

INFORMATION LETTER

EDITOR: KAREN LIM

DECEMBER 2015

Partners

Ronald J. Lehrman
Stephen Bigger
Roger L. Zissu
Richard Z. Lehv
David Ehrlich
Susan Upton Douglass
Peter J. Silverman
Lawrence Eli Apolzon
Barbara A. Solomon

Mark D. Engelmann
Nadine H. Jacobson
Andrew N. Fredbeck
Craig S. Mende
Allison Strickland Ricketts

John P. Margiotta
Lydia T. Gobena
Carlos Cucurella
James D. Weinberger
David Donahue
Nancy E. Sabarra
Charles T. J. Weigell III
Laura Popp-Rosenberg
Cara A. Boyle
Karen Lim

Senior Counsel

Janet L. Hoffman

Counsel

James D. Silberstein
Joyce M. Ferraro
Robert A. Becker
Tamar Niv Bessinger
Nancy C. DiConza

Associates

Jason Jones
Leo Kittay
Todd Martin
Robin N. Baydurcan
Sherri N. Duitz
Armanda B. Agati
Jennifer Insley-Pruitt
Emily Weiss
Ashford Tucker
Erica Gould
Matthew Frisbee
Celadon Whitehurst
Stacy L. Wu
Hindy Dym
Katherine Lyon Dayton
Maritza C. Schaeffer
Felicity Kohn

WE ARE PLEASED TO REPORT THAT [JANET HOFFMAN](#) was honored with the International Trademark Association 2015 President’s Award at the recent INTA Leadership Meeting in Panama City, Panama. The President’s Award is designed to recognize individuals who, throughout their career, have made a lasting impact on INTA and the Association’s mission. Janet was chosen by her peers for, among other things, being a “global thinker” dedicated to INTA’s goal of international expansion since the 1990s, and especially commended for bringing members from Eastern Europe and independent countries of the former Soviet Union into the Association. Janet served on INTA’s Board of Directors from 1998-2000; as Chair of the Subcommittee on Eastern Europe and CIS from 2000-2002; as Vice Chair of the Trade Dress Committee from 2003-2005; as Member of the Dilution and Well-Known Marks Committee (2005-2013); and is currently serving on the Trademark Reporter Committee. Janet is the fourth President’s Award winner from our firm, following Alvin Fross, Marie Driscoll, and Ron Lehrman.

RICHARD LEHV and **ROBERT BECKER** won a rare decision in which the Federal Circuit reversed the Trademark Trial and Appeal Board. The case, *Jack Wolfskin v. New Millennium Sports*, involves an appeal of the Board’s finding of likelihood of confusion in a case in which our client, Jack Wolfskin, applied to register a paw print as a mark for clothing. [LEO KITTAY](#) and [EMILY WEISS](#) also worked on the case. Details of the decision can be viewed [here](#).

Following [JAMES WEINBERGER’s](#) February 2015 oral argument (see prior article [here](#)), on behalf of client DC Comics, [ROGER ZISSU](#), James and [LEO KITTAY](#) prevailed in a published decision by the U.S. Court of Appeals for the Ninth Circuit holding that the Batmobile, Batman’s famous car, was subject to copyright protection as a character. In reaching its decision, the Court set forth a new, three-part test for determining protection of a character appearing in comic books, television programs, or films under the 1976 Copyright Act, independent of any specific work in which it has appeared and irrespective of whether it “lacks sentient attributes and does not speak.” The decision received broad media coverage from *Variety*, *The Hollywood Reporter*, *The Associated Press*, *The Wall Street Journal*, *CNN*, *Fox Business News* and others. Click [here](#) for more detail or [here](#) for a copy of the full decision.

Following an evidentiary hearing, on behalf of client The Gap, Inc. and its Old Navy brand, [LAURA POPP-ROSENBERG](#), [JAMES WEINBERGER](#), and [JASON JONES](#) succeeded in defeating a motion for a preliminary injunction brought by plaintiff Hoop Culture, Inc.

over its alleged EAT...SLEEP...BALL. trademark. The U.S. District Court for the Middle District of Florida held that the plaintiff did not show a substantial likelihood of success on the merits of its claims on either ownership of a valid mark—despite the fact that it had a federal registration—or likelihood of confusion. The Court also held that plaintiff failed to establish the requisite irreparable injury. Click [here](#) for a copy of the full decision.

WE ARE PLEASED TO REPORT THAT 19 of our attorneys were selected to the *Super Lawyers* New York Metro 2015 list of “Top Attorneys in the New York Metro area.” Noted for Intellectual Property were Partners [LAWRENCE APOLZON](#), [SUSAN DOUGLASS](#), [DAVID EHRLICH](#), [MARK ENGELMANN](#), [JANET HOFFMAN](#), [NADINE JACOBSON](#), and [JOHN MARGIOTTA](#). Partners [DAVID DONAHUE](#), [RICHARD LEHV](#), [CRAIG MENDE](#), [BARBARA SOLOMON](#), [JAMES WEINBERGER](#), and [ROGER ZISSU](#), were listed for Intellectual Property Litigation. Featured as “Rising Stars” in Intellectual Property were Partner [KAREN LIM](#), and Associates [HINDY DYM](#) and [STACY WU](#), with Associates [JENNIFER INSLEY-PRUITT](#), [LEO KITTAY](#), and [JASON JONES](#), listed under Intellectual Property Litigation. View original listing [here](#).

WE ARE ALSO PLEASED TO REPORT THAT *Best Lawyers*[®] selection of 2016 “Best Law Firms” ranked Fross Zelnick in National Tier 1 for Copyright and Trademark Law in the U.S., and Metropolitan Tier 1 for Copyright and Trademark Law as well as Litigation—Intellectual Property in New York City.

FROSS ZELNICK was recognized as “IP Law Firm of the Year—New York” and “Best in Unfair Competition Law—New York” by The Corporate America M&A Awards 2015.

FROSS ZELNICK was named an IICJ Preferred Law Firm 2016 by the *International In-house Counsel Journal*. Only 140 law firms out of over 4,000 were selected to the list.

FROSS ZELNICK was selected to the list of “50 Intellectual Property Law Firms to Keep in Mind,” which appeared in the November 2015 issue of *Wired* magazine.

[SUSAN DOUGLASS](#) was a featured speaker in October 2015 at the ABA Forum on Franchising annual program. Susan spoke at the “intensive” program on International Intellectual Property Protection, and also led two roundtables on this topic.

[RICHARD LEHV](#)'s comments on the *Happy Birthday* decision appeared in the story “What Shall We Do About ‘Orphan Works?’” in the September 30, 2015 issue of *Law360 Intellectual Property*.

We welcome [FELICITY KOHN](#) who has joined the firm as an associate in our Litigation Group. She comes to us from Kirkland & Ellis, where she was an associate. She was also a Judicial Intern with the Hon. Roslynn R. Mauskoff of the Eastern District of New York. Felicity received her J.D. with Cum Laude distinction from New York University

School of Law in 2012 where she was recognized as a Robert McKay Scholar, her Master of Arts in Humanities from the University of Chicago with a concentration in English Literature in 2008, and her Bachelor of Arts in Philosophy from Wesleyan University.

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Information Letter

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Tel: 212-813-5900
E-Mail: fzlz@frosszelnick.com
Editor: Karen Lim

UNITED STATES

FEDERAL CIRCUIT

- Paw Design Not Confusingly Similar to Brand Name Plus Different Paw Design
Jack Wolfskin Ausrüstung fur Draussen GmbH v. KGaA v. New Millennium Sports, S.L.U.

SIXTH CIRCUIT COURT OF APPEALS

- Designs on Cheerleading Uniforms are Copyrightable Subject Matter
Varsity Brands, Inc. v. Star Athletica, LLC

EIGHTH CIRCUIT COURT OF APPEALS

- On Remand from Supreme Court, Circuit Court Gives Preclusive Effect to Trademark Trial and Appeal Board Decision on Likelihood of Confusion
B&B Hardware, Inc. v. Hargis Industries, Inc.

NINTH CIRCUIT COURT OF APPEALS

- The Batmobile is a Character under Copyright Law – New, Three-Part Test for Determining Character Protection.
DC Comics v. Mark Towle
- Online Retailer's Display of Similar Competing Goods in Search Results Not Trademark Infringement
Multi Time Machine, Inc. v. Amazon.com, Inc.,

TRADEMARK SCAM NOTICES

- Beware of Fraudulent Solicitations to Pay Trademark Fees

Federal Circuit: PAW DESIGN NOT CONFUSINGLY SIMILAR TO BRAND NAME PLUS DIFFERENT PAW DESIGN

Jack Wolfskin Ausrüstung fur Draussen GmbH & Company KGaA v. New Millennium Sports, S.L.U., 797 F.3d 1363 (Fed. Cir. 2015)

On August 19, 2015, Jack Wolfskin Ausrüstung Fur Draussen GmbH & Co. KGAA (“Jack Wolfskin”), represented by Fross Zelnick, won a reversal by the United States Court of Appeals for the Federal Circuit of a ruling by the Trademark Trial and Appeal Board (“TTAB”) in favor of New Millennium Sports, S.L.U. (“New Millennium”) on New Millennium’s opposition to an application filed by Jack Wolfskin.

DISCLAIMER: This Information Letter is provided as a public service to interested persons and its receipt does not create an attorney-client relationship, or revive a concluded attorney-client relationship, between the firm and recipients. It is designed to highlight items of current interest and is not intended to be a full review of any subject matter, for which specific legal advice should always be obtained.

The case involved Jack Wolfskin's application to register this mark



for various clothing items. New Millennium opposed based solely on its registered mark shown below for clothing items:



In defense of the opposition, Jack Wolfskin argued that KELME, the dominant portion of New Millennium's mark, was entirely absent from Jack Wolfskin's mark, and that the paws in the two marks had many differences, such that consumer confusion was not likely. Jack Wolfskin also submitted many examples of third-party marks on the register and in use for clothing items that consisted of or contained paws, and argued that this dilution meant that consumers knew they needed to look for differences in clothing marks consisting of or containing paws. Under these circumstances, consumers would not be confused between the parties' marks.

The TTAB had ruled for New Millennium for essentially two reasons: First, it stated that "[c]ompanies that use marks consisting of a word plus a logo often display their logos alone, unaccompanied by the literal portions of their trademarks." It then stated that consumers could interpret Jack Wolfskin's mark "as a display of [New Millennium]'s design apart from [New Millennium]'s word element." Based on this reasoning, the TTAB found that there was a likelihood of confusion between the paws in the two marks. Second, the TTAB stated that many of the third-party paw marks submitted by Jack Wolfskin were associated with college

sports teams, that they were therefore secondary indicators of source, and that therefore they were less likely to have the dilutive effect that third-party usage of similar marks is generally found to have.

In reversing, the Federal Circuit found neither of these two points to be valid. It stated that the TTAB had improperly ignored part of New Millennium's mark, namely, the word KELME, in comparing the two marks for purposes of determining whether there was a likelihood of confusion, and that the marks should instead have been compared in their entireties. It found that the Board's statement that consumers might be confused into thinking that Jack Wolfskin's mark was a display of the paw in New Millennium's mark by itself was not based on substantial evidence, which is the standard of review. It stated: "At bottom, neither the Board nor New Millennium has pointed to anything in the record that indicates that consumers recognize solely the paw print portion of New Millennium's registered mark as being associated with New Millennium's products. The Board's finding lacked substantial evidence for minimizing the relevance of the word element of New Millennium's registered trademark. Indeed, the Board's conclusion is even more untenable in light of the numerous examples of paw prints as source identifiers" that Jack Wolfskin submitted.

In surprisingly candid words for a reviewing court, the Federal Circuit stated that if the TTAB wanted to put special emphasis on the design portion of a composite mark when comparing marks to determine whether there is a likelihood of confusion, "it must provide a rational reason for doing so," but that the TTAB had "failed" to do so.

As to Jack Wolfskin's evidence of third-party use of paw marks, the Federal Circuit called that evidence "voluminous." It stated: "In this case, Jack Wolfskin's evidence demonstrates the ubiquitous use of paw prints on clothing as source identifiers.

Given the volume of evidence in the record, consumers are conditioned to look for differences between paw designs and additional indicia of origin to determine the source of a given product. Jack Wolfskin's extensive evidence of third-party uses and registrations of paw prints indicates that consumers are not as likely confused by different, albeit similar looking, paw prints. The Board's conclusion...is not supported by substantial evidence."

The Court found that the paw design portion of New Millennium's mark "is relatively weak" and concluded: "Balancing the factors, the Board's determination that Jack Wolfskin's mark would likely cause consumer confusion cannot be sustained."

As a backstop for its defense of New Millennium's opposition, Jack Wolfskin had also filed a counterclaim to cancel New Millennium's registered mark shown above on the ground that New Millennium had abandoned that mark by replacing it with this mark:



The Court affirmed the TTAB's dismissal of Jack Wolfskin's counterclaim on the ground that New Millennium's new mark "creates the same continuing commercial impression" as its registered mark, and therefore the registered mark had not been abandoned. However, since Jack Wolfskin prevailed in defending its application against New Millennium's opposition, the Court's ruling on the counterclaim did not negate the essential outcome of the case: Jack Wolfskin had won.

[-RAB](#)

Sixth Circuit Court of Appeals: DESIGNS ON CHEERLEADING UNIFORMS ARE COPYRIGHTABLE SUBJECT MATTER

Varsity Brands, Inc. v. Star Athletica, LLC, 799 F.3d 468 (6th Cir. 2015)

The Court of Appeals for the Sixth Circuit recently addressed whether design patterns on cheerleading uniforms are copyrightable subject matter. The Sixth Circuit held that because the designs are separable from the cheerleading uniforms on which they appear, they are not "useful articles" and thus eligible for copyright protection.

Plaintiffs-Appellants Varsity Brands, Inc., Varsity Spirit Corporation, and Varsity Spirit Fashion & Supplies, Inc. (collectively, "Varsity") design and manufacture cheerleading uniforms. *See Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 471 (6th Cir. 2015). Varsity's designers create their designs without regard to the "functionality of the uniform or the ease of producing a full-sized uniform that looks like the sketch." *Id.* Varsity owns several copyright registrations for the designs featured on its cheerleading uniforms, five of which were the subject of this litigation. *Id.* Defendant-Appellee Star Athletica, LLC ("Star") markets and sells, among other things, cheerleading uniforms. *Id.* at 474. After noticing Star's advertisements for cheerleading uniforms that looked similar to Varsity's five registered designs, Varsity brought this lawsuit for copyright infringement and various claims under Tennessee state law. *Id.* at 474-75.

At the close of discovery, both parties moved for summary judgment. Star argued that Varsity did not have a valid copyright in the five designs because the designs were for useful articles, and therefore not copyrightable. *Id.* at 475. Varsity, on the other hand, argued that its designs were protectable and that Star had infringed those designs. *Id.* The district court granted Star's motion for summary judgment,

holding that Varsity's designs were not copyrightable subject matter because they were not separable from the utilitarian function of a cheerleading uniform. *Id.* That is, Varsity's designs, which consisted of colors, stripes, chevrons, and similar designs specifically associated with cheerleading, "[made] the garment recognizable as a cheerleading uniform," and therefore the aesthetic features of the "cheerleading uniform merge[d] with the functional purpose of the uniform." *Id.* (citation and internal quotation marks omitted).

Varsity appealed the district court's decision to the Sixth Circuit, who vacated the district court's decision and remanded for further proceedings.

Before turning to the parties' functionality arguments, the Sixth Circuit addressed Varsity's argument that the district court had not accorded appropriate deference to its copyright registrations. As the court noted, a certificate of registration "made before or within five years after the first publication of the work shall constitute prima facie evidence of the validity of the copyright." 17 U.S.C. § 410(c). Three of Varsity's five designs were registered within five years after first publication and thus were entitled to the statutory presumption of validity. *Varsity Brands*, 799 F.3d at 477. The question before the court, however, was how much deference to give the presumption of validity.

The Sixth Circuit distinguished between two types of deference that courts accord to agency decisions: Deference under *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), and deference under *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944). *Chevron* deference, the more deferential of the two, applies when Congress has expressly delegated to an agency "authority or responsibility to implement a particular provision or fill a particular gap," or when

"the agency's generally conferred authority and other statutory circumstances [make apparent] that Congress would expect the agency to be able to speak with the force of law when it addresses ambiguity in the statute or fills a space in the enacted law." *Varsity Brands*, 799 F.3d at 477 (quoting *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001)). In such circumstances, an agency's regulation or interpretation is binding on courts unless it is "procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute." *Id.* at 478 (quoting *Mead*, 533 U.S. at 227). Conversely, when Congress has not expressly or impliedly delegated authority to an agency to promulgate rules with the power of law, *Skidmore* deference applies. *Id.* *Skidmore* deference recognizes that "agency interpretations of a statute deserve 'respect proportional to [the interpretations'] power to persuade' . . . when the agency has 'specialized experience and broader investigations and information available' than those available to the judiciary." *Id.* (quoting *Mead*, 533 U.S. at 234-35). When applying *Skidmore* deference, factors to consider include "the thoroughness evident in the agency's consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade." *Id.* 480 (quoting *Mead*, 533 U.S. at 228).

The court concluded that certificates of copyright registration should be accorded *Skidmore* deference. *Id.* at 479. The court explained that the individual decisions concerning the copyrightability of works are not "rules carrying the force of law," and thus did not deserve *Chevron* deference. *Id.* (quoting *Mead*, 533 U.S. at 226-27).

The court then turned to whether Star had overcome the presumption of validity afforded by Varsity's copyright registrations. It explained that Section 102 of the Copyright Act protects "pictorial, graphic, and sculptural works." 17 U.S.C. § 102. The

definition of “pictorial, graphic, and sculptural works” in Section 101 of the Copyright Act provides that “the design of a useful article . . . shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” 17 U.S.C. § 101. Section 101 also defines a “useful article” as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” *Id.*

Taken together, these provisions require a two-part inquiry as to whether an article is protectable: First, whether the design for which copyright protection is sought is a “design of a useful article,” and if so, second, whether the design of the useful article is separable from its utilitarian aspects. *Varsity Brands*, 799 F.3d at 481. This appeal involved the second inquiry.

As this was a question of first impression before the Sixth Circuit, the court discussed its approach to determining whether the pictorial, graphic, or sculptural features of the design of a useful article are separable from the utilitarian aspects. The court began by noting that there are two different ways to determine separability — physical separability and conceptual separability. *Id.* at 481. The physical separability test, which asks whether the pictorial, graphic, or sculptural features can be physically separated from the article “by ordinary means while leaving the utilitarian aspects of the article completely intact,” has limitations, especially for two-dimensional objects. *Id.* at 482. Thus, the Sixth Circuit held, like other Circuits had before it, that designs are still protectable even if they are not physically separable from the useful article, as long as they are conceptually separable. *Id.* at 483.

The court observed that courts and scholars have struggled over the years to formulate a

test for conceptual separability, with numerous approaches set forth by the Copyright Office, courts, and commentators. *See id.* at 484-85 (providing descriptions of nine tests for conceptual separability). After reviewing several cases from other Circuits, the Sixth Circuit adopted a hybrid of several tests that poses five questions: (1) Is the design a pictorial, graphic, or sculptural work? (2) If so, then is it a design of a useful article—“an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information?” 17 U.S.C. § 101. (3) What are the utilitarian aspects of the useful article? (4) Can the viewer of the design identify pictorial, graphic, or sculptural features separately from the utilitarian aspects of the useful article? (5) Can the pictorial, graphic, or sculptural features of the design of the useful article exist independently of the utilitarian aspects of the useful article? *See Varsity Brands*, 799 F.3d at 487-88.

Asking these questions in reference to Varsity’s uniform designs, the court held that Varsity’s designs are conceptually separable from the uniform:

- First, Varsity’s designs for which it owned copyright registrations are two-dimensional works of graphic art, and thus are “pictorial, graphic, or sculptural works.” *Id.* at 489.
- Second, Varsity’s designs are designs of useful articles because they are designs of cheerleading uniforms, which have “an intrinsic utilitarian function that is not merely to portray the appearance of [clothing] or to convey information.” *Id.* at 489-90 (quoting 17 U.S.C. § 101).
- Third, the utilitarian aspects of a cheerleading uniform are to “cover the body, wick away moisture, and withstand the rigors of athletic

movements.” *Id.* at 490 (citation and internal quotation marks omitted). Star made two arguments on this point, both of which the court rejected. First, Star argued that the utilitarian aspects of a uniform are to identify the wearer as a cheerleader and as a member of a cheerleading team. *Id.* The court stated that this was an impermissible consideration under the Copyright Act’s definition of “useful article.” *See* 17 U.S.C. § 101 (providing that a “useful article” does not merely “convey information”). Second, Star argued that the design’s decorative function is one of the utilitarian aspects of the uniform. *Varsity Brands*, 799 F.3d at 490. The court explained that to the extent Star was arguing that the uniform’s decorative features were “inextricably intertwined with the utilitarian aspects of a cheerleading uniform because they serve a decorative function,” it rejected that argument. *Id.* According to the court, taking this argument to its logical limit would mean that all artwork was unprotectable because it also has a decorative function, *i.e.*, decorating the room in which it hangs. *Id.* Thus, a work’s “decorative function” could not render it uncopyrightable.

- Fourth, the graphic features of Varsity’s design—the arrangement of stripes, chevrons, zigzags, and color-blocking—could be identified separately from the utilitarian aspects identified in the previous step. *Id.* at 491. The district court had held that these graphics could not be separately identified from the uniform because a uniform without these graphics would not be recognizable as a cheerleading uniform. *Id.* The Sixth Circuit, disagreed. To start, the designs did

not enhance the utilitarian aspects of the uniform. *Id.* That is, a “plain white cheerleading top and plain white skirt still cover the body and permit the wearer to cheer, jump, kick, and flip.” *Id.* Moreover, the record showed that not all cheerleading uniforms must look the same to be cheerleading uniforms. *Id.*

- Fifth, the arrangement of stripes, chevrons, zigzags, and color-blocking could exist independently of the utilitarian aspects of the cheerleading uniform. *Id.* Indeed, they could be incorporated into other types of garments, or they could even be printed, framed, and hung on the wall as art. *Id.* at 491-92.

Because the designs could “be identified separately from, and [were] capable of existing independently of, the utilitarian aspects of [cheerleading uniforms],” the designs were copyrightable subject matter. *Id.* at 492 (quoting 17 U.S.C. § 101). The court concluded its opinion by stating that its holding was consistent with other decisions on the protectability of clothing; those decisions have allowed copyright protection for fabric designs but not dress designs, and here the designs at issue were more akin to fabric designs. *Id.* at 492-93.

The court thus entered summary judgment for Varsity on the issue of the protectability of its designs as pictorial, graphic, or sculptural works. *Id.* at 493. It remanded the case to the district court to address Star’s contention that the designs were ineligible for copyright protection because they lacked originality. *Id.*

The dissent generally agreed with the majority’s approach to conceptual separability, but would have defined the function of the uniforms—the third step in the majority’s five-step process—differently. *Id.* at 495. The majority had identified the

function of the uniforms as covering the body, wicking away moisture, and withstanding the rigors of athletic movements, but the dissenting view was that this broad definition applied to all athletic gear. *Id.* Thus, it would instead define the utilitarian aspect of the uniform as identifying the wearer as a cheerleader. *Id.* Once the function was thus defined, it followed that the decorative elements were not separable from the function. *Id.*

The Sixth Circuit has granted Star's motion to stay the court's mandate so that Star can file a petition for writ of *certiorari* with the United States Supreme Court. It remains to be seen whether the Supreme Court will grant Star's petition, but as the Sixth Circuit correctly observed, the lower courts have long struggled with the concept of separability, so the Supreme Court's guidance in this area could be valuable.

[-EW](#)

Eighth Circuit Court of Appeals: ON REMAND FROM SUPREME COURT, CIRCUIT COURT GIVES PRECLUSIVE EFFECT TO TRADEMARK TRIAL AND APPEAL BOARD DECISION ON LIKELIHOOD OF CONFUSION

B&B Hardware, Inc. v. Hargis Industries, Inc., __ F.3d __, 2015 WL 5011460 (8th Cir. Aug. 25, 2015)

In March 2015, the U.S. Supreme Court held in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct 1293 (2015), that a decision of the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office ("TTAB") on the issue of likelihood of confusion may preclude a federal court from reaching a contrary conclusion on the issue in a subsequent infringement action. The Supreme Court's ruling is summarized in the following sentence from that opinion: "So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the

same as those before the district court, issue preclusion should apply." 135 S. Ct at 1310.

Given that the TTAB does not typically look to real-world usages of the marks made by the parties (particularly by the defendant) in assessing likelihood of confusion, while such real-world marketplace conditions are critical to the likelihood of confusion analysis of district courts in infringement actions, many practitioners wondered whether the standard adopted by the Supreme Court in *B&B Hardware* would ever be met such that a TTAB decision could ever be given preclusive effect in federal court. We now know the answer is "yes," as the U.S. Court of Appeals for the Eighth Circuit, in its re-examination of the *B&B Hardware* case following a remand from the Supreme Court, recently gave preclusive effect to the TTAB decision on likelihood of confusion.

The Facts and Procedural History of the Case

The facts of the case as relevant here are relatively straightforward. The plaintiff, B&B Hardware ("B&B"), has since 1993 owned a federal registration for the mark SEALTIGHT for metal fasteners used in the aerospace industry. Meanwhile, the defendant, Hargis Industries ("Hargis"), uses the mark SEALTITE for metal fasteners in the construction industry, and in 2002 applied for federal registration of SEALTITE. B&B opposed registration of SEALTITE before the TTAB, arguing that it was confusingly similar to SEALTIGHT. After the parties engaged in discovery and trial, the TTAB concluded that SEALTITE was confusingly similar to SEALTIGHT and could not be registered. Hargis did not exercise its statutory right to appeal the TTAB's decision to the U.S. Court of Appeals for the Federal Circuit or a federal district court.

B&B then sued Hargis for infringement in federal district court, claiming that Hargis' use of SEALTITE infringed B&B's rights in SEALTIGHT. In light of the TTAB's finding of

a likelihood of confusion, B&B argued to the district court that the TTAB's decision precluded Hargis from arguing in the district court that there was no likelihood of confusion between the marks. The district court, however, refused to give preclusive effect to the TTAB's determination. Ultimately, a jury sided with Hargis, finding no likelihood of confusion between the marks. B&B appealed to the U.S. Court of Appeals for the Eighth Circuit, arguing that the district court should have given preclusive effect to the TTAB's likelihood of confusion decision. But the Eighth Circuit affirmed, holding that because the TTAB looks to different factors than do federal courts in making likelihood of confusion determinations, a federal court should never give preclusive effect to a TTAB decision on the likelihood of confusion issue.

The Supreme Court accepted review of the case and reversed the Eighth Circuit, adopting the rule that a TTAB decision on likelihood of confusion can have preclusive effect so long as "the usages adjudicated by the TTAB are materially the same as those before the district court." 135 S. Ct. at 1310. It then remanded the case back to the Eighth Circuit to determine in the first instance whether the usages of SEALTIGHT and SEALTITE by the parties adjudicated by the TTAB were materially the same as those before the district court.

The Eighth Circuit's Decision on Remand

In a short per curiam opinion, the Eighth Circuit on remand held that "the usages of the marks adjudicated before the TTAB were materially the same as the usages before the district court." *B&B Hardware*, 2015 WL 5011460, at *1. Specifically, the Eighth Circuit explained that "the TTAB compared the marks in question in the marketplace context when it determined the likelihood of confusion issue for purposes of trademark registration." *Id.* To support this statement, the Eighth Circuit cited to the dissenting opinion of one of the judges on the Eighth

Circuit panel when the case was first before that Court, *id.*, in which she stated that "[i]n reaching its decision on likelihood of confusion, the [TTAB] compared the marks in their entire marketplace context, discussing the companies' goods in relation to the fastener industry, the companies' channels of distribution, and the behaviors of consumers in the market for the companies' products." *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020, 1029 (Colloton, J., dissenting).

Accordingly, the Eighth Circuit remanded the case to the district court with the instruction to "give preclusive effect to the TTAB on the decision of likelihood of confusion" and to hold further proceedings to determine "what remedies may be awarded for infringement." *B&B Hardware*, 2015 WL 5011460 at *1.

The Future of TTAB Proceedings After B&B Hardware

The upshot of the Supreme Court and Eighth Circuit decisions in *B&B Hardware* is that parties in the TTAB and their counsel must carefully consider and determine what types of evidence to solicit and introduce in TTAB proceedings. Specifically, if the parties before the TTAB treat the proceeding like a federal court litigation, including asking for and introducing real-world evidence about the parties' marks, products, consumers, and trade channels—like the parties did in *B&B Hardware*—then it becomes more likely that the TTAB will base its decision on such real-world evidence and that a federal court, in turn, will give the decision preclusive effect.

It would seem, however, that there are still categories of TTAB cases that generally should be ineligible for preclusive effect under *B&B Hardware*—namely, TTAB proceedings relating to intent-to-use applications or applications (or registrations) based on foreign registrations for marks that are not yet in use in the U.S.,

since neither of these types of applications involve any actual use by the defendant in the U.S. for the TTAB to examine.

But even in those cases, litigants who are unhappy with the TTAB's decisions likely will now be more inclined to appeal the decisions to the U.S. Court of Appeals for the Federal Circuit or to a federal district court. Litigants would be reluctant to forego review of a TTAB decision by a federal court now given the risk later down the road that a federal court then will hold that the TTAB decision has preclusive effect.

-JDJ

Ninth Circuit Court of Appeals: THE BATMOBILE IS A CHARACTER UNDER COPYRIGHT LAW – NEW, THREE-PART TEST FOR DETERMINING CHARACTER PROTECTION.

DC Comics v. Mark Towle, 802 F.3d 1012 (9th Cir. 2015)

The U.S. Court of Appeals for the Ninth Circuit held that the Batmobile, Batman's famous car, is subject to copyright protection as a character, independent of any specific work in which it has appeared and irrespective of whether it "lacks sentient attributes and does not speak." Fross Zelnick represented winning appellee DC Comics in the appeal.

Mechanic Mark Towle's business, which operated under the name "Gotham Garage," offered and sold knock-offs—or, in Towle's words, "replicas"—of DC Comics' Batmobile. Customers could either provide a working automobile that Towle would alter for \$90,000, or purchase a do-it-yourself kit. Towle offered "replicas" of both the Batmobile that appeared in the Adam West television program in 1966 and the modernized Batmobile used in the motion picture starring Michael Keaton in 1989. Towle's finished products of both models substantially resembled the originals and incorporated many of the Bat logos and

distinctive (albeit non-functional) gadgets. Towle's advertisements contained explicit references to DC Comics' trademarks and its Batman character.

The United States District Court for the Central District of California granted DC Comics' motion for summary judgment on its copyright, trademark, and unfair competition claims and held that the Batmobile is protectable as a character, notwithstanding that the character is an inanimate object. The district court held that Towle infringed DC Comics' rights under copyright in both: (i) the Batmobile as it appeared in the *Batman* comic books and (ii) the 1966 Batmobile and the 1989 Batmobile. As for the comics, Towle conceded that DC Comics owns all rights in the comic books, but argued that his replicas did not infringe the comic Batmobile because they were copied from later works. Towle argued strenuously that the many versions of the Batmobile over the decades, including the marked differences between the Batmobiles appearing in the earliest comic books and the 1966 and 1989 Batmobiles, undermined the similarity required to prove both an identifiable character and an infringement claim. As for the 1966 and 1989 Batmobiles, Towle conceded that his replicas were close copies and therefore infringing, but argued that DC Comics did not own rights in those works. After the district court ruled, the parties executed stipulations such that Towle could appeal. In Towle's appellate brief, he largely conceded the trademark and unfair competition claims, focusing instead on the copyright claim.

The circuit court, which issued its judgment after hearing oral argument, began by acknowledging the fame of the Batman character and the Batmobile. And, while acknowledging the Batmobile's varied appearances over the last 75 years, the court noted the sufficiently consistent nature of the vehicle's iterations. Although visually distinct from prior versions, the court

explained that both the 1966 Batmobile and the 1989 Batmobile maintained a “bat-like appearance” and were “equipped with state-of-the-art weaponry and technology.” *DC Comics v. Towle*, 802 F.3d 1012, 1016-17 (9th Cir. 2015). The court also noted that the agreements between DC Comics and the production companies responsible for making the TV show and film made clear that DC Comics had reserved all rights not specifically granted, including publication and merchandising rights.

The circuit court determined that “the Batmobile, as it appears in the comic books, television series, and motion picture, is entitled to copyright protection.” *Id.* at 1019. Looking to precedent in the Ninth and Second Circuits, the court established “a three-part test for determining whether a character in a comic book, television program, or motion picture is entitled to copyright protection,” as follows:

First, the character must generally have “physical as well as conceptual qualities.” Second, the character must be “sufficiently delineated” to be recognizable as the same character whenever it appears. Considering the character as it has appeared in different productions, it must display consistent, identifiable character traits and attributes, although the character need not have a consistent appearance. Third, the character must be “especially distinctive” and “contain some unique elements of expression.”

Id. at 1021 (citations omitted). “Even when a character lacks sentient attributes and does not speak (like a car), it can be a protectable character if it meets this standard.” *Id.*

The court found that these facts were sufficiently addressed by the lower court, such that no remand was required.

Applying the first prong of the test, the court held that “the Batmobile has appeared graphically in comic books, and as a three-dimensional car in television series and motion pictures.” *Id.* For the second prong, the court provided, “the Batmobile has maintained distinct physical and conceptual qualities since its first appearance in the comic books in 1941,” namely, “a highly-interactive vehicle, equipped with high-tech gadgets and weaponry used to aid Batman in fighting crime,” and a “bat-like . . . appearance, with a bat-themed front end, bat wings extending from the top or back of the car, exaggerated fenders, a curved windshield, and bat emblems on the vehicle.” *Id.* In addition, the court noted the Batmobile’s “crime-fighting” nature with sleek and powerful characteristics that allow Batman to maneuver quickly while he fights villains.” *Id.* Next, the court pointed to many highly literary descriptions in the comic books of the vehicle, including that it waits “[l]ike an impatient steed straining at the reins . . . shiver[ing] as its super-charged motor throbs with energy’ before it ‘tears after the fleeing hoodlums’ an instant later.” *Id.* The vehicle’s “ability to maneuver” and the manner in which it is weaponized and equipped with the latest technology and features further helped to delineate the vehicle such that it is consistent and identifiable. *Id.* at 1022. For the third prong, the court relied on the vehicle’s “status as Batman’s loyal bat-themed sidekick,” together with both the many distinctive features that had satisfied the prior prongs and the Batmobile’s unique and highly recognizable name. These together rendered the Batmobile more than “a stock character,” as required under the test.

The court considered and rejected two of Towle’s arguments that the Batmobile was not subject to copyright protection as a character. First, Towle insisted that non-conforming appearances of the Batmobile, including one in which the Batmobile appeared as an armored tank, destroyed

the notion that the Batmobile was a singular, consistent character. However, the court likened such inconsistencies to mere “costume changes,” which do not undermine a character’s identity. “In context, the depictions of the Batmobile as a tank or missile promote its character as Batman’s crime-fighting super car that can adapt to new situations as may be necessary to help Batman vanquish Gotham City’s most notorious evildoers.” *Id.*

In addition, Towle sought to have a jury, not the court, determine “whether the Batmobile displayed unique elements of expression and consistent, widely identifiable traits.” *Id.* However, because the facts were not in dispute, the court held that it was proper for the court to apply the facts to the law. With that, the court concluded that the Batmobile is a copyright-protectable character under the 1976 Copyright Act.

The court next rejected Towle’s assertion that DC Comics lacks rights under copyright in the 1966 and 1989 Batmobiles. Towle asserted that DC Comics’ rights in the underlying comics were not sufficient to bring suit because Towle had admittedly copied the derivative Batmobiles from the television show and film, not the vehicles portrayed in the comics. The court, however, made clear that a rights-holder can bring a claim against an infringer, even if the infringement is clearly of a derivative work, to the extent that the infringing work contains protectable elements of the original and to the extent that the original rights-holder retains ownership of the original work. Given that the court had just held that the 1966 and 1989 Batmobiles were different iterations of the same character that appeared in the comic books, the 1966 and 1989 Batmobiles clearly contained protectable material from the underlying work. And, since the replicas were slavish copies of the derivative works, and since DC Comics reserved all rights not conveyed in the agreements, the court held that DC

Comics was able to assert copyright infringement against Towle. Furthermore, the court noted that DC Comics had retained separate merchandising rights under the relevant agreements, giving DC Comics an additional basis for a copyright infringement claim against replica automobiles based on the television and film properties.

Finally, the circuit court readily affirmed the lower court’s finding of infringement. It held that the district court had established that the Batmobile is protectable as a character under copyright law and that DC Comics possessed a copyright interest in the character as it is expressed in the 1966 and 1989 Batmobiles. The evidence, including Towle’s admissions that he had created replicas, permitted the district court to determine without further analysis that Towle had infringed DC Comics’ rights.

Owners of character-driven entertainment properties are likely to welcome this decision, which clarifies an expansive view of the protection accorded to characters – a position that underpins the latest notable decisions in this field. And, as such rights-holders review the ruling, they may also enjoy the circuit court’s light sprinkling of quips evocative of the original Batman television show, such as “To the Batmobile!” and “Holy copyright law, Batman!”

[-LK](#)

Ninth Circuit Court of Appeals:

ONLINE RETAILER’S DISPLAY OF SIMILAR COMPETING GOODS IN SEARCH RESULTS NOT TRADEMARK INFRINGEMENT.

Multi Time Machine, Inc. v. Amazon.com, Inc., ___ F.3d ___, No.13-55575, 2015 WL 6161600 (9th Cir. Oct. 21, 2015)

The Court of Appeals for the Ninth Circuit recently upheld a decision on summary judgment that Amazon.com, Inc. (“Amazon”) did not violate high-end watch maker Multi Time Machine, Inc.’s (“MTM”)

trademark rights by displaying similar products in search results for MTM watches without including an explicit notice that MTM's watches are not sold on Amazon's site. In so doing, the Ninth Circuit overturned its own prior ruling that the case should go to a jury trial.

Although MTM watches are not sold on Amazon's website, if consumers search for MTM products on Amazon, they will receive a list of search results, including similar watches made by other manufacturers. The initial search term—for instance, "mtm special ops," the name of a particular MTM watch—is displayed twice: once in the search query box and once directly beneath the search query box in quotation marks. It is also included in a field entitled "Related Searches," which suggests alternative searches consumers might run if this search did not yield the results they were seeking. Nowhere on the page is there a notice stating that MTM watches are not available on Amazon.

MTM filed suit against Amazon for federal trademark infringement, arguing that consumers were likely to believe there was an association between MTM and the products displayed in the search results. Amazon moved for summary judgment, arguing that (1) it was not using MTM's mark in commerce, and (2) there was no likelihood of consumer confusion. The district court did not decide the question of whether Amazon was using MTM's marks in commerce, but found that there was no likelihood of confusion and so granted Amazon's motion. MTM appealed.

The Ninth Circuit originally overturned the district court's decision, finding that Amazon's practice could create a likelihood of initial interest confusion, causing consumers to investigate the products of competitors due to a mistaken belief that there was an association or affiliation between MTM and the products of its competitors listed in the search results.

Even if that belief were dispelled through subsequent research, those consumers might nevertheless purchase a competitor's product, when they otherwise would have immediately proceeded to an authorized MTM retailer. The dissent vigorously argued that because Amazon's search results clearly displayed the brand name of each product in the search results, no reasonably prudent consumer who was accustomed to shopping online would be confused as to the source or origin of the products.

In an unusual move, the Ninth Circuit reversed itself three months later, adopting the dissent's reasoning and finding that Amazon's search results did not create a likelihood of confusion. The majority relied heavily on *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, a keyword advertising case in which the Ninth Circuit vacated a preliminary injunction prohibiting use of the plaintiff's trademark as a keyword triggering display of the defendant's website in Internet search results. In *Network Automation*, the Ninth Circuit stated that the *Sleekcraft* factors, employed by federal courts in that circuit to evaluate likelihood of confusion, are not exhaustive, and that depending on context, other factors may come into play. *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011). The need to consider other factors, the MTM majority said, is particularly true in the Internet context. The court reasoned that in the MTM case, the *Sleekcraft* test was not particularly apt, as it was designed to analyze whether two competitors' marks may cause consumer confusion, and instead found that "the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?" *Multi Time Machine, Inc. v. Amazon.com, Inc.*, No. 13-55575, 2015 WL 6161600, at *4 (9th Cir. Oct. 21, 2015).

In answer to the first question, the court found that because MTM's watches are expensive, costing several hundred dollars, the relevant consumer "is a reasonably prudent consumer accustomed to shopping online." *Id.* at *5. Regarding the second question, the court found that "the labeling and appearance of the products for sale on Amazon's web page is the most important factor in this case" because "clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms." *Id.* The court then concluded that, as a matter of law, Amazon labels its products sufficiently clearly that a reasonably prudent consumer accustomed to online shopping would not likely experience initial interest confusion. The court explained that "[t]he search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the webpage." *Id.* at *6. It found that summary judgment was appropriate in a case such as this, where the court could conclude "simply by reviewing the product listing/advertisement at issue" that "consumer confusion . . . is highly unlikely." *Id.*

The revised majority opinion provoked a strong dissent from the author of the original opinion, who argued that the majority (1) *sub silentio* overruled the doctrine of initial interest confusion, and (2) improperly usurped the role of the jury, as likelihood of confusion is a question of fact that the court lacks the authority to determine.

This decision illustrates that in the context of Internet advertising and sales, courts are increasingly likely to assume that consumers are sophisticated, particularly where the goods at issue are costly. It also underscores that clear labeling of products is likely to significantly lessen, if not eliminate altogether, a likelihood of consumer confusion. Finally, it may indicate that going forward, courts in the Ninth Circuit will be

more willing to dismiss trademark infringement cases on summary judgment, or even at the pleading stage, rather than requiring jury trials.

-EK

Trademark Scam Notices: BEWARE OF FRAUDULENT SOLICITATIONS TO PAY TRADEMARK FEES

Owners of U.S. trademark applications and registrations will often receive unsolicited requests, by mail or email, to pay fees. Some of these requests look quite official and refer to specific trademarks and trademark application or registration numbers. Such requests should be ignored. The U.S. Patent and Trademark Office includes, with every new registration certificate, a notice warning trademark owners to beware of such solicitations and ignore them. This notice includes a good summary, as follows:

These [solicitations or notices] may include offers: (1) for legal services [such as renewals]; (2) for trademark monitoring services; (3) to record trademarks with U.S. Customs and Border Protection; and (4) to "register" trademarks in a private registry.

These companies may use names that resemble the USPTO name, including, for example, one or more of the terms "United States," "U.S.," "Trademark," "Patent," "Registration," "Office," or "Agency." Some companies attempt to make their solicitations mimic the look of official records. Many refer to other government agencies and sections of the U.S. Code. Most require "fees" to be paid. **All official correspondence will be from the "United States Patent and Trademark Office" in Alexandria, VA,**

and if by e-mail, specifically from the domain “@uspto.gov.”

If you have any doubt as to whether a solicitation is a scam, we urge you to contact your Fross Zelnick attorney before making any payments. Please note also that we provide trademark renewal and maintenance services, we can recommend reputable trademark monitoring or watch services, and we provide the service of recording trademarks with U.S. Customs and Border Protection (in order to help that agency seize incoming infringements and counterfeits). Also, the service offered by some scammers to “register” or record trademarks in a private registry is completely useless.

-DE

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Information Letter

FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Tel: 212-813-5900
E-Mail: fzlj@frosszelnick.com
Editor: Karen Lim

INTERNATIONAL

<p>ALGERIA AND THE GAMBIA</p> <ul style="list-style-type: none"> • Accession To Madrid Protocol <p>CANADA</p> <ul style="list-style-type: none"> • Voluntary Classification Allowed <p>EUROPEAN UNION</p> <ul style="list-style-type: none"> • ECJ Clarifies Standards For Determining Registrability of Three-Dimensional Shape Marks <i>Société des Produits Nestlé SA v. Cadbury UK Ltd</i> • Christian Louboutin's "Red Sole Mark" Overcomes Challenges <i>Roland SE v. OHIM</i> • Changes To The Community Trade Mark (CTM) System 	<p>POLAND</p> <ul style="list-style-type: none"> • Extensive Changes To Trademark Law <p>SOUTH KOREA</p> <ul style="list-style-type: none"> • Titles of Musical Productions Protectable as Source Identifiers When They Have Acquired Distinctiveness <i>Seol and Company v. Yu-Jung</i> <p>THAILAND</p> <ul style="list-style-type: none"> • Amendments to Thailand's Copyright Act Create Punitive Damages, Exhaustion, and Other Rights and Remedies
---	---

Algeria and The Gambia: ACCESSION TO MADRID PROTOCOL

Algeria acceded to the Madrid Protocol on July 31, 2015. The Protocol entered into force with respect to Algeria on October 31, 2015. As Algeria was the last remaining Contracting Party of the Madrid Union to be a member of the Madrid Agreement only, the Protocol is now in force in every Contracting Party of the Madrid Union, which allows for a merging of the two agreements. Therefore, there is now just

one agreement governing the international registration of trademarks, and a single application form may be used for all Madrid System applications.

The Gambia acceded to the Madrid Protocol on September 18, 2015. With respect to The Gambia, the Protocol will enter into force on December 18, 2015. The Republic of The Gambia has notified the Director General of WIPO that an ex officio provisional refusal notified to the International Bureau by the Office of The Gambia is not open to review before that

DISCLAIMER: This Information Letter is provided as a public service to interested persons and its receipt does not create an attorney-client relationship, or revive a concluded attorney-client relationship, between the firm and recipients. It is designed to highlight items of current interest and is not intended to be a full review of any subject matter, for which specific legal advice should always be obtained.

Office. Therefore, any such notification shall be deemed to include the confirmation of the said refusal, and may only be contested before an authority external to the Office.

- [KL](#)

Canada: VOLUNTARY CLASSIFICATION ALLOWED

As of September 28, 2015, the Canadian Trademarks Office now allows goods and services in trademark applications to be voluntarily classified. The adoption of a classification system is part of the significant revisions to Canadian trademark law made to adhere to the Nice, Singapore, and Madrid agreements. Classification is not expected to have any impact on the analysis of confusion, but could affect whether a search of the Canadian Trademarks Office database reveals a particular application or registration.

- [KL](#)

European Union: ECJ CLARIFIES STANDARDS FOR DETERMINING REGISTRABILITY OF THREE-DIMENSIONAL SHAPE MARKS

Société des Produits Nestlé SA v. Cadbury UK Ltd (Case C-215/14)

In a recent decision, the Court of Justice of the European Union answered three questions concerning the registrability of three-dimensional shape marks, referred by the UK High Court in connection with a case involving Société des Produits Nestlé SA's ("Nestle") UK application to register its three-dimensional mark, namely, the shape of its KIT KAT chocolate wafer bar. The questions were:

1. Whether it is sufficient to establish that a trademark has acquired distinctiveness by showing that a portion of the relevant consumer class recognizes the trademark and

associates it with the applicant's goods or whether the applicant must instead prove that the portion of the relevant consumer class rely upon the trademark alone—and not any other marks that may be present—as indicating the origin of the goods;

2. Whether an application can only be refused if all of its essential elements consist of features of a shape necessary to obtain technical results (as Nestle asserts) or whether such an application could be refused if one element results from the nature of the goods and the other two elements are necessary to obtain a technical result (as asserted by Cadbury); and
3. Whether Article 3(1)(e)(ii), which precludes registration of a mark that consists of a shape necessary to obtain a technical result, applies only with respect to the function of the goods or also applies to the manner in which the goods are manufactured.

We reported the factual and procedural background to this case and the recommendation of the Advocate General for the Court of Justice of the European Union in September 2015. See [September 2015 Newsletter](#)

On June 26, 2015, Nestle applied to reopen the oral part of the procedure, which had been closed following the Advocate General's opinion, arguing that the Advocate General did not adequately answer the first question. Nestle also asserted that the Adequate General's opinion was based on a misinterpretation of Nestle's written observations. The ECJ dismissed Nestle's motion to reopen the proceedings and delivered its decision on September 16, 2015.

For our readers' ease of reference, the relevant statutory law is set forth below:

Relevant Statutory Law: Article 3 of the EU Trade Marks Directive reads as follows:

1. The following shall not be registered or, if registered, shall be liable to be declared invalid:
 - (b) trade-marks which are devoid of any distinctive character;
 - (e) signs which consist exclusively of:
 - i) the shape which results from the nature of the goods themselves,
 - ii) the shape of goods which is necessary to obtain a technical result,
 - iii) the shape which gives substantial value to the goods.
3. A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.

ECJ's decision and comments:

- (a) The ECJ addressed the second question first, namely whether Article 3(1)(e)(i) precludes registration of a shape as a trademark when that shape consists of three essential features, one resulting from the nature of the goods themselves and the other two being necessary to obtain a technical result. It concluded that

Article 3(1)(e) must be interpreted as precluding registration of such a shape, *provided that at least one of the grounds of refusal is fully applicable to the shape at issue.*

This decision is largely in line with the Advocate General's opinion, which agreed with Cadbury and found that if any one of the criteria listed in Article 3(1)(e) is satisfied, a sign cannot be registered as a trademark. The fact that the sign could be refused on a number of grounds is irrelevant so long as any one of the grounds fully applies to the sign, because each of the grounds mentioned in Article 3(1)(e) is meant to prevent grant of a monopoly on features connected in different ways to the shape of the goods themselves.

It will be interesting to see how this standard is applied to the facts of the case, as it is not clear that any of the sections of Article 3(1)(e) "fully apply" to the shape at issue. Rather, the UK Examiner found that the first essential feature (the basic rectangular slab shape) results from the nature of the Chocolate Wafer Bars themselves, whereas the other two essential elements—the presence, position, and depth of the grooves and number of such grooves—are necessary to obtain a technical result.

- (b) The ECJ then addressed the third question, determining that the provision in Article 3(1)(e)(ii), which precludes registration of signs consisting exclusively of the shape of goods necessary to obtain a technical result, refers only to the manner in which the goods at issue function and not to the manner in which the goods are manufactured. This conclusion, explained the ECJ,

is consistent with the rationale of Article 3(1)(e) to avoid granting an applicant a monopoly on technical solutions or functional characteristics of a product that a user is likely to see in the products of competitors, so that competitors are not prevented from freely offering products incorporating such technical solutions or functional characteristics in competition with the trademark applicant.

This decision departs from the Advocate General's opinion, which had found the provision to apply to both the function of the goods and the manufacturing process, noting that the presence of grooves in the Chocolate Wafer Bar gives the product its shape, which is necessary to achieve the desired technical result of allowing consumers to easily separate the wafer fingers. Notably, the Advocate General also explained that the UK examiner found that the angles of the grooves are determined by a specific chocolate mold used during the manufacture of the product, which, according to the subject ECJ decision, is no longer a valid basis for applying Article 3(1)(e)(ii).

(The ECJ's decision also departs from the decision by the Singapore High Court reported in our [March 2015 Newsletter Article](#) that found that a similar Singapore Law provision would apply to both the manufacturing process, as well as the way the goods function for the end user.)

- (c) Finally, the ECJ answered the UK High Court's first question and clarified that the standard required to show acquired distinctiveness is whether, as a consequence of use

(and regardless of whether the sign is used alone or as part of another registered trade mark) "the relevant class of persons perceives the goods or services designated exclusively by the mark applied for, as opposed to any other mark which might also be present, as originating from a particular company." ¶ 67.

In answering this question, the ECJ did not adopt the language of either of the standards set out by the UK High Court in the question it posed (i.e., whether consumers recognize and associate a mark as originating from a particular source versus whether a significant portion of consumers rely upon the trademark alone as indicating the origin of goods), and the ECJ's opinion can be read as establishing a somewhat softer standard for showing acquired distinctiveness by declining to require consumer's reliance on a sign as indicating the origin of the goods.

We now await the UK High Court's application of the EJC's rulings to the facts of the case and will report further developments.

- [CCW](#)

European Union: CHRISTIAN LOUBOUTIN'S "RED SOLE MARK" OVERCOMES CHALLENGES

Roland SE v. Office for Harmonisation in the Internal Market (OHIM) (Case T-631/14, July 16, 2015)

Christian Louboutin's ("Louboutin") CTM trademark application for its signature red sole mark (shown below) has successfully overcome all of the oppositions that were blocking its path to registration. Louboutin had been battling Roland SE ("Roland"), a manufacturer and distributor of electronic musical instruments, since it opposed the

application in 2011. On July 16, 2015, the Ninth Chamber of the General Court issued a decision affirming the rejection of Roland's opposition, which was based on Roland's prior 2007 CTM registration for MY SHOES & Device covering "footwear" among other goods in Class 25, and goods and services in Classes 18 and 35 (shown below).



Christian Louboutin



Roland SE

Louboutin filed its CTM application for the red sole for "high-heeled shoes (except orthopaedic footwear)" in Class 25 in 2010. Although the application was initially rejected by the examiner on distinctiveness grounds, the refusal was overturned by the Second Board of Appeals on July 16, 2011. On publication, Roland opposed arguing likelihood of confusion. The opposition was rejected by the OHIM on June 21, 2013, and then again by the First Board of Appeals on May 28, 2014. Roland then appealed to the General Court.

Roland argued that Louboutin's red sole mark is visually similar to its prior mark MY SHOES & Device, since both marks share the same dominant element, namely the color red. According to Roland, the color red is the dominant element of MY SHOES & Device because the word elements of the mark are descriptive and there are no other distinctive features. The court rejected this argument, finding that the color red is not the dominant element of Roland's mark as it is only used in a portion of the mark (i.e. the box containing the word "shoes"), making it

a decorative feature of secondary importance.

Roland also argued that Louboutin's red sole mark was confusingly similar to its mark because if Roland were to apply its mark to the sole of a high-heeled shoe so that the red rectangle containing the word SHOES is on the arch of the shoe, the shoe would essentially look like it has a red sole. The court declined to compare the marks in this manner and stated that they must be compared in the form in which they were applied for or registered.

Finally, Roland argued that the marks are conceptually similar, given that they both feature the color red and are associated with shoes. The court found that Roland failed to demonstrate that any particular concept is associated with the color red. Further, the word elements of Roland's mark "MY SHOES" are descriptive, given that the mark is for "footwear," and thus the reference to SHOES is insignificant.

Now that Louboutin has a CTM registration for its red sole mark, it will be easier for it to enforce the mark all over Europe. In the U.S., Louboutin's infringement action against Yves Saint Laurent resulted in the limitation of its trademark to a red sole that contrasts with the color of the adjoining "upper" of a shoe. We now await how the European authorities interpret and enforce Louboutin's rights in this non-traditional trademark.

- [EMG](#)

European Union: CHANGES TO THE COMMUNITY TRADE MARK (CTM) SYSTEM

The European Union Council and Commission, as well as the European Parliament, have agreed to the following proposals for changes to the CTM Directive and Regulations that are likely to take effect in 2016. These will be the first substantive reforms since the CTM system was

introduced in 1996. Noteworthy changes include:

- The Office for Harmonisation in the Internal Market (“OHIM”) will be renamed the European Union Intellectual Property Office; the CTM will be renamed the European Union Trade Mark; and the Community Trade Mark Court in each Member State will be renamed the European Union Trade Mark Court;
- The current application fees covering up to three classes will be replaced by a system allowing for fees to be assessed for the first class, with additional fees for additional classes;
- Application fees will be due on filing, instead of the current option of payment within one month of the application being lodged;
- The requirement that marks in CTM applications must be “represented graphically” will be removed in favor of a requirement that such marks merely be “capable of being represented in a manner which enables the competent authorities, and the public, to determine the precise subject of the protected afforded;”
- Certification marks will probably be introduced; and
- “Bad faith” will be introduced as a Ground of Opposition where the Opponent has an earlier trademark right outside the EU.

- [KL](#)

Poland: EXTENSIVE CHANGES TO TRADEMARK LAW

Two long-awaited amendments to the Industrial Property Law of June 30, 2000

will come into force in 2015 and 2016 respectively.

The first bill to amend the Law comes into effect on December 1, 2015. Significant changes include:

- Acceptance of letters of consent by the Patent Office, whereby owners of earlier rights may agree to registration of later identical or similar trademarks that would otherwise be refused;
- Allowance of owners’ requests to divide applications and registrations during opposition or cancellation proceedings, while retaining a priority date; and
- Lifting of the ban on using POLSKA, POLAND or abbreviations thereof, and Polish city and town names as part of a trademark.

The second bill to amend the Law enters into force on April 15, 2016. Salient changes include:

- Removal of relative grounds as a basis to refuse registration;
- Filing of oppositions within 3 months of publication, with the Patent Office informing applicants about possible conflicting trademarks (but not informing owners of prior trademarks about a new application);
- Removal of the requirement to prove legal interest to file a trademark invalidation action based on absolute grounds, or a trademark revocation action based on non-use.

- [KL](#)

South Korea: TITLES OF MUSICAL PRODUCTIONS PROTECTABLE AS SOURCE IDENTIFIERS WHEN THEY HAVE ACQUIRED DISTINCTIVENESS

Seol and Company v. Yu-Jung, Korean Supreme Court (Case No. 2012Da13507, January 29, 2015)

Until recently, titles of musical productions, along with titles of books and musical albums, were not protectable as trademarks under governing Korean practice (unless such titles were used for a series of works). However, a recent case from the Korean Supreme Court (Case No. 2012Da13507, January 29, 2015) has changed the landscape for titles of musical productions, holding that such titles may be protected as source identifiers under the Unfair Competition Prevention and Trade Secret Protection Act (“UCPA”).

The production company Seol and Company (“Seol”) stages performances of Andrew Lloyd Webber’s famous musical “CATS.” In October 2010, they brought an action before Seoul Central District Court under Article 2(1)(ii) of the UCPA seeking to enjoin Yu-Jung, a representative of Mudad, a drama company, from staging a musical called “CHILDREN’S CATS.” Article 2(1)(ii) prohibits acts likely to cause confusion with a third party’s business facilities or activities, and requires evidence that (a) the asserted mark is well-known as a source identifier in Korea; (b) the cited mark is identical or similar to the asserted mark; and (c) there exists a likelihood of confusion given the similarity between the respective marks.

A decision was reached in Seol’s favor in the first instance; however, on appeal, the Seoul High Court reversed and held that in order for the title “CATS” to act as a source identifier, merely conveying the content of the musical is not enough. Rather, the musical title needed to be used specifically

in relation to Seol’s business, and that factor was not met.

Recently, the Supreme Court reversed the High Court’s decision and held that in view of the facts at hand, the title “CATS” functioned as a source identifier for the plaintiff. The Supreme Court highlighted the fact that since 2003, Seol has staged numerous productions of the musical under a license, spent significant sums in advertising the production, and the production has been seen by a wide audience. As such, “CATS” had become distinctive and associated with Seol, and therefore functioned as a source identifier. The Supreme Court noted, however, that generally the title of a copyrighted musical production simply serves to convey the content of the musical, which is not sufficient on its own to receive trademark protection.

The Supreme Court remanded the case to the High Court, which found in favor of Seol. The defendant, Yu-Jung, subsequently appealed and the matter remains pending.

- [MS](#)

Thailand: AMENDMENTS TO THAILAND’S COPYRIGHT ACT CREATE PUNITIVE DAMAGES, EXHAUSTION, AND OTHER RIGHTS AND REMEDIES

Thailand’s Copyright Act of 1994 has recently been amended by two acts, resulting in a number of significant changes and additions to the original Copyright Act, as summarized below:

1. **Protection against Tampering with Rights Management Information (“RMI”)**

To make Thailand’s Copyright Act consistent with the WIPO Copyright Treaty—of which Thailand is not yet a contracting state—the Copyright Act now defines RMI as “information which identifies

the author of a work, the work itself, a performer, a performance, a copyright owner, the duration and conditions of use of a work enjoying copyright as well as any numbers or codes that represent such information when any of these items of information is attached to or appears in connection with the work enjoying copyright or a recording of the performance.”

Under the amended law, the deletion or alteration of any RMI with knowledge that such act may induce, cause, accommodate, or conceal an act of infringement of copyright or of a performer’s rights is deemed an act of RMI infringement, which is a criminal offense punishable with a fine ranging from THB 10,000 to THB 100,000 (about US \$275 to US \$2,750). The law also provides that importing or communicating to the public a work in which RMI has been deleted or altered is an infringing act, if done with knowledge that the RMI has been deleted or altered.

2. Protection against Circumvention of Technological Measures

Also to bring Thailand’s Copyright Act into conformity with the WIPO Copyright Treaty, the amended Copyright Act provides that the circumvention of technological measures, or the provision of services for such purpose with knowledge that the provision of services may induce or cause infringement of copyright or of a performer’s rights, is deemed an infringing act. The law defines technological measures as “any technology designed to prevent reproduction of or restrict the access to a work enjoying copyright or a performance recording; such technology must have been effectively used on the work enjoying copyright or the performance recording.” The circumvention of technological measures is a criminal offense punishable with a fine ranging from THB 10,000 to THB 100,000 (about US \$275 to US \$2,750). The law

acknowledges, however, that deleting “cookies” from one’s own computer does not constitute circumvention of technological measures.

3. Internet Service Provider (ISP) Liability

The amended Copyright Act provides that ISPs can be ordered by the Intellectual Property and International Trade Court (“IP & IT Court”) to remove infringing content from their systems. If the copyright owner has credible evidence that an ISP’s computer system contains infringing content, the owner may petition the IP & IT Court for an injunction. The petition must describe, among other things, the damage that may be caused by the infringement, and must contain a request for a court order for the ISP to remove the infringing content from the ISP’s system or to stop the infringing act by other means. If the IP & IT Court is persuaded to issue an injunction, it will take immediate effect, following which, the copyright owner must take legal action against the alleged infringer without delay. If the ISP complies with the injunction, it will not be held responsible for any damage caused by such compliance.

4. Exhaustion of Rights

The amended Copyright Act provides for the “first sale doctrine.” Prior to the amendments, the Act stated that selling a copyrighted work was considered an act of communicating the work to the public and could only be done with the copyright holder’s permission. Under the amendments, however, the sale of a legally acquired copyrighted work is explicitly recognized as legal: “The sale of an original work enjoying copyright or copy thereof by the party who has legally acquired such work or copy thereof shall not be deemed copyright infringement.”

5. Temporary Copying Is Fair Use

Prior to the amendments, it was unclear whether Random Access Memory (“RAM”) copying was fair use. This term refers to a

computer automatically but temporarily copying installed programs and other materials to the computer's RAM during, for example, the buffering process. The amended Copyright Act now clearly states that RAM copying is legal: "Acts conducted [upon] a work enjoying copyright lawfully created by or acquired through a computer system which are in the form of reproduction necessary for the use of a copy of the work in order to enable the equipment used in the computer system or the process for transmission of a work enjoying copyright via the computer system to work properly shall not be deemed copyright infringement."

6. Moral Rights

Under the amendments, performers also have moral rights. Previously, only authors of copyrighted works had moral rights. The amended Copyright Act states, "A performer shall have the rights to present himself as the performer of his performance and to prohibit an assignee or any other person from distorting, mutilating, adapting or otherwise acting on such performance to the prejudice of the performer's reputation or honor."

7. Punitive Damages

Prior to the amendments, Thailand did not provide for punitive damages in the context of copyright or any other intellectual property right. Now, the law provides that in a case where there is clear evidence that the infringement of copyright or of a performer's rights has been committed deliberately or with the intention of causing the copyrighted work or the performer's rights to be widely accessible to the public, the IP & IT Court may order the infringer to pay up to twice the amount of actual damages awarded to the plaintiff.

8. Confiscation of Infringing Materials

Prior to the amendments, the Copyright Act provided that all infringing items would be handed over to the copyright owner or

performer. The amended law now provides that such items must be confiscated, and the IP & IT Court may order their destruction at the infringer's cost.

9. Unauthorized Recordings in Movie Theaters Are Not Fair Use

The new law is designed to deter the following scenario: Previously, several pirates would each enter a movie theater to record certain segments of a film. The segments would then be merged together to form a bootlegged version of the entire film, which would be sold to consumers for the pirates' financial gain. The pirates operated in this manner so that, if caught, each of them could claim that he recorded the film segment only for personal use and that his act should therefore be considered fair use under Section 32(2) of the Copyright Act. The revised Act now states, "The reproduction by recording the sound or pictures or both of a cinematographic work copyrighted under this Act in a cinema theater as defined by the Act on Motion Picture and Videos, whether in whole or in part, without a license under Section 15(5), during its showing in a cinema theater shall be deemed copyright infringement. Section 32, Paragraph Two (2) shall not be applied under such circumstances."

10. Reproduction for the Disabled Is Fair Use

A new section has been added to the Copyright Act to provide that the not-for-profit reproduction or adaptation of a copyrighted work for the benefit of the disabled who are not otherwise capable of accessing such works due to visual, hearing, intellectual, learning, or other types of impairment is deemed fair use.

- [RNB](#)

FROSS ZELNICK LEHRMAN & ZISSU, P.C.