

INFORMATION LETTER

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**WE ARE PLEASED TO REPORT THAT** World Trademark Review’s *WTR 1000 2016* ranked Fross Zelnick in the “gold” tier for the United States, describing the firm as “one of the best and most talented outfits on the market,” and “truly unparalleled in its level of expertise, responsiveness, breadth of experience and collaborative culture.” The publication also specifically mentioned sixteen of our attorneys: [LAWRENCE APOLZON](#) (“point man for product and package design”), [CARA BOYLE](#) (“excels on global portfolio management and enforcement”), [CARLOS CUCURELLA](#) (“has an edge on foreign mandates”), [DAVID DONAHUE](#) (“went up to bat for the owner of the JACKSON 5 mark”), [SUSAN UPTON DOUGLASS](#) (“tipped for her sharp prosecution skills”), [MARK ENGELMANN](#) (“trusted corporate and commercial adviser”), [DAVID EHRLICH](#) (“dexterity across the contentious/non-contentious divide”), [LYDIA GOBENA](#) (“at the forefront of the international practice”), [NADINE JACOBSON](#) (“incredibly detailed knowledge of US and international law”), [RICHARD LEHV](#) (“formidable litigator”), [JOHN MARGIOTTA](#) (handles counterfeit work “exceedingly well”), [CRAIG MENDE](#) (“excellent lawyer”), [ALLISON STRICKLAND RICKETTS](#) (“port of call for those seeking worldwide protection” with expertise on the Madrid Protocol), [PETER SILVERMAN](#) (“dynamic lawyer with a head for strategy”), [BARBARA SOLOMON](#) (“tough negotiator with a high level of respect in the Bar”), and [ROGER ZISSU](#) (“adept on all manner of IP briefs”).

**WE ARE ALSO PLEASED TO REPORT THAT** Managing Intellectual Property ranked Fross Zelnick in Tier 1 for “Trademark Contentious” and “Trademark Prosecution” in the United States in its 2016 edition of *IP Stars*.

[RICHARD LEHV](#)’s comments on whether irreparable harm must be proved to obtain a permanent injunction in trademark cases after the U.S. Supreme Court’s 2006 decision in *eBay v. MercExchange* appeared in the *Law360* article “Which IP Issues Ducked the Radar in 2015?” on December 22, 2015.

[CRAIG MENDE](#) served as a judge at the International Trademark Association (INTA) Saul Lefkowitz Moot Court Competition East Regional Oral Arguments held on February 6, 2016 at the United States Courthouse for the Eastern District of New York in Brooklyn, where thirteen teams from law schools in the Eastern U.S. argued an appeal in a hypothetical case concerning a Cuban cigar trademark that could not be used in U.S. commerce due to the U.S. embargo on trade with Cuba.

On February 8, 2016, [JAMES WEINBERGER](#) was the featured speaker at the February 2016 meeting of the Los Angeles Copyright Society. James gave a presentation on his Ninth

Circuit Batmobile win entitled “Pow! Boff! Thwack! What *DC Comics v. Towle* Means for Copyright Character Protection.”

[CHARLES WEIGELL](#), Chair of the New York State Bar Association (NYSBA) Intellectual Property Law Section, chaired the Section's Annual Meeting Program on January 26, 2016 in New York City. At the meeting, [CRAIG MENDE](#) spoke on the panel “Perspectives on Trademark Licensing from In-House and Outside Counsel,” and [ROBIN BAYDURCAN](#) moderated the panel “Best Practices in Intellectual Property Protection Using WIPO, Including a Deeper Look at WIPO’s Most Recent Updates.” [ASHFORD TUCKER](#), Co-Chair of the IP Section’s Trademark Committee, helped organize the Annual Meeting.

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

# Information Letter

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## UNITED STATES

### FEDERAL CIRCUIT

- Lanham Act's Prohibition on Registration of Disparaging Marks Is Unconstitutional

### TRADEMARK TRIAL AND APPEAL BOARD

- Yet Another Precedential TTAB Case re. Lack Of Bona Fide Intent To Use  
*Swiss Grill Ltd. v. Wolf Steel Ltd.*

### USPTO

- Proving Use of a Trademark in the United States Patent and Trademark Office

### **Federal Circuit:** LANHAM ACT'S PROHIBITION ON REGISTRATION OF DISPARAGING MARKS IS UNCONSTITUTIONAL

*In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015)

The Federal Circuit recently held that Section 2(a) of the Lanham Act, that, among other restrictions, prohibits the registration of trademarks that "may disparage . . . persons, living or dead," violates the First Amendment because it constitutes viewpoint discrimination on the part of the government. This ruling conflicts with a recent decision by a Virginia district court upholding the cancellation of the Redskins' trademark on the grounds that it disparages Native Americans. *Pro-Football, Inc. v. Blackhorse et al.*, 112 F.Supp.3d 439 (E.D. Va. 2015). That ruling is currently on appeal

to the Fourth Circuit, potentially resulting in a circuit split that would be ripe for Supreme Court review.

*In re Tam* concerns the Asian American band The Slants' appeal from the United States Patent and Trademark Office's ("USPTO") refusal to register its mark THE SLANTS on the basis that the mark disparages Asians. To determine whether a mark is disparaging under Section 2(a), a trademark examiner considers: (i) the likely meaning of the matter in question, and (ii) if the meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite of the referenced group. In this case, the trademark examiner found that THE SLANTS clearly referred to people of Asian descent

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and would be understood by a substantial composite of that group as an ethnic slur referring to the eye shape of many people of Asian descent. The trademark examiner therefore denied registration, and the Trademark Trial and Appeal Board affirmed, pointing to, among other things, dictionary definitions, the band's website, which used the name alongside a stereotypical image of an Asian woman, and record evidence of individuals and groups in the Asian community objecting to Mr. Tam's use of the word.

In his appeal to the Federal Circuit, the band's founder and bassist, Simon Shiao Tam, argued that he chose the name "The Slants" in order to reclaim a word that was historically used as an ethnic stereotype or slur; thus, he argued, the use of the term "The Slants" by an Asian American band as a way to undermine and take ownership of a historically derogatory term constituted political speech. By refusing to register the mark, the government was discriminating against him based on his expressive speech in violation of the First Amendment. The Federal Circuit initially affirmed the USPTO's refusal to register the mark, but then sua sponte ordered a rehearing *en banc*, after which it reversed its prior decision.

In finding Section 2(a) of the Lanham Act unconstitutional, the Federal Circuit reasoned that the provision is subject to, and fails, strict scrutiny. Strict scrutiny is used to review any governmental regulation that burdens private speech based on the content or viewpoint expressed. In this case, the Federal Circuit found it undeniable that Section 2(a) discriminates on the basis of the viewpoint expressed by the mark: "The PTO looks at what message the referenced group takes from the applicant's mark in the context of the applicant's use, and it denies registration only if the message received is a negative one." 808 F.3d at 1337.

The Federal Circuit rejected the argument that strict scrutiny does not apply to review of Section 2(a) because it regulates commercial rather than expressive speech. It found that marks often have an expressive component over and above their commercial-speech aspect, and that it is the expressive component of the mark that Section 2(a) targets.

The Federal Circuit also rejected the government's arguments that (i) the First Amendment is not implicated because Section 2(a) does not prevent use of the mark, but only registration, an argument upheld by an earlier Federal Circuit decision, *In re McGinley*, 660 F.2d 481 (C.C.P.A. 1981); (ii) trademark registrations are government speech; and (iii) trademark registration constitutes a government subsidy and so may be guided by the government's point of view.

Regarding the argument that the First Amendment does not apply because an applicant may use a mark irrespective of registration, the court found that trademark registration confers real benefits on mark holders, and thus denial of a registration on the basis of the message expressed has a chilling effect on speech. In so holding, it abrogated *In re McGinley*.

The Federal Circuit then rejected the argument that trademark registration is government speech, finding instead that trademark registration merely regulates private speech—it is not the government speaking for itself. Otherwise, the court argued, copyright registration also would constitute government speech, and the government could refuse to issue registrations to artistic works or books whose subject matter it found distasteful. The court also distinguished the recent Supreme Court decision in *Walker v. Texas Division, Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239 (2015), in which the Court found that specialty license plates constituted government speech, such that

Texas could constitutionally refuse to issue a specialty license plate featuring a confederate flag. According to the Federal Circuit, unlike license plates which have the name of the state emblazoned across the top, and whose use is governed by numerous state laws, private trademarks are in no way associated with the government.

Finally, the Federal Circuit determined that Section 2(a) is not a government subsidy exempt from strict scrutiny. It found that although the government may use the Spending Clause to disseminate or support a particular message through funding recipients, trademark registration does not constitute such a program. In support of that finding, the court pointed out that Congress's power to regulate trademarks arises under the Commerce Clause, not the Spending Clause. Were the court to accept the government's argument, it reasoned, the subsidy exception would apply to virtually all government regulation and thus thwart important First Amendment protections. Moreover, the court pointed out, Section 2(a) actually undermines the purpose of the Lanham Act, which is to prevent consumer confusion and protect the goodwill of trademark owners; because Section 2(a) permits cancellation of a mark decades after its registration, it has the potential to undermine rather than protect a trademark owner's investment in its mark.

The *en banc* opinions in *In re Tam* included several concurrences and a dissent. Two judges argued in a concurrence that Section 2(a) is unconstitutionally vague given the subjective nature of the term "disparaging." Several others concurred in part and dissented in part, arguing that Section 2(a)'s ban on registration of disparaging marks is unconstitutional as applied to Mr. Tam because his mark was expressive, but that the majority erred by finding the provision to be facially unconstitutional as applied to purely commercial speech. One of these judges also argued in support of the holding

in *In re McGinley*, reasoning that the expressive aspect of the applicant's speech is not burdened because the applicant can continue to use the mark as it wishes in commerce. The sole dissenting judge argued that trademarks are commercial speech and thus intermediate scrutiny, not strict scrutiny, should apply to laws regulating their use. The dissent concluded that Section 2(a) should survive such review because it advances the government's interest in the orderly flow of commerce: "Commerce does not benefit from political volatility, nor from insults, discrimination, or bigotry." 808 F.3d 1380. To support this argument, the dissent pointed to several other laws that also ban derogatory speech in commercial settings, such as those that ban discriminatory job advertisements and harassing speech in the workplace. Thus, the dissent concluded that avoiding commercial disruption is a legitimate government interest that justifies any modest burden that refusal to register a mark may place on speech.

Following the Federal Circuit's decision, the USPTO issued a statement that under the Circuit court's ruling, other provisions of Section 2(a) that prohibit the registration of "immoral, deceptive, or scandalous matter" would likewise be unconstitutional. It is unclear how the USPTO will deal with applications involving refusals to register on the basis of immoral, deceptive, scandalous, or disparaging matter while the appeals in *In re Tam* and *Blackhorse* play out.

~~FK~~

### **Trademark Trial and Appeal Board:**

YET ANOTHER PRECEDENTIAL TTAB CASE RE. LACK OF BONA FIDE INTENT TO USE

*Swiss Grill Ltd., v. Wolf Steel Ltd.*, 215 USPQ2d 2001 (TTAB 2015)

In a precedential case decided on September 10, 2015, *Swiss Grill Ltd. v. Wolf*

*Steel Ltd.*, 215 U.S.P.Q.2d 2001 (TTAB 2015), the Trademark Trial and Appeal Board granted an opposition on the ground that the applicant, Wolf Steel, lacked a bona fide intent to use the SWISS GRILLS mark for “barbecue and outdoor grills” at the time the application was filed. This case follows the precedent set in a case decided by the Federal Circuit earlier this year, *M.Z. Berger & Co. v. Swatch AG*, 215 U.S.P.Q.2d 1892 (Fed. Cir. 2015).

The applicant was not able to produce any documents showing that it intended to sell or license the SWISS GRILLS mark in the United States. The fact that the “different” mark SWISS GRILL (without an S) was already in use in Canada was not considered evidence of the applicant’s intent to use the mark in the United States. There was also inconsistent testimony about the type of grill for which the mark would be used—conventional outdoor barbecue grills versus specialty grills. This seems like a lot of hair-splitting, but clients should be aware of the type of scrutiny that a determined opposer can bring to a case.

The applicant produced brochures and photos of grills that it had collected at a trade show in China—but this was not evidence of Wolf Steel’s intent to use the mark in the United States. Also, the fact that the applicant conducted a trademark search prior to filing did not constitute intent to use.

We do not know if this line of cases would affect the outcome in the event there were more varied goods or services, or multiple classes listed and some of the goods or services could be supported with proof of bona fide intent to use. As noted, the *Swiss Grill* case involved just two items, while the *M.Z. Berger* case involved over a dozen items, but all related to clocks and watches.

The bottom line is that applicants should file only for plausible goods or services, and it would be a good idea to document the intent to offer them in the United States with

memos and documentary evidence such as business plans created and dated prior to the filing date.

[-SUD](#)

## **USPTO: PROVING USE OF A TRADEMARK IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

The requirements for proving use of a trademark in applications, Section 8 or Section 71 use declarations, and renewal applications in the United States Patent and Trademark Office (USPTO) are very different from use requirements in other countries. Often, evidence of use that is sufficient in foreign trademark offices is not acceptable under the strict technical rules of the USPTO. Careful attention from the outset to the use requirements in the U.S. can avoid unnecessary delay and expense down the line, and also help avoid potential objections by third parties.

In order to prove use of a trademark in the USPTO, two entirely separate issues must be addressed. One is whether each of the specific goods and services named in the application or registration is currently sold and delivered to U.S. customers under the mark. The other is whether there is an acceptable specimen of use. General guidelines and practice points on each issue follow.

### **Type of Use**

Under U.S. rules, use of the mark must be “in the ordinary course of trade, and not made merely to reserve a right in a mark.” In order to support a claim of use, the use must be in connection with a real, commercial sale and delivery or free distribution of goods or services to arms’ length customers in the U.S. The meaning of “in the ordinary course of trade” depends upon the particular industry. There is no threshold requirement for volume of sales. However, a one-time “token” use made right

before a deadline only to support a claim of use is invalid. In order to be valid, the use must be a continuing, good-faith commercial use. It is not necessary for goods to be sold or services performed for money. Promotional distribution of goods or performance of services for free can be sufficient.

A mark is not in use in the U.S. absent sales or distribution in the U.S. merely because the products or services exist in foreign countries and can be viewed on a website. A mark is also not in use in the U.S. if only a mock-up of a product has been shipped to the U.S.

The use need not be widespread geographically in the U.S. So long as the use is genuine and commercial in nature, it can generally be limited to a small geographic area in the U.S., such as a single state or city, or even an overseas U.S. territory such as Puerto Rico, the U.S. Virgin Islands, or Guam.

Permissible small uses in various industries are described in detail in David Ehrlich's article "Maintaining U.S. Trademark Registrations: Small Uses By Foreign Owners Sufficient" ([www.mondaq.com](http://www.mondaq.com)). For example, clinical trials of pharmaceuticals and sale of electronic downloads of old video games in the U.S. are sufficient to support claims of use.

For a use-based application, the mark must actually be in use in the U.S. for all of the claimed goods and services. An application may be deemed fraudulent if the owner claims that it is using the mark in the U.S. for goods/services A and B, when it is only using the mark for good/service A.

For services, the trademark owner must actually be rendering all of the services in the U.S. to third parties in order to satisfy the use-in-commerce requirement. Merely offering or advertising the services to U.S. customers is not sufficient.

In order to keep a registration in force for the remainder of the initial ten-year term, both U.S. and foreign owners (regardless of the original filing basis) must file a declaration alleging continued use of the mark in the U.S. (a "Section 8 declaration" for national filings or a "Section 71 declaration" for registrations under the Madrid Protocol) between the fifth and sixth years after registration. Similar declarations of use are thereafter required to maintain the registration at ten-year intervals after registration. The purpose of these declarations is to clear the Register of so-called "dead wood." Goods and services not sold and delivered currently in the U.S. under the mark must be deleted from the registration at this point, unless excusable non-use can be proven. Claims of excusable non-use are dependent on the specific facts, and they can be very difficult to establish.

Use in the United States, for purposes of maintaining a registration, requires current sales and deliveries of the goods or services under the mark to U.S. customers, probably within one year of the USPTO filing. For marks with infrequent U.S. sales, it is necessary to determine when the most recent U.S. delivery took place. The U.S. attorney can then advise if that was sufficiently recent.

After production of goods has ceased, sales of remaining inventory by the trademark owner or by third parties in online stores can be a sufficient use, depending on the volume that is standard for the particular industry. Minimal sales of old inventory might not be sufficient, and a declaration could be challenged on the ground of inadequate sales. The resale of used goods or old inventory by third parties at auction (such as on Internet auction sites like eBay) is probably not valid use for registration maintenance purposes. Such sales probably do not support a claim of current use by the trademark owner.

A declaration to make a registration on the Principal Register "incontestable" under Section 15 of the U.S. Trademark Act (which makes the mark immune to certain kinds of legal challenges) may be filed at any time after the mark has been used in the U.S. continuously for five years after the registration date (provided that certain other legal requirements are met).

## Specimens

Once it has been determined that there is a valid claim of use in U.S. commerce for the specific goods and services, the next step is to obtain evidence of use (a "specimen") showing how the mark is being used in this country. The USPTO's specimen requirements are quite strict.

One specimen is required per class of goods and/or services. (However, the mark must actually be in use for all of the goods and services claimed, and the filing contains a sworn declaration to that effect.) The specimen must be proof of current use in the United States, rather than of original or historical use.

For goods, proper specimens include product labels, tags, packaging, or photographs of the product that clearly show use of the mark on the packaging or on the product itself. The specimen cannot depict packaging that is used only in foreign countries.

Point-of-sale displays can be acceptable specimens if they associate the mark with the goods. The display must be related to the sale of the goods "such that an association of the two is inevitable," and the display must be an inducement to purchase the goods. Catalogs or webpages can serve as point-of-sale specimens provided that certain conditions are met: There must be a picture or a sufficient textual description of the goods, the mark must appear sufficiently near the goods such that consumers would associate the mark with the goods, and there must be information on

how to order the goods (typically, a "buy" button on a webpage).

Use of the mark on shipping boxes (such as on a carton sticker or label) can be a sufficient specimen. It does not matter that the ultimate U.S. consumer would not see the mark on a shipping box.

Invoices, advertisements, brochures, and delivery notes generally are not acceptable specimens for goods (as opposed to services) under the USPTO's technical rules. Invoices and brochures are acceptable specimens for a mark for goods only in one unusual circumstance—that is, for goods sold only in bulk without any labels or packaging, such as industrial chemicals delivered in railway tank cars. Photographs taken from advertisements, webpages, brochures, or catalogs can serve as acceptable specimens for goods if they show use of the mark on the packaging or on the product itself.

Unlike for goods, it is not possible to affix a mark to services because of their intangible nature. For services, therefore, acceptable specimens include advertisements, website printouts, invoices, brochures, or other promotional materials that show the mark in connection with the services rendered in the U.S. The rules require that the specimen refer to the services, or show the mark as actually used in the rendering or performing of the services. They do not require the specimen to detail how the services are provided.

The use of a company name as a trade name on a product label, as part of the name and address block, or as part of an IP rights notice, such as a copyright notice, is probably not an acceptable specimen for goods or services.

The USPTO will not inquire into the underlying validity of the use. However, third parties could challenge the claim of use (and any resulting registration or maintenance filing) in litigation. Therefore,



when a trademark owner asks a U.S. attorney if use can be claimed to obtain or maintain a registration, the owner should both describe the actual use in the U.S., such as current sales to U.S. customers for all goods, and send a proposed specimen for review. Sending an acceptable specimen without a use description could produce extra correspondence and accompanying cost to explore the use or, worse, result in a filing with an invalid use claim that is subject to later attack.

[-ND](#)

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

# Information Letter

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## INTERNATIONAL

### ARGENTINA

- Mediation No Longer Suspends One-Year Term to Settle Trademark Oppositions

### CANADA

- Federal Court of Appeal Rejects Trademark and Copyright Claims Arising from Use of Competitor's Metatags, but Holds Door Open for Future Claims  
*Red Label Vacations Inc. v. 411 Travel Buys Limited*

### EUROPEAN UNION

- EU Trademark Reform: What Brand Owners Need to Know
- Implementation of the European Trademark and Design Network's Common Practice of Distinctiveness for Figurative Marks Containing Descriptive/Non-Distinctive Words

### KUWAIT:

- Procedural Changes To Trademark Law

### LAO PEOPLE'S DEMOCRATIC REPUBLIC

- Accession To Madrid Protocol

### NICE CLASSIFICATION

- Tenth Edition of Nice Classification

### **Argentina:** MEDIATION NO LONGER SUSPENDS ONE-YEAR TERM TO SETTLE TRADEMARK OPPOSITIONS

The Argentine Congress has passed Law No. 27.222 that provides that mediation proceedings will no longer suspend the

one-year term set forth in the trademark law to settle trademark oppositions. The new law comes into effect on March 22, 2016.

Presently, prosecution of Argentinian trademark applications is automatically suspended when an opposition is filed. The applicant then has one year, starting

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from notification of the opposition, to negotiate with the opponent to withdraw the opposition. Absent a withdrawal, the applicant must file a lawsuit before a court to seek the dismissal of the opposition or the application will lapse.

Before the new Law No. 27.222, mediation suspended the one-year term until the proceedings closed, whether or not the parties reached settlement. In effect, therefore, mediation extended the statutory one-year term. With the new law, applicants will have to initiate and close mediation proceedings and the court action seeking dismissal of the opposition before the one-year term expires. If not, the opposed application will lapse.

The new law does not carve out opposed applications that are in mediation, and for which the statutory one-year term has been suspended under the present law. Applicants are therefore advised to end such mediation proceedings before March 22, 2016 and, if settlement has not been reached, seek dismissal of the opposition before a court.

- [KL](#)

## **Canada:** FEDERAL COURT OF APPEAL REJECTS TRADEMARK AND COPYRIGHT CLAIMS ARISING FROM USE OF COMPETITOR'S METATAGS, BUT HOLDS DOOR OPEN FOR FUTURE CLAIMS

*Red Label Vacations Inc. v. 411 Travel Buys Limited*, 2015 FC 19

A year ago, in January 2015, the Federal Court of Canada issued a groundbreaking decision addressing the trademark and copyright significance of metatags. In *Red Label Vacations Inc. v. 411 Travel Buys Limited*, 2015 FC 19, the court held that a defendant's use, in connection with its promotional website, of metatags that are similar and even identical to the metatags and trademarks of the plaintiff, did not amount to copyright or trademark

infringement under Canadian law. The plaintiff, Red Label Vacations Inc., appealed. In a decision issued in December 2015, the Federal Court of Appeal affirmed the earlier decision, while simultaneously providing clarity and confirmation that the decision is to be limited to the facts of this particular case.

## **Background**

Both the plaintiff and the defendant are Canadian companies that offer travel information and bookings. The plaintiff, Red Label Vacations Inc., trading as Redtag.ca ("Redtag"), discovered in 2009 that metatags from its website were in use in connection with the website of the defendant, 411 Travel Buys Limited ("411"). 411's metatags included Redtag's registered trademarks such as "RED TAG," as well as general travel-related terms and phrases, some of which employed the idiosyncratic spelling used in Redtag's metatags.

## **Decision of the Federal Court of Canada**

The trial court considered Redtag's claims of copyright and trademark infringement, passing off, and depreciation of goodwill. The court held that there was no copyright in Redtag's metatags, as they lacked originality and had not required the necessary "skill and judgment" to compile. Rather, Redtag's metatags were common terms often used in connection with the travel industry.

In rejecting Redtag's trademark and passing off claims, the trial court emphasized that visitors to 411's website did not actually see any of the metatags on the 411 website, and that no association with Redtag arose from 411's use of Redtag's metatags. In so holding, the trial court noted that although metatags impact search engine results and rankings, consumers always have a choice in deciding whether to visit any given website disclosed in the search, and therefore mere

use of a competitor's trademark or trade name in metatags was not a basis for claiming that confusion was likely.

Our previous detailed discussion of the Federal Court of Canada's decision can be viewed at [www.fzlj.com](http://www.fzlj.com).

## Appeal

On appeal, Redtag focused on one particular example of 411's copying that, in its view, was truly egregious. An Internet search for the website "411travelbuys.ca" using the Google search engine had retrieved results showing that 411 used the metatag: *"Save on your Hola Sun Holidays Packages from Canada. Book Online with Red Tag Vacations & Pay Less Guaranteed!"* This metatag incorporated in full the plaintiff's trade name and registered trade mark "RED TAG", as well as elements of "SHOP. COMPARE. PAYLESS!! GUARANTEED," another of Redtag's registered trademarks.

As an initial matter, the Federal Court of Appeals confirmed that the trial court had correctly applied the legal tests for copyright infringement, trademark infringement, passing off, and depreciation of goodwill. The Court of Appeals held that 411 did not use any of Redtag's metatags for the purpose of distinguishing or identifying 411's services in connection with Redtag's services, as the test for infringing use requires. In particular, use of the phrase *"Book Online with Red Tag Vacations & Pay Less Guaranteed!"* could not be considered as advertising 411's services in connection with Redtag's services, since at that time 411's website did not actually offer online bookings (a customer would have had to call 411's call center to book). Thus, this reference would in fact direct potential customers to Redtag's website. The Court of Appeals stated that, while in some instances the use of another party's trademark in a metatag could constitute trademark infringement, in this case 411's reference to Redtag's

trademarks did not, for the reason that it did not constitute infringing use.

The Court of Appeals emphasized the fact-specific nature of the trademark analysis, holding that the trial court's decision should stand as the trial court had not made any "palpable and overriding error" of fact. However, the Court of Appeals qualified certain language of the trial court that could have been read to suggest that metatags can never lead to confusion. Specifically, the trial court emphasized consumers' ultimate freedom to choose among competing websites in stating that "use of a competitor's trademark or trade name in metatags does not, by itself, constitute a basis for a likelihood of confusion." The Court of Appeals countered this arguably broad statement by pointing out that "in some situations, inserting a registered trade-mark (or a trade-mark that is confusing with a registered trade-mark) in a metatag may constitute advertising of services that would give rise to a claim for infringement."

Similarly, with respect to the plaintiff's copyright claim, the Court of Appeals confirmed that, in this instance, the level of skill and judgment sufficient to establish originality for purposes of copyright had not been shown with respect to Redtag's metatags. However, the Court of Appeals made clear that its holding does not foreclose a finding of copyright infringement arising from use of metatags in other situations where the threshold for originality has been met.

One of the members of the three-judge appellate panel issued a concurring opinion, explicitly stating that the decision of the trial court must be read in light of the facts before it, and the extent to which a trademark may permissibly be used in metatags by a third party is necessarily fact specific. Additionally, the concurring judge specifically declined to endorse the trial judge's prior remarks that suggested that

the trademark doctrine of “initial interest confusion” is not recognized in Canada.

\* \* \*

This appellate decision indicates that the law surrounding metatags will continue to develop in Canada. Future situations may arise in which metatags are shown to enjoy copyright protection, as well as to infringe the trademark rights of another party, particularly where sales of the goods and services at issue are transacted online.

[-KLD](#)

## **European Union: EU TRADEMARK REFORM: WHAT BRAND OWNERS NEED TO KNOW**

By now, many of us have heard about changes to the Community Trade Mark (CTM) system entering into force on March 23, 2016. The following is an overview of the key changes to expect, and actions that brand owners should take now to prepare for those changes.

### **Background**

The CTM system has been in existence since 1996. It allows for brand owners to obtain registered protection for their trademarks in a single pan-European Union filing, rather than having to seek—and ultimately maintain—separate registrations in each of the twenty-eight EU member states. Concluding a process that began in 2008, the European Parliament has now formally approved the Directive and Regulation calling for significant changes to the CTM system, representing the first major reform affecting EU trademarks since the program began. The main goal of these changes is to modernize the EU trademark system itself, rather than to overhaul the underlying legal regime, although some substantive changes will feature in the new system.

## **Summary of Key Changes**

1. **Nomenclature.** The “Community Trade Mark” will be called the “European Union Trade Mark,” and the “Office for Harmonization of the Internal Market” will be called the “European Union Intellectual Property Office.”

2. **Fees.** Currently, trademark applicants may obtain coverage for up to three classes for one official fee of €900. The new system, however, will require a separate fee for each additional class. For example, filing in one class will cost €850 in official fees; two classes will cost €900 in official fees; and three classes will cost €1050 in official fees, with an additional official fee of €150 for the fourth and each subsequent class. A similar incremental fee structure will apply to renewals. *See “Timing of Next Steps” below for a further discussion of fees.*

3. **Classification.** Building on the 2012 *IP Translator* decision, the new system will require applicants to identify their desired goods and services with “sufficient clarity and precision,” and the literal meaning of the good or service will apply. For example, while an applicant will still be allowed to designate the Class 18 heading of “Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas and parasols; walking sticks; whips, harness and saddlery,” the application will be deemed to cover exactly what the class heading says and nothing more. Brand owners in the fashion industry will note that “handbags” are not explicitly covered by the heading and therefore must be indicated specifically in order for such coverage to attach.

The situation for CTM registrations covering class headings where the mark was applied for before June 22, 2012 (the date of the *IP Translator* decision) is more

complicated, as explained below. *See “Timing of Next Steps” below for a further discussion of classification.*

4. **Absolute Grounds.** Under the new system, marks that consist of “the shape or another characteristic” resulting from the nature of the relevant goods, or which is necessary to achieve a technical result, or which gives substantial value to the goods, will not be registrable. This language extends the existing “shape-based” absolute refusal ground.

5. **Non-traditional Marks.** Because the current requirement that a trademark be capable of graphical representation will no longer apply, non-traditional marks such as sound, smell, motion or hologram marks will be more easily registrable, provided their applicants can identify the marks “in a manner which enables the public, and the relevant authorities, to determine the clear and precise subject matter” of the desired protection. Certification marks will also be available in the EU for the first time.

6. **PDOS and PGIs.** Once the new system goes into effect, oppositions can be based on Protected Designations of Origin and Protected Geographical Indications.

7. **Proof of Use.** Currently, an opponent who owns a CTM registration which is more than five years old can be required by its adversary (the applicant) to submit proof that the registered mark was used during the five-year period ending on the publication date of the mark which is being opposed. Under the new system, this proof-of-use period will shift to five years ending on the filing date or priority date of the mark which is being opposed, whichever is earlier. This change only applies to oppositions filed on or after March 23, 2016.

8. **Acquired Distinctiveness.** Currently, a trademark application which is refused due to non-distinctiveness will be allowed if the applicant can show that the mark

acquired a distinctive character through use before the application filing date. The new system will extend this concept to invalidation actions, meaning that a mark will not be invalidated on non-distinctiveness grounds if the registrant can show that the mark has acquired a distinctive character through use prior to the filing date of the invalidation action.

9. **Infringement.** New categories of trademark infringement will include: (i) using a mark as a trade name or company name, meaning that the “own name” defense will no longer be available, except for natural persons; (ii) using a mark in comparative advertising in a way that runs afoul of the Misleading & Comparative Advertising Directive; and (iii) using a mark in preparatory acts, such as affixing the mark to packaging, labels, and tags.

10. **Goods in Transit.** Currently, goods passing through the EU cannot be classified as “counterfeit” or seized unless the trademark owner can prove that the goods are intended for sale in the EU. The new system changes the focus of the rule by providing that the trademark owner cannot prevent the transit of goods through the EU if the trademark owner is not entitled to prohibit the sale of those goods in the final destination country.

11. **Harmonization.** By 2023, revocation (non-use cancellation) and invalidity proceedings must be implemented by all EU Member States, whereas currently, some States require parties to lodge such proceedings before a court. Further harmonization of national laws will mandate provisions for joint suspension of oppositions, revocation (non-use cancellation) and invalidity proceedings; six-month renewal grace periods; and a more consistent definition of when the five-year non-use period starts to run.

## Timing of Next Steps

Most of the changes outlined above will take effect on March 23, 2016, while others, such as Item 6 above, will not be implemented until September 2017. Below are two actions that brand owners should be taking now, concerning Items 2 and 3 above.

First, given that the EU system will change from a “three classes for the price of one” model to a “one class per fee” model, brand owners who are considering filing new multi-class CTMs (soon-to-be EU TMs) in the near future may wish to file before March 23, 2016, in order to avoid the increase in official fees. On the other hand, a single-class application will actually be €50 less costly if filed *after* March 23, 2016.

As for renewals, official fees will decrease after March 23, 2016. Unfortunately, current OHIM guidelines indicate that even if a registrant takes advantage of the six-month renewal grace period, thus bumping the final renewal deadline past March 23, 2016, the current (more costly) fee structure will apply, including the 25% surcharge for grace-period renewals. In other words, the applicable fee structure for renewals will depend on the initial renewal period, not the grace period. Note too that under the new system, renewal payment must be made by the expiration date, not by the end of the month in which the expiration date falls (as under the current system).

Second, as mentioned above, new classification rules will go into effect on March 23, 2016. New EU TMs must specifically identify the desired goods and services, rather than assuming that the class heading will provide the broadest available protection. That is, while applicants may indeed still use the class headings, the same should not be used if protection for specific items not already mentioned in the class headings is also desired. Instead, as a general guideline, applicants should file for the class

headings plus the specific goods and services of interest. Indeed, this was the general advice often followed after the *IP Translator* decision was issued in 2012.

The above pertains to future applications. We turn now to registrations granted from applications filed on or before June 22, 2012 (the date of the *IP Translator* decision) that include one or more entire class heading(s). The owners of these registrations will have until **September 23, 2016** to file a declaration stating that their intention upon filing was to seek protection for goods and services beyond those covered by the literal meaning of the class heading. Failure to do so will result in coverage only for the goods and services encompassed by the literal meaning of the class heading(s).

The goods and services named in the declaration must have been included in the alphabetical list for the class(es) at issue according to the Nice Classification in force at the time of filing. Fortunately for brand owners who need to review their CTM portfolios, only five editions of the Nice Classification have been in effect since the CTM system began: the sixth in 1992, the seventh in 1997, the eighth in 2002, the ninth in 2007, and the tenth (the current edition) in 2012.

Based on current drafts of official OHIM (soon-to-be EUIPO) communications, a few important points may be observed:

- (i) The new rules, and thus the declaration requirement, do not apply to International Registrations designating the EU. National filings in Member States are also not affected.
- (ii) In order for the declaration requirement to apply, the registration must cover at least one entire class heading. Additional goods and services may also be present, provided that the language

does not limit or in any way disclaim the general scope of the heading.

- (iii) The EUIPO will object to declarations seeking protection for unclear, imprecise, or unspecific items; claims for the entire alphabetical list; goods and services that are covered by the literal meaning of the class heading; and goods and services not contained in the applicable alphabetical list.
- (iv) If the EUIPO objects to a declaration, the registrant will be given a further two months to remedy the deficiencies. If the deficiencies are left unaddressed, there is no adverse consequence, except that the registration will be deemed to only cover what is literally conveyed by the wording of the class heading.
- (v) One declaration is required per mark. A specific recordal application form will be available.
- (vi) There will be no official fee for filing the declaration.

If a declaration is filed to claim additional goods and/or services, those additional items cannot be opposed or cancelled by third parties. However, the registrant cannot prevent third-party use of any of the additional goods/services, if the use began before the registration was amended and if the use would not have infringed the registrant's rights based on the literal meaning of the goods/services covered by the registration when the use occurred.

To avoid the above-described limitation on taking action against third-party uses, CTM registrants may instead file a "partial surrender" (i.e., an amendment) as a means to restrict their registrations to precise terms, thus bringing their registrations into conformity with the new system. It is advisable to do this prior to

March 23, 2016, to avoid any of the above-described third-party defenses.

Presently, there is no guidance on whether declarations may be submitted to clarify the scope of pending CTM applications filed before the issuance of the *IP Translator* decision. It would appear not, as the literature refers consistently to "registrations." Thus, applicants wishing to clarify the scope of their pending CTM applications are advised to file amendments before March 23, 2016, because based on information currently available, waiting until the new law goes into effect on March 23, 2016 could reduce or perhaps even eliminate an applicant's ability to clarify the scope of a pending application. Applicants should, however, consider whether any amendments could affect any pending proceedings involving the applications, such as oppositions.

Future issues of this Newsletter will focus on the additional changes outlined above as they come into effect.

*-RNB*

### **European Union:** IMPLEMENTATION OF THE EUROPEAN TRADEMARK AND DESIGN NETWORK'S COMMON PRACTICE OF DISTINCTIVENESS FOR FIGURATIVE MARKS CONTAINING DESCRIPTIVE/NON-DISTINCTIVE WORDS

The European Trademark and Design Network ("ETMDN") was established in 2011 as a collaboration between trademark user associations and European national and regional trademark offices (including OHIM), with the goal of providing greater clarity, harmonization, and legal certainty for trademark offices and applicants alike. In October 2015, the ETMDN published a further installment in its series of communications aimed at achieving convergence in trademark examination practices, namely, the *Common Communication on the Common Practice of*



*Distinctiveness – Figurative Marks Containing Descriptive / Non-Distinctive Words* (“Common Practice”).

The purpose of the Common Practice is to provide predictability in determining whether a word mark that is otherwise descriptive or non-distinctive becomes distinctive with the addition of figurative or design elements, thus avoiding the “devoid of distinctive character” and descriptive grounds for refusal under European Union trademark law.

The Common Practice has now been implemented by OHIM, many national trademark offices of the EU (but not by Italy, Finland, and Poland), as well as Norway, and should be taken into account in the selection and examination of trademarks.

### Overview of the Common Practice

The Common Practice provides detailed analyses of a number of criteria to be considered in evaluating the distinctiveness of a figurative mark containing descriptive or non-distinctive words, or words that are presented in a stylized manner. These criteria are loosely grouped under the Common Practice as follows:

- (i) With respect to word elements: typeface and font, combination with color, combination with punctuation marks and other symbols, and position of word elements (sideways, upside-down, etc.).
- (ii) With respect to figurative elements: use of geometric shapes, the position, proportion, or size of the figurative element in relation to the word element, whether the figurative element is a representation of, or has a direct link with, the goods or services, and whether the figurative element is commonly used in the trade in relation to the goods or services.

- (iii) With respect to both the word and figurative elements: how combinations of the foregoing criteria affect distinctiveness.

The Common Practice provides detailed examples of each criterion.

In connection with word elements, additions of colors, punctuation marks, and typefaces are governed generally by the principle that additions that are basic, standard, or common in trade do not render the overall mark distinctive. On the other hand, to the extent such additional elements are likely to create a “lasting impression,” are unusual, distract the consumer’s attention from the descriptive meaning of the word element, or can be “easily remembered” by the consumer, they should be deemed sufficient to render the overall mark distinctive.

For example, with respect to the positioning of word elements, the Common Practice states that an arrangement of words vertically, upside-down, or in one or more lines is generally not distinctive. However, word positioning can lend distinctive character to a mark where the arrangement of the words is such that the average consumer “focuses on it rather than immediately perceiving the descriptive message.” Two of the examples illustrating this point are set forth below:

Non-Distinctive

Distinctive

The Common Practice provides the following guidelines for figurative elements:

- Non-distinctive verbal elements that are combined with basic geometric shapes (e.g., points, lines, circles, squares, hexagons, etc.) are unlikely to be accepted, particularly if the shapes constitute a border element. However, shapes offer

distinctiveness to the composite mark when their presentation, configuration, or combination with other elements creates a “global impression which is sufficiently distinctive.”

- If the position and size of the figurative element renders it clearly recognizable, it can render the composite mark distinctive. But figurative elements that are so small as to be difficult to see, and which accompany a much larger, descriptive word element, are insufficient.
- Figurative elements that are a true-to-life or common representation of the goods or services at issue, or which directly link to characteristics of the goods or services, do not generally add distinctiveness unless the figurative element is sufficiently stylized. Likewise, figurative elements that are commonly or customarily used in trade in relation to the goods or services do not generally add distinctiveness to the mark as a whole. For example, the “scales of justice” is a figure customarily recognized to denote legal services and is generally non-distinctive for such services.

Usually, figurative and word elements that are individually devoid of distinctive character do not create a distinctive mark when combined. However, when the combination results in an “overall impression which is sufficiently far removed from the descriptive/non-distinctive message conveyed by the word element,” the Common Practice makes clear that this combination may be deemed distinctive.

The Common Practice explicitly excludes from its purview language issues, interpretation of disclaimers, and use of the trademark (including acquired

distinctiveness and consideration of how the mark is used in trade).

### Implementation

The Common Practice has now gone into effect for each of the implementing offices. Each office determines whether the Common Practice will apply to examination of applications filed after the implementation date (such as in the UK), or whether it will also apply to those applications that were pending on the implementation date (for example, in the OHIM). Further, some offices such as the OHIM will apply the Common Practice to invalidity proceedings against marks that were examined under previous practices.

Accordingly, owners of word marks that are arguably close to the distinctive/non-distinctive line may wish to review their European portfolio to ensure that their marks that include figurative or design elements would pass muster under the newly-implemented Common Practice. If not, ongoing marketing efforts to promote and ensure the acquired distinctiveness of key marks may be prudent.

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### **Kuwait:** PROCEDURAL CHANGES TO TRADEMARK LAW

The Kuwaiti Trademark Office has introduced substantial procedural changes pursuant to a Ministerial Decree published on December 27, 2015, including:

- A legalized Certificate of Incorporation or an Extract from the Commercial Register must now be submitted in support of a trademark application, and may be used for subsequent filings. Therefore, within three months of the filing date, applicants must submit: (i) a legalized Power of attorney, (ii) the legalized Certificate of Incorporation or an Extract from the Commercial Register, and (iii) a certified and

legalized copy of the priority document, if priority is claimed.

- The opposition period has been modified to 60 days from the publication date in the Official Gazette, instead of 30 days from third publication in the Gazette.
- Counterstatements in response to an opposition may be submitted within 60 days from receipt of notification, as opposed to the present 30 days.
- The deadline to appeal the Registrar's decision in an opposition has been extended to 30 days from notification from the present 10 days.

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## **Lao People's Democratic Republic:**

### ACCESSION TO MADRID PROTOCOL

Lao acceded to the Madrid Protocol on December 7, 2015. The Protocol will enter into force with respect to Lao on March 7, 2016. See more at: [WIPO](#)

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## **Nice Classification:** TENTH EDITION OF NICE CLASSIFICATION

A new version of the tenth edition of the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Classification) entered into force on January 1, 2016 and can be searched online at [WIPO](#).

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