as to whether it was reasonably necessary for the purpose of creating a useful and complete reference guide." *Id.* at 547. In response to the defendant's argument that it would be "impossible to describe an imaginary object ...without using some of the language that invented it," the court relied on the Second Circuit's decision in *Salinger v. Random House*, 811 F.2d 90, 96-97 (2d Cir. 1987), to explain that a "copier is not entitled to copy the vividness of an author's description for the sake of accurately reporting expressive content." 575 F.Supp.2d at 547. On balance, the court held, in certain instances the defendant took more than was reasonably necessary to create a reference guide, particularly as to the material copied from Rowling's companion works.

As to the final factor, market harm, the court considered “the effect of the use upon the potential market for or value of the copyrighted work.” *Id.* at 549. This factor includes the impact on both the market for the current work as well as the current and potential markets for derivative works. The court rejected the plaintiffs’ argument that the work would directly compete with Rowling’s own planned reference guide, holding that a reference guide is not a derivative work. (We note that the court’s conclusion that a reference guide is not a derivative work is debatable, at least.) The court also rejected the plaintiffs’ argument that publication of the Lexicon would impair sales of the Harry Potter novels, recognizing that the Lexicon is not a market substitute for the novels. The court also concluded, however, that the Lexicon could have a negative impact on sales of Rowling’s companion books and that its publication could harm the market generally for derivative works, including the potential licensing of a collection of Harry Potter poems or songs.

On balance, the court concluded that the fair use factors weighed against the defendant and, having found infringement, enjoined publication of the Lexicon. As the book had not yet been published and there had been no harm beyond the fact of infringement, the court granted statutory damages of only \$750 for each of the infringed Harry Potter works at issue, for a total of \$6,750. According to press accounts at this writing, the defendant was considering an appeal.

- BJV

Copyright Decision: WRISTWATCH PROTECTABLE

Omega, S.A. v. Costco Wholesale Corporation, No. 07-55368 (United States Court of Appeals for the Ninth Circuit, September 5, 2008).

We generally do not think of wristwatches as protectable under the Copyright Act, but Omega S.A., the Swiss watch manufacturer, appears to have found a way to use the U.S. Copyright Act to keep grey market OMEGA watches from being sold in the U.S. Namely, on the back of some of its Swiss-made watches, Omega engraved a “Globe Design.” It then obtained a U.S. copyright registration for the Globe Design.

Omega sold the subject watches in Europe, but never authorized their sale in the U.S.. Costco, the U.S. discount retailer, obtained the watches from a New York company that had purchased them from unidentified third parties who, in turn, had bought them overseas. Costco then sold the watches in its U.S. stores.

Omega sued Costco for copyright infringement in federal court in California. It claimed that Costco violated Sections 106(3) and 602(a) of the Copyright Act. Section 106(3) gives the copyright owner the exclusive right to “to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” Section 603(a) provides that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies... under section 106...”

Costco defended on the ground that its sale of the watches was protected under the “first sale doctrine.” Under this doctrine, once the owner of a copyrighted work consents to the sale of a particular copy of the work, he or she can no longer control its distribution. The first sale doctrine is codified in Section 109(a) of the Copyright Act, which provides, “Notwithstanding the provisions of section 106(3), the owner of a particular copy... lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of

the copyright owner, to sell or otherwise dispose of the possession of that copy....”

Based on this defense, Costco sought summary judgment, which the district court granted. Not only did the district court dismiss the case, but it granted Costco \$373,000 in attorneys’ fees.

On appeal, the Ninth Circuit Court of Appeals reversed the grant of summary judgment to Costco. The court held that the first sale doctrine did not provide a defense, since the doctrine did not apply to the facts of the case. Although the OMEGA watches sold by Costco were “lawfully made,” they were not lawfully made “under this title,” i.e., the U.S. Copyright Act, but were lawfully made in Switzerland under the laws of that country. To avoid violating the presumption against extraterritorial application of U.S. law, the court observed:

[C]opies covered by the phrase “lawfully made under [Title 17]” in § 109(a) are not simply those which are lawfully made by the owner of a U.S. copyright. Something more is required. To us, that “something” is the making of the copies within the United States, where the Copyright Act applies.

The court also considered whether its holding was consistent with a prior decision of the U.S. Supreme Court, *Quality King Distribs., Inc. v. L’anza Res. Int’l, Inc.*, 523 U.S. 135, 144-45 (1998). The Ninth Circuit explained that *Quality King* involved “round trip” importation:

[namely], a product with a U.S.-copyrighted label was manufactured inside the United States, exported to an authorized foreign distributor, sold to unidentified third parties overseas, shipped back into the United States without the copyright owner’s permission, and then sold in California by unauthorized retailers.

523 U.S. at 138-39. The court held that § 109(a) can provide a defense to an action under § 602(a) in this context. *Id.* at 144-52.

The Ninth Circuit noted that the Supreme Court was careful in *Quality King* to say that it did not address claims of infringement where the goods were manufactured abroad. (“[W]e do not today resolve cases in which the allegedly infringing imports were manufactured abroad.”) 523 U.S. at 154 (Ginsburg, J., concurring).

The Ninth Circuit discussed *Quality King* in detail and concluded that its own decision was “not clearly irreconcilable with *Quality King*.” Indeed, it found direct support for its holding in a number of passages in *Quality King*, including Justice Ginsburg’s concurrence, in which she said that “lawfully made under this title” means “lawfully made in the United States.” 523 U.S. at 154 (citing W. Patry, *Copyright Law and Practice* 166-70 (1997 Supp.)).

Having found that Costco could not rely on a defense based on the first sale doctrine, the Ninth Circuit reversed the grant of summary judgment to Costco. Further, because attorneys’ fees may be granted under the Copyright Act only to the “prevailing party,” and Costco was no longer the prevailing party, the Ninth Circuit reversed the award of attorneys’ fees and remanded the case to the district court.

Assuming other courts follow its reasoning, the case provides a road map for makers of luxury goods to use U.S. copyright law to prevent the sale of grey goods in the U.S. If the manufacturer can apply a U.S.-copyrighted design to the product it makes abroad, and then does not authorize anyone to sell those goods in the U.S., it may be able to claim the sale of those goods in the U.S. constitutes copyright infringement if the goods find their way into the U.S.

-RZL

Counterfeiting: PRIORITIZING RESOURCES AND ORGANIZATION FOR INTELLECTUAL PROPERTY ACT

In an important step toward enhancing penalties for trademark counterfeiting and coordinating the efforts of various federal agencies to combat the growing problems posed by the importation, exportation and sale of counterfeit goods, President Bush signed the Prioritizing Resources and Organization for Intellectual Property Act (or "PRO-IP Act") into law on October 13, 2008.

Included in the PRO-IP Act are the following changes to federal law:

- Statutory damages in civil trademark counterfeiting cases have been doubled. The minimum statutory damages award has been raised from \$500 per mark to \$1000 per mark and the maximum statutory damages award has been raised from \$100,000 per mark to \$200,000 per mark. The maximum statutory damages award for willful use of a counterfeit mark has been raised from \$1,000,000 to \$2,000,000.
- New penalties have been created for trafficking in counterfeit goods or services that results in serious bodily injury or the death of an individual. Knowingly or recklessly causing or attempting to cause serious bodily injury can result in prison sentences of up to 20 years and potentially life imprisonment if such actions result in an individual's death.
- Section 42 of the Lanham Act, which had previously only covered the importation of infringing goods, has been expanded to include the exportation and transshipment of infringing goods.

- TM

Patent Decision: LEGAL TEST FOR DESIGN PATENT INFRINGEMENT

Egyptian Goddess, Inc. v. Swisa, Inc. (543 F.3d 605) (Fed. Cir. 2008))

A controversy over competing nail buffer designs framed perhaps the most important U.S. design patent decision to come down in recent years. The U.S. Court of Appeals for the Federal Circuit first decided the case of *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354 (Fed. Cir. 2007) last year, finding in favor of defendants' nail buffer and non-infringement of the patented nail buffer design. But the controversy did not end there. Criticisms of the decision from the design patent bar, as well as a scathing dissenting opinion from one of the three judges on the panel, were strong factors in the court's later decision to rehear the case *en banc*, i.e., before a panel of all twelve Circuit Judges.

The *en banc* decision was issued on September 22, 2008. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008). In its accompanying opinion, the court took on fundamental questions about the legal test for design patent infringement. In so doing, the Federal Circuit reduced the burden on patentees to prove infringement, thus potentially making enforcement of design patents procedurally easier, and may increase their value as vehicles for protecting product designs in the U.S.

For over 130 years, courts have applied the "ordinary observer" test for design patent infringement first set out in the Supreme Court case of *Gorham Co. v. White*, 81 U.S. 511 (1871). This test considers whether the patented and accused designs are substantially the same in the eyes of a hypothetical ordinary observer and whether the resemblance would deceive the observer, "inducing him to purchase one [product] supposing it to be the other." 81 U.S. at 528.

Many commentators have compared the “ordinary observer” test to the “likelihood of confusion” standard for trademark infringement, and they are similar in some respects. The development of the “ordinary observer” test in more recent cases, however, has been almost as if courts have found the test not to be sufficiently “patent-like” in its approach or assumptions. Although it is unlikely there was any conscious motivation to further distinguish design patents from trademarks, these cases developed a further “points of novelty” test for determining design patent infringement. This test required that, in addition to deceiving an ordinary purchaser, an infringing design must also include all the points of novelty present in the patented design. In other words, it must include all features that make the patented design patentable in the first place.

But the “points of novelty” test is no more. The *en banc* Federal Circuit decision eliminated it as a distinct test for design patent infringement. As the decision recognized, the “points of novelty” test “proved difficult to apply” and gave a defendant “more opportunities” to argue that its design lacks certain points of novelty and therefore does not infringe. The “points of novelty” test was also inconsistent with enforcing many patented designs that uniquely combine features already present individually or separately in other prior art designs, i.e., where a patentee asserts a combination of elements as its “point of novelty.”

Prior cases grappled with the question of whether a unique combination of design features, all individually present in separate prior art designs, could establish a collective “point of novelty.” In the 2007 *Egyptian Goddess* decision, the majority held that a unique combination could be a point of novelty, provided the combination of elements represented a “non-trivial”

advance over prior art designs. The dissent disagreed vehemently with the majority’s view of the “points of novelty” test because it applied an “obviousness” type invalidity standard to an infringement context. This threatened the well established bifurcation of validity and infringement adjudications in patent cases, and conflated the very different corresponding burdens of proof and persuasion involved.

In eliminating the “points of novelty” test, the Federal Circuit subsumed consideration of prior art designs within the “ordinary observer” standard, as part of the comparison of the overall visual appearances of the designs at issue. This reaffirms the objective of the infringement analysis: determining whether the designs at issue are substantially the same. And the path taken to this objective would now be more direct, avoiding the conceptual and procedural detours imposed by a “points of novelty” analysis. The court stated:

This approach...has the advantage of avoiding the debate over the extent to which a combination of old design features can serve as a point of novelty under the point of novelty test. An ordinary observer, comparing the claimed and accused designs in light of the prior art, will attach importance to differences between the claimed design and the prior art depending on the overall effect of those differences on the design. If the claimed design consists of a combination of old features that creates an appearance deceptively similar to the accused design, even to an observer familiar with similar prior art designs, a finding of infringement would be justified. Otherwise, infringement would not be found.

543 F.3d at 677-78 (Fed. Cir. 2008) [Emphasis added.]

Thus, the hypothetical “ordinary observer” now remains the sole test of design patent infringement, although in a modified form that more fully considers the effect of prior art designs. The *en banc* decision did not, however, stop at eliminating the “points of novelty” test. It also set out other procedural changes in patent design infringement actions. Whereas the patentee previously bore the burden of producing prior art designs in order to establish its “points of novelty,” the decision requires the accused infringer to produce prior art designs and so frame and focus the comparison of patented and accused designs. In addition, the decision frees district courts from having to conduct a Markman style patent claims construction hearing¹ in design patent cases, thus apparently loosening the legal ties to traditional patent infringement principles even further.

The court’s application of its changes to the infringement test to the specific facts of the case is discussed in the last five pages of the 31-page decision. The patented and accused nail buffers each have a four sided configuration. But the patented design lacks a raised buffer surface on one of the four sides whereas the accused product has raised buffer surfaces on all of its four sides. This fundamental difference was deemed paramount in the finding of non-infringement before the district court and also in the first Federal Circuit decision. Now, after application of the new “ordinary observer” test (as this hypothetical observer is informed by the prior art), the Federal Circuit, sitting *en banc* this time, again found no infringement. In this regard, the court held that:

...a purchaser familiar with the prior art would not be deceived by the similarity between the claimed and accused designs, inducing him to purchase one supposing it to be the other.

Id. at 683

Therefore, despite heralding important changes in the law that appear to greatly facilitate design patent enforcement, this plaintiff failed to benefit at all from these changes. We then await publication of other cases that can help illustrate to what extent (if any) these changes in design patent law will actually favor patentees and look forward to keeping our readers updated.

- CW

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

¹ The term “Markman Hearing” takes its name from a prior Federal Circuit decision, *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) which held that, in a patent infringement case, claim construction was a question of law for the court to decide prior to the jury trial.

Information Letter

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

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

INTERNATIONAL

ANDEAN COMMUNITY

- Amended Intellectual Property Regime

EUROPEAN UNION

- OHIM Decision on Converted Trademark Rights (*Cardiva S.L. v. Cardima, Inc.*)
- Decision on Goods Considered Complementary to Pharmaceuticals (*Astex Therapeutics Ltd v. OHIM*)

MONTENEGRO

- Revalidation of Serbian Intellectual Property Rights
Deadline: May 29, 2009

SOUTH KOREA

- Amended Trademark Examination Guidelines

UNITED KINGDOM

- Scope of Protection for Three-Dimensional Community Trademarks

Andean Community: AMENDED INTELLECTUAL PROPERTY REGIME

In August of 2008, the Commission of the Andean Community (comprised of Bolivia, Colombia, Ecuador and Peru, collectively, "Member Countries") approved Andean Community Decision 689 ("Decision 689"), thereby amending the Andean Community's intellectual property regime under Andean Community Decision 486. Decision 689 allows Member Countries to adopt stronger national IP legislation, including: reinstatement of priority rights for a term of not more than two months more than the initial period; multiclass trademark applications/registrations; optional recordal of license agreements; and

border control measures for protection of trademark rights. Importantly, Decision 689 enables Peru to legislate the requisite enhancements to its national intellectual property law for implementing its recent free trade agreement with the U.S.

- CMD

European Union: OHIM Decision on CONVERTED TRADEMARK RIGHTS

Cardiva S.L. v Cardima, Inc. (Case R 1313/2006-G) Decision of July 15, 2008

In 1999 Cardima, Inc. ("Cardima") opposed the CTM application of Cardiva S.L. ("Cardiva") for a stylized CARDIVA mark in

DISCLAIMER: This Information Letter is provided as a public service to interested persons and its receipt does not create an attorney-client relationship, or revive a concluded attorney-client relationship, between the firm and recipients. It is designed to highlight items of current interest and is not intended to be a full review of any subject matter, for which specific legal advice should always be obtained.

classes 10, 35 and 39 based on Cardima's prior CTM application for a stylized CARDIMA mark in classes 9, 10 and 42 (Opposition 2). Opposition 2 was initially based on all the goods and services covered by classes 9, 10 and 42 of Cardima's prior CTM application and was directed against all the goods and services covered by classes 10, 35 and 39 of Cardiva's CTM application.

However, Cardima's prior CTM application, upon which Opposition 2 was based, was itself the subject of an opposition proceeding (Opposition 1) and was eventually partially refused based on Cardiva's prior national rights in Spain. This partial refusal resulted in Cardima obtaining a CTM registration in class 42 only and converting the remainder of its CTM application into national registrations in classes 9 and 10 in the U.K. and Benelux.

When ruling on Opposition 2, OHIM informed Cardima that Cardima could not rely on its converted national registrations in classes 9 and 10 as they did not equate to the earlier CTM application which had since partially ceased to exist. The Office further stated that the subsequently converted national registrations in classes 9 and 10 were autonomous and independent and had never formed the basis of Opposition 2. Having refused to consider Cardima's national rights, OHIM partially rejected the opposition and permitted Cardiva's CTM application to proceed in classes 35 and 39.

Cardiva, unhappy that its class 10 application had been rejected, appealed the outcome of Opposition 2 claiming that it was inconsistent with the Opposition Division's findings in Opposition 1 that class 10 goods and class 42 services were not similar. In response to Cardiva's appeal, Cardima argued that Opposition 2 should have been assessed on the basis of its prior rights derived from both its CTM

registration in class 42 and its converted national registrations in classes 9 and 10.

The Fifth Board of Appeal referred the matter to the Grand Board of Appeal because of the importance of the issue. The Grand Board, in highlighting the complementary systems of Community and national trademarks, held that national marks resulting from the conversion of a prior CTM application could be taken into account when deciding an opposition which had previously been based on the CTM application.

This conclusion seems logical, as earlier trademarks will almost always prevail against later rights in a territory in which they are valid, regardless of whether they are derived from national or Community trademark systems. Some commentators have pointed out that this decision by the Grand Board contradicts OHIM's current Opposition Guidelines, which may be changed in due course.

- SMW

European Union: Decision on GOODS CONSIDERED COMPLEMENTARY TO PHARMACEUTICALS

Astex Therapeutics Ltd v. Office for Harmonization in the Internal Market (Court of First Instance of the European Communities (Fourth Chamber))

On September 10, 2008, the Court of First Instance (CFI) held that there was a likelihood of confusion between Astex Therapeutics Ltd's mark ASTEX TECHNOLOGY for pharmaceuticals and Protec Health International Ltd's mark ASTEX for insecticides for killing dust mites, based on the highly distinctive nature of the prior ASTEX mark and the strong similarity between the marks. While this holding initially appears to conclude that pharmaceuticals and insecticides are related, which is not the typical view, the CFI specified that in this particular case, the products at issue are complementary in

that they share a similar intended purpose (the treatment or prevention of respiratory illnesses, which are often related to allergic reactions to dust mites). This holding highlights the need to investigate in the course of clearance certain non-pharmaceutical marks which cover goods that may be considered complementary to pharmaceuticals.

- CMD

Montenegro: REVALIDATION OF SERBIAN INTELLECTUAL PROPERTY RIGHTS

As previously reported, applications filed in Serbia prior to May 28, 2008 and still pending on that date must be refiled in Montenegro to be valid in that jurisdiction. The refiling deadline has recently been extended from November 29, 2008 to May 29, 2009. Serbian registrations pre-dating May 28, 2008 are automatically recognized in Montenegro. As for renewals, fees paid in Serbia before May 28, 2008 will be valid for renewal in Montenegro. After May 28, 2008, renewals, including fees, will have to be effectuated in Montenegro.

- JLH

South Korea: AMENDED TRADEMARK EXAMINATION GUIDELINES

The Korean Intellectual Property Office ("KIPO") recently amended its trademark examination guidelines to permit broader goods and services descriptions than it previously allowed. In the past, KIPO strictly examined goods and services descriptions in applications, requiring detailed designations of specific items. On January 1, 2007, KIPO began allowing relatively broader goods and services descriptions, for example, "sportswear" rather than "blouses," "t-shirts," etc. Now, for applications filed on or after September 16, 2008, KIPO will accept even broader descriptions within certain Classes of goods and services. For example, applicants can now designate "clothing,"

rather than previously-required more specific descriptions such as "sportswear," etc. (Based on recent information from local colleagues, we are advised that some examiners are applying the change for applications filed on or after September 16, 2008, while others are applying the change for applications examined on or after that date.)

- CMD

United Kingdom: SCOPE OF PROTECTION FOR THREE-DIMENSIONAL COMMUNITY TRADEMARKS

Whirlpool Corporation et al v. Kenwood Limited [2008] EWHC 1930 (Ch) Decision August 4, 2008

In 2007 Whirlpool Corporation ("Whirlpool") brought an action for trademark infringement and passing-off against Kenwood Limited ("Kenwood"), based on its three-dimensional CTM Reg. No. 2174761 for manufacturing and marketing kMix stand mixers (the "kMix") with a similar shape and appearance to Whirlpool's Artisan Mixer (the "Artisan"). The kMix was also offered in similar colors to those of the Artisan. The trademark infringement claim addressed the bodywork of the unitary mixer head and stand only, while the passing-off claim extended to the finished appearance of the mixer as a whole. The KitchenAid "New Model K" mixer was first introduced in the U.S. in 1937 and substantially similar designs have been available ever since. Sales began in the U.K. in 1989. While the "New Model K" has been known by a number of different names over the years, it has been called the Artisan since 2004. The product is a high-end retro-inspired mixer that comes in a variety of colors and has enjoyed high sales and pop culture notoriety that goes beyond most other kitchen appliances, featuring in art exhibits and numerous magazine editorials.

The Infringement Claim (CTM Reg. No. 2174761)

On October 1, 1999 Whirlpool applied for a three-dimensional CTM registration covering “electric beating and mixing machines and attachments for such machines” in class 7. The graphic representation in the application depicted just the mixer head and base and not the bowl. The Examiner refused registration based on lack of distinctiveness and Whirlpool did not appeal. . On March 14, 2003, Whirlpool filed a new application under Rule 3(4) of the CTM Implementing Regulations, which allows unregistrable shapes to be registered if an independently registrable word or device is graphically represented in the application. The new application included the word “KitchenAid” in small lettering. Even with the inclusion of the lettering, the Examiner requested that a written description be added to the graphic representation and proposed the wording: “the mark consists of an electric beating and mixing machine on which the word KitchenAid appears.” Whirlpool amended this wording to read “the mark consists of a fanciful electric beating and mixing machine configuration upon which the word KitchenAid appears” [emphasis added], and registration issued. (In the later litigation, Kenwood did not counterclaim for invalidity of the registration, so it was taken as valid in the case. Nonetheless, the court (Judge Geoffrey Hobbs QC) questioned the distinctiveness of the portion of the registration that Kenwood was alleged to have copied.)

In the infringement action, even though it had a valid registration, Whirlpool presented survey evidence to address the issues of distinctiveness and similarity, which the court did not credit as useful for the infringement claim. In addition, each side had been given permission to have one expert witness to establish the goodwill and respective reputations of the configurations at issue, although the court

cautioned that the “Court of Appeal ha[d] recently re-emphasized that the question of consumer confusion is not properly to be regarded as a matter for expert evidence in cases involving the marketing of ordinary goods or services to the general public”. Judge Hobbs gave Whirlpool’s expert little credence, as constituting more advocacy than enlightening as to the facts.

Rather than relying on surveys and experts, in deciding the case, the court viewed the matter from the perspective of the “relevant consumer” (i.e. a design conscious consumer in the market for that kind of high-end mixer). Given the high cost of the subject mixers, the court attributed a higher degree of savvy to the consumer purchasing them. Based on this slightly altered “average consumer test,” the court concluded that the goods were not sufficiently similar to support the Article 9(1)(b) infringement claim. Judge Hobbs also rejected Whirlpool’s Article (1)(c) infringement claim (based on reputation), having not found any unfair advantage or detriment resulting from the Artisan mixer.

Passing Off

Finally, the court dismissed the passing off claim, since it was not demonstrated that any misrepresentation had taken place, even though the Whirlpool product had acquired sufficient goodwill.

In addition to providing a rather restricted interpretation of the rights derived from a three-dimensional registration and confirming the court’s general reluctance to accept that shapes alone can designate the origin of a product, Judge Hobbs’ decision is noteworthy in certain other respects: (1) the court’s summary of the registration process for Whirlpool’s mark provided some insight into the difficulties encountered by applicants for three-dimensional Community trademarks, (2) the court adopted a more stringent test for the “average consumer” in assessing likelihood of confusion, therefore imposing a higher

burden on the trademark registrant, and (3) the degree to which the court criticized and discounted expert testimony and witness statements echoed other recent U.K. cases.

- *SMW*

FROSS ZELNICK LEHRMAN & ZISSU, P.C.