

# FROSS ZELNICK LEHRMAN & ZISSU, P.C.

## INFORMATION LETTER

EDITOR: KAREN LIM

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**WE ARE PLEASED TO REPORT THAT** Chambers USA 2015 named Fross Zelnick to Band 1 in both the U.S. Intellectual Property: Trademark, Copyright & Trade Secrets category, and the New York Intellectual Property: Trade Mark & Copyright category. Special mention was made of [SUSAN UPTON DOUGLASS](#) (“commended for her handling of TTAB oppositions”), [ROGER ZISSU](#) (“copyright guru”), [JAMES WEINBERGER](#) (“terrific”), and [RICHARD LEHV](#) (“flourishing practice”).

**CHAMBERS GLOBAL 2015** ranked Fross Zelnick in Band 1 for Intellectual Property: Trademark, Copyright & Trade Secrets. [SUSAN UPTON DOUGLASS](#) was singled out for “her handling of trade mark clearance and filing” and [ROGER ZISSU](#) was noted as being “one of the most eminent authorities on copyright law in the country.”

**FROSS ZELNICK** was ranked by Legal 500 US 2015 in the first tier for Intellectual Property: Trademarks - Non-contentious, and in the second tier for Intellectual Property: Copyright and Intellectual Property: Trademarks - Litigation. The publication listed [DAVID EHRLICH](#) and [MARK ENGELMANN](#) as “Leading Lawyers” for Trademarks - Non-contentious, and [ROGER ZISSU](#) as a “Leading Lawyer” for Copyright. Specific mention was also made of [CARA BOYLE](#), [DAVID DONAHUE](#), [RICHARD LEHV](#), [BARBARA SOLOMON](#), and [JAMES WEINBERGER](#).

[LYDIA GOBENA](#) obtained a win for client the Michael Kors Company in a leading criminal trademark infringement trial in Chile. The case is discussed in greater detail [here](#).

[JANET HOFFMAN](#) and [LYDIA GOBENA](#) obtained “well-known mark” recognition in China for client Tiffany and Company’s TIFFANY and TIFFANY & CO. trademarks. Details may be found [here](#).

[RICHARD LEHV](#), [ROBERT BECKER](#), [LEO KITTAY](#) and [EMILY WEISS](#) 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. Details of the case can be viewed [here](#).

Following an evidentiary hearing, on behalf of client The Gap, Inc. and its Old Navy brand, [LAURA POPP-ROSENBERG](#), [JAMES WEINBERGER](#) and [JASON JONES](#) were successful 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. A .pdf of the decision can be downloaded at [Fross Zelnick Cases](#).

On behalf of client DC Comics, [JAMES WEINBERGER](#) and [LEO KITTAY](#) successfully opposed two applications to register GOTHAM BATMEN and a batwing design in connection with entertainment and business networking services. In sustaining the opposition, the Trademark Trial & Appeal Board held that BATMAN was “a famous mark in connection with . . . comic books and movies” and further that such “fame is transferred to a vast array of collateral or merchandising products that are purchased because they bear the BATMAN trademark; that is, consumers have come to associate the fame of BATMAN with the products bearing that mark.” A .pdf of the decision can be downloaded at [Fross Zelnick Cases](#).

[CARA BOYLE](#) and [KAREN LIM](#) spoke at the Seventh Annual American Intellectual Property Law Association's (AIPLA) Trademark Boot Camp in Alexandria, Virginia, in June 2015. Cara presented an overview on international trademark basics, and Karen discussed trademark co-existence agreements.

[ERICA GOULD'S](#) article “Battling Trademark Piracy in Cuba,” was published in the June, 2015 issue of *Managing Intellectual Property*. A .pdf of the article can be downloaded at [Fross Zelnick Articles](#).

[RICHARD LEHV](#) has been named one of the “Voices of the Bar” by IP Law360. As IP Law360 describes it, “Voices of the Bar” features “concise and timely commentary from leading experts in the field of intellectual property law. With nearly 300 experts vying for only 50 spots on the panel, the selection process was anything but easy.” Richard has so far provided commentary on *Google Inc. v. Oracle America Inc*, a copyright case involving computer software, and the Washington Redskins trademark cancellation proceeding.

[RICHARD LEHV](#) was quoted extensively in an article in World IP Review concerning the First Amendment protection for trademarks. The article, entitled “US trademarks: Walking the line on free speech,” by Max Walters, can be found here: [World IP Review](#).

[KAREN LIM](#) was a panelist at the 13th Annual Women in Intellectual Property Law Program of the New York State Bar Association in June 2015.

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

# Information Letter

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

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## UNITED STATES

### FEDERAL CIRCUIT

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- TTAB Incorrectly Evaluated Alleged Genericness of Pretzel Crisps Mark  
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**Federal Circuit:** BONA FIDE INTENT TO USE MUST BE PROVEN BY OBJECTIVE EVIDENCE

*M.Z. Berger & Co., Inc., v. Swatch AG (Swatch SA) (Swatch Ltd.)*, \_\_\_ F.3d \_\_\_, 114 U.S.P.Q.2d 1892 (Fed Cir. 2015)

On June 4, 2015 by the Court of Appeals for the Federal Circuit sustained an opposition against an intent-to-use application because the applicant, M.Z. Berger & Co., Inc. (“Berger”), a manufacturer of watches and clocks, could not prove by objective evidence that it intended to use the applied-for mark iWatch for a range of over thirty

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different goods, all in the categories of watches, clocks, and accessories for watches and clocks (such as clock dials, watch bands, and watch straps). *M.Z. Berger & Co., Inc. v. Swatch AG*, \_\_\_F.3d \_\_\_, 114 U.S.P.Q.2d 1892 (Fed. Cir. 2015).

The case arose because Swatch AG opposed Berger's intent-to-use application for the mark iWatch, contending that this mark was confusingly similar to its SWATCH mark. The opposition was later amended to include a separate ground of lack of bona fide intent to use the mark.

The Board found that the marks were not confusingly similar, but granted the opposition on the basis that Berger could not establish by objective evidence—in the form of documentary evidence or testimony—that it had a bona fide intent to use the mark for the listed goods at the time the application was filed (*Slip. Op.* p. 8). The Federal Circuit affirmed on the lack of bona fide intent ground, and thus did not address the issue of likelihood of confusion.

The court first confirmed, in a matter of first impression for the Federal Circuit, that lack of bona fide intent is a proper statutory ground for an opposition (*Slip. Op.* p. 11). Not only can this claim be raised in oppositions and cancellations, but examiners at the United States Patent and Trademark Office (“USPTO”) also have authority to question the applicant's bona fide intent if the evidence of record clearly indicates that the applicant does not have such an intent to use the mark (*Slip. Op.* p. 19).

Next, the court addressed the meaning of “bona fide intention” under Section 1(b) of the Lanham Act. Although “bona fide intention” is not specifically defined, Section 1(b) specifies that a bona fide intention must be determined “under circumstances showing the good faith of such person.” From this language, the court concluded: “The reference to ‘circumstances showing

the good faith’ strongly suggests that the applicant's intent must be demonstrable and more than a mere subjective belief” (*Slip. Op.* p. 12).

Moreover, the objective good faith must be based on firm and uncontroverted documentary and/or testimonial evidence, and not merely the declaration contained in the application that attests to the applicant's bona fide intent to use the mark. Otherwise, every opposition and claim could be defeated by an officer of the applicant saying, “Yes, we intended to use the mark” (*id.*).

Lastly, the bona fide intent to use the mark, along with the requisite evidence to do so, must exist at the time of the filing of the application; it is insufficient if the intention arises after the filing date (*Slip. Op.* p. 16).

Berger argued that it was in the watch and clock business, and that although it intended to use the mark iWatch only for watches, it had filed for its usual range of business products so as to have a mark ready when it decided to move forward with a smart watch (*Slip. Op.* pp. 3-4). However, this testimony was construed as an admission that Berger did not have a firm intention to use the mark for specific goods at the time of filing (*id.*); rather, its plans were merely aspirational. Although Berger was in the watch business, the fact that it had never made a watch with the technological features of a smart watch also weighed against it. Berger's argument that it made use of the marks i-Kidz and iMove for watches three years later was not persuasive because “there was no nexus between Berger's general capacity to produce watches and the capacity required to produce a ‘smart’ watch” (*Slip. Op.* p. 17).

The court was troubled by the complete lack of documentary evidence of Berger's intentions to use the iWatch mark at the filing date. The Court noted that all of the documents produced during the Board

proceeding pertained to the trademark application, and not to any plans to use the mark. The testimony given by Berger's employees as to its intent was inconsistent and thus disregarded.

What can we learn from this case?

1. This case was decided by the Court of Appeals for the Federal Circuit, and is thus binding on the Trademark Trial and Appeal Board as well as the USPTO Examiners.
2. After the Federal Circuit's opinion in *In re Bose Corporation*, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009), setting a very high bar for the requirements to prove fraud by an applicant, this case reopens the door for third parties to challenge intent-to-use applications that contain implausible or overly-broad listings of goods.
3. Applications based on home-country registrations and Madrid extensions into the U.S. both require that the applicant have a bona fide intent to use the mark in U.S. commerce, so these same requirements would apply to applications filed under Sections 44(e) and 66(a).
4. Applicants should keep a file for each mark, documenting the products for which it might be used, as well as the intended purchasers, markets, price points, and any other customary information used in product development. Contemporaneous memoranda, along with product sketches or information about proposed services, would also be helpful.
5. Applicants should not include plainly implausible goods or services in the identification of goods or services as doing so may provoke further inquiry, as was the case here. Long listings

of goods or services similarly invite attack. In this case, the list of more than thirty goods, including clocks and clock accessories (bearing in mind that the mark was iWatch) likely provoked the attack on the bona fide intent of the applicant, despite the fact that the applicant was in the business of making watches and clocks.

Of course, as a general matter, intent-to-use applications can be filed broadly if the applicant is unsure about the full scope of use, but even then each item listed should be defensible, in line with the applicant's existing or planned business, and included in a marketing plan. The Federal Circuit cited with approval *Research in Motion Ltd. v. NBOR Corp.*, 92 U.S.P.Q.2d 1926, 1931 (TTAB 2009), holding that "applicant's stated belief that the mark would be 'a good mark for future use' does not establish a bona fide intent to use" (*Slip Op.* p. 16).

For a U.S. application based on a home-country registration, there typically are no serious issues preventing registration. Issues will only arise if a later applicant challenges the mark because it is cited against its application, or the mark is deemed to be confusingly similar to a third party's mark, or because the owner of the overly-broad registration challenges a third party's mark. It is in these circumstances that the principles under the *Berger* case will come into play.

As we frequently advise, a simple, accurate application is very difficult to challenge.

[-SUD](#)

**Federal Circuit: TTAB INCORRECTLY EVALUATED ALLEGED GENERICNESS OF PRETZEL CRISPS MARK**

*Princeton Vanguard, LLC v. Frito-Lay North America, Inc.*, 786 F.3d 960 (Fed. Cir. 2015)

The Federal Circuit recently vacated the Trademark Trial and Appeal Board's (the "TTAB" or the "Board") February 2014 opinion in the long-running PRETZEL CRISPS proceeding, finding that the Board both used the wrong legal standard in finding PRETZEL CRISPS generic for "pretzel crackers," and failed to adequately consider the evidence of record.

As discussed in our June 2014 Information Letter, Princeton Vanguard, LLC ("Princeton Vanguard") applied to register the PRETZEL CRISPS mark on the Principal Register in 2009. Frito-Lay North America, Inc. ("Frito Lay") opposed the 2009 application based on genericness, and also petitioned to cancel Princeton Vanguard's 2005 registration on the Supplemental Register for the same mark. Following trial, the TTAB found that the PRETZEL CRISPS mark was a compound term communicating no more than the common meaning of the individual elements of the term, rather than a unified phrase with a meaning beyond the sum of its parts, and therefore that genericness should be evaluated under the standard established in *In re Gould Paper Corp.*, 834 F.2d 1017 (Fed. Cir. 1987) by focusing on the individual words rather than examining the disputed mark as a whole. *See generally Frito-Lay North America, Inc. v. Princeton Vanguard, LLC*, 109 U.S.P.Q.2d 1949 (T.T.A.B. 2014). Limiting its analysis to the constituent words of the mark, the Board found that the term "pretzel" in PRETZEL CRISPS referred to a type of pretzel and that "crisps" was another name for a "cracker." *See id.* Based on this determination, the Board held that PRETZEL CRISPS was generic, and ruled in favor of Frito Lay.

On appeal, the Federal Circuit held that the Board erred by failing to consider the PRETZEL CRISPS mark in its entirety. Reviewing the Board's reasoning, the Federal Circuit first found that the Board failed to properly apply the genericness test set forth in *H. Marvin Ginn Corp. v. Int'l Ass'n*

*of Fire Chiefs, Inc.*, 782 F.2d 987 (Fed. Cir. 1986), which requires the Board to "identify the genus of goods or services at issue, and then assess whether the public understands the mark, *as a whole*, to refer to that genus." *Princeton Vanguard, LLC v. Frito-Lay North America, Inc.*, 786 F.3d 960, 966 (Fed. Cir. 2015) (emphasis in original). The Circuit held that *Gould* did not alter *Marvin Ginn's* requirement of considering each mark in its entirety, but "merely provides additional assistance in assessing the genericness of compound terms where it can be shown that the public understands the individual terms to be generic, and the joining of those terms into one compound word provides no additional meaning." *Id.* at 968. As the panel determined, however, "[r]egardless of whether the mark is a compound term or a phrase, the applicable test is the same and the Board must consider the record evidence of the public's understanding of the mark as a whole." *Id.* at 968. In the end, "even if each of the constituent words in a combination mark is generic, the combination is not generic unless the entire formulation does not add any meaning to the otherwise generic mark." *Id.* at 967 (quoting *In re Steelbuilding.com*, 415 F.3d 1293, 1297 (Fed. Cir. 2005)).

The Federal Circuit also held that the Board insufficiently considered the evidence of record. In particular, the panel found that the Board had "short-cut its consideration of the factual record before it" by focusing on evidence introduced by Frito Lay that PRETZEL CRISPS was generic to the exclusion of "significant evidence in the form of declarations, survey evidence, and evidence of use of PRETZEL CRISPS in the snack food industry and by the media." *Id.* at 970. The Court further found that the Board improperly evaluated the survey evidence introduced by both parties, and essentially ignored the genericness survey offered by Princeton Vanguard despite offering no rationale for doing so. *Id.* at 971.

Given these errors, the Circuit remanded the case to the Board, ordering the Board to both reevaluate the alleged genericness of PRETZEL CRISPS in light of the requirement to consider the mark as a whole and to give appropriate consideration to all of the evidence of record, including the proffered survey evidence. The remand remains pending before the Board.

This decision clarifies the standard to be used in evaluating genericness, substantially eliminating the unified phrase/compound term dichotomy previously relied upon by the Board. Ultimately, it may make genericness more difficult to prove, since any such argument will require a detailed evaluation of the mark as a whole, as well as proof that the combination of two or more terms in a multiword mark does not add any meaning to the individual components.

- [JJP](#)

### **Federal Circuit: DESIGN PATENTS VALUABLE IN PROTECTING PRODUCT TRADE DRESS**

*Apple Inc. v. Samsung Electronics Co. Ltd. et al.*, \_\_\_ F.3d \_\_\_ (Fed Cir. 2015)

Those of you following the continuing U.S. infringement case between Apple Inc. (“Apple”) and Samsung Electronics Co., Ltd. (“Samsung”) based on their respective iPhone and Samsung Galaxy designs undoubtedly recall the \$1 billion in damages awarded to Apple by the jury in 2012 in the Northern District of California. That judgment, based on infringement of Apple’s asserted design patents and its claim of registered and unregistered trade dress rights in the iPhone design, was later reduced to about \$900 million. The verdict and award was also, not surprisingly, appealed by Samsung to the Federal Circuit Court of Appeals.

On appeal, the Federal Circuit upheld the infringement of Apple’s asserted design patents, but reversed the finding of trade dress infringement, finding Apple’s claimed trade dress to be functional and therefore unprotectable. The difference in how Apple’s design patents and trade dress were treated by the appellate court is both interesting and instructive.

In the U.S., design patents cannot claim a product design that is purely functional in nature. There must be some ornamental features present in the design to make it eligible for design patenting. Yet, the Federal Circuit decision shows that a product design can be deemed functional and therefore unprotectable as trade dress, even where the same design is protected by a valid design patent and found to be infringed.

Trade dress rights are, in effect, trademark rights that are claimed in the overall design of a product, such as a mobile phone. To be protectable, the trade dress cannot be “functional” in nature, that is, it cannot be comprised of product features that are so useful and utilitarian in nature that recognizing exclusive rights in the design would inhibit others from offering competing products that are used in the same way. In addition, trade dress protections require a substantial evidentiary showing that the design is known and has acquired distinctiveness in identifying a particular commercial source among the public at large. Once established, trade dress rights can be perpetual, so long as the trade dress continues to be in use.

Design patents, meanwhile, cover novel and non-obvious designs as expressed in the ornamental features of a product. In a design patent, the claimed design is set out in drawings or photos and these illustrations define the patent’s scope. In an infringement context, the drawings are compared to accused infringing products, and infringement is then determined based

on whether, in the eyes of an ordinary observer, the accused product design is substantially the same as the patented design. *Egyptian Goddess Inc. v. Swisa Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc). Design patents filed after May 13, 2015 have a term of 15 years from issuance (formerly they had a 14 year term).

In its case against the Samsung Galaxy phones, Apple asserted its design patents in the shape and outline of its iPhone, as well as on the icons and graphical user interface displayed by the phone. Apple also asserted trade dress rights based on a U.S. trademark registration that also covers the display screen and icons of the iPhone, and based on common law trade dress rights in the iPhone shape and outline. Under U.S. law, trade dress rights and design patent rights can co-exist for the same design features, and asserting infringement of both rights is not inconsistent (indeed, obtaining a design patent while the owner develops rights in that trade dress through use over time can be a valid protection strategy).

However, in asserting claims of trade dress infringement against the Samsung Galaxy phones, Apple relied on a claim of infringement by dilution, and not likelihood of confusion which is the traditional claim made in trade dress or trademark infringement cases. Dilution requires a showing of **fame** of the asserted trade dress at the time the accused infringing design entered the market, and seeks to protect the design's widespread reputation, often resulting in potentially broader protections. A dilution claim is not intended to protect consumers from confusion as to the source of similar trade dress, so the presence or absence of actual confusion in the marketplace is not dispositive. Thus, dilution protects the owner of a well-known mark from suffering adverse effects as to its strength or value, and assumes that an infringing article blurs the consumer's

association of the famous design as an exclusive identifier of its goods/services.

Although Apple's dilution claim did not require them to establish that consumers would confuse the Samsung designs with Apple's trade dress, it may have created other challenges. For one, dilution reflects a substantial broadening of traditional trademark rights that some commentators feel may adversely affect competition. This may compound the burden of persuasion in a trade dress case where many also take the view that broad claims of trade dress rights adversely affect competition, given their potentially inhibiting effect on developing new product designs and their potentially perpetual duration. Therefore, courts may be more wary of a trade dress dilution claim that could grant too great a scope of design rights.

In this respect, the Federal Circuit decision may have telegraphed the court's wariness from the outset. At the beginning of its analysis, the court stated: "Protection for trade dress exists to promote competition. The protection for source identification, however, must be balanced against a fundamental right to compete through imitation of a competitor's product. This right can only be temporarily denied by the patent or copyright laws [but] in contrast, trademark law allows for a perpetual monopoly and its use in the protection of physical details and design of a product must be limited to those that are nonfunctional." *Slip Op.* p. 7, 2015 WL 2343543 (C.A.Fed. 2015). Other citations omitted.

While the District Court specifically found the question of whether Apple's trade dress was functional to be a question of fact for the jury to decide, the Federal Circuit seemingly reached the exact opposite conclusion. The circuit court held that no reasonable jury could have found Apple's trade dress to be protectable, as the asserted trade dress was "clearly functional," and that Apple failed the

applicable functionality test of showing that its trade dress served no other purpose than of identifying a particular commercial source. This was a test derived from the law of the Ninth Circuit, which the Federal Circuit was obligated to apply in an appeal on an Lanham Act case taken from a California court (indeed, the court pointed out that Apple could cite no prior case in the Ninth Circuit where product design trade dress was found to be nonfunctional). This “high bar for non-functionality” standard prompted reversal of the jury verdict and a finding that Apple’s registered and unregistered trade dress, and the individual design features shown therein, were both functional and not protectable. *Slip Op.* p. 9, 2015 WL 2343543 (C.A.Fed. 2015)

In contrast, the circuit court treated Apple’s design patents more favorably. It rejected Samsung’s arguments that the District Court should have instructed the jury to not consider the same elements found to be functional in the trade dress when determining design patent infringement. According to the Federal Circuit, excluding any components was not a proper reading of its design patent case law. Rather, individual product features, whether functional or not, should not be read out from a design patent claim since the comparison must be of the entire designs.

Although the circuit court’s finding seems to be at odds with the rationale for rejecting Apple’s trade dress rights, it must be noted that the validity of Apple’s design patents was not at issue (this issue had been decided by the district court, and appealed, before the case below went to the jury, and validity was not part of the jury verdict). But it seems apparent from the decision that “functionality” applies differently to design patents and to trade dress. In the design patent context, “functionality” is interpreted very narrowly, and design patents will be applicable to cover product designs that would otherwise be considered to be

functional and unprotectable as trade dress. Therefore, the value of filing design patent applications first on a product design is crucial, as no amount of sales, promotions or “look for” advertising will suffice to overcome the “high bar of non-functionality” courts will likely apply (especially in the Ninth Circuit) to the design of useful articles such as electronic devices and other utilitarian items.

In sum, this decision shows the value of obtaining design patents for any new and unique product designs, rather than relying on common law trade dress rights (or even trademark registrations) in an infringement context. Even where the trade dress is “non-functional,” there are challenges in both establishing acquired distinctiveness of the trade dress and in demonstrating that consumers are likely to be confused by accused infringing product designs, let alone meeting the necessary threshold of establishing fame of the trade dress before pursuing a dilution claim. Design patents should be filed promptly to avoid prior art issues (including prior disclosures of the design by the owner itself—the U.S. affords only a one-year grace period for filing design patents after the design is disclosed to the public, and other countries automatically preclude coverage after disclosure). Therefore, proper consideration and planning of a strategy for protection of product designs is critical.

- [CTJW](#)

### **Fourth Circuit Court of Appeals:**

PLAINTIFF IN APPEAL OF EX PARTE USPTO RULING MUST PAY GOVERNMENT LAWYERS’ SALARIES REGARDLESS OF OUTCOME

*Milo Shammass v. Margaret A. Focarino*, 784 F.3d 219 (4th Cir. 2015)

The Court of Appeals for the Fourth Circuit recently affirmed a surprising ruling by a district court in the Eastern District of Virginia. *Shammass v. Focarino*, 784 F.3d 219 (4th Cir. 2015). It held that a party that

properly appeals an *ex parte* final ruling by the United States Patent and Trademark Office (“USPTO”) to a federal district court must pay—regardless of the outcome or, even, the reasonableness of the appeal—not only all of the USPTO’s out-of-pocket expenses relating to the appeal, but also a *pro rata* portion of the USPTO’s lawyers’ and paralegals’ salaries attributable to their time spent on the appeal. This award of salaries, which appears to have never before been awarded pursuant to the U.S. Trademark Act, dramatically increases the costs associated with an already-expensive form of appeal and may be, for all practical purposes, the provision’s *coup de grace*.

A party dissatisfied with a final ruling of the USPTO has two appellate options: (i) file an appeal with the Federal Circuit, in which the review will be exclusively of the USPTO record below and the same claims and prayers for relief, *see* 15 U.S.C. § 1071(a), or, in the alternative, (ii) file a civil action in a district court, in which the review will be *de novo* and both parties may supplement the record and raise new claims and prayers for relief, *see* 15 U.S.C. § 1071(b). Most *ex parte* appellants choose the former because it involves little more than a new round of briefing and, as a result, is less expensive than litigating a new action. But, those who wish to supplement the record or expand their claims must choose the latter.

However, there is another well-known, key difference between these two options in the context of an *ex parte* appeal. Those who appeal to the district court must pay “all the expenses of the proceeding . . . , whether the final decision is in favor of such party or not.” 15 U.S.C. § 1071(b)(3). This provision has generally been interpreted to mean that, no matter the outcome, the appellant will have to pay any expenses such as the government’s travel costs and experts’ fees arising from the litigation, as well as the appellant’s own such expenses. These unavoidable and significant additional

obligations often deter *ex parte* appellants from choosing *de novo* review, especially since a trademark owner can often opt to use a different mark or undertake to use the mark in commerce without a registration.

Here, the USPTO determined that Shammas’ trademark application for PROBIOTIC for fertilizer products was descriptive and, alternatively, generic. *Shammas*, 784 F.3d at 221. The Trademark Trial and Appeal Board (“TTAB”) affirmed. Shammas appealed to the Eastern District of Virginia, and both parties submitted additional evidence. In October 2013, the district court held that the mark was generic and granted the government’s summary judgment motion accordingly. The USPTO then moved to recover its “expenses,” including its costs and—for what appears to be the first time—attorneys’ fees, requesting the amount of the prorated salaries. After conducting a hearing, the district court concluded that the “plain meaning of the term ‘expenses,’” not to mention the use of the preceding words “all of,” made “pellucidly clear” that Congress intended prorated government salaries to be included. *Id.* at 222. The court awarded the USPTO \$36,320.49, which included \$32,836.27 in prorated salary for two attorneys and \$3,090.32 in prorated salary for one paralegal, based on the hours each spent on the appeal as a proportion of an estimated 2000-hour work year, plus nearly \$400 in photocopying costs. Nevertheless, the statute does not explicitly mention attorneys’ fees or salaries, and no court has ever awarded the government its “attorneys’ fees” in this context. Shammas appealed the ruling to the Fourth Circuit Court of Appeals.

On appeal, the circuit court ruled that the ordinary meaning of the term “all the expenses” should govern, a meaning broad enough to include attorneys’ fees. Shammas argued that the term should be construed narrowly in light of the “American Rule,” that each party must bear its own

attorneys' fees, and the established jurisprudence that the American Rule cannot be displaced without explicit statutory language, absent here. *Id.* at 223. The circuit court, however, explained that “[t]he requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule . . . applies only where the award of attorneys’ fees turns on whether a party seeking fees has prevailed to at least some degree” and that “a statute that mandates the payment of attorneys’ fees without regard to a party’s success is not a fee-shifting statute that operates against the backdrop of the American Rule.” *Id.* The court held:

Because the PTO is entitled to recover its expenses even when it completely fails, § 1071(b)(3) need not be interpreted against the backdrop of the American Rule. Therefore, even assuming that a statute must explicitly provide for the shifting of attorneys’ fees to overcome the presumption of the American Rule, that requirement is not applicable here.

*Id.* at 223-24.

Next, the court rejected Shammass’ fallback argument that “all the expenses” ought to be construed as the equivalent of “taxable costs,” relying on case law that held that “costs” are a subset of “expenses” and the clearly non-synonymous use of both terms used in sequence within a single sentence in the subsection. *Id.* at 224 (citing 15 U.S.C. 1071(b)(3) (“as to costs, expenses, and the further cross-examination of the witnesses as the court imposes”)).

The circuit court then turned to the Lanham Act’s statutory scheme to bolster its holding. Congress had provided two appellate options, the court noted, a streamlined one to the Federal Circuit, and a “more fulsome and expensive” one to the district court that involves naming the USPTO as a party and

requires the payment of “all the [government’s] expenses,” regardless of the result. *Id.* at 225. From the establishment of these two paths, the court concluded, “Congress obviously intended to reduce the financial burden on the PTO in defending” the more involved proceeding, thus encouraging litigants to opt for the less burdensome course. *Id.* Appellant argued that the federal government’s job is to defend such appeals, and therefore a statute requiring the payment of portions of government salaries is highly unusual. Yet, the court simply recognized that most federal appeals of administrative actions are limited to the record below, and that the unusual permission to re-open the record in an appeal to a district court justifies the enhanced financial burden.

Finally, the court found some support in the legislative history, although it had to reach back to the 1830s to do so. The court determined that the term “all the expenses” can be traced back to the Patent Act of 1836 and its 1839 amendment. The court noted that, “in funding the Patent Office in 1836, Congress understood the term ‘expenses’ to include the salaries of the Office’s employees.” *Id.* at 226. “The 1836 Act established ‘*a fund for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office.*’” *Id.* The Lanham Act, the Court claimed, “incorporated by reference the procedures for appellate review of patent application denials in trademark proceedings.” *Id.* (citation and internal quotation marks omitted).

The circuit court’s ruling is significant for a number of reasons. First, it held that Congress used the mere term “all the expenses” to mandate the highly unusual requirement that private litigants, regardless of the result of the litigation, should pay portions of federal attorneys’ salaries, even though the controlling statute makes no explicit reference to attorneys’ fees or to

government salaries, government attorneys are the only attorneys whose “fees” could possibly be within the scope of this provision, and the USPTO itself has never taken the position until now that the provision should be read so broadly. Second, the Eastern District of Virginia is the jurisdiction most often employed for such appeals. Indeed, some have determined that it is the sole venue in which this relatively rare type of appeal can be brought. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 21:25 (4th ed. 2015) (“District Court appeals from ex parte rejections must be filed in the Eastern District of Virginia.”). Third, this holding, like the recent Supreme Court decision in *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015), increases the importance of TTAB litigation strategies because decisions made during such proceedings, although executed in the administrative context, are more burdensome (here, more expensive) than ever before to counteract in subsequent “*de novo*” litigation before a district court.

Given that Shammass has elected not to appeal to the Supreme Court, the ruling will likely stand until a well-heeled party opts for *de novo* review despite this new regime, is forced to pay regardless of the result, and still has funds and motivation to invest in an appeal on the issue of attorneys’ fees.

[-LK](#)

### **Ninth Circuit Court of Appeals:**

ACTOR MAY NOT ENJOIN FILM UNDER COPYRIGHT LAW – PERFORMANCE NOT COPYRIGHTABLE

*Garcia v. Google, Inc.*, 786 F.3d 733 (9th Cir. 2015)

In *Garcia v. Google, Inc.*, 786 F.3d 733, 737 (9th Cir. 2015), the Ninth Circuit, sitting en banc, reversed a three-judge panel’s decision by holding that an actor with merely a bit part in a film does not have a sufficient

copyright interest to support a mandatory injunction suppressing the performance, even though, without the actor’s permission, the filmmaker edited and dubbed her innocuous portrayal into a blasphemous one that prompted religious extremists to issue death threats against the actor. Although the court refrained from ruling that no mere actor has a copyright interest in a motion picture, noting throughout the opinion that Garcia’s performance was only “five seconds” long, the decision may significantly hamper future Hollywood plaintiffs from asserting rights under copyright in a performance or other contribution in a motion picture, large or small.

In 2011, actor Cindy Lee Garcia auditioned for and received a role in a film she was told would be “an action-adventure thriller set in ancient Arabia” entitled *Desert Warrior*. *Id.* at 737. She had two lines in the script as written: “Is George crazy?” and “Our daughter is but a child.” *Id.* She shot the scene and earned \$500. She claims she did not sign a work-made-for-hire agreement under Section 201(b) of the Copyright Act, which provides that as long as the statutory requirements for work-made-for-hire status are met, the person for whom the work is prepared shall be the owner of the copyright. 15 U.S.C. § 201(b).

Unbeknownst to her, the director, Defendant Mark Basseley Youssef, edited together an entirely different film, “an anti-Islam polemic renamed *Innocence of Muslims*.” *Id.* Garcia learned of the revision soon after Youssef posted to YouTube in June 2012 a nearly 14-minute movie “trailer” for his film. *Id.* The trailer portrayed the Prophet Mohammed as a murderous, greedy pedophile. Garcia had five seconds of screen time and a single line, dubbed as “Is your Mohammed a child molester?” *Id.* The video went viral, was later translated into Arabic, and caused a firestorm—purportedly triggering violent protests overseas and a fatwa to all young

Western Muslims to kill those associated with the production. The fatwa explicitly included the actors. Garcia and her family received death threats.

Garcia made multiple demands of Google, YouTube's owner, including several formal requests under the Digital Millennium Copyright Act, 17 U.S.C. § 512, to remove the video. Google refused to comply. Next, Garcia sued Google and those involved in the film in California state court based on various tort theories, but voluntarily dismissed the action after her motion for a temporary restraining order was denied. She then brought a federal action alleging copyright infringement and a host of tortious claims, moving—on the copyright claim only—for a temporary restraining order and a preliminary injunction.

The district court denied the preliminary injunction motion. Garcia had been unable to convince the court that any harm would result from allowing the film to remain on YouTube, given that it had already been publicly accessible for five months. Moreover, the court believed that, even if she had a copyright interest in the performance, Garcia had granted an implied license to the filmmaker to incorporate it into his film.

A three-judge panel of the Court of Appeals for the Ninth Circuit reversed, ordering Google to remove the video from YouTube. The panel later amended the order to permit Google to display any version of the film that excluded Garcia. The panel held that Garcia owned the copyright in her five-second performance, had not granted an implied license to Youssef, and had established irreparable harm based on the threats she had received.

Upon *en banc* review, however, the Ninth Circuit disagreed, vacating the panel's decision and affirming the district court's decision in favor of Google. It began by emphasizing the particularly high burden

plaintiffs face when seeking preliminary injunctions, especially those such as Garcia who demand affirmative action, *i.e.*, requiring Google to remove the video at issue, detect subsequent postings, and take down all of them.

The court began with the initial (and threshold) prong of the preliminary injunction analysis, namely, whether Garcia is likely to succeed on the merits, and concluded that Garcia could not show likelihood of success because she did not have a protectable copyright interest. The Copyright Act specifies that “[c]opyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression . . . [including] motion pictures,” and “[t]hat fixation must be done “by or under the authority of the author.” *Id.* at 741 (quoting 17 U.S.C. §§ 101 & 102(a)). The court deemed the video protectable as an audiovisual work. However, because Garcia, a mere performer, was not responsible for the fixation of the film, she could not be an author. This result was presumably because Garcia was neither the cameraman, cinematographer, writer, director, nor producer. But, in addition, due to the unusual circumstances in this case, Garcia had even less of a role or authorization in the fixation of the final product, since the story, scene and even lines she spoke were changed without her knowledge and in a manner that she outright rejected (albeit after the fact).

The court rejected also the notion that Garcia's performance itself was protectable. In coming to this conclusion, the court first weighed heavily the U.S. Copyright Office's rejection of Garcia's copyright application in her performance. The Copyright Office had determined that its “longstanding practices do not allow a copyright claim by an individual actor or actress in his or her performance contained within a motion picture.” *Id.* The court “credit[ed] this

expert opinion . . . [and] well-reasoned position.” *Id.*

The court also relied heavily on its prior holding in *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000) (discussing copyright interest of contributors to film *Malcolm X*), namely, that the mere contribution of “some minimal level of creativity or originality” was insufficient to give rise to copyright ownership in a larger collaborative work. The court explained, “Garcia’s theory of copyright law would result in the legal morass we warned against in *Aalmuhammed*—splintering a movie into many different ‘works,’ even in the absence of an independent fixation.” Garcia, 786 F.3d at 742. “Simply put, as Google claimed, it ‘make[s] Swiss cheese of copyrights.” *Id.* Imagining the effects of Garcia’s claim in the context of large, epic films, the court noted that “[t]reating every acting performance as an independent work would not only be a logistical and financial nightmare, it would turn cast of thousands into a new mantra: copyright of thousands.” *Id.* at 743. The court emphasized the importance of limiting contributors’ rights under copyright in a film, even though “contracts and the work-made-for-hire doctrine” frequently control the rights of cast and crew members. Licenses have many legal and practical limitations, the court observed, which ought not to bring the motion picture industry to its knees. On these bases, the court held that Garcia lacked a strong copyright claim and, thus, was not likely to succeed on the merits.

Nevertheless, the Court proceeded to weigh the second prong of the preliminary injunction analysis, namely whether there was irreparable harm, “because the grave danger Garcia claims cannot be discounted and permeates the entire lawsuit.” *Id.* at 744. Fully acknowledging the substantial evidence of harm that Garcia put forward, including death threats against her and her loved ones and harm to her career, the court

distinguished these from harms relevant to a copyright claim, *i.e.*, “harm to her legal interests as an author.” By comparing the purpose of copyright law with tort law (even referencing foreign laws based on moral rights and the nascent right to be forgotten), the court concluded that “Garcia’s harms are too attenuated from the purpose of copyright” to constitute the required showing of irreparable harm in this context. *Id.* at 746. Notably, however, the court allowed for the possibility that, in the case of “a strong copyright claim, a court could consider collateral consequences as part of its irreparable harm analysis and remedy.” *Id.* at 746 (emphasis added).

In sum, the court opined:

The mandatory injunction censored and suppressed a politically significant film—based upon a dubious and unprecedented theory of copyright. In so doing, the panel deprived the public of the ability to view firsthand, and judge for themselves, a film at the center of an international uproar.

*Id.* at 747. Moreover, the court registered its disfavor of the “uneasy role of film editor” that the second order put upon Google by permitting display of versions of the film that excised Garcia’s performance.

Finally, before closing with sympathetic language acknowledging Garcia’s plight, the court held: “Prior restraints pose the most serious and the least tolerable infringement on First Amendment rights, and Garcia cannot overcome the historical and heavy presumption against such restraints with a thin copyright claim in a five-second performance. *Id.* (internal quotation marks and citations omitted).

The opinion now controls throughout the “Hollywood Circuit,” *id.* at 749 (dissent by Kozinski, J.), and has already been explicitly accepted and expanded upon by the Second Circuit where the plaintiff’s

contribution was far more significant, see 16 *Casa Duse, LLC v. Merkin*, 791 F.3d 247 (2d Cir. 2015). In 16 *Casa Duse*, the court held that a film director did not possess his own copyright interest in his contribution to a motion picture. *Id.* at 254.

These cases are helpful to the film industry generally and its consumers, by reducing the likelihood that a movie studio will be hamstrung by a disgruntled actor or crew member. Nevertheless, the flat denial of a protectable copyright interest in such important artistic contributions as an actor's performance or a director's work merely because these are integrated and inseparable raises concerns and may be marshalled by others seeking to limit the copyright interests of contributors in entirely different mediums.

[-LK](#)

### **Copyright Decision:** SUBSTANTIAL CHANGES IN NEW EDITION OF THE COMPENDIUM OF COPYRIGHT OFFICE PRACTICES

The Compendium of U.S. Copyright Office Practices, Third Edition (the "Compendium") is the administrative manual of the Copyright Office. It was released and became effective on December 22, 2014.

The Compendium itself expressly states that it "does not override any existing statute or regulation. The policies and practices set forth in the Compendium do not in themselves have the force and effect of law and are not binding upon the Register of Copyrights or U.S. Copyright Office staff" (Introduction, 2). However, the Compendium explains the legal rationale and determinations of the Copyright Office and, as a practical matter, is widely cited and followed.

The Compendium is 1288 pages long and covers a broad spectrum of topics. It can be accessed here: [copyright.gov](http://copyright.gov). Some of the

new provisions in the Third Edition markedly change the practices for many of our clients, and are summarized below.

#### 1. Unit Publication Doctrine

Prior to the effective date of the Compendium, works that were published on the same date as a unit or collection—i.e., that were thematically related—could be registered as a single work. For example, a thematically-related jewelry collection, fabric collection, trophy collection, or the like could be registered in a single application, under a single title (but with each individual component identified for completeness of the record), and for a single fee. The rules now greatly restrict such filings:

As a general rule, it is not possible to register a group of pictorial, graphic, or sculptural works with one application, one filing fee, and a submission of identifying material. Instead, the applicant generally must submit a separate claim for each work. However, there are two limited exceptions to this rule.

- If the works are unpublished, it may be possible to register them as an unpublished collection. Photographs or illustrations of the two- or three-dimensional works may be used as identifying material in this situation, provided that the applicant asserts a claim in the works depicted in those images rather than the authorship involved in creating the images themselves.
- If the works were physically bundled together for distribution to the public as a single, integrated unit and if all the works were first published in that integrated unit, it may be possible to register them using the unit-of-publication option. Examples of such "bundling" are boxes of greeting cards or a boxed DVD set, including the liner, photographs, and the content of the DVDs.

(Section 914, p. 27). Our clients currently are receiving Office Actions on pending applications, citing to Sec. 914, and requiring the applicant to file new, separate applications and fees for each item identified in the pending application. Under the ordinary interpretation, the new rules should not apply retroactively, but the Copyright Office is in fact applying the new rules to pending applications.

Although it may be too late for pending applications based on published works, forward planning will provide a good work-around for future collections. The rules permit “bundling” for unpublished works. A “publication” is defined as “the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” 17 U.S.C. § 101. The statute states that “offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication.” *Id.* It also explains that “[a] public performance or display of a work does not of itself constitute publication.” *Id.*

Under this definition, displaying items on a website or in a brochure is not necessarily a “publication” if the items are not available for download or sale on the website or brochure. For example, art displayed in a gallery or jewelry worn by models in photographs might not be “published.” Every case is fact specific. The topic is described in greater detail at Compendium Section 1008.3(B), and for online content at Section 1008(F).

Therefore, a good strategy would be for clients who produce large copyrightable collections to group and file them before the works are “published.”

## 2. Protection of Three-Dimensional Objects in Catalogs or Websites

Under the prior practice, a copyright applicant could deposit a catalog or

website, and with this single filing include all three-dimensional works depicted in the catalog or on the website, as well as the text, photographs, illustrations, and compilational authorship. Section 914 of the Compendium changes this practice as well.

A catalog may be registered as a compilation of photographs or a collective work consisting of photographs if there is a sufficient amount of creative expression in the author’s selection, coordination, and/or arrangement of the images. However, a catalog is not considered a compilation of the works or objects depicted in those photographs, nor is it considered a collective work consisting of the works or objects depicted therein. ... As a result, a registration for a catalog generally does not extend to the works or objects shown in that work, even if they are eligible for copyright protection and even if the claimant owns all of the rights in those works or objects. Instead, the registration extends only to the pictorial authorship involved in creating the images, and the authorship involved in selecting, coordinating, and/or arranging those images within the catalog as a whole. [A] catalog that merely contains photographs of necklaces and earrings that are offered for sale would not be considered a unit of publication, even if members of the public may order these items from the catalog either on an individual basis or as a set. At best, the catalog could only be used to register a claim in the selection, coordination, and/or arrangement of the photographs, rather than the actual items depicted in those images.

It appears that the work-around described above for the “unit publication” doctrine might work in this instance as well, although we have no precedent at this time and the rules are too new to have been put into practice yet. In other words, one might send in the catalog for its compilational authorship (see the discussion below) as one filing, and photographs of the unpublished

copyrightable collections of three-dimensional works as a second filing.

### 3. Compilational Authorship

One of the frequent types of authorship claimed in a copyright application is compilational authorship – i.e., the selection and arrangement of content. Examples of compilational authorship include designing content on a website, creating a catalog featuring photographs and text, creating literary anthologies, or any type of work that involves bringing together existing items into a new presentation or package.

Under the prior practice, completing a copyright application would simply involve specifying “compilation” or checking the box for “compilation” in the section on “nature of authorship.” The practice has changed, per Section 1006.4, and the applicant must now identify the components of the compilation, for example, “compilation of text and photographs” or “compilation of illustrations, text and photographs.”

As in every case where specificity is required, care must be taken to associate the correct author with the contents and to list all of the categories of contents or they will not be covered by the claim.

### 4. Register the Original Underlying Work before Registering Derivative Works

For works that evolve over time, such as websites or catalogs, it is important to bear in mind that registering the current version of a work protects only what is new and different from the original version of the work. Therefore, it is important to the fullest extent possible to register the earliest version of a work before registering the current version.

Clients sometimes do not retain the earliest archival copy of a work, making compliance with this advice difficult. There is a work-around: The applicant can make a request for relief from the deposit requirements, if all components of the original work can no

longer be recreated or a complete archival copy was not maintained (see Sections 1508.8 and 1511.8). However, the Compendium warns that even if registration is granted under this exception, the owner might not prevail in litigation. Section 1010.8 of the Compendium states, referring to protection for a website:

The U.S. Copyright Office may grant a request for special relief in certain situations and at its discretion. However, the applicant should be aware that prevailing in a copyright infringement action requires proof that the plaintiff’s work and the defendant’s work are substantially similar. If the content of a website has not been adequately preserved, the copyright owner may be unable to demonstrate what existed on that website at a particular point in time, even if the Office registered that content under a grant of special relief.

To avoid difficulties in enforcement, we recommend the retention and archiving of websites and other materials that are used and updated over the years, to allow for baseline copyright registrations. Doing so is important because U.S.-based individuals and companies are required to deposit their works for registration with the Copyright Office as a prerequisite to bringing an action in court. Moreover, there are substantial benefits to registration (for foreign owners as well), including the statutory presumptions that flow from a registration, as well as eligibility for statutory damages in lieu of proving actual damages, and recovery of attorneys’ fees.

*-SJD*

### **USPTO: NEW EXAMINATION STANDARDS FOR REPEATING-PATTERN MARKS**

On June 3, 2015, the United States Patent and Trademark Office (“USPTO”) issued a

new examination guide that applies rigorous examination standards to repeating-pattern marks. A repeating-pattern mark is any mark composed of a single repeated element or a repeated combination of designs, numbers, letters, or other characters, forming a pattern that is displayed on the surface of goods, on product packaging, or on materials associated with the advertising or provision of services. The repetition of the mark's elements is a feature of the mark.

In the past, repeating-pattern marks typically were represented in trademark applications as a swatch-type drawing. A swatch-type drawing depicts a sample of the repeating pattern in a rectangle. In a departure from prior practice, the USPTO will now only rarely accept swatch-type drawings. Instead, the USPTO now requires the drawing to depict the pattern as it appears on the item or portion of the item to which it is applied. The shape of the item to which the pattern is applied must be depicted in broken lines. For example, the drawing might depict the shape of luggage in dotted lines, with the repeating-pattern mark corresponding to where the pattern appears on the product.

A swatch-type drawing will be accepted only if the applicant shows substantial evidence that (1) the applied-for mark is actually used, or will be used, in various ways or on a variety of different items, but (2) it will nonetheless be perceived as a source indicator and create the same commercial impression across all uses.

For applicants unable to meet the high standard for a swatch-type drawing, separate applications may be required to accurately depict the mark and the particular manner of display and placement of the repeating pattern. The drawing will be considered a substantially exact representation of the mark as used on all of the goods in the application only if the identified goods are similar in form and

function, and the mark will appear in a similar manner on all of the goods. For example, if a repeating pattern is used in a similar manner on similarly-shaped purses of various sizes, a drawing showing the repeating pattern on one version of the purses (with the outline of the purse shown in broken lines) would be acceptable.

In cases in which a swatch-type drawing is submitted and the original description of the mark indicates that the pattern is used in a variety of ways, applications based on use or intent-to-use may be amended to conform to the new requirements, so long as such an amendment is not a material alteration. If the new drawing does not accurately depict the mark and the particular manner of display and placement of the repeating pattern on all of the goods identified in the original application, then the goods for which the depiction is not accurate must be deleted from the application. (It may be acceptable to divide such goods into a separate application, but the examination guide does not specifically state this.) Likewise, the drawing in these applications may be amended to depict a different placement of the pattern on a different type of item, so long as the change is not a material alteration of the mark.

However, applicants who do not file applications based on use or intent-to-use may not be able to amend an application that originally shows a swatch-like drawing to one that conforms to the new requirements. The reason is that the drawing in a U.S. application that is based on the applicant's home-country registration under Section 44(e) of the Lanham Act must be a "substantially exact representation" of the mark shown in the home-country registration. Thus, a drawing in a U.S. application that depicts the pattern as it actually appears on a product, with the shape of the item depicted in dotted lines, may not be considered a "substantially exact representation" of the swatch-type

drawing depicted in the home-country registration. Similarly, in the case of International Registrations extended to the U.S., no changes to the mark for which registration is sought are permitted. It remains to be seen how the USPTO implements the new examination guide in cases where the home-country registration and International Registration depict a repeating-pattern mark with a swatch-type drawing.

The new examination guide also issues guidance on determining when a repeating-pattern mark is inherently distinctive versus when it must be refused on the basis that the repeating pattern is merely ornamental or otherwise unregistrable on the Principal Register. In the latter instance, applicants will be permitted to seek to establish that the mark has acquired distinctiveness. However, a simple claim that acquired distinctiveness exists due to substantially exclusive and continuous use of the mark for more than five years will not be accepted. Instead, the applicant always will be required to submit actual evidence to support a claim of acquired distinctiveness.

Examination Guide 1-15 (Repeating Patterns) can be downloaded at this link: [USPTO Exam Guide](#).

- [ASR](#)

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# Information Letter

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### British Virgin Islands: NEW TRADEMARKS ACT IN EFFECT

The new Trademarks Act 2013 and Trademark Rules 2015 came into effect in the British Virgin Islands on September 1, 2015. Key provisions include:

- Abolishment of the "dual" registration system whereby a trademark application could either be filed independently or based on a UK

registration, in favor of independent filings only.

- Direct registration of service marks now possible, as opposed to requiring an underlying UK registration of the same mark.
- Mechanisms for priority filing under the Paris Convention introduced.
- Protection of well-known marks permitted.

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- Registration of certification and collective marks allowed.
- Renewal term reduced to ten years.
- Only registered trademark agents may file applications.

[-KL](#)

**Canada:** QUEBEC COURT OF APPEAL: “RECOGNIZED TRADEMARKS” MAY BE DISPLAYED ON EXTERIOR SIGNAGE EXCLUSIVELY IN LANGUAGES OTHER THAN FRENCH

*Attorney General of Quebec v. Best Buy et al.*, 2015 QCCA 747

In May, the Quebec Court of Appeal affirmed the decision of the Quebec Superior Court, permitting the display of “recognized trademarks” on exterior signage and storefronts in the Province of Quebec, in languages *other than French*, and without the usual requirement that prominent French text be added to such marks. This decision represents a victory for trademark owners, upholding their right to use their non-French trademarks in a uniform manner, without the addition of additional French terms, including on outdoor signage in Quebec.

### Background

In October 2012, a number of major retailers, including Best Buy, Curves, Walmart, Costco, Guess, and the Gap, filed a motion for declaratory judgment asking the Quebec Superior Court to rule that the presentation of a “recognized trademark” on exterior signage, in a language other than French and with no accompanying French text, complies with Quebec’s Charter of the French language (“Charter”) and corresponding regulations. As a general rule, the Charter mandates that public signs, posters, and commercial advertising in the Province of Quebec must be presented either in French, or in another language accompanied by French generic text that is “markedly predominant.” A

long-recognized exception to this general rule, however, applies to “recognized trademarks,” as defined by the Canadian Trade-marks Act. Under the Trade-marks Act, a “trademark” is defined as “a mark that is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,” and has been interpreted by courts to include both registered and unregistered marks. The question of whether, under the Charter, a “recognized trademark” must be registered remains open, but the *Office Québécois de la langue française* (or “OQLF”), the government body charged with enforcement of the Charter and regulations, has taken the view that registration is required for “recognized trademark” status, for administrative convenience. Under the Charter, “recognized trademarks” can appear on public signs, posters, and commercial advertising exclusively in another language, without the addition of French text, if the owner has not registered a French equivalent of its trademark.

Against this backdrop, and citing concerns about the increasing use of non-French text on storefront signs in Quebec, the OQLF has recently taken the position that non-French trademarks appearing on outdoor signage and storefronts must be accompanied by French generic language. As the basis for its position that such use does not fall within the “trademark” exception of the Charter and regulations, the OQLF argued that use of *any* business name on public-facing outdoor signage constitutes use as a *trade name*, not a trademark, and that trade names do not fall within the statutory exception.

The Quebec Superior Court rejected the OQLF’s arguments, holding that the Charter and regulations clearly exempt trademarks from the French language requirement, and the Attorney General of Quebec appealed.

## Decision of the Court of Appeals of Quebec

On appeal, the Attorney General emphasized its prior argument that the Charter requires that storefront signs displaying any company name must be presented in French. The Attorney General pointed out that, as trademarks on outdoor signage are offered to the public view in the manner of a trade name, such use is subject to the French-language requirement, and does not fall within the exception otherwise provided for “recognized trademarks.”

The Court of Appeals found the Attorney General’s argument unconvincing, particularly where the Charter explicitly covers display of trade names on public signs, posters, and commercial advertising. In this regard, the court held that the Charter and regulations must be accorded their proper meaning, including their stated exceptions. Furthermore, the court considered that upholding the exception to the general French-language rule for “recognized trademarks” would not eviscerate the purpose of the Charter to promote and protect use of the French language in Quebec.

The court further noted that, although the OQLF had changed its interpretation of the Charter, such a policy reversal could not overturn the legislation itself. The Charter and corresponding regulations clearly allow trademarks to appear exclusively in a language other than French under specified circumstances.

\* \* \* \* \*

Although the decision was appealable to the Supreme Court of Canada, the Attorney General of Quebec declined to take the case further. However, this outcome does not foreclose the possibility of a legislative elimination of the “recognized trademark” exception to the French-language requirement in Quebec. In fact, the Quebec government has announced that it

will present amendments this fall to the applicable regulation of the Charter, which would require businesses to add a French slogan or generic descriptor to their outdoor signage, but which would not impact trademarks. Under Canadian federal law governing the labeling of products, all “mandatory” product label information must be presented in both English and French, including a statement of the product’s common or generic name, though the trader’s name and address are not considered “mandatory” and may appear in either language. The amendments to be released this autumn may seek to create something of an analogous regime for storefront signage in Quebec.

For the moment, however, this decision represents a strong win for trademark owners. The compulsory addition of generic French text to a trademark could compromise the integrity of a mark and potentially jeopardize its distinctive nature. This decision enables trademark holders to display their trademarks on exterior signage in Quebec in the same format that they do elsewhere in Canada and throughout the world, promoting global uniformity and recognition of their marks.

To ensure that trademark owners may take full advantage of the court’s decision, given ongoing uncertainty about the OQLF’s application of the “recognized trademark” exception to *unregistered* marks, they should consider registering their non-French marks in Canada.

[-KLD](#)

**Chile:** AFTER WINNING MILESTONE CRIMINAL TRIAL IN CHILE, MICHAEL KORS SEEKS TWO MILLION DOLLAR COMPENSATION FOR TRADEMARK PIRACY

Global luxury lifestyle brand MICHAEL KORS recently secured one of the first criminal convictions for trademark

infringement under the new Chilean trademark law, in a case heralded by IP specialists as one of the most important convictions in recent time. The criminal conviction followed a successful administrative proceeding during which the Chilean Trademark Office cancelled the improper trademark registration for a MICHAEL KORS trademark by one of the defendants' companies, Comercial Tracciati Ltda., and recognized that MICHAEL KORS was a world-famous mark before the defendants filed their own trademark application in Chile back in 1998.

After a raid and seizure by the Chilean IP Crime Police Unit in Santiago, the Third Santiago Criminal Court ordered that the infringing MICHAEL KORS store in Santiago, Chile, run by Pablo Abumohor and his wife, Marisol Asfura Kuncar, remain closed. The court further ordered the destruction of an estimated US\$350,000 in counterfeited products seized at the fraudulent MICHAEL KORS store, imposed significant fines on local textile businessman Mr. Abumohor and Ms. Asfura Kuncar and also awarded legal costs to the Michael Kors company.

After the Michael Kors company succeeded in the criminal proceeding, it initiated a civil trademark infringement action, requesting more than US\$2 million in damages from the defendants and their related companies, Comercial Tracciati Ltda. and Comercial Terra Nova Ltda. The company also requested that the defendants' assets, totaling approximately 1,100,000 Chilean pesos (around US\$1.9 million), be frozen, pending the outcome of the civil proceeding. The assets include the building that was used for the fraudulent Michael Kors store and a personal home in uptown Lo Barnechea. The 17th Santiago Civil Court granted the request, despite appeals filed by the defendants. Additional legal costs were also awarded to the plaintiff by the Santiago Court of Appeals,

in response to the various recourses filed by the defendants.

In June 2015, the Chilean Trademark Office issued six different decisions accepting the Michael Kors company's oppositions against MK MICHAEL KORS and MK MARISOL KUNCAR & Design trademarks filed by Marisol Asfura Kuncar. The MK Logo in Ms. Asfura Kuncar's mark resembled the world-famous MK Logo used by the opponent. The Trademark Office found that the applications had been filed in bad faith and constituted unfair competition, particularly in connection with Ms. Asfura Kuncar's applications for MK MARISOL KUNCAR & Design.

The success in the criminal action, coupled with the successes in administrative proceedings before the Chilean Trademark Office, has cleared the way for the Michael Kors company to open two stores in Chile, one at the Santiago airport and another at the Parque Arauco mall's Luxury District.

## **Background**

Mr. Abumohor and his wife opened an unauthorized MICHAEL KORS store in Santiago in 2013, after the cancellation of their fraudulent trademark registration in 2011. In August 2013, the IP Crime Unit of Chilean Police raided the unauthorized store in one of Chile's biggest seizures of counterfeited merchandise. A criminal proceeding was subsequently initiated. Although the lower Chilean courts initially ruled in favor of the defendants, declaring them not guilty in May 2014, the Michael Kors company's local counsel filed an annulment action, which was upheld by the Santiago Court of Appeals. The Santiago Court of Appeals ordered a new criminal trial. In August 2014, the Third Santiago Criminal Court of Santiago found both Mr. Abumohor and Ms. Asfura Kuncar — owners of related companies Comercial Tracciati Ltda. and Comercial Terra Nova Ltda. — guilty of malicious trademark infringement and piracy. The decision was

unsuccessfully appealed by the defendants and confirmed by the Santiago Court of Appeals in October 2014. Further recourses by the defendants, even before the Chilean Supreme Court, were dismissed in November 2014, around the same time the first authorized MICHAEL KORS store opened in Chile at the Santiago Airport's new Duty Free area.

[-LTG](#)

*We thank Alessandri for their assistance in preparing this article.*

### **China:** NEW BALANCE LOSS EMPHASIZES KEY STRATEGIC POINTS FOR BRAND OWNERS

*Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd.*, 2013 Hui Zhong Fa Min Chu Zi No. 547 (Ghangzhou Interim. People's Ct. April 21, 2015)

On April 21, 2015, the Chinese subsidiary of New Balance Athletic Shoes, Inc. (Xin Bai Lun Trading (China) Co., Ltd., hereinafter "New Balance") was ordered by the Guangzhou Intermediate People's Court to pay approximately US\$15 million, representing 50% of profits since 2011, to an alleged trademark hijacker named Zhou Lelun. In *Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd.*, a Guangzhou shoe manufacturer successfully sued New Balance for using his registered 新百伦 (XIN BAI LUN in Chinese) mark, obtaining the above damages, a favorable injunction, and an order that New Balance publish relevant clarifications. A key unsuccessful defense for New Balance was that it used 新百伦 (XIN BAI LUN in Chinese) as a necessary Chinese "translation" and transliteration of its registered NEW BALANCE mark ("新" is the Chinese word for "new" and "百伦" is the transliteration of "balance.")

Commentators already have criticized the damages award as unjustifiably large, and

cited this case as yet another example of a Chinese trademark squatter using China's "first-to-file" practice to hold up a foreign brand owner, as in recent high-profile matters involving Australian winemaker Treasury Wine Estates, French winemaker Castel Frères, and American car maker Tesla.

As background, New Balance owned a 1983 Chinese registration for NEW BALANCE covering "shoes," while Zhou owned a 1996 registration for 百伦 (BAI LUN in Chinese) and a 2008 registration for 新百伦 (XIN BAI LUN in Chinese) both covering "shoes," among other goods. New Balance claimed use of the Chinese characters 新百伦 (XIN BAI LUN in Chinese) with its products and as a company name since 2003. On June 4, 2004, Zhou applied to register 新百伦 (XIN BAI LUN in Chinese) for "clothing and shoes," among other goods. Zhou claimed use of 百伦 ("BAI LUN" in Chinese) since 2005, and of 新百伦 (XIN BAI LUN in Chinese) since 2007, with shoes. In 2007, New Balance opposed Zhou's application to register 新百伦 (XIN BAI LUN in Chinese), but its claims were rejected in 2011. New Balance did not take additional steps to fight Zhou's registration of this mark, such as seeking review of the opposition decision or filing a first-instance administrative litigation action (which would have been appealable to a second-instance administrative litigation action).

In 2013, Zhou sued New Balance for trademark infringement and eventually won, as the court recognized his ownership of a valid Chinese trademark registration for 新百伦 (XIN BAI LUN in Chinese) and at the same time did not consider 新百伦 (XIN BAI LUN in Chinese) to be a necessary translation or transliteration of the NEW BALANCE mark, going so far as to state that the proper translation of the English name should have been a different Chinese

phrase 新平衡(XIN PING HENG in Chinese).

In its defense, New Balance had claimed that (i) its use of the disputed mark was out of good faith, not based on copying; (ii) its use of the disputed mark did not infringe on Zhou's trademark rights/cause confusion or likely confusion; (iii) the disputed mark was the name of an entity owned by New Balance and well-known products offered by New Balance; (iv) New Balance's prior use of the disputed mark did not infringe Zhou's later registration; (v) Zhou's registration was preemptive in nature and should not be a basis for an infringement action against a prior user of New Balance; and (vi) Zhou's claims lacked merit and should not be the basis for awarding him large profits through litigation. In support of its defenses, New Balance submitted, inter alia, its trademark registration for NEW BALANCE in Class 25, various reports, newspapers, and periodicals showing prior use of the disputed mark by New Balance, documentation of its local entity name filing, judicial decisions by government authorities stating that NEW BALANCE was a well-known mark, and seizure decisions and notifications by government authorities stating that the disputed mark was used with New Balance's well-known products.

Local practitioners familiar with the opinion have stated that New Balance should have emphasized prior use as its primary defense. Additionally, local practitioners have speculated that New Balance's rights in the disputed mark as a name of a well-known product or local business, and as a translation of the English NEW BALANCE mark, may not have been sufficiently supported with admissible, notarized evidence. Further, commentators generally agree that New Balance's failure to continue fighting Zhou's registration and use became a key issue, as the court noted that New Balance was aware of Zhou's mark due to its earlier unsuccessful opposition.

New Balance has filed an appeal to the Higher People's Court in Guangdong. This decision highlights, however, the practical importance of (i) carefully clearing and adopting a Chinese translation or transliteration of a mark, no matter how famous, and doing so as soon as possible; (ii) registering alternative translations/transliterations, even as merely a defensive measure; and (iii) taking all available steps to stop use of or invalidate registration(s) of an important competing mark, beyond a failed opposition or other decision of first instance.

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*We thank Chang Tsi & Partners for their assistance in preparing this article.*

### **China: WELL-KNOWN RECOGNITION OF TIFFANY'S TRADEMARKS**

In March 2015, China's Trademark Review and Adjudication Board ("TRAB") granted well-known status to Tiffany and Company's ("Tiffany") TIFFANY and TIFFANY & CO. trademarks. The recognition serves as a powerful tool, enabling Tiffany to prevent the dilution of its world-famous marks.

As it expanded, Tiffany has registered its numerous trademarks in China for a variety of goods and services, particularly in Class 14 for "*precious metal, vessel of precious metal and products coated with precious metal; jewelry; precious stones; jade; chronographs (clocks and watches).*"

Tiffany has filed various actions, including oppositions and cancellation actions, against companies that have tried to improperly benefit from the fame and reputation of its marks. In particular, Tiffany has opposed applications for nine confusingly similar marks filed in Classes 7 (heavy machinery); 12 (all types of transportation vehicles); 27 (home furnishings); 30, 31, and 33 (various food and beverage items); 34 (cigarettes) and 40 (material processing). In each of these

oppositions, the TRAB issued decisions recognizing the well-known status of Tiffany's marks across a variety of classes in which the marks were not registered. These decisions are important as Tiffany was able to enforce its rights against applications for goods and services that are not typically associated with fashion and luxury products. These decisions will be powerful tools to enable Tiffany to enforce its rights against infringers across a wide range of industries.

[-LTG](#)

*We thank Chang Tsi & Partners for their assistance in preparing this article.*

### **European Union:** ECJ ADVOCATE GENERAL RECOMMENDS 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 advocate general for the Court of Justice of the European Union issued his recommendation on the registrability of Société des Produits Nestlé SA's ("Nestle") three-dimensional mark, namely, the shape of its KIT KAT chocolate wafer bar. In doing so, he clarified the standard required to show that a three-dimensional product configuration has acquired sufficient distinctive character to warrant trademark protection.

**Procedural background:** On July 8, 2010, Nestle applied to register the following three-dimensional shape for its four-fingered chocolate-coated KIT KAT wafer bar (hereinafter "Chocolate Wafer Bar") as a trademark in the UK covering, *inter alia*, "chocolate products; bakery goods; pastries; biscuits; biscuits having chocolate coating; chocolate coated wafer biscuits; cakes; cookies; wafers" and related goods in Class 30:



Nestle's Chocolate Wafer Bar consists of a four-fingered chocolate-covered wafer that has remained nearly unchanged since it entered the market in 1935, though its size has been altered slightly since that time. Each of the "fingers" bears Nestle's KIT KAT logo, and the entire four-fingered bar is stamped with a logo design.

Nestle's competitor, Cadbury UK Ltd ("Cadbury") opposed Nestle's UK application on January 28, 2011, based, *inter alia*, on provisions of the UK Trademarks Act that transpose Article 3(1)(b), Article 3(1)(e)(i) and (ii), and Article 3(3) of the EU Trademarks Directive, which, *inter alia*, preclude registration of a mark that lacks distinctiveness or that consists exclusively of the shape that results from the nature of the goods themselves, or that is necessary to obtain a technical result.

On June 20, 2013, the UK Intellectual Property Office examiner found that the mark lacked inherent distinctive character, and that it had not acquired such character through use. According to the examiner, the mark consisted of the following three essential features:

- a) a basic rectangular slab shape;
- b) the presence, position, and depth of the grooves running along the length of the bar; and
- c) the number of grooves that, along with the width of the bar, determine the number of "fingers".

The examiner found that the first essential feature—the basic rectangular slab shape—resulted from the nature of the Chocolate Wafer Bars themselves, and therefore that the mark could not be protected except with respect to "cakes" and "pastries." He rejected the application for the remainder of the goods, finding that the other two essential features—the

presence, position, and depth of the grooves and number of such grooves—were necessary to obtain a technical result.

Nestle appealed the decision on July 18, 2013 to the High Court of Justice of England & Wales, Chancery Division, Intellectual Property (UK), arguing against the examiner's findings and also asserting that the mark had acquired distinctive character through its use. Cadbury cross appealed with respect to the registrability of the mark for pastries and cakes.

The High Court of Justice held that no distinction should have been made between “cakes and pastries” and the remainder of the Class 30 goods covered by the application, then referred the case to the European Court of Justice to clarify the following three questions:

- 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 regards 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.

**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 Advocate General's opinion:** With respect to the first question, the Advocate General noted that case law made clear that it is insufficient to show that a relevant consumer recognizes the trademark and associates it with the applicant's goods. Rather, the applicant must show that the relevant consumer believes the trademark indicates the “exclusive origin of goods concerned, without any possibility of confusion” (paragraph 38, citing *Philips* (C

299/99, EU:C:2002:377, paragraph 30). It rejected Nestle's contention that the trademark need not have been used alone but could be considered in combination with or as a component of a registered trademark to achieve distinctiveness. The Advocate General reiterated that although the trademark may have acquired distinctive character when used with another mark, it must be capable of identifying the origin of the good by itself. In other words, the issue is whether the shape sought to be protected by Nestle, considered on its own without its packaging or the KIT KAT trademark, serves to identify the chocolate bar as being the Chocolate Wafer Bar sold by Nestle. The Advocate General further commented that, while he was not the competent authority to make this determination, it would be difficult to show that the average consumer of such chocolate products would be able to determine that they originated from Nestle and not from some other trader, such as Cadbury.

In answering the second question, the Advocate General 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. Indeed, as the Advocate General explained, the rationale of Article 3(1)(e) is 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.

Finally, the Advocate General addressed whether Article 3(1)(e)(ii), the provision that precludes registration for signs consisting of the shape of goods necessary to obtain a technical result, applies only to the manner in which the goods function or also to the manufacturing process of the goods. According to the Advocate General, the provision applies to both the function of the goods and the manufacturing process. Here, 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. The angles of the grooves are determined by a specific chocolate mold used during the manufacture of the product.

The matter now awaits final judgement by the ECJ.

**Conclusion:** This decision underscores the difficulty of registering three-dimensional shape marks in the EU, as applicants of such marks must prove that the relevant consumer would view a shape, when standing alone, as indicative of the exclusive origin of the goods concerned, without any possibility of confusion. The opinion makes clear that it is not enough for the relevant consumer to simply recognize and associate the shape with the applicant.

Additionally, the Advocate General's opinion clarifies that the technical result preclusion to registration found in Article 3(1)(e)(ii) applies not only to the way a shape functions for the end user, but also the way the shape functions during the manufacturing process. The decision also confirms that Article (3)(1)(e) applies when any one of the grounds fully pertains to the sign since the purpose of the provision is to avoid granting an applicant a monopoly on any technical solutions or functional characteristics of a product.

The EU is not the only jurisdiction where Nestle faces challenges in trying to protect

its Chocolate Wafer Bar shape. Our March 2015 Information Letter reported a decision by the Singapore High Court revoking Nestle's registrations for its two-finger and four-finger Chocolate Wafer Bar shapes. [[March 2015 Newsletter Article](#)] There, the court found, *inter alia*, that the Chocolate Wafer Bar shape consisted of elements that were functional. It found that the rectangular slab shape, allowed for production and packaging at a commercially desirable speed, was selected to be deep and wide enough to hold sufficient quantities of chocolate and wafer filling while maintaining structural integrity, and cooled and set within certain time frames dictated by machines, the rate of production, and the length of the production line. The Singapore court also found that the presence and angles of the grooves facilitated removal of the product from its chocolate molds and also allowed for easy separation of the fingers by consumers, and that the number of grooves was informed by considerations such as the size of conventional shop displays, consumer hand size, and desired portion size.

[-CCW](#)

### **France and Netherlands:** RECENT DEVELOPMENTS IN COPYRIGHT LAW FAVORING CREATORS

The copyright laws of many jurisdictions have long recognized the "moral rights" of creators of copyrighted works, including, for example, the right of attribution or the right to prevent unauthorized alterations to a work. Recent developments in French and Dutch copyright law underscore additional ways in which the law may favor copyright creators in the commercialization of their assigned or licensed works by other parties, which should be carefully considered when drafting copyright-related agreements.

### **France: Paris Court of First Instance Strictly Interprets Scope of Copyright Assignment**

*Royer v. Coty, Inc.*, No. RG 12/08938 (June 19, 2015)

In a recent decision, the Paris Court of First Instance applied a strict interpretation of Article L. 131-3 of the French Intellectual Property Code, which sets forth formal requirements for copyright assignments. Article L. 131-3 requires that each assigned right must be separately mentioned in the deed of assignment, and that the mode of exploitation of assigned rights must also be defined in scope, geographic coverage, and duration. Prior French case law had limited the application of Article L. 131-3's formal requirements only to certain specific situations, including publishing and audiovisual production agreements. However, in recent years, French courts have begun applying a strict interpretation of Article L. 131-3 more broadly.

In line with this recent trend, the Paris Court of First Instance ruled largely in favor of individual freelance designer, Emanuelle Royer ("Royer"), in her dispute with beauty products manufacturer Coty ("Coty"). Ms. Royer had worked on the designs of several fragrance bottles for use by Coty with its licensed fragrances for Jil Sander, Bottega Veneta, and Chloe. Although the court held that Royer did not enjoy copyright in her modifications to Coty's design for a Chloe fragrance bottle at issue, as Royer's contributions did not meet the threshold for originality, she was successful in her other claims.

In particular, Royer's design for the bottle of the Jil Sander "Jil" fragrance featured, *inter alia*, a rectangular shape with a clear glass face. The "Jil" fragrance, including Royer's bottle design, was put on the market in 2009. In 2010, Royer discovered that Coty was marketing a new fragrance, "Sensual Jil", using the identical bottle design that Royer had created for "Jil," but with a

different, deep blue color for the bottle's glass face. Royer filed suit, alleging that this blue variation was not included in her initial assignment of copyright to Coty. The court agreed, holding that the sale of "Sensual Jil" in the blue bottle amounted to copyright infringement of Royer's design, absent specific authorization or the transfer of copyright from Royer with respect to the design in a deep blue color. Where the agreement with Coty covered only the "Jil" bottle and was silent as to design modifications, including color, the court found that Royer had not assigned her rights to variations of the bottle in different colors.

In its holding, the court emphasized that agreements transferring copyright must be interpreted strictly. In particular, assignment agreements must separately identify each of the rights assigned, as well as the precise forms of exploitation and commercialization of the work that are contemplated by the assignment. All rights and all means of commercialization that are not expressly mentioned in the agreement are deemed not to be assigned by the creator of the work.

### **The Netherlands: New Copyright Contract Law Strengthens Position of Creators**

On July 1, 2015, changes to the Netherlands' copyright contract law, set forth in the Dutch Copyright Contract Act of 2015, took effect. The new law largely benefits creators of copyrighted works, seeking to strengthen their contractual position and assist them in recouping the economic benefits of exploitation of their works.

For example, the act follows Dutch case law in taking a strict view of the scope of copyright agreements, specifying that a whole or partial assignment of a copyright, or the grant of an exclusive license, "shall comprise only the rights that are stated in the deed or that necessarily derive from the nature and purpose of the title or the grant

of the license." Similar to the French courts' recent approach, this provision favors copyright creators where new means of exploiting their work are developed after they have entered into a contract transferring their rights. However, on its face, the Dutch law also seeks to accommodate the interests of contractual grantees, including as part of a copyright grant any unspecified rights that, of necessity, arise from the "nature and purpose" of the original grant.

The new law also includes a "bestseller clause," which ensures that a creator of a copyrighted work may obtain "additional fair compensation," to be determined by the Dutch Minister of Education, Culture and Science, when contractual compensation is "seriously disproportionate to the proceeds from the exploitation of the work." Although such terms as "seriously disproportionate" remain open to interpretation, this and other provisions of the new law strengthen the ability of copyright creators to benefit from their works, not only when new and unforeseen modes of exploitation are developed, but also where the works meet with unexpected success through the modes originally contemplated by the parties.

Considering the foregoing, of perhaps greatest significance is the choice-of-law provision of the Dutch act. This section mandates not only that a copyright creator cannot waive the provisions of the new law, but also provides that, regardless of the law actually selected by the parties to govern their contract, these new provisions of the Dutch copyright law will apply if (1) the contract would have been governed by Dutch law absent a choice-of-law clause; or (2) the exploitation of the copyrighted work takes place or should take place entirely or predominantly in the Netherlands.

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These recent developments in France and the Netherlands illustrate the necessity of

precision in drafting copyright agreements, both in the EU and beyond. It is essential to carefully consider and specify the exact rights to be transferred, their geographic scope and duration, and the means of commercialization contemplated by the agreement. Absent specificity, rights not explicitly set forth in agreements are deemed by some local courts and statutes to remain with the creator. Even where copyright contracts are carefully drafted, the parties should bear in mind that private agreements are in many instances subject to local laws intended to protect and support the creator in benefiting from the commercial exploitation of their copyrighted work.

[-KLD](#)

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