

INFORMATION LETTER

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WE ARE PLEASED TO REPORT THAT the 23rd Edition of *The Best Lawyers in America*, released on August 15, 2016, ranked Fross Zelnick in Tier 1 for Copyright and Trademark Law in the U.S., and in Tier 1 for Copyright and Trademark Law and Intellectual Property Litigation in New York. The publication specifically mentioned [RICHARD LEHV](#), [JOHN MARGIOTTA](#), [CRAIG MENDE](#), [ALLISON S. RICKETTS](#), and [ROGER ZISSU](#).

CHAMBERS USA 2016 listed Fross Zelnick in Band 1 for Trademark & Copyright in the U.S. and in New York, describing the firm as a “stalwart IP boutique excelling in a number of areas” including trademark, copyright, and design patents. Special mentions were made of [SUSAN DOUGLASS](#) (“true expert in trademark prosecution”), [RICHARD LEHV](#) (“well-respected” and “recommended for his litigation expertise”), [JAMES WEINBERGER](#) (“practical and shrewd” and “go-to-guy for IP litigation”), and [ROGER ZISSU](#) (a “legendary” practitioner who enjoys a “fantastic reputation” for a “distinguished career specializing in copyright law”).

THE LEGAL 500 United States 2016 named Fross Zelnick in Tier 1 for Trademarks: non-contentious and Trademarks: litigation, and in Tier 2 for Copyright nationwide. The publication praised the firm as “outstanding,” and commended its expertise in U.S. trademark prosecution, protection of global brands, experience in the full spectrum of trial, appellate, and Trademark Trial and Appeal Board (“TTAB”) litigation, and advisory work in the areas of author-publisher agreements, music licensing, and online infringements. [DAVID EHRLICH](#), [MARK ENGELMANN](#), [BARBARA SOLOMON](#), and [ROGER ZISSU](#) were named to the “Leading Lawyers” list, the publication’s guide to outstanding lawyers nationwide. Specific mentions were also made of [CARA BOYLE](#), [DAVID DONAHUE](#), [LAURA POPP-ROSENBERG](#), and [JAMES WEINBERGER](#).

WHO’S WHO LEGAL: THOUGHT LEADERS listed [SUSAN DOUGLASS](#) in its inaugural edition as one of only four practitioners selected from the U.S.

WOMEN IN BUSINESS LAW, 6th Edition, named [BARBARA SOLOMON](#), [SUSAN DOUGLASS](#), [JANET HOFFMAN](#), and [NADINE JACOBSON](#) among the leading trademark practitioners worldwide.

LAW 360 listed Fross Zelnick eighth in its May 2016 list of “Top 50 Firms for Minority Equity Partners.” Minority partners—comprising three partially Hispanic, one African-American, and one Asian—comprise 20.8% of the firm’s equity partnership, as compared to a national average of 7.58% at all firms surveyed.

[RICHARD LEHV](#) published an article entitled “How to Prove Third-Party Trademark Use” in the Spring-Summer 2016 edition of *Bright Ideas*, a publication of the Intellectual Property Section of the New York State Bar Association.

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UNITED STATES

SECOND CIRCUIT COURT OF APPEALS

- Second Circuit Announces Standard For Nominative Fair Use
International Information Systems Security Certification Consortium, Inc. v. Security University, LLC

TRADEMARK TRIAL AND APPEAL BOARD

- Mark Held Abandoned, Despite Use By Registrant's Parent
Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC

Second Circuit Court of Appeals:

SECOND CIRCUIT ANNOUNCES STANDARD FOR NOMINATIVE FAIR USE

International Information Systems Security Certification Consortium, Inc. v. Security University, LLC, 823 F.3d 153 (2d Cir. 2016)

In *International Information Systems Security Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153 (2d Cir. 2016) (hereinafter, "*IISCC*"), the U.S. Court of Appeals for the Second Circuit addressed the doctrine of nominative fair use. The Court held that nominative fair use is not an affirmative defense to a claim of trademark infringement, but that it should be considered in addition to the multi-factor *Polaroid* test that courts in the Second Circuit use to assess likelihood of confusion.

Plaintiff-appellant International Information Systems Security Certification Consortium, Inc. ("ISC²") is a non-profit organization that administers a certification program for

professionals in the information security field. *Id.* at 156. ISC² uses the certification mark CISSP to identify those professionals who have met certain requirements, including passing the CISSP certification examination administered by ISC². *Id.* ISC² owns a federal registration for the CISSP certification mark. *Id.* Defendant-appellee Security University, LLC ("SU") is a for-profit company that provides information-security training, including classes to prepare for ISC²'s CISSP certification examination. *Id.*

It was undisputed that SU could use ISC²'s CISSP certification mark to convey that SU prepared students for the CISSP certification examination. *Id.* at 157. It was further undisputed that SU's instructors could accurately identify themselves as being CISSP-certified. *Id.* ISC², however, objected to certain of SU's advertisements, which identified one SU instructor as a "Master CISSP" or a "CISSP Master." *Id.* ISC² argued that the use of the term "Master"

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with its certification mark misleadingly suggested that the instructor had achieved a higher level of certification. *Id.* Accordingly, ISC² filed a complaint against SU in the District Court for the District of Connecticut, asserting claims for trademark infringement, false designation of origin, false advertising, and dilution under the Lanham Act, and unfair competition under Connecticut law. *Id.* at 157-58.

The parties cross-moved for summary judgment in the district court. The district court granted SU's motion, finding that SU's use of the CISSP certification mark constituted nominative fair use. *Id.* at 158. Under the doctrine of nominative fair use, a defendant can use a plaintiff's trademark to identify the plaintiff's goods or services, so long as certain conditions are met. The district court, rather than applying the Second Circuit's *Polaroid* test for likelihood of confusion, looked to the Ninth Circuit's test for nominative fair use, which provides that use of a mark is nominative fair use so long as (1) the product or service in question is not readily identifiable without use of the trademark, (2) only so much of the mark is used as is reasonably necessary to identify the product or service, and (3) the user does not do anything that would, in conjunction with the use of the mark, suggest sponsorship or endorsement by the trademark holder." *Id.* (citing *New Kids on the Block v. News Am. Publ'g Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)). The district court held that SU had satisfied all three elements. According to the Second Circuit, central to the district court's analysis was its conclusion that no ordinarily prudent consumer would be confused as to the source of SU's training courses, as the advertisements in question did not suggest that ISC² was offering the classes. *ISSCC*, 823 F.3d at 158.

ISC² appealed the district court's decision to the Second Circuit, which vacated the district court's decision and remanded the

case for further proceedings. The Second Circuit's opinion first addresses two errors in the district court's opinion. The first was the district court's incorrect view that the only type of confusion that is relevant to trademark infringement is confusion as to source. *Id.* at 161. The Second Circuit explained that the modern test of infringement not only asks whether the defendant's use of the mark is likely to cause confusion as to source, but also as to sponsorship, affiliation, or connection. *Id.* This is made plain in both the statutory text and Second Circuit precedent. For example, in *Weight Watchers International, Inc. v. Luigino's, Inc.*, 423 F.3d 137 (2d Cir. 2005), the Second Circuit recognized that plaintiff Weight Watchers was likely to succeed on its claim that a frozen food manufacturer had infringed its registered trademark POINTS by displaying the points value on frozen meal packaging. As the Second Circuit explained in that case, it was clear that the defendant was the source of the frozen meals, but nonetheless Weight Watchers could succeed on its claim by showing that consumers were likely to mistakenly believe that Weight Watchers "had determined the point values or otherwise endorsed the [defendant's] products." *ISSCC*, 823 F.3d at 162 (quoting *Weight Watchers*, 423 F.2d at 144). As such, in this case the district court "erred in applying its narrow conception of confusion relevant to infringement claims." *ISSCC*, 823 F.3d at 162.

Second, the Second Circuit found that the district court took an erroneously narrow view of how certification marks can be infringed. Certification marks are a sub-category of marks that, unlike other trademarks, are intended to be used by those other than its owner to indicate the quality, accuracy, or other characteristics of the goods or services. *Id.* at 159. The typical ways for a certification mark to be infringed are "use of the mark in a resume of a professional who is in fact not certified by

the organization that is the owner of the mark;” “the use of the mark on goods that have not in fact been certified;” and use of a confusingly-similar certification mark by a competing certifying body. *Id.* at 163. However, these are not the exclusive ways to infringe a certification mark, and indeed a party that has met all of the requirements for certification can infringe a certification mark. *Id.* Moreover, it is not required that the defendant use the allegedly infringing content as a certification mark. *Id.* at 164. Here, the district court did not consider the many number of ways that a certification mark can be infringed. For example, although neither party offers a “Master CISSP” or “CISSP Master” certification, consumers may incorrectly believe that ICS² has introduced a new line of certifications. *Id.*

Finally, the Second Circuit addressed nominative fair use. Because the Second Circuit had never previously adopted a test for nominative fair use, the Court first surveyed the other Circuits’ tests. In the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is a likelihood of consumer confusion, but the three-factor nominative fair use test from the *New Kids on the Block* case, set forth above, replaces the multi-factor test that the Ninth Circuit typically uses to assess likelihood of confusion. *Id.* at 166. By contrast, the Third Circuit, which has adopted a variation of the Ninth Circuit’s three-factor test, treats nominative fair use as an affirmative defense. *Id.* The Second Circuit rejected the Third Circuit’s approach. It explained that if Congress had wanted nominative fair use to constitute an affirmative defense, it would have expressly stated so in the Lanham Act. *Id.* at 167-68.

The Second Circuit also saw no reason to replace the *Polaroid* test in the nominative fair use context, but acknowledged that some of the *Polaroid* factors are a bad fit

when nominative fair use is concerned. *Id.* at 168. Therefore, district courts, in addition to discussing each of the *Polaroid* factors, are to consider a variation of the Ninth Circuit and Third Circuit’s nominative fair use tests: (1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services. *Id.* The Second Circuit remanded the case to the district court for consideration of the *Polaroid* factors in addition to the three nominative fair use factors.

The Second Circuit has now provided guidance on how district courts in this Circuit should apply the doctrine of nominative fair use, making clear that the doctrine will not protect a defendant in cases where a purportedly nominative fair use is still likely to cause confusion.

[-EW](#)

Trademark Trial and Appeal Board: MARK HELD ABANDONED, DESPITE USE BY REGISTRANT’S PARENT

Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC, 118 U.S.P.Q. 2d 1413 (T.T.A.B. 2016)

In a precedential case decided on April 4, 2016, the Trademark Trial and Appeal Board (“TTAB”), in a cancellation proceeding, held a trademark abandoned for non-use. It did so even though the registrant’s parent company was at least arguably engaged in

marketing the product to try to use the registered mark at issue, NOBLE HOUSE for furniture.

The decision is noteworthy because the TTAB is usually reluctant to hold a mark that is still in use to be abandoned. Also, in some other contexts, as the TTAB acknowledged in this decision, it makes no difference, for purposes of determining whether use is valid, whether a mark is owned or used by a parent or by a subsidiary. That is, a parent company/registrant can rely on use by a subsidiary company to obtain or maintain a registration for a mark. In that situation, a *de facto* trademark license exists, and the necessary quality control over the use is deemed inherent in the parent's overall control of the business affairs of the subsidiary, even without a written license agreement, that is, the user is a "related company" (a licensee), under Section 5 of the U.S. Trademark Act. *Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC*, 118 U.S.P.Q. 2d 1413, 1421.

In another context, U.S. case law allows corporately-related companies, such as a parent and subsidiary, to own registrations for identical or confusingly-similar marks. One registration does not bar the application for the other. A "unity of control" can exist between these companies, so that there is no deception of the public and, for likely confusion purposes, the two corporately-affiliated companies are deemed to be a single entity. If the two trademark owners are a 100% parent and subsidiary, the required unity of control is deemed to exist automatically (USPTO Trademark Manual of Examining Procedure Section 1201.07(b)(i)).

In the present cancellation proceeding, the main issue was whether the registered mark was abandoned as a result of non-use, with no intent to resume use, as non-use abandonment is defined in Section 45 of the U.S. Trademark Act. The registrant, Floorco Enterprises, LLC ("Floorco") asserted that

marketing efforts under the mark by its parent company negated the "no intent to resume use" element of abandonment. The TTAB held that Floorco did not control the use of the mark or marketing by its parent company and, therefore, that the use or marketing by the parent company did not inure to the benefit of the subsidiary company (i.e., that the parent company was not a "related company" of the registrant). Accordingly, the trademark was abandoned due to non-use.

The TTAB rejected Floorco's argument that use or marketing by the parent company was sufficient because, in effect, the parent company completely controlled Floorco, its subsidiary, and this caused the parent company to be the *de facto* owner of the mark. The TTAB stated that the parent company chose to place ownership of the mark in the subsidiary company and must, therefore, live with the consequences:

"Such a business structure may offer some advantages, but it also comes with some strictures, and the existence of a separate and distinct legal entity (e.g. in this case a limited liability company) cannot be turned on or off at will to suit the occasion." *Id.* at 1422.

Therefore, the TTAB went on to hold that the mark-using efforts by the parent company "cannot be deemed use of the mark by Respondent [Floorco] and cannot show that Respondent intended to resume use of the NOBLE HOUSE mark." *Id.* at 1422.

The TTAB also reminded Floorco that it could have asked its parent to sign a license agreement to prove that use of the mark by the parent inured to the benefit of Floorco, but it omitted to do so. *Id.* at 1421.

We believe that the takeaway from this decision is that trademark owners must take care to insure that a valid, written trademark license agreement, with quality control, exists whenever the trademark owner and

trademark user are corporately related, but the trademark owner is not the parent company of the actual user of the mark. Large and sophisticated trademark owners that put ownership of marks in holding companies, often for tax purposes, are usually well aware of the requirements for a written license between the trademark owner and the trademark user. Less sophisticated trademark owners may unwittingly assume that any kind of corporate relationship between the two corporate parties that own and use the mark will always make use by one company valid to obtain or maintain the registration. This decision is a reminder that the foregoing assumption can sometimes be false.

[-DWE](#)

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INTERNATIONAL

CAYMAN ISLANDS

- Modernization of Copyright Law Now in Effect

CHINA

- Court Rejects Bad Faith Applications for FACE BOOK (2016) *Jing Xing Zhong Zi No. 475*
- Despite Appeal Decision Reducing Damages Award, New Balance Loss Emphasizes Key Strategic Points for Brand Owners
Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd.

INDIA

- High Court of New Delhi Recognizes Toyota's Unregistered PRIUS Mark as Well-Known, Enjoining Use by Registered Owner in India of PRIUS
Toyota Jidosha Kabushiki Kaisha v. Deepak Mangal & Ors.

INDONESIA

- Procedure For Recordal of Intellectual Property License Agreements

MEXICO

- Trademark Opposition System Introduced

RUSSIAN FEDERATION

- Demand Letter Now Required Prior to Filing Infringement Action

THAILAND

- Amendments to Trademark Law

UNITED ARAB EMIRATES

- Protection of Well-known Marks/Bad Faith Registration

Cayman Islands: MODERNIZATION OF COPYRIGHT LAW NOW IN EFFECT

The copyright law of the Cayman Islands has, for many years, consisted of the extension of certain provisions of the UK's 1956 Copyright Act. The 1956 Copyright Act

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was repealed in the UK in 1988 and replaced by the Copyright, Designs, and Patents Act of 1988 (the “1988 Copyright Act”). Until now, however, the 1956 Act remained in force in the Cayman Islands.

In March of 2015, the UK Privy Council enacted the Copyright (Cayman Islands) Order, 2015. The 2015 Order provided for—but did not implement—the revocation of the 1956 Copyright Act to the Cayman Islands, and the extension of Part 1 of the 1988 Copyright Act, subject to certain changes and reservations provided in the Order. The Copyright (Cayman Islands) (Amendment) Order, 2016 further modifies the extension of the 1988 Copyright Act to the Cayman Islands.

Both the 2015 and 2016 Orders, and related orders, went into effect on June 30, 2016, providing a long-awaited update to the Cayman Islands’ copyright regime. Provisions of note are outlined below.

Subject and Duration of Copyright

Part 1 of the 1988 Copyright Act provides that copyright subsists in “(a) original literary, dramatic, musical or artistic works, (b) sound recordings, films or broadcasts, and (c) the typographical arrangement of published editions.” The 1988 Copyright Act updates and explicitly expands the works that are subject of copyright, defining, for instance, a “literary work” to include, inter alia, a computer program or “preparatory design material for a computer program.” Further, under the 1988 Act, a literary, dramatic, musical, or artistic work expires at the end of 70 years from the end of the calendar year in which the author of the work dies. However, if the work was generated by computer, the copyright will expire at the end of 50 years from the end of the calendar year in which the work was made.

Remedies for Infringement

Copyright owners are afforded the right to seize or detain infringing copies of a copyrighted work, which are “found

exposed or otherwise immediately available for sale or hire,” after the copyright owner has notified the proposed seizure to the Commissioner of Police.

Additionally, the owner of the copyright in a published literary, dramatic, or musical work may now submit a notice to the Collector of Customs (a) claiming ownership in the copyrighted work and (b) requesting that Customs treat as “prohibited goods” any printed copies of the work that are infringing copies. This provision serves to prohibit the importation of such goods into the Cayman Islands.

The new law also provides for the establishment of a Copyright Tribunal for the Cayman Islands, consisting of a chairman, two deputy chairmen, and three or more other Tribunal members. The jurisdiction of the Copyright Tribunal includes, among other things, considering applications for the use as of right of sound recordings in broadcasts, and assessments of the royalties to be paid from re-transmission of broadcasts that include a copyrighted work.

* * * * *

The modernization of the Cayman Islands’ copyright law is the first step in a larger project of bringing up to date the Cayman Islands’ intellectual property laws as a whole, including the laws pertaining to trademark and design rights. For instance, proposed new trademark legislation would create a mechanism for trademark owners to register their marks directly in the Cayman Islands, rather than, under the current regime, extending a UK or European Union trademark registration to the Cayman Islands. A new trademark law is anticipated later in 2016.

The push for modernization arises from an acknowledgment, on the part of lawmakers, of the importance of clear and reliable intellectual property laws and institutions, and their contribution to the smooth conduct of business. As reforms to the Cayman

Islands' intellectual property laws continue to unfold, international brand owners will be able to take advantage of stronger, broader, and arguably more relevant laws for the protection of their intellectual property rights there.

[-KLD](#)

China: COURT REJECTS BAD FAITH APPLICATIONS FOR FACE BOOK

(2016) Jing Xing Zhong Zi No. 475 (Beijing Higher People's Court)

Earlier this year, the Beijing Higher People's Court in China upheld a lower court decision rejecting applications for FACE BOOK for beverages and food items in Classes 29, 30, and 32 based on the applicant's bad faith and obvious copying of Facebook Inc.'s FACEBOOK trademark.

On January 24, 2011, Liu Hongqun, a Chinese individual, applied to register the mark FACE BOOK for food and beverage items in Classes 29, 30, and 32. Facebook opposed the applications relying in part on its registrations for FACEBOOK in Classes 35 and 38. The Chinese Trademark Office rejected the oppositions, so on April 2, 2013, Facebook appealed to the Trademark Review and Adjudication Board, which upheld the Chinese Trademark Office's decision. Facebook further appealed to the courts.

The court of first instance, the Beijing First People's Intermediate Court, ruled in Facebook's favor. The applicant, Liu Hongqun, refused to accept the decision and appealed to the Beijing Higher People's Court.

On April 25, 2016, the Beijing Higher People's Court upheld the lower court's verdict. It noted that although Facebook's FACEBOOK registrations in Classes 35 and 38 had obtained a certain reputation, the evidence was insufficient to prove that they had achieved widely-known fame in China. However, the Court still ruled in Facebook's

favor because it found that Liu Hongqun's FACE BOOK applications were filed in bad faith and should therefore not be registered, pursuant to Article 41 of the China Trademark Law. The applicant's bad faith was supported by evidence that he had applied for well-known Chinese marks owned by unrelated third parties.

Notably, the court found that the applicant had applied for the FACE BOOK mark and copied Facebook's mark in bad faith, despite the fact that the FACEBOOK website is blocked in China (indeed, the applicant argued that the FACEBOOK mark could not have achieved a well-known reputation in China since its users could not utilize the site). It is worth noting, however that the site was only blocked in China in 2009 (following its use during riots in July 2009), three years after the Facebook site became available to the public.

While the outcome may be heartening to trademark owners combatting trademark pirates in China, we continue to recommend that brand owners file applications in China as soon as possible given China's "first-to-file" system of recognizing trademark rights. Although it is possible to overcome first-filed pirate applications by exhibiting applicants' bad faith and copying of true owners' marks, not all trademarks are as well-known as FACEBOOK, so courts and administrative bodies may not readily find instances of obvious bad faith in other circumstances.

[-CCW](#)

China: DESPITE APPEAL DECISION REDUCING DAMAGES AWARD, NEW BALANCE LOSS EMPHASIZES KEY STRATEGIC POINTS FOR BRAND OWNERS

Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd., 2015 Yue Gao Fa Min San Zhong Zi No. 444 (Guangdong Higher People's Court, June 16, 2016)

In September 2015, [our earlier article](#) reported that 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—which some commentators have since noted to be the highest damages award ever granted by that court—to an alleged trademark hijacker named Zhou Lelun (hereinafter “Zhou”). *See Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd.*, 2013 Hui Zhong Fa Min Chu Zi No. 547 (Ghangzhou Interm. People’s Ct., April 21, 2015). In that case, Guangzhou shoe manufacturer Zhou 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.

New Balance appealed, and on June 23, 2016, the Guangdong Higher People’s Court affirmed the trial court’s decision regarding trademark infringement but reduced the awarded damages from US\$15 million to around US\$800,000. *Zhou Lelun v. Xin Bai Lun Trading (China) Co., Ltd.*, 2015 Yue Gao Fa Min San Zhong Zi No. 444 (Guangdong Higher People’s Court, June 16, 2016). This second instance judgment is final and currently effective, although New Balance could further seek a retrial before the Supreme People’s Court (SPC).

The case stems from New Balance’s adoption of 新百伦 (XIN BAI LUN in Chinese) as a 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”), for which it claimed use since 2003. Zhou claimed infringement based on his 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, claiming use of these marks

since 2005 and 2007, respectively, in connection with shoes.

Notably, in 2007, New Balance had 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 in a second-instance administrative litigation action).

Local practitioners familiar with the trial opinion suggested that New Balance should have emphasized prior use as its primary defense. Additionally, some speculated that New Balance’s rights may not have been sufficiently supported with admissible, notarized evidence. And they generally agree that New Balance’s failure to continue fighting Zhou’s registration and use became a key issue, as the trial court noted that New Balance was aware of Zhou’s mark due to the prior unsuccessful opposition.

On appeal, New Balance raised several defenses, all of which were refuted by the court.

New Balance claimed that Zhou did not use his registered trademarks, so there was no likelihood of confusion. But the court disagreed, finding that the evidence on record could show trademark use by Zhou’s family enterprises and licensee.

Additionally, New Balance claimed prior trade name rights to the three Chinese characters 新百伦 (XIN BAI LUN in Chinese). But the court found that New Balance’s December 27, 2006 company registration was later in time than the filing dates of Zhou’s two registered marks (August 25, 1994 and June 4, 2004, respectively).

New Balance’s prior use defense also failed for similar reasons, namely, because the court did not find sufficient evidence in the

record to establish use by New Balance before Zhou's trademark filing dates, and the court also did not find sufficient evidence to show that New Balance had established the relevant claimed reputation in the mark. For essentially these same reasons, the court refused New Balance's counterclaim grounded in unfair competition, which claimed prior use and reputation of 新百伦 (XIN BAI LUN in Chinese).

For similar reasons, the court did not find that Zhou acted in bad faith, given Zhou's earlier registered rights and that the record did not establish New Balance's prior use or relevant rights. Also, in refusing to find bad faith, the court took into account that 新百伦 (XIN BAI LUN in Chinese) was not the only phonetic or meaningful Chinese translation or transliteration of NEW BALANCE, something the trial court had also pointed out.

New Balance also raised the defense that their use of 新百伦 (XIN BAI LUN in Chinese) was a fair use of their company name. But the court held that the full name of the company, New Balance Trading (China) Co., Ltd., was not used, and that the abbreviated version that was instead used was not an appropriate use of a company name, and thus would cause a likelihood of confusion with Zhou's marks.

Finally, New Balance argued that its Class 35 registration for 新百伦 (XIN BAI LUN in Chinese), covering advertising and sales promotion for others, insulated their activities from a claim of trademark infringement. The court held, however, that New Balance's activities were for their own purposes, not undertaken for others, so the infringing behavior did not constitute "use" of the mark covered by the Class 35 registration.

The court's decision to significantly lower the amount of damages in this case is only somewhat encouraging, in that New Balance still lost on the merits in a trademark

infringement claim, and accordingly New Balance remains prohibited from using its Chinese-language mark in China. Thus, overall this decision still highlights 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 first-instance decision.

-AI

India: HIGH COURT OF NEW DELHI RECOGNIZES TOYOTA'S UNREGISTERED PRIUS MARK AS WELL-KNOWN, ENJOINING USE BY REGISTERED OWNER IN INDIA OF PRIUS

Toyota Jidosha Kabushiki Kaisha v. Deepak Mangal & Ors., C.S. (O.S.) No. 2490 of 2009, Del. H.C., 8 July 2016

On July 8, 2016, the High Court of Delhi issued a landmark decision in favor of Toyota Jidosha Kabushiki Kaisha ("Toyota"), the Japanese automobile manufacturer. The Delhi High Court recognized Toyota's unregistered PRIUS mark as well known worldwide, including in India, and enjoined the four defendants, Deepak Mangal, Sandeep Verma, M/s Prius Auto Industries, and M/s Prius Auto Accessories Pvt. Ltd. (collectively, "Defendants"), from using the PRIUS trademark in connection with their auto parts business. Significantly, the Defendants' two Indian registrations for the PRIUS mark in Class 12 did not afford them a viable defense against Toyota's claim of passing off.

Background

The Defendants adopted the PRIUS trademark and trade name in 2001, in

connection with their business for the manufacture and sale of spare automobile parts. They claimed that their parts were compatible with Toyota's vehicles, and their packaging prominently bore a number of Toyota's trademarks, including TOYOTA,

PRIUS, INNOVA, and  ("Toyota Design").

In 2002 and 2003, respectively, the Defendants filed two trademark applications with the Indian Trade Marks Office, both for PRIUS covering "auto parts and accessories" in Class 12. These marks issued to registration under Registration No.

1086682 for  and Registration No.

1163594 for . The Defendants filed a third PRIUS application in 2002, which remains pending.

In 2009, while conducting a trademark search prior to filing the PRIUS trademark in India, Toyota learned of the Defendants and their PRIUS registrations. Toyota filed rectification petitions with the Indian Trade Marks Office against the two existing registrations, and brought a lawsuit seeking a permanent injunction against the Defendants for (1) infringing Toyota's registered TOYOTA, INNOVA, and Toyota Design trademarks; and (2) passing off Toyota's well-known, but unregistered, PRIUS trademark.

High Court's Decision

Trademark Infringement

The Court first considered Toyota's claim of infringement of its registered TOYOTA, INNOVA, and Toyota Design marks. The Defendants argued that they were using the marks as a bona fide description of the character and quality of their goods, and that this use did not amount to trademark infringement.

In holding that the Defendants' use infringed Toyota's marks, the Delhi High Court noted

that the Defendants had wholly failed to comply with, and indeed "willfully disobeyed," a 2010 interim order of the Court (i) prohibiting use by the Defendants of TOYOTA and INNOVA in the same font as that used by Toyota, and wholly prohibiting use of the Toyota Device; (ii) directing the Defendants to replace the term "Genuine Accessories" with "Genuine Accessories of PRIUS Auto Industries Limited" in their packaging and advertising; and (iii) requiring that the Defendants prominently state that "the vehicle name (plaintiff's trademark) is used for item identification only." The Court reviewed samples of the Defendants' packaging submitted by Toyota and found that not only did the use of the marks fail to comply with the 2010 order, but this use was not a bona fide description of the character and quality of the Defendants' goods. Rather, the marks were used "as trademarks and in the similar manner, script and device" as Toyota's own use, thus conveying the erroneous impression that the Defendants sell genuine spare parts manufactured by Toyota, and sold with Toyota's consent.

Passing Off

In concluding that Toyota held superior rights in the PRIUS trademark, a critical fact was the High Court's assessment that Toyota had in fact been the first in the world to adopt the PRIUS mark. The Court reviewed and relied on past precedent holding that, where a mark is sufficiently well known, first adoption internationally is sufficient to establish trademark rights in India. The Court noted that Toyota adopted its PRIUS mark in 1990, when it filed its first trademark application in Japan, followed by filings in a number of other countries prior to the Defendants' adoption in India in 2001. Importantly, the first commercial use of PRIUS by Toyota pre-dated the Defendants' use in India, having taken place in 1995 at the Tokyo Motor Show. Sales of Toyota's PRIUS electric hybrid car first commenced in 1997, also in Japan, and were greeted by

strong media attention. Sales in the United States and Europe followed in 2001 and 2002.

It was not until 2009 that Toyota first showed its PRIUS model in India, at two trade shows in Bangalore and New Delhi, and sales in India began in 2010.

The Court noted that, even though Toyota's commercial use of the PRIUS mark in India commenced several years after the Defendants had begun using and had applied for registration of PRIUS, the spillover into India of Toyota's substantial reputation abroad was sufficient to establish Toyota's priority. Further to its review of the evidence submitted by Toyota, as well as its independent recognition of a number of books and articles establishing the fame of the PRIUS mark, the Court concluded that PRIUS enjoyed an international reputation prior to the Defendants' adoption of PRIUS in 2001. It was not necessary that this reputation be localized in India, or that Toyota have had actual sales in India prior to the Defendants' adoption. It was sufficient that Toyota's PRIUS mark had a "trans-border" reputation in India at the time the Defendants entered the market, as a result of Toyota's marketing efforts abroad and the worldwide recognition afforded the PRIUS as the world's first mass-produced electric hybrid vehicle. The Court noted that the "reputation which is sought to be protected has to be [a] substantial one having global character," and Toyota had met this test.

Having recognized the trans-border reputation of the PRIUS mark and Toyota's prior worldwide adoption, the Court concluded that Toyota held prior common law trademark rights in India. In so concluding, the Court cited precedent noting that trademark registration "does not confer any new right to the mark claimed or any greater rights than what already existed at common law and at equity without registration." The Court held that confusion was "inevitable," as the Defendants were

using an identical mark in connection with identical and related products. The Court also suggested that the risk of consumer confusion was further enhanced by the fact that the Defendants were using the registered TOYOTA, INNOVA, and Toyota Design marks, along with PRIUS, noting that such use was "blatantly dishonest."

The Court closely examined the testimony of the Defendants' witnesses, who had given differing explanations for adoption of the PRIUS trademark. The Court determined that the Defendants had knowledge of Toyota's PRIUS mark at the time they commenced use in 2001. The Court held it was clear that "the defendants have adopted the trademark/name PRIUS with the sole intention of enjoying the benefits that flow from the tremendous reputation and goodwill that exists in favor of the plaintiff's identical trademark."

* * * * *

The decision of the Delhi High Court is an unmitigated victory for Toyota and other owners of truly well-known, global brands. The decision bolsters the position of global brand owners who encounter an infringing prior registration of their mark in India, and is a rare application in a final ruling, following trial, of the principles of trans-border reputation and "first in the world" adoption. Notwithstanding the favorable decision, trademark owners are still advised to register their trademarks and to diligently police their trademark rights in any jurisdiction of potential interest, including India. Toyota's favorable decision does not alter best practices, in this regard, and came at the high price of seven years in court.

-KLD

Indonesia: PROCEDURE FOR RECORDAL OF INTELLECTUAL PROPERTY LICENSE AGREEMENTS

This item updates the requirements and procedure for recordal of intellectual property license agreements in Indonesia pursuant to the Regulation on Requirements

and Procedures for Recordation of Intellectual Property License Agreement, Ministerial Regulation No. 8 of 2016, first discussed in our [June 2016 newsletter](#).

Requests to record IP licensing agreements may be filed (i) electronically through the official Directorate General of IP (DGIP) website, or (ii) in writing to the Ministry of Law and Human Rights (MOLHR). The documents listed at [June 2016 newsletter](#) must be submitted together with a statement that (a) the licensed IP is still valid, (b) not detrimental to the Indonesian economy, (c) does not hamper technology development, and (d) does not contravene Indonesian laws and regulations, goods norms, and public order.

If the owner of the IP being licensed is a foreign entity, the recordal request must be submitted by an Indonesian IP Consultant.

Examination of the recordal request will take place 10 working days after acceptance of the request. The DGIP may then require that further information and/or documents be filed. The applicant must submit any such information or documents within 10 working days of receipt of notification from the DGIP. Once the submission is completed, the request will be recorded and published on the DGIP website, and will be good for a five-year period. After that time, a new request must be filed together with the official fees according to prevailing laws and regulations.

[-KL](#)

Mexico: TRADEMARK OPPOSITION SYSTEM INTRODUCED

As of August 30, 2016, trademark oppositions are available in Mexico, pursuant to an amendment to the Mexican Industrial Property law approved by the Mexican Congress in April 2016.

The opposition procedure is as follows:

- All trademark applications will be published in the Industrial Property Gazette (the "Gazette") within 10 days of their filing date.
- The non-extendible deadline to oppose is one month from the application publication date in the Gazette.
- A list of all applications that have been opposed will be published in the Gazette.
- The applicant has a non-extendible deadline of one month after publication of the opposition in the Gazette to answer, although filing an answer is not mandatory.
- The information filed in the opposition will then be considered during substantive examination of the application, but will not be binding on the Examiner.
- Upon conclusion of examination, the Examiner will then issue the registration or refuse the application, and the Mexican Patent and Trademark Office will notify the opposer of the decision.

If the application registers, the opposer may then file a cancellation action pursuant to Article 151 of the Industrial Property Law.

[-KL](#)

Russian Federation: DEMAND LETTER NOW REQUIRED PRIOR TO FILING INFRINGEMENT ACTION

Effective June 1, 2016, potential trademark infringement plaintiffs in actions before economic and general jurisdiction courts, including in cybersquatting cases, must first send a demand letter to the intended defendant, and wait 30 days, before bringing an action. This requirement does not apply, at least at this time, to non-use cancellation actions and certain other

actions (e.g., bankruptcy, corporate disputes, appeals of decisions of arbitration courts, class actions). This change in regulations is likely intended to reduce the number of court actions by fostering settlement. That said, it could, in some cases, alert a potential defendant sufficiently in advance to take certain actions to destroy or otherwise eliminate evidence of culpability. For example, in preliminary injunction (“PI”) actions, a plaintiff has only 15 days from the granting of the PI in which to file a statement of claim, absent which the PI is lifted. And in domain name disputes, instead of or in advance of seeking a PI, a rights holder could choose to ask the Russian national domain name registry to block an allegedly infringing domain, though triggering a 14-day period in which a civil action must be brought. Accordingly, preliminary relief could expire before the 30-day notice period. Under the circumstances, at least for domain name disputes, the domain name registry has agreed to extend the waiting period to 45 days. This amendment was expected to take effect by the end of July 2016.

-JLH

Thailand: AMENDMENTS TO TRADEMARK LAW

On July 28, 2016, the Thai Trademark Amendment Act B.E. 2559 came into force. The Act effects significant modifications to previous procedures and introduces additional provisions to bring the Thai trademark system in line with international standards, preparing Thailand for eventual accession to the Madrid Protocol.

Salient features of the amended law include:

- Sound marks may be protected.
- Multi-class applications are now available.
- Later applications for marks deemed identical or similar to previous applications will be suspended (not

rejected, as under the previous system) while the prior application is examined.

- During examination, searches for marks identical or similar to those under examination will be conducted on an all-class basis, and prior marks covering goods with similar characteristics to those applied for could be cited.
- The Act advocates reducing the time period for responding to Office actions and oppositions from 90 days to 60 days.
- A grace period of six months after the registration expiration date is now available for renewal of registrations, with payment of a late renewal fee.
- Trademark licenses will remain valid even though ownership of the licensed mark changes through assignment or inheritance.

-KL

United Arab Emirates: PROTECTION OF WELL-KNOWN MARKS/BAD FAITH REGISTRATION

In a recent case, the Federal Supreme Court of the United Arab Emirates (UAE) issued an important decision based on well-known mark principles. In the case, the “true” trademark owner, whose mark was registered in Jordan and elsewhere, but not in the UAE, opposed an application in the UAE for its mark by a potential local franchisee. The opposition was based on (1) ownership of the mark in the country of origin (Jordan), (2) bad faith (based on prior communications between the parties concerning potential franchise in the UAE) and (3) prior use in the UAE in the nature of advertisements and appearance in magazines of international circulation likely distributed in the UAE.

The Trademark Office (TMO) rejected the application, based on bad faith. While “bad faith” is not explicitly provided for in the local trademark law, the TMO concluded that it was implied as a form of “unjustified registration,” and constituted bad faith especially in view of the parties’ business communications relating to the applicant’s potential franchise under the mark in the UAE.

On appeal before the Grievance Committee, the decision was reversed and the application approved. On subsequent appeal by the true owner, the Abu Dhabi Federal Court of First Instance appointed an expert to consider the matter. Based on the expert’s report, which came to the same conclusions as the TMO (namely, the owner’s prior use due to ads and magazine placements and the applicant’s bad faith) and found the mark well known in the UAE based on prior registrations in a few other countries in the region, the Court of First Instance affirmed the findings of the report, reversed the Grievance Committee decision and rejected the trademark registration.

The Court of Appeal affirmed and took the added step of specifically addressing bad faith registration as including circumstances where an agent, representative or business associate of the true owner, without authorization, seeks to register the true owner’s mark.

There were further appeals, largely seeking consideration of the bad faith applicant’s prior commercial use of the mark in the UAE. However, it was the true owner’s prior use, in the nature of ads and magazine placements, which carried the day before the Supreme Court.

Based on this decision it now appears that, for well-known mark status in the UAE, the owner need not show that the mark is

registered and used throughout the world; rather, proof of use in three or more countries, with reputation spilling into the UAE and possibly elsewhere, will suffice. Moreover, while actual commercial use is generally required to demonstrate prior use, in these circumstances such prior use can also be demonstrated through spill-over advertising and publicity. And finally, while there is no explicit provision relating to “bad faith” registration in the trademark law, such a factor can be considered in addressing issues of unauthorized application/registration¹.

- [JLH](#)

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¹ Since such decisions are not of public record, we did not have access to the names of the parties or marks involved. Nor was it possible to determine to what extent the business dealings of the parties were a factor. That said, the

Supreme Court’s decision appears to have been broader than the specific facts of the case, at least with respect to bad faith.