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2007 Year in Review

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USPTO, Trademarks in Review

The Trademark Trial and Appeal Board ("TTAB") at the U.S. Patent and Trademark Office ("USPTO") had a busy year in 2007. Of the more notable accomplishments, changes to the TTAB Rules of Practice updated the rules to complement recent amendments to the discovery rules of the Federal Rules of Civil Procedure and amended other procedural rules that can easily catch the unknowing TTAB litigant off-guard. Fraud on the USPTO for statements made in trademark applications also reappeared on the TTAB's docket in 2007 as did defining a "*bona fide* intent to use" a trademark in commerce. The TTAB is also setting the groundwork for changes to treatment of trademarks comprising surnames.

1. Changes to TTAB Rules of Practice

The rules changes originally proposed in January, 2006, went into effect on November 1, 2007 (with the TTAB's standard Protective Order having been imposed in all cases without a protective order as of August 31, 2007). The initial proposal was widely chastised by law firms, individual practitioners, and intellectual property organizations as too drastic. Eventually, the USPTO and various intellectual property organizations met to discuss the proposed changes and the USPTO redrafted its rules package to reflect the comments and concerns of the trademark bar. The TTAB adopted the "disclosure model" of the Federal Rules of Civil Procedure with hopes of increasing the efficiency of commencing proceedings and the efficiency of discovery and pre-trial information exchange. In contrast to previous rule that did not require service of the original pleading on the defendant, plaintiffs must now attempt service of the original pleading on the defendant at the current address(es) listed in USPTO records. Parties now also have the option of submitting a pleaded registration in the form of photocopies of the registration and assignment history from the USPTO databases, as opposed to submitting a USPTO status-and-title copy. The key component to the "disclosure model" is the requirement that the parties engage in a discovery conference early in the proceeding. The TTAB's wrinkle to this requirement is that either party may request that a TTAB representative participates in the discovery conference, which may affect the demeanor and tone of the conference to prevent the TTAB representative, most often the TTAB attorney assigned to manage the matter, from holding one party in a negative light.

2. Fraud on the USPTO

The TTAB's decision in *Hurley Int'l. LLC v. Volta* returned the issue of fraud into the limelight. The TTAB has consistently sustained a charge of fraud when a trademark applicant or registrant falsely claims use of the mark in connection with the designated goods or services. This rule has been applied in a "strict liability" sense, without consideration of the actual subjective intent or innocence of the applicant or registrant. *Hurley* did not alter the TTAB's existing rule on fraud, but in a footnote suggested that if the identification of goods or services is corrected before publication of the application, a false statement regarding use is not fraud. This language appears to take the punch out of the idea of strict liability, but was mentioned in dicta in two additional TTAB cases decided in 2007, *Hachette Filipacchi Presse v. Elle Belle* and *Kipling Apparel Corp. v. Rich*.

3. Defining a *Bona Fide* Intent to Use

In *Intel Corp. v. Emeny*, the TTAB examined in an opposition proceeding whether the applicant had a *bona fide* intent to use the applied-for trademark at the time the application was filed. The TTAB confirmed that a *bona fide* intent should be an objective showing of "evidence in the form of real life facts measured by the actions of the applicant, not by the applicant's later arguments about his subjective state of mind." The applicant in this case produced no evidence of any business or marketing plans involving the mark, no evidence of any specific planning to use the mark, and no evidence of ever having promoted or sold any goods under the mark. Based on this lack of evidence, the TTAB concluded that the applicant failed to produce an "objective" showing of an intent to use the applied-for trademark. It is also likely that the applicant's admission that he filed the application to "make sure that nobody else [can] take advantage of those marks" weighed in the TTAB's decision.

4. Trademarks Comprising Surnames

When trademark examiners review marks that are also surnames, they take into account (i) the rareness of the name at issue, (ii) whether the name has any other meaning, (iii) whether anyone associated with the applicant has the surname; and (iv) whether the applied-for mark has the "look and feel" of a surname. In a rarely-seen concurring opinion, in *In re Joint Stock Company "Baik"* the relevance of the "look and feel" factor has been addressed. The opinion noted that "the purpose behind prohibiting registration of marks that are primarily merely surnames is not to protect the public from exposure to surnames … [but] to keep surnames available for people who wish to use their own surnames in their businesses …" The look and feel of a surname has nothing to do with the stated prohibition on registration of surnames. A concurring opinion in *In re Marriott Int'l, Inc.* further

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2007 Year in Review for International Trademark Practice

The year 2007 has seen a number of developments in trademark practice worldwide, both administratively, and in the courts. A few notable events are:

Canada

The Canadian Trademarks Office will no longer require disclaimers of the majority of descriptive material. A voluntary disclaimer will still be accepted.

Canada has also enacted practice changes in Opposition proceedings. Among several administrative changes, there were significant increases of the time limits for filing counterstatements, and for filing and serving both the opponent's and applicant's evidence.

China

Earlier this year, the Beijing First Intermediate People's Court ruled that a manufacturer, retailer, and shopping center where infringing goods had been sold were all liable for infringement. The case was brought by the French company La Chemise Lacoste based on its mark LACOSTE and the crocodile image. The manufacturer in China had registered a similar crocodile image, accompanied by additional Chinese characters. When the garments were actually made, however, the wording was obscured by using a thread that was identical to the color of the garment, leaving only the crocodile mark visible. As a result of that modification, the court found that the trademark registrant/manufacturer was liable for infringement, along with the retailer and the shopping center in which the retailer was located, for failure to ensure the authenticity of goods being sold. While the LACOSTE mark has been deemed "well-known," the decision was made on the basis of the similarity of the subject mark to the infringer's mark, as it was used, and not necessarily on the basis of the extra protection provided for "well-known" trademarks.

European Union

Bulgaria and Romania have joined the European Union at the beginning of the year, and existing Community rights were automatically valid in the new member states.

The community trademarks office has instituted some procedural changes meant to streamline the opposition process. Admissibility checks now involve ensuring that the opposition is based on at least one valid trademark right. Formerly, if an opponent based the opposition on several rights, if just one was found to be insufficient, a deficiency letter would issue, delaying the proceedings significantly. A decision on costs will be automatically made unless the office is advised otherwise, which also allows for the disposition of files more promptly, while still allowing the parties to reach an agreement on costs, if they choose to do so. Finally, all second requests for a suspension of proceedings will be issued for one year, rather than for two months, with the option by either party to end the suspension.

India

India sought to strengthen customs enforcement at its borders with the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The rules allow a right holder to record its rights with the relevant customs authorities, and enable an intellectual property right owner to request that customs officials temporarily hold suspected counterfeit goods. These new initiatives conform to the TRIPS Agreement.

Iraq

Trademark applicants that are seeking protection of rights in Iraq are no longer required to sign the boycott declaration to obtain registration. This change came into effect on July 22, 2007, and it is expected that many of the applications that have been pending for a number of years should now be processed.

Montenegro

Montenegro is now a separate jurisdiction from Serbia, for trademark registration purposes. International trademarks filed before June 3, 2006, the date of Montenegro's independence, required a request for continuation of protection to be filed though WIPO. Those registered between June 3, 2006, and December 4, 2006, require revalidation within 6 months from the date the Montenegro Trademark Office begins operations. National marks filed in Serbia, pending at the time the Montenegro office opens also require revalidation within six months. National rights that are already registered in Serbia will be automatically recognized as being valid in Montenegro, provided that they are still effective as of the inaugural date of the Montenegro Intellectual Property Office.

Singapore

Singapore has amended its filing system to accept multi-class applications.

United Kingdom

As of October 1, 2007, applications are only examined on absolute grounds. Any objections for relative grounds must be made by trademark owners during the opposition period. This new approach is similar to the examination procedure used for Community Trademarks, and should allow the examination process in the UK to become significantly faster.

USPTO, Trademarks in Review

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expanded on the concurring opinion in *"Baik"* by emphasizing that the "rareness" factor is of primary significance in the surname analysis and that the remaining factors come into play once the USPTO has established its *prima facie* case. Even focusing on the "rareness" factor would require additional jurisprudence establishing benchmarks for determining when this factor is met.

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Patents in 2007

The overriding theme on the US patent front is one of change. The US Supreme Court's involvement in the patent field has become even more prevalent, with two major decisions coming down that affect the practice of patent law in the US. In *MedImmune v. Genentech*, the US Supreme Court held that a licensee of a patent is not held to the doctrine previously know as "licensee estoppel" and could insulate itself from damages while simultaneously seeking a declaratory judgment of patent invalidity. Federal jurisdiction in a declaratory judgment action requires that the party seeking a ruling of patent invalidity have a reasonable apprehension of impending litigation, something that previous holding said was lacking when there was a license, and thus was prohibited by the actual-case-or-controversy requirement of the US Constitution. The decision has implications beyond the patent field, in that any licensee may now attack the underlying rights found in a contract or other license without jeopardizing its position in respect of an agreement made with the opposing party.

In another change in direction, the Supreme Court has revised the standard of obviousness, one of the criteria by which patents are judged worthy of grant. In *KSR Int'l v. Teleflex, Inc.*, the Supreme Court rejected the rigid and formalistic analysis of the issue of obviousness, rejecting the requirement added in numerous decisions by the appellate court reviewing all patent cases, the US Court of Appeals for the Federal Circuit (CAFC). In order to combine references, *KSR* held that the U.S. Patent and Trademark Office (USPTO), and by implication defendants in a patent infringement litigation, need no longer rely on a reference or specific reasoning that provides a "teaching, suggestion or incentive" to combine references that show the invention, albeit in separate documents. The Supreme Court advocates that common sense should also guide the validity determination of a patent. As a result, patents can be more easily found to be obvious or invalid, thus accelerating the swing of the pendulum back toward a regime of more restrictive granting and enforcement of patents.

In this decision, and in the USPTO actions discussed below, the federal courts and agencies are succumbing to the general criticism that it is too easy to obtain a patent, and also to hold hostage an accused infringer, when the invention perhaps is not something which was patentable. To quote the opinion, "as progress beginning from higher levels of achievement is expected in the normal course, the results of ordinary innovation are not the subject of exclusive rights under the patent laws. Were it otherwise patents might stifle, rather than promote, the progress of the useful arts." (Slip opinion page 24).

Another major change was a proposal by the USPTO to implement several rule changes first promulgated by the USPTO in January of 2006. These proposed rules were viewed with trepidation by the patent bar, as they would have severely restricted the number of claims and continuation applications that patentees could rely on in prosecution of their applications, among other requirements. As a result of two lawsuits, The US District Court in the Northern District of Virginia issued an injunction to the USPTO enjoining the implementation of the entire proposed rule change package just prior to its November 1, 2007 effective date. The suits are still pending, and more guidance will be forthcoming from the Court in the next few months. Any final decision will certainly be appealed by the losing side to the CAFC, and perhaps to the Supreme Court.

On the foreign patent application prosecution front, the European Community has entered into a treaty (the London Agreement) that will permit grant of a European Patent in only one language, with only the claims requiring translation to make it effective in a particular member state. This should substantially reduce the costs of obtaining patent protection in the European Community for EPO applications filed after the effective date of the treaty, expected to transpire sometime in spring 2008.

Domain Names 2007 Year in Review Highlights

As 2007 comes to a close, the increased use and misuse of domain names has been fodder for numerous news reports, lawsuits, and the need for vigilant protection of a company's valuable trademarks through registration and enforcement in the ever growing list of gTlds, country code domains, and IDNs. Some of the many highlights of domain name developments that occurred or were reported in 2007 include:

- Sunrise period for registration of .ASIA domain names begins for trademark owners.

- ICANN begins testing of Internationalized Domain Names (IDNs) for gTLDs, represented by local language characters using scripts beyond ASCII characters, for 11 languages: Arabic, Persian, Chinese (simplified and traditional), Russian, Hindi, Greek, Korean, Yiddish, Japanese and Tamil. Comments are currently being accepted regarding the possible introduction of ccTLDs as IDNs, i.e. for the two-letter country codes currently used on the Internet to be provided in a non-Western alphabet.

- The Generic Names Supporting Organization, a committee of ICANN, preserves the public access to WHOIS

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Domain Names 2007 Year in Review Highlights

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information, while agreeing to initiate further studies regarding the legitimate uses and abuses of WHOIS data.

• Dell files suit against registrars BelguimDomains, CapitalDomains, DomainDoorman, and various alleged shell-registrants acting as fronts for the registrars, in an attempt to curtail "tasting" of domain names that are similar to or typos of Dell trademarks. In a novel attack on the cybersquatting activity, Dell characterizes the activity as counterfeiting, thereby potentially exposing the registrars and registrants to damages of up to one million dollars per violation, rather than a maximum of $100,000 per domain under federal cybersquatting laws.

• The Public Interest Registry, which manages the .ORG top-level name, attempts to combat domain name tasting by imposing a five-cent surcharge for registrars that deleted or dropped more than 90 percent of their registered domains after the five-day grace period for payment of registration fees. The change in policy resulted in the percentage of .ORG registered domain names that were dropped after the five-day grace period decreasing from nearly 92 percent to less than 30 percent.

• The National Arbitration Forum (NAF), one of the two main forums for bringing a UDRP action, amends its supplemental rules to allow a complainant to make arguments and present evidence in a UDRP complaint, when the complainant has reason to believe that a number of domain names are registered to a single entity or person, but under different aliases. This will allow a complainant to proceed against more than one listed registrant in the same UDRP complaint, if the linking of the alleged aliases can be proven.

• ccTLDs continue to grow in numbers, accounting for 36% of global domain name registrations. The largest ccTLD remains .de (Germany) in terms of total base of domain name registrations, as it approaches 12 million registrations, with .cn (China) and .uk (United Kingdom) as the next largest ccTLDs. These three ccTLDs, combined, account for 45% of all ccTLDs. The top ccTLDs with the largest growth include .cn, .ru (Russia), .de, .uk, .nl (Netherlands) and .eu (European Union).

With the continued increase of domain name registrations in new gTLDs and IDNs, the increase in popularity of ccTLDs, along with the always changing landscape of cybersquatting activity, there will continue to be a strong need for companies to strategize their domain name registration activities, while vigilantly monitoring and protecting their brands from domain name abuse in 2008.

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