FROSS ZELNICK LEHRMAN & ZISSU, P.C.

INFORMATION LETTER

EDITOR: JANET L. HOFFMAN

MARCH 2014

WE ARE PLEASED TO ANNOUNCE THAT KAREN LIM has become a partner of the firm. Karen's practice focuses on the selection, clearance, prosecution, maintenance and enforcement of trademarks in the U.S. and globally; managing worldwide trademark portfolios; and preparing agreements and licenses pertaining to intellectual property. Karen has extensive experience in trademark registration practice before the U.S. Patent and Trademark Office and the Trademark Trial and Appeal Board. Her practice spans a broad range of industries, including consumer and luxury goods, pharmaceutical products, cosmetics and fashion, entertainment, accommodations and leisure, financial services and information technology. She holds an M.A. from Cambridge University, an M.F.A. from the University of Michigan and a J.D. from Fordham University School of Law where she was a Notes and Articles Editor of the *Fordham Law Review*. Karen clerked for the Hon. Harold Baer, United States District Court for the Southern District of New York. She serves on the Board of Directors of the Asian American Bar Association of New York and co-chairs its Intellectual Property Law Committee. Before becoming an attorney, Karen was a member of United Scenic Artists and designed costumes for theater and opera productions across the U.S.

WE ARE ALSO PLEASED TO REPORT THAT THE WORLD TRADEMARK REVIEW 2014, The World's Leading Trademark Professionals, ranked Fross Zelnick in the Top Tier (Gold) in both the United States-National and United States-New York categories. Special mention was made of the following partners:

- For Enforcement and Strategy – **RICHARD LEHV** ("brilliant" and "widely lauded in his chosen brand-related disputes specialism"), **DAVID DONAHUE** ("invaluable know-how"), **JOHN MARGIOTTA** ("contentious skill…widely acknowledged"), **CRAIG MENDE** ("great guy who takes a meticulous approach to his diverse remit") and **ROGER ZISSU** ("esteemed advocate" who "splits his time between copyright, unfair competition and trademark-related cases");

- For Prosecution and Strategy – **LARRY APOLZON** ("singled out by U.S. and overseas contemporaries for his prosecution acumen"), **CARA BOYLE** ("business-minded"…with "rich experience of managing portfolios numbering thousands of marks" and strength in "[d]ue diligence work on IP transactions and commercial agreements"), **CARLOS CUCURELLA** ("excellent quality service and consummate pragmatism" with "particular forte" on Latin American issues), **SUSAN DOUGLASS** ("second to none"), **DAVID EHRLICH** ("sophisticated, swift and efficient"), **MARK ENGELMANN** ("robust guidance"), **LYDIA GOBENA** ("personable and

DISCLAIMER: Attorney advertising. Prior results do not guarantee a similar outcome.

versatile…chosen counsel of many renowned luxury goods brands"), **Nadine Jacobson** ("incredibly detailed understanding of U.S. and international law"), **Craig Mende**, **Allison Ricketts** ("fast cementing a name as a sagacious counselor") and **Peter Silverman** ("fantastic attorney").

Laura Popp-Rosenberg and **Jason Jones** defeated a preliminary injunction motion on behalf of client Athleta, Inc., a leading retailer of women's performance apparel and gear and part of The Gap, Inc.'s portfolio of companies. Plaintiff Body Wisdom Media, Inc. sought a preliminary injunction to stop Athleta's use of a pinwheel design as a logo, alleging likelihood of confusion with Body Wisdom's own pinwheel design logo used in connection with fitness DVDs. Athleta had adopted the challenged pinwheel logo seven years ago and had used it across its business since that time. Athleta argued that a preliminary injunction was not warranted because, among other things, Body Wisdom had not submitted sufficient evidence of its claimed common law rights; the marks are dissimilar due to use of accompanying house marks; the parties' goods – clothing v. fitness DVDs – are different and do not share trade or advertising channels; and there was no actual confusion over seven-years' coexistence. The U.S. District Court in Maryland denied Body Wisdom's motion, ruling that Body Wisdom was not likely to succeed on the merits of its infringement claim, because, inter alia, the parties' goods are different and had coexisted under the respective marks without confusion for a number of years. The court also held that any injunction would harm Athleta, which uses the challenged pinwheel design across its entire business. The case is *Body Wisdom Media, Inc. v. Athleta, Inc.*, No. 8:13-CV-02967 (D. Md.) and the respective marks appear below.

David Donahue and **Jennifer Insley-Pruitt**, on behalf of The Regulatory Fundamentals Group ("RFG"), successfully defeated a motion for summary judgment brought by Governance Risk Management Compliance, LLC ("GRMC"), Manhattan Advisers LLC and Greg Wood (collectively, "Defendants") in the U.S. District Court for the Southern District of New York. Defendants sought dismissal of RFG's claims that Defendants had exceeded a license from RFG to GRMC by appropriating RFG's original copyrighted works for Defendants' own purposes and by removing RFG's copyright management information ("CMI") and replacing it with Defendants' false CMI. The court ruled that issues of fact as to whether such use was permitted or intended to be permitted under the terms of the license precluded summary judgment. Accordingly, RFG's claims for copyright infringement under Section 501 of the Copyright Act and for removal and falsification of CMI under Section 1202 of the Copyright Act will proceed toward trial.

David Donahue was quoted in a January 29, 2014 *Reuters Legal* article entitled "EFF Says California Copyright Case Is Political," regarding a copyright infringement lawsuit filed by the Vice Chairman of the California Republican Party against a blogger who posted her photograph in negative blog posts. In the article, David commented on the strength of the defendant's fair use defense given that the case involved the use of copyrighted works to further critical political speech.

DAVID DONAHUE served as co-chairman of the Copyright Society of the USA's Midwinter Meeting Committee. The Midwinter Meeting was held in Miami, Florida from February 6-8 and featured several panel discussions on hot topics in copyright law, including the impact of the Google Books fair use decision, the Raging Bull laches case pending before the U.S. Supreme Court, copyright misuse, and pre-1972 sound recordings, among other issues.

WE WELCOME CELADON WHITEHURST, who has joined the firm as an associate in our International Group. Celadon comes to us from a clerkship with the Honorable Carolyn E. Demarest of the Supreme Court's Commercial Division in Kings County. Previously, Celadon held legal internships with Grand Army Managed Enterprises, LLC, the U.S. Attorney's Office (Eastern District of New York) and at Deborah A. Nilson, PLLC. While in law school, Celadon served as a Cardozo Magistrate Fellow Legal Intern with The Honorable James L. Cott, United States District Court for the Southern District of New York. Prior to attending law school, she worked at Fross Zelnick as a Legal Assistant in our International Group. Celadon graduated from Emory University with a Bachelor of Arts in International Studies in 2006 where she was on the Dean's List and a member of Pi Sigma Alpha National Political Science Honorary Society as well as the National Society of Collegiate Scholars. She received her J.D. from Benjamin N. Cardozo School of Law in 2012, graduating *magna cum laude* with a concentration in Communications & Intellectual Property law. Celadon received the following additional law school and graduate honors: *Order of the Coif, Magistrate Fellow (noted above), a Cardozo Full Tuition Merit Scholar and Dean's Fellow (post-graduate).* She also served as Articles Editor on the *Cardozo Arts & Entertainment Law Journal*.

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Information Letter

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UNITED STATES

Regulation of Beverage Names: MAY COMPETITOR CHALLENGE BEVERAGE NAME BASED ON LANHAM ACT?

Pom Wonderful LLC v. The Coca-Cola Company, 679 F.3d 1170 (9th Cir. 2012), cert. granted January 10, 2014

This case involves the labeling of a blended juice beverage named "Pomegranate Blueberry," sold under Coca-Cola's MINUTE MAID brand, depicted in the column to the right.

This beverage contains 99.4% apple and grape juices. The plaintiff, Pom Wonderful LLC ("Pom Wonderful"), produces a competing product containing only pomegranate juice and blueberry juice. Pom Wonderful sued Coca-Cola under Section 43(a) of the Lanham Act, alleging that the prominent use of "pomegranate blueberry" on the label of such a beverage was deceptive. It was apparently uncontested that the MINUTE MAID brand beverage labeling was in compliance with Food and Drug Administration ("FDA") regulations on juice beverage labeling, which state that the manufacturer may name a beverage using the name of a flavoring juice that is not the predominant juice by volume in the beverage. (21 C.F.R . Section 102.33(c), issued by the FDA under authority granted by the Federal Food, Drug and Cosmetic Act ("FDCA"), to regulate food and beverage labeling, including to police labeling which is false or misleading, 21 U.S.C. Section 343(a)(1)). The contested label also disclosed the actual juices in the beverage.

The case was brought before Judge S. James Otero of the United States District Court for the Central District of California, who granted Coca-Cola's motion to dismiss the complaint for failure to state a claim (727 F. Supp. 2d 849 (2010)). This decision was affirmed by the United States Court of Appeals for the Ninth Circuit, which held that the intent of Congress was to comprehensively regulate the field of beverage labeling by giving the FDA sole authority; accordingly, the plaintiff could not seek to impose more stringent standards of labeling via a claim under the Lanham Act. Such a result, according to the court, would "undermine the FDA's regulations and expert judgments," and "if the FDA believes that more should be done to prevent deception, or that Coca-Cola's label misleads consumers, it can act." Neither party challenged prior settled law that the plaintiff did not have a private right of action to enforce the FDCA or to compel the FDA to make a specific determination as to whether the label at issue was deceptive. The court noted that the FDA could have acted under its policing authority against this particular label, but apparently chose not to do so. In so ruling, the court was also careful to state that mere compliance with the FDCA or with FDA regulations would not always, or even usually, insulate a defendant from liability under the Lanham Act. The court also held – an issue apparently not on review to the Supreme Court – that the FDCA and FDA regulations may preempt false advertising claims brought by the plaintiff under California state law, and sent the case back to the trial court to make a determination on that issue. The lower (district) court had not ruled on preemption because it dismissed the state claims on a technicality about standing.

The question now before the United States Supreme Court is whether a private party can bring a Lanham Act deceptive labeling claim challenging a product label already regulated, as to possible deceptiveness, under the FDCA.

A broadly worded Supreme Court decision could have wide-ranging effects on the rights of plaintiffs seeking to bring Lanham Act deceptiveness claims in the areas of food, beverages, cosmetics and pharmaceuticals, all regulated by the FDA. The practical significance of the Supreme Court decision, however, may be limited by the existing high level of FDA regulation in some product areas. FDA regulation of advertising and labeling claims for prescription drugs, for example, is generally perceived as quite stringent, so potential plaintiffs in that field might not believe that a court (even if it could in a Lanham Act claim) would hold a competitor of the plaintiff to a higher standard than would the FDA.

It may also be interesting to see whether the Supreme Court will weigh the FDA's theoretical authority to act, versus the FDA's practical ability to act, against food or beverage labeling that might only be borderline misleading. The plaintiff in this case may well argue that the FDA may not act in many worthwhile cases due to budget constraints, creating an enforcement gap that should be filled by private claims under the Lanham Act. A Bloomberg news service report on the case quoted the plaintiff as stating that the Ninth Circuit's ruling "undermines the transparency that health-conscious consumers rightly expect so that they can make informed decisions about what they eat and drink." Clearly this decision will be anticipated with great interest for companies in these important industries.

- DWE

Copyright (Over-the-Air Streaming): Can Online Service Stream Over-the Air Television Broadcasts to Paying Customers Without TV Networks' Permission?

ABC, Inc. v. Aereo, Inc., 571 U.S. __ (Jan. 10, 2014) (No. 13-461)

The U.S. Supreme Court has agreed to hear an appeal by major television broadcasters from a decision permitting Aereo, Inc. to continue streaming over-the-air television broadcasts to its paying subscribers without compensating the networks or other content providers.

In April 2013, the U.S. Court of Appeals for the Second Circuit affirmed the denial, by a federal judge in New York, of the television networks' motion to preliminarily enjoin Aereo's service, which uses thousands of coin-sized antennas to receive over-the-air broadcasts and stream them separately to its different users. *See American Broadcast Co., Inc. v. Aereo, Inc.*, 874 F. Supp. 2d 373 (S.D.N.Y. 2012).

Under Section 106 of the U.S. Copyright Act, copyright owners have the exclusive right to make a "public performance" of their works. The broadcasters argue that Aereo – like cable and satellite companies – should therefore be required to pay for a license to rebroadcast the networks' content.

The Second Circuit rejected that argument, however, holding that because Aereo dedicates one antenna to one subscriber at any given time (hence the thousands of separate antennas), and each transmission goes to only a single user, there is no "public" performance, and therefore the streaming does not encroach on the copyright owners' exclusive public performance right. *WNET v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013).

The Second Circuit's majority decision turned on its reading of the "Transmit Clause" in the definition of a public performance under the U.S. Copyright Act, which provides:

To perform or display a work "publicly" means . . . to transmit or otherwise communicate a performance or display of the work . . . to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Because the Aereo system involves separate reception and transmission of a broadcast for each separate Aereo subscriber, the Second Circuit majority ruled that there were numerous private transmissions to individual subscribers, but no public performance.

Second Circuit Judge Denny Chin argued, in dissent, that Aereo is "over-engineered" to take advantage of a loophole in the Copyright Act. Federal courts in California and Washington, D.C. have followed Judge Chin's lead, finding that the streaming conducted by Aereo and another similar service is made generally available to members of the public and therefore constitutes a "public performance" under the Copyright Act, even if each subscriber views his or her own unique copy separately.

The Supreme Court will hear the networks' appeal from the Second Circuit decision this spring.

-CSM

Trademark Decisions: When a District Court Must Confront a Trademark Trial and Appeal Board Opinon

B & B Hardware, Inc. v. Hargis Industries, Inc., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, 2013 WL 5276022 (U.S. Sept. 18, 2013) (No. 13-352) and *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014)

Two recent cases in the news highlight the two different ways that an opinion by the Trademark Trial and Appeal Board ("TTAB") can wind up before a federal district court. And, in both contexts, the chief question is how much preclusive effect or deference is owed to the TTAB's holdings.

In the first case, *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, 2013 WL 5276022 (U.S. Sept. 18, 2013) (No. 13-352), the Supreme Court currently is considering whether to grant certiorari in a civil infringement action brought by B&B Hardware. B&B Hardware owns a registration for SEALTIGHT for self-sealing nuts and bolts based on first use in 1990. It opposed an application filed by Hargis for the mark SEALTITE for another type of sealing fasteners made up of screws and washers based on a later first use date. After conducting a likelihood-of-confusion analysis using the so-called *DuPont* factors and finding, *inter alia*, that the marks were "substantially identical," the products were "closely related" and actual confusion had resulted, the TTAB sustained the opposition. *B & B Hardware, Inc. v. Sealtite Building Fasteners*, Opp. No. 91155687, 2004 WL 1776636 (T.T.A.B. Aug. 6, 2004); *see also Application of E. I. DuPont DeNemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973). Hargis did not appeal.

B&B then turned to the district court, in which it had already initiated an infringement action. However, there, the jury found for defendant Hargis, including on the infringement claim. B&B failed to convince either the district court or the Court of Appeals for the Eighth Circuit that the TTAB decision should be given preclusive effect or, even, admitted into evidence. The district court refused to hold the TTAB decision had preclusive effect on the ground that the TTAB was not an Article III court. The district court would not admit into evidence the TTAB decision because the thirteen *DuPont* factors differed from the six factors that must be considered under Eighth Circuit law in determining likelihood of confusion. The Court of Appeals for the Eighth Circuit affirmed, pointing to the different (albeit overlapping) factors. 716 F.3d 1020, 1025 (8th Cir. 2013). One judge dissented.

The questions presented to the Supreme Court are, first, "[w]hether the TTAB's finding of likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation . . . ," and, second, if Hargis is not estopped from relitigating likelihood of confusion, what, if any, deference is due to the TTAB's finding. B&B argues that there is a four-way split on these issues among the U.S. circuit courts, which would indicate the need for the Supreme Court to step in and resolve the split. But, Hargis takes issue with this characterization, calling the split illusory. Hargis insists instead that circuit courts across the country are uniform in that they determine what, if any, preclusive effect is owed to TTAB decisions on the facts of each case, not based on a black-and-white rule.

Notably, on January 13, 2014, the Supreme Court invited the Solicitor General to file a brief in the case expressing its position. This invitation strongly suggests that the Court will grant certiorari. Any decision by the Supreme Court on the questions presented would undoubtedly affect strategic decisions concerning whether to pursue *inter partes* proceedings before pursuing an infringement action in federal court.

The second case, *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014), concerns appeals to the district court of TTAB final decisions brought pursuant to Section 21 of the Trademark (Lanham) Act, 15 U.S.C. § 1071(b). Under Section 21, a litigant in an *inter partes* or *ex parte* proceeding, who is "dissatisfied with the decision of the . . . Trademark Trial and Appeal Board" may seek "remedy by civil action." 15 U.S.C. § 1071(b). More often litigants challenge a TTAB decision by appealing to the Federal Circuit under 15 U.S.C. § 1071(a), which permits an appeal based solely on the record below. In stark contrast, appeals to the district court permit the parties to submit new evidence.

Before the Fourth Circuit's decision in *Swatch*, it was said that the district court would "sit in a dual capacity" for Section 1071 appeals. *Skippy, Inc. v. Lipton Invs., Inc.*, 345 F. Supp. 2d 585, 586 (E.D. Va. 2002) *aff'd*, 74 F. App'x 291 (4th Cir. 2003). "On the one hand, the court [sat as] an appellate reviewer of facts found by the TTAB. On the other hand, the court [sat as] a fact-finder based on new evidence introduced to the court. Review of new evidence [was] *de novo*. The district court, . . . however, [was to] afford deference to the fact-findings of the TTAB." *Id.*

In *Swatch*, however, the Fourth Circuit overruled this precedent holding that "where new evidence is submitted, <u>*de novo* review of the entire record</u> is required because the district court 'cannot meaningfully defer to the PTO's factual findings if the PTO considered a different set of facts.'" *Swatch AG*, 739 F.3d at 156 (quoting *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012)) (emphasis added).

The Fourth Circuit's holding enhances the allure of bringing an appeal to district courts in the Fourth Circuit, as opposed to the Federal Circuit, since the appellant can guarantee itself a "fresh look" at its case simply by supplementing the record with new evidence. It remains to be seen whether other circuit courts will follow the Fourth Circuit's lead or whether a split will emerge, potentially setting the stage for another trip to the Supreme Court.

- LK

Trademark Trial and Appeal Board:
Class 35 Decision

Fiat Group Marketing & Corporate Communications S.p.A. ___ U.S.P.Q.2d ___ (TTAB 2014)

The USPTO's Trademark Trial and Appeal Board ("TTAB") has decided that an application filed in the U.S. that recites the Class 35 class heading may not be amended to identify retail store services, as such services are not within the scope of the ordinary meaning of the words in the class heading.

In *In re Fiat Group Marketing & Corporate Communications S.p.A.* ___ U.S.P.Q.2d ___ (TTAB 2014), the applicant extended its International Registration for its mark FIAT 500 to the U.S., seeking registration in Class 35 for the International Class 35 heading in its entirety: "advertising services; business management; business administration; office functions."

In response to the first Office action which required that certain of the services be identified more specifically, the applicant amended Class 35 to cover "advertising services; retail store and on-line retail store services featuring a wide variety of consumer goods of others." The Examiner refused to accept the "retail store services" portion of the amendment, because "this wording is beyond the scope of the identification because the initial application did not list any store services of any kind, nor any services which would encompass them . . . ."

The U.S. Trademark Manual of Examination Procedure provides that "for the purpose of determining the scope of an identification, the examining attorney should consider the ordinary meaning of the wording apart from the class designation." TMEP § 1402.07(a). The rule also provides that "the USPTO will not permit the applicant to amend to include any items that falls in the class, unless the items fall within the ordinary meaning of the words in the heading . . ." *Id*.

The applicant appealed the Examiner's refusal to the Board, arguing that it should be allowed to specify retail store services because the language in the original specification comprised the full class heading for Class 35, and Class 35 protects retail and store services. The Board rejected that argument, ruling that the words comprising a class heading do not include all goods or services in the class. The applicant also argued that "retail store services" are within the ordinary meaning of the words "business management." The Board also rejected this argument. Based on dictionary definitions for "business management," the Board found that business management "entails a business-to-business service with one company helping another company function better in its business," whereas retail store services "involve entities bringing together different goods for retail purchase by consumers; this is a service offered to the purchasers of the goods." Thus, the Board found that retail store services are not within the scope of the ordinary meaning of the words "business management." The Board also rejected applicant's argument that reciting the class heading is equivalent to claiming an intention to use a mark on "all of" the goods or services within a class, because in that instance, the plain meaning of the words "all of" leads to a different result. The Board also was unpersuaded by the fact that in an application presenting the identical facts for a companion application, the applicant had been allowed to amend from the Class 35 class heading to identify "retail store services."

The Board concludes that class headings are "by their nature comprised of intentionally broad terms, but do not necessarily cover all goods or services within that class." This position differs from the view in some other countries that the scope of a class heading encompasses the entire alphabetical list of acceptable goods or services for that class. In a footnote, the Board "notes a trend" to move away from this so-called "class heading covers all" interpretation, citing the *IP Translator* case, Case C-07/10[2012] *Chartered Institute of Patent Attorneys v. Registrar of Trade Marks*, and the change in OHIM policy that followed requiring an applicant using class headings to affirmatively indicate that it is seeking protection for all listed goods or services in the class.

Practice Pointer: To the extent permitted by the practice of the country of the basic application or registration, and by the International Bureau, to be cautious, applicants seeking an extension of protection of an IR into the U.S. that recites the Class 35 class heading should specify the actual services of interest in Class 35 for the U.S. extension before the designation is forwarded to the U.S.

- ASR

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INTERNATIONAL

Canada: STATUS OF USE/REGISTRATION ABROAD FILING BASIS

Thymes, LLC v. Reitmans Canada Limited, 2013 FC 127 (February 6, 2013) (Appeal discontinued.)

The three most common filing bases for trademark applications in Canada are (1) use of the mark in Canada, (2) proposed use of the mark in Canada, and (3) registration in the applicant's country of origin combined with use of the mark anywhere (an application can be claimed as a basis pending its registration; this basis is sometimes referred to herein as "registration/use abroad"). Including multiple filing bases allows for flexibility, because if one filing basis is deemed improper, the application may proceed provided that a proper filing basis remains. Under local practice, an application may be amended to add registration/use abroad as a filing basis any time prior to publication, which typically allows months or years following the filing date for such amendment. Additionally, prior to *Thymes*, no clear decision existed concerning whether the use abroad must have taken place prior to the date of filing the application.

In *Thymes*, the applicant filed an application for THYMES & T Design covering a variety of goods in Class 3, claiming use and registration in the U.S. as a filing basis (along with proposed use in Canada). The application was opposed by the owner of THYMES MATERNITY, and the Registrar refused registration on two grounds (1) failure to show use of the applicant's mark in the U.S. as of the filing date of the application in Canada (required by s. 16(2) of the *Trade-marks Act*) and (2) likelihood of confusion with the THYMES MATERNITY mark. The applicant appealed to the Canadian Federal Court, where the court considered the Registrar's refusal and the Opposition Board's decision against the applicant. Notably, the application apparently was flawed in pertinent part because at the time of filing the applicant claimed use and registration in the U.S. as a basis, while the evidence indicated there was no use of the mark in the U.S. at the time of filing. In upholding the Registrar's refusal, and ultimately the Opposition Board's decision against the applicant on the issue of likelihood of confusion with THYMES MATERNITY mark, the court made two sweeping statements concerning Section 16(2) of the Canadian *Trade-marks Act*, creating an apparent ambiguity for trademark applicants, going forward.

Before *Thymes*, practitioners generally understood that trademark applicants could add the registration/use abroad filing basis after the application date and before publication, so long as the mark was in use when such filing basis was added. Practitioners further understood that registration/use abroad required registration in the applicant's home country combined with use *anywhere*.

In *Thymes*, the court made the following two bulleted statements, discussed separately below:

- There is no doubt a proper reading of [Section 16(2)] requires that, at the time of filing the application, if an applicant relies on registration or application and use abroad pursuant to that section, *there must have been use of the trade-mark at the time of the application to rely on this section as a valid basis to obtain registration in Canada*. [Emphasis added.]

A broad reading of this first statement would require that the registration/use abroad filing basis must now be supportable at the time of filing, even where the basis is added after filing and before publication. Such a requirement would reduce the flexibility that practitioners have previously relied upon in structuring trademark applications.

- It is clear that section 16(2) of the Act emphasizes that *use of the mark in the country of origin of the applicant is a requirement for registration in Canada*. [Emphasis added.]

As to the second statement, prior to *Thymes*, the common reading of Section 16(2) was that the registration must be in the applicant's country of origin, but use of the mark could take place anywhere (even outside the home country). The definitive nature of the court's interpretation of the statute could be seen as signaling a significant change in practice. Whether this interpretation is correct is a matter of discussion among practitioners. Without the benefit of further appeal, however, it remains to be seen whether this interpretation will ultimately withstand scrutiny. That said, the decision does add a note of caution for applicants seeking to rely on the registration/use abroad basis.

Thymes clearly has no bearing on cases where the applicant can claim (and support) registration and use in the country of origin prior to filing. But the decision is significant for applicants who wish to claim registration/use abroad as a filing basis where the relevant supporting use (i) follows the filing date, (ii) takes place outside the applicant's country of origin, or (iii) both. Accordingly, especially following *Thymes* when alleging registration/use abroad it would be prudent to include at least one additional filing basis (e.g., use or proposed use in Canada).

- AT

China: OPPOSITIONS – REPUTATION A FACTOR IN ASSESSING SIMILARITY OF MARKS

On October 24, 2002, a Mr. Lin filed an application with the China Trademark Office ("CTMO") for the following alligator design:

covering "garments, shoes, neckties, shirts, t-shirts, socks, woolen fabric jacket (clothes), knitwear, underwear, pants, etc" in Class 25. The CTMO rejected the application citing a prior registration in the name of Lacoste (France) ("Lacoste") for an alligator design trademark ( ) covering identical goods in Class 25. Lin appealed the decision to the Trademark Review and Adjudication Board ("TRAB"), which overturned the rejection and allowed the mark to proceed to publication. Upon publication, on November 20, 2007 Lacoste opposed, arguing that (1) the opposed mark is similar to the cited one and (2) the Lacoste mark is a well-known trademark warranting heightened protection. The CTMO considered reputation evidence in ruling in Lacoste's favor on the first argument, but did not find it necessary to address whether the Lacoste mark was a well-known trademark. The opposition was successful and the application was rejected. Lin appealed to the TRAB, which upheld the CTMO decision. The TRAB concluded that the marks differed only slightly, mostly in orientation and that "the two marks, when used on similar goods, are likely to cause confusion and misidentification among consumers."

Lin appealed this decision further to the Beijing No. 1 Intermediate Court, which affirmed the TRAB decision and further noted that the marks were similar in overall appearance and visual effect. In particular, the court pointed out that because consumers do not often get the opportunity to compare the marks side by side, the similar overall impression of the applicant's mark was likely to confuse consumers.

On further appeal to the Beijing Higher Court, Lin argued that the TRAB had been inconsistent in its approach to assessing the similarity of the marks and, moreover, had committed procedural error in taking into account Lacoste's reputation evidence in assessing similarity of the marks. The court noted that in the initial ex officio proceeding before the CTMO (and the TRAB), Lacoste was unable to intervene or provide evidence. In the opposition, however, additional facts were brought into play, as Lacoste was procedurally permitted to file submissions relating to reputation. Given the differences in evidence provided, the court concluded that the TRAB's opposition decision rejecting the application was justifiably in disagreement with its decision to approve the mark for publication at the examination stage. Accordingly, in addition to upholding the earlier rejection decision based on the similarity of the marks, the court also explicitly found it appropriate to take into account "the reputation and distinctiveness of the cited mark" for clothing, affirming the decisions of the first instance court and the TRAB.

This case may indicate a trend toward recognizing the importance of reputation evidence in considering whether marks are confusingly similar, at least in the inter partes context. It also means that reputation evidence can be taken into account without considering whether the mark is a "well-known" mark, which appears to involve a much higher standard of proof. (Analogous reasoning was applied in a recent TRAB opposition decision rejecting a third party effort to register STUART WEITZMAN in Class 3, on the ground that the name STUART ALLAN WEITZMAN had acquired substantial reputation worldwide.)

- JM

Ethiopia: REREGISTRATION DATE CHANGED FROM JUNE 24, 2014 TO JUNE 18, 2014

As previously reported in our March 2013 Information Letter, on December 24, 2012 new regulations were published in Ethiopia, bringing into force the July 7, 2006 Trademark Registration and Protection Proclamation. Under the new law, existing registrations issued before December 24, 2012 (or Cautionary Notices filed before July 7, 2006) must be refiled. Based on information at the time, we noted that the deadline for such reregistration was June 24, 2014. More recently, however, we have been advised that the Ethiopian Intellectual Property Office has set a deadline of **June 18, 2014**, after which no applications for reregistration will be accepted. In addition, the new law extends the registration term from six to seven years, and the Regulations provide for amendment of the term of registrations filed between July 7, 2006 and December 24, 2012. Also, registrations that were due for renewal between December 24, 2012 and June 18, 2014 will be renewed for seven years.

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Paraguay: ACCESSION TO HAGUE APOSTILLE CONVENTION

Paraguay deposited its instrument of accession to the Hague Convention (October 5, 1961) on December 10, 2013. Accordingly, effective August 30, 2014, consular legalization will no longer be required; rather, as of that date, documents may be legalized by Apostille.

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Russian Federation: SUPREME COURT CLARIFIES STANDARD FOR NON-USE CANCELLATION

Kait Sport LLC v. Kait Sport LLC (Case No. A40-53262/2012-19-370)

In a case decided in September 2013 (published October 29, 2013), the Supreme Arbitration Court of the Russian Federation ("Supreme Court" or "Court") clarified the standard for deciding cases of non-use cancellation of a trademark. In this case, the plaintiff, an active company in the sports clothing and equipment business, sought to register KAIT-SPORT in Classes 25 and 35, to be used in connection with the manufacture and sale of sports clothing and equipment. To this end, the company had already entered into a number of agreements with -third parties, including lease agreements and other contracts relating to potential manufacture of the subject goods. The defendant, however, which had once been active and apparently well known in the same field but had become a shell company, still owned a registered trademark for KAIT-SPORT. The plaintiff brought an action to cancel this mark for non-use, but did not succeed either in the first instance commercial court (Moscow City Arbitration Court) or on the first two levels of appeal (Ninth Division Arbitration Court and Federal Arbitration Court (Moscow Division)). The lower courts based their decision on the grounds that (1) the goods of the respective parties were not similar, (2) the plaintiff was not an "interested party" for purposes of bringing the non-use action and (3) the plaintiff had not proven non-use by the defendant. The plaintiff then appealed to the Supreme Court, which reversed the decisions below.

In its ruling, the Supreme Court held that the lower courts had erred on all three grounds. First, the lower courts had held that the commercial steps taken by the plaintiff to establish its business in Russia did not establish that the goods and services of the two parties were similar. The court rejected this conclusion, finding that the goods and services of interest to both parties were obviously similar (manufacture of sports clothing and equipment). Second, in concluding that the plaintiff lacked standing to bring the non-use action, the lower courts failed to apply established law set out by the Presidium of the Supreme Arbitration Court in LLC Kazachie v. Rospatent (Case 14503/10, March 1, 2011) which clearly set the standard for "interested party" in this context, namely, that the plaintiff had a real intent to use the mark in the Russian Federation. Here, the plaintiff had filed an application for registration of the subject mark, had entered into business arrangements to use the mark and had a company name that was similar to the mark in dispute, thus meeting this standard. Finally, the court held that the lower courts incorrectly reversed the burden of proof of non-use of the mark, which should rest not on the plaintiff, but on the defendant. Here, the defendant failed to meet that burden, not only by submitting no evidence, but even by failing to appear before the courts in the matter.

In providing for non-use actions in Part IV of the Civil Code of the Russian Federation (which includes the trademark and other intellectual property laws) the Russian Duma was likely contemplating a useful tool for legitimate trademark owners to combat piracy on the register. Requiring plaintiffs to demonstrate "standing," however, created what has become a difficult hurdle for legitimate owners of, especially internationally-known, marks to overcome in order to clear the register of piratical marks. This case, decided by the highest court in the Russian Federation, interestingly in a case involving two local litigants, seems to indicate that standing might now more easily be proved, for example, by filing an application (possibly even before it is rejected) and taking certain steps to effectuate a business plan.

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Singapore: COURT OF APPEAL ISSUES LANDMARK LIKELIHOOD OF CONFUSION DECICION

Staywell Hospitality Group Pty Ltd v. Starwood Hotels & Resorts Worldwide, Inc. ([2013] SGCA 65)

On November 29, 2013, the Court of Appeal of the Republic of Singapore, the nation's highest court, issued a highly anticipated likelihood of confusion ruling.

The case involved the ST. REGIS mark, for which a Starwood affiliate ("Starwood") owned a registration in Singapore covering hotel and hospitality services since 1995. Staywell Hospitality Group Pty Ltd ("Staywell") is an Australian hotel operator of the Park Regis and Leisure Inn hotels, with properties located mainly in Australia and New Zealand. In 2008, Staywell filed an application with the Singapore trademark office to register the mark for marketing services in Class 35 and hotel/hospitality services in Class 43. Starwood successfully opposed this application at the trademark office level, as the registrar found the parties' respective marks and services similar, and that such similarity creates a likelihood of confusion. The registrar also concluded, however, that the opposers had failed to show that goodwill had attached to their ST. REGIS brand in Singapore as of the date of Staywell's application.

Staywell appealed the similarity and likelihood of confusion aspects of the registrar's decision, while Starwood cross-appealed on the goodwill aspect. In April 2012, the High Court in Singapore confirmed that the parties' PARK REGIS and ST. REGIS marks are aurally and conceptually similar, but overturned the registrar's likelihood of confusion ruling, citing the steps taken by Staywell to differentiate its services from those of the opposers. One important factor in the High Court's analysis was that PARK REGIS brand properties are four-star, whereas ST. REGIS properties are six-star, meaning that the parties cater to different clientele. The High Court also found the opposers' pre-opening activities in Singapore (promoting the opening of the ST. REGIS Singapore via print advertisements, securing restaurant tenants, holding a job fair to hire hotel staff) and the worldwide reputation of the ST. REGIS brand insufficient to establish that goodwill had attached to the ST. REGIS brand in Singapore as of Staywell's filing date. Accordingly, the PARK REGIS mark was allowed to proceed to registration.

Starwood appealed the High Court decision to the Court of Appeal, and Staywell similarly appealed the finding of aural and conceptual similarity. The crux of Staywell's argument was that the High Court judge dissected the parties' respective marks, wrongly focusing on the REGIS element, rather than analyzing the marks as a whole in the likelihood of confusion analysis. On this point, the Court of Appeal confirmed that an assessment of visual, aural and conceptual similarity must be based on an overall impression, and that particularly distinctive or dominant elements should be borne in mind. Thus, the High Court did not err by noting the shared REGIS element of the marks as dominant and distinctive, even though neither party uses REGIS alone; the High Court still analyzed the similarity of the marks as a whole, so its analysis was proper. Accordingly, the Court of Appeal found that the parties' PARK REGIS and ST. REGIS marks share a high degree of aural similarity.

The Court of Appeal disagreed, however, with the High Court's characterization of REGIS as the dominant component of the marks from a conceptual standpoint, noting that greater care is needed in considering what the conceptually dominant element of a mark is, because the meaning of a term could vary when considered together with the mark in its entirety. The High Court had held that the marks share a connotation of royalty given the shared REGIS element. The Court of Appeal, however, found that PARK REGIS conveys a geographical location whereas ST. REGIS conveys a saintly quality. Still, the Court of Appeal found an average degree of conceptual similarity, because PARK and ST. are often used as place names in Singapore, meaning that both of the parties' marks could evoke the idea of a place or location.

Having decided that the marks are similar, the Court of Appeal also held that the parties' services are similar as well, even though the parties had not appealed the High Court decision on that point. The Court of Appeal addressed the issue to clarify that although the parties' hotel services are branded for different market segments, the services are still similar for purposes of a likelihood of confusion analysis because registration for the same specification of services within a class establishes a prima facie case for similarity, and even identity. Specifically, the Court of Appeal stated, "Hotel services are hotel services, whether these concern a luxury hotel or a more modest one." Thus, the parties' services are identical with respect to Class 43, and since there is a close relationship between Staywell's Class 35 and Class 43 services, it follows that Staywell's Class 35 services are similar to the opposers' services in Class 43.

Moving on to the larger likelihood of confusion analysis, the Court of Appeal noted that under local precedents, the approach to determining likelihood of confusion in opposition proceedings and infringement proceedings is identical. Here, however, the Court of Appeal held that different analyses should be applied, because in the opposition context, an opposer enjoys monopoly rights over its mark, while an applicant is seeking to obtain its own penumbra of monopoly rights. The Court of Appeal thus concluded that likelihood of confusion in opposition proceedings must take into account the full range of rights enjoyed by the opposer (whether actually exercised or not) and compare it to the full range of rights sought by the applicant (whether actually intended to be exercised or not). In contrast, the only question in an infringement action is whether the defendant's actual use of its mark encroaches upon the plaintiff's monopoly rights. The Court of Appeal noted that a likelihood of confusion analysis in an opposition can include extraneous factors, such as the parties' different branding efforts and trade channels, providing a non-exhaustive list of factors to be considered, e.g.:

- Factors relating to the impact of the similarity of the marks on consumer perception:
  - the degree of similarity
  - the reputation of the marks
  - the impression given by the marks
  - thepossibility of imperfect recollect-tion
- Factors relating to the impact of the similarity of the goods/services on consumer perception:
  - the normal way in which consumers purchase goods/services of that type
  - whether the goods/services are expensive or inexpensive, as this influences the degree of care consumers will utilize when making a purchase
  - whether the nature of the goods/services tends to command a greater degree of attention
  - the sophistication of the relevant consumers

Based on this analysis, the Court of Appeal rejected the High Court's focus on the different service levels of the parties' hotels (four-star and six-star). Specifically, the Court of Appeal held that because this is an opposition proceeding, the full range of possible uses of each mark should have been considered and the High Court's emphasis on the way in which the applied-for mark is used was misplaced.

The Court of Appeal further stated that a likelihood of confusion analysis should contemplate the risk of association between the parties. Noting a frequent hotel industry practice to operate differently branded hotels under different logos, but with a common denominator in their names (e.g., Hyatt Regency, Grand Hyatt and Park Hyatt), the Court of Appeal found that use of the common denominator REGIS in both marks creates ample ground for finding that consumers are likely to believe there is an economic link between the two brands.[1]

In conclusion, given the similarity of the parties' marks and services and a finding that there was sufficient likelihood of confusion based on these similarities, the Court of Appeal held that Staywell's PARK REGIS mark should not have been registered. The Court of Appeal also held that the opposition should have been

[1] Starwood also alleged that initial interest confusion can constitute confusion for opposition purposes, but the Court of Appeal held that initial interest confusion should not be part of Singapore law because it is inconsistent with the main goal of protecting a trademark *as an indication of origin*.

allowed by the High Court under a different section of the trademark law, which requires that: (i) the marks be identical or similar; (ii) the earlier mark be well-known in Singapore; (iii) the use of the applied-for mark indicate a connection between the applicant's services and those of the opponent; and (iv) the connection is likely to damage the opposer's interests. Having already decided questions (i) and (iii) in Starwood's favor, and since Staywell did not challenge the High Court's finding that the ST. REGIS mark is well known, the Court of Appeal turned to the damage issue, accepting the opposers' theory that they would be damaged by the allowance and potential use of the PARK REGIS mark for four-star hotels, as this would restrict the opposers' ability to enjoy a natural expansion of their business, that is, exploiting the ST. REGIS brand in a lower market segment.

Finally, the court addressed the High Court's finding that no goodwill existed in the ST. REGIS mark as of Staywell's filing date. Starwood had submitted that goodwill subsisted in the mark as a result of their extensive pre-opening activities in Singapore as well as the presence of Singaporean customers in overseas ST. REGIS hotels, coupled with the reputation of the ST. REGIS brand in Singapore. Traditionally, courts in Singapore had held that a foreign trader which does not conduct any business in Singapore cannot succeed in an action for passing-off. However, pre-trading activities were later recognized as capable of generating goodwill, even if they do not generate income, whereas mere preparations for trading were not deemed capable of generating goodwill. In this case, Starwood argued that the activities carried out prior to the official opening of their ST. REGIS hotel in April 2008 constituted pre-trading activities, while Staywell contended that they were mere preparations for trading. The Court of Appeal rejected such a distinction, since non-publicity activities can sometimes generate goodwill; rather, the sufficiency of pre-trading activities depends on their nature and intensity. From this perspective, the court held that pre-trading activities need not be revenue-generating, as the focus should be on consumer response, though such activities must unequivocally demonstrate the trader's intention to enter the local market. In this case, the court found the opposers' securing of restaurant tenants and hiring of hotel employees prior to the opening of the ST. REGIS hotel in Singapore insufficient to generate goodwill among average consumers. Moreover, the opposers' pre-opening print advertisements spanned only one month, and only three such ads appeared in a Singapore-based publication. The Court of Appeal dismissed the fact that the opposers spent over US $300 million in 2008 to advertise the ST. REGIS brand in Singapore, noting that it was unclear how much of that money was directed at the promotion of the ST. REGIS Singapore hotel in particular. Given the limited nature of the Singapore-specific promotional efforts, the court held these pre-trading activities insufficient to warrant a finding of goodwill for purposes of establishing a passing-off claim.

Starwood had also argued in the alternative that they had generated goodwill in the ST. REGIS mark in Singapore by virtue of the international reputation of the ST. REGIS brand, coupled with the presence of Singaporean customers who had stayed in ST. REGIS hotels abroad. While noting that goodwill could potentially be found when Singaporean consumers consciously seek out and make use of a party's services abroad, the Court of Appeal held that the standard for adopting this approach should be left for another case where the issue would be dispositive. Here, there was no evidence that Singaporean residents travelled abroad for the purpose of seeking out, and staying at, ST. REGIS hotels, and the very question of whether this activity would support a finding of goodwill did not need to be decided given the other findings in the case.

In conclusion, the Court of Appeal allowed Starwood's appeal on the likelihood of confusion ground, but dismissed their appeal on the issue of goodwill/passing-off. Staywell's appeal was dismissed in its entirety. This decision has been characterized as the most important intellectual property decision in Singapore in 2013, establishing a useful roadmap for future likelihood of confusion cases.

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Uruguay: USE OF TRADEMARKS NOW MANDATORY

On October 24, 2013, Uruguay passed a law establishing a use requirement for registered trademarks.

In pertinent part, the law states:

1. Use of a registered trademark is mandatory.
2. The registration of a trademark may be cancelled when:
   A. the mark has not been used by its owner, a licensee or an authorized person, within five consecutive years as from its granting date or by the time the registration is due for renewal.
   B. said use has been interrupted for more than five consecutive years.

Section 187- Act No. 19149, of October 24, 2013.

Prior to this law, non-use cancellation actions, common procedures in many jurisdictions around the world, were not provided for under Uruguayan law. The use requirement went into effect on January 1, 2014, and at this time there is no indication that the law applies retroactively to marks registered prior to January 1, 2014.

Regulations enforcing the new law are not yet in place, and with no court decisions on the Act yet available, how non-use cancellation practice will be implemented is not yet clear. In this regard, we set out below a synthesis of relevant early comments from local practitioners:

- Without regulations or any decisions to the contrary, the new provision appears to be effective beginning five years from January 1, 2014. Some commentators are interested in learning whether the law will be applied retroactively.
- Non-use cancellation applications may be brought before the National Bureau of Industrial Property by interested third parties.
- The burden of proving trademark use falls on the owner of the registration, and use may be proven by any legally acceptable means. Some commentators are interested in learning whether local courts or regulations will accept use of a trademark in Paraguay to support a Uruguayan registration.
- A number of commentators noted that use of a mark for one or more of the goods or services covered would protect a registration from cancellation for the other goods and services covered by the registration, even if such goods and services/categories of goods and services are not similar. At least one commentator has confirmed that use of a mark in connection with goods/services in one class would support all classes covered by a multi-class registration.
- If the trademark owner can prove that lack of use was due to force majeure, that mark will not be cancelled.
- Multiple commentators agree that proof of trademark use will not be required when applying for or renewing trademarks.

It remains to be seen which of these observations will hold true once enforcing regulations are promulgated and/or courts begin issuing decisions based on the new law. We will be following this development closely.

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