New gTLD Issues Advanced at ICANN Board Meeting

At its meeting in Trondheim, Norway, on September 24–25, 2010, the Board of Directors of ICANN (Internet Corporation for Assigned Names and Numbers) passed a series of resolutions on issues related to its Applicant Guidebook proposal for introducing unlimited numbers of new generic top-level domain names (gTLDs) to the Internet’s addressing system.

The ICANN Board adopted a resolution regarding certain trademark-related aspects of the Applicant Guidebook. Under the newly proposed standard, only trademarks that have undergone “substantive review”—at registration or by an ICANN-contracted validation service provider—will receive protection under pre-launch registry sunrise services and use of the proposed Uniform Rapid Suspension (URS) procedure. Substantive review, whether at registration or by ICANN’s validation service provider, will be defined by evaluation based on absolute grounds and use of the mark. With respect to the URS, the resolution also reduces the time in which a response to a complaint must be filed from 20 to 14 days, with one opportunity for an extension of 7 days.

INTA will continue to advise ICANN on the trademark-related aspects of the Applicant Guidebook, as well as to perform the other work necessary to ensure the proposal serves the public’s interest. Most recently, through correspondence from 2010 President Heather Steinmeyer, INTA reiterated its recommendation that ICANN commission an economic study to address the overarching issues related to the economic and market impact of introducing unlimited numbers of new gTLDs. Despite INTA’s efforts, ICANN continues to state its intention to proceed with launching new gTLDs in the earliest possible timeframe.

Shortly before the Norway meeting, ICANN’s Governmental Advisory Committee (GAC) provided its views on the latest version of the Applicant Guidebook. The comments of the GAC, consistent with INTA’s position, recommend that ICANN proceed with a more measured approach in introducing new gTLDs in limited, discrete rounds.

While the ultimate scale and pace of ICANN’s new gTLD expansion program remains subject to debate and possible revision, ICANN is hoping to finalize the process over the next several months, so trademark owners are advised to review and potentially revise their trademark protection and promotion strategies based on the final outcomes of the process. See “To TLD or Not to TLD, That Is the Question” pages 5-6 for insight.

ICANN’s next public meeting is scheduled to take place in Cartagena, Colombia from December 5-10, 2010. Sometime in November, ICANN plans to publish another version of the Applicant Guidebook for public comment. INTA’s Internet Committee, gTLD Registry Issues Subcommittee, will closely monitor the developments and respond to ICANN on behalf of INTA and its members. Trademark owners are also encouraged to provide their views directly to ICANN.

To learn more about gTLDs, to make your voice heard, or if you are planning to attend ICANN’s meeting in Colombia, contact Claudio Digangi at cdigangi@inta.org

INTA Board Resolution on Use of Classifications in Determining Likelihood of Confusion

In Brussels, Belgium, on September 24, 2010, INTA’s Board of Directors adopted a resolution setting forth the position that courts and trademark offices should not consider classification as part of a likelihood-of-confusion analysis.

The resolution notes disparity among jurisdictions as to whether classification is considered in the analysis of likelihood of confusion in registration, opposition and infringement proceedings, with some jurisdictions considering only specific goods and services and others looking to classes of goods. The lack of harmonization results in inconsistency in decisions and uncertainty for trademark owners.

INTA’s position, which was developed by the Enforcement Committee’s Proof of Confusion Subcommittee, is based on the principles of the Trademark Law Treaty and the Singapore Treaty on the Law of Trademarks, which seek to harmonize classification procedures. The resolution will guide the Association’s input to policy makers around the world in the development of their trademark law systems and related policies and standards.
ASSOCIATION NEWS

2010 WIPO Assemblies Highlights

The opening of the annual meetings of the Assemblies of WIPO and the Unions administered by WIPO, which took place this year from September 20 to 29, was marked by the appearance of the (22) Grammy Awards winner and UN Messenger for Peace Stevie Wonder. The world-famous artist called on the some 170 governments represented at the Assemblies (about 70 of them at the ministerial level) to urge them to reach agreement on a legal framework enabling a better access to copyright-protected works by the blind, the visually impaired and other reading-disabled persons. Several proposals on this issue are being discussed in the WIPO Standing Committee on Copyright and Related Rights.

Other highlights of the Assemblies, in which INTA was represented by Laura Cruz, External Relations Manager, Latin America, and Bruno Machado, INTA Geneva Representative, included the presentation by WIPO Director General Francis Gurry of the Medium Term Strategic Plan for WIPO (MTSP) for 2010–2015 (available at www.wipo.int/edocs/mdocs/govbody/en/a_48/a_48_3.doc).

Normative Activities

It will be noted in particular that, under Strategic Goal I (Balanced Evolution of the International Normative Framework for Intellectual Property), the MTSP squarely recognizes that “the past decade has been marked by a lack of progress in the normative work of the Organization” but considers that “the opportunity now exists to build confidence among Member States by improving mutual understanding of normative questions, thus preparing the ground for future advances in normative discussions.”

There are, indeed, encouraging signs that the normative work of WIPO is being revived, notably in the field of trademarks and related fields. In particular:

- The consensus reached in the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) on areas of convergence regarding the representation of nontraditional marks has now found a practical outcome through the Regulations under the Singapore Treaty. INTA participated in the process of amending the Regulations and provided comments prepared by the Nontraditional Marks Committee (see article on page 3).

- The work program of the SCT (of which the General Assembly of WIPO took note) includes a study on the protection of country names against registration or use as trademarks; work concerning the use of trademarks on the Internet, with a particular view to revisiting issues dealt with in the 2001 WIPO Joint Recommendation on the subject and to addressing recent developments on domain name issues; and work on convergences in industrial design law and practice, which could lead to negotiation and adoption of a treaty similar to the Singapore Treaty on the Law of Trademarks or the Patent Law Treaty.

The General Assembly of WIPO also took note of progress achieved in text-based discussions within the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC), particularly regarding draft international provisions for the protection of traditional cultural expressions of indigenous people and other local communities—which include signs that can function as trademarks. There is, however, here a clear divide between most developing countries, which press for the conclusion of a legally binding international instrument, and (mainly) developed countries, which hold to a softer form of law.

Madrid System

The Assembly of the Madrid Union took note of progress reports by the Secretariat regarding the enhancement of the IT facilities of the Madrid System’s operations and the setting up of a classified multilingual database of accepted indications of goods and services for the purposes of the international registration of marks, as well as of a web-based “Madrid Filing Assistant” (provisional name) to allow applicants to access and use the database as a pick list or as a classification tool when composing their lists of goods and services (see www.wipo.int/meetings/en/archive_docs.jsp).

WIPO was planning to make the database available to the public, through the Madrid Filing Assistant, on the WIPO portal by the end of October 2010. Since August of this year, a group of volunteers from the INTA Madrid System Subcommittee has been participating in the testing of the Madrid Filing Assistant.
Amendments to Singapore Treaty Regulations Dealing with Nontraditional Marks

On September 24, 2010, the Assembly of the Singapore Treaty on the Law of Trademarks adopted, with effect from November 1, 2011, a number of amendments to Rule 3 of the Regulations under the Treaty. The purpose of these amendments is to align that rule, as far as possible, with areas of convergence of legislation and office practices regarding the representation of nontraditional marks identified by the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT). The amendments as adopted by the Assembly appear in the Annex to WIPO document STLT/A/2/1 (www.wipo.int/edocs/mdocs/gov-body/en/stlt_a_2/stlt_a_2_1.doc).

Draft amendments prepared by the WIPO Secretariat were debated at a meeting on June 28–29, 2010, of an intergovernmental Working Group, established by the Assembly of the Singapore Treaty. INTA was represented in the Working Group by Roger Staub (Froreip Renggli, Switzerland), chair of INTA’s Nontraditional Marks Committee, and Bruno Machado, INTA Geneva Representative, who conveyed to the Working Group the views of trademark owners and trademark practitioners as expressed in contributions prepared by each of the regional subcommittees of INTA’s Nontraditional Marks Committee in response to the WIPO Secretariat’s draft.

Rule 3 of the Regulations under the Singapore Treaty deals with details concerning the application for trademark registration and, in particular, with the number and type of reproductions of the mark that can be required from applicants by the Contracting Parties. At the diplomatic conference that adopted the Treaty in 2006, however, most questions regarding the representation of nontraditional marks remained unresolved and left to the legislation of the Contracting Parties.

Even if they may fall short of more ambitious expectations, the work undertaken by the SCT to identify convergences in trademark law and practice and its translation into specific provisions in the Regulations under the Singapore Treaty constitute a significant and welcome addition to the harmonization of procedures under the Singapore Treaty.

Three-dimensional marks. New paragraph (4)(e) of Rule 3 requires only one view to be submitted on the filing date. The view must show the three-dimensional character of the mark (the requirement that the reproduction be “sufficiently clear” is already contained in Article 5(1)(a)(iv) of the Treaty). Hologram marks. Unlike paragraph (4)(b), new paragraph (5) does not provide that the number of views to be submitted with the application is at the option of the applicant. It also does not spell out, as does paragraph (6), that such number is at the option of the office. It can, however, be deduced from the debates, as recorded in the report of the Working Group, that the Contracting Parties will interpret paragraph (5) as allowing them to require a single view or several views or to leave it to the applicant to submit either a single view or several views with its application. It should also be noted that paragraph (5) allows offices to require a description irrespective of whether the representation of the mark is considered as accurately representing the hologram—in other words, the description may be required with the application.

Motion marks. The use in paragraph (6) of “representation” instead of “reproduction” and the mention of moving images are meant to allow offices to accept a representation of the mark in the form of a video clip instead of (and not only in addition to) a graphic representation on paper. This indeed addresses most of INTA’s comments regarding the representation of motion marks. The second sentence is understood as allowing an office to require or permit the furnishing of a video recording of the movement at the examination stage. It can be regretted that multimedia marks are not addressed as such—several members of the Working Group objected that this notion was not understood.

Color marks. Paragraph (7) does not make it mandatory for offices to accept the indication of a color code at the option of the applicant but does subject the choice of a particular color code by the applicant (when such a code is required or allowed by the office) to acceptance of that code by the office.

Position marks. Paragraph (8) leaves out the manner in which matter for which protection is not claimed is to be indicated and therefore does not prevent the acceptance of other means besides broken or dotted lines (e.g., blurred photographs or written disclaimers, as suggested by INTA). It should be noted that a description can be required in all cases, and not solely where the representation is not considered sufficiently clear.

Gesture marks. These were left out, as the Working Group considered that, for the time being, they could be treated as a particular kind of motion marks, as least as far as the representation requirements were concerned.

Sound marks. This was certainly the area where one could have hoped for more audacious advances. Certain countries, however, were definitely opposed to abandoning their interpretation of the ECJ case law to the effect that sound marks can be adequately represented only as a musical notation on a staff—which excludes sound marks other than melodies. The compromise arrived at leaves it to the Contracting Parties to prescribe or allow a musical notation, a description, a recording or any combination of the above. Curiously, this excludes graphic representations other than musical notation or description in words (e.g., sonograms). At least this provision does not prevent jurisdictions that would be prepared to accept a digital recording of the sound as an alternative to a graphic representation from doing so.

As reflected in new paragraph (10), no consensus could be reached in the SCT or the Working Group on requirements for the representation of marks consisting in nonvisible signs other than sound marks (e.g., smell marks, taste marks, touch marks).

Finally, it should be recalled that the Singapore Treaty does not impose on the Contracting Parties any obligation to provide for the registration of nontraditional marks beyond their obligations, as the case may be, under Article 15.1 of the TRIPS Agreement.

The Trademark Reporter®

The Trademark Reporter seeks contributions from trademark professionals and is particularly looking to expand its coverage of international issues by international writers.

Contact the Managing Editor at tmr@inta.org or visit The Trademark Reporter portion of INTA’s website at www.inta.org
Jane Baggott is a trademark agent for Gowling Lafleur Henderson LLP in Vancouver, British Columbia, Canada. Jane has been active in INTA since the mid-1980s and a committee member since the mid-1990s. She has served on the Membership Services Committee and the ADR Committee (Neutrals and Standards Subcommittee) and is now on the Related Rights Committee’s Indigenous Rights Subcommittee. “The most rewarding experience about committee work,” Jane says, “is brainstorming with colleagues from around the world to find a meeting of the minds across cultures and languages.”

Born and raised in Argentina, Jane began her career as a trademark professional over 25 years ago. Originally she was in languages, translating in and out of English, French and Spanish. A Vancouver law firm asked her to interpret for a Mexican big game hunter whose arm had been severed by an airplane propeller and then reattached. They needed someone to communicate with his doctors and lawyers. The firm later offered her a part-time job as a trademark paralegal. At the interview, the lawyer in charge asked Jane if she had any questions. Two, she said: “What’s a trademark? And what’s a paralegal?” The lawyer thought she’d be a great fit because he loved languages and was learning Italian.

Within two months, Jane was succeeding in arguments with her lawyer boss on why a particular mark should be registered. “It was a chemical click with trademarks, and I never looked back.” In two years she discovered there was something called a trademark agent and she could become one by sitting for a six-hour exam. No formal courses existed at the time, so Jane devised a study program. She passed the first time, one of three who passed that year. Twelve years later, Jane was elected president of the Intellectual Property Institute of Canada—a crowning moment of her career. She feels privileged that her peers and colleagues supported her leading the Institute.

The most important thing in Jane’s life is her family. She loves spending time with her husband and her children (three sons, plus a daughter she recently acquired through marriage). She also loves to play tennis and golf.

Peter Harvey began his legal career practicing commercial real estate and banking law, but four years into his practice he was assigned a trademark case that paved the way to a pivotal change in his career path. The compelling dispute was in the mattress industry. As the associate on the case, Peter was assigned to draft the complaint and application for a temporary restraining order, then to attend a trade show and serve the papers. During the company representative’s explanation of the merits of a particular mattress, Peter pulled out his legal documents and announced, “You’ve been served!” When the case ended, Peter decided, “Boom, sign me up for trademark law—this is what I want to do!”

Thirty-five years later, Peter still finds much that is new and fun in trademarks. A founding partner of Harvey Siskind, LLP in San Francisco, California, USA, he has a broad practice that includes clearing and registering marks, oppositions/cancellations, licensing, strategy, enforcement and litigation. His practice is always evolving, “with the Internet being a real watershed raising all kinds of issues, both good and bad.” Having his own law firm has, Peter says, been very rewarding: “It is gratifying to be able to create a culture where you are happy to see all of your colleagues every day, and not be bogged down by the need to convene a committee to decide every issue.” He explains, “Everything is immediate and personal when it’s your own firm. You’re driven to do the absolute best job you can. When clients call it’s because they want you specifically, and not an institution, to represent them.”

Involved with INTA since the early 1980s, Peter became active in the Association starting in 1989. Since then he has been a steady contributor, with the highlight being INTA Counsel: “It was a huge honor to serve with INTA’s officers and be part of the discussion of everything of significance going on in the world of trademark law.” Peter highly recommends volunteering to serve on a committee. “Take it seriously, and put a little extra into completing your assignments,” he says. “You’ll make amazing friends, grow professionally, and be successful in your practice beyond your wildest dreams.”

In his personal life Peter enjoys traveling with his wife, Susan; they took a “magical” trip to Paris and Burgundy this past summer. He readily acknowledges that “INTA has given me a wealth of friends in many countries who have been wonderful hosts—in Japan, Hong Kong, South America, and Europe in particular.” When asked what the readers of the INTA Bulletin would be most surprised to learn about him, Peter said, “Tom Petty is my hero.”
ICANN (the Internet Corporation for Assigned Names and Numbers) is moving forward with its planned expansion of generic top level domains (gTLDs) and recently announced that its staff is further revising the Draft Applicant Guidebook (DAG), which will define requirements in the application process for the new gTLDs. ICANN may move toward finalizing the DAG at its December 2010 meeting in Cartagena, Colombia, and the first round of applications could open as soon as the second quarter of 2011. The applications will be granted on a first-come/first-serve basis.

Trademark owners face two largely independent decisions: 1) whether to apply to operate their own top-level domain (whether reflecting their brand, or some other term related to their business); and 2) how to protect their brands defensively, both against top-level domains that might infringe their marks or allow a competitor to corner the Internet marketplace for an industry-related word.

One Possibility—Operating a TLD

Given the current estimated timeline, the anticipated costs involved and the complexity of the application process, it is critical that trademark owners evaluate the issues surrounding applying for and owning a new gTLD and determine if filing an application is in the organization’s best interest.

Fees and costs

The gTLD evaluation fee is US $185,000, payable in the form of a $5,000 deposit, with the remaining $180,000 submitted with the completed application. The evaluation fee does not cover the costs involved with dealing with any third party objections to one’s application, extended evaluations (if needed), or auctions that may occur if there are multiple applicants applying to operate the same registry. In addition, applicants may need to outsource many services based on the myriad legal and technical issues involved with owning and operating a registry.

If an application is successful, the TLD owner must pay ICANN $6,250 per calendar quarter, as well as a $0.25 Registry-Level Transaction Fee per domain name registered per year after a threshold of 50,000 domain names have been registered. These obligations, and others outlined below, will last for a period of ten years.

Overall, most experts estimate that the total fees and costs associated with the application and evaluation process, together with operational costs and legal fees, could run as high as US $2 million over a one- to two-year period.

Multifunctional team review

Unlike brand owners’ past experience of obtaining defensive domain name registrations, owning an entire gTLD registry solely for defensive purposes is not feasible, partly because of the cost, and partly because of the requirement that the applicant actually operate a functioning registry, once delegated. Brand owners should therefore form multifunctional teams to develop a registration strategy now, before the application period opens. Such strategy should include technical and legal support, and most importantly, a business and financial plan. If a brand owner decides to apply for a gTLD, it should be ready to produce the following with its application:

• Documentation of the applicant’s establishment as a specific type of entity in accordance with the applicable laws of its jurisdiction.
• Audited financial statements for the most recently completed fiscal year.

Before the Initial Evaluation reviews are conducted, background checks on the applying entity and the individuals named in the application must be successfully completed.

Brand Owner as Registry: Rules, Policies & Compliance

Brand owner registries are responsible for running their TLDs in a stable and secure manner, including:

• complying with ICANN’s consensus and temporary policies;
• implementing start-up post-launch rights protection mechanisms;
• providing protection for country and territory names;
• depositing data into escrow;
• delivering monthly reports to ICANN;
• hosting Whois services;
• maintaining relationships with ICANN-accredited Registrars;
• maintaining an abuse point of contact;
• cooperating with contractual compliance audits;
• making TLD zone files available; and
• enabling Domain Name System Security Extensions (DNSSE)

Community-based TLDs will have additional policy obligations, such as setting the parameters for registration by members of the TLD’s community.

Financial plan

All applicants must prepare at least a three-year financial and business plan, providing evidence that funds required for performing registry functions will be available and guaranteed to fund such operations for at least three years. Applicants can demonstrate this capability with either an escrow account for the total amount required to fund the operations for at least three years, or an irrecoverable standby letter of credit issued by a reputable financial institution.

Applicants must also provide financial projections, describing and explaining costs and capital expenditures. Additionally, they must explain the funding for setting up and operating the proposed registry.

Contingency planning must also identify any projected barriers (including legal/policy barriers) to implementing the business approach described in the application and how they affect cost, funding or timeline.

Technical/Operational Plan

Applicants must obtain ICANN’s assessment of their technical compliance to ensure that the Registry functions protect registrants and maintain ICANN’s mission of ensuring the stability and security of the DNS. The technical plan must be adequately resourced, with appropriate expertise and allocation of costs.

The DAG suggests that there will be robust hardware and technical requirements, including data backup policies and procedures. Registry service providers are also required to participate in periodically depositing their registry data in registry data escrow accounts. For example, registries need to escrow specific information from their Whois database with a neutral, third-party escrow agent.

Applicants may need very sophisticated back-end registry management, which may translate to significant budget commitments and business strategy implications.
To TLD or Not to TLD, That Is the Question

Trademark owners should also be aware of special considerations concerning applications for registries that correspond to their trademarks—so-called .brand registries. In particular, ICANN’s proposed registry agreement allows ICANN to “redelegate” a registry to another operator. While this may be a laudable way to ensure continued operations of registries based on generic terms in the event of the registry operator’s default, the possibility of having a .brand registry wrested away poses significant concerns for trademark owners.

In short, applying for and running a gTLD, whether run internally or outsourced, is orders of magnitude more expensive and involved than defensive “second level” registrations (the portion of the domain name to the left of the “dot”) and should not be entered into without a full evaluation of purpose, scope and long term plan.

A Second Possibility—Defensive Strategies at the Top-Level

Companies that cannot make a business justification for the expense of owning and operating their own gTLDs can take alternative steps to protect their brands and trademark rights. At the top-level (i.e., the portion following the last “dot”), rights holders can adopt a strategy best described as “watchful waiting.” This strategy rests on two facts about the gTLD registration process: first, the basic information about all gTLD applications will be publicly available on ICANN’s web site (www.icann.org), and second, there will be an opportunity for trademark owners to file a formal objection to any top-level domain that infringes their rights. As a result, trademark owners can simply monitor the set of applications, and file an objection to any infringing ones. All such timely objections will be resolved before ICANN approves any given gTLD.

The key to employing a watchful waiting strategy will be knowing when to check ICANN’s website for potentially infringing top level domain applications. Unfortunately, ICANN has not finalized the exact calendar dates for this process nor set the date for the first application period to begin. However, the current draft of the DAG sets out a relative timeline, and it is unlikely that this timeline will change much in the final version of the DAG. As currently conceived, the application period will last for 60 days. ICANN will publish the relevant information from all valid applications approximately four weeks after the close of the application period, and an objection period will run for five and a half months following that publication. It is important to note, however, that ICANN’s Initial Evaluation will run concurrently for the first five months of this period, so trademark owners may wish to lay the groundwork for a potential objection, while watching to see whether the application passes the Initial Evaluation before filing the objection.

Although ICANN has not determined when the application period will begin, current estimates are that it will begin no earlier than April 2011. If, for example, the application period runs from April 1 to May 31, 2011, ICANN will likely publish the applications around July 1, 2011. The objection period would then run from July 1 until around December 15, 2011. This timeline is only an example, and brand owners will need to check with ICANN in the next few months to make sure the relative dates remain the same and to find out when the application period will actually begin. Still, it is most likely that the window to file an objection will be in the second half of 2011.

ICANN has established four separate grounds for formal objections to gTLD applications:

• **String Confusion Objection:** The applied-for gTLD string is confusingly similar to an existing TLD or to another applied-for gTLD string in the same round of applications.

• **Legal Rights Objection:** The applied-for gTLD string infringes the existing legal rights of the objector.

• **Morality and Public Order Objection:** The applied-for gTLD string is contrary to generally accepted legal norms of morality and public order that are recognized under international principles of law.

• **Community Objection:** There is substantial opposition to the gTLD application from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted.

The Legal Rights Objection is most directly relevant to brand owners. Although labeled as covering generic “legal rights,” ICANN’s definition of the grounds for this objection makes clear that protecting trademark rights is the central concern. The third-party board evaluating such objections will determine if the applied-for gTLD takes advantage of the objector’s reputation or mark, impairs the distinctive character of the objector’s mark, or otherwise creates a likelihood of confusion with the objector’s mark. The objection can be based on either registered or common law trademark rights, and ICANN has defined eight factors which will be very familiar to trademark practitioners for evaluating whether a likelihood of confusion exists. If the objection prevails before the third-party panel, the gTLD application will be rejected.

It appears likely that the Arbitration and Mediation Center of the World Intellectual Property Organization (WIPO) will be serving as the Dispute Resolution Service Provider for Legal Rights Objections. The formal objection will be similar in structure and scope to the complaints filed under the current Uniform Dispute Resolution Process for existing domain names, insofar as the objection document will need to contain all of the objector’s information and arguments—no discovery or subsequent briefing is contemplated. Objections will be filed electronically with the Dispute Resolution Service Provider, will need to be in English, and must be the shorter of 5000 words or 20 pages. Neither the objection filing fee nor the panel costs are yet known. However, the best estimates are that such costs and fees will total several thousand dollars.

In light of the numerous business and legal considerations, high costs and the extensive documentation, planning, and processes involved in the gTLD program, many trademark owners may choose to forgo applying for a gTLD and focus on their policing efforts at the second-level (e.g., sony.music).

Conclusion

Although the full impact of the introduction of new gTLDs is not completely known at this stage, trademark owners are likely to face many issues and will have to be prepared to safeguard their rights, whether they choose to apply for a gTLD or employ a “watchful waiting” strategy. For now, brand owners should know that the general availability of second-level registrations in the new gTLDs will likely not come online until 2012. Consequently, brand owners should 1) focus on—and attempt to budget in 2011 for—potential objections to gTLDs applications that may infringe their rights, and 2) expect that for 2012 they are likely to engage in defensive registrations and/or dispute resolution actions at the second level within newly approved gTLDs.

Watch future issues of the Bulletin for information on the rights protection mechanisms available to trademark owners to protect against what could be a profound increase in the quantity of infringing or cybersquatting registrations of second-level domain names.
How to Challenge a Refusal Decision Before the Appeal Boards in China and Japan—A Comparative Study

Xiaqing Wang, Dayup Intellectual Property Co., Ltd., Beijing, China, and Chikako Mori, Anderson Mori and Tomotsune, Tokyo, Japan

In order to obtain registration of a trademark in China and Japan, applicants should be aware of several issues, including the ways in which local laws differ from trademark prosecution laws in many Western countries.

China and Japan share a number of fundamental concepts regarding their trademark law systems. For example, both in China and in Japan, it is not possible to register a trademark that is identical or similar to another party’s trademark that has already been registered in respect of identical or similar goods/services (Chinese Trademark Law Art. 28; Japanese Trademark Law, Art. 4, Para. 1, Item 11). These provisions, which enable the respective offices to refuse applications on relative grounds, often are cited by examiners when refusing an application for registration of a trademark.

There are, however, still some significant differences in practice between the two countries.

This article addresses some common features as well as key differences between Chinese and Japanese trademark practice in terms of objections following an initial refusal by the examiner (see the red dotted box below):

Applicants can file Arguments in response to Office Actions issued by examiners at the Japanese Patent Office (JPO). In China it is not possible to argue with the Chinese Trademark Office (CTMO) in this way. Instead, a review application can be filed with the Chinese Trademark Review and Adjudication Board (TRAB).

In both China and Japan, when applicants disagree with appeal decisions, it is possible to bring the cases to specific courts in each country.

Possible Approaches in an Appeal Against an Objection Based on a Prior Registration

Arguing Dissimilarities Between Marks

The Japanese Patent Office’s Appeal Board takes into account similarities of the marks in terms of visual appearance, pronunciation and meaning. Marks with similarity regarding any one of these criteria usually are held to be similar by the examiner. A number of factors may be considered in the analysis (e.g., the impression left with a particular class of main users—professionals, senior citizens, children, women, etc.—of the relevant goods or services on which the trademark is used).

Generally speaking, in China, the TRAB also considers visual appearance, pronunciation and meaning as key factors in determining similarities between trademarks, provided the goods or services are obviously similar to each other, as shown in the examples below. Of the three factors, overall appearance is the most important. Chinese is a tonal language (Japanese is nontonal), and there are many Chinese characters that have the same or a similar pronunciation but a totally different visual appearance. The TRAB will not regard such marks as being similar, and that may be a surprise to non-Chinese practitioners.

Examples

京昊 and 晶浩

These marks have the same pronunciation (JING HAO). Because of their different visual appearance and meaning, however, they are not regarded as similar, and they coexist for identical or similar goods/services.

荷花 and 蓮花

Although they are pronounced differently, both marks mean “lotus flowers.” However, on account of their different visual appearance, they will not be regarded as similar and can coexist for identical or similar goods/services.

These examples show that in Chinese practice visual appearance is the most important factor in comparing the similarities of marks. It is also worth noting that, notwithstanding the above examples, marks in foreign languages having the same meaning usually are regarded as similar in Chinese trademark practice (e.g., “century” and 世纪 (“century” in Chinese) will be regarded as similar marks).

Arguing Dissimilarities Between Goods or Services

In China, the TRAB usually bases its decisions on the Classification Reference Book in determining whether there is a sufficient similarity of goods and services. Courts, on the other hand, sometimes pay more attention to the actual function, use or marketing channels in deciding on similarity of goods and services. (Chinese courts tend to take the view that the Classification Reference Book should not be regarded as the only criterion in determining the similarity of goods and services.)

In Japan, the situation is somewhat similar, but Japan has its own Classification Reference Book.

Examples from the Japanese Reference Book

“Computers” (Class 9) and “Computer Programs” (Class 9) are regarded as similar. The same code, 11C01, is assigned to both of them.

“Cushions” (Class 20) and “Blankets” (Class 24) are regarded as similar. The same code, 17C01, is assigned to both of them.

“Computers” and “cushions” have different codes (i.e., 11C01 and 17C01). Therefore, they are considered dissimilar goods.

In the Chinese Reference Book, the goods or services in each class (following the Nice Classification) are further divided into subgroups. Each item of goods or services has a separate code. Goods or services under the same subgroup typically are regarded as similar. In the Japanese Reference Book, there are many fairly general items
How to Challenge a Refusal Decision

Continued from previous page

of goods or services, each of which has a code, as shown in the examples. In practice, goods or services with the same code assigned generally are regarded as similar, while goods or services with different codes assigned generally are considered dissimilar.

**Filing a Non-Use Cancellation Action**

Both in China and in Japan, filing a cancellation action based on non-use can be an option when a prior-registered trademark cited by an examiner in a prosecution matter has not been used in the previous three years. However, the current practice in China is that the TRAB will not wait for the decision on the non-use cancellation action before making a decision on the review in the prosecution case, to shorten the examination term for the review. It is therefore advisable, before filing a trademark application in China, to conduct a trademark availability search in order to learn about potential obstacles. Should any marks be found that are vulnerable to a non-use cancellation action, the applicant should consider filing such an action as early as possible. If a refusal decision is issued by the China Trademark Office before the non-use cancellation decision is issued, the applicant may file a review application to keep the case pending and wait for the decision in the cancellation matter. In Japan, there are usually no such issues.

**Voluntary Abandonment**

In China, if a mark applied for earlier is still under examination but not yet registered, voluntary abandonment of the application may allow a later, similar mark to proceed to registration. This procedure usually takes several months. If the cited mark has already gone to registration, voluntary abandonment is not possible. In that case, the later mark cannot be approved for registration until one year after the date of removal of the prior registration. Consequently, it is better to have the conflicting prior registration removed as soon as possible.

In Japan, the process of abandonment is very similar to China’s, although it may be much quicker. An abandonment can be recorded in less than two months.

**Trademark Assignments**

In both Japan and China, when two marks are found to be similar, resulting in a rejection by the examiner, assignment of the (earlier) trademark to the owner of the (later) application, or vice versa, is an option. In Japan, there is a more commonly used option known as “assign back.” After registration of the junior mark, it is possible to change the name of the owner of the assigned (i.e., prior-registered) trademark back to that of the previous owner, or vice versa. In China, however, this is not possible because (1) similar trademarks may not be owned by different registrants and (2) similar trademarks for use with similar goods or services must be assigned at the same time.

**Filing a Letter of Consent**

Since the introduction of the amendment of the Chinese Trademark Law in 2001, consent letters have been taken into consideration by the TRAB. The trademark right is considered a private right. If the owner of the prior right does not think that the existence of the later mark will affect its private right and interest, the authority/government official should, as a general matter, tolerate and allow the coexistence of the later mark. However, the public interest always takes priority, and the existence of the later mark should not have any negative effect on or damage the public interest. Therefore, consent letters are not always accepted.

In Japan, it is not possible to overcome a rejection by filing a letter of consent. Letters of consent are not mentioned in the Japanese Trademark Law as an option and are not accepted under Japanese trademark practice.

**Other Measures to Take**

There are some other measures that may be taken in tackling a refusal decision. For example, in Japan, deletion of conflicting goods or services is one of the common ways of dealing with objections by the Patent Office. Under Japanese trademark law and practice, deletion of part of the goods or services is available at most of the stages in the registration process. Dividing a trademark application is another way to deal with this issue.

As China’s examination system, unlike Japan’s, provides for partial refusal of a trademark application, the TRAB may rule that the mark is approved for registration only with respect to dissimilar goods or services. Dividing a trademark application is not acceptable under the current Chinese Trademark Law, although this may change with the planned amendment of the law.

**Conclusion**

Japan and China share many features regarding possible approaches or measures to turn to when challenging a refusal due to a conflict with a prior-registered trademark (e.g., arguing dissimilarities between trademarks); however, there are still some differences between the two systems (e.g., with respect to filing a consent letter). It should be noted, most importantly, that there are differences in how the offices determine (dis)similarity between marks (e.g., the overall visual differences are considered of first importance in China; while pronunciation plays a more important role in Japan). The steps to be taken to overcome office actions in China and Japan may differ from those in countries in other parts of the world, but with the right strategy, solutions often can be found to get the desired mark registered, at least with respect to certain goods or services.

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EUROPEAN UNION

Technical Necessity Prevents Protection of Well-Known Shape of LEGO Bricks as a Trademark

In a September 14, 2010, decision, the Court of Justice refused to set aside the judgment of the General Court, which had dismissed Lego Juris A/S’s appeal of the issuance of a declaration of invalidity by OHIM’s Cancellation Division.

The case centered on whether Lego, maker of the well-known plastic construction brick toy that connects with other such bricks, could protect the distinctive LEGO brick shape as a trademark.

The Court of Justice ruled that the famous LEGO brick could not be a registered trademark because its shape was necessary to obtain a technical result. It thereby upheld the decisions of the Cancellation Division, the Grand Board of Appeal and the General Court, all of which came to the same conclusion.

The key to the decision was the Court’s desire to avoid permanent protection of a technical feature. Both patents and industrial designs have a limited lifespan of protection, whereas a trademark is potentially eternal. Thus, the Court was concerned that competition would be at risk if the LEGO brick were protected as a trademark and permitted to act as a barrier to the entry of other entities into the toy brick market.

EU legislation provides that shapes necessary to obtain a technical result are unsuitable for registration as trademarks. It follows, therefore, from Article 7(3) of the Community Trade Mark Regulation (Regulation No. 40/94) that even when the shape of a good that is necessary to obtain a technical result has become distinctive, it may not be registered as a trademark.

UNITED STATES

Credit Card Processors May Be Liable for Contributory Trademark Infringement

In Gucci America, Inc. v. Frontline Processing Corp., No. 09 Civ. 6925 (HB) (S.D.N.Y. June 23, 2010), the U.S. District Court for the Southern District of New York held that Gucci America, Inc., a well-known manufacturer of luxury goods, could pursue recovery from credit card processing services for websites that sell counterfeit goods. According to the court, a credit card processor may be liable for contributory trademark infringement when it intentionally induced a website to infringe a mark through the sale of counterfeit goods or knowingly supplied services to websites and had sufficient control over infringing activity.

Gucci prevailed in a lawsuit against the operators of TheBagAddiction.com, a site selling counterfeit Gucci products. The company subsequently brought this action to seek recovery from the three credit card processors for the website. The court denied in part the defendants’ motion to dismiss the suit, finding in favor of Gucci with regard to its contributory infringement claims against each of the credit card processors.

Weighing against the co-defendants was the allegation that one of the processors promoted its processing services to “high risk merchant accounts”—specifically, parties selling “replica products.” The court held that Gucci’s factual allegations were sufficient for it to infer that one of the processors intentionally induced trademark infringement and that the other two exerted sufficient control over the infringing transactions and knowingly provided their services to a counterfeiter.

The court noted that the co-defendants were alleged to have reviewed TheBagAddiction.com’s business model and products; helped draft or review the customer acknowledgment regarding the purchase of replica products; and reviewed supporting documentation for charge-backs that described products, their low price and customer complaints about the products. According to the court, “These allegations at the very least provide a strong inference that each knew that [TheBagAddiction.com] traded in counterfeit products, or were willfully blind to that fact.”

The court also held that the co-defendants could be found to have exercised sufficient control over TheBagAddiction.com and its owners to render them potentially liable for the web merchant’s counterfeiting practices, finding the credit card processing services to be essential to the transaction of counterfeit goods online. A similar issue was addressed in Perfect 10, Inc. v. Visa International Service As’s, 494 F.3d 788 (9th Cir. 2007), in which Visa and MasterCard were held not liable for contributory copyright and trademark infringement for the use of their credit card services in selling infringing photographs, based in part on their lack of control over the websites and their remote connection to the infringing act. The Gucci court distinguished Perfect 10 because the sale of tangible counterfeit products on TheBagAddiction.com necessarily relied upon the defendants’ credit card processing services to sell the products, whereas the infringement at issue in Perfect 10 was not dependent on credit card processing services.

The Gucci decision is only a ruling on a motion to dismiss. However, by deeming the interrelationship of the defendants and their specific knowledge and assistance concerning TheBagAddiction.com as affirmative steps taken by the defendants to foster infringement, the court allowed Gucci to continue its claims.
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UGANDA

Service Marks Now Registrable

The legislature in Uganda has enacted a new Trademarks Act (Act No. 17 of 2010), which commenced on September 3, 2010. Among other things, the new Act provides for the registration of service marks. Previously, only goods marks were capable of registration in Uganda.

The Act defines a trademark as a sign or mark or combination of signs or marks capable of being represented graphically and capable of distinguishing goods or services of one undertaking from those of another undertaking. In addition, it stipulates that a question arising as to the class within which goods or services fall shall be determined by the Registrar.

Implementing regulations have yet to be introduced.


UNITED STATES

U.S. Companies Win $78 Million Verdict Against Chinese Cybersquatters

The U.S. District Court for the Southern District of New York has awarded apparel brand owners North Face and Polo Ralph Lauren $78 million in damages in an Internet counterfeiting case. The North Face Apparel Corp. & PRL USA Holdings, Inc. v. Fujian Sharing Import & Export, Ltd. Co. d/b/a B2BSHARING.com et al., Case No. 10-CIV-1630 (S.D.N.Y. Sept. 13, 2010).

The defendants operated a vast network of more than 130 Chinese websites and drop-shipped knock-off goods from China directly to consumers in the United States. According to the plaintiffs, the defendants amassed approximately 6,000 domain names, many of which included the plaintiffs’ marks—for example, NorthFaceOutletSale.com, PoloShirtCompany.com, and PoloRalphWorld.com.

To facilitate sales in the United States, the defendants’ websites and domain names were designed to resemble authorized Internet retail stores selling the plaintiffs’ genuine products. Further proof that the defendants knew they were engaging in illegal activity was that they provided incomplete identification and false contact information to the Internet Corporation for Assigned Names and Numbers (ICANN), the body that governs domain names and requires all registrants to provide accurate registration information.

In March 2010 the court entered a temporary restraining order and an order to show cause directing the defendants to demonstrate why a preliminary injunction should not be entered. On September 13, 2010, after the defendants had refused to answer or otherwise respond to the plaintiffs’ complaint or amended complaint, the court entered a default judgment and permanent injunction against the defendants for federal trademark counterfeiting and infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114, and cybersquatting under Section 43(d)(1), 15 U.S.C. § 1125(d)(1).

The court gave weight to the facts that the defendants had gone to great lengths to conceal their identities and to remove their profits from the court’s reach. The defendants’ illicit tactics included using multiple accounts to evade money-laundering limits and using multiple PayPal accounts to mask the true identity of the entities receiving the monies.

The permanent injunction order required the disabling and transfer of the infringing domain names to the ownership and control of the plaintiffs. The court released to the plaintiffs the monies restrained in the defendants’ PayPal accounts, although such funds fell short of the plaintiffs’ statutory damages award of $78 million.

The ruling may serve to deter some counterfeiters from selling fake goods on the Internet.


VIETNAM

Government Launches IPR Enforcement Website

The Inspectorate of the Ministry of Science and Technology (MOST)—the supervising ministry of the National Office of Intellectual Property (NOIP)—in coordination with the Center for Science and Technology Communication Development and Research and the USAID/STAR-Vietnam Project, recently launched a website focusing on the enforcement of intellectual property rights (IPRs) in Vietnam, at http://thanhtra.most.gov.vn or http://iprenforcement.most.gov.vn (English version).

The main contents of the website include: (1) IPR enforcement measures in Vietnam and a chart on the relationship of such measures; (2) IPR enforcement case studies, including information about the related parties, concerned IP subjects, location and time of the cases, and sections on facts, issues, decisions awarded and analysis/comments on the case in question; (3) legislation on IPR protection and enforcement in Vietnam; (4) information on IPR enforcement activities conducted by IPR holders in Vietnam, which is provided in cooperation between the Inspectorate of the MOST and the Vietnam Anticounterfeiting and Intellectual Property Protection Association of Foreign Invested Enterprises (VACP), including the VACP’s handbook on IPR enforcement and the search tool for IPR holders’ information, IP objects protected in the country; and (5) a Q&A section for IPR enforcement in Vietnam, for easy reference by IPR holders.

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