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DECEMBER 2009

WE ARE PLEASED TO ANNOUNCE THAT TEN OF OUR PARTNERS were listed in the 2009 issue of New York Super Lawyers, in the Intellectual Property or Intellectual Property Litigation section: **LARRY APOLZON, SUSAN DOUGLASS, DAVID EHRLICH, MARK ENGELMANN, JANET HOFFMAN, RON LEHRMAN, RICHARD LEHV, CRAIG MENDE, BARBARA SOLOMON** and **ROGER ZISSU**.

TWELVE OF OUR LAWYERS were also included on the 2009 list of the "World's Leading Trade Mark Law Practitioners," published by the Euromoney Legal Media Group. Mentioned were **LAWRENCE APOLZON, STEPHEN BIGGER, CARLOS CUCURELLA, MICHAEL DAVIS, SUSAN DOUGLASS, DAVID EHRLICH, JANET HOFFMAN, NADINE JACOBSON, RON LEHRMAN, RICHARD LEHV, PETER SILVERMAN** and **BARBARA SOLOMON**. The firm had more attorneys mentioned than any other U.S. law firm, for the seventh consecutive year.

ROGER ZISSU and **JASON JONES** succeeded in obtaining dismissal of a claim to recover statutory damages and attorney's fees in a copyright infringement case, *Institute For the Development of Earth Awareness v. People For the Ethical Treatment of Animals*, 2009 WL 2850230 (S.D.N.Y. 2009). In its decision, the court held that the plaintiff was precluded by Section 412(2) of the Copyright Act from recovering such damages and had failed to sufficiently allege "new" post-registration acts of infringement that would overcome the bar of Section 412(2). For a detailed discussion of the decision, see the U.S. Section of this Information Letter.

DAVID DONAHUE and **MICHAEL CHIAPPETTA** successfully represented UMG Recordings, Inc., the owner of the famous MOTOWN music label and trademark, in opposing registration of MTOWN CLOTHING (and design) as a trademark for clothing. After a full trial, including oral argument, before the Trademark Trial and Appeal Board, we convinced the Board that the applied-for mark was likely to cause confusion among consumers in light of our client's prior and longstanding rights in MOTOWN. The Board's decision is reported as *UMG Recordings, Inc. v. O'Rourke*, 92 U.S.P.Q.2d 1042 (T.T.A.B. 2009).

JAMES WEINBERGER wrote an article that appeared in the October 2009 issue of Managing Intellectual Property entitled "Look Before You Leap Into Naming Rights Agreements" about the risks and challenges presented to brand owners who are considering entering into a sponsorship agreement for venue naming rights.

DISCLAIMER: Attorney advertising. Prior results do not guarantee a similar outcome.

The American Intellectual Property Law Association awarded our partner **J. ALLISON STRICKLAND** its first annual "Mentor of the Year" award for excellence in mentoring at its 2009 Annual Meeting in Washington D.C. on October 15, 2009.

WE ARE PLEASED TO WELCOME ALEXANDER GREENBERG, who has joined us as an Associate in the Litigation Group. Alexander comes to us from Kirkland & Ellis where he was an Associate from September 2006, and also for the summer of 2005. Alexander was also a summer Associate at Weil Gotshal in California, and worked for the California Attorney General's Antitrust division and The Electronic Frontier Foundation. Alexander is a 2006 Harvard Law School graduate where he was an editor of the Harvard Journal of Law and Technology. He received his undergraduate degree *magna cum laude* from New York University.

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Information Letter

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

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

UNITED STATES

COPYRIGHT INFRINGEMENT

- Dismissal of Claim to Recover Statutory Damages and Attorney's Fees

TRADEMARK DECISION

- Appeals Court Reverses TTAB's *Medinol* Line of Fraud Cases

Copyright Infringement: Dismissal of Claim to Recover Statutory Damages and Attorney's Fees

Institute For the Development of Earth Awareness v. People For the Ethical Treatment of Animals, 2009 WL 2850230 (S.D.N.Y. 2009)

ROGER ZISSU and JASON JONES obtained a dismissal of a claim for statutory damages and attorney's fees in a copyright infringement action brought against client People for the Ethical Treatment of Animals ("PETA") in the U.S. District Court for the Southern District of New York.

In its complaint, plaintiff The Institute for the Development of Earth Awareness ("IDEA") alleged that PETA's infringement of a literary work began in 2005, but at the same time admitted that IDEA did not register the book until 2006. Because the infringement commenced prior to the registration of the book, Section 412 of the Copyright Act prevented IDEA from recovering statutory damages or attorney's fees. The court had

granted IDEA leave to amend to properly allege "new" and "different" post-registration acts of infringement that would overcome the bar of Section 412. IDEA's amended complaint, however, did not contain any factual allegations concerning post-registration infringement by PETA. Instead, the amended complaint simply alleged, as a legal conclusion, that PETA had engaged in "new" and "different" post-registration acts of infringement that were not a continuation of the alleged pre-registration infringement.

Accordingly, PETA moved pursuant to Federal Rule of Civil Procedure 12(b)(6) to dismiss IDEA's claim to recover statutory damages and attorney's fees, arguing that IDEA's factually-deficient allegations were insufficient to state a claim for statutory damages and attorney's fees under the pleading standard recently announced by the Supreme Court in *Iqbal v. Hasty*, 129 S.Ct. 1937 (2009). In its decision, which is published at 2009 WL 2850230, the court agreed with PETA, holding that IDEA had

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failed to allege facts sufficient to demonstrate any “new” post-registration acts of infringement by PETA and, thus, the plaintiff had failed to state a claim for statutory damages and attorney’s fees that was “plausible on its face.”

Following the court’s decision, IDEA moved for reconsideration, arguing, inter alia, that the court was prohibited from dismissing a claim for statutory damages on a Rule 12(b)(6) motion because Section 504(c) permits a plaintiff to “elect” to recover statutory damages (in lieu of actual damages and profits) “at any time before final judgment.” Thus, IDEA argued, because a plaintiff can *elect* to recover statutory damages at any time before final judgment, a court is prohibited from determining a plaintiff’s *eligibility* to make such an election under Section 412 until at least the end of trial. The court denied IDEA’s motion for reconsideration in an opinion which is published at 2009 WL 3254457. Relying on case law that had likewise dismissed claims for statutory damages under Rule 12(b)(6), the court explained that IDEA had “confused the right to elect statutory damages with the entitlement to such damages.”

- JJ

Trademark Decision: Appeals Court Reverses TTAB’s *Medinol*/Line of Fraud Cases

In re Bose Corporation, 580 F.3d 1240, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009)

In a long line of Trademark Trial and Appeal Board cases, since *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (TTAB 2003), the TTAB has held that a false claim of use for some (but not all) goods, in a USPTO application or registration filing, invalidates the registration as to all goods (or at least all the goods in the class concerned) on grounds of fraud. This line

of cases established essentially a strict liability standard for fraud; that is, any claim of excess goods, even if merely negligent, constituted fraud, because the trademark applicant or registrant “should have known” that it signed a paper falsely claiming use of a mark for excess goods. Intent to deceive the USPTO is an element of fraud, but the “should have known” level of intent was deemed to satisfy that element.

An extreme example of that strict liability rule was *Bose Corp. v. Hexawave, Inc.*, 88 U.S.P.Q.2d 1332 (TTAB 2007). In that case, the TTAB found that Bose committed fraud by claiming use of the mark WAVE in a renewal application for various audio goods, including tape recorders, in 2001, even though Bose had ceased manufacturing tape recorders a few years earlier. The TTAB rejected Bose’s argument that it actually was using the mark for tape recorders in 2001 because Bose continued to repair previously sold tape recorders under warranty and transported those goods back to their owners. The TTAB found that this transportation of repaired goods was not a sufficient “use,” and that the claim of use, therefore, constituted fraud under its *Medinol* strict liability standard, notwithstanding Bose’s subjective belief that the use was valid.

Bose appealed. In its decision dated August 31, 2009, the U.S. Court of Appeals for the Federal Circuit (“CAFC”) reversed the TTAB’s fraud finding.

The decision clearly states that the TTAB’s “should have known” strict liability standard goes too far, and that an essential element of fraud is clear and convincing evidence that the trademark applicant or registrant intended to deceive the USPTO into registering the mark or maintaining the registration for the goods concerned. The decision acknowledges that the TTAB in *Medinol* relied on some “should have

known” language in a prior CAFC case, *Torres v. Cantine Torresella S.r.l.*, 808 F. 2d 46, 1 U.S.P.Q. 2d 1483 (Fed. Cir. 1986) (“*Torres*”), which involved a fraudulent renewal application. The CAFC, however, stated that the TTAB read too much into some casual language in *Torres*. In that case, it was quite clear, from certain rather extreme facts, that Torres (the registrant) knew he was not entitled to maintain his registration, for some goods or perhaps for any goods. In fact, Torres not only claimed use for goods that he knew he was not selling in the U.S., but even filed a phony specimen, namely, a label that had been discontinued years previously, showing the mark in the form in which it was registered (a combination word and design mark). He apparently did this to avoid the issue of whether the new version of the mark was too different from the mark in the registration.

The CAFC’s new decision in *Bose* makes clear that an applicant or registrant can make a mistake in a use claim in a USPTO filing without committing fraud. However, the decision does not offer any clear guidance on how the TTAB should rule in future cases in which an applicant or registrant falsely claims use for some (but not all) goods or services in an application or registration. The decision states that the necessary subjective intent to deceive the USPTO can still be inferred from the facts. However, in most cases, the facts are less extremely indicative of an intent to deceive than those in the *Torres* case. In *Medinol*, and in most of the cases that followed *Medinol* in the TTAB, the trademark applicant or registrant contended that its claim of use for excess goods was excused by an honest mistake, that it did not understand the paper that it signed, that it thought the mark was in use on the product or service when it really was not, that it signed the paper on advice of counsel, etc. The TTAB rejected all these excuses as insufficient under its “should have known”

strict liability standard. Indeed, the TTAB often did so on summary judgment, holding that there was no doubt as to the fraudulent intent of the applicant or registrant and no reason for a full trial.

It now seems fairly clear that the TTAB, at the very least, may not be able to grant summary judgment of fraud except in the most extreme cases, where there is overwhelming, uncontested factual evidence of an intent to deceive the USPTO. In less clear cases, the TTAB may very likely interpret the new *Bose* decision as requiring a full trial on the issue of fraudulent intent. The TTAB has already cited *Bose* and denied a summary judgment motion in a fraud case, in a precedential opinion, on the grounds that the intent element was not sufficiently pleaded or proven. *Asian and Western Classics B.V. v. Lynne Selkow*, Cancellation No. 92048821 (October 22, 2009). In view of the sharp rebuke by the CAFC in *Bose*, the TTAB could possibly swing far in the other direction in fraud cases, adopting a standard which requires an almost impossibly high burden of proof of intent to deceive. Thus, findings of fraud based on overclaiming on goods could become rare, even after a full trial.

We do not believe, however, that this would be a reasonable interpretation of the CAFC’s decision. The CAFC in *Bose* cites, with approval, another line of cases, shedding some light on how fraud cases might be handled going forward. This line of cases concerns patents that have been held unenforceable based on a finding of “inequitable conduct” during prosecution, *e.g.*, that a patent was invalid because the patent applicant did not disclose material prior art (preexisting inventions) to the USPTO. A detailed analysis of those cases is beyond the scope of this short report. However, those cases do not hold that a patent applicant can avoid a finding of inequitable conduct merely by claiming that

(s)he made a mistake or did not think that certain prior art needed to be disclosed where the facts otherwise support an inference of deceptive intent. Rather, those cases do not excuse willful blindness in disclosing prior art and require patent applicants and practitioners to be careful and forthcoming.

In our view, based on the standard of these inequitable conduct patent cases, most of the TTAB's fraud findings in the *Medinol* line of cases would likely have been affirmed by the CAFC. In those cases, the TTAB clearly wished to take strong action against applicants' and registrants' carelessness in signing papers filed in the USPTO which made false claims of use for goods or services that they were not actually selling in the U.S. The TTAB may well be able to continue such a policy, even under the somewhat stricter rule of the *Bose* case, as long as any inferences of fraudulent intent are based on a full record.

Therefore, we continue to advise our clients to investigate carefully before making any claims of use in USPTO filings.

- DWE

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

INTERNATIONAL

CANADA

- Administrative Expungement Proceedings (Section 45 Proceedings)

EUROPEAN COURT OF JUSTICE

- Trademark with a Reputation (CTM)

GERMANY

- Oppositions - Amendment to Trademark Act

SYRIA

- Boycott Declaration Waived

Canada: ADMINISTRATIVE EXPUNGEMENT PROCEEDINGS (SECTION 45 PROCEEDINGS)

The Canadian Intellectual Property Office ("CIPO") has issued a practice notice, effective September 14, 2009, regarding changes to administrative expungement proceedings under Section 45 of the Trademarks Act ("Section 45 proceedings"). In a Section 45 proceeding, a registrant is required to defend its registration from expungement by submitting evidence of use in Canada during the three-year period before the initiation of the proceeding, or to provide an acceptable excuse for the non-use. A Section 45 proceeding is typically initiated by the Registrar at the request of an interested third party after the subject mark has been registered for three or more years, although the Registrar may also directly issue a Section 45 notice *sua sponte* at any time, including during the first

three years of registration. Under the new practice notice, the Registrar will not initiate a Section 45 proceeding *sua sponte* during the first three years of registration, will more stringently consider whether there are compelling reasons not to initiate a Section 45 proceeding at a third party's request (for example, if the registration at issue is already the subject of a Section 45 proceeding, if the third party's request is within three years of a previous Section 45 notice, or if the request is frivolous or vexatious), and will expedite Section 45 proceedings via stricter rules regarding extensions of time. The Registrar will consider the following criteria in assessing whether a registrant's argument of excusable non-use is acceptable: (i) the length of time during which the mark has not been used; (ii) whether the reasons for the absence of use were due to circumstances beyond the owner's control;

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and (iii) whether there exists a serious intention to resume use of the mark.

- CMD

European Court of Justice:

TRADEMARK WITH A REPUTATION (CTM)

PAGO International GmbH v. Tirolmilch registrierte Genossenschaft mbH (Case C-301/07)

On October 6, 2009, the European Court of Justice (“ECJ”) issued its decision in *PAGO International GmbH (“PAGO”) v. Tirolmilch registrierte Genossenschaft mbH (“Tirolmilch”)*, clarifying whether a Community Trademark (“CTM”) enjoys a “reputation in the Community” when it has a reputation in only one European Union (“EU”) Member State.

PAGO owns a CTM registration for a design mark covering fruit drinks and fruit juices. The mark consists of the representation of a green glass bottle with a distinctive label and lid. PAGO markets in Austria a fruit juice called “PAGO” in such bottles and the mark is widely known in Austria. Tirolmilch also markets in Austria a fruit and whey drink called “LATTELLA,” which is packaged in a glass bottle, two bottle designs of which resemble the bottle depicted in PAGO’s CTM registration. Tirolmilch’s advertising also featured the similar bottle design.

PAGO filed interlocutory proceedings before the Austrian Commercial Court in Vienna seeking to prohibit Tirolmilch from promoting, offering for sale, marketing or otherwise using its drink in the bottles at issue and from advertising by means of a representation of the bottles together with a full glass of fruit juice. The court granted the injunction but was reversed on appeal. PAGO then appealed to the Austrian Supreme Court.

The Austrian Supreme Court found that there is no likelihood of confusion between the bottles used by PAGO and Tirolmilch

because the labels clearly show the trademarks PAGO and LATTELLA, both of which are widely known in Austria. With respect to PAGO’s claim that Tirolmilch was taking unfair advantage of the reputation of the PAGO trademark in Austria, the Austrian Supreme Court was uncertain about the meaning of the words “has a reputation in the Community” as defined in the relevant EU regulation. Also, because PAGO’s injunction application sought to restrain Tirolmilch’s use throughout the entire EU and PAGO’s mark had a reputation only in Austria, the Austrian Supreme Court was not certain that such a comprehensive prohibition should be issued. It therefore referred the following questions to the ECJ:

1. “Is a Community trade mark protected in the whole Community as a ‘trade mark with a reputation’ for the purposes of Article 9(1)(c) of [the EU regulation] if it has a ‘reputation’ only in one Member State?”
2. “If the answer to the first question is in the negative: is a mark which has a ‘reputation’ only in one Member State protected in that Member State under Article 9(1)(c) of [the EU regulation], so that a prohibition limited to that Member State may be issued?”

In short, can a CTM be considered to have a reputation throughout the EU if it has a reputation in only one EU Member State? And if the answer to this question is “no,” then can a court enjoin use of an infringing mark in the jurisdiction where the CTM does enjoy a reputation?

As to the first question, the ECJ held that a CTM enjoys a reputation if it is known by a significant part of the public at issue in a substantial part of the EU and that, given the facts of the main proceedings, the territory of the Member State, here Austria, may be considered to constitute a substantial part of the territory of the Community. Thus, there was no need for

the ECJ to answer the second question. In reaching its decision, the ECJ ignored the Advocate General's ("AG") opinion that one Member State could not constitute a "substantial part of the Community." The line of thinking promoted by the AG could have led to much uncertainty about when CTM's could be enforced based on reputation.

- CB

complying in any way with the Boycott, and since receipt of a Boycott Declaration itself had to be reported to the Office of Foreign Asset Control at the U.S. Treasury Department, it had become virtually impossible for new U.S. applicants to register their marks in Syria. If you need further advice on this issue, please contact FZLZ.

- JLH

Germany: OPPOSITIONS – AMENDMENT TO TRADEMARK ACT

Under previous practice before the German Patent and Trademark Office, oppositions could be based only on an earlier trademark application or registration. The German Parliament recently amended the Trademark Act to more closely conform German opposition practice to opposition proceedings before OHIM, under which oppositions can also be based on non-registered rights and reputation. Accordingly, with respect to German trademark applications filed on or after October 1, 2009, oppositions can additionally be based on trade name rights, well-known marks, or non-registered rights in marks based on use.

- CMD

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Syria: BOYCOTT DECLARATION WAIVED

We have been advised that as of September 2009, the Syrian Trademark Office began waiving Israel Boycott Declarations for applications filed under the new Intellectual Property Law (No. 8/2007), which became effective on April 12, 2007. First-time applicants who are not on the Israel Boycott List may now file applications in Syria without providing a Boycott Declaration. Previously, applications accepted by the Registrar were passed to the Boycott Office, and first-time applicants with no prior registered rights or clearance had to submit a Boycott Declaration, absent which registration was not granted. Since U.S. law forbids U.S. companies from