Introduction

Trademark law in 2008/2009

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The past 12 months have seen unprecedented challenges to the business of protecting trademark rights. The economic meltdown has forced brand owners and their external advisers to consider new ways of doing business. Trademark filing levels have fallen almost everywhere and many rights holders are now far more wary when it comes to instigating litigation. Nevertheless, there has been no shortage of developments in trademark law at national and international level during 2008 and the first half of 2009. The courts in Europe and the United States have issued a number of significant rulings, and moves to standardize registration and enforcement procedures continue apace.

The Singapore Treaty, which is designed to establish an international framework for the harmonization of administrative trademark registration procedures, came into force on March 16 2009. At the time of writing, the treaty is effective in 13 contracting states, including Australia, Singapore, Spain, Switzerland and the United States.

Further discussions on the Anti-counterfeiting Trade Agreement (ACTA) also took place during 2008 and 2009. ACTA calls for improved international coordination on the enforcement of IP rights. The number of participants has grown and now includes Australia, Canada, the European Union, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland and the United States.

Asia-Pacific

China is at the centre of brand owners' trademark protection and enforcement strategies in the Asia-Pacific region. In the past 12 months the Chinese authorities have taken steps to clarify certain aspects of law and procedure.

In June 2009 the State Administration for Industry and Commerce (SAIC) issued a revised draft of proposed amendments to the Trademark Law. While the fresh draft includes most aspects of the previous version, which was circulated for comment in 2007, it does incorporate some new features. For example, unlike the 2007 draft, the new version stipulates that the China Trademark Office must examine trademark applications on relative grounds.

Once implemented, the new Trademark Law will be a key pillar of China's National IP Strategy, which was published in June 2008. The strategy sets out China's goals with regard to IP rights protection (including increasing the level of IP rights created independently and improving their application and protection within the next five years), with the aim being to provide a relatively high level of IP creation, utilization, protection and administration by 2020. In response in 2009 the Supreme People's Court promulgated a series of opinions providing further guidance.

In April 2009 the Supreme People's Court issued the Opinion on Certain Issues concerning the Adjudication of IP Cases in the Current Economic Environment. The opinion gives relatively precise guidelines on how the courts should approach various trademark issues. Among other things, it clarifies the circumstances in which damages and injunctions should be granted and offers guidance on the protection of well-known marks. A few days later, the court released another opinion giving further direction to the lower courts to help them determine when a mark should be considered as well known.

One of the most highly publicized cases in recent years came to an end in August 2008 when the Hangzhou Intermediate People's Court issued a ruling rejecting Danone's appeal against an arbitration tribunal decision in favour of the French food company's former joint-venture partner in China. The complex dispute between the parties revolved around ownership of the WAHAHA mark.

Under the Arbitration Law, an arbitration decision is final and not subject to appeal unless, among other things, the tribunal has acted *ultra vires* (ie, beyond its competence) or the panellists received bribes or abused the law (Articles 58(2) and (6)). Danone appealed to the Hangzhou Intermediate People's Court on both grounds.

The court rejected Danone's claim with regard to bribery on the basis that Danone had failed to furnish any evidence. The court also held that the tribunal had not acted *ultra vires*.

Europe

The European Court of Justice (ECJ) released a string of landmark rulings over the course of 2008 and 2009. In June 2008 the court clarified the interaction between Article 5(1) of the First Trademarks Directive (89/104/EEC) (replaced by the Trademarks Directive (2008/95/EC)) and Article 3(a)(1) of the Comparative Advertising Directive (97/55/EC) in the eagerly awaited *O2 Case* (Case C-533/06, June 12 2008). The ECJ confirmed that trademark rights may be limited to permit comparative advertising. This limitation is expressed in Recitals 13 and 14 of the Comparative Advertising Directive. Compliance with the directive was held to provide a defence to claims of trademark infringement, but only as long as all the conditions set out in Article 3(a)(1) of the directive were met.

Next came the groundbreaking *Intel Case* in November 2008, in which the court denied automatic protection to so-called 'superbrands' (*Intel Corporation Inc v CPM United Kingdom Ltd* (Case C-252/07, November 27 2008)). The dispute arose following Intel's application to revoke the trademark INTELMARK, which is owned by CPM United Kingdom Ltd, a marketing services company. Intel argued that CPM's mark was so similar to its INTEL mark that CPM's use took unfair advantage of, or caused detriment to, the distinctive character or the repute of the INTEL mark without due cause (pursuant to Article 4(4)(a) of the First Trademarks Directive).

With no evidence that CPM's use took unfair advantage of the distinctive character or repute of Intel's mark (known as 'unfair free-riding') or was detrimental to the repute of the mark ('tarnishment'), it fell to be determined whether CPM's use was detrimental to the distinctive character of Intel's mark ('blurring' or 'dilution'). Intel took the position that where a mark has a "huge" reputation and is unique, a court should accept that use by third parties on virtually any goods or services would cause detriment to the mark.

Although the ECJ agreed with Intel that the "bringing to mind" of the mark with a reputation was "tantamount" to establishing a link between that mark and the third-party trademark, it did not agree that once that link is established, the owner of the mark with a reputation will automatically succeed in its claim. Instead, to benefit from the extended protection provided by Article 4(4)(a), the proprietor of the earlier mark must adduce proof that the use of the later mark or sign would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier mark. It would not be necessary to demonstrate actual or present injury, but the proprietor must at least prove that there is a serious risk that such an injury will occur in the near future.

The most significant part of the ECJ's judgment relates to dilution, also described by the ECJ as "whittling away" or "blurring". While the court held that the stronger or "more unique" a mark is, the easier it will be to show dilution, it stated that what must be shown to succeed is evidence of a change (or a serious likelihood of such a change) in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered. This is perhaps the most controversial aspect of the judgment, as it may make dilution very hard to prove in practice.

In *Intel* the ECJ provided little guidance on unfair advantage, describing it as the "drawing of benefit from [the] mark". Brand owners had to wait until June 2009 to obtain clearer insight into this concept.

L'Oréal SA v Bellure NV (Case C-487/07, June 18 2009) concerned the importation and distribution in the United Kingdom of perfumes which looked and smelled similar to L'Oréal's fragrances. The ECJ confirmed that unfair advantage does not require a likelihood of confusion or detriment to the mark and covers cases where a party seeks to ride on the coat-tails of a mark with a reputation "to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image".

Whereas in *Intel* the ECJ held that dilution and tarnishment require a "change in economic behaviour" of consumers, no such requirement was mentioned in the case of unfair advantage. It is now explicit that no confusion or other detriment to the mark or its owner is required and that transfer of the image of the mark can suffice.

May 2009 saw the long-awaited changes to Community trademark (CTM) application and registration fees. Under the new, simplified structure, the €850 registration fee has been abolished. Applicants pay €900 to apply for and register a CTM online, a reduction of €700. Registration of a paper application now costs €1,050. The fee for registering a CTM via the Madrid system has also been reduced – from Sfr2,229 (for three classes) to Sfr1,311.

Meanwhile, at national level, online auction sites continued to make headlines. On June 30 2008 the Paris Commercial Court ordered eBay to pay almost €40 million in damages to companies of the LVMH group for the sale of counterfeit Louis Vuitton and Dior products on its auction platform. A third decision issued by the same court on the same day dealt with exclusive distribution issues. In this case, eBay was also ordered to pay damages, but on the grounds that it was interfering with the luxury group’s exclusive distribution network.

However, in May 2009 the Paris Court of First Instance came to a completely different conclusion and rejected L'Oréal's claims of trademark infringement against the online auction platform (*L'Oréal SA v eBay* (May 13 2009)). In the *LVMH* decision, the Paris Commercial Court had held that eBay could not benefit from defences in the EU E-commerce Directive (2000/31/EC) as it was not only a hosting provider, but also a broker. In contrast, the court in the *L'Oréal Case* ruled that eBay was acting purely as a hosting provider as its role as intermediary between buyers and sellers on its auction platform was purely technical. According to the court, eBay had no say in the content of the offers, the negotiations between sellers and buyers or the performance of the contracts. However, the court did not determine whether eBay was liable under the specific regime for hosting providers. Instead, the court ordered the matter to go to mediation.

An action between the same parties in the High Court of England and Wales also went largely in favour of eBay. The court dismissed L'Oréal's argument that eBay was liable as a joint tortfeasor for acts of trademark infringement through the sale of infringing products by its users. However, the court concluded that it required further guidance from the ECJ before it could rule on L'Oréal's claim that eBay was liable for trademark infringement as a result of its use of sponsored links on third-party search engines and its own site. The ECJ's eventual ruling on the questions referred in this case should shed light on the level of immunity available under the 'safe harbour' provisions of the E-commerce Directive.

Latin America

In one of the most significant Brazilian rulings of 2008, the Sixth Panel of the Sao Paulo State Court of Appeals held the administrator of a shopping centre liable for the sale of counterfeit products by stall holders on its premises on the grounds that the administrator benefitted indirectly from the sales of counterfeit products due to its relationship with the retailers (Case 502.136.4/5.00).

The administrator argued that it had arm’s-length contracts with the store owners, who were individually responsible for the products that they dealt with and that, consequently, it could not be held responsible for their misdeeds. In addition, it asserted that legal responsibility was contingent upon a finding of direct evidence that it was involved in the wrongdoing.

The court disagreed, stating that the contractual relationships existing between the administrator and the stall holders showed that the administrator was not dissociated from responsibility regarding the infringing actions committed on its premises. The court affirmed that the administrator was responsible for breach of its duties of vigilance and oversight and ordered it to pay the requested moral damages.

The administrator has lodged an appeal with the Superior Tribunal of Justice, maintaining that it cannot be held responsible for the acts of third parties and that it is up to the state, and not a shopping centre administrator, to stop counterfeits.

Meanwhile in Mexico, the Specialized IP Section of the Federal Court of Tax and Administrative Affairs finally began operations in early 2009. The IP section has jurisdiction to review decisions under:

- the Industrial Property Law, issued by the Mexican Institute of Industrial Property (IMPI);

- the Copyright Law, issued by the Mexican Copyright Institute;
- the Law on Plant Varieties; and
- other IP-related laws.

Most of the cases heard by the IP section are appeals against decisions of the IMPI refusing trademark registration.

North America

A new director of the US Patent and Trademark Office was installed in August 2009; David Kappos has held various IP-related roles with IBM over the past 20 years and brings a wealth of experience to the post.

Trademark owners are still awaiting the appointment of the new IP enforcement coordinator (IPEC). The IPEC was created by the Pro-IP Rights Act when it was signed into law at the end of 2008. The aim of the IPEC's office is to influence and coordinate the IP protection activities of the various departments of the US government. At the time of writing, the US administration was still trying to work out the most appropriate way of creating and positioning the role within the executive branch.

As was the case in many national jurisdictions in Europe, online auctions were at the centre of one of the leading US decisions of 2008 and 2009. Following a bench trial, the US District Court for the Southern District of New York issued the much-anticipated decision in *Tiffany (NJ) Inc v eBay Inc* (Case 04 Civ 4607 (RJS), July 14 2008). Tiffany had brought trademark infringement claims against eBay based on sales of counterfeit Tiffany products on eBay's website.

Dismissing Tiffany's infringement action, the US district court held that eBay was protected from liability under the nominative fair use defence. The court noted that both genuine and counterfeit TIFFANY-marked products were available for sale on eBay's auction platform and that eBay always removed potentially infringing listings when notified of them by Tiffany. According to the court, use of Tiffany's marks by eBay in sponsored links on search engines was also covered by the defence. In addition, the court rejected Tiffany's assertion that eBay was jointly and severally liable for infringing sales, reasoning that eBay never took possession of items sold through its website and did not directly sell the counterfeit goods. Tiffany appealed and in July 2009 the US Court of Appeals for the Second Circuit heard oral argument from both sides. The appellate court is set to rule on the case in late 2009 or early 2010.

An April 2009 ruling by the Second Circuit reignited the debacle over whether an internet search engine's sale of a third party's registered trademark as a keyword amounts to infringement. In *Rescuecom Corp v Google Inc* (Case 06-4881-CV, April 3 2009) the Second Circuit appeal court held that Google's sale of registered trademarks under its AdWords system was a use in commerce sufficient to subject it to, among other things, trademark infringement liability. Importantly, in reaching its decision and remanding the case to the district court for further proceedings, the Second Circuit was careful to point out that it had "no idea whether Rescuecom [could] prove that Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion or mistake".

In Canada, the main developments were of a procedural nature. At the end of March 2009 the Canadian Intellectual Property Office (CIPO) introduced important amendments to trademark opposition procedure. The changes:

- simplify and clarify the registrar's benchmarks for granting extensions of time;
- provide guidance with respect to the granting of extensions of time in exceptional circumstances;
- encourage parties to pursue settlement and mediation early in the opposition period; and
- introduce a new practice of granting extensions of time amounting to a 'cooling-off' period.

While confirming CIPO's commitment to the strict enforcement of time limitations in opposition proceedings, the amendments also recognize the importance of settlement and reflect the reality that settlement negotiations may occur at any point in an opposition.

On the horizon

The Internet will no doubt continue to provide benefits and pose challenges for brand owners and practitioners as we move into 2010. In the next few months appellate courts in the United States and Europe will issue rulings offering further clarification on host provider liability and keyword advertising. These decisions will help to define the boundaries of trademark law in the online sphere.

The planned introduction of new generic top-level domains (gTLDs) in 2010 will add an extra layer of complexity. Many trademark owners fear that opening up the domain space will lead to widescale abuse of trademark rights and are urging the Internet Corporation for Assigned Names and Numbers (ICANN) to address such concerns before moving ahead with any expansion of the gTLD space. During the first half of 2009, ICANN responded to these concerns by instructing a team of experts to come up with rights protection mechanisms for new gTLDs. At the time of writing, these proposals were still being debated by stakeholders but further developments are expected in the latter stages of 2009.