

INFORMATION LETTER

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DECEMBER 2016

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ROGER ZISSU delivered the Copyright Society of the USA’s annual Donald C. Brace Memorial Lecture on November 17, 2016, joining an impressive list of judges, professors, and practitioners who have been selected to give this lecture in prior years. His talk urges the acceptance of satire as a positive purpose for the unauthorized use of a copyrighted work in fair use evaluation under Section 107 of the U.S. Copyright Act.

BEST LAWYERS in its 2017 “Best Law Firms” rankings released on November 1, 2016, ranked Fross Zelnick in National Tier 1 in the United States for Copyright Law and Trademark Law, and in National Tier 2 for Litigation-Intellectual Property, as well as in Metropolitan Tier 1 in New York City for Copyright Law and Litigation-Intellectual Property.

WHO’S WHO LEGAL’s August 2016 Trademarks Analysis noted that Fross Zelnick “has one of the most prestigious trademark practices in the world” and reported that it earned “the single most listings of any one office in our research by some distance.” The report named **SUSAN UPTON DOUGLASS** as one of only four most highly-regarded individuals in North America (specifically, USA-East Coast), with respondents regarding her as “a supreme talent.” Also commended were **JANET HOFFMAN** (“another of the firm’s superstars” who is the “go-to US lawyers for the CIS region”); **LYDIA GOBENA** (“extremely thorough and super-efficient”); **NADINE JACOBSON** (“immensely clever and clear-sighted”); and **ROGER ZISSU** (“one of the most noteworthy figures’ in regards to trademark litigation in the New York bar”).

SUPER LAWYERS named **LAWRENCE APOLZON**, **DAVID DONAHUE**, **SUSAN UPTON DOUGLASS**, **DAVID EHRLICH**, **JANET HOFFMAN**, **NADINE JACOBSON**, **RICHARD LEHV**, **JOHN MARGIOTTA**, **CRAIG MENDE**, **BARBARA SOLOMON**, **JAMES WEINBERGER**, and **ROGER ZISSU** to its list of 2016 New York Metro Super Lawyers. The publication also named **HINDY DYM**, **JENNIFER INSLEY-PRUITT**, **JASON JONES**, and **LEO KITTAY** as 2016 New York Metro Rising Stars.

JOHN MARGIOTTA and **EMILY WEISS**, on behalf of our client Cartier International A.G., prevailed in an opposition proceeding before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office. Cartier had opposed an application to register the mark TRINITY in connection with leather handbags on the basis of likelihood of confusion with its own TRINITY mark for jewelry. The Board held that confusion was likely, finding that Cartier’s TRINITY mark was strong and that jewelry and handbags were related. Details of the decision can be viewed [here](#).

ROBIN N. BAYDURCAN moderated a CLE program called “Intellectual Property Rights in a Post-Brexit World” for the New York State Bar Association Intellectual Property Section on November 10, 2016. The panelists discussed the political background and trade implications of Brexit, as well as next steps for brand owners.

TAMAR BESSINGER, **JENNIFER INSLEY-PRUITT**, and **KATE LYON DAYTON** contributed a chapter entitled “Ethics in the Trademark Arena” published on the INTA website on September 14, 2016 as part of its Trademark Administration resource at www.inta.org.

ERICA GOULD attended the VII International Seminar “Intellectual Property Challenges in Today's World” (“Retos de la Propiedad Intelectual en el Mundo Actual”) in Havana, Cuba, October 19-21, 2016. The seminar was sponsored by the Cuban Industrial Property Office (OCPI), the Cuban National Copyright Center (CENDA), and local law firms. Erica was the only United States citizen in attendance.

KAREN LIM was invited to speak at the Asian Patent Attorneys Association 66th Council Meeting in Bali, Indonesia. Together with two other panelists, she spoke at the Workshop “Social Media—A Playground for Creators Where Sharing is the Norm?” on October 9, 2016. Her presentation focused on trademark, copyright, and right-of-publicity issues as they have played out in social media cases in the U.S., and the impact of the sharing culture of social media on enforcement efforts.

CRAIG MENDE was selected to be an officer of the Copyright Society of the USA. He will serve as Secretary on the Copyright Society’s Executive Committee for a two-year term ending in 2018. Craig previously co-chaired the New York chapter for three years and served as a Trustee and non-officer Executive Committee member.

CHARLES WEIGELL moderated a CLE presentation “The USPTO Today and Tomorrow” for the New York State Bar Association Intellectual Property Section on November 10, 2016. The Trademark Law Offices Group Director of the USPTO discussed current initiatives and future trends in technology, electronic filing, trademark examination, and the registration process.

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Information Letter

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UNITED STATES

UNITED STATES PATENT AND TRADEMARK OFFICE:

- Trademark Fee Changes

TRADEMARK TRIAL AND APPEAL BOARD

- Changes to Rules of Practice

SECOND CIRCUIT COURT OF APPEALS

- Finding of Fraud on USPTO
Affirmed And Scierter
Requirement Clarified
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TRADEMARK TRIAL AND APPEAL BOARD

- Leather Handbags And Jewelry
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United States Patent and Trademark Office: TRADEMARK FEE CHANGES

Effective January 14, 2017, the U.S. Trademark Office will implement changes in some of its fees. In its continuing effort to encourage applicants to file documents electronically, its fees for filing any documents on paper are increasing substantially. Our firm utilizes the electronic filing system almost exclusively, and thus the higher fees for paper filings will rarely affect our clients. The fee changes noted below apply to electronic filings.

The fee for filing a Section 8 or Section 71 Declaration of Use will increase by \$25/class, and will now be \$125/class.

The fee for filing a request for an extension of time to file a Statement of Use will decrease by \$25/class, and will now be \$125/class.

Additional fees changes involved in appeals of refusals to register and in opposition and cancellation proceedings before the Trademark Trial and Appeal Board are detailed in the article below.

[-ASB](#)

Trademark Trial and Appeal Board: CHANGES TO RULES OF PRACTICE

In the first update to the Trademark Rules of Practice since 2007, sweeping changes to the rules applicable to all Trademark Trial

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and Appeal Board (“TTAB”) proceedings take effect on January 14, 2017. The new rules apply to all proceedings pending on or after that date, including ongoing proceedings.

Notable among the rule changes are the following:

- New and Increased Fees.
 - o The fee for an *ex parte* appeal will increase from \$100 to \$200.
 - o The fee for **opposition** and **cancellation** proceedings will increase from \$300 to \$400 per opposed class.
 - o A fee will now be imposed for taking certain **extensions of time to oppose**, ranging from \$100 to \$300 depending on the length of the extension and whether the request is made electronically or on paper. A \$100 fee applies to all extensions beyond the first 30 days, and an additional \$200 fee applies to extensions beyond 90 days.
 - o An additional fee (generally, \$100 above the standard fee) will be imposed for filings made by paper rather than electronically.
- Mandated Electronic Filing. The Trademark Rules of Practice previously permitted most filings to be submitted either by hard copy or electronically via the USPTO’s Electronic System for Trademark Trials and Appeals (“ESTTA”). The new rules mandate electronic filing except when technical problems or extraordinary circumstances prevent it, in which case the filing may be made on paper only if accompanied by a Petition to the Director of the USPTO and payment of a separate fee (in addition to the higher fee levied for paper filings). Filings made in respect of applications filed under Section 66(a) of the Lanham Act—i.e., applications for extension of protection of an international registration under the

Madrid Protocol—still cannot be filed by paper under any circumstances.

- Service of Complaint. The current rules require the plaintiff to serve the complaint on the defendant. Under the new rules, the Board will serve the complaint.
- Mandated Electronic Service. Under the current rules, mail/courier or hand service is the default, with email or fax service permitted only with consent of the party being served. The new rules make email the default service method, permitting service by other methods only where the parties so stipulate (or if email service is not possible due to technical problems or extraordinary circumstances).
- Response Times. With the institution of mandated email service, the rule permitting five extra days for response in the case of mail service no longer applies. However, the new rules extend to 20 days the typical 15-day deadline for oppositions to motions other than summary judgment motions (the response time for which stays at 30 days).
- Codification of Strict Rules Regarding Oppositions Against Section 66(a) Applications. The new rules codify certain standards for opposing Section 66(a) applications that allegedly are implicit in the current rules as explained by TTAB decisions over the past several years. In particular, an opposition against a Section 66(a) application is limited to those goods, services and grounds set forth in the ESTTA cover sheet that is automatically generated through input made during electronic filing. The ESTTA cover sheet is determinative regardless of what is alleged in the underlying Notice of Opposition.

- Discovery. The new rules specify that “[l]imited extensions of the discovery period” may be granted; the current rules do not include the term “limited.” It is not clear what impact this change will have, if any, on the Board’s current generous granting of discovery extensions.
- Timing of Written Discovery and Responses. Under the new rules, written discovery requests (document requests, interrogatories, and request for admission) must be served sufficiently far enough in advance of the discovery deadline so that responses will be due (and must be made) no later than the close of discovery. The response deadline cannot be extended beyond the close of discovery either by stipulation of the parties or order of the Board. Therefore, discovery requests can no longer be served on the last day of discovery. Further, a party receiving document requests on the last day of possible service (that is, 30 days before the close of discovery) will be required both to provide written responses and produce the responsive documents by the close of discovery; the parties cannot stipulate to later production of documents without also receiving the Board’s approval of an extension to the discovery deadline.
- Limitations as to Written Discovery. Under the current rules, a party is limited to 75 interrogatories but may generally serve an unlimited number of document requests and requests for admission. The new rules limit the number of document requests and request for admission each to 75, unless the parties stipulate or the Board upon motion orders otherwise. The maximum number of interrogatories remains at 75.
- Timing of Discovery Motions. Under the current rules, most discovery motions

must be filed only before the first testimony period opens. Under the new rules, discovery motions must be filed before the first pre-trial disclosures are due. The new rules also change the timing for motions to compel initial disclosures, which now must be filed within 30 days after the deadline for disclosure. The new rules do not change the timing for motions to compel expert disclosure, which still must be made before the close of discovery.

- Timing of Summary Judgment Motions. Under the current rules, summary judgment motions must be filed only before the first testimony period opens. Under the new rules, summary judgment motions must be filed before the plaintiff’s pre-trial disclosures are due.
- Trial Testimony by Declaration or Affidavit. The new rules permit the testimony of witnesses at trial to be submitted in the form of a declaration or an affidavit, whereas the current rules prescribed oral trial testimony unless the parties stipulated otherwise. The new rules also provide for oral cross-examination when testimony has been submitted in the form of declaration or affidavit.

The above merely highlights some of the more important rule changes, but is not a comprehensive discussion of either all the changes or their implications for opposition and cancellation proceedings going forward. If you have any questions about how these rule changes may impact ongoing or possible TTAB proceedings, please contact Fross Zelnick.

-LPR

Second Circuit Court of Appeals:
FINDING OF FRAUD ON USPTO AFFIRMED
AND SCIENTER REQUIREMENT CLARIFIED

MPC Franchise, LLC v. Tarantino, 826 F.3d 652 (2d Cir. 2016)

In a recent decision affirming the district court's finding that Defendant-Appellant Brent Tarantino ("Tarantino") committed fraud on the United States Patent and Trademark Office ("USPTO"), the Court of Appeals for the Second Circuit clarified the scienter required to establish fraudulent trademark procurement.

The case arose out of a dispute among cousins over the ownership of the name "Pudgie's" for pizza restaurants. In the early 1960s, three Cleary brothers opened two Pudgie's pizza parlors in Elmira, New York. *See MPC Franchise, LLC v. Tarantino*, 826 F.3d 652, 655 (2d Cir. 2016). The pizza parlors were a success and, in 1973, the brothers formed Pudgie's Pizza Franchising Corporation ("PPFC") to sell franchises for additional Pudgie's pizza parlors. *Id.* PPFC also registered the trademark PUDGIE'S with the USPTO. *Id.*

Shortly after the formation of PPFC, a sister of the three brothers, Bernadette Tarantino, purchased a Pudgie's franchise and opened a Pudgie's pizza restaurant several miles from the original pizza parlors in Elmira. *Id.* Bernadette Tarantino formed Pudgie's Pizza Corporation Horseheads ("PPCH") to manage the new location. *Id.*

In 1985, the USPTO cancelled PPFC's registration for the PUDGIE'S mark after PPFC failed to file certain maintenance documents. *Id.* Then, in 1993, after one of the brothers passed away, PPFC dissolved. Therefore, the franchisee restaurants became independently-run operations. *Id.* at 656. Over fifteen years later, in 2009, two sons of one of the Cleary brothers formed MPC Franchise, LLC ("MPC Franchise") to

start franchising Pudgie's pizza restaurants again. *Id.*

Meanwhile, in 2007, Bernadette Tarantino passed away, leaving a one-third interest in PPCH to each of her three children, one of whom was Defendant-Appellant Tarantino. *Id.* In 2010, Tarantino applied to register the mark PUDGIE'S with the USPTO for "pizza parlors" and "restaurant services featuring pizza, pasta, and subs." *Id.* As is required of all applicants, Tarantino certified in his application that "to the best of his [] knowledge and belief no other person, firm, corporation, or association has the right to use the mark in commerce, either in [] identical form [] or in such near resemblance [] as to be likely . . . to cause confusion, or to cause mistake, or to deceive." *Id.* The specimen that Tarantino submitted with his application was a photograph of a pizza box from the Pudgie's location that his mother had opened, which displayed under the PUDGIE'S mark the words "@ Pudgie's Pizza Franchising Corporation 1972." *Id.* at 657. The USPTO issued Tarantino a registration for the PUDGIE'S mark. *Id.*

In 2011, MPC Franchise and MP Cleary, Inc. ("MP Cleary," and together with MPC Franchise, "Appellees"), an entity that owned one of the original Pudgie's pizza restaurants, filed suit against Tarantino in the District Court for the Western District of New York, asserting various causes of actions, including that Tarantino had fraudulently obtained the PUDGIE'S trademark registration. *Id.* The district court granted the Appellees' motion for summary judgment on the fraud claim, finding that Tarantino "knew that [Appellees] were already franchising pizzerias, using the very same mark that he was attempting to register for that same purpose." *Id.* Tarantino appealed to the Second Circuit.

The Second Circuit first explained that "[f]raud in procuring a trademark registration occurs when an applicant knowingly makes false, material,

representations of fact in connection with his application.” *Id.* at 658 (quoting *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009)). Tarantino argued that the district court had not properly applied this standard under the Federal Circuit’s 2009 decision in *Bose*. In *Bose*, the Federal Circuit held that the scienter standard for fraud on the USPTO is met only when an applicant actually knew that material statements in the application were false, and that it is not enough that the applicant should have known about such falsity. *Bose Corp.*, 580 F.3d at 1244-45. According to Tarantino, the district court held him liable for misstatements that he should have known were false, not that he actually knew were false. *MPC Franchise, LLC*, 826 F.3d at 658.

The Second Circuit agreed with Tarantino that negligence was not enough, and that the scienter standard for a fraud claim requires that the person making the representation to the USPTO knows that the representation is false. *Id.* at 659. That mere negligence was not sufficient was consistent with Second Circuit precedent, as well as decisions by other Courts of Appeal. *Id.* at 659-60.

However, Tarantino’s arguments about the requisite degree of scienter did not aid him. *Id.* at 660. Not only did the district court not use the incorrect standard, but it was “beyond question” that Tarantino knew that his representations to the USPTO were false. *Id.* at 660-61. He admitted that he had never individually used the PUDGIE’S mark, despite applying for the mark in his individual capacity. *Id.* at 661. Moreover, there was abundant evidence that he knew others had the right to use the mark. He was aware of the other Pudgie’s locations, and he knew that his mother operated her restaurant as a franchisee. *Id.* Further, he conceded in his deposition that the trademark proprietary notice on the pizza box that he submitted as his specimen meant that someone else claimed the rights to the mark along with him. *Id.* The Second

Circuit therefore affirmed the district court’s decision.

It is generally difficult for a plaintiff to prevail on a claim of fraud in the trademark application because, as made clear by the Second Circuit in this decision, a plaintiff must prove that the trademark applicant had actual knowledge that his representations were false. But in this case, there was direct evidence that Tarantino knew that his representations were false, and therefore summary judgment for Appellees was appropriate.

[-EW](#)

Trademark Trial and Appeal Board: LEATHER HANDBAGS AND JEWELRY FOUND TO BE RELATED GOODS

Cartier International AG V. Coachman, Opp. No. 91209815 (T.T.A.B. Oct. 5, 2016)

In *Cartier International AG v. Coachman*, Opp. No. 91209815 (T.T.A.B. Oct. 5, 2016), the Trademark Trial and Appeal Board (the “Board”) recently sustained opposer Cartier International A.G.’s (“Cartier”) opposition to an application to register TRINITY for leather handbags filed by Lance Coachman. Cartier’s opposition was based on the ground that Coachman’s TRINITY mark would likely cause confusion with Cartier’s own TRINITY mark. Cartier had long used the TRINITY mark in connection with various goods, and owned a federal registration for the TRINITY mark in connection with jewelry. Moreover, in the past, Cartier itself had used the TRINITY mark in connection with handbags, and intended to do so in the future.

The Board first addressed Cartier’s standing and priority. The parties did not dispute that Cartier had standing, but Coachman argued that Cartier had failed to establish priority because it did not have priority for the mark TRINITY for leather handbags. The Board recognized, however, that Cartier was not

relying on its past use of TRINITY for leather handbags to establish priority; rather, it was relying on its registration for the TRINITY mark for jewelry. Slip op. at 6. Thus, Cartier had established priority and the issue was whether Coachman's mark TRINITY for handbags so resembled Cartier's previously-registered TRINITY mark for jewelry as to be likely to cause confusion.

The Board then reviewed the likelihood of confusion factors. First, the parties' marks were identical. *Id.* at 7. Second, the Board found that Cartier's TRINITY mark was strong for jewelry and therefore entitled to a wide scope of protection. In particular, Cartier's line of TRINITY jewelry had received extensive unsolicited media coverage that referred to the "iconic" or "famous" TRINITY jewelry design. *Id.* at 9-11. Coachman had made of record three third-party uses of the TRINITY mark for handbags and one registration owned by one of the third parties. The Board held that evidence of only three third parties using the term TRINITY was not sufficient to demonstrate that Cartier's TRINITY mark was weak. Moreover, Coachman had proffered no evidence regarding the extent of such third-party use. *Id.* at 11-12.

Third, the Board held that jewelry and handbags were related. The Board relied on evidence showing that Cartier markets its products as part of collections, with the products offered under each collection changing from year to year and season to season. Through the years, the TRINITY collection had encompassed a wide variety of goods, which included not only jewelry, but also leather belts, cufflinks, key rings, diaries, organizers, travel clocks, and pens. Moreover, in 2004 and 2005, Cartier had used the TRINITY mark in connection with handbags. *Id.* at 15-16. Further, Cartier had introduced evidence showing fourteen third parties that offered jewelry and handbags under the same mark. *Id.* at 16-18. On the

basis of this evidence, the court found the goods related. *Id.* at 19.

Fourth, the Board considered the parties' trade channels, and because neither party had limited the trade channels or purchasers in their respective application and registration, found that the goods were likely to move in the same channels of trade. *Id.* at 19-21. Fifth was the sophistication of purchasers factor. The Board rejected Coachman's argument that the purchasers were sophisticated because the parties were selling expensive goods under their marks. The Board noted that neither Coachman's application nor Cartier's registration limited the goods to any particular price point, and therefore this factor was neutral. *Id.* at 21-22. Finally, the Board addressed the actual confusion factor. Coachman had argued that the lack of actual confusion established that there was unlikely to be confusion between the marks. The Board, however, found that there was no reasonable opportunity for confusion to have occurred because Coachman's use of its mark had been minimal. Therefore, the actual confusion factor was neutral. *Id.* at 23-25.

Balancing the factors, the Board held that because the marks were identical, the goods were related, and the goods would move in the same channels of trade, Coachman's registration of the TRINITY mark was likely to cause confusion with Cartier's TRINITY mark.

-EW

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Information Letter

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INTERNATIONAL

<p>AUSTRALIA</p> <ul style="list-style-type: none"> • Trademark Fee Changes <p>BELARUS</p> <ul style="list-style-type: none"> • New Trademark Law <p>BRUNEI</p> <ul style="list-style-type: none"> • Accession to Madrid Protocol <p>CAYMAN ISLANDS</p> <ul style="list-style-type: none"> • New Trademark Law Imminent <p>CHINA:</p> <ul style="list-style-type: none"> • Maximum Statutory Penalty Imposed In Trademark Infringement Action <i>Moncler S.p.A. v. Beijing Nuoyakate Garment Co., Ltd.</i> <p>INDONESIA</p> <ul style="list-style-type: none"> • Changes to Official Fees and Trademark Law 	<p>MALAYSIA</p> <ul style="list-style-type: none"> • Three Dimensional Shape Marks May be Protectable Upon a Showing of Distinctiveness <i>Kraft Foods Schweiz Holding GmbH v. Pendaftar Cap Dagangan</i> <p>SOUTH KOREA</p> <ul style="list-style-type: none"> • Amendments to Trademark Act <p>UNITED KINGDOM:</p> <ul style="list-style-type: none"> • High Court Invalidates Glaxo's Color Mark EU Trademark Registration <i>Glaxo Group Limited v. Sandoz Limited</i> • Trademark Considerations in Light of Brexit <p>WIPO</p> <ul style="list-style-type: none"> • Nice Classification
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Australia: TRADEMARK FEE CHANGES

IP Australia (the Australian intellectual property office) changed its official fee structure as of October 10, 2016 (or October 28, 2016 for International Registrations designating Australia). For trademark applications filed after that date,

no registration fee will be due, whereas currently there is a AU \$300 registration fee. Under the new fee structure, applicants must pay an increased fee upon filing a trademark application. Despite the increase in the trademark application fee, which is expected to amount to AU \$130 per class, the removal of the registration fee

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reduces the overall upfront cost to register a trademark in Australia. If a trademark application was filed before October 10 and registered after that date, the applicant will still be required to pay the AU \$300 registration fee. Renewal fees will also increase under the new structure, by AU \$100 per class.

- [RNB](#)

Belarus: NEW TRADEMARK LAW

The new Belarus trademark law came into effect on July 15, 2016. The salient features of the new law follow:

- Relative grounds for refusal now include earlier third-party industrial designs and plant varieties (in addition to third-party marks and commercial names).
- The prior absolute ground for refusal for matter designating the kind, quality, quantity, intended purpose, value, or the place/time of product of goods or rendering of services, has been narrowed to such matter that has a “dominant” position in the applied-for mark.
- Applicants must now adhere more closely to the classification system.
- A three-dimensional mark must now be represented in two dimensions, either in a drawing or photograph.
- If a mark is to claim color, including such claim is mandatory; the CMYK color scheme is suggested as a guide for such claims.
- Applications that have passed examination are now to be published online within two months after formal examination.
- There are now time limits for examination, namely, two months for

formal examination and two years for substantive.

- The publication period has been shortened from three to two months.
- With respect to license agreements, the parties no longer need to include language to the effect that “the quality of the goods of the licensee may not be lower than the quality of the goods of the licensor.” Rather, a more general quality control provision may be used. (Licenses must still be recorded to be valid and, thus, for use by the licensee to inure to the licensor.)
- Cancellation actions against marks that have become generic must now be brought before the Supreme Court, rather than the Board of Appeals of the Patent Office.

- [JLH](#)

Brunei: ACCESSION TO MADRID PROTOCOL

Brunei acceded to the Madrid Protocol on October 6, 2016. The Protocol will enter into force with respect to Brunei on January 6, 2017. Brunei is the 98th member of the Madrid System. For more information, see wipo.int/madrid and wipo.int/treaties.

- [KL](#)

China: MAXIMUM STATUTORY PENALTY IMPOSED IN TRADEMARK INFRINGEMENT ACTION

Moncler S.p.A. v. Beijing Nuoyakate Garment Co., Ltd. (Beijing Intellectual Property Court 2015)

In a decision rendered late last year, the Beijing Intellectual Property Court (“Beijing IP Court”) granted Moncler S.p.A. (“Moncler”) the maximum statutory damages allowed under China’s new

trademark law in an action for trademark infringement and unfair competition.

Moncler reports that in 2013, it discovered the manufacture and sale of down jackets with counterfeit Moncler logos by Beijing Nuoyakate Garment Co., Ltd. ("Nuoyakate"), a Chinese company that had sought to register several confusingly-similar trademarks and domain names in China and in other key markets. Moncler successfully sued Nuoyakate in the Beijing IP Court in December 2014.

In China, plaintiffs in infringement actions have the burden of proving actual damages and, absent such proof, can be awarded statutory damages. Under the new Chinese Trademark Law that went into effect in May 2014, if the brand owner makes reasonable efforts to furnish proof of actual damages, the burden of proof shifts to the infringer, who the Court can order to submit accounting books or other financial statements showing the profits earned due to their infringement.

In this case, Nuoyakate failed to disclose such information to the Beijing IP Court. Accordingly, the Beijing IP Court awarded Moncler the maximum statutory damages of RMB 3 million (almost US \$450,000 at today's exchange rate), which is believed to be the first judgment under China's new Trademark Law granting the maximum penalty. Additionally, the Court ordered that Nuoyakate shut down its website and cease selling clothing that infringed Moncler's trademarks.

In reaching its decision, the Beijing IP Court considered, *inter alia*, that:

- Moncler had established a good reputation in its trademarks in China since at least 2008 when it entered the market.
- Nuoyakate's website displayed goods bearing Moncler's trademarks that did not originate

from Moncler and sold such goods at high prices.

- Nuoyakate intentionally omitted its own company name on the label of down jackets, which was deemed to be evidence of its bad faith.
- Nuoyakate committed such infringing activities on a substantial scale and was in the process of establishing a commercial network including distributors and franchisees.

This decision is significant as it is the first reported instance of the maximum statutory damage being awarded in a trademark infringement action. While it may signal a commitment to taking a robust stance against trademark infringers, since Chinese courts are not governed by past precedent, it remains to be seen whether the maximum penalty will be bestowed in future damage awards.

- [CCW](#)

Cayman Islands: NEW TRADEMARK LAW IMMINENT

As reported in September 2016 [[article](#)], the Cayman Islands recently implemented long-awaited changes to its copyright law as part of a broad effort to modernize its intellectual property laws and institutions. The next phase of this modernization project involves an overhaul of the Cayman Islands' trademark law.

The new trademark legislation has been published and was scheduled to be passed in October 2016. As of November 7th, it was still under consideration. It is anticipated that the new law will be passed before the end of the year, and will be implemented sometime in early 2017.

Key features of the new trademark law as it currently stands include:

- The Cayman Islands Intellectual Property Office will no longer accept

extensions of UK or EU trademark registrations. All trademark filings must be national Cayman Islands applications. This represents a significant reversal of the current system, in which the re-registration in the Cayman Islands of a UK or EU registration, or an IR extension to the UK, is the basis for registered protection in the Cayman Islands.

- New trademark applications will be examined on both absolute and relative grounds, and they will be published for opposition by third parties. The opposition period will be sixty days following publication. By contrast, the current examination process is minimal, and if a mark is already registered in the UK or the EU, it can generally be registered in the Cayman Islands without any obstacle.
- In addition to opposition proceedings, the law establishes grounds for revocation of a trademark registration where the use of the trademark is liable to mislead the public. The registration may also be declared invalid on the basis of earlier rights.
- Remedies for trademark infringement are set forth under the proposed legislation, including damages, injunctions, and delivery of infringing goods for forfeiture or destruction. Further, fines and imprisonment are penalties for the unauthorized use of a trademark that is identical to a registered mark, as well as for the false representation that a trademark is registered.
- The new law provides for the registration of collective and certification marks.

- Annual maintenance fees will still be required to maintain a registration.
- The new law makes provision for the licensing of a registered trademark. A license is only effective if it is in writing, signed by or on behalf of the licensor.

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Owners of UK and EU trademark registrations who wish to take advantage of the existing system of re-registration, and to enjoy a more streamlined examination process, are advised to re-register their marks in the Cayman Islands before the end of 2016. Following implementation, only national Cayman Islands applications will be accepted.

- [KLD](#)

Indonesia: CHANGES TO OFFICIAL FEES AND TRADEMARK LAW

The following increases to official fees for trademark applications and renewals in Indonesia took effect on November 10, 2016:

- Official fees of IDR 2 million per class are payable regardless of the number of goods/services. Under the previous fee structure, additional fees were payable for goods/services in excess of the first ten items per class.
- Official fees of IDR 2.5 million per class are payable for renewals filed six months before the due date; and official fees of IDR 4 million per class are payable for renewals filed six months after the due date.

Further, on October 27, 2016, the Indonesian Parliament approved a new trademark bill that is intended to streamline trademark application procedures and expand protection for trademark owners. Salient features of the new bill include:

- Recognition of non-traditional trademarks such as three-dimensional marks, sound marks, and holograms.
- Provision for online submission of trademark applications.
- Publication of trademark applications within two weeks of the filing date, and reduction of the publication period from three months to two months.
- Limitation of the substantive examination period following publication to 150 days. Any oppositions filed against an application will also be examined at this time.
- Provision for the assignment of pending trademark applications.
- Filing of renewal applications either six months before the renewal due date or six months after that date (with the increased fees noted above).
- Increase of criminal sanctions for trademark violations and punishment for counterfeiters, especially in relation to goods that will cause health or environmental problems and/or death.

- [KL](#)

Malaysia: THREE DIMENSIONAL SHAPE MARKS MAY BE PROTECTABLE UPON A SHOWING OF DISTINCTIVENESS

Kraft Foods Schweiz Holding GmbH v. Pendaftar Cap Dagangan, The High Court of Malaya at Kuala Lumpur [Commercial Division] (Case No. 24IP-49-12/2015, August 15, 2016)

Until recently, three dimensional (“3D”) shape marks were rarely afforded protection as trademarks under governing Malaysian practice. However, a recent

case from the IP court (Case No. 24IP-49-12/2015, August 15, 2016) has taken a more liberal approach, potentially changing the landscape for 3D marks in Malaysia by holding that the definition of “mark” under the governing statute can include a 3D shape.

The plaintiff, *Kraft Foods Schweiz Holding GmbH* (“Kraft Foods”), is a Swiss company that manufactures confectionary, food, and beverages, including the “Toblerone” brand of chocolates, and exports these products worldwide. Toblerone chocolates are in the shape of a prism, representing the Swiss Alps mountain range. Kraft Foods owns various two-dimensional registrations for the prism design around the world, including in Malaysia, and in June 2012 applied to register a 3D version of the Toblerone chocolate bar, a prism-shaped mark in a reddish-brown color



(), described as “Toblerone Chocolate Teeth 3D In Colour” for chocolate and related goods in Class 30 (the “Proposed Trademark”).

The Registrar of Trade Marks (“Registrar”) objected to the application on the basis that (1) the mark lacked distinctiveness, and (2) the mark was not capable of distinguishing Kraft Foods’ goods in the course of trade. Kraft Foods filed arguments in response, but the Registrar maintained its objection on the basis that, inter alia, the application did not fall within the definition of “mark” or “trade mark” in Section 3(1) of the Trade Marks Act 1976 (“TMA”) because the definition of “mark” does not include a “shape.”

Kraft Foods appealed the unfavorable decision, and the High Court of Malaya (the “Court”) considered the registrability of the mark on the assumption that Kraft Foods was not time-barred under local practice, despite the fact that the appeal was filed after the extended deadline to do so.

On appeal, Kraft Foods argued that the Court could rely on the definition of “mark” under the Agreement on Trade Related Aspects of Intellectual Property Rights 1194 (“TRIPS Agreement”), namely, a “sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trade mark”, to find that the Proposed Trademark was indeed registerable. However, the Court held that it was improper to rely on the TRIPS Agreement because the Malaysian Parliament had not passed legislation to give it legal effect (despite Malaysia being a signatory to the agreement).

The Court then addressed whether the definition of “mark” under Section 3(1) of the TMA (which “includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof”) includes a 3D shape. The Court relied on a UK case, *Smith Kline and French Laboratories Ltd v Sterling-Winthrop Group Ltd* [1975] 2 All ER 578, which allowed for the registration of 3D marks in distinctive color combinations in the pharmaceutical field, and concluded that a 3D representation can fall under the definition of “mark” in Section 3(1) of the Act. Moreover, the Court found that not only may a 3D mark be considered a “device,” as the term is used in the TMA, but the items defining a “mark” under the TMA are not intended to be exhaustive because of the use of the term “includes.”

In its arguments on appeal, the Registrar relied on a decision of the House of Lords, *Coca-Cola Trade Marks* [1986] RPC 421, which refused applications to register the shape of a Coca-Cola bottle as a trademark on the grounds that a distinctive shape was an insufficient basis for trademark registration. However, the Court here declined to follow the Coca-Cola decision. Rather, the Court followed the reasoning of *Smith Kline* and held that (i) 3D shape

marks fall within the meaning of “mark” in Section 3(1) of the TMA, and (ii) 3D shape marks may be registered as a trademark if the following conditions are met: (a) the applicant is the bona fide proprietor of the 3D mark; (b) the 3D shape mark is distinctive of the applicant’s goods; and (c) the registration of the shape mark is not prohibited by other provisions of the TMA (e.g., the mark does not cause consumer confusion or public deception).

Despite its willingness to find that a 3D mark falls under the definition of “mark” under governing law, the Court ultimately concluded that Kraft’s Proposed Trademark would not be considered a “trade mark” because it fails to indicate a connection in the course of trade with Kraft Foods’ goods and Kraft Foods itself, nor does it have a feature capable of distinguishing Kraft’s goods from those of others, and therefore lacks inherent distinctiveness. In support of this holding, the Court concluded that other traders are likely, in their course of business and without any bad faith, to want to use the same mark, or something closely similar thereto, in connection with their own goods. Further, Kraft Foods did not provide sufficient use of the mark to show that it had acquired distinctiveness because it had only used the mark with the “TOBLERONE” name in connection with the goods, and did not provide evidence that the mark had been used without TOBLERONE. The Court therefore upheld the Registrar’s decision and maintained the rejection of Kraft Foods’ application.

While the Court ultimately did not allow for the registration of the 3D shape mark at issue here, the door appears open to the possibility of registering 3D shape marks in the future, where the applicant is able to show that the mark is distinctive and capable of distinguishing the applicant’s goods in the course of trade.

- *MS*

United Kingdom: HIGH COURT INVALIDATES GLAXO'S COLOR MARK EU TRADEMARK REGISTRATION

Glaxo Wellcome UK Limited (t/a Allen & Hanburys), Glaxo Group Limited v. Sandoz Limited, [2016] EWHC (Ch) 1537.

The High Court of Justice of England and Wales recently invalidated Glaxo Group Limited's European Union Trade Mark registration for a color combination applied to its Seretide inhaler product. The court considered the validity of the 2008 registration in the context of a counter-claim and summary judgment motion brought by Sandoz Limited ("Sandoz"), that Glaxo Group Limited and Glaxo Wellcome UK Limited ("Glaxo") had sued for infringement of the trademark.

Registration at Issue



Glaxo's registration consisted of both a graphic representation and a verbal description:

"The trade mark consists of the colour dark purple (Pantone code 2587C) applied to a significant proportion of an inhaler, and the colour light purple (Pantone code 2567C) applied to the remainder of the inhaler."

The registration was further designated by the World Intellectual Property Office's "Internationally agreed Number for Identification of (bibliographic) Data" (INID) for a "mark consisting exclusively of one or several colors".

The Parties' Arguments

Sandoz contended that, under Article 4 of the EU Trademark Regulation, the mark was neither a "sign" nor "capable of being

represented graphically." As the trademark was not a figurative mark but rather a color combination, Sandoz claimed that the verbal description of the mark controlled in construing the mark. By this interpretation, the mark was not a "single sign" but rather a "collection of an almost limitless number of signs" as any number of patterns and proportions of dark and light purple could be applied to the inhaler.

Glaxo claimed that the visual representation of the mark should be the starting point in construing it. Glaxo agreed that the registration was not a figurative mark, but that the color mark claimed was an "abstraction" or pattern drawn from the visual representation.

Court's Preliminary Comments on the Application of Article 4 to Color Marks

Under Article 4, the court noted that an "EU trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings."

The court further observed that Commission Regulation (EC) No. 2868/95, as amended by Regulation (EU) No. 2014/2424, provides that a registration consisting of a color must contain an indication to this effect, together with the colors making up the mark.

After examining relevant EU case law applying these requirements in the context of marks designating colors or color combinations, the court concluded that a sign must be perceived "unambiguously and uniformly," thus guaranteeing its function as an indication of origin. The graphic representation of the sign must also be "precise," allowing the relevant authorities to ascertain with clarity and

precision the nature of the sign, as well as other traders to obtain relevant information about the rights of other parties.

The Court's Analysis

As an initial question, the court determined that the interpretation of a color mark falls solely within the purview of the court, and is not (as Glaxo contended) a matter for the average consumer. The court noted that “there can only be one correct interpretation of a trade mark registration or application,” and that some trademark specifications are “broad” and likely to require the assessment of “different average consumers,” depending on the goods and services in question.

The court then identified two primary issues in the case at hand: (i) whether a color mark can consist of variants without violating Article 4; and (ii) how a registration or application for a mark consisting exclusively of one or several colors should be construed where there is “no strict congruence between the visual representation and the description.”

(i) Whether a color trade mark can consist of variants

Glaxo argued that a sign need not be specified with absolute precision, and that some variation in the form of the sign is permissible. As support for this argument, Glaxo relied on the European Court of Justice’s decision in *Apple Inc v. Deutsches Patent- und Markenamt*, Case C-421/13, in which Apple Inc. applied for and successfully registered a three-dimensional trademark for retail store services. Apple Inc.’s registration consisted of a visual representation of the store layout showing placement of windows, tables, and other features, and the description “the distinctive design and layout of a retail store.” Glaxo argued that, because the store layout did not contain specific dimensions or proportions, it should be interpreted to include variations

such as windows that could be deeper or shallower, or tables that might be long or short. Glaxo claimed that variations in the form of a sign are acceptable, and that in the case of *Apple* a single sign had been validly registered notwithstanding these possible variations.

The court rejected Glaxo’s arguments, agreeing with Sandoz that all that had been decided in the *Apple* case was whether the three-dimensional mark was a sign capable of being graphically represented without the inclusion of particular dimensions—not that a trademark may consist of “variations on a single sign.”

The court reiterated that a sign must be “clear, precise, unambiguous and uniform.” Although it is possible that “very minor variations could exist,” the court opined that they would have to be so minor as to be “insignificant and go unnoticed by the average consumer.”

(ii) The correct approach to construing a color trade mark

The court next considered whether the visual representation or the verbal description should be the controlling factor in assessing whether a color mark consists of a single “sign” that is “capable of being represented graphically.”

Sandoz argued that, as the mark was not a figurative mark, one must look to the verbal description to identify the precise mark claimed. Sandoz pointed out that, in this case, the verbal description provided total freedom as to the proportion of dark purple and light purple that could be applied to the inhaler, as well as the type of pattern that could be generated by this application (stripes, dots, etc.). Accordingly, the mark was not a single sign capable of being represented graphically.

In support of its argument that the visual representation of the mark was the starting point for construing the mark, and that the sign claimed was an acceptable

“abstraction” of this visual representation, Glaxo submitted the following images from prior litigation matters. Glaxo argued that both images were permissible forms of the mark claimed, demonstrating a uniform pattern abstracted from the visual representation:



The court held that both the visual representation and the verbal description must be considered “without any formal precedence, one over the other” and that the weight to be afforded each will depend on the circumstances. In the present case, the court pointed to the problem that the visual representation of Glaxo’s mark was in fact a photograph of an inhaler, which would be appropriate for a three-dimensional mark, but which was less appropriate for a color mark that is not “confined to any specific shape of goods.” Considering this fact, the court relied on the verbal description in construing the mark. The court agreed with Sandoz that the description, while articulating the Pantone shades of light and dark purple, provided significant freedom for the relative proportions and applications of light and dark.

The court rejected Glaxo’s “abstraction” argument, pointing out that the abstractions Glaxo presented were “self-evidently not the same shape,” and that the relative proportions of light and dark shades appear to be different. The court noted that application of the claimed pattern to yet a third shape, such as an equilateral triangle, would yield a different proportion of light and dark. The court concluded that there could be any number of candidate abstractions, each of which could qualify as

a single sign, and that Glaxo had not limited its registration to just one such sign.

As the sign was insufficiently precise, uniform, clear, and unambiguous, it therefore followed that it did not constitute a registrable sign within the meaning of Article 4.

* * * * *

This decision illustrates the importance and some of the pitfalls in identifying color marks for registration. The court here reinforced the principle that, above all else, the combination of the visual representation and the verbal description of the color mark must result in a claim that is precise, uniform, clear, and unambiguous.

Although the EU trademark law eliminates the graphic representation requirement of Article 4, this change does not go into effect until October 1, 2017. Further, under the new Article 4, a sign must still be capable of clear and precise identification.

- [KLD](#)

South Korea: AMENDMENTS TO TRADEMARK ACT

Major amendments to the Korean Trademark Act took effect on September 1, 2016. The key changes were previously reported in our June 2016 Information Letter at [June 2016 Newsletter article](#).

- [KL](#)

United Kingdom: TRADEMARK CONSIDERATIONS IN LIGHT OF BREXIT

On June 23, 2016, the people of the United Kingdom voted via referendum for their country to leave the European Union. This historic event, commonly known as “Brexit,” caused the pound sterling to fall to its lowest level since 1985 and prompted the resignation of Prime Minister David Cameron. For intellectual property lawyers and their clients, the Brexit vote also gave

rise to a number of questions about the future of trademark rights in the UK and in the EU at large. This article addresses some of those questions.

No need to panic (yet): First, it is crucial to note that nothing will happen to EU trademarks vis-à-vis Brexit for quite some time. Article 50 of the Lisbon Treaty describes how an EU country may voluntarily leave the Union, specifying that a would-be leaver should notify the European Council of its intention, negotiate a withdrawal deal, and establish legal grounds for future relations with the EU post-exit. For the exit to take effect, the withdrawal arrangements must be approved by a majority of EU member states, with consent of the European Parliament. Importantly, Article 50 gives negotiators **two years** from the date of notification to conclude the exit arrangements; failure to do so results in the leaver falling out of EU membership with no new provisions in place, unless all remaining EU member states agree to extend negotiations. As of this writing, new British Prime Minister Theresa May has promised to trigger Article 50 by the end of March 2017, which would start the clock ticking for the UK to leave the EU by the end of March 2019.

Until Article 50 is actually triggered, however, it is not possible to advise when the UK's withdrawal from the EU will take effect, but it would appear that withdrawal prior to 2019 is unlikely.

Also unknown is the nature of future relations between the UK and the EU. For trademark purposes, one particularly relevant question is whether the UK will remain a member of the European Economic Area ("EEA"), which currently includes all 28 member states of the EU, as well as Iceland, Liechtenstein and Norway. The UK's membership, or lack thereof, in the EEA will play an important role in

representation issues and "exhaustion of rights" principles, as noted further below.

Until the UK officially withdraws from the EU, it is still a member, **so existing EU trademark rights will continue to subsist**, even during the Article 50 negotiation period.

A taste of what's to come: Once the UK has officially left the EU, it is expected that EUTMs (that is, trademark filings before the EUIPO which currently extend to all 28 EU member states) will no longer cover the UK. However, it is highly likely that the UK will implement provisions for the protection of existing EUTMs (including IRs extended to the EU) in the UK, or for conversion of existing EUTMs (including IRs extended to the EU) into national UK registrations enjoying the same priority. It is not yet known whether these protective measures will be automatic, or whether some proactive steps by trademark owners will be required. Post-Brexit, those wishing for protection in the UK specifically will need to file UK national applications, or IRs designating the UK.

For those EUTMs which claim seniority from UK national registrations, it is expected that any process of recognition or conversion will also allow for the continuing validity of seniority claims. By way of background, a claim of seniority from an earlier UK national registration within an EUTM means that the owner of the EUTM may continue to claim rights dating back to the UK national registration, even if the owner allows the UK national registration to lapse. In other words, the lapsed UK national registration "lives on" through the EUTM filing, regardless of what ultimately happens to the UK national registration. Seniority claims are allowed in cases where the national filing and the EUTM share "triple identity" (same owner, same mark, same or narrower goods/services). The seniority claim lapses only if the earlier national mark is cancelled for non-use, is declared

invalid, or is surrendered prior to registration of the EUTM. In terms of Brexit, it is possible that UK seniority claims within EUTMs will be reestablished as UK national registrations. For the time being, **national UK registrations coming due for renewal should be maintained and not allowed to lapse**, particularly those that serve as the basis for seniority claims in EUTMs.

Trademark owners are also advised to review their EUTM portfolios for marks that are, or within the next few years will be, subject to the use requirement. **An EUTM that is used only or predominantly in the UK may become vulnerable to cancellation for non-use once Brexit takes effect**, as the “portion” of the EUTM which currently protects the UK will eventually fall away. The current advice in any event is to use an EUTM in at least two EU member states to protect against non-use revocation. If one of two or more countries of use is currently the UK, trademark owners should assess whether their use in the other EU member state(s) is sufficient to maintain registration in the event of non-use attack.

Another important trademark aspect of Brexit is exhaustion of rights. Currently, once trademark-bearing goods have been circulated within the EEA by the trademark owner or with its consent, the trademark owner cannot prevent the further movement of those branded goods within the EEA market. **If the UK leaves the EEA, it is possible that the UK will be viewed as a separate market for exhaustion purposes**, meaning that trademark owners may be able to restrict imports coming into the UK from the EU, and vice versa.

As to enforcement, an infringement action filed in an EU court, and any relief obtained therefrom (including an injunction), would not be effective in the UK post-Brexit. If infringement occurs in the UK post-Brexit, a court action must be brought specifically in the UK. While UK and EU trademark law is currently harmonized, decisions of EU

courts will likely not apply to the UK post-Brexit, so there may be some de facto de-harmonization in the future. Also, while UK court decisions can now be enforced elsewhere in the EU, it is unclear whether and how this will change post-Brexit. **Beyond these enforcement issues, however, Brexit is not expected to affect existing national UK trademark rights in any respect.**

Finally, post-Brexit, attorneys who formerly practiced before the EUIPO and the EU courts may no longer be permitted to do so, if they do not have a place of business within the EU and if the UK ceases to be part of the EEA. Thus, clients who handle their EU work through counsel based in the UK will need to keep abreast of whether their UK counsel can continue to handle such matters. It is possible that UK practitioners will be able to continue working on EU cases post-Brexit, on a transitional basis.

What to do now: For now, trademark owners can hold steady, knowing that clarity on post-Brexit trademark implications and procedures will arrive before the UK actually leaves the EU. That said, for very important trademarks, or for marks which are (or will be) used only or predominantly in the UK, national UK filings may be desirable at this time for extra assurance, though most UK practitioners are confident that measures will be adopted to afford EU filings some form of protection in the UK post-Brexit as discussed above.

In addition, it would be prudent to include Brexit language in **settlement agreements** with effect in the EU, such as, “The geographic scope of this Agreement shall be the European Union including its present and future individual Member States. For purposes of this Agreement, the ‘European Union’ shall be deemed to include the United Kingdom, regardless of whether the United Kingdom remains a member following its June 2016 vote to

leave the European Union, commonly known as 'Brexit.'" Trademark owners should review any existing agreements with effect in the EU; to the extent language contemplating an exit of any particular country from the EU is not included in an agreement, steps should be taken to confirm the parties' understanding that the UK is (or is not) to be included in the future, even post-Brexit.

- [RNB](#)

WIPO: NICE CLASSIFICATION

The eleventh edition of the Nice Classification will enter into force on January 1, 2017. The new edition will introduce 334 new terms and amendments to fifteen class headings, mainly arising from a joint proposal submitted by Japan, Switzerland, the U.S., the EU Intellectual Property Office, and WIPO. It will be available on the World Intellectual Property Organization (WIPO) website at www.wipo.int, and will be applied to all applications for international registrations received by the Office on or after January 1, 2017. But WIPO will not reclassify goods and services under international registrations affected by renewals, subsequent designations, or other changes filed after December 31, 2016.

- [KL](#)

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