FROSS ZELNICK LEHRMAN & ZISSU, P.C.

INFORMATION LETTER

EDITOR: JANET L. HOFFMAN

JUNE 2014

PARTNER BARBARA SOLOMON was featured in IP Law360's Female Powerbrokers interview series, in which leading female lawyers give their perspectives on the legal profession. For the full text of Barbara's insightful and entertaining interview, click here.

WE ARE PLEASED TO REPORT THAT FROSS ZELNICK WAS RECENTLY RECOGNIZED BY THE FOLLOWING PUBLICATIONS AND ORGANIZATIONS:

- **FIRM OF THE YEAR -- TRADEMARKS** in *Who's Who Legal 100 2014*, in which seventeen of our partners were nominated individually, namely: **LARRY APOLZON**, **STEVE BIGGER**, **CARA BOYLE**, **CARLOS CUCURELLA**, **DAVID DONAHUE**, **SUSAN DOUGLASS**, **DAVID EHRLICH**, **MARK ENGELMANN**, **LYDIA GOBENA**, **JANET HOFFMAN**, **NADINE JACOBSON**, **RON LEHRMAN**, **CRAIG MENDE**, **PETER SILVERMAN**, **BARBARA SOLOMON**, **ALLISON STRICKLAND RICKETTS** and **ROGER ZISSU**. Partners David Ehrlich and Susan Douglass accepted the award on behalf of the firm at a ceremony held on March 31, 2014.

- **FIRM OF THE YEAR** for Trademark Prosecution (National and Northeast) at the *Managing Intellectual Property* annual awards dinner on March 25, 2014.

- **PLACEMENT IN THE "FIRST BAND"** of the *Chambers 2014* rankings for Intellectual Property: Trademark, Copyright & Trade Secrets – USA. Special mention was made of **ROGER ZISSU** ("long…known as one of the most distinguished practitioners in the fields of copyright, trade marks and unfair competition…and…someone *'you'd want as the éminence gris' in matters of global brand strategy*"), **SUSAN DOUGLASS** (who "focuses predominantly on copyright issues, as well as trade mark portfolio management, filing, searching, litigation and internet-related licensing agreements") and **CARLOS CUCURELLA** ("US and Spanish-qualified attorney…[who] brings significant experience in handling trade mark matters for a broad spread of clients…highlighted for his ability to '*work hard to give practical and efficient advice*' and…noted for the depth of his expertise in handling IP-related matters in the Spanish market.")

- **"FIRST BAND"** nationally and in New York State for Intellectual Property: Trademark & Copyright, by *Chambers USA*, which ranks American firms nationwide and by region. The firm was recognized nationally as a "[m]ajor intellectual property law player handling copyright, design rights, trademarks and

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unfair competition matters…[h]ighly adept at complex, multijurisdictional litigation as well as offering significant IP transactional expertise." On the New York State front, the firm was described as "widely admired for its full-service copyright and trademark practice, which takes in counseling, filing, clearance and litigation[,] [and w]ell known for representations in the apparel, entertainment, consumer products, financial services, leisure and luxury goods industries." The write-up included the following comments from clients: "Absolutely outstanding in this field." "An excellent, comprehensive practice." "[W]onderful representation, excellent arguments." Special mention was made of partners **ROGER ZISSU** ("a celebrated copyright and trademark expert"…"one of the most eminent authorities on copyright law in the country"…"one area of specialization…[being] copyright law governing character rights in fiction of various media"), **RICHARD LEHV** ("noted for his prowess as a litigator in copyright, trademark, false advertising and unfair competition cases…appear[ing] before state and federal courts and in cancellation and opposition actions before the TTAB"), **SUSAN DOUGLASS** ("respected for her handling of trademark clearance and filing, as well as representations before the USPTO and the…TTAB…[and who is] also engaged for copyright counseling" and **JAMES WEINBERGER** ("a litigator who takes on copyright and trademark cases, and enjoys a strong track record for his work before the TTAB and the courts…[and] also advis[es] on clearance, filing and strategy").

BARBARA SOLOMON and **ANNA LEIPSIC** successfully represented Chanel, Inc. ("Chanel") in its challenge to a Canadian real-estate developer's attempt to register the mark CHANEL for condominium and other real-estate services on grounds of dilution. The parties stipulated to the use of the Accelerated Case Resolution procedure established by the Trademark Trial and Appeal Board of the United States Patent and Trademark Office ("TTAB"), which allows for a full determination on the merits through the use of a summary judgment-like procedure. To prevail on a dilution claim a party must establish that its mark became famous before the other party commenced use of the challenged mark. Following the submission of extensive evidence, the TTAB found CHANEL to be a household name and that the fame preceded any use of the mark by applicant. As to what constitutes "use" of a mark by an applicant, the TTAB held in this precedential decision that in a TTAB proceeding an Opposer may prove Applicant's use either by direct evidence of use or by reliance on the application filing date as the date of constructive use. Because the TTAB found that the applicant's mark was likely to dilute the famous CHANEL mark, the TTAB sustained the opposition. The case is *Chanel, Inc. v. Jerzy Makarczyk*, Opp. No. 91/208352.

RICHARD LEHV and **JENNIFER INSLEY-PRUITT** successfully represented Inter IKEA Systems B.V. ("Ikea") in its challenge to Akea, LLC's attempt to register the mark AKEA for retail store services in International Class 35. Ikea is the owner of the IKEA mark, which has been used for many years in connection with a variety of goods and services. Following the submission of extensive evidence, the Trademark Trial and Appeal Board of the United States Patent and Trademark Office ("TTAB") found IKEA to be a famous mark in connection with retail store services. The TTAB then determined that IKEA and AKEA were similar in appearance and sound, finding the difference in the initial vowel inconsequential. Based on these and other factors, the TTAB concluded that the mark AKEA was likely to cause confusion with the established mark IKEA in connection with retail store services, and therefore sustained Ikea's challenge to registration of the AKEA mark in Class 35.

MICHAEL CHIAPPETTA successfully represented Lion Capital, LLP, a private equity investment firm and owner of the LION and LION CAPITAL trademarks (the "LION Marks"), in an appeal to the Federal Circuit by hedge fund manager Stone Lion Capital, LLC of the Trademark Trial and Appeal Board's ("TTAB") decision sustaining Lion Capital's opposition to Stone Lion Capital's application for STONE LION CAPITAL covering "financial services, namely investment advisory services, management of investment funds, and fund investment services." On appeal, Stone Lion Capital argued primarily that the TTAB erred in failing to consider the sophistication of the actual investors in its hedge fund and the due diligence required for investment in the fund. The Federal Circuit agreed with Lion Capital's argument, however, that the TTAB correctly considered the typical consumers of the services as they were identified in the application, which (given the broad coverage of Stone Lion Capital's application) included consumers of any and all investment advisory services (i.e., ordinary investors) and not limited to high dollar hedge fund investors. Stone Lion Capital also argued that, although the parties provide their investment services to similar entities, the persons within those entities charged with considering Lion Capital's private equity investment offerings on the one hand and Stone Lion Capital's hedge fund investment offering on the other hand are different. But again, the Federal Circuit agreed with Lion Capital that because Lion Capital's registrations and Stone Lion Capital's application in issue were not limited to private equity investment services and hedge fund investment services, respectively, the TTAB was correct in disregarding the particular investors targeted by the parties' actual offerings, and confirmed that registrability must be determined based on the identification of services set forth in the trademark filings at issue. Accordingly, the Federal Circuit affirmed the TTAB's decision sustaining Lion Capital's opposition.

PARTNER CHARLES WEIGELL, has been named Chair of the 1,656-member New York State Bar Association, Intellectual Property Law Section. Charles has been a member of the State Bar Association Executive Committee for ten years and most recently served as vice-chair of the Intellectual Property Law Section. The New York State Bar Association was founded in 1876 and is the largest voluntary state bar association in the U.S.

LYDIA T. GOBENA spoke on a panel entitled, "Battling for Brands: Strategies for Dealing with Private Labels," at the INTA Annual Conference in Hong Kong.

ON MAY 20, 2014, PARTNERS SUSAN DOUGLASS AND KAREN LIM presented at the New York City Bar Association program on "Trademark Talk: Hot Topics and Recent Developments in Trademark Law." Susan spoke about trademark application pre-filing strategies on the panel, "Trademark Prosecution & The PTO: Practice Tips," and

Karen discussed the new amendments to the trademark law of the People's Republic of China on the panel, “Enforcing Trademarks in China & Recent Developments in Chinese Trademark Law.”

WE ARE PLEASED TO WELCOME STACY WU who has joined us as an associate in our International Group. Before coming to Fross Zelnick, Stacy was an Associate in the trademark department at Ladas & Parry LLP in New York. Previously, she served as a Law Clerk for the U.S. Copyright Office in Washington D.C. and a Legal Intern for Himark Counselors, a boutique IP firm in Taiwan. Stacy received her J.D. from Benjamin N. Cardozo School of Law in 2011, where she graduated with a concentration in intellectual property. She also served as a Research Assistant for the China State Intellectual Property Office Tutoring Program at Cardozo. She received first place in the New York State Bar Association IP Law Section’s Law Student Writing Competition in 2011 for her article *Clearing Content in Documentary Filmmaking*. Stacy has a Master of Arts in Media, Culture & Communication from New York University and a Bachelor of Arts in Film Studies from Columbia University. She currently serves as Co-Chair of the Intellectual Property Committee of the Asian American Bar Association of New York and is proficient in Mandarin Chinese.

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Information Letter

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UNITED STATES

Copyright Decision: LACHES NOT AVAILABLE TO BAR DAMAGES ARISING FROM COPYRIGHT INFRINGEMENT

Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. ___, 2014 WL 2011574 (May 19, 2014)

In an important decision favoring copyright plaintiffs, the Supreme Court of the United States recently ruled that the equitable doctrine of laches never bars a plaintiff from seeking to recover monetary damages for an infringement of copyright that occurs during the three years preceding suit.

The case, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. ____ (May 19, 2014), involved a claim of infringement brought by the sole owner of the original screenplay for the Martin Scorsese-directed 1980 film "Raging Bull," based on the life of boxing champion Jake LaMotta and starring Robert De Niro, Cathy Moriarty and Joe Pesci. According to the registration, LaMotta's longtime friend and writer Frank Petrella had written the screenplay, in collaboration with LaMotta, and the screenplay was copyrighted in 1963. Petrella and LaMotta assigned their copyright and their renewal rights (explained below) to a production company that later became Metro-Goldwyn-Mayer, Inc. ("MGM"). In 1980, MGM released, and registered the copyright in, the film "Raging

Bull." Petrella died a year later in 1981.

Under the applicable copyright law governing works copyrighted in 1963, like Petrella and LaMotta's screenplay, the author was entitled to an initial copyright term of 28 years, followed by a renewal term of 28 years that was later extended to 67 years. If an author of such a work assigned his/her rights to an assignee, but died during the initial term, his/her heir would be entitled to ownership of the renewal term of copyright upon expiration of the 28-year initial term, regardless of any intention by the author to assign the renewal term of copyright to the prior assignee.

Here, as noted above, Petrella died before the renewal term vested. Thus, on Petrella's death in 1981, any purported assignment by him of rights to MGM in the renewal term of copyright became ineffective, and in 1991, upon expiration of the initial 28-year term, his daughter was entitled to file for a renewal term of copyright with the U.S. Copyright Office. Indeed, in 1991 Paula Petrella, through her attorney, renewed the copyright in her father's screenplay.

Nevertheless, Paula Petrella waited seven years, until 1998, to inform MGM that she believed "Raging Bull" had been infringing her renewal copyright in the 1963 screenplay. For another two years, Petrella and MGM's lawyers exchanged letters, but Petrella did not take legal action. Nine years later, in 2009, Petrella filed a copyright infringement suit in federal court against MGM, claiming that MGM infringed her copyright by using, producing and distributing "Raging Bull," a work she described as derivative of her father's screenplay.

The statute of limitations section of the Copyright Act provides that an infringement lawsuit must be filed "within three years after the [copyright infringement] claim accrued." 17 U.S.C. § 507(b). A claim accrues when an infringing act occurs. When a defendant has committed multiple infringing violations (such as an additional reproduction, performance or distribution of an infringing film), the three-year statute of limitations runs separately from each violation. In short, each infringing act starts a new limitations period. Thus, Petrella argued that she was entitled to damages arising from MGM's reproduction and distribution of "Raging Bull" during the three-year period preceding her lawsuit, from 2006 to 2009.

In response, MGM argued that the equitable doctrine of laches completely barred Petrella's copyright infringement claim, including any claim for damages. Laches is an affirmative defense that allows a defendant to avoid otherwise meritorious claims when the plaintiff has unreasonably delayed in pursuing a claim in a way that prejudices the defendant. Because Petrella became owner of the inherited renewal copyright in 1991, but waited until 2009 – 18 years later – to bring suit, MGM argued that she unreasonably delayed to MGM's detriment.

The U.S. District Court for the Central District of California and the Ninth Circuit Court of Appeals agreed with MGM that laches barred Petrella's complaint. Both lower courts stated that MGM had shown prejudice resulting from Petrella's delay because in the intervening time MGM had made significant investments in distributing the film. Moreover, the courts found that MGM would encounter "evidentiary prejudice" because the author Frank Petrella had died and the boxer Jake LaMotta, then aged 88, appeared to have sustained a loss of memory – making it difficult for MGM to build evidence for its defense.

But in a 6-3 decision, the Supreme Court reversed the decisions below, and held that MGM could *not* invoke laches as a bar to Petrella's pursuit of legal remedies. The Court reasoned that the Copyright Act itself takes account of the effects of delay, through its three-year statute of limitations. In the Court's view, a plaintiff may wait to see whether it has suffered damages from the infringement before bringing suit: "[T]here is nothing untoward about waiting to see whether an infringer's exploitation undercuts the value of the copyrighted work, has no effect on the original work, or even complements it." The Court further justified its opinion by observing that, even without laches, courts may limit the relief sought by the plaintiff who waits a long time to assert his/her rights, if justice so requires. For example, if the copyright owner misleads the defendant into believing that the plaintiff will not bring suit, the doctrine of estoppel may bar the plaintiff's claims completely. Moreover, the Court pointed out that if a copyright owner waits so long to bring suit that *equitable* relief (as opposed to damages) would impose a severe hardship on the defendant or "innocent" third parties, a court may apply laches to bar injunctive relief. Notably, the Court observed that awards of defendants' profits are "not easily characterized as legal or equitable" in nature, even though profits are expressly available to prevailing plaintiffs under Section 504 of the Copyright Act, the same section that permits awards of damages. As applicable to this case, the Court held that, given the "protean character" of the profits-recovery remedy, the Court would treat the remedy as "equitable." It follows, according to the Court, that laches may be taken into account in fashioning awards of defendants' profits. Accordingly, the Court ordered that Petrella's lawsuit against MGM could go forward, and that, if successful, Petrella could seek monetary damages based on MGM's exploitation of "Raging Bull" since 2006.

This decision is a boon to copyright owners whose copyrights have been repeatedly infringed for many years but who wait a long while to bring suit, as laches can no longer bar their recovery of damages suffered within the limitations period. But the decision included some solace for MGM, and other similarly situated defendants: the Court instructed that if Petrella were to prevail, the lower court could take her delay into account when determining the appropriate injunctive relief and awarding profits. Thus, while a copyright infringement plaintiff who waits to sue will retain the right to seek damages, he or she still runs the risk of forfeiting significant, and potentially devastating remedies, as the infringer may retain the right to continue exploiting the work without having to disgorge all of its profits attributable to the infringement.

Justice Ginsburg wrote the opinion for the majority, in which Justices Scalia, Thomas, Alito, Sotomayor and Kagan joined. Justice Breyer wrote a dissenting opinion, in which Chief Justice Roberts and Justice Kennedy joined.

- *AL*

Trademark Decision:

ABANDONMENT OF TRADEMARK

Specht v. Google Inc., No. 11-3317, 2014 WL 1330303 (7th Cir. Apr. 4, 2014)

The Seventh Circuit recently addressed the issue of trademark abandonment in *Specht v. Google Inc.*, No. 11-3317, 2014 WL 1330303 (7th Cir. Apr. 4, 2014). Eric Specht, an individual who owned and operated Android Data Corporation ("ADC"), sued Google Inc. ("Google"), alleging that Google had infringed Specht's ANDROID DATA mark by releasing the Android operating system for smart phones. Google counterclaimed that Specht had abandoned his mark. *Id.* at 1. The district court sided with Google, finding that Specht had abandoned his mark in 2002 and thus Google could not have infringed the ANDROID DATA mark. *Id.* at 3. Accordingly, the district court granted Google's motion for summary judgment. *Id.* at 2-3. Specht appealed to the Seventh Circuit, which affirmed the district court in a decision written by Judge Ilana Rovner, joined by Judges Diane Sykes and John Tinder.

ADC was a technology company that licensed e-commerce software to clients. It also designed and hosted websites and offered computer consulting services. In 2000, Specht applied to register the mark ANDROID DATA, which the United States Patent and Trademark Office (the "PTO") approved in 2002. ADC's business started to decline in 2002. It lost five clients, which caused Specht to lay off his only employee, cancel ADC's Internet service contract, move the business into his home, and eventually cancel ADC's phone line. He also transferred all of ADC's assets to another one of his companies, The Android's Dungeon, Incorporated ("ADI"). Specht spent the next year unsuccessfully seeking a buyer for ADC's assets. Specht's business activities were minimal after 2002. While he operated ADC's website for a while longer and hosted some websites for others, he let the registration for the company's domain name (androiddata.com) lapse in 2005. Specht passed out some business cards bearing the ANDROID DATA mark in 2005, but, in the context of the litigation, he did not present evidence on how many he passed out and to whom. *Id.* at 1.

In 2007, Specht attempted to revive the use of the ANDROID DATA mark in two ways. In December 2007, he sent out a mass mailing bearing the ANDROID DATA mark, intended to promote his software suite to catalog companies. Two months later, he tried to license his software to a healthcare consulting firm. Neither effort generated any sales. Specht's only other use of the mark was in 2009, when he resurrected his website, but with a slightly different domain name (android-data.com) and assigned the ANDROID DATA mark to ADI, retroactive to December 2002. *Id.*

In the meantime, a company called Android, Inc. began developing the Android operating system for smart phones. Google purchased Android, Inc. in 2005 and released a beta version of the Android software in November 2007, one month before Specht sent out his mass mailing with the ANDROID DATA mark. Google applied to register its ANDROID mark in 2007, but the PTO rejected the application, citing Specht's ANDROID DATA registration. *Id.* at 2.

In assessing Specht's claims, the Seventh Circuit explained that "a trademark is abandoned if its 'use in commerce' has been discontinued with no intent to resume use." *Id.* at 4 (citing 15 U.S.C. § 1127). The Lanham Act provides that nonuse for three consecutive years is prima facie evidence of abandonment (*citing* 15 U.S.C. § 1127). However, a prima facie showing of abandonment may be rebutted with evidence excusing the nonuse or demonstrating an intent to resume use formulated within the three years of nonuse. The Seventh Circuit further stated that the use must pertain to the sale of goods or provision of services. *Id.*

Based on this standard, the Seventh Circuit found that Specht had ceased to use the ANDROID DATA mark at the end of 2002, the year that Specht essentially shut down his business. Specht argued that four activities after 2002 demonstrated his continued use of the mark, all of which the court deemed insufficient. First, as to Specht's attempts to sell his business in 2003 and 2004, the Seventh Circuit stated that efforts to sell a business alone were not "use of the mark in commerce." Second, it was not compelling that ADC's phone service was not cancelled until 2003 because he included phone expenses from 2003 on ADC's 2002 balance sheet, which confirmed that ADC did not operate in 2003. Third, Specht noted that ADC's website operated until 2005. However, Specht did not identify any goods or services that ADC could have provided through or in connection with the website, and thus the website was not considered use in commerce. *Id.* at 5. Fourth, the court found Specht's two sales efforts in 2007 "isolated and not sustained," concluding that "sporadic attempts to solicit business are not a 'use in commerce' meriting the protection of the Lanham Act." *Id.*

The Seventh Circuit next found undisputed that Google began using its ANDROID mark in commerce in November 2007 when it released a beta version of the Android software. Specht conceded that point, but he argued that Google never acquired any lasting rights to the ANDROID mark because it released its operating system without retaining control over how developers or mobile phone companies could use the software, thus giving such developers and mobile phone companies a "naked license." The court rejected the naked license argument for several reasons. Most important, the argument did not address the district court's "sound conclusion" that the ANDROID mark had become abandoned by November 2007 and thus Google became the senior user of the ANDROID mark when it used the mark in commerce in November 2007, which "was enough to warrant trademark protection." *Id.*

Finally, the Seventh Circuit rejected Specht's argument that even if he had abandoned his mark, he either resumed using it or developed an intent to resume using it by December 2007 through his mass mailing. *Id. at 6.* The court found that "too late" because Specht had abandoned the mark by the end of 2002 and more than three years had passed before Google started using the mark in November 2007. Thus, with the mark permanently abandoned by November 2007, Specht could not reclaim it the following month. *Id.*

The facts of this case are a cautionary tale for those who wish to avoid abandonment. Specht's limited use of his ANDROID DATA mark after he wound up his business was not enough to save him from a finding of abandonment. Thus, those who wish to keep their trademarks should keep in mind that such "sporadic" use of the mark is not sufficient.

- EW

Trademark Decision: PRETZEL CRISPS FOUND GENERIC AND UNREGISTRABLE

Frito-Lay North America, Inc. v. Princeton Vanguard, Inc., 109 U.S.P.Q.2d 1949 (T.T.A.B. 2014)

In a precedential decision released February 28, 2014, the Trademark Trial and Appeal Board ("TTAB" or the "Board") found that PRETZEL CRISPS was generic and could not be registered as a trademark. Princeton Vanguard, LLC, which had registered PRETZEL CRISPS for "pretzel crackers" in International Class 30 on the Supplemental Register in 2005, applied to register the mark on the Principal Register in 2009. Frito-Lay North America, Inc. ("Frito Lay") opposed the 2009 application based on genericness, and also petitioned to cancel the 2005 supplemental registration on the same ground. Following trial, the TTAB ruled in favor of Frito Lay.

Frito Lay and Princeton Vanguard compete in the field of salty pretzel snacks. Princeton Vanguard, a family-owned New Jersey company, introduced flat pretzels under the mark PRETZEL CRISPS in 2004, and the product grew to a $100 million-a-year brand by 2011. Frito Lay, meanwhile, markets ROLD-GOLD brand pretzels.

Before the TTAB, Princeton Vanguard argued that the PRETZEL

CRISPS mark should be analyzed as a unified phrase comprised of terms not previously used together under the standard set forth in *In re American Fertility Society*, 188 F.3d 1341, 1347 (Fed. Cir. 1999) ("*American Fertility*"). Under the *American Fertility* standard, the Board "cannot simply cite definitions and generic uses of the constituent terms of a mark; it must conduct an inquiry into the meaning of the disputed phrase as a whole." *In re Dial-A-Mattress Operating Corp.*, 240 F.3d 1341 (Fed. Cir. 2001). Frito Lay argued that PRETZEL CRISPS is a compound term to be analyzed under the standard established in *In re Gould Paper Corp.*, 834 F.2d 1017 (Fed. Cir. 1987) ("*Gould*"). Under the *Gould* test, when a proposed mark is a combination of two or more terms in ordinary grammatical construction and communicates no more than the common meaning of the individual components of the term, genericness can be established with evidence of the meaning of the constituent terms. The Board agreed with Frito Lay, finding "no additional meaning added to 'PRETZEL CRISPS' in relation to 'pretzel crackers,' when the individual terms are combined," and therefore analyzed the mark as simply a combined term under *Gould* rather than as a unified phrase.

In support of its argument for genericness, Frito Lay introduced dictionary evidence of the use of "crisps" for "crackers," as well as evidence of industry use of the words as synonyms, including in connection with such players as Special K Cracker Crisps and Triscuit Thin Crisps. Frito Lay further showed that Princeton Vanguard itself had employed "crackers" and "crisps" interchangeably on nutritional information, indicating that even Princeton Vanguard considered the words synonymous.

Both parties also did Teflon-type consumer surveys of genericness following the model first described in *E.I. DuPont de Nemours & Co. v. Yoshida International, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975). As part of their Teflon surveys, the parties read aloud to survey participants lists of generic and trademarked product names, and asked the respondents to indicate whether a given product name was generic or a brand. In the end, though, it appeared the Board gave little credence to either survey and ruled based on evidence submitted by Frito Lay of dictionary definitions, use by the public, and use by Princeton Vanguard itself. The Board noted that it performed its analysis under the "compound term" standard laid out in *Gould*, but that it would have reached the same conclusion under the more stringent "unified phrase" standard of *American Fertility*.

On April 22, 2014, Princeton Vanguard appealed the Board's decision to the Federal Circuit. We are monitoring the case and will report further once the appeals court ruling is issued.

- JIP

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Information Letter

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INTERNATIONAL

England and Wales: USE OF TRADEMARKS AS SEARCH TERM KEYWORDS

Cosmetic Warriors Ltd & Lush Limited v. Amazon.co.uk Ltd & Amazon EU SARL [2014] EWHC 181 (Ch) (10 February 2014)

In February 2014, the High Court of England and Wales issued a ruling which provides some key guidance on permissible Google AdWords usage and usage of trademarks as search terms more generally. The claimants in the case, Cosmetic Warriors Ltd ("Cosmetic Warriors"), owner of the LUSH brand of cosmetics, had deliberately chosen not to sell its LUSH brand products on Amazon.co.uk. Regardless of their availability on the website, Amazon had nonetheless been purchasing various trademarks, including LUSH, as Google Adwords. Amazon's purchase of the keyword LUSH resulted in two different kinds of sponsored advertisements on a user's Google search results page: some in which the sponsored ad included the keyword term LUSH and would forward the consumer to Amazon's website to purchase equivalent products, and others which did not include the keyword LUSH but would link the consumer to equivalent products. Furthermore, typing "LU" into the search box on the Amazon.co.uk website caused an auto-complete drop-down menu to appear that included the brand LUSH.

Based on these facts, Cosmetic Warriors sued Amazon in the United Kingdom Chancery Court alleging trademark infringement. In its complaint, Cosmetic Warriors objected to both of Amazon's uses of the LUSH Google keyword, as well as to use of LUSH as a search term within Amazon's website (including the auto-population of the mark). Cosmetic Warriors objected also to the fact that when a user searched for LUSH products on Amazon's home page, the resulting page suggested that the sub-category of products produced by the search were LUSH brand products, even though they were not. Essentially, the complaint alleged infringement as to any use of the LUSH trademark on the Amazon website, many of which uses were automatically created by algorithms, simply as a reflection of prior consumers' search entries.

As held by the Court of Justice of the European Union ("ECJ") in Judgment of 23 March 2010, *Google France SARL and Google Inc. v. Louis Vuitton Malletier SA*, C-236/08 joined cases C-237/08 and C-238/08 ("*Google France*"), in and of itself, use of a keyword alone is not infringement, but certain uses of the mark required further scrutiny. Based on such further scrutiny, the court in this case concluded that Amazon had infringed the investment function of the LUSH trademark, both when 1) it auto-populated the mark in its internal search engine, and 2) LUSH appeared in the sponsored search results displayed in Google's search index, both of which suggested that LUSH brand goods were for sale on its site when in fact they were not. In so ruling, the court relied on the ECJ holding in *Google France* that six conditions must be met to establish infringement under Article 5(1)(a) of the Directive: i) use; (ii) in the course of trade; (iii) without the owner's consent; and (iv) of a sign identical to the trademark; (v) in relation to goods or services identical to those for which the trade mark is registered; (vi) such that it affects or is liable to affect the functions of the mark.

Based on this test, the court concluded that Amazon's use of the mark in the ways noted above amounted to use of the trademark in the course of trade, without the owner's consent, in relation to similar goods. With all of the first five conditions met, the case hinged on whether or not Amazon's use of the mark infringed the functions of a trademark.

In addressing this last part of the test, the judge found that Amazon's use of LUSH infringed the origin and advertising functions of the mark. First, the court found Amazon's use of the mark in the Google-sponsored results infringed the origin function, as such use linked consumers to alternative goods without in any way noting that LUSH brand products were not available in the offerings. The court also concluded that a consumer, when using the internal search engine on Amazon.co.uk, would be confused by the suggestion that LUSH brand products were available, in the absence of a statement that they were not. In addition, the advertising function was infringed because Cosmetic Warriors had built substantial reputation in the LUSH mark for health and beauty products. Amazon's use of the mark to attract customers to buy "equivalent" products was thus infringing. In addressing the sponsored advertisement(s) that the search produced which did not include LUSH, the court did not find any infringement.

- JM

European Union: Revocation of a Trademark Based on Perception by End Users as to Indication of Origin

Backaldrin Osterreich The Kornspitz Company GmbH v Pfahnl Backmittel GmbH (Court of Justice of the European Union)(Case C-406/12, March 6, 2014)

In a recent decision, the Court of Justice of the European Union ("ECJ") determined that a trademark can be revoked with respect to an end product even if it serves as a source identifier among intermediary sellers, if it is not perceived by end consumers of the final product as an indication of origin, where the owner of the trademark did nothing to encourage the intermediary sellers to use its mark so that consumers would understand the term to be a registered trademark.

The case involved the mark KORNSPITZ for goods in Class 30, covering, inter alia, "flour and preparations made from cereals; bakery goods; baking agents, pastry confectionery, also prepared for baking; pre-formed dough . . . for the manufacture of pastry confectionery," owned by Backaldrin Osterreich The Kornspitz Company GmbH ("Backaldrin"). Backaldrin used the mark for a baking mix, supplied to bakers who would use the mix to create bread rolls that were oblong in shape with a point at both ends. Backaldrin consented to use of the mark by the bakers to sell the rolls made from the baking mix.

Pfahnl, one of Backaldrin's competitors, brought a revocation action on May 14, 2010, based on Article 12(2)(a) of Directive [2008/95], arguing that KORNSPITZ is viewed by end consumers as the common name for certain bread rolls with an oblong shape and pointed ends. It was not disputed that the bakers who purchased the baking mix were aware that KORNSPITZ was a registered trademark, but it appears the bakers did not generally inform their customers that KORNSPITZ was a registered trademark or that the rolls they sold were produced by using the KORNSPITZ baking mix.

On July 26, 2011, the Austrian Patent Court granted Pfahnl's application for revocation of KORNSPITZ and Backaldrin appealed to the Austrian Supreme

Patent and Trade Mark Court ("ASPTMC"). The ASPTMC determined that Backaldrin's appeal should prevail with respect to raw and intermediate products (flour and preparations made from cereals, baking agents, pastry confectionery prepared for baking and pre-formed dough for the manufacture of pastry confectionery) but, with respect to the finished baked goods, sought clarification from the ECJ as to the effect, if any, of the fact that the goods of the registration are marketed to bakers and food distributors, while KORNSPITZ bread rolls are sold to the general public.

The ASPTMC sought a preliminary ruling from the ECJ to answer the following questions:

1. Has a trade mark become 'the common name [in the trade] for a product or service' within the meaning of Article 12(2)(a) of Directive [2008/95], where
   a. although traders know that the mark constitutes an indication of origin they do not generally disclose this to [end users], and
   b. (inter alia) on those grounds, [end users] no longer understand the trade mark as an indication of origin but as the common name for goods or services in respect of which the trade mark is registered?
2. Can the conduct of a proprietor be regarded as 'inactivity' for the purposes of Article 12(2)(a) of Directive 2008/95 simply if the proprietor of the trade mark remains inactive notwithstanding the fact that traders do not inform customers that the name is a registered trade mark?
3. If, as a consequence of acts or inactivity of the proprietor, a trade mark has become the common name for [end users], but not in the trade, is that trade mark liable to be revoked if, and only if, end consumers have to use this name because there are no equivalent alternatives?'

The ECJ found, as to the first question, the KORNSPITZ mark would no longer serve as a source identifier for the finished bread roll product and could be subject to revocation with respect to that product. Relying on case C-371/02 *Björnekulla Fruktindustrier* [2004] *ECR* I-5791, the ECJ explained that to determine whether a mark has become the generic name for certain goods when intermediaries participate in their distribution, the relevant classes of consumers whose perceptions must be considered include all consumers or end users, as well as those in the trade who deal with the product commercially. While acknowledging that the bakers' perception of the KORNSPITZ mark should be taken into account, the ECJ concluded that, in general, the perception of the end users will play a decisive role. Here, that bakers are aware that KORNSPITZ was a trademark does not preclude revocation with respect to the end product bread rolls.

The ECJ noted further that the loss of a mark's distinctive character can form the basis of a revocation action only if such loss is *due to the action or inaction of the trademark owner*, and determined that an owner's failure to take action to encourage sellers to act so as to inform their customers that KORNSPITZ was a registered trademark, could constitute such inaction. The ECJ explained that the relevant inactivity could encompass any omission "by which the proprietor of a trade mark shows that he is not sufficiently vigilant as regards the preservation of the distinctive character of his trade mark."

Finally, the ECJ clarified that for a trademark be revoked, there is no prerequisite that it first be determined whether there are other names for a product for which the trademark has become the common name in trade.

The case is noteworthy, as it underscores the importance of a trademark owner to have mechanisms in place for its mark to be used properly at all stages of production, especially in the context of trademark licenses. The case has been referred back to the ASPTMC, which must now determine if Backaldrin did anything to encourage the bakers to use the KORNSPITZ mark in their transactions with customers. What may not be answered by this case is whether such a control mechanism could exist merely as a contractual obligation requiring use of the mark in a specific manner, or whether there must also be a mechanism for enforcing such obligations.

- CCW

Kyrgyz Republic: Amendments to the Law on Trademarks, Service Marks and Appellations of Origin

A number of amendments to the trademark law came into force on February 11, 2014. Among other changes, the law introduced a definition of, and provisions for granting protection to, well-known marks. A trademark owner may file a request for well-known mark status with the Board of Appeals of the Kyrgyz Patent and Trademark Office ("PTO"). If approved, the mark is entered into the Kyrgyz Register of Well-Known Trademarks and a certificate confirming this status would issue within a month of registration. There is no term for such registration. In addition, the amendments introduced a provision for expediting examination of a trademark application before the PTO, if such request is filed within six months of the application date.

- JLH

Spanish Community Trademark Court: Use of Comparison Lists for the Sale of Perfumes in the European Union

Carolina Herrera Limited, Puig France SAS and Antonio Puig, SA v. Equivalenza Retail, SL and Cataleg de Serveis Integrals, S.L., Juzgado lo Mercantil No 1 de Alicante Commercial Court No 1 of Alicante, Spain) (Resolution No. 20/2014[e1] January 28, 2014)

On January 28, 2014 the Spanish Community Trademark Court Number 1 found two Defendants liable for trademark infringement and unfair competition in a case concerning the use of comparison lists using well-known trademarks to identify the scents of imitation perfumes.

The infringement and unfair competition claims were filed in May 2012 by subsidiaries of the beauty fashion group PUIG, namely Carolina Herrera Limited, Puig France, SAS and Antonio Puig, SA ("the Plaintiffs"). The Defendants named were Equivalenza Retail, SL and Cataleg de Serveis Integrals, S.L. ("the Defendants"). Equivalenza Retail, SL sells perfumes in EQUIVALENZA shops and on the EQUIVALENZA website and the Defendant Cataleg de Serveis Integrals, S.L. is a distributor of perfumes.

Although the Defendants did not use any infringing product packaging, EQUIVALENZA customers were provided with comparison lists, which matched each EQUIVALENZA product with a famous trademark that was used for a perfume of an "equivalent" scent through numerical references. These lists included a number of the Plaintiffs' notorious trademarks such as CAROLINA HERRERA and NINA RICCI and were offered both in stores and on the Defendants' website.

In analyzing the infringement claim, the court found that the Defendants' business tactics were not consistent with honest practices and cited the Doctrine of Parasitism, under which infringement occurs where use of a third party's trademark takes unfair advantage of its reputation and distinctive character. Applying this doctrine, the court considered the high level of notoriety of the Plaintiffs' trademarks within the perfume industry, and found that the Defendants' use of the famous trademarks in a manner which linked them to their own perfumes for purposes of presenting them as imitations constituted infringement.

One of the defenses to infringement raised by the Defendants was that their use of the Plaintiffs' trademarks was purely for descriptive purposes, which is lawful under the *ius prohibendi* limitations (Article 12 of the Community Trademark Regulation and Article 37 of the Trademarks Act). However, the court found that the Defendants' use was not purely for descriptive purposes because the use was not: (1) necessary to communicate the intended purpose of their products; or (2) descriptive of the characteristics embodying their products, which in this case would be the characteristics of each perfume's aroma (e.g., by olfactory group such as "floral" or "fruity").

In upholding the Plaintiffs' unfair competition claims, the court found that the Defendants' use of the famous trademarks in comparison lists was a form of unfair comparative advertising and exploited the reputation of the Plaintiffs' marks, as prohibited under Articles 10, 12 and 18 of the Spanish Unfair Competition Act (3/1991) and under the European Community Misleading and Comparative Advertising Directive (2006/114/EC).

Throughout its decision the court relied heavily on the June 18, 2009 decision by the

European Court of Justice (ECJ) in *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd* (C-487/07, June 18, 2009) ("*L'Orieal-Bellure*"). As in this case, the court had held the Defendants liable for infringement based on the sale of imitation perfumes, some of which were identified with famous trademarks through comparison lists.

Although it may seem that the Plaintiffs' perfumes in this case and *L'Oreal-Bellure* produced distinguishable aromas that consumers would be capable of identifying with a particular source, as in many jurisdictions, the European Union's graphical representation requirements for trademark registration make it impossible to protect smells. In a landmark ECJ decision concerning the protection of a "methyl cinnamate" scent, that court found that the graphical representation requirements cannot be satisfied by offering one or more of the following: a chemical formula, a written description, and/or a scent sample (*Ralf Sieckmann v. Deutsches Patent- und Markenamt*, Case C-273/00, December 2, 2002).

- EG

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