

### ***China Proposes Substantial Revision of its Trademark Law***

A draft amendment to the PRC Trademark Law would do away with relative examination and recognize rights based exclusively on *bona fide* prior use. The first change would mean that the office would no longer examine new applications against conflicting prior rights so that the onus would now fall on trademark owners to keep the register free of overlapping unrelated third party rights by means of oppositions. The second change would result in China moving closer to the United States model, where a prior user could potentially trump a later applicant. While there is clearly some equity to this approach in that it may become harder for pirates to usurp a mark by winning out in foot race to the trademark office, it will also create some uncertainty as applicants will, to some extent, be at the mercy of unscrupulous opponents who may manufacture evidence of prior use for the purposes of winning priority contest.

Other changes will include facilitating the filing of multi-class applications, extending time frames for responding to official actions and filing oppositions, and doing away entirely with the obligation to record licenses. The new law is still at a preliminary stage and it remains to be seen how much actually makes it on the statute book.

### ***Where's Leo? (Stoller that is)***

Leo Stoller had made a name for himself in trademark circles as a self-proclaimed "intellectual property entrepreneur." Stoller, through his companies Rentamark.com, Stealth Industries Inc., S Industries, Inc., Sentra Sporting Goods U.S.A., and Central Mfg. Co. or in his own name, has claimed rights to an extensive catalog of allegedly famous trademarks and vigorously asserted those rights against people and companies that adopted

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### ***USPTO: Court Challenge to New Rules Delays Implementation***

In a clear indication of the controversial nature of the new rules announced in August, the U.S. District Court for Northern Virginia issued a preliminary injunction enjoining the USPTO from implementing the new "final" rules just one day before they were to become effective on November 1, 2007.

The challenge to the new rules by SmithKline Beecham Corporation and Mr. Triantafyllos Tafas is primarily based on the argument that the USPTO has overstepped its rule-making authority and that the final rules cannot be implemented without a change in the US patent law by the US Congress. Other arguments allege that the retroactive effect of the new rules deprives applicants of the rights they had at the time of filing, and that the new rule changes are arbitrary and capricious.

In response, the USPTO asserts that the new rules do not eliminate any existing rights, but merely up the requirements for their assertion; and that the plaintiffs are not actually asserting any rights, but complaining about unmet expectations. The court held that the evidence did not show the USPTO rules to be arbitrary or capricious at this preliminary stage of the proceedings.

The preliminary injunction is meant to retain the status quo until the District Court has had time to hear and evaluate all the evidence, and make a final ruling on the issue. The USPTO may revise the final rules to remove the most egregious and controversial provisions; it may also appeal the preliminary injunction.

In accordance with the District Court ruling, the USPTO has directed its Examiners to follow the existing rules until further notice.

### ***Montenegro Update***

Under the newly-announced transitional provisions, designs, patents and nationally-filed trademarks (not including International Registrations) already issued to registration in Serbia & Montenegro (or in the former Yugoslavia) will be automatically extended to Montenegro provided that they are still effective as of the inaugural date of the Montenegro Intellectual Property Office, which is expected to be in December of 2007. No formal revalidation will be required in these circumstances, and right holders would simply continue to renew or pay maintenance taxes on their rights in Montenegro in accordance with the existing schedule. The only rights that will need to be revalidated are International Registrations filed under the Madrid Agreement designating Serbia or Yugoslavia and all applications still pending as of inaugural date.

### ***The England and Wales Appellate Court casts doubt on "Miracle" in a bottle***

*L'Oreal SA & Ors. V. Bellure NV & Ors. [2007] EWCA Civ 968 (October 10, 2007)*

The Court of Appeal (CA) responded unfavorably to trial court's pro-trademark decision in *L'Oréal v. Bellure*. The trial court Judge held that the use of L'Oréal's trademarks in comparison lists of L'Oréal's perfumes and inexpensive smell-alike fragrances constituted infringement. The trial court Judge further held that the similar packaging and containers of the smell-alike perfumes infringed L'Oréal's trademarks for the perfumes *Miracle* and *Tresor*. The Court of Appeal was critical of the trial court's holdings but stayed its holding pending the response to a series of questions submitted to the European Court of Justice (ECJ).

First, the CA questioned whether the lists comparing L'Oréal's perfumes to perfumes of smell-alike merchants

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### ***Where's Leo? (Stoller that is)***

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similar or identical marks. Stoller's claimed inventory of marks included STEALTH, SENTRA, DARK STAR, AIR FRAME, TRIANA, STRADAVERIUS, HAVOC, CHESTNUT, TRILLIUM, FIRE POWER, LOVE YOUR BODY, and many others.

Stoller's *modus operandi* usually included sending a cease-and-desist letter, threatening infringement actions against those who did not license their use of the subject trademark. The cease-and-desist letter often appeared to be printed on generic letterhead with the trademark in which Stoller claimed rights inserted as appropriate. In later versions of his standard cease-and-desist letter, Stoller would brazenly write that settlement negotiations and pre-filing discovery or exchange of information was a fruitless exercise. In his eyes, license and litigation were the only choices. Stoller was able to maintain this business model because license fees are often far less than the

cost of defending against the potential litigation.

Throughout his "intellectual property entrepreneur" career, Stoller managed to ruffle the feathers of not only the alleged trademark infringers he pursued, but the courts and administrative bodies before which he prosecuted his claim when he failed to secure a license. The weak link of Stoller's business model was that frequently, he had no interest or protectible rights in the trademarks he asserted against others, rendering his claims entirely baseless, vexatious and wasteful of time and money. Most if not all of his trademark registrations were supported by documents alleging use of these marks that were at best suspect and Stoller often prolonged litigation in bad faith to the ire of the litigants and courts. These activities got Stoller into much hot water. In recent years, the Trademark Trial & Appeal Board at the U.S. Trademark Office has vacated Stoller's pending requests for extensions of time to oppose published trademarks

and prohibited Stoller from filing any additional extensions for a period of two (2) years extending until July 2008. Once this suspension is lifted, Stoller can only file extension through an attorney. The federal court for the Northern District of Illinois went a step further and precluded him from filing any further lawsuits without first obtaining leave from the Court.

So what is next for Leo? This past August, the bankruptcy court in the Northern District of Illinois approved the sale of Stoller's trademark assets, whatever they may be, to the Society for the Prevention of Trademark Abuse, LLC, an entity set up for the sole purpose of acquiring Stoller's assets and rescinding or modifying any license agreements based on unfounded claims. Stoller continues to fight, filing appeals where ever he can and posting notices on his blog to potential purchasers or licensors of marks from the SPTA, that title to these assets may be sufficiently clouded. So the battle rages on...

### ***The England and Wales Appellate Court casts doubt on "Miracle" in a bottle*** *(continued from page 1)*

infringed L'Oréal's trademarks if L'Oréal did not suffer any economic or reputation damage. The CA asked the ECJ to answer this question; the CA also expressed that it did not think this was infringement. The CA found that the comparison lists were essentially descriptive, providing an honest description of the smell-alikes. Additionally, as the CA put it, "consumers are not stupid," given the gaping disparity in pricing and different marketing channels, no consumer would buy a smell-alike fragrance expecting the quality of a L'Oréal fragrance.

The CA then had to determine whether

smell-alike merchants' use of packaging and containers similar to those used by L'Oréal's was infringement. The CA questioned whether it is fair for smell-alike merchants to get a "free ride" on the extensive advertising and promotion of L'Oréal perfumes. This "free ride" is presumed when a purchase is influenced by customer's mental association of the smell-alike perfume with L'Oréal perfume.

The evidence indicated that smell-alikes packaged and bottled similarly to respective original perfumes sold for a slightly higher price, and the CA asked

whether the smell-alike merchants were taking an "unfair advantage" proscribed by the statute, when they used packaging and containers that were similar to those used by L'Oréal, even if there was no harm to L'Oréal's sales and reputation. While the CA left this determination to the ECJ, the CA did not see this use as unfair if L'Oréal experienced no harm.

Although the answers by the ECJ could alter this outcome, the CA makes it clear that trademark owners will find it difficult to keep their marks off comparison lists absent a showing of injury to reputation or economic harm.