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EDITOR: KAREN LIM

SEPTEMBER 2018

**F**ROSS ZELNICK was named Best USA IP Firm: Trademarks at the 2018 ILASA International Legal Alliance Summit & Awards in New York.

**T**HE BEST LAWYERS IN AMERICA<sup>®</sup> 2019 edition continued the publication's long history of recognizing Fross Zelnick lawyers. [ROGER ZISSU](#), included since 1991, is listed in the Copyright Law and Litigation-Intellectual Property categories; [RICHARD LEHV](#), included since 2007, is listed in the Litigation-Intellectual Property, Copyright Law, and Trademark Law categories; [ALLISON STRICKLAND RICKETTS](#), included since 2015, is listed in Trademark Law; and [JOHN MARGIOTTA](#) and [CRAIG MENDE](#), both included since 2016, are listed for Copyright Law and Litigation-Intellectual Property, respectively.

After a seven-year battle before the Trademark Trial and Appeal Board of the U.S. Patent & Trademark Office, [DAVID DONAHUE](#) and [JASON JONES](#) prevailed on behalf of client UMG Recordings, Inc. ("UMG")—owner of the JACKSON 5 trademark—in its challenge to an attempt to register the mark J5 for clothing and related merchandise by Siggy Music, Inc., a company owned by original Jackson 5 musical group member Sigmund Esco "Jackie" Jackson. In a lengthy decision dated July 19, 2018, the Board confirmed that UMG, as successor to Motown Records, owned the JACKSON 5 trademark as well as its functional equivalents, including the short form J5. It further held that UMG's JACKSON 5 trademark is "famous" and "commercially strong" and that Siggy Music's use and registration of J5 would likely cause confusion in the marketplace.

**F**ROSS ZELNICK welcomes the following associates: [JULIA BELAGORUDSKY](#) (J.D. Fordham University, B.A. Brandeis University) joined our U.S. group on June 4, 2018. [MIRIAM KAVALERCHIK](#) (J.D. Brooklyn Law School, B.A. College of Charleston) and [JOSEPH GERBER](#) (J.D. Fordham University, B.A. Boston University) joined our International group on June 25, 2018 and June 26, 2018 respectively. And [SYDNEY KIPEN](#) (J.D. Fordham University, B.A. New York University) joined our Litigation group on July 9, 2018.

**FROSS ZELNICK LEHRMAN & ZISSU, P.C.**

# Information Letter

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## UNITED STATES

### UNITED STATES PATENT AND TRADEMARK OFFICE

- Registration of Non-Traditional Trademarks

### USPTO: REGISTRATION OF NON-TRADITIONAL TRADEMARKS

While trademark protection is most commonly associated with source identifiers such as individual words, logos, slogans, and a combination of these elements, trademark protection in the United States can also extend to colors, sounds, smells, and other non-traditional source identifiers. Brands appeal to consumers in varied ways, and trademark protection is often available for many types of consumer marketing efforts that are not immediately thought of as trademarks. Diageo, for example, has obtained trademark registration for the purple and gold pouch bag that houses Crown Royal Whisky. The registration, which claims acquired distinctiveness, describes the mark as a “three dimensional design of a purple cloth pouch bag with gold stitching and drawstring” and claims the colors purple and gold as a feature of the mark.



U.S. Reg. No. 3,137,914

The Lanham Act (the U.S. trademark statute) defines a trademark broadly enough that it can theoretically be anything that can be perceived by a consumer’s five senses, and that can be used to identify and distinguish the source of goods/services. There are, however, several unique hurdles to clear in order to register a non-traditional trademark in the U.S. The mark cannot be functional, and if the mark is not inherently distinctive (a color mark, for example) it must have acquired distinctiveness in order to be registered on the U.S. Principal Register.

### Functionality

The functionality doctrine is intended to preclude a business from monopolizing a

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useful product feature under the guise of identifying the feature as the source of the product. The determination that a proposed mark is functional constitutes an absolute bar to registration on either the Principal or Supplemental Register in the U.S., regardless of evidence showing that the proposed mark has acquired distinctiveness.

A feature is functional as a matter of law if it is “essential to the use or purpose of the article or if it affects the cost or quality of the article.” *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33, 58 USPQ2d 1001, 1006 (2001).

To determine functionality, the U.S. Patent and Trademark Office will consider:

- the existence of utility patent that discloses the feature’s utilitarian advantages;
- advertising by the applicant that promotes that utilitarian advantages of the design;
- facts pertaining to the availability of alternative designs; and
- facts pertaining to whether the design results from a comparatively simple or inexpensive method of manufacture.

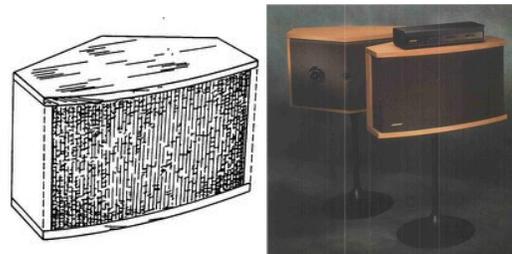
Examples of non-traditional marks that have been found to be functional include:

- the color green for John Deere forestry machines because “John Deere green” was found to be aesthetically functional as “farmers prefer to match their loaders to their tractor” *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85 (S.D. Iowa 1982); aff’d 721 F.2d 253 (8th Cir. 1983);
- the color black for packaging for floral arrangements because it is associated with an elegant classic look, and is also a color to

communicate grief or condolence as well as a color associated with Halloween. *In Re Florists Transworld Delivery, Inc.*, 105 U.S.P.Q.2d 1377 (T.T.A.B. Mar. 28, 2013);



- the pentagonal and curved design of a Bose speaker because “Bose’s utility patent, which expressly claims a loudspeaker system with angled baffles and a pentagonal cross-section provides ‘strong evidence’ of the functionality of Bose’s loudspeaker design.” In re Bose, 772 F.2d 866 (Fed. Cir. 2006).



### Acquired Distinctiveness

In addition to proving that the mark is not functional, acquired distinctiveness must frequently be proved for non-traditional marks that lack inherent distinctiveness. Color marks, scent marks, three-dimensional shape marks, and flavor/taste marks can never be inherently distinctive, and thus, proof of acquired distinctiveness is always required for registration on the Principal Register. Sound marks, motion marks, and touch marks could be inherently distinctive, in which case no proof of acquired distinctiveness would be required for registration.

An example of a non-traditional mark that was found not to have acquired distinctiveness is the color yellow, applied for by General Mills in connection with its Cheerios brand toroidal-shaped oat-based cereal. The TTAB held that “the presence in

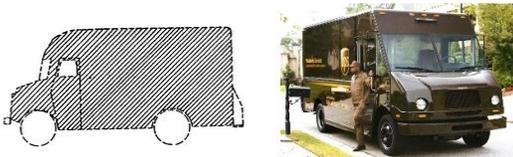
the market of yellow-packaged cereals from various sources—even cereals that are not made of oats or are not toroidal in shape—would tend to detract from any public perception of the predominantly yellow background as a source-indicator pointing solely to Applicant.” *In re General Mills IP Holdings II, LLC*, Serial No. 86/757,390 (T.T.A.B. August 22, 2017).



**Forms of Non-Traditional Trademarks**

**Color**

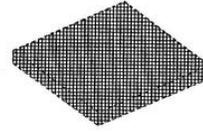
Examples of colors that have successfully been registered as a trademark include the color brown, registered by UPS for motor vehicle transportation and delivery of personal property; a green and yellow combination, registered by John Deere for forestry machines; the color canary yellow, registered by 3M for stationary notes; and the color robin’s-egg blue, registered by Tiffany’s for goods such as boxes, bags, and catalog covers.



U.S. Reg. No. 2,131,693



U.S. Reg. No. 4,084,102



U.S. Reg. No. 2,390,667



U.S. Reg. No. 5,176,498



U.S. Reg. No. 2,184,128

**Scent**

Examples of scents that have successfully been registered as a trademark include the scent of Play-Doh for toy modeling compounds and described as “a scent of a sweet, slightly musky, vanilla fragrance, with slight overtones of cherry, combined with the smell of a salted, wheat-based dough” (U.S. Reg. No. 5,467,089); the scent inside of a Verizon store and described as “a flowery musk scent” (U.S. Reg. No. 4,618,936); and the scent of bubble gum for “shoes, sandals, flip flops, and accessories, namely, flip flop bags” owned by Grendene S.A. (U.S. Reg. No. 4,754,435).

Interestingly, the Verizon scent mark is registered on the Supplemental Register because acquired distinctiveness was not shown. During the prosecution of this mark, the Examiner held that “[p]rospective consumers are unlikely to perceive a scent as a service mark for ‘retail store services featuring communication products and

services, consumer electronics, and demonstration of products' because . . . stores commonly use scents to create ambiance in stores.”

Submitting a specimen for a scent mark requires some creativity and could include sending the Examiner a scented product or a vial of scent oil to demonstrate use of the mark.

### Shape

Examples of three-dimensional shapes that have successfully been registered as trademarks include the contour of a Coca-Cola bottle, the shape of a Toblerone candy bar, the shape of Pez candy, and the shape of the LEGO minifigure (which is also covered by U.S. Reg. No. 4,520,327, for the shape and color of the yellow toy figure head, on top of a yellow cylindrical neck).



U.S. Reg. No. 696,147



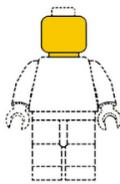
U.S. Reg. No. 911,237



U.S. Reg. No. 4,036,685



U.S. Reg. No. 4,903,968



U.S. Reg. No. 4,520,327



### Flavor

While trademark protection for a flavor is technically fathomable, realistically, it would be very unlikely. There are currently no registered flavor trademarks and the Trademark Trial and Appeal Board (“TTAB”) and federal courts have consistently held against affording trademark protection to flavors.

Products made for human consumption, such as foods and beverages that have a pleasing taste, would likely be disqualified from protection of the flavor or taste based on the functionality doctrine. In *In re N.V. Organon*, for example, the TTAB denied a pharmaceutical company a trademark in the orange flavor of its pills on functionality grounds. The TTAB explained that because medicine generally has “a disagreeable taste,” flavoring medicine serves a “utilitarian function that cannot be monopolized without hindering competition in the pharmaceutical trade.”

If a product were not made for human consumption and for some reason had a flavor, that product would be a more likely candidate for trademark protection because it could overcome the functionality hurdle.

### Sound

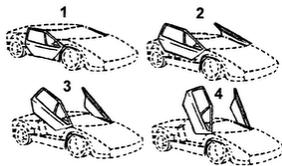
Examples of sound trademarks that have successfully been registered include the Tarzan yell sound for toy action figures (U.S. Reg. No. 2,210,506), slot machines (U.S. Reg. No. 3,841,800), and online retail store services, online fan club services, and publication of electronic fan magazines (U.S. Reg. No. 4,462,890); chimes for NBC entertainment services (U.S. Reg. No. 916,522); drums, trumpets, and strings for Twentieth Century Fox entertainment services and motion picture films (U.S. Reg. No. 2,000,732); a duck quacking the word “AFLAC” for American Family Life Assurance insurance services (U.S. Reg. No. 2,607,415); and Homer Simpson saying “D’OH” for Twentieth Century Fox for

entertainment services (U.S. Reg. No. 3,411,881).

### Motion

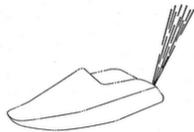
Examples of motion trademarks that successfully have been registered include:

- The motion in which the door of a vehicle is opened, owned by Automobil Lamborghini S.p.A. and registered on the Principal Register with a claim of acquired distinctiveness (Reg. No. 2,793,439);



### WATCH VIDEO

- The motion of a three dimensional spray of water issuing from the rear of jet propelled watercraft, owned by Yamaha Hatsudoki Kabushiki Kaisha and registered on the Principal Register with a claim of acquired distinctiveness (Reg. No. 1,946,170);



### WATCH VIDEO

- The live visual and motion elements of The Peabody Duck March as performed at The Peabody Hotels, registered on the Principal Register (Reg. No. 2,710,415). The registration notes that only one segment of the visual and motion elements is depicted and includes “the red carpet being rolled out, the appearance of the ducks and uniformed duckmaster at the elevator door, and the march of the ducks down the red carpet, up the stair, and into the fountain where they

begin swimming. The mark also includes the fanfare in reverse sequence.”



### WATCH VIDEO

### Touch/Texture

- Fresh Inc. owns a registration for cotton-texture paper wrapped around oval-shaped soap and tied with a silver-colored wire that is coiled around and fastened to a semi-precious stone bead. While this is not exclusively a texture trademark, the cotton-textured paper is protected by the registration.



U.S. Ser. No. 2,682,410

- The David Family Group LLC owns a registration for a leather texture wrapping around the middle of a bottle of wine.



U.S. Reg. No. 3,896,100

Determining whether non-traditional trademark protection is available will depend on the specific circumstances, including the nature of the trademark to be protected, whether it is functional, and whether it has acquired distinctiveness. We routinely assist clients in strategizing and selecting the best forms of trademark protection, recognizing that intellectual property rights often overlap and function collectively to offer the broadest protection. Traditional and non-traditional trademark rights can be very effective when used in tandem, as their protections are complementary, not mutually exclusive. As brand identity is often created by using a combination of marketing efforts, non-traditional trademark protection offers a way to protect innovative source-identifiers and the consumer goodwill associated with them.

[-JB](#)

**FROSS ZELNICK LEHRMAN & ZISSU, P.C.**

# Information Letter

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## International

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### **Argentina:** NEW OPPOSITION PROCEEDINGS

Further to our [March 2018](#) report on Amendments to Argentina's Industrial Property law, the Argentina Trademark Office ("INPI") issued resolution No. P-183 governing trademark opposition proceedings, the key provisions of which are:

- The INPI will notify applicants of any opposition notices on expiration of the opposition period.
- Applicants then have three months to negotiate with the opposer to withdraw the opposition.
- At the end of the three-month term, if the opposition is not withdrawn, the opposer has 15 business days to ratify the opposition, pay the opposition fee, supplement the opposition grounds, and submit relevant evidence.
- Applicants will then have 15 business days to file an answer and submit evidence.

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- All other evidence must be submitted in a 40 business day term and evaluated by the INPI.
- The parties will be given 10 business days to file final allegations. During this time, the parties may jointly request a 30-day suspension to explore mediation, conciliation, or other alternative dispute resolutions. On expiration of the suspension period, a new 10 business day term will be allowed for the filing of final allegations.
- The INPI will then issue its administrative decision.
- The INPI decision may be appealed to the National Court of Appeals in Civil and Commercial matters within 30 days.

[-KL](#)

## **Benelux:** AMENDMENTS TO BENELUX CONVENTION

Amendments to the Benelux Convention on Intellectual Property, effective as of June 1, 2018, expands the responsibilities of the Benelux Office for Intellectual Property (“BOIP”). The salient changes are:

- Cancellation actions based on absolute grounds, nonuse, or trademark infringement may now be brought before the BOIP. Before the Amendments, such actions could only be brought before the competent court of The Hague, Brussels, or Luxembourg. Actions before the BOIP will cost less and are expected to be more expeditiously decided than similar court proceedings.
- Oppositions may now be filed by owners of well-known trademarks against junior marks for dissimilar goods and services. Previously, oppositions could be based only on a prior identical mark for identical goods, or a prior similar mark asserting likelihood of confusion.

- Appeals of BOIP decisions may only be filed before a newly-created Second Chamber of the Benelux Court of Justice. Previously, appeals could be filed before the competent courts of The Hague, Brussels, or Luxembourg. The centralization of appeals under the Amendments is intended to bring about greater uniformity in Benelux trademark law.

[-KL](#)

## **China:** HIGH COURT CONSIDERS SCOPE OF MERCHANDISING RIGHTS IN ANOTHER KUNG FU PANDA DECISION

*DreamWorks Animation LLC v Trademark Review and Adjudication Board* (2017 Jing Xing Zhong No 3858)

As we reported on [June 5, 2017](#), Chinese case law and related guidance from China’s highest court in recent years have recognized “merchandising rights,” extending trademark-like protection to artistic works and their titles even in the absence of specific registered trademark coverage.

Chinese courts considered these merchandising rights through multiple cases involving DreamWorks Animation LLC (“DreamWorks”), as DreamWorks sought to keep squatters from obtaining Chinese trademark registrations for the film title *Kung Fu Panda*. Generally speaking, establishing merchandising rights in a title in China requires a showing of the work’s local fame/reputation and a likelihood of confusion with the goods and services at issue.

We provide an update now, because a recent case, again involving the title *Kung Fu Panda*, extends the scope of merchandising rights beyond goods and services naturally associated with a film to also cover potential derivative goods and services. Commentators note that, before

this recent decision, the Beijing High Court did not directly consider the scope of merchandising rights.

As background, in early 2017, following an earlier *Kung Fu Panda* decision, the Chief Judge of the Intellectual Property Rights Tribunal of the Supreme People's Court (China's highest court) released the "Provisions of the Supreme People's Court on Several Issues Concerning the Hearing of Administrative Cases on Granting and Affirming Trademark Rights" (the "Provisions"). Specifically, Article 22.2 of the Provisions states: "Provided the names and characters in works that are still protected by copyright are well known, the use of such names on products concerned may mislead the public that the names are used with the permission of the copyright owner or specifically associated with the copyright owner. The court shall uphold claims by parties concerned for prior rights and interests" (unofficial translation). Further, if such character or name is not protected by copyright, such properties would be protected as "prior rights" under Article 32 of the Trademark Law which states: "No trademark application shall infringe upon another party's existing prior rights. Nor shall an applicant rush to register in an unfair manner a mark that is already in use by another party and enjoys substantial influence" (unofficial translation). Details can be seen at our write-up [here](#).

In the more recent *Kung Fu Panda* case, DreamWorks opposed Shanghai Weipu Clothing Co., Ltd.'s 2009 Chinese trademark application for KUNG FU PANDA 功夫熊猫 covering a number of Class 44 services: "steam bath; massage; public health bath; barbershop; beauty services; beauty salon; sauna services; manicure; healthcare; aromatherapy; psychologist; medical massage; medical clinic; hospital."

The Chinese Trademark Office ("CTMO") decided against DreamWorks' opposition, and the Trademark Review and Appeal

Board ("TRAB") upheld the CTMO's decision on review. DreamWorks then appealed to the Beijing First Intermediate Court, which recognized the popularity of the *Kung Fu Panda* film and additionally recognized that DreamWorks' merchandising rights may extend to the Class 44 services at issue, even though DreamWorks did not have use of the KUNG FU PANDA mark for these exact services.

Thus, the Court set aside the TRAB's decision and remanded the case for review. The TRAB subsequently appealed to the Beijing High Court, which recently upheld the lower court's decision dismissing the TRAB's appeal. (It bears noting that these proceedings took place under the "old" Trademark Law in China, which allowed appeals of opposition decisions. Under the current regime, opposition decisions are no longer appealable, so further review, including a potential court remedy, would need to be sought through a post-registration invalidation action.)

While DreamWorks did not have prior filings for, or use of, the KUNG FU PANDA mark for the Class 44 services at issue, DreamWorks submitted evidence establishing the fame of the film and use of the title via licensees in connection with a broad range of goods. Of critical importance, DreamWorks could show use via licensees for cosmetics, which commentators have noted the High Court considered as overlapping with the Class 44 coverage of the third-party application in terms of, for example, function and channels of trade.

Brand owners and owners of rights in artistic works who are active in China should bear this decision in mind when considering actions against third parties squatting on their trademarks, because the developing area of merchandising rights

could provide a potent basis for objection to such third-party adoption.

[AT](#)

## **China:** DIOR WIN IN LONG-RUNNING BATTLE OVER 3D TRADEMARK FOR J'ADORE BOTTLE

*Parfums Christian Dior v. China Trademark Review and Adjudication Board*, Supreme People's Court 2018

On World Intellectual Property Day 2018, the Supreme People's Court (the "SPC") reheard the administrative dispute concerning the Chinese Trademark Office's (the "CTMO") refusal to register a three-dimensional ("3D") trademark for Dior's J'ADORE perfume bottle. After a multi-year dispute, the SPC ultimately overruled the decisions of the lower courts that had upheld the CTMO's refusal to register Dior's 3D bottle design as a trademark.

### 1. Background

In 2014, the luxury perfume house Parfums Christian Dior ("Dior") extended its International Registration for the three-



dimensional trademark covering perfumes and related goods in Class 3 to several jurisdictions, including China. The 3D trademark is used for Dior's J'ADORE product, which was introduced to the Chinese market in 1999.

In 2015, the CTMO refused Dior's application on the basis that the bottle design lacked distinctiveness, and Dior appealed the decision to the Trademark Review and Adjudication Board (the "TRAB"). In its 2016 decision upholding the CTMO's refusal, the TRAB noted that the

mark consisted of a common container and was therefore incapable of indicating the origin of the product. The TRAB further held that the evidence submitted by Dior was insufficient to demonstrate that the mark had acquired distinctiveness through use.

Dior further appealed the unfavorable TRAB decision on the grounds that the perfume bottle was indicated by WIPO to be a 3D trademark with specified characteristics including color (the description of the 3D mark that was granted by WIPO is "The mark is the form of fine and long '8', for top with small a globe; the lower end is oval shape; of the circles. Long ornament gold" [sic]), rather than a two-dimensional trademark as it was treated by the CTMO during examination, and that the mark had been widely used and promoted in China. However, the Beijing courts of the first and second instance each rejected Dior's arguments and held that the perfume bottle lacked the inherent distinctiveness necessary to be regarded as a 3D trademark.

### 2. Supreme People's Court Decision

The SPC held that the lower courts may have erred in refusing to register the 3D bottle shape and ordered another review of the application by the TRAB. The SPC noted that the TRAB failed to identify the mark as a 3D mark despite Dior's efforts to rectify the error, and also reasoned that because Dior owned an earlier 3D national Chinese registration that issued in 2009 for the J'ADORE bottle in Class 3 (albeit covering more limited services), the TRAB should have applied the same examination standard during the review process and granted protection to the application at issue. With respect to the distinctiveness of the mark, the SPC ordered the TRAB to consider on reexamination the principle of consistency in the standards governing trademark examination as well as the distinctiveness of the mark generally, and

its possible acquired distinctiveness through use in the marketplace.

The SPC decision is encouraging and suggests that China is willing to take broader steps to protect global IP rights. However, it is worth noting that the SPC did not provide specific guidance on whether the subject 3D mark met the evidentiary threshold to support a showing of acquired distinctiveness, so we are watching how the TRAB comes out on that issue on reexamination.

[-MS](#)

## **European Union: LOUBOUTIN RED SOLE VICTORY**

*Christian Louboutin v. Van Haren Schoenen B.V.*, Court of Justice of the European Union, No. C-163/16 (June 12, 2018).

Christian Louboutin was once again victorious in an effort to enforce international trademark rights in his famous red sole. In its June decision, the Grand Chamber of the Court of Justice of the European Union (“CJEU”) upheld Louboutin’s Benelux trademark registration for the red sole in an infringement action against competitor Van Haren Schoenen (“Van Haren”).

The dispute arose in 2012 after Van Haren began marketing red-soled high heels under its “5th Avenue Halle Berry” line. Louboutin filed an infringement action in the District Court of The Hague against Van Haren in 2013. Van Haren counterclaimed by arguing that Louboutin’s red sole was inherently unprotectable as a trademark.

Article 3(i)(e)(iii) of EU Directive 2008/95 prohibits registration of “signs which consist exclusively of . . . the shape which gives substantial value to the goods.” The prohibition aims to prevent trademark applicants from registering publicly-utilized designs much in the same way that U.S. law prohibits registration of functional marks. A registration for a functional mark

may stifle competition by granting monopoly protection over a useful design feature that competitors might need in designing their own products.

In this regard, Van Haren argued that Louboutin’s Benelux registration violated Article 3 by granting protection for a shape which was a necessary design feature of the shoes. Article 3 gives no explanation of the meaning of “shape” in its proscription. The District Court of The Hague therefore stayed proceedings and posed the following question to the CJEU: “Is the notion of ‘shape’ . . . limited to the three-dimensional properties of the goods, such as their contours, measurements and volume (expressed three-dimensionally), or does it include other (non-three-dimensional) properties of the goods, such as their colour?”

Louboutin’s registration described the red sole mark as consisting of “the colour red (Pantone 18-1663TP) applied to the sole of a shoe as shown (the contour of the shoe is not part of the trade mark but is intended to show the positioning of the mark).” The registered drawing is shown here:



Louboutin therefore argued that the mark does not include the shape of the heel’s sole, but simply the position of the color red on the sole.

The CJEU agreed. “[I]t cannot, however, be held that a sign consists of that shape in the case where the registration of the mark did not seek to protect that shape but sought solely to protect the application of a colour to a specific part of that product.” In

other words, the registration does not seek to protect the shape of the sole. It seeks only to protect the famous red color applied to the sole.

The CJEU answered the District Court's question by holding that "the concept of 'shape' is usually understood as a set of lines or contours that outline the product concerned." It does not follow, the Court reasoned, that a color in itself, without an identified outline in the registration, can constitute a "shape." Despite explicitly finding the meaning of "shape" within the context of trademark law, the CJEU claimed to interpret the term according to "everyday language."

Louboutin's victory before the CJEU confirms that color alone can operate as an inherently-protectable trademark, a controversial proposition to some. The U.S. Court of Appeals for the Second Circuit similarly held in 2012 that Louboutin's red sole trademark was validly registered with acquired secondary meaning. Both decisions reinforce the general principle that any mark that operates as a source identifier can and should be registered and is enforceable, with some limitations. In this regard, the CJEU noted that most of the high-heel wearing population understands that a red sole exclusively identifies Christian Louboutin. Finding that the Article 3 limitations do not apply, the CJEU decision allows Louboutin to protect the goodwill he has developed since he first began marketing the red sole heels in 1993.

But Louboutin has not enjoyed unfettered protection. In the same case before the Second Circuit, the Court nevertheless allowed fashion designer Yves Saint Laurent ("YSL") to continue marketing its "monochrome" red-soled heels. The Second Circuit reasoned that the contrast between Louboutin's red sole and the rest of the shoe distinguished his products from YSL's single-colored shoes, even if that one

color was red. Louboutin was hit with a harder blow in 2017 when the Federal Supreme Court of Switzerland denied Louboutin trademark protection outright. The Swiss Court considered the red sole design merely an aesthetic element of a "commonplace" design.

These conflicting decisions demonstrate the hurdles that today's fashion designers face when protecting their intellectual property rights all over the world. Different approaches to similar questions across jurisdictions make consistent international trademark enforcement difficult. The CJEU's interpretation of Article 3 follows a trend toward stronger intellectual property protection for fashion brands. However, Article 3 has since been amended by Directive 2015/2424. It now prohibits the registration of marks consisting of "the shape, or another characteristic, which gives substantial value to the goods." How exactly this new law will be applied in the EU with respect to fashion brands remains to be seen.

The June decision also demonstrates the importance of thoughtful trademark prosecution. The CJEU noted that "the description of that mark explicitly states that the contour of the shoe does not form part of the mark and is intended purely to show the positioning of the red colour covered by the registration." Had the prosecution attorneys not carefully identified the mark in positional fashion, this case may have gone the other way.

[-JARG](#)

## **Lao: NEW INTELLECTUAL PROPERTY LAW**

A new Intellectual Property law came into effect in Laos on June 9, 2018 (Law on Intellectual Property No. 30/NA, published in the Lao Official Gazette on May 25, 2018). The law replaces the prior law of December 2011. The principal new features of the law are:

- registrability of 3-dimensional and animated marks;
- introduction of an opposition procedure within sixty days of publication; and
- a 10-year registration term commencing from the filing date (previously 10 years from registration).

The law also provides a lower threshold for criminal enforcement by rights holders, eliminating the requirement to demonstrate “intentional infringement, commercial motivation and harm to persons, the environment or property.” Rights holders now need only show that an alleged infringement was “intentional.” In addition, Customs officers will now have an explicit right to search and seize goods, both imported and exported.

This development demonstrates the Laos government’s growing recognition of the importance of IP rights to its economy. We note that Laos became a member of the Madrid Protocol and introduced protection for geographical indications in 2016, commencing an apparent trend towards becoming part of the international economic community.

[-JLH](#)

## **Mexico:** NEW DECLARATION OF USE REQUIREMENT

Further to our recent report on the amendments to the Mexican Industrial Property law [here](#), Declarations of Actual and Effective Use will be required as of August 10, 2018 for registered marks. The Declarations must be filed within three months of the third anniversary of the grant of registration. It is unclear, however, whether the requirement will apply (i) only to registrations granted as of August 10, 2018, or (ii) to marks for which the third anniversary of registration falls after August 10, 2018 (i.e., registrations that issued after

August 10, 2015). The Trademark Director of the Instituto Mexicano de la Propiedad Industrial has publicly affirmed the first interpretation. But the second interpretation arises from the position that the transitional provisions implementing the recent amendments to the law contradict Mexican Constitutional law and intellectual property maintenance rules and practice. We are seeking clarity and hope to provide an update soon.

[-KL](#)

## **South Korea:** AMENDMENTS TO UNFAIR COMPETITION AND TRADEMARK LAW PROTECT TRADE DRESS AND IDEAS

On April 17, 2018, the National Assembly of Korea amended the Unfair Competition Prevention and Trade Secret Protection Act (“UCPTA”) to allow for the protection of trade dress and ideas, and revised the Trademark Act (“TMA”) to broaden the scope of who may file applications for registration of collective marks with geographical indications.

### **A. UCPTA**

Prior to the UCPTA amendments, which took effect on July 18, 2018, unfair competition was defined, in relevant part, as “causing confusion with another person’s commercial facilities or activities by using marks identical or similar to another person’s name, trade name, or emblem, or **any other mark indicating another person’s business**, which is widely known in the Republic of Korea” or “doing damage to the distinctiveness or reputation attached to another person’s mark by using marks identical or similar to another person’s name, trade name, trademark, or container or package of goods, or **any other mark indicating another person’s goods or business**, which is widely known in the Republic of Korea.”

The amended UCPTA replaces the bolded language above, in both instances, with

“any other mark indicating another person’s business (including the sales of goods or the provision of services including business signage, visual makeup, and interior design including the overall outlook of the place at which businesses are conducted).” This new language explicitly provides protection for “trade dress” under the unfair competition statute.

The amended UCPTA also introduces an entirely new and additional definition of “unfair competition” as follows:

An act of unjustly using ideas of economic value or ideas that constitute someone else’s technical or commercial information during business operations or process or transaction of commercial offers, bidding, public offering, etc. in contravention of the purpose for which such ideas are distributed for financial gains or an act of distributing such ideas to someone else for unjust purposes.

Exceptions are made for ideas already well known by the time they are provided, and for ideas well known in the industry. Previously, “ideas” standing alone were protected only under contractual agreements. The purpose of this amendment is to allow for injunctive relief and/or the assessment of compensatory damages against someone who takes advantage of ideas created and developed by someone else. This change also took effect as of July 18, 2018.

## B. TMA

The revised TMA, which will take effect as of October 18, 2018, expands the scope of eligible applicants for geographical indications (GIs), such as wine names, to include those who sell and trade the goods as well as producers, manufacturers, and processors of those goods. The prior law recognized only the producers, manufacturers, and processors of the

concerned goods as eligible applicants of marks constituting GIs.

[-RNB](#)

## United Kingdom: BRAND OWNERS MUST PAY COSTS FOR WEBSITE BLOCKING ORDERS

*Cartier Int’l AG v. British Telecom Plc*, [2018] UKSC 28.

Three Richemont maisons, including Cartier, recently sued five of the largest internet service providers (ISPs) in the United Kingdom. At issue was who is responsible for paying an ISP’s costs for implementing a blocking order issued by a court to protect Richemont’s trademarks. The order required the ISPs to terminate websites that contained infringing content or that were selling counterfeit goods. Details of that decision can be viewed [here](#).

In the recent suit, the ISPs claimed that they incurred five different types of costs associated with implementing the blocking orders: (i) the cost of hardware and software required to block the target sites; (ii) the cost to manage the blocking system; (iii) the cost of implementing an order; (iv) the cost of updating the block over the lifetime of the orders; and (v) the costs and liabilities that may be incurred if a block malfunctions. The ISPs argued that brand owners seeking blocking orders should be required to indemnify an ISP for the costs of items (iii), (iv), and (v).

The question of which party must bear the costs for website blocking orders obtained pursuant to the copyright statutes was previously resolved in *Twentieth Century Fox Film Corp. v British Telecommunications plc* (No 2), [2012] 1 All ER 869, a decision that placed the full burden on the ISP. The same question with regards to orders issued pursuant to the trademark laws had not been answered by the UK’s highest court.

To reach its conclusion, the Court looked to English law to determine whether the ISP was in control of the information posted using its servers. In previous cases, the Court had held that an intermediary must have been “mixed up in the tortious acts of others.” An “intermediary who was free to terminate his involvement in the infringing trade ... could have been required to do” more than merely provide information. However, the intermediary comes under this duty without incurring personal liability. *Totalise Plc v The Motley Fool Ltd*, [2001] EWCA Civ 1897 (“In a normal case the applicant should be ordered to pay the costs of the party making the disclosure including the costs of making the disclosure.”) Thus, the Court held that the intermediary was entitled to the costs of compliance with the court’s order.

The Court also looked to the European e-Commerce Directive and held that the ISPs were acting as “mere conduits” as defined in the directive, and the immunity granted by the Directive “is not conditional on any active steps being taken other than compliance with court orders.” Article 10(2) of the European Enforcement Directive obligates member states to provide for courts to direct the destruction or the recall or removal from commerce of infringing goods “at the expense of the infringer.”

In the Court’s opinion, “the incidence of compliance costs is a matter for English law, within the broad limits set by the EU principles of effectiveness and equivalence, and the requirement that any remedy should be fair, proportionate and not unnecessarily costly. As a matter of English law, the ordinary principle is that unless there are good reasons for a different order, an innocent intermediary is entitled to be indemnified by the rights-holder against the costs of complying with a website-blocking order.”

An ISP is considered a “mere conduit” under the relevant European Directives and would not incur liability for trademark infringement under English law. In the Court’s opinion, an ISP “has no means of knowing what use is being made of his network by third parties to distribute illegal content. Even when it is informed of this, it does not have the limited duty to take proactive steps to stop access to illegal content which is implicit in the conditions governing the immunities for caching and hosting. Its only duty is to comply with an order of the Court.”

The Court held that website-blocking injunctions only benefit rights-holders, as the order only protects a claimant’s legal rights. Protecting an intellectual property right is “ordinarily and naturally a cost of the business which owns those rights.” Although the ISP financially benefits from hosting content from all users, including those that blatantly infringe the rights of others, the ISP merely provides the network on which the infringement occurs. Therefore, a rights-holder should not look to an ISP to defray the costs of protecting its rights, but rather should seek to recover any such damages directly from the infringers.

Therefore, a rights-holder seeking a website blocking order should be prepared to indemnify an ISP for its costs related to implementing and maintaining that order, as well as for the costs and liabilities should the block put in place by the ISP malfunction.

[-TM](#)

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