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SEPTEMBER 2009

WE ARE PLEASED TO REPORT THAT FROSS ZELNICK was listed in the top tier for Intellectual Property; Trade Mark & Copyright: New York by Chambers USA 2009. The firm was noted for our focus on copyright and trademark law, including international portfolio management (“acclaimed by market sources”). The listing also pointed out Fross Zelnick’s “active litigation practice...advising DC Comics, Warner Bros. and Time Warner on a copyright termination case involving issues of co-ownership and first impression” and our success on behalf of trophy manufacturer Crown Awards in a copyright infringement action against Discount Trophy. Special mention was made of partners **ROGER ZISSU** (considered “a great intellect and a national copyright expert”), **MARK ENGELMANN** (“active in trademark and copyright counseling, the IP aspects of corporate transactions, litigation and licensing”), **SUSAN DOUGLASS** (“wins client commendation for her judgment in trademark work”), **RICHARD LEHV** (“highly regarded for his trademark litigation expertise and ‘highly specialized knowledge’” in the IP field) and **JOHN MARGIOTTA** (“commercial approach and user-friendly style”).

WE ARE PLEASED TO REPORT THAT FROSS ZELNICK was named a “Leading Firm” in the “IP: non-patent litigation” category in the 2009 edition of “Which Lawyer?,” a UK-based guide to top lawyers worldwide. In addition to the mention of the firm, **ROGER ZISSU** and **RON LEHRMAN** were also specifically mentioned as “Highly Recommended Individuals.”

CRAIG MENDE and **EVAN GOURVITZ** defeated a motion by Celeste Stein Designs, Inc. and its principal to dismiss Troll Company A/S’s copyright infringement action in the U.S. District Court for the Southern District of New York for lack of personal jurisdiction due to allegedly limited unauthorized sales of products bearing Good Luck Troll images in New York or, alternatively, to transfer the case to the Southern District of Texas where the defendants are located.

ROGER ZISSU and **JAMES WEINBERGER**, as reported in prior Information Letters, are part of the defense team in the Superman copyright litigation pending in the U.S. District Court in California. Defendants recently scored another major victory severely limiting the scope of any potential recovery by plaintiffs, the heirs of Jerome Siegel, one of the co-creators of the first Superman comic strip (which appeared in 1938’s *Action Comics # 1*), from Time Warner, DC Comics, Warner Bros. Entertainment Inc. and related companies. Following a 10-day bench trial conducted over several weeks in which the Court explored the question of whether agreements between defendant DC Comics and

its corporate sibling Warner Bros. Entertainment Inc. were made for fair market terms, on July 9, 2009 the Court determined that such agreements were not, in fact, “sweetheart” deals creating a deleterious effect on the Plaintiffs’ right to an accounting for their share of the profits attributable to their recaptured copyright in Action Comics No. 1. In a lengthy decision, the Court provided a detailed analysis of entertainment industry contracts presented by the parties, as well as Defendants’ testimony concerning the licensing of comic book and other properties for film, television and merchandise. As a result of this ruling, the Plaintiffs are now able to seek their one-half share of the profits attributable to the recaptured first Superman work, but only from DC Comics, rather than from Warner Bros. as well. The Court also ruled that defendant Time Warner Inc. has no accounting obligation to the Plaintiffs.

DAVID EHRlich will moderate a toys, games and entertainment “industry breakout session” (panel discussion) on May 24, 2010, at 3:45pm, at the INTA meeting in Boston, featuring panelists from the toy company LEGO, the entertainment company Turner Broadcasting System and TMI (a Japanese law firm representing Sega and other video game industry clients). The topic will be “Balancing Trademark Registration, Copyright, Trade Dress and Other IP in Cost Effective Protection Programs.”

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Information Letter

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UNITED STATES

TRADEMARK DECISION

- Geographically Deceptive Marks (*Spirits International, N.V.*)

Trademark Decision:

GEOGRAPHICALLY DECEPTIVE MARKS

In Re Spirits International, N.V., __U.S.P.Q. 2d __ (Fed. Cir. April 29, 2009)

In an April 2009 decision involving the mark MOSKOVSKAYA for vodka, the Court of Appeals for the Federal Circuit provided guidance on when a foreign language mark is unregistrable as “primarily geographically deceptively misdescriptive” of the goods under U.S. Trademark Act Section 2(e)(3). Under the current case law rule, the USPTO must show that:

- (1) the mark’s primary significance is a generally known geographic location;
- (2) the relevant public would be likely to believe that the goods originate in the place named in the mark (i.e., that a goods/place association exists) when in fact the goods do not come from that place; and
- (3) the misrepresentation is a material factor in the consumer’s decision to buy the goods.

The Federal Circuit held that, as to the third element, the USPTO must show that “a

substantial portion of the relevant consumers would be materially influenced in the decision to purchase the product or service by the geographic meaning of the mark” and discussed how to apply that standard to a mark in a foreign language spoken by relatively few U.S. consumers.

Spirits International, B.V. (formerly *Spirits International N.V.*) (“Spirits”) filed an intent-to-use application to register the mark MOSKOVSKAYA for vodka that would not be manufactured, produced, or sold in Moscow and would not have any other connection with Moscow. The examining attorney refused registration on the basis that the mark was primarily geographically deceptively misdescriptive. Applying the doctrine of foreign equivalents – that foreign language words are equivalent to their English translations – the examining attorney translated the mark from Russian to English as “of or from Moscow.” The examining attorney then found that Moscow was a generally-known geographic location and that consumers would likely believe that the goods were from Moscow. The attorney also found that this belief would be

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material to consumers because consumers believe that Russian vodka is especially good.

The Trademark Trial and Appeal Board affirmed. It found that the first element of the prima facie case under Section 2(e)(3) was met because the primary significance of the mark under the doctrine of foreign equivalents was a generally known geographic location. The Board found that Moscow was well-known for vodka, hence fulfilling the second requirement. Finally, the Board found that Moscow enjoyed a reputation for high quality vodka and that the public would be “materially influenced” by the mark in purchasing Spirits’ goods. In interpreting the materiality requirement of Section 2(e)(3), the Board stated that all that was required was “a showing that some portion of relevant consumers will be deceived.” The Board took judicial notice of the fact that, according to the 2000 U.S. census, Russian is spoken by 706,000 people in the United States. Based on this finding, the Board held that the materiality requirement was met because Russian speakers in the U.S. would be deceived into thinking that Spirits’ vodka originated in Moscow.

The Federal Circuit vacated and remanded on the ground that the Board had applied an incorrect test of materiality. It held that Section 2(e)(3) requires that “a significant portion of the relevant consuming public be deceived,” relying on the materiality requirements in the analogous areas of deceptive advertising and the common law doctrine of unclean hands. The Circuit clarified that the relevant public consisted of the entire U.S. population interested in purchasing the product or service. But it noted that there were instances in which the use of a non-English mark could be evidence that the product in question was targeted at the community of those who understood the foreign language of the mark. In such cases, the relevant

consuming public would consist of members of the targeted community. Therefore, individuals who spoke the foreign language could comprise a substantial portion of the relevant consumers. A case in point was a Polish mark for canned ham marketed to the Polish community.¹ Here, however, there was no contention that Spirits had targeted Russian speakers as the consumer base for its vodka.

The Circuit ruled that the Board had failed to consider whether Russian speakers were a substantial portion of Spirits’ intended consumers. It noted that Russian speakers comprised only 0.25% of the U.S. population and that if only this percentage of the relevant consumers was deceived, that would not be considered a substantial portion. It acknowledged, however, that Russian speakers might form a greater percentage of the vodka-consuming product, and that some number of non-Russian speakers would understand MOSKOVSKAYA to denote that Spirits’ vodka originated in Moscow, and that these groups together would constitute a substantial portion of Spirits’ intended consumers. Therefore, the Circuit remanded to the Board to determine whether there was in fact a prima facie case of material deception under the correct legal test.

This decision limits the application of the doctrine of foreign equivalents in Section 2(e)(3) cases involving foreign-language marks. Under the doctrine, foreign words from common modern languages (not ancient or very obscure languages) are translated into English and then assessed for descriptiveness, misdescriptiveness, or likelihood of confusion. One already-established threshold limitation on the doctrine is that it applies only when the ordinary American purchaser, including

¹ See In re New Yorker Cheese Co., 130 U.S.P.Q. 120 (T.T.A.B. 1961).

those proficient in a non-English language, would likely stop and translate the foreign word into its English equivalent. Situations in which purchasers would not likely translate the foreign word include those where the foreign word already has a well-established meaning in English such that translation is not necessary,¹ or where the context in which the non-English mark appears would not prompt consumers to translate the mark.² This decision introduces yet another limitation in Section 2(e)(3) cases. Even if the doctrine of foreign equivalents applies, the USPTO may only find a mark primarily geographically deceptively misdescriptive if it can also show that a substantial portion of the intended consumers would be deceived. In other words, the USPTO may no longer rely on a foreign language being “common,” but must further demonstrate that those knowledgeable in that language comprise a substantial portion of targeted consumers, or that those not proficient in that language would nonetheless grasp the meaning of the foreign-language mark.

This case questions whether a foreign language mark, that would be understood by few U.S. consumers, can be considered equivalent to its English translation. This case might seem, therefore, to undermine the doctrine of foreign language equivalents in other contexts, such as determining whether a foreign language word is generic, descriptive, or confusingly similar to other marks. However, the Federal Circuit was careful, in footnote 5 in

its opinion, to say that different policy considerations apply to the doctrine of foreign equivalents in other contexts, and its decision is limited to the materiality issue in analyzing geographically deceptive marks.

- KL

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¹ See Continental Nut Co. v. Cordon Bleu, 181 U.S.P.Q. 646, 647 (C.C.P.A. 1974) (finding that U.S. French speakers would not stop to translate CORDON BLEU into “blue ribbon” as the term already had a well-established alternative meaning as the designation of a famous cooking school).

² See In re Tia Maria, Inc., 188 U.S.P.Q. 524, 525-26 (T.T.A.B. 1975) (finding, in a likelihood of confusion analysis, that consumers who see TIA MARIA on canned food in a supermarket would be unlikely to stop and translate that mark into English and then associate the goods with AUNT MARY’S for restaurant services).

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INTERNATIONAL

EUROPEAN COURT OF JUSTICE (ECJ)

- Hope for Trademark Owners on “Look-alikes” (*L’Oreal et al v. Bellure NV et al*)

EUROPEAN UNION/OHIM DECISION

- Pharmaceutical Preparations and Nutritional Supplements Similar When Determining Likelihood of Confusion

GERMANY

- Amendment to Trademark Act

UNITED KINGDOM

- Copyright Decision (laches estoppel) (*Fisher v. Brooker*) (“Whiter Shade of Pale”)

VIETNAM

- Amendment to Intellectual Property Law

European Court of Justice (ECJ):

HOPE FOR TRADEMARK OWNERS ON “LOOK-ALIKES” (*L’OREAL ET AL V. BELLURE NV ET AL*)

L’Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v. Bellure N.V., Malaika Investments Ltd (trading as ‘Honey pot cosmetic & Perfumery Sales’), Starion international Ltd (ECJ, First Chamber, June 18, 2009)

On June 18, 2009, The European Court of Justice (ECJ) (First Chamber) handed down a clear judgment which gave substantial hope to owners of well-known marks who, for years, have been plagued by purveyors of “look-alikes” who seek to take a free ride on the reputation of and investment in their marks and trade dress.

In this case, defendants manufactured and/or sold purported imitations of well-known fragrances, including TRESOR and MIRACLE, using comparison lists (including the well-known brands and their “copied” counterparts) as well as, for certain of the goods, packaging similar to that used for the original brands. The plaintiffs sued in the High Court of Justice of England and Wales (Chancery Division) alleging that use of (1) the comparison lists and (2) imitations of plaintiffs’ bottles and packaging violated Sections 10(1) and (3) of the UK Trade Marks Act 1994 (UK Act) (prohibiting, respectively, unauthorized use of identical/similar marks for identical/similar goods (10(1)) and unauthorized use of identical/similar marks for dissimilar goods (10(3)) (which incorporated Arts. 5(1) and (2) of EC Directive 89/104). At issue as well

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was whether reference to the original marks on the comparison lists, and use of similar bottles and packaging, constituted permissible comparative advertising under Article 3a of EC Directive 84/450 (made part of UK law by the Control of Misleading Advertisements (Amendment) Regulations 2000 (WI 2000/914)).

On October 4, 2006, the High Court granted plaintiffs relief in all respects based on Art. 10(1) of the UK Act and in some respects (TRESOR packaging and MIRACLE bottle) based on Art. 10(3) of the UK Act. The parties appealed before the Court of Appeal (England and Wales) (Civil Division) which, in turn, referred five questions to the ECJ, namely (quoting from Par. 30 of the ECJ decision with this author's paraphrasing in *italics*):

- “1. Where a trader, in an advertisement for his own goods or services, uses a registered trade mark owned by a competitor for the purpose of comparing the characteristics (and in particular the smell) of goods marketed by him with the characteristics...of the goods marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardize the essential function of the trade mark as an indication of origin, does his use fall within ... Article 5(1) of Directive 89/104?
2. Where a trader in the course of trade uses (particularly in a comparison list) a well-known registered trade mark for the purpose of indicating a characteristic of his own product (particularly its smell) in such a way that ... *[it (a) does not create likelihood of confusion, (b) does not affect the sale of goods under the well-known mark, (c) does not jeopardize the essential function of the mark as a source indicator or harm the reputation of the mark by tarnishment, dilution or in any other way and (d) plays a significant*

role in the promotion of the trader's product], does that use fall within Article 5(1)(a) of Directive 89/104?

3. In the context of Article 3a[1](g) of [Directive 84/450][*relating to comparative advertising*], what is the meaning of 'take unfair advantage of' and in particular, where a trader in a comparison list compares his product with a product under a well-known trade mark, does he thereby take unfair advantage of the reputation of the well-known mark?
4. In the context of Article 3a[1](h) of the said directive, what is the meaning of 'present[ing] goods or services as imitations or replicas' and in particular does this expression cover the case where, without in any way causing confusion or deception, a party merely truthfully says that this product has a major characteristic (smell) like that of a well-known product which is protected by a trade mark?
5. Where a trader uses a sign which is similar to a registered trade mark which has a reputation and that sign is not confusingly similar to the trade mark, in such a way that (a) the essential function of the registered trade mark of providing a guarantee of origin is not impaired or put at risk; (b) there is no tarnishing or blurring of the registered trade mark or its reputation or any risk of either of these; (c) the trade mark owner's sales are not impaired; and (d) the trade mark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trade mark (e) but the trader gets a commercial advantage from the use of his sign by reason of its similarity to the registered mark...does that use amount to the taking of 'unfair advantage' of the reputation of the registered mark within the meaning of Article 5(2) of [Directive 89/104]?"

In response to the first two questions, the ECJ held that the owner of a registered mark “is entitled to prevent use by a third party, in a comparative advertisement which does not satisfy all the conditions...of Directive 84/450, under which comparative advertising is permitted [*in respect of identical marks and goods*], even where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark” (ECJ Decision, Par. 65), *here* “that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.” (ECJ Decision, Par. 58)

As to questions 3 and 4, the ECJ held that “an advertiser who states explicitly or implicitly in comparative advertising that the product marketed by him is an imitation of a product bearing a well-known trade mark presents ‘goods or services as imitations or replicas’[t]he advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered to be an advantage taken unfairly of the reputation of that mark....” (ECJ Decision, Par. 80)

Finally, and of special significance, the Court clarified the meaning of “taking of unfair advantage of the distinctive character or the repute of a mark” within the meaning of Article 5(2) of Directive 89/104. Namely, the court held that such “taking of unfair advantage ... does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor.” Rather, such taking advantage can occur when a party “seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort

expended by the proprietor of the mark in order to create and maintain the mark’s image.” (ECJ Decision, Par. 50)

This decision should go a long way in assisting proprietors of registered marks with a reputation to fend off third parties who seek to benefit from the “power of attraction” of those marks, without recompense.

- J/LH

European Union/OHIM Decision:

PHARMACEUTICAL PREPARATIONS AND NUTRITIONAL SUPPLEMENTS SIMILAR WHEN DETERMINING LIKELIHOOD OF CONFUSION

In *Laboratorios Andromaco, S.A. v. OTC Pharma International B.V. (Opposition No. B 1 056 458; May 22, 2009)*, OHIM recently held that NUFLEX was confusingly similar to NULCEX considering the similarities in the marks and goods. Andromaco opposed OTC Pharma’s CTM application for NUFLEX for pharmaceutical and sanitary preparations, dietetic products adapted for medical use, nutritional supplements, food for babies in Class 5 based on their prior Spanish registration for NULCEX for pharmaceutical products.

When determining the likelihood of confusion, a comparison of the goods usually considers all of the relevant factors relating to the pertinent goods, including their nature, purpose and method of use, whether the goods are competitive or complementary to each other, whether they are likely to be manufactured and/or marketed by the same or related companies and whether they will be sold through the same or similar channels of trade.

As expected, OHIM found the “pharmaceutical and sanitary preparations and dietetic products adapted for medical use” similar and “food for babies” dissimilar to the pharmaceutical products covered by the NULCEX registration. However, for the first time since OHIM reclassified all

nutritional supplements in to Class 5, regardless of whether they had a medical purpose or not, OHIM held that these products are similar to pharmaceutical products since they are “classified in class 5 which is the class mainly for medical substances.” Accordingly, even though the nutritional supplements in the NUFLEX application were not limited to those for medical use, OHIM found that these products should be considered similar to pharmaceutical products when determining the likelihood of confusion between the relevant marks.

As this is the only decision by OHIM that has held all nutritional supplements, regardless of their intended use, to be similar to pharmaceutical products, it is questionable whether this is an isolated decision or a new position that OHIM is taking on pharmaceuticals and nutritional supplements. Further, it is questionable whether this decision would stand on appeal as Class 5 also covers non-medical substances. Accordingly, the fact that nutritional supplements fall within Class 5 does not necessarily mean that they would automatically be considered similar to pharmaceutical products in the future. However, until there are future decisions by OHIM dealing with this topic, care should be taken when evaluating the risk presented by prior marks covering what previously were considered unrelated goods in Class 5.

- MFK

Germany: AMENDMENT TO TRADEMARK ACT

On May 28, 2009, the German Trademark Act (the Act) was amended, resulting in expanded protection for rights owners, including provisions for broader opposition practice. Under the previous version of the Act, oppositions could be based only on registered trademarks. The amendment, which is scheduled to go into effect before the end of 2009, provides for oppositions

based not only on registered marks, but also on company names, work titles and non-registered marks. Additionally, the new version of the Act allows opponents to argue that the later mark takes unfair advantage of or is detrimental to the reputation of the earlier mark, whereas under previous practice the opponent's grounds were limited to claims of likelihood of confusion.

- CMD

United Kingdom: Copyright Decision (laches estoppel) (*Fisher v. Brooker*) (“Whiter Shade of Pale”)

On July 30, 2009, the House of Lords in *Fisher v. Brooker* reversed the Court of Appeal's finding that a musician/composer was not entitled to a share of copyright (including a share of damages for copyright infringement and copyright royalties) based on the musician's 38-year delay in bringing his claim. The musician's copyright co-ownership claim derived from his co-authorship of the well-known popular song "A Whiter Shade of Pale," and in particular his writing of the song's striking introductory organ melody. The House of Lords forcefully upheld the musician's claim of copyright ownership and his attendant right to an appropriate share of copyright royalties from the date he asserted his claim, despite his lengthy delay in bringing his claim. The House of Lords held that neither estoppel nor laches should bar the musician's claim here because the delay caused no detriment to the copyright co-owners/defendants. In fact, the House of Lords specifically noted that the co-authors/defendants actually received substantial financial benefit from the delay because of the lengthy and widespread performance of the work in question. This is one of the last decisions issued by the House of Lords, as a new Supreme Court of the United Kingdom will replace the House of Lords as the court of last resort for

matters originating in the United Kingdom in October of this year.

- *CMD*

Vietnam: AMENDMENT TO INTELLECTUAL PROPERTY LAW

On June 19, 2009, the Vietnamese Intellectual Property Law (the IP Law) was amended in order to more closely conform Vietnamese IP practice to international conventions and agreements. The following are some of the notable changes to be established by the new IP Law: (i) broadcasting organizations using published works in their broadcasts must pay royalties or remunerations to the relevant copyright holders (but do not need to obtain such holders' permission for their use), and the amount of such royalties/remunerations is determined by (a) the parties themselves if the relevant broadcasts are sponsored, advertised or charged, or (b) by government regulations if the relevant broadcasts are not sponsored, advertised or charged; (ii) the term of copyright protection is extended from 50 years to 75 years from the date of first publication for cinematographic works, photographic works, dramatic works, works of applied art, and anonymous works, and the term of copyright protection for cinematographic works, photographic works, and works of applied art which are not published in the 25 years after the work is fixed will be 100 years from the date of fixation; (iii) the time limits within which applications must be substantively examined are extended from 6 months to 9 months for trademark applications, from 12 months to 18 months for invention registration applications, and from 6 months to 7 months for industrial design applications; (iii) the right to prior use of an invention or industrial design is to be calculated as before the filing date or priority date of the application, rather than as before the publication date thereof; (iv) assigning others to commit counterfeiting

activities is added to the definition of IP infringements subject to administrative remedies; and (v) the monetary fines for IP infringements are to be established by regulations, rather than by the previous standard of one to five times the value of the infringing goods.

- *CMD*

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