Welcome to our IAG January 2019 Newsletter

Dear ABA-IPL Members;

Welcome to the January 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. All articles are welcome, long or short, previously published or new. If interested in becoming an editor or just want to get involved in our Action group please do let myself or Matthias Berger know. See you next Month!

Yours,
David Postolski

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The United States-Mexico-Canada Agreement (USMCA)

Canada, the United States and Mexico have agreed to sign a new trade agreement to replace the existing North American Free Trade Agreement. The scope of the agreement is broad but there are provisions dealing with copyright and trade secrets, among other matters, which may require amendment of Canadian copyright laws:

a) Term of Protection – The term of protection for works subject to copyright must be extended to the life of the author and seventy years. There are additional equivalent provisions for extending the term of protection for works where the term is not based on the life of the author.

b) Safe Harbours – The USMCA establishes under Article 20.J.11 copyright safe harbours to provide protection for legitimate online enterprises operating as intermediaries that do not directly benefit from infringement. The Annex to Section J appears to permit Canada to maintain its current notice-and-notice regime but additional changes may be required.

c) Rights Management Information – Each Party shall provide that any person that, without authority, and knowing, or having reasonable grounds to know, that it would induce, enable, facilitate or conceal an infringement of the copyright or related right of authors, performers or producers of phonograms: (i) knowingly removes or alters any Rights Management Information (RMI); (ii) knowingly distributes or imports for distribution RMI knowing that the RMI has been altered without authority; or (iii) knowingly distributes, imports for distribution, broadcasts, communicates or makes available to the public copies of works, performances or phonograms, knowing that RMI has been removed or altered without authority, is liable and subject to civil and administrative procedures and remedies. Broader remedies than presently available will be required.

d) Trade Secrets – Each party shall ensure that persons have the legal means to prevent trade secrets lawfully in their control from being disclosed to, acquired by, or used by others (including state-owned enterprises) without their consent in a manner contrary to honest commercial practices. In addition, each party shall provide for criminal procedures and penalties for the unauthorized and willful misappropriation of trade secrets. In addition, each Party shall provide for criminal procedures and penalties to be applied if any person is found to have engaged willfully and for purposes of commercial advantage or financial gain in any of the above activities. Each Party has also confirmed that the enforcement procedures shall be available to the same extent with respect to acts of trademark infringement, as well as copyright or related rights infringement, in the digital environment. Broader remedies will be required, particularly a new criminal offence.

e) Border Measures for Counterfeit Goods – Each Party shall provide that its competent authorities may initiate border measures ex officio against suspected counterfeit trademark goods or pirated copyright goods under customs control that are: (a) imported; (b) destined for export; (c) in transit; and (d) admitted into or exiting from a free trade zone or a bonded warehouse. An “in-transit” good means a good that is under “Customs transit” or “transshipped”. Amendments will be required relating to “in-transit” goods.

When the USMCA was negotiated, the US Republican party controlled both the House of Representatives and the Senate. After the elections the US Democratic Party controls the House of Representatives. The House and the President disagree on virtually every issue. It has been suggested that, in order to obtain democratic support for the USMCA, additional assurances and perhaps changes may be required.

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Grace Period From EU Association Agreement Directly Applicable In Ukraine

The IP-related provisions of the EU-Ukraine Association Agreement, signed and ratified by Ukraine in 2014, came into force on September 1, 2017, introducing new rules regulating the non-use grace period for trademarks. The existing trademark law provides for a three-year non-use grace period, while Article 198 of the Agreement sets forth a five-year non-use grace period. However, Ukraine has not adopted any laws that implement such provisions in the national legislation and consequently, Ukrainian courts have faced a dilemma in non-use cancellation actions as to what the applicable grace period really is. This raised the question of direct applicability of the EU-Ukraine Association Agreement provisions, widely contested among Ukrainian IP professionals.

In a court ruling dated February 12, 2018 by the Commercial Court of Kyiv in the case no. 910/14972/17, the judge applied a five-year non-use grace period, as provided for under the Association Agreement (Art. 198), and rejected the non-use cancellation action, which was based on the three-year grace period, as per Ukrainian Trademark Law. The court held that the EU-Ukraine Association Agreement is a binding international agreement, thus its provisions should prevail and be directly applicable if they differ from the rules provided by the Ukrainian law. The ruling also emphasizes that the Association Agreement does not foresee any particular means of implementation of these provisions in the Ukrainian national law. This ruling was appealed before the Kyiv City Commercial Court of Appeal, which confirmed the Commercial Court of Kyiv ruling on April 23, 2018. The case ended up reaching the Ukrainian Supreme Court, which upheld the decisions of the lower courts on July 17, 2018. While the Supreme Court’s arguments were similar to those of the Commercial Court of Kyiv, it did not explicitly address the issue of direct applicability of the Association Agreement.

In the debate surrounding this issue, one of the arguments against the Agreement’s direct applicability considers the subjects to whom the Agreement is addressed. Art. 198 of the Association Agreement states that “the Parties shall provide that a trademark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use...” The majority of the Agreement’s other provisions are also addressed to the parties of the Agreement, not legal entities and individuals, which leads to the conclusion that these provisions are not self-executing and require further implementation into national legislation. In fact, the Cabinet of Ministers submitted to the Parliament a draft law implementing the provisions of Art. 198 into the Ukrainian Trademark Law on January 23, 2017, proving the Government’s intentions to take additional steps to implement the provisions into the local law. However, this law has not yet been adopted.

While the cassation appeal brought before the Supreme Court mentioned the Association Agreement implementing measures contained in the Resolution of the Cabinet of Ministers No. 847 of September 17, 2014 “On the Implementation of the Agreement” and in the explanatory note to the draft law “On Ratification of the EU-Ukraine Association Agreement”, the Supreme Court decided that these were not regulatory legal acts, and that such measures did not prevent commercial courts from applying the Association Agreement’s provisions when considering this dispute. Therefore, the Supreme Court de facto ruled on the direct applicability of the EU-Ukraine Association Agreement.

Art. 198 of the Association Agreement seems to be the only provision of the Agreement which has been so far directly applied by Ukraine’s courts. For instance, courts, including the Supreme Court, have been applying provisions of Art. 52 of the Ukrainian Law “On Copyright and Related Rights” when regulating the compensation amount for the infringement of copyright and related rights, in spite of Art. 240 of the Association Agreement foreseeing a different mechanism of compensation. In fact, a law implementing the modified provisions of Art. 240 of the Agreement came into force on July 22, 2018.

The cassation appeal also referenced the provisions of the Decree of the Cabinet of Ministers No. 15-93 of February 19, 1993, which require obtaining licenses for some operations with currency and which are actually applied in practice, as opposed to Art. 145 of the Association Agreement, which provides for free movement of capital. The Supreme Court, however, ruled that this reference was inappropriate because the mentioned provisions did not regulate the dispute in question.

The appellant also argued that applying provisions of Art. 198 in this case would set a precedent with negative consequences, but the Supreme Court ruled that the Ukrainian legal system did not recognize judicial practice as a source of law. However, in accordance with Art. 13 of the Ukrainian Law “On the Judicial System and the Status of
Judges’, the Supreme Court’s conclusions regarding the application of the rules of law are to be taken into account by other courts when applying such rules of law.

In conclusion, while on the one hand the Supreme Court’s ruling ends the long-term debate on what the non-use grace period in Ukraine actually is, on the other hand it still raises a number of issues that remain vague. It appears that only further case law may clarify the issue of the EU-Ukraine Association Agreement’s direct applicability. However, this case should be taken into account when filing a non-use cancellation action in Ukraine.

Ukraine Drafts Amendments To Patent, Utility Model, Design And Trademark Legislation

After a previous draft law did not get support in the Ukrainian Parliament, in September 2018 the Ukrainian Ministry of Economic Development and Trade released a new draft law for public review – the Law amending certain legislative acts aiming to improve the protection and enforcement of rights relating to patents, utility models, designs and trademarks.

Besides introducing an electronic filing system for patents, utility models, trademarks and designs, one of the main goals of the draft law is to bring Ukrainian IP legislation in line with the EU-Ukraine Association Agreement and to tackle the negative effects of the existing simplified procedure for granting utility models.

According to the current legislation, a utility model does not need to involve an inventive step and is subject to only a formal examination, which means that it is not required to check if there are any prior rights that affect the new application. These provisions have led to an increasing number of highly similar utility models protecting inventions that are not new.

The draft law limits the utility model subject matter that can be protected to devices and apparatus only, excluding processes and methods, which can still be protected under the current legislation. The draft law also expands the list of inventions that cannot be patented, for instance computer programs.

Under the draft law any interested party can file an opposition against a pending patent application within six months from the application publication date (a pre-grant opposition). The draft law also introduces a post-grant opposition procedure for invalidating granted patents and utility models.

Regarding designs, the draft law introduces ‘individual character’ as an additional eligibility criterion, in line with the EU-Ukraine Association Agreement. It also introduces the possibility to challenge a design registration through administrative proceedings.

In terms of trademarks, the draft law aligns the grounds for refusal with the EU-Ukraine Association Agreement and specifies in greater detail the rules for national examination and protection of international registrations under the Madrid System.

It is expected to take the Ministry of Economic Development and Trade four to five months to collect comments and to get the approval of the Cabinet of Ministers to submit the draft law to the Parliament.

Off The Special 301 Watch List? New Ukrainian Collective Management System In The Making

After being adopted in May 2018, the long-awaited new law “On Efficient Management of Rights Holders’ Economic Rights in the Field of Copyright and (or) Related Rights” entered into force in Ukraine in July 2018. The law aims to build a more efficient and transparent collective rights management system. A powerful stimulus came from the United States, which has partially suspended Ukraine from its General System of Preferences (GSP) and has repeatedly criticized Ukraine in the Special 301 report for copyright-related issues including the nontransparent system governing copyright collectives responsible for collecting and distributing royalties to rights holders.

Lately, there have been 19 collective management organizations (CMOs) operating in Ukraine with largely overlapping responsibilities. The new law intends to reduce the number of CMOs and put each remaining CMO in charge of a certain sector and category of copyright holders. The intention is to keep the CMOs that cover the widest repertoires and enjoy an international reputation and the trust of rights holders.
A key to creating a trustworthy system is having all CMOs established and managed by copyright holders, who will oversee all CMO activities including the royalty rate-setting process and the distribution of royalties. CMOs are now responsible for creating and administering a register of rights holders and a register of copyright and related rights that they manage.

If unable to identify the intended royalty payment recipient, CMOs will no longer be able to keep the money but will have to transfer it to institutions in charge of Ukraine’s cultural development. It remains unclear how exactly this will work, but it is expected that the subsequent bylaws will clarify certain provisions.

The law has also changed the way copyright and related rights damages are calculated. Previously, courts prescribed statutory damages within the range of Ukraine’s 10 to 50,000 minimum monthly wages and plaintiffs did not have to prove the amount of damages suffered but the infringement itself. In order to implement the provisions of Art. 240(1)(b) of the EU-Ukraine Association Agreement, the new law replaced the range with a lump sum, which will be twice the amount the infringer would have paid if he had been authorized to use the infringed right (in cases where no infringement was intended) or thrice the amount (if the intent was there).

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Distinguishing Features and Subsection 22 of the Trademarks Act

A recent decision of the Federal Court provides a detailed review of the requirements of section 22 particularly when a distinguishing feature of a mark has been used in such a way as to trigger the application of the section.

The Facts

Duracell and Energizer are the leading battery brands in Canada. Duracell sold some of its batteries in packaging which contained comparative statements claiming that Duracell batteries were longer lasting than Energizer batteries.

Energizer brought an action in the Federal Court relating to labels containing statements made concerning ENERGIZER and ENERGIZER MAX brand products. Both ENERGIZER and ENERGIZER MAX are registered trademarks of Energizer. In addition, claims were made relating to similar statements made using the terms “the next leading competitive brand” and “the bunny brand” on packages of Duracell batteries.

The Motion for Summary Judgment

Duracell brought a motion for summary judgment to strike from the action the following claims:

a) “up to 15% longer lasting vs. the next leading competitive brand*  
   *Next leading alkaline based on Nielsen sales data. AA size. Results vary by device and usage patterns.”

b) “Up to 20% LONGER LASTING vs. the bunny brand on size 10, 13 & 312.”

Energizer in its statement of claim primarily relied on section 22 of the Trademarks Act which provides that “no person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto”. The evidence was clear that Duracell used the terms “the next leading competitive brand” and “the bunny brand” to refer to Energizer but that neither term was the subject of a registered trademark. However, Energizer owned registrations of two design versions of its iconic ENERGIZER BUNNY design which were famous as a result of extensive use and sales in Canada.

Section 22

A claim under section 22 is conceptually quite different from a claim for infringement. In order to succeed with a claim under the section, the following elements must be shown:

(a) The plaintiff’s registered trademark or at least its distinguishing feature was used by the defendant in connection with goods or services.

(b) The plaintiff’s registered trademark is sufficiently well known to have significant goodwill attached to it.

(c) The plaintiff’s mark was used in a manner likely to have an effect on that goodwill (this is referred to as linkage). Linkage requires a mental association in the mind of a reasonable buyer between the two parties and the mark. The likelihood of such a linkage is a matter of evidence not speculation.

(d) The likely effect would be to depreciate the value of the goodwill (damage). Depreciation includes lowering the value of the goodwill as well as disparagement or tarnishing the trademark.

The judge was not asked to decide whether use of the terms in issue were “likely to have the effect of depreciating the value of the goodwill attaching” to these marks. The parties agreed the analysis was to proceed in the same manner.
whether or not there is depreciation. The primary issue on the motion was, even assuming depreciation, did subsection 22(1) apply.

The judge said that considering the ENERGIZER Bunny design marks and the fact that each is a famous mark, a somewhat-hurried consumer seeing the words “the bunny brand” in relation to batteries would make both a link with and a connection to the ENERGIZER Bunny design marks. Looking at the evidence as a whole, Duracell used “the bunny brand” to claim that Duracell’s batteries were longer lasting than Energizer batteries. In addition, Duracell, in using the term “the bunny brand”, made use of marks sufficiently similar to the ENERGIZER Bunny design marks to evoke in the relevant universe of consumers, namely those purchasing batteries, a mental association of the two marks. The distinguishing feature of the ENERGIZER Bunny design marks is the Energizer Bunny itself, which satisfies the above requirements. Finally, the somewhat-hurried consumer would certainly make a mental association be it unconsciously, subtly, or subliminally, between the words “the bunny brand” that Duracell used on its battery packages and the ENERGIZER Bunny design marks.

The judge was not persuaded that the term “the next leading competitive brand” would cause a mental association in the mind of a somewhat-hurried consumer with the ENERGIZER Bunny design marks.

As a result Energizer’s claim concerning “the next leading competitive brand” was struck but the claim relating to “the bunny brand” will proceed to trial.

**Conclusion**

The decision provides a detailed review of the requirements of subsection 22 and the matters relevant to determining when a distinguishing feature of a mark has been used by a defendant.

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Kazakhstan Amends IP Legislation

On July 3, 2018, various intellectual property legislation amendments came into force in Kazakhstan, affecting 12 laws, including the trademark, patent, and copyright laws, as well as the Civil Code and the Code on Administrative Offenses. The amendments were adopted in order to fill the gaps in the existing legislation and to simplify the administrative procedures related to obtaining IP rights protection. The most significant changes brought about by the amendments are outlined below.

Amendments Concerning All IP Rights

- Before the amendments, both the National Institute of Intellectual property (NIIP) and the Ministry of Justice (MoJ) were involved in the IP rights registration process, which is now only the NIIP's responsibility. The MoJ will be responsible for general regulatory functions.
- IPR registration fees will no longer be determined according to tax legislation, but by the NIIP and the MoJ.
- It is now explicitly stated that the administrative and criminal liability is not applicable to cases involving the exhaustion of IP rights.
- State procurement procedures will now require candidates to provide documents proving their exclusive IP rights, if applicable.
- Assignment and license agreements for industrial property and plant variety/breeders' rights are now registered by NIIP within 10 business days. Earlier, the term was 40 business days.
- If a license agreement does not indicate the license's validity term, it will automatically be valid for five years or, if the validity term of the licensed IP right is shorter than five years, the license will be valid until the end of this term.
- “Exclusive license” is now defined in such a way that the licensor cannot use the licensed IP rights along with the licensee, which was possible before the amendments.
- A new notion of a “single license” has been introduced, to refer to what an “exclusive license” referred to before, namely, a license with which the licensor is able to use the licensed IP rights along with the licensee.
- The law now explicitly allows cancelling assignment and license agreements in court.

Trademarks and Geographical Indications (GIs)

- The concept of counterfeit goods has been introduced; counterfeit goods are defined as “any goods, and their packaging, that bear a trademark or GI or a confusingly similar mark without the rights holder’s consent”. Counterfeit goods and any equipment or materials used for manufacturing such goods are to be withdrawn from the market and destroyed at the infringer’s expense.
- If the court establishes trademark or GI infringement, the rights holder can demand monetary compensation instead of claiming damages. In this case, the rights holder does not have to prove losses and the court determines the compensation amount according to the nature of the infringement. While this simplifies the procedure for the rights holder, the compensation amount is completely at the court’s discretion. The draft law had set the minimum and maximum compensation rates, but these were not reflected in the final law.
- Changes made to a trademark/GI registration are to be published online within three business days from the date they are entered in the State Register of Trademarks. Earlier, the deadline was one month.
- Provisions concerning conflicts between trade names and trademarks are now also applicable to conflicts in which the trademarks are registered in the name of natural persons or legal entities that are not involved in entrepreneurial activity.
- The date the exclusive right to a trademark starts is now clearly defined as the date of trademark’s registration in the State Register of Trademarks.
- The formal examination term for trademark applications is reduced from one month to 10 business days from the application filing date.
- The substantive examination term for trademark applications has also been reduced from nine to seven months. However, the expedited examination option (within six months, upon payment of additional fees) has been abolished.
- The term for substantive examination of GI applications has been reduced from six months to 30 business days.
- All trademark applications are to be published in the Official Bulletin within five working days after the formal examination is completed. This novelty will simplify the monitoring of potentially infringing applications, enabling rights holders to file observations or oppositions before such applications become registrations.
- Requirements and procedures for applying for a well-known trademark have now been incorporated into the law, while they were governed by a bylaw before.
• Well-known trademark applications can now only be considered by the MoJ Board of Appeal, while they were also considered by courts before.

• Non-use trademark invalidation actions can now be considered only by courts, unlike before, when they were considered by the MoJ Board of Appeal. The non-use grace period is now defined as three years before the filing of an invalidation action, while it was previously defined as three years from the date of trademark registration.

• The notion of “use” of a trademark has been broadened to include use in any form that differs from the trademark’s originally registered form (i.e. different size, font, color, etc.) to the extent that does not affect its distinctiveness.

• New grounds for trademark invalidation have been introduced, namely (1) registration of a trademark or confusingly similar mark in the name of the representative of the holder of the same trademark registered in any member country of the Paris Convention, without the consent of the trademark holder; and (2) the trademark being identical or confusingly similar to the trade name of another entity, if the trade name has priority over the trademark in the territory of Kazakhstan.

• Termination of a business activity is no longer a ground for automatic termination of a trademark registration.

• Trademark rights could only be certified by an extract from the State Register of Trademarks, while they can now also be confirmed by trademark registration certificates issued by the NIIP.

• Requirements for letters of consent for the registration of conflicting trademarks are now explicitly stated in the law – the letter has to be written on an official letterhead, signed by an authorized person and sealed with a company seal (if available); if the letter is issued by a natural person, it has to be notarized.

• When filing a trademark application, it is now officially allowed to provide a copy of a power of attorney (PoA) instead of the original. However, the original PoA must still be presented within three months. The PoA should be returned to the attorney upon the NIIP’s verification.

• Copyright protection cannot be granted for works intended to be used as trademarks, service marks, trade names and GIs. This is a new clause that intends to distinguish industrial property rights protection from copyright protection.

• The deadline for the MoJ to register a copyrighted work has been reduced from 20 business days to one business day from receiving the request.

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Goodwill without Carrying on Business in Canada

A recent decision of the Federal Court 2018 applies the direction of the Federal Court of Appeal in a case where the plaintiff relied on goodwill when it did not carry on business in Canada.

The Facts

The plaintiff is the owner and publisher of an Indian Punjabi-language daily newspaper called the “Ajit Daily”. This paper has been published in India since 1955 and is well-known among the Punjabi population in India. An online version has been available since 2002 which Canadian Punjabis read.

While only a small number of subscriptions have been sold in Canada the plaintiff presented the evidence of a number of individuals who said they were aware of the Ajit Daily and its reputation as an important Punjabi paper in India.

The defendant owns and publishes a Canadian Punjabi-language newspaper called the “Ajit Weekly.” The newspaper has been published in Canada since 1993 and is distributed without charge at the front of supermarkets and other stores. An online version has been available since 1998.

The Action

The plaintiff commenced an action in the Federal Court asserting a claim for passing off and copyright infringement. One of the issues concerning the copyright claim was the impact of a partial settlement agreement previously entered into by the parties relating to litigation between them in the U.S.

After a motion for a summary trial the judge dismissed the action. The plaintiff appealed to the Federal Court of Appeal who allowed the appeal and ordered that a new trial take place. We discussed this decision in March of 2016.

The New Trial

The plaintiff’s logo for its newspaper originally looked like this:

The defendant's initial logo looked like this:

The partial settlement agreement required the defendant to change its logo so it looked like this:
Passing Off

To establish a claim for passing-off under common law and the Trade-marks Act, the plaintiff must prove the existence of goodwill, deception of the public due to a misrepresentation, and actual or potential damage to the plaintiff.

The judge found that the high degree of recognition of the plaintiff’s mark among the relevant universe of consumers, together with its distinctiveness and the narrow, specialized channel of trade, supported the conclusion that, as of 1993, when the defendant began to use its initial logo, the plaintiff enjoyed sufficient goodwill within Canada to sustain a claim of passing-off. The defendant offered no credible explanation for its decision to use the “Ajit” name in Canada when it launched its Weekly in 1993. Its decision supported the inference that the name had commercial value in Canada at that time.

The second element of misrepresentation is satisfied if a plaintiff establishes that the defendant has used a trademark that is likely to be confused with the plaintiff’s distinctive mark. The judge had no hesitation in finding that the defendant’s initial logo was confusingly similar to the plaintiff’s logo. The respective trademarks were not simply the word “Ajit” but, rather, the word and the stylized way in which it is presented as part of their logos.

The judge was not persuaded that the defendant’s revised logo was confusingly similar to the plaintiff’s logo. The revised logo dispenses with the stylized “hook” of the plaintiff’s mark, and was presented in a different colour. The plaintiff agreed in the partial settlement agreement that the revised logo was sufficiently different to avoid infringing the plaintiff’s copyright in the image. As a result, it was counterintuitive to suggest it was not sufficiently different to avoid confusion in the marketplace.

The plaintiff’s successful claim for passing-off covered the period July 2007, three years before this action was commenced, to January 2010, when the defendant adopted its revised logo. There was no direct or circumstantial evidence that the defendant’s activities had any real impact on the plaintiff’s business. As a result, damages were at the lower end of the scale and set at $5,000.00.

The plaintiff had obtained a trademark registration for its logo after the appeal and amended its statement of claim to allege trademark infringement but the judge reached a similar conclusion concerning this claim.

Because there was no evidence that the defendant intends to revert to its original logo, the judge concluded there was no need to grant injunctive relief. In addition, a claim for punitive damages was dismissed.

A similar award of nominal damages was made concerning the claim for copyright infringement.

In its decision on the appeal the Federal Court of Appeal said that damage could be established through proof of a loss of control over reputation, image or goodwill. However, this is not mentioned in the current decision.

Conclusion

The parties to this action have a long history of litigation in Canada, the United States and the United Kingdom. In this action there has been a summary trial, an appeal to the Federal Court of Appeal and a motion for summary judgement. It seems likely there may be an additional appeal.

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Russia Introduces Three-Year Customs Watch Term

Russia has recently amended its customs legislation, namely the new Federal Law “On customs regulations in the Russian Federation” was adopted on August 3 and entered into force on September 4, 2018. While certain transitional provisions will not enter into force until December 2018 and February 2019, those related to the protection of intellectual property rights are already in effect.

The main novelty concerns the maximum customs watch protection period, which has been extended from two to three years. Rights holders can now choose between a one-, two- or three-year protection term when filing or renewing customs watch applications. As before, the customs watch may be renewed for an indefinite number of times.

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