Welcome to the 5th edition of the International Associates Action Group Newsletter. We are still looking for contributors so please get in touch with me at david@gearhartlaw.com If interested in becoming a an editor or just want to get involved in our Action group please do let myself or Cristina Guerra know. See you next Month!

Yours,
David Postolski

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The Iranian Court of Appeal upheld a claim for trademark infringement by former distributor

Court File No.: 9109980226300692
Notice of Cancellation: June 03, 2014

The plaintiff, Kintoy Die-casting Manufactory Ltd., (Kintoy), a Hong Kong based company, is the owner of KINSNART trademark for die-cast scale model cars and runs sales through distributors in different countries and Iran.

Kintoy had ignored to register KINSNART trademark in Iran and its distributor, Adak Tejarat Ghadir Company (Adak), registered the mark in its name during the distribution relationship without informing the Kintoy.

Due to some problems, Kintoy terminated the distribution agreement with the old distributor and appointed a new distributor without having the information that the KINSNART trademark had been registered by the old distributor.

In retaliation of termination of the distribution agreement, the old distributor brought a criminal action against the new distributor and seized KINSNART goods on the grounds of infringement of KINSNART registration.

In response, Kintoy initiated trademark cancellation proceedings against the old distributor on the basis of bad faith, trademark infringement and prior registration of the trade mark in home and other countries.

Kintoy argued that Adak was merely a distributor and was not entitled to register the trade mark in Iran. It further claimed that the former distributor was fully aware that the trade mark belongs to Kintoy and registration of the trade mark by the distributor was made in bad faith.

The distributor argued during the proceedings that the trade mark is registered lawfully and in accordance to the local provisions and there are no grounds for cancellation of the trade mark.

The Court of First Instance ruled for cancellation of the trade mark finding that the registration was made in bad faith by the old distributor. The Court has further held that the registration of the business party constitutes an unfair competition action.

The distributor appealed the Court of First Instance’s judgment claiming that they have a prior filing date in Iran and have used the trade mark for some years in the local market.

The Court of Appeal dismissed the appeal and upheld the Court of First Instance judgment.

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“Oh No! Not another one!”

A familiar cry in the offices of trade mark attorneys throughout the European Union. So, what has given rise to this?

Historically, if a client has wanted to register a word mark which is likely to be refused on the grounds that the mark is descriptive for the goods and services of interest, or lacks distinctiveness, the classic way to overcome this problem is to apply to register the words stylised or with a distinctive device/design. A small adaption has been sufficient to render the mark distinctive enough to be registered. After all, the Community Trade Mark Regulations state that only applications for marks which are “descriptive” (i.e. wholly descriptive), or “devoid of distinctiveness” should be refused, so tweaking it should just get over that barrier, shouldn’t it? It used to.

Then came the case. This application was filed in respect of computer software, computer hardware and other apparatus designed to monitor user passwords by identifying human beings by means of specific biometric characteristics, and of telecommunications services in connection with those identification systems. The link between the words and the identification of live organisms resulted in the refusal of the application on the grounds that the mark was descriptive and lacked distinctiveness. The applicant appealed on the grounds inter alia that the Court examined each part of the mark separately but did not consider the overall impression it made as a whole.

On appeal this was considered further

BIO = biological or biometric
ID = identity or identification

this refers to the goods and services specified. The figurative elements include

Different typefaces
Contrast in boldness and density of print
A full stop
The symbol ®

The Court found that the typeface, boldness and density were commonplace and that the full stop was a common indication of an abbreviation which is what the mark is. The symbol indicates that a mark is registered and so would be misleading if the mark was not in fact registered.

This case sets out that if a compound mark is composed only of elements which are devoid of distinctiveness the overall mark is likely to also lack distinctiveness unless the mark as a whole was greater than the sum of its parts.

The Court of First Instance of the European Community (CFI) went on to consider a situation where one of the elements of a compound mark is distinctive and found that the word element is usually the dominant element of the mark, so if it outweighs the distinctive element and lacks distinctiveness, the mark as a whole must lack distinctiveness. It is only when the distinctive figurative elements have “sufficient impact on the minds of the relevant public to keep their attention instead of the word element” that they will bestow a distinctive effect on the mark overall.

As a result the refusal to register the mark was maintained.
This is a case decided in 2005, and which OHIM has followed reasonably sensibly since. Generally speaking, if the figurative element was distinctive (particularly if it was registerable on its own) the application would be accepted. However, a recent review of practice means that it is now being rigorously enforced so that even if the figurative element of the mark is registerable on its own (i.e. distinctive in its own right) it will be rejected if accompanied by descriptive words. The change of practice was unannounced – hence the IP lawyers’ cries of “Oh no! Not another one!” Applications filed in good faith, the marks believed to be registrable, are being refused under the new regime, leaving the lawyers to explain to disbelieving clients why their mark cannot now be registered.

So please take heed. If you want to register a descriptive/non-distinctive word in the European Union as a CTM, make sure that the figurative element you add in an attempt to make it registrable, is sufficient to dominate the mark such that it catches the consumers’ attention and keeps it off the descriptive/non-distinctive word element. Simply being the largest element is not necessarily enough.

Alternatively, don’t apply for CTM registration but apply instead for national registration in the EU countries of real commercial importance – or do both, just in case! The national offices have not changed their practices, and in some EU countries, the descriptive word will not be descriptive at all but just a word with unknown meaning as it is not in the local language.

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A more reasonable approach to added matter at the EPO?

There is a good chance that anyone involved in patent prosecution work in Europe has been frustrated at some point by the stringent approach of the European Patent Office (EPO) to added matter, which can significantly restrict allowable amendments. Up until now there have been few signs of any let up in the ever stricter approach of the EPO. It seems, however, that there may be a glimmer of hope for any frustrated patent practitioners.

By decision of the President of the EPO dated 18 August 2014, the Guidelines for Examination in the European Patent Office have been amended. The new Guidelines entered into force on 1 November 2014.

The Guidelines give instructions on the practice and procedure to be followed in the various aspects of the examination of European applications and patents in accordance with the European Patent Convention (EPC). They are frequently referenced by EPO examiners in office actions.

Part H, Chapter IV of the Guidelines is entitled “Allowability of amendments – Art. 123(2) and (3)” and provides guidance to examiners on added matter. This section has been amended with the introduction of a new paragraph (at H-IV 2.3), which states: “When assessing the conformity of the amended claims to the requirements of Art. 123(2), the focus should be placed on what is really disclosed to the skilled person by the documents as filed as directed to a technical audience. In particular, the examiner should avoid disproportionately focusing on the structure of the claims as filed to the detriment of the subject-matter that the skilled person would directly and unambiguously derive from the application as a whole.”

The introduction of this paragraph hopefully suggests that the EPO will be taking a more balanced approach to added matter. The paragraph relates, in particular, to the amendment of claims by the introduction of subject matter from the specific description. Such amendments, generally allowable in the UK and US for example, have been notoriously problematic in recent years before the EPO. EPO examiners are apparently now guided to put greater weight on the general teaching of an application, rather than focusing on the structure of the originally filed claims.

There may be better scope for applicants to make amendments based on the specific description moving forward. However, only time will tell whether this update to the Guidelines is representative of a change of approach to added matter at the EPO.


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“The U.S. government doesn’t have the power to search a home in another country, nor should it have the power to search the content of email stored overseas” (David Howard - Corporate Vice President & Deputy General Counsel, Microsoft).

The debate over privacy and technology has intensified. As it is common with new technology, the advent of cloud computing brought with it a variety of legal challenges, including privacy, jurisdictions, and intellectual property concerns. The “idea” that location is irrelevant because data simply flows in the “Neverland world of the cloud” has come to an end. Recently, a U.S. District Judge held that Microsoft must comply with a U.S. search warrant to disclose the content of digital information stored outside the United States. These (email) data are not private anymore... at least, for the moment. Explanations.

The story already started on December 4, 2013, when a Magistrate Judge (Southern District of New York) issued a warrant, without any geographic limitation, to search for and seize information associated with a Microsoft web-based email account outside the U.S. More precisely, the issue resides on whether to turn over a customer's e-mails held in Ireland, Dublin in a drug investigation.

Unfortunately, the main legal acts related to this case, the Electronic Communications Privacy Act (ECPA) and the Stored Communications Act (SCA), do not address this issue. However, the SCA authorizes the Government to seek the contents of stored communications that are more than 180 days old using a subpoena, court order, or a warrant. In this case, the warrant was issued under 18 U.S. Code §2703(a), which requires the Government to use the warrant procedure described in Rule 41 of the Federal Rules of Criminal Procedure; rule silent as to whether it has extraterritorial effect. Based on this rule, Microsoft argued that the U.S. Government cannot execute a search and seizure in Ireland with a warrant. The only legal basis to compel the Company, without violating international law and treaties, and the territorial integrity of sovereign nations, would be to use the Ireland-U.S. Mutual Legal Assistance Treaty (MLAT). On the contrary, the Government claimed that the service provider itself is the subject of the warrant, not the data center location, and that U.S. service providers cannot avoid compliance with compulsory SCA process. On December 18, 2013, Microsoft moved to vacate the warrant.

On April 25, 2014, a first court decision said that Internet service providers cannot refuse to turn over customer information and emails stored in other countries when issued a valid search warrant from U.S. law enforcement agencies. The Magistrate Judge also stated that term “warrant” in §2703(a) did not mean “warrant” (and thus declined to give the word its ordinary meaning), but instead concluded that SCA warrant is a “hybrid: part search warrant and part subpoena”, i.e. “obtained like a search warrant” and “executed like a subpoena”. On May 6, 2014, Microsoft appealed to vacate, once again, the (so-called) warrant.

In July, Chief U.S. District Judge Loretta Preska ordered that Microsoft must comply with the warrant arguing that it was more a question of control, not location (In re Microsoft Corp., No. 1:13-mj-02814 (S.D.N.Y. July 31, 2014)). Microsoft's argued, among others, that the enforcement of the warrant would be an improper, extra-territorial application of United States law. In other words, neither ECPA nor any other source of law authorizes the Court to issue such a warrant for information stored outside the country. And, even if permitted by the ECPA, the warrant should be considered as unlawful because it violated the Fourth Amendment protection for “papers and effects” that encompasses the content of communication in which individuals have a reasonable expectation of privacy. The Government claimed that there is no extraterritorial application of the law, because the law is being applied within the United States, to a U.S. service provider, within U.S. territory.

Microsoft was therefore required to hand over email messages to U.S. prosecutors. However, the Judge suspended the order temporarily amid complaints from international companies that argued that the search and seize of data held internationally was illegal. On August 29, she lifted that suspension after prosecutors successfully convinced her that her order was not appealable. Finally, on September 8, at Microsoft's request, the Court held the company in contempt for not complying in full with the warrant, permitting the company to appeal the Court's July 31 ruling.
Multiple questions are involved in this case: Can the U.S. Government assert a right to digital content wherever in the world it is stored? Does the cloud have a physical footprint? What law applies to data stored in the cloud? What is clear in this case is that U.S. law is reaching for data that is fundamentally foreign. Moreover, legislative history of the SCA states that the Act was “intended to apply only to access within the territorial United States” (see *In the Matter of a Warrant to Search a Certain E-Mail Account Controlled and Maintained by Microsoft Corp.*, 13 Mag. 2814, 2014 U.S. Dist. LEXIS 59296, at *20 (S.D.N.Y. Apr. 25, 2014)). It also seems that the judge is ignoring the difference between a warrant and subpoena. A warrant gives the Government the power to seize, in the U.S., evidence without notice or an opportunity to challenge. The Fourth Amendment requires that warrant “particularly describ[e] the place to be searched, and the persons or things to be seized”. In electronic searches, the need for such particularity is important when the searches by their nature “involve (…) an intrusion on privacy that is broad in scope” (Berger v. New York, 388 U.S. 41, 56 (1967)). A subpoena gives the Government the power to require a person to collect items in her possession, custody or control, regardless of location, and bring them to court, but gives the recipient an opportunity to move in advance to quash. In sum, this super powerful “hybrid subpoena” doesn’t seem the appropriate tool in this particular situation.

Nowadays, it’s not easy to be a major Internet companies. The choices they make affect the privacy of their users. Microsoft deserves applause for protecting, fighting for, and standing for their users’ privacy/rights in U.S. Courts. As explained, there is no substantial nexus whatsoever with the United States. One may argue that the principle of territorially doesn’t cover information on the Internet. But that would transform such search warrant into a global information access tool without bounds, and be a sign that these Courts don’t respect the data privacy and information law interests of other countries. If Microsoft loses this case, companies outside the U.S. that are willing to keep their data away and safe, will most likely stop using IPS’s or hosting providers with any nexus/presence within the United states. Stretching policy, statutory interpretation, and relying on legal uncertainties are not suitable ways to access user information; and Microsoft is not willing to settle. Stay tuned!

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Is an eBay VeRO notice a threat?

In the case of *Cassie Creations Limited v Blackmore and Another*, the UK High Court was recently asked to consider the question of whether a “Notice of Claimed Infringement – Statutory Declaration” sent under eBay’s Verified Rights Owner (VeRO) programme could constitute a groundless threat for the purposes of design right legislation.

By way of introduction, English law contains protection for recipients of threats of infringement of certain intellectual property rights including, patents, trade marks and registered and unregistered designs. The threats regime is a controversial one, and the Law Commission has recently recommended significant reform. However, the government’s response to the recommendations is awaited and as yet the provisions remain unamended. The precise wording varies for different rights, but the principle is the same. A recipient of a groundless threat of infringement is entitled, subject to some exclusions, to a declaration that the threats are unjustifiable, an injunction and damages. A “mere notification” that a right is registered does not constitute a threat.

The facts of this case were simple. Both parties sold cake stands on eBay. The Defendants sent a Notice of Claimed Infringement to eBay under its VeRO programme, complaining that the Claimant’s cake stands infringed certain registered designs. As a consequence, eBay removed the listings. The Claimant, apparently concerned that if it received more than two eBay notices against it then it might be barred from eBay altogether, entered into correspondence with the Defendants and with eBay in an attempt to resolve the matter. The Claimant’s listings were finally reinstated in around July 2013.

The key question for Mr Richard Spearman QC (sitting as a deputy judge) to decide was whether the VeRO Notice was a “threat”. Both parties applied for summary judgment on this issue.

The VeRO notice itself read: “I have a good faith belief that the listings identified below (by item number) offer items or contain materials that are not authorised by the IP Owner, its agent, or the law, and therefore infringe the IP Owner’s rights according to English law”.

The authorities make it clear that the concept of a “threat” is a wide one, covering any intimation conveying that a party has rights and intends to enforce them against another. The Defendants relied on an email from an eBay employee which suggested that eBay did not consider a VeRO Notice to be a threat of proceedings against eBay. However, Mr Spearman QC was not persuaded by this. He referred to a previous decision of Pumfrey J which considered the same issue.

Pumfrey J’s reasoning was as follows: eBay may become liable for infringements on its platform once put on notice, and the VeRO programme is part of a system designed to avoid that. eBay is therefore more likely than not to remove a listing that is the subject of a VeRO Notice to avoid liability for itself. He said: “...I believe with considerable force, that what can be described as an institutionalised avoidance of litigation is a response in fact to a threat”. However, Pumfrey J was only required to determine that the issue was arguable. Although in the present case the deputy judge made it clear that he considered the Claimant’s submissions “much more persuasive” than those of the Defendants, in the end he concluded that the question should be remitted to trial. Among other things, he wanted more information on how the VeRO system operated.
It is also worth noting that the individual who submitted the VeRO notice was found to be jointly liable. Mr Blackmore was a director and 40% shareholder of the Defendant company and was the owner of the rights in question. However, the deputy judge focussed on the sending of the Notice, saying “it is quite obvious that he was involved in the sending of the notice to such an extent as to make the act of sending it his own“.

Comment

Although no final decision was made here, it is clear that there is a real possibility that an eBay VeRO Notice will be considered a “threat” for the purposes of groundless threats legislation. Rights owners should therefore think very carefully before submitting notices under the VeRO scheme, or under one of the many similar schemes run by other intermediaries. Individuals submitting notices on behalf of rights owners should also take care – they may also be liable if the threats are unjustified. One sure fire way to avoid liability would be to rely, if possible, on rights that are not covered by threats legislation, such as copyright.

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CJEU rules on the registrability of three-dimensional shape marks

Shape marks

Registered three-dimensional shape marks are attractive for brand owners. They provide exclusive rights in shapes which can last well beyond the life span of other forms of intellectual property. However, registration can also be very difficult to obtain – especially if the shape of the mark results from the nature of the product itself or gives substantial value to the product.

Background

The registrability of these types of marks was recently considered by the Court of Justice of the European (CJEU) in Hauck GmbH & Co KG v Stokke A/S. The case involves competing furniture manufacturers – the German company Hauck GmbH & Co KG (Hauck) and Dutch company Stokke. In 1972, Stokke launched a children’s high chair known as the ‘Tripp Trapp’ (the Tripp Trapp shape). It consists of two sloping L-shaped uprights, to which all other elements of the chair are attached, and a set of sliding plates which allow the height of the chair to be adjusted:

In 1998, Stokke filed an application to register the Tripp Trapp shape as a trade mark in the Benelux. The trade mark proceeded to registration for “chairs, especially high chairs for children.” Hauck also manufactured and distributed children’s products, including two models of children’s chairs named the ‘Alpha’ and ‘Beta’. Stokke brought legal proceedings against Hauck in the Netherlands on the basis that the “Alpha” and “Beta” chairs infringed its Benelux registration for the Tripp Trapp shape. In its defence, Hauck brought a counterclaim seeking a declaration of invalidity against the registration. The Rechtbank’s-Gravenhage (District Court) upheld Hauck’s counterclaim and Stokke appealed. The Gerechtshofte’s-Gravenhage (Court of Appeal) also upheld Hauck’s counterclaim and so another appeal was filed, this time at the Hoge Raad der Nederlanden (Supreme Court of the Netherlands). The Supreme Court referred several questions to the CJEU, seeking clarity on the interpretation of the first and third indents of Article 3(1)(e) of First Council Directive 89/104/EEC which state:

“(3) The following shall not be registered or if registered shall be liable to be declared invalid:
(e) signs which consist exclusively of:
   – the shape which results from the nature of the goods themselves, or ....
   – the shape which gives substantial value to the goods”
The questions referred were:

1. Is the first indent to be interpreted as meaning that the ground for refusal may apply only to a sign which consists exclusively of the shape which is indispensable to the function of the product in question or may it also apply to a sign which consists exclusively of a shape with one or more characteristics which are essential to the function of that product and which consumers may be looking for in the products of competitors?

2. Is the third indent to be interpreted as meaning that the ground for refusal may apply to a sign which consists exclusively of the shape of a product with several characteristics each of which may give that product substantial value, and is it necessary to consider the public’s perception of the shape during that assessment?

CJEU ruling

The CJEU found that to interpret the first indent as applying only to signs which consist exclusively of shapes which are indispensable to the function of the goods in question would mean that only “natural” products (which have no substitute) and “regulated” products (the shape of which is prescribed by legal standards) would be refused registration, even though such signs would be ineligible for registration in any event due to their lack of distinctive character. Accordingly the CJEU ruled that “shapes with essential characteristics which are inherent to the generic function or functions of such goods” must also, in principle, be denied registration, adding that “reserving such characteristics to a single economic operator would make it difficult for competing undertakings to give their goods a shape which would be suited to the use for which those goods are intended. Moreover, it is clear that those are essential characteristics which consumers will be looking for in the products of competitors, given that they are intended to perform an identical or similar function.”

On the third indent, the CJEU noted that the fact that the shape of a product gives it substantial value does not preclude other characteristics from also adding value. As such, the exclusion under the second indent “cannot be limited purely to the shape of products having only artistic or ornamental value, as there is otherwise a risk that products which have essential functional characteristics as well as a significant aesthetic element will not be covered.” It must apply to products which, in addition to its aesthetic element, perform other functions. In assessing whether the characteristics of the product add significant value, the CJEU ruled that consumer perception can be taken into account. But other factors should also be considered, for instance the nature of the category of goods concerned, the artistic value of the shape in question and its dissimilarity from other shapes in common use on the market concerned.

The CJEU also confirmed that the first and third indents operate independently of each other and may not be applied in combination.

Comment

The decision clarifies the scope of the exclusions under Article 3(1)(e) and ensures that they are not interpreted restrictively, in a manner that would be contrary to the intent of the provisions. The case will now go back to the Supreme Court in the Netherlands which will make its ruling on the validity of the Tripp Trapp shape registration.
Brazilian PTO News

Last August 8th, 2014, Silvia Rodrigues, General Coordinator of Trademarks from Brazilian PTO has made an speech about the New Manual of Trademarks called “MarcasDoc”, in Porto Alegre, Brazil, which should be available on the BPTO's website in approximately 3 weeks.

This manual will bring several news about trademarks and will unify all the information with examples and details. The information should be unified between all examiners, so that it would help not to have so much inconsistent decisions and judgments, harmonizing the understanding between the 1st and 2nd instances of decisions.

Major topics:

- It will no longer be issued Registration Certificates on paper. In approximately four weeks, it will be available Registration Certificates on line, digitally signed by the BPTO. There are around 65,000 Certificates delayed, but from the moment they start to be released, it will be available more quickly.

- The BPTO will be hiring and training 27 more examiners by the end of 2014. In 2015, more hiring will occur.

- The BPTO is reducing the backlog, and the goal is that the processes filed at the end of 2015 will be analyzed at least in 9-10 months.

- The BPTO will accept any document to prove the priority required, including online official publication, once it has all the facts of the case.

More information about the major topics of the “ManualDoc” will be found on http://www.inpi.gov.br/portal/ in a few weeks. You can also check with us on http://www.guerraip.com

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