
Talking point: Industry developments 2011-2012

WTR asked a range of trademark professionals, industry representatives and legal specialists to highlight the issues that they felt were most significant in 2011, either in their respective jurisdiction or internationally, and what they anticipate will be the major developments in 2012

Gerhard Bauer, 2011 president of the International Trademark Association (INTA) and chief trademark counsel of Daimler AG

In 2011 we witnessed a number of developments that will have a lasting impact on the trademark industry. The decision of the International Corporation for Assigned Names and Numbers (ICANN) in June to approve its new generic top-level domain (gTLD) programme, for example, forced brand owners to rethink their brand protection and promotion strategies in the expanded cyberspace. In April 2012 brand owners and consumers will experience both the benefits and the harms of ICANN's programme as the first wave of new gTLDs rolls out.

Over the past year we have also seen developments on the Anti-counterfeiting Trade Agreement (ACTA), which INTA has supported since negotiations began. Trademark owners were pleased that the majority of the participating countries signed ACTA in October 2011. Looking forward to 2012, we hope to see the remaining negotiators sign on, and we will continue to encourage all signatories to find quick and effective ways to implement ACTA.

Trademark owners will see significant EU legislative developments in 2012. Lawmakers will decide on the recommendations set down in the European Commission's new Customs Regulation Proposal, which addresses the problem of counterfeit goods entering the European Union. INTA hopes that lawmakers will recognise the strong need to stop counterfeit goods imported in small consignments and to intercept counterfeit goods that travel through the European Union before reaching their final destination.

Additionally, EU policymakers are reviewing and expanding the European Commission's Observatory on Counterfeiting and Piracy. While INTA welcomes this change, the organisation also believes that the final regulation should be consistent with the original objective of the commission, which is to combat counterfeiting and piracy; maintain the fundamental mission of the Office for Harmonisation in the Internal Market (OHIM) to grant trademark and design rights; and ensure that funding for these activities is shared equally by the

relevant stakeholders.

Lastly, the People's Republic of China has released a draft revision of its trademark law for review. INTA has taken the opportunity to comment on the revision and believes that it will provide the foundation for innovation, value creation and protection of valuable IP rights in the country.

Tove Graulund, principal of Graulund IP Services and MARQUES representative

I am involved in European trademark developments in my work for MARQUES and 2011 saw a number of interesting developments. The first is that from January 1 2011 all country member of the Madrid Protocol are obliged to send a statement of grant of protection when examination of a designation is finished and there are no objections. This means that applicants will no longer have to wait up to 18 months and still be uncertain of the status of their designation. This may seem like a small detail, but it is a great step forward in legal certainty for thousands of applicants and third parties, as the new status will also appear on the Romar in database. I mention this as many people don't seem to know about it – and some countries have yet to comply with their obligations, meaning that we need to keep the pressure on.

Looking ahead, first and foremost we are waiting for the European Commission to present a package of proposals (expected in March 2012) on the European trademark systems. It is too early to know whether these will relate to both the Community Trademark Regulation and the EU Trademarks Directive, but they will almost certainly deal with the redistribution of the 50% renewal fee to EU national offices.

The second important development in 2012 will be the continuing work, coordinated by OHIM, to achieve improved services from these national offices and increased harmonisation. It will be the third year that OHIM has overseen the projects of the Cooperation Fund, which are all related to information technology (eg, to provide electronic databases in all offices), and last year OHIM started projects under the convergence programme (which are designed to increase consistency in practice between offices, concerning such procedural aspects as class headings and figurative trademarks). In 2012 we also expect the European Observatory to take off in a bigger way under OHIM's management. OHIM will run these projects in the same manner as previous ones – that is, ideas for projects will be sought from national offices and users, and these same stakeholders will be actively involved as project team members.



An important development in 2012 will be the continuing work coordinated by OHIM, hopefully leading to improved services from national offices and to increased harmonisation. We also expect the Observatory to take off in a bigger way under OHIM's management. We expect to see many positive results over the next several years as the projects progress to implementation.

Tove Graulund
Graulund IP Services and
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Gerhard Bauer
2011 INTA president

We appreciate the openness and transparency in how OHIM takes on this work, and we expect to see many positive results over the next few years as the projects progress to implementation.

Ranjan Narula, managing partner, Ranjan Narula Associates

Looking back at 2011, in my view the notable development in India was the realisation by different stakeholders (eg, the courts, the enforcement authorities, legal practitioners and the Trademark Registry) that the IP landscape is changing and that, within the existing framework, they must look at processes and procedures and align them with the expectations of their clients or users.

Thus, 2011 saw the courts, the Trademark Registry and the Intellectual Property Appellate Board issuing guidelines to cut down on delays; relying increasingly on technology to bring transparency to their work; outsourcing tasks to bring efficiency and economies of scale; and analysing current processes to streamline their working.

All of this should be viewed in light of the recent Law Commission report that estimated that 21.3 million cases are pending in the 21 high courts, with 285 judicial positions waiting to be filled. At the same time, the Trademark Office reported that at 439,910 applications were pending at the end of 2010 and 67 vacancies were waiting to be filled. The statistics for pending opposition cases and assignments at the Trademark Registry are not available, but they run to several thousand.

Thus, for 2012 I hope that the number of pending cases will be reduced and the judicial positions will be filled so that courts can render speedier justice. The Trademark Office will have completed its digitisation process and should start to clear the backlog.

Further, I hope that India will begin accepting applications under the Madrid Agreement; the relevant bill has been passed by Parliament. However, its implementation is linked to reducing the Trademark Registry's backlog.

Russell Pangborn, associate general counsel, trademarks, Microsoft

There were a number of important industry developments in 2011. These included the gTLD programme and the continued attention that it is receiving; the Court of Justice of the European Union (ECJ) decision in *L'Oréal SA v eBay International AG* (Case C-324/09, July 12 2011); US legislative efforts aimed at addressing rogue sites; the launch of '.xxx' and the reaction of brand owners (including a lawsuit brought against

ICANN for allowing it); the turmoil and change at the India Trademark Office; and developments in the various keyword cases.

Also of note was the US Court of Appeals for the Ninth Circuit's *Levi Strauss & Co v Abercrombie & Fitch Trading Co* (Case 09-16322, February 8 2011), affirming that the Trademark Dilution Revision Act 2006 does not require that marks must be "identical or nearly identical" in order to enjoy the protection of the federal trademark dilution revision act; instead, courts should consider the degree of similarity between the marks at issue.

In a rare move, the Ninth Circuit withdrew its earlier opinion, which held – surprisingly – that the Betty Boop character could not be protected under trademark law because it was "aesthetically functional" (*Fleischer Studios Inc v AVELA Inc* (636 F3d 1115 (9th Cir)). The presence of the Betty Boop design on the merchandise was what made the products desirable to consumers.

The court also held that the trademark claim could not stand because Fleischer could not prove copyright infringement (the ownership of the copyright was in dispute). On a motion for reconsideration, and under intense pressure from the collegiate and sports licensing organisations and the Motion Picture Association, as well as INTA, the Ninth Circuit changed its mind and issued a new opinion.

The case was remanded for the district court to determine whether the "fractured ownership" of the copyright affects whether consumers perceive the Betty Boop character to be a trademark or merely an ornamental design. Thus, the aesthetic functionality doctrine remains safely dead in the Ninth Circuit.

We feel that several big developments will shape the 2012 trademark agenda. The gTLD programme is scheduled to roll out in early 2012, so the various aspects involved with that programme will be of significant interest and under intense scrutiny – how many applicants will there be? How will the Governmental Advisory Committee early warning system play out? Will the application process run smoothly? Will the trademark protection mechanisms be effective? How will brand owners prepare for and manage the expected spike in domain infringement when new registries are delegated and second-level domains offered? Who will manage the Trademark Clearinghouse and will it work as planned?

Elsewhere, there will be the ECJ decision in the IP Translator case (see page 5), and further developments and decisions in *Apple v Samsung* and *Apple v Amazon.com*.

And there are many other irons in the fire – but far too many to list.



The most significant development in Italy this year must surely be the implementation of trademark opposition proceedings, which have been in place since July 2011. While many have complained about the limited bases allowed for opposition, the system is a long-awaited change for trademark owners and should curtail both legal proceedings and their complexities.

Alessandro Mannini
Bugnion



Turning to 2012, a number of Canadian decisions on procedural issues are likely to be issued. The head of the Canadian Intellectual Property Office has suggested that rather than pushing through major legislative changes, it will focus on infrastructure improvements, which will be welcome if it means more online access to file records, better online filing and a faster turnaround. Damage are increased.

Cynthia Rowden
Bereskin & Parr

David Weild III, partner, Edwards Wildman Palmer

The year 2011 saw an unexpected and unwanted continuation of our commercial doldrums. Ongoing foreign sovereign debt crises depressed both US and foreign commercial outlooks, and profoundly affected business and consumer confidence. Trademark applications increased a modest 8% and the number of registrations renewed declined from the 2010 figure (but was still higher than 2009). Given this backdrop, the slogan of disaffection and concern – “Occupy Wall Street” – became the subject of registration applications by two apparently unrelated entities.

The US courts have been concerned with increasing product imitation and internet unfair competition, which raise difficult, and unresolved, practical jurisdictional questions. Moreover, the judiciary has tended to dismiss and question incontestability, the trademark owners’ haven of registration, in favour of a de novo review of validity. The practical effect of this is to discourage irresponsible assertions of infringement because the risks of retaliatory damage are increased.

At the same time, an interesting and provocative case with an unintended impact was *Nike Inc v Already LLC d/b/a YUMS*, in which the US Circuit Court of Appeals for the Second Circuit held that at a plaintiff trademark registrant’s delivery of a covenant not to sue, coupled with voluntary dismissal of its trademark infringement claims, divested the trial court of subject-matter jurisdiction. The sole remaining issues were the defendant’s counterclaims for declaratory judgment of non-infringement and cancellation of the asserted trademark registration. However, there was no longer an actual case or controversy such that the trial court met the jurisdictional requisites. The net effect may be that victims of the wrongful or irresponsible assertion of infringement of a registered trademark may be left with no effective immediate remedy for that abuse, and registrants can worry less about putting their registrations at risk if they withdraw in a timely manner and retreat behind a covenant not to sue.

In 2012 design sells, and the interface between design patents and three-dimensional trademarks and trade dress, is likely to receive heightened attention as a result of internet graphics and pictorial product presentations. We also anticipate a continuing increase in the initiation of trademark litigation, which is the usual trend in an economic downturn, coupled with the relatively rapid settlement of cases as both sides try to minimise the high costs and uncertainty of the US judicial process.

Ludmila Serova, partner, Gorodissky & Partners

In Russia, there were a number of significant developments in 2011. On July 11 Parliament ratified the Agreement on Unified Principles of Regulation in the Sphere of Protection and Enforcement of IP Rights. The agreement was signed by the governments of Russia, Belarus and Kazakhstan (the member states of the Customs Union) in December 2010 and should come into effect on January 1 2012. By that date, the parties will have taken steps to harmonise their IP laws and regulations with the requirements of the agreement.

With respect to trademark protection, the parties have undertaken to adopt the concept of regional exhaustion of rights. The main purpose of the agreement, similar to that of other documents adopted within the Customs Union, is to encourage the free movement of goods within the United Economic Area of the Customs Union.

However, the situation regarding the Unified Customs Register of IP Rights of the Customs Union has remained practically unchanged since June 2011, when the Commission of the Customs Union appointed the Federal Customs Service of Russia to take charge of it.

Therefore, at present, we would recommend considering the registration of trademarks in the three customs registers of the member states of the new union in order to limit risks that could arise in the absence of customs control at the borders between Russia, Belarus and Kazakhstan.

On March 7 2011 Article 180 of the Criminal Code (on the illegal use of a trademark) was amended by Law 26-FZ. Before the amendment, the only penalty for the illegal use of another party’s trademark by a group of people acting in concert or by an organised crime group, if such deed was conducted more than once or caused serious damages, was imprisonment of up to six years with an optional fine of up to Rb500,000. Under the new provisions, along with imprisonment, the court can also apply a fine of between Rb500,000 and Rb1 million, or an amount of the infringer’s salary or other earnings across a period of three to five years.

Finally, on February 17 2011 the Plenum of the Russian High Arbitrazh Court adopted a resolution which stated that infringing use of a trademark was not limited to the mere placement of a mark on a product; rather, it also includes the introduction of counterfeit goods into the Russian market and the import of such goods into the country with the purpose of introducing them into the market. Thus, any person engaged in the trade of counterfeit goods may be held liable, not just the first importer.



For 2012, I hope that the number of pending cases will be reduced and the judicial positions will be filled. The Trademark Office will have completed its digitisation process and should start to clear the backlog. Further, I hope that India will start accepting applications under the Madrid Agreement; the relevant bill has been passed by Parliament. However, its implementation is linked to reducing the backlog.

Ranjan Narula
Ranjan Narula Associates



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David Weild III
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Alessandro Mannini, associate, Bugnion

The most significant development in Italy this year must surely be the implementation of trademark opposition proceedings, which – contrary to most expectations – have been in place since July 2011. While many have complained about the limited bases allowed for opposition (restricted to earlier applications or registrations, or rights to a personal name), the system is a long-awaited change for trademark owners and should curtail both legal proceedings and their complexity, duration and cost, which have often favoured unorthodox trademark applicants.

It is early days to assess how the Patent and Trademark Office is adjusting to the new system, but if last year's successful drive to cut the backlog of trademark applications and registrations is anything to go by, we are hopeful for timely standards in the prosecution of opposition proceedings. Clearly, there are concerns over standards and decision consistency, but we will have to wait some time to assess these.

With the introduction of the opposition system, the Patent and Trademark Office was forced to introduce the publication of new trademark filings, available in electronic form on its website. This is another welcome novelty, as it allows the monitoring of an application's status and the timely correction of mistakes in data entry, which previously could be corrected only after registration.

Another significant development in Italy has been the initiatives taken by local and central government to promote industrial competitiveness for medium-sized industries, including the significant funding of innovative IP programmes.

The largest funding projects from central government have favoured patent and design development, but local government projects also support trademark consolidation and protection programmes. In the current uncertain climate, when small and medium companies understandably reduce investments without immediate returns, access to these funds is helping to secure innovation.

Looking ahead, the opposition system is still likely to draw much attention in trademark circles during 2012, as practitioners and owners study the first opposition decisions, looking for trends and consistency.

On a different note, I am hopeful that there will be interesting developments with OHIM's convergence programme projects, the first of which were launched last summer and which aim to promote the harmonisation of practices among national EU offices.

Cynthia Rowden, partner, Bereskin & Parr

The most notable Canadian trademark decision in 2011 was *Masterpiece Inc v Alavida Lifestyles Inc*, in which the Supreme Court of Canada clarified the rights between competing applicants for registration and the impact of geography in assessing such rights, and issued a strong warning about the use of expert or survey evidence on matters beyond the ordinary competency of the court. Despite the clear wording of the Trademarks Act that between two applicants relying on use, the first user of a mark is "entitled" to registration and confusion is to be determined as if both marks were used in the same area, the trial and appeal decisions applied a very restrictive test for confusion, and rejected the claims of a prior user on the basis that its use was limited in time and geographic scope.

The Supreme Court set this right in May, finding that geographic separation is irrelevant in assessing prior rights, and that the test is a hypothetical one of whether both marks were used in the same location, regardless of whether that is the case. The court also issued helpful guidance on the impact of factors such as the addition of other words, cost and care in purchasing, versus the first impression of the mark, opening the door to the argument that initial interest confusion may be most important, particularly where marks are very similar. Finally, and vitally for litigators, the court noted that judges must act as gatekeepers to ensure that unnecessary, irrelevant and potentially distracting survey and other expert evidence is not admitted, finding expert testimony on the resemblance between two marks to be something on which a judge can easily decide using common sense. This should have an important effect on evidence preparation in trademark litigation and opposition proceedings.

Turning to 2012, a number of Canadian decisions on procedural issues are likely to be issued, which may impact on the way in which applications are prosecuted. The head of the Canadian Intellectual Property Office has suggested that rather than pushing through major legislative changes, it will focus on infrastructure improvements, which will be welcome if it means more online access to file records, better online filing and a faster turnaround. The economy and technology continue to push changes in communications and file management. Clients expect cost containment, but also require speed, thorough and useful advice and business-savvy expertise. For outside counsel, knowing your client's needs and culture is critical to developing smart strategies for the protection of trademarks and other intellectual property. [WTR](#)