

TRADE-MARK OPPOSITION AND LITIGATION IN BRIC AND NAFTA COUNTRIES

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TRADE-MARK OPPOSITION AND LITIGATION IN BRIC AND NAFTA COUNTRIES

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CHAPTER 1

INTRODUCTION

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The 2008-2009 recession notwithstanding, global trade has increased to historic levels. Globalization is both cause and effect of rapid development in the economies of a number of countries, notably China, India, Brazil, and the Russian Federation. By way of example, in the period 1999-2008 merchandise imports to China grew by 684 per cent, to India by 621 per cent, to Brazil by 352 per cent and to Russia by 738 per cent.¹ As the pace of trade has grown, the number of applications for trade-mark registrations has increased, in some cases exponentially. Between 1995 and 2007, trade-mark applications in China increased from 172,146 to 714,942. Trade-mark applications in the same period more than doubled in Brazil, India, and Russia.²

Trade-mark strategies, including enforcement strategies, must now also be global. Trade-mark lawyers, in-house counsel and trade-mark administrators are increasingly faced with the problem of enforcing their trade-marks in foreign jurisdictions. While there are a number of firms and services which provide bare summaries of local enforcement regimes, these rarely contain the level of detail which decision-makers require. This paper is intended to outline, in a comprehensive but practical and useful way, trade-mark litigation procedures in the quickly developing economies of the BRIC (Brazil, Russia, India and China) countries, as well as in the North American Free Trade Agreement (NAFTA) countries of Canada, Mexico, and the United States. The focus is on providing a greater level of detail, and practical information, than is ordinarily available.

The paper begins with a summary of the basic enforcement obligations to which each of the BRIC and NAFTA countries are obliged under the

¹ World Trade Organization, Statistics Database.

² WIPO Statistics Database, December 2008.

Agreement on Trade-Related Aspects Of Intellectual Property Rights (TRIPS) and the North American Free Trade Agreement. It then proceeds to a review of the particular enforcement regimes in each of the BRIC and NAFTA countries. The paper is not, however, confined to enforcement proceedings; it also addresses the issue of *inter partes* litigation in trade-mark application and cancellation proceedings. Rather than adopting an academic or jurisprudential perspective, it is intended to convey information which may be of more practical assistance to trade-mark counsel and trade-mark administrators worldwide.

1. THE BRIC COUNTRIES

BRIC is an acronym, first coined by Goldman Sachs in 2001, referring to the economies of Brazil, Russia, India, and China. These countries collectively account for 40 per cent of the world's population. While not a formal trading association or economic block, the BRIC countries are among the world's largest and fastest growing emerging markets. Measured by GDP, they presently constitute the world's third, eighth, tenth, and twelfth largest economies. It is anticipated that by 2050, they will constitute the world's first, third, fourth, and sixth, largest economies, respectively.¹

2. NAFTA

NAFTA is the North American Free Trade Agreement, a multi-lateral agreement between the United States, Canada, and Mexico. Unlike the BRIC countries, NAFTA is a formal trading association and an economic block. Measured by GDP, the United States, Canada and Mexico presently constitute the world's first, eleventh and thirteenth largest economies, respectively.⁴ It is anticipated that, by 2050, they will constitute the second, eight, and twelfth largest economies, respectively.

Chapter 17 of NAFTA sets out the agreement of the parties in respect of intellectual property issues. Five articles (1714 to 1719) address enforcement mechanisms under the headings General Provisions, Specific Procedural and Remedial Aspects of Civil and Administrative Procedures,

³ Goldman Sachs, Global Economics Paper No. 99 and Wikipedia "BRIC" retrieved July 20, 2009.

⁴ The World Bank: World Development Indicator's Database, July 1, 2009; "Gross Domestic Product" (2008).

Provisional Measures, Criminal Procedures and Penalties, and Enforcement of Intellectual Property Rights at the Border.

3. TRIPS

All BRIC countries, and NAFTA members, have acceded to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which came into effect on January 1, 1995. TRIPS is the most comprehensive international multi-lateral agreement on intellectual property, covering, as it does, copyright, trade-marks, geographical indications, patents, industrial designs, and other forms of intellectual property.

In respect of each of these main areas, the TRIPS Agreement sets out both substantive rights and, more importantly from our present perspective, minimum standards for domestic procedures and remedies for the enforcement of those rights. Part Three of the Agreement, entitled "Enforcement of Intellectual Property Rights" is divided into five sections – General Obligations, Civil and Administrative Procedures and Remedies, Provisional Measures, Special Requirements Related to Border Measures, and Criminal Procedures.

There are substantial similarities between the enforcement provisions obtained in NAFTA and the TRIPS Agreements. The provisions are sufficiently similar that they can be considered together.

4. AN OVERVIEW OF ENFORCEMENT OBLIGATIONS UNDER THE TRIPS AND NAFTA AGREEMENTS

4.1. Generally

Member states are obliged to ensure that enforcement procedures are available under their national laws so as to permit effective action against any act of infringement of intellectual property rights covered by the Agreement. This obligation extends to expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures are required to be applied in such a manner as to avoid the creation of barriers to legitimate trade.⁵

⁵ NAFTA Article 1714(1). TRIPS Article 45(1).

Procedures concerning the enforcement of intellectual property rights are required to be fair and equitable. States are enjoined from creating procedures which are unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays. Decisions on the merits of a case are required to be in writing and reasoned. They must be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of the case must be based only on evidence in respect of which the parties were offered the opportunity to be heard.⁶

4.2. Review of Decisions

Parties to an enforcement proceeding must have an opportunity for review, by a judicial authority, of final administrative decisions and, subject to jurisdictional provisions in a members' law concerning the importance of a case, of at least the legal aspects of initial decisions on the merits of the case.⁷ These general obligations do not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that of the enforcement of the national law, nor does it affect the capacity of signatories to enforce their law in general. Nothing in the general obligations creates an obligation with respect to the distribution of resources as between enforcement of national law in general.⁸

4.3. Civil and Administrative Procedures and Remedies

States are required to make available to rights' holders civil judicial opportunities to enforce intellectual property rights. Conversely, defendants have the right to timely written notice which contains sufficient detail, including the basis for the claim. Parties may be represented by independent legal counsel. Applicable procedures must not impose overly burdensome requirements concerning mandatory personal appearances. All parties to the proceedings shall be entitled to substantiate their claims and to present all relevant evidence. The procedure in effect must provide a means to identify and protect confidential information unless this would be contrary to existing national constitutional requirements.⁹

⁶ NAFTA Article 1714(2), (3), TRIPS Article 45(2), (3).

⁷ NAFTA Article 1714(4), TRIPS Article 41(4).

⁸ NAFTA Article 1714(5), TRIPS Article 41(5).

⁹ NAFTA Article 1715(1), TRIPS Article 42.

4.4. Evidence

In respect of evidence, judicial authorities must have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order this evidence to be produced by the opposing party, subject, in appropriate cases, to conditions which ensure the protection of confidential information. This is, in substance, an authority to order discovery of relevant information.

In cases in which a party proceeding voluntarily and without good reason refuses access to or otherwise does not provide necessary information within a reasonable period, or significantly impedes a procedure relating to an enforcement action, a state may accord judicial authorities the right to make preliminary and final determinations, affirmative or negative, on the basis of the information presented to them, including the complaint or the allegation presented by the party adversely affected by the denial of access to information, subject to providing the parties an opportunity to be heard on the allegations or evidence.¹⁰

National judicial authorities must have the authority to order a party to desist from an infringement, *inter alia*, to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods. States are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.¹¹

4.5. Remedies

In respect of damages, judicial authorities must have the authority to order an infringer to pay the right holder damages adequate to compensate for the injury knowingly caused. Judicial authorities must also have the power to order the infringer to pay the right holder's expenses, which may include

¹⁰ NAFTA Article 1715(2), TRIPS Article 43.

¹¹ NAFTA Article 1715(2) and 1715(3), TRIPS Article 44.

appropriate attorney's fees. In an appropriate case, States may authorize the judicial authorities to order recovery of profit and/or payment of pre-established damages even when the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.¹²

Judicial authorities must have the authority to order that goods that they have found to be infringing be, without compensation, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder or, unless this would be contrary to existing constitutional requirements, destroyed. Judicial authorities must also have the authority to order that materials the predominant use of which has been the creation of the infringing goods, be without compensation, disposed of. In that event, however, the judicial authority must consider the need for proportionality between the seriousness of the infringement and remedies ordered, as well as the interests of third parties.¹³

Under the TRIPS Agreement judicial authorities may be provided with authority to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and their channels of distribution, unless this would be out of proportion with the seriousness of the infringement.¹⁴ Both TRIPS and NAFTA provide that judicial authorities shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injuries suffered because of such abuse. The judicial authority shall also have the authority to order the applicant to pay the Defendant's expenses, which may include appropriate attorney's fees.¹⁵

4.6. Provisional Measures

Judicial authorities must have the authority to order prompt and effective provisional measures, both to prevent the infringement of any intellectual property right from occurring and to preserve relevant evidence. They shall

¹² NAFTA Article 1715(2) and 1715(4), TRIPS Article 45.

¹³ NAFTA Article 1715(5), TRIPS Article 46.

¹⁴ TRIPS Article 47.

¹⁵ NAFTA Article 1715(2), TRIPS Article 48.

have this authority *ex parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

In these circumstances, judicial authorities may require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such infringement is imminent, and order the appellant to provide a security or equivalent assurance to protect the Defendant and to prevent abuse.

Where provisional matters have been adopted *ex parte*, the parties affected must be given notice, without delay after the execution of the measures, at the latest. A review, including a right to be heard, shall take place upon request of the Defendant with a view to deciding, within a reasonable period after notification of measures, whether those measures shall be modified, revoked, or confirmed.

Where, following provisional measures, proceedings leading to a decision on the merits of the case are not initiated within a reasonable period of time, the measures shall, at the request of the Defendant, be revoked, or otherwise cease to have effect. In that event, or in the event that no infringement is found following provisional measures, the judicial authority may order the applicant, upon the request of the Defendant, to provide appropriate compensation for any injury caused by the provisional measures.¹⁶

4.7. Special Requirements Related to Border Measures

Member states are obliged, in conformity with other provisions of the Agreement, to adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trade-mark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of the goods. Members may also provide corresponding measures in respect of goods for exportation.¹⁷

¹⁶ NAFTA Article 1716, TRIPS Article 50.

¹⁷ NAFTA Article 1718(1), TRIPS Article 51.

Where a right holder initiates these procedures, it is required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of the importation, there is *prima facie* infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities.¹⁸ An applicant may be required to provide security or equivalent assurance sufficient to protect the Defendant and the competent authority, and to prevent abuse. Security or an equivalent assurance may not, however, unreasonably deter recourse to these measures.¹⁹

The importer and the applicant must both be notified of the suspension or the release of the goods. If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the Defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released. In appropriate cases, the time limit may be extended by another ten days. Where proceedings are initiated, a hearing must be held on the issue whether the measures should be modified, revoked, or confirmed.²⁰

Where the detention is determined to be wrongful, an order may be made requiring the applicant to pay to the importer, the consignee, and the owner of the goods appropriate compensation for any injury caused to them thereby.²¹

Without prejudice to the protection of confidential information, the competent authority must give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected in order to substantiate the right holder's claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such goods inspected. Where a positive determination has been made on

¹⁸ NAFTA Article 1718(2), TRIPS Article 52.

¹⁹ NAFTA Article 1718(3), TRIPS Article 53.

²⁰ NAFTA Article 1718(4), TRIPS Article 55.

²¹ NAFTA Article 1718(9), TRIPS Article 56.

the merits of the case, competent authorities may inform the right holder of the names and addresses of the consignor, importer and the consignee of the quantity of the goods in question.²²

Member states may require competent authorities to act on their own initiative and to suspend the release of goods in respect of which they have acquired *prima facie* evidence that an intellectual property right is being infringed. In that event, the competent authorities may at any time seek from the right holder any information that may assist them to exercise their powers. As well, the importer and the right holder shall be promptly notified of the suspension. Where the importer has lodged an appeal against the suspension with the competent authorities, the suspension may be made subject to conditions. Signatories may only exempt both public authorities and officials from liability for appropriate remedial measures where their actions are taken or intended in good faith.²³

Without prejudice to other rights of action open to the right holder and subject to the right of the Defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in NAFTA Article 1718(12) and TRIPS Article 46. In regard to counterfeit trade-marked goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

4.8. Criminal Procedures

States are obliged to provide for criminal procedures and for penalties to be applied at least in cases of willful trade-mark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistent with the level of penalties applied for crimes of a corresponding

²² NAFTA Article 1718(2), TRIPS Article 57.

²³ NAFTA Article 1718(3), TRIPS Article 58.

gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture, and destruction of infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.²⁴

²⁴ NAFTA Article 1717, TRIPS Article 61.

CHAPTER 2

CHINA

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1. INTRODUCTION

China is a signatory to both the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The fundamental statutory law governing trademark-related civil issues is the Trademark Law of the PRC, enacted in 1982 and revised in 1993 and 2001. The 2001 amendments were made to accord the statute with the requirements of TRIPS. A new revision is in progress¹. To supplement the statutory law, the Supreme People's Court (SPC) has promulgated six primary judicial interpretations². Additionally, the PRC State Council has enacted an administrative regulation³ and the State Administration for Industry and Commerce of the P.R.C. (SAIC) has promulgated three major rules.⁴

The fundamental law regulating trademark-related criminal cases is the Criminal Law of the PRC and two judiciary interpretations jointly

¹ The new revision of the Trademark Law, i.e. the third revision, is expected to come out in 2011 or 2012.

² *The Questions Concerning the Jurisdiction and the Scope of the Application of Law to the Trial of Trademark*, in force on January 21, 2002, *the Interpretation of the Supreme People's Court on the Issue concerning the Application of Law for Stopping the Infringement upon the Right to the Exclusive Use of a Registered Trademark and Preserving Evidence before Filing a Lawsuit*, in force on January 22, 2002, *the Several Questions on the Application of Law in Trial of Trademark Civil*, in force on October 16, 2002, *Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right*, in force on March 1, 2008 and *the Several Issues on Law Application of Hearing Civil Disputes Concerning Well-Known Trade Mark Protection*, in force on May 1, 2009, *the Opinion on Several Issues Concerning the Trial of Administrative Cases Involving the Granting and Confirmation of Trademark Rights*, in force on April 20, 2010.

³ *Regulations for the Implementation of the Trademark Law of the People's Republic of China*, promulgated by the State Council on August 3, 2002 and in force on September 15, 2002.

⁴ *Rules for Trademark Review and Adjudication*, in force on November 2, 1995 and last revised on October 26, 2005, *Provisions for the Recognition and Protection of Well-known Trademarks*, in force on June 1, 2003 and *Rules for the Recognition of Well-known Trademarks*, in force on April 21, 2009.

promulgated by SPC and the Supreme People's Procuratorate (SPP) in 2004 and 2007⁵. An Anti-Unfair Competition Law supplements the trademark law by providing protection for unregistered marks, such as unique names of well-known products and the guise of well-known products, which are traditionally protected by passing-off actions in common law countries.

As in other countries, the Chinese trademark law sets up a system of application and registration. Applications may be opposed and registrations cancelled. The Chinese system provides three avenues for the enforcement of trademark rights – administrative, civil, and criminal. The decision to pursue civil rather than criminal remedies depends on the severity of the acts of the infringer. Where the decision made is to pursue a civil remedy, one can also engage the administrative process, as is more fully described below.

2. OPPOSITION PROCEEDINGS IN THE TRADEMARK OFFICE

Trademark applications are made to the Trademark Office. The Office makes a preliminary determination whether the application is in conformity with the relevant provisions of the trademark law and, in particular, whether it complies with the absolute and relative grounds set out in the trademark law. If preliminary approval is granted, the trademark is published. Thereafter, any natural or legal person may, within three months, file an opposition to the published mark. The grounds of opposition are contained in various provisions of the trademark law and are, as already noted, either relative or absolute.

2.1. Grounds of Opposition

The absolute grounds of opposition are as follows:

- (1) The trademark is identical to or similar to the names, flags, emblems or other decorations or signs of People's Republic of China, other foreign countries, and international intergovernmental organizations, or the names of particular venues where the Central State government

⁵ *Interpretation I and II of the Issues concerning the Specific Application of Law in Handling Criminal Cases of Infringement of Intellectual Property Rights.*

organizations of People's Republic of China are located, or with the names or graphs of the symbolic buildings of the Central State government organizations; (Article 10, Trademark Law)

- (2) The trademark is identical or similar to official signs and hallmarks indicating official control or warranty, except where otherwise authorized, or the names or symbols of the Red Cross or the Red Crescent; (Article 10)
- (3) The trademark is discriminatory against a nationality; (Article 10)
- (4) The trademark constitutes exaggeration or fraud in advertising; (Article 10)
- (5) The trademark is detrimental to socialist morals or customs, or has other "unhealthy influences"; (Article 10(8))
- (6) The trademark incorporates the geographical names of the administrative divisions at or above the county level in China or foreign geographical names well-known to the public, except where such names have other meanings or are an element of a collective mark or a certification mark; (Article 10)
- (7) The trademark consists exclusively of generic names, designs or models of the goods, or signs or indications that have direct reference to the quality, main raw materials, function, intended purpose, weight, quantity, or other features of the goods or services; (Article 11(1)(2))
- (8) The trademark is devoid of any distinctive character; (Article 11(3))
- (9) The trademark is a 3-D mark whose shape is derived from the goods itself; (Article 12)
- (10) The trademark contains a geographic indication for goods which are not, in fact, from the region indicated; (Article 16)
- (11) The trademark application is filed by fraud or other unfair means. (Article 41(1))

The relative grounds are:

- (1) The trademark is identical or similar to the trademark of another

party that has been registered or preliminarily approved over the same or similar goods; (Article 28, *Trademark Law*)

- (2) The application is an agent or representative, without authorization; (Article 15)
- (3) The trademark, filed in the same or similar class of goods, is a reproduction, imitation, or translation of another person's well-known trademark not yet registered in China and is likely to cause confusion; (Article 13)
- (4) The trademark, filed in non-identical or dissimilar class of goods, is a reproduction, imitation, or translation of another person's well-known trademark registered in China, misleads the public and is likely to harm the interests of the holder; (Article 13)
- (5) The trademark infringes upon another party's existing prior rights, or the applicant seeks to register by unfair means a mark that is already in use by another party and has certain influence. (Article 31)

The absolute grounds are much less frequently relied upon by opponents, save and except for grounds 5) and 11), i.e., the trademark is "detrimental to socialist morals or customs, or has other unhealthy influences", or the trademark application is "filed by fraud or other unfair means". Because China is a first-to-file jurisdiction, the owners of unregistered trademarks face difficulty when "squatters" actually make application for the same or confusing marks for dissimilar goods/services. In that case, owners have tended to resort to these provisions. In deciding these cases, the Trademark Office tends to rely on the first ground, while the Trademark Review and Adjudication Board (TRAB) has tended to rely on the second ground.

There has been a great deal of discussion about the application of these two provisions, since both are intended to protect the public interest as a whole, rather than to address disputes between individuals. A Supreme Court decision in 2008 held that the latter of the two grounds had no application in disputes between individuals. Thereafter, many appellate courts have followed the same reasoning. This has created some difficulty for trademark owners and TRAB as well. Until the revised Trademark Law comes into effect, the debate over the application of these two controversial provisions will continue.

In terms of the relative grounds, the provisions most often relied upon are those in Article 31, i.e. “The trademark infringes upon another party’s existing prior rights, or the applicant seeks to register by unfair means a mark that is already in use by another party and has certain influence”. This provision is frequently triggered where a party who has used a trademark which has gained some reputation is faced with an application for the same mark in respect of the same or similar products. Article 31 is of no use, however, where the mark applied for is for dissimilar goods or services since there is no prior use. In that case, the owner must turn to Article 13 and demonstrate that its mark is, in fact, well known. In such cases, Articles 15 and 10(8) may also be of assistance.

It is of interest that Article 31 protects “existing prior rights” without necessarily restricting these to trademark rights. This has resulted in Article 31 being cited by opponents in circumstances where it is alleged that the infringement arises as a result of the competing trade name, copyright, or patent, etc.

2.2. Opposition Procedure Before the Trademark Office

Opposition procedure before the Trademark Office under the current Law is relatively straightforward. This is so because there are no cooling-off periods, cross-examinations, or interlocutory rulings, as exist in other jurisdictions such as Canada and India. The procedures, which are set out in the Trademark Law and the Implementing Regulations, are as follows:

2.2.1. Initiating Opposition Proceedings

An opponent may file a Notice of Application for Opposition in duplicate, within three months of the publication date. This period is not extendible. A simple Notice of Opposition without specific requests and grounds is not acceptable and may, theoretically, result in the opposition being deemed to have been withdrawn. The Implementing Regulations⁶ require that the Notice set out the request and grounds in “plain terms” and that the relevant evidences be attached.

⁶ Article 22 of the *Regulations for Implementation of Trademark Law*.

This does not necessarily mean that the Notice must be exhaustive. In practice, some opponents may choose to file a relatively simple opposition application, briefly stating the necessary requests and grounds, and then, as allowed by the Implementing Regulations, supplement that Notice with additional evidence and argument. Trademark Office will not accept a supplementary filing when the initial filing does not include a request to file supplementary materials. The supplementary materials must be filed within three months from the date on which the opposition is filed. If the supplementary evidence and arguments are not filed within three months, they cannot be filed.

2.2.2. *Filing the Response (Counter-Statement) by the Opposed Party*

When the Trademark Office receives the Notice of Opposition, and after the period of time within which supplementary evidence may be filed has expired, it will forward a copy of all the opposition documents to the Applicant. The Applicant must file a response (counter-statement) within thirty days of receipt of the Notice of Opposition. This period is not extendible. The Applicant may supplement its initial filing with additional evidence and arguments, provided that the initial response reserves the right to file the supplementary materials.

It is to be noted that a failure on the part of the Applicant to respond to the Notice of Opposition does not affect the Trademark Office's ability to rule on the opposition.⁷ Thus, the Trademark Office may dismiss the opposition and rule in favor of the opposed party, even if the opposed party has elected not to respond or, for that matter, has ceased to exist.

It should be noted that in its response, the Applicant is not permitted to challenge the validity of a registered trademark cited against it, where the basis of the challenge is three years of non-use. This kind of non-use cancellation must be filed separately, as a different case, and the Trademark Office has discretion not to combine a hearing on both the non-use cancellation and the opposition. Because of this, and unlike the case in some other jurisdictions, opponents in China are much less concerned, when filing an opposition based on a registered mark, that the mark may be vulnerable to non-use cancellation. Non-use cancellation is not a commonly adopted counter-measure in Chinese opposition practice.

⁷ Article 22(2) of the *Regulations for Implementation of Trademark Law*.

2.2.3. *Official Examination and Decision*

After responding material has been filed, the filing procedure is complete. Neither party is entitled to file any further statements, argument, or evidence. Nor is there any discretion in a Trademark Office examiner to demand further evidence or information from either party. The Trademark Office is obliged to make its decision, on the basis of the record before it.

There is no oral hearing. The Trademark Office may allow or dismiss the opposition, in whole or in part. The decision of the Trademark Office may be challenged by either party by filing for a review before the TRAB within thirty days after receipt of the decision. The procedure before the TRAB is outlined later in this paper.

2.3. **Evidence in Support of Opposition or Response to Opposition**

There is no specific requirement that the evidence submitted in an opposition be in original or notarized form. In practice, photocopies, without necessarily being notarized or accompanied by Affidavit, may be and are accepted and considered by the Trademark Office. That being said, for crucial evidence, best practice is to file original or notarized materials, in order to prevent any challenges as to authenticity, especially at the later stages before either the TRAB or the court.

The evidence filed in any given case depends upon the circumstances of that case. The kinds of evidence which one typically files include:

- (1) Copies of all or part of trademark registration certificates in other countries together with a full list, where applicable;
- (2) Brochures, advertisements, contracts, photographs and other promotional materials bearing the trademark concerned, which can prove the scope and extent of promotion of the trademark;
- (3) Invoices, packages, bills of lading, samples of products, contracts, letters and emails, photographs and other commercial letters, which can show the scope, time and extent of use of the trademark concerned;

- (4) Information and statistics on the sales volumes and income, advertising expenditures and other important business figures on the concerned party and the specific products and/or trademarks;
- (5) Media reports and comments, rankings and awards issued by relevant authorities and organizations, proving the fame of the party and its relevant trademark;
- (6) Any correspondences, invoices, contracts, pictures and other materials that can prove the bad faith of the other party, where applicable.

Due to the territoriality of trademark rights, it is essential that most of the evidence should be generated in or plainly refer to mainland China. Failing that, it is likely that the tribunal will refuse to consider the evidence. Moreover, in most opposition cases, it is also crucial that the evidence submitted relate to the period before the filing date of the opposed mark in order to prove the good or bad faith of the applicant.

2.4. Timing

China now receives the largest number of trademark applications in the world each year.⁸ As a result, the Trademark Office has for some time faced a significant backlog of cases. The backlog prompted various proposals for reform, including a controversial proposal to abolish the official examination of trademark applications on relative grounds altogether. However, if official examinations on relative grounds were abolished, it is likely that the number of opposition applications would increase substantially, adding to the backlog of opposition cases. For this reason, and having due regard to the objections of famous brand owners faced with trademark squatters, the proposal was abandoned. The examination of marks on relative grounds will likely survive contemplated revisions of the *Trademark Law*. The Trademark Office, for its part, is making its best efforts to streamline the opposition process.

⁸ By September 30, 2009, the overall number of trademark applications filed in China is 7 million while the total number of registered trademarks is 3.95 million, both ranked number one in the world, according to the statistics revealed in the 3rd China Trademark Festival.

2.5. Costs

Despite the relatively straightforward nature of opposition procedure in China, the costs of either filing an opposition or defending one vary significantly, depending on the time and effort involved in preparing the required arguments, evidence, and translations. That said, the typical overall cost of an opposition proceeding (whether for the opponent or the opposed party) is in the range of US\$1000 to US\$3000.

2.6. Appeal (Review)

Under Article 33 of the Trademark Law (Review), a party dissatisfied with a decision of the Trademark Office on an opposition may within fifteen days from receipt of the notification apply for review before the Trademark Review and Adjudication Board (TRAB). The ruling made by the TRAB may, in turn, be appealed within thirty days, as is set out further below.

The review procedure before the TRAB proceeds under the Rules for Trademark Review and Adjudication (Rules). The procedure generally follows the opposition procedure before the Trademark Office, with certain differences. On filing an application for review, or in responding to a request for a review, a party has three months to file supplementary evidence. Exceptions exist where new facts arise, or where there are other reasonable grounds. Therefore, unlike procedure before the Trademark Office, TRAB has a broader discretion to accept supplementary evidence, even if an original deadline for submitting evidence has expired. Moreover, the procedure before TRAB includes provisions for cross-examination on evidence filed by an opposing party. Cross-examination procedures are not available before the Trademark Office.

The Rules make it clear that the documentary evidence filed by either party at the review stage shall be in original form. This is more stringent than in opposition procedure. Exceptions exist where it is impossible or very difficult to file original evidence. In that case, if the opposing party raises doubt about the authenticity of the evidence, and can provide evidence to support that doubt, or if the TRAB considers it necessary, originals (or notarized copies) must be provided. Moreover, evidence obtained from outside mainland China may be required to be notarized and legalized if the opposing party can provide evidence to support any doubt as to authenticity.

2.7. Proposal to Streamline Opposition Processes

An opposed trademark application may proceed through five examination stages, these being examination before the Trademark Office, opposition before the Trademark Office, review before the TRAB, and, thereafter (and as more fully set out below), legal proceedings at two levels of court. This whole process may sometimes take longer than the ten year duration of a trademark registration. Delays of this nature, and the associated costs, raise concerns among trademark owners. In order to address these and related issues, it has been proposed in the draft of revised Trademark Law to abolish the opposition procedure before the Trademark Office completely, such that an opposition to a published mark would be filed directly with the TRAB, the decision of which would be appealable to a single court.

3. CANCELLATION PROCEEDINGS BEFORE THE TRAB

3.1. Grounds and Time Limit

The Trademark Law specifies several circumstances⁹ in which a third party, not necessarily the concerned party, may file a petition before the TRAB for cancellation of a registered trademark. These include:

- (1) The registered trademark stands in violation of Articles 10, 11 and 12 of the Trademark Law (see the Absolute Grounds for Opposition listed above);
- (2) The registration was acquired by fraud or any other unfair means (Article 41(1) of the Law);
- (3) The trademark stands in violation of Articles 13, 15, 16 and 31 of the Law (see the Grounds for Opposition listed above);
- (4) Other circumstances giving rise to a dispute over a registered mark.

It should be noted that a cancellation petition based on the third or fourth grounds above must be filed within five years of the registration date. However, where a registration was obtained in bad faith, the owner of a well-known trademark is not bound by the five year limitation.

⁹ Article 41 of the *Trademark Law*.

3.2. Procedure and Timing

The procedure for a cancellation before TRAB and the evidentiary requirements are similar to that on a review of an opposition, as described above. Cancellation proceedings are not, however, expeditious. The whole of the process may take more than three years and could take up to eight years. As the TRAB is now taking various measures to expedite its process, it is hoped that, by the end of 2010, an ordinary cancellation case would take about two years.

3.3. Costs

The total costs of either party to a cancellation proceeding will vary considerably, depending on the time and effort involved in preparing the argument, evidence and translations. Typically the overall cost of a cancellation is in the range of US\$1200 to US\$4000.

3.4. Appeal

A decision by the TRAB is appealable to the court within thirty days from receipt of the notice of decision. It is worth noting that in cancellation proceedings the Defendant is the TRAB itself. On an appeal to the courts, the registered trademark owner is joined in the litigation as a third party.

The Beijing No. 1 Intermediate People's Court has exclusive jurisdiction as Court of First Instance in respect of proceedings brought by parties not satisfied with the Decision of the Trademark Office or TRAB.

In administrative court proceedings, the Trademark Office or TRAB is named as a Defendant while the opposing party (if any) in the Trademark Office/TRAB proceedings is named as a third party. The Court is authorized to review the Trademark Office/TRAB proceedings on two basis:

- (1) Whether the procedural rules governing Trademark Office and TRAB proceedings were, in fact, followed; and
- (2) Whether the decision of the Trademark Office/TRAB is well founded, upon sufficient evidence.

The intellectual property division of the Beijing No. 1 People's Court is not authorized to change a Trademark Office/TRAB decision directly, but

can remand the case back to the Trademark Office/TRAB for reconsideration. No evidence is allowed to be submitted before the Court beyond the evidence which was submitted in the Trademark Office/TRAB proceedings. Similarly, no new arguments are permitted to be raised in the Court on those which were addressed in the Trademark Office/TRAB proceedings. In sum, the Court evaluates whether the decision made by Trademark Office/TRAB conforms to the applicable laws and regulations.

The Appellant, Trademark Office/TRAB or the third party may appeal a decision of the intellectual property division. The Beijing High People's Court is the sole appellate court for administrative proceedings of this type. It should be noted that no settlement is possible in administrative court proceedings.

4. ENFORCEMENT OF TRADEMARK RIGHTS

China has a unique dual-track system of enforcement of trademark rights, the first track consisting of actions in the courts and the second of actions before a local administrative body called the Administration for Industry and Commerce (AIC). AICs are established throughout China. Where a trademark owner or an interested party considers that his rights have been infringed by conduct within Article 52 of the Trademark Law, he may institute legal proceedings before the Court or request that the local AIC take action.

4.1. Infringement Proceedings Before the AIC

Local AICs in China are responsible for administratively enforcing trademark law and unfair competition laws. They may act at the request of an interested party or on their own initiative, so long as they have credible evidence of an infringement.

Compared with proceedings before the court, the AIC procedure is significantly less expensive, less time-consuming, and more efficient. The AICs have the power, for example, to make inquiries of the interested parties and to investigate the circumstances surrounding the claimed infringing activity. They may examine relevant documents and search premises in which infringing activities are alleged to take place. Where the infringement is proved, the AIC can confiscate and destroy the infringing products, as well as the relevant instruments. It can order cessation of

infringing acts and even impose a fine. Where fines are imposed, they can be no more than three times of the value of the infringement. Where that value is impossible to calculate, the amount cannot exceed more than 100,000 RMB (approximately US\$15,000). Unlike the courts, however, the AICs have no power to award damages to the trademark owner. The choice of an appropriate AIC is dictated by the location of the infringing party or the place where the infringing goods are produced or located.

Under Article 53 of the Trademark Law, any interested party unsatisfied with a decision of the AIC may, within fifteen days of receipt of notice of the decision, initiate legal proceedings with the Court in accordance with the Administrative Procedural Law of the PRC. Where no proceedings are commenced within the 15 day period, and the party to whom an order has been directed has not performed as required, the local AIC may ask the Court for compulsory execution.¹⁰

4.2. Infringement Proceedings in the Courts

Before discussing the law with respect to infringement, it is helpful to discuss the nature of the proceedings generally in Chinese Court, and the applicable rules of evidence.

4.2.1. *Proceedings in the Courts*

Chinese Courts are divided into four levels. Each county and each district of a major city has a District People's Court. Each major city has one Intermediate People's Court, while some major cities, such as Beijing and Shanghai, have two Intermediate People's Courts. Each province, autonomous region and municipality directly under the Central Government has one High People's Court. The highest court is the Supreme People's Court. The received legal system is the Civil Law (as in Germany and Japan), rather than the Common Law (as in the U.S. and U.K.). Chinese judges are required to interpret and apply the statutory law, but are not required to follow precedent, as in common law jurisdictions. *Stare decisis* applies, such that all lower level courts are required to follow the interpretations of higher courts. Cases promulgated by the Supreme People's Court have reference value for courts all over the country.

¹⁰ Article 53 of the *Trademark Law*.

Civil trademark cases are heard by a panel of at least three judges (always sitting in an odd number). There are no juries. China has adopted a “two instances” trial system. After a decision is made by the First Instance court, a party may appeal the decision to the immediately superior court. It sits as the Second Instance court. A decision of the Court of second instance is final.

4.2.2. *Jurisdiction*

Trademark infringement cases are normally tried by Intermediate People’s Court as the court of First Instance. Only a limited number of District People’s Courts are vested with the authority to adjudicate trademark infringement cases, although in recent years, the number of the District Courts which have the authority to hear the trademark-related case are expanding. Cases in which a significant amount of compensation is requested may be assigned to the High People’s Court as the court of First Instance. Within those courts having authority to adjudicate trademark-related cases, an intellectual property division or, at a minimum, an intellectual property tribunal is established. This division or tribunal specializes in hearing intellectual property cases, inclusive of trademark infringement cases.

Territorial jurisdiction is determined by the defendant’s domicile or by the place of infringement. The place of infringement is defined as the place where the infringing products were manufactured, sold, stocked or confiscated. When multiple defendants are sued in a single case, a court which has jurisdiction over any of the defendants has the authority to hear the case.¹¹

4.2.3. *Initiation of the Lawsuit*

To initiate a trademark infringement case in China, the following must be submitted to the applicable Court:

- (1) A written Complaint specifying the complainant's name and address, the nature of the claim and the facts upon which the claim is based;
- (2) Procedural documents proving the identity of the Plaintiff/Defendants;
and

¹¹ Article 7 of *Several Questions on the Application of Law in Trial of Trademark*.

- (3) Preliminary evidence proving the standing of the Plaintiff and the infringement.
- (4) A request for provisional remedies (if any) must be filed along with the Complaint.

4.2.4. *Court Examination on Filing*

Within seven days after the submission of the documents described above, the Court examines the documents to determine whether they fulfill the basic requirements. If so, the case is accepted and the payment of the court fee is requested.

4.2.5. *Organization of Panel, Service Procedure and Answer Period*

The Court attends to service of the Plaintiff's documents on the Defendant. The Defendant may file a response within the answer period (fifteen days for a domestic entity or thirty days for foreign entities) from the date of service. If an *ex parte* provisional remedy has been requested by the Plaintiff, the service procedure is commonly suspended pending the court's consideration of the request for the provisional remedy.

The failure to submit a Defense does not preclude the Defendant from making submissions in any following proceeding. However, a challenge to the Court's jurisdiction is required to be filed by the Defendant within the answer period.

Should jurisdiction be challenged, the Court must decide the jurisdictional issue first. That decision is subject to appeal. The decision of the appellate court is final and binding. Raising jurisdictional challenges within the answer period is a strategy commonly used by Defendants, if only to prolong the proceedings.

4.2.6. *Evidence Production and Exchange*

There are no discovery procedures in Chinese proceedings. There are, however, rules in respect of the production and exchange of documents. Both the Plaintiff and Defendants are required to submit their evidence to the Court within the production period designated by the Court. That period may not be less than thirty days. Unless the opposing party agrees,

no supplemental evidence may be filed thereafter, subject only to limited exceptions for special circumstances, as determined by the Court. The authenticity, legality, and relevance of the evidence submitted by both the parties may be argued.

4.2.7. *Court Hearing*

Typically, only one hearing is held for a trademark infringement case. The hearing focuses on legal arguments by the parties and fact finding by the Court. In a case in which only domestic parties are involved the Court of First Instance is required to complete the matter within six months after the case is officially accepted by the Court. Though there is no such statutory period for cases involving foreign entities, such cases are typically disposed of within nine months to one year after the case is filed with the Court. Where the Defendant files a motion to challenge the jurisdiction of the Court, that period is extended for an additional three to six months.

4.2.8. *Appeal Proceeding*

Either party may appeal a decision of the Court of First Instance, within a statutory period, to the court of Second Instance. For a domestic party, the statutory period is fifteen days after the date on which the judgment was served. For a party which has no domicile within the territory of China, the period is thirty days.

The Court of Second Instance is authorized to review both findings of fact and legal determinations of the Court of First Instance. Evidence not submitted in the First Instance is not admitted on the appeal unless it is demonstrated to satisfy the “new” evidence rule, as prescribed in the relevant code of civil procedure.

The proceedings before the Court of Second Instance are similar to those before the Court of First Instance. Though the Court of Second Instance is allowed to carry out a review of documents only, it normally holds a hearing before rendering its Judgment. The statutory period in which the appellate court is obliged to render judgment is three months in domestic cases. With respect to those cases where there is a foreign party, there is no such restriction. Again, however, the decision in such a case usually takes between six and nine months.

4.2.9. *Settlement*

Settlement can take two forms in China, i.e. an out-of-court settlement or a settlement before the Court. A settlement can be reached in either the First or Second Instance of trial. In an out-of-court settlement, the Plaintiff withdraws the claims from the Court after the settlement is reached. The settlement terms may be broader than the Plaintiff's claims. Where one party fails to perform the terms of an out-of-court settlement, the opposing party may sue the defaulting party in breach of contract.

In the case of a settlement before the Court, the parties may ask the Court to grant a "conciliation statement", the purpose of which is to set out the terms of the settlement reached by the parties. Here, however, the terms of the statement are restricted by the scope of the Plaintiff's claims. A conciliation statement is enforceable as a court judgment. In the case that either party refuses to fulfill its obligations under such a settlement, the opposing party can apply directly to the Court to enforce the settlement.

4.2.10. *Enforcement of Judgments*

Where a party refuses to comply with a legally-effective Judgment/Order, the opposing Party may apply to the court for compulsory execution. The time limit for the submission of such an application is two years. A time limit is calculated from the last day of the period of performance specified by the judgment or order.

4.3. **Rules of Evidence**

The rules of evidence in trademark litigation proceedings are stricter than the rules for those in trademark opposition proceedings before the registry. The primary evidentiary rule in civil litigation cases is the "he who asserts must prove". In examining the evidence, the Court typically considers its authenticity, its relevancy to the dispute, and its evidentiary value. Evidence obtained by methods prohibited by law, such as theft or by force, is not admissible.

The forms of the evidence typically admitted by the Court includes:

- (1) Documentary Evidence;
- (2) Material Evidence;

- (3) Witness Statements; and
- (4) Other evidence which may prove the facts of the case.

Chinese courts prefer documentary and material evidence over witness statements. Absent due reason, witness statements will not be admitted if the witness does not testify before the Court.¹² Evidence in electronic form, such as web pages and email correspondences, is normally required to be downloaded, printed, and notarized by a Notary Public, before it is admitted by the Court. Products bearing the infringing marks are normally the fundamental material evidence used in trademark infringement cases. In order to ensure authenticity, it is preferable to purchase the product in the presence of the notary public, and the facts surrounding the purchase recorded in a notarial deed. Commodities sealed by the notary public are opened before the court during the hearing. Chinese courts operate on the basis of a preponderance of admissible evidence. Where no direct evidence is available, circumstantial evidence is recognized, provided it is adjudged sufficiently credible and relevant. Evidence originating outside the territory of mainland China must be notarized and legalized failing which it will not be admitted.

4.4. Acts of Infringement

Article 52 of the Trademark Law establishes the following acts constitute infringement of a registered trademark:

- (1) Using a trademark which is identical or similar to the registered trademark on the same or similar goods without permission of the owner of the registered trademark;¹³
- (2) Selling goods which infringe upon the exclusive right of use of a registered trademark;¹⁴
- (3) Counterfeiting, or marking without authorization, representations of another person's registered trademark, or selling such representations of a registered trademark;¹⁵

¹² Article 69 of *Some Provisions of the Supreme People's Court on Evidence in Civil Procedures*.

¹³ Article 52 of *Trademark Law*.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

- (4) Altering a registered trademark without permission of its owner and selling goods bearing such an altered trademark on the market;¹⁶
- (5) Using any signs which are identical or similar to another person's registered trademark as the name of the goods or decoration of the goods on the same or similar goods, thus, misleading the public;¹⁷
- (6) Using wording which is identical or similar to another's registered trademark as a business name and displaying it prominently on identical or similar goods, thereby causing mistaken recognition on the part of the relevant public;¹⁸
- (7) Reproducing, imitating or translating another's registered well-known trademark or its main part and using it as a trademark on non-identical or dissimilar goods, thereby misleading the public and potentially prejudicing the interests of the registrant of the well-known trademark;¹⁹
- (8) Registering words which are identical or similar to another's registered trademark as a domain name and using it to carry out electronic commerce business in related goods, thereby easily causing mistaken recognition on the part of the relevant public;²⁰
- (9) Selling goods which infringe upon the exclusive right to use a registered trademark;²¹
- (10) Intentionally providing facilities such as storage, transport, mailing, concealing, etc., for the purpose of infringing another person's exclusive right to use a registered trademark.²²

4.5. Determination of Trademark Infringement

In order to establish trademark infringement, the key tests are whether the allegedly infringing mark is identical or similar to the registered mark, and

¹⁵ *Ibid.*

¹⁷ Article 50 of *Regulations for the Implementation of the Trademark Law of the P.R.C.*

¹⁸ Article 1 of *Several Questions on the Application of Law in Trial of Trademark Civil.*

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ *Ibid.*

²² Article 50(2) of the *Regulations for Implementation of the Trademark Law.*

whether the allegedly infringing mark is used on commodities or services which are the same or similar to the commodities or services in respect of which the registration exists.

4.5.1. *Test for Similarity of Two Marks*

In determining the similarity of two marks, the Court will compare the font, pronunciation, meaning, composition, and overall structure of any combined elements of the two marks.²³ Case law establishes that when comparing trademarks consisting of words and designs, the comparison need not be limited to a comparison of the overall structures of the marks. Instead, the comparison is directed to the similarity of the dominant parts of the marks.²⁴ The comparison is made using ordinary powers of observation of the relevant public, and is not conducted on a “side-by-side basis”. The distinctiveness and reputation of the registered trademark must be considered.²⁵ Actual confusion is not required in establishing the infringement; a likelihood of confusion will suffice.

4.5.2. *Test for Similarity of Commodities and Services*

In considering whether there exists similarities between the goods in respect of which the marks are used, the Court will first refer to the Nice Classification of Goods and Services.²⁶ With the use of appropriate evidence, it is open to the parties to challenge the result reached using the Nice Classification.

4.6. **Provisional Remedies available for trademark actions**

Provisional orders in the nature of injunctions and prosecution orders are available.

4.6.1. *Preliminary/Interlocutory Injunctive Orders*

A preliminary injunctive order is an injunction granted before the institution of legal proceedings. The applicant is required to bring an

²³ Article 10 of *Trademark Law*.

²⁴ *China National Cereals, Oils and Foodstuffs Corporation v. Beijing Jiayu Oriental Wine Co. Ltd.* [2005] Civil No. 3 Final No. 5 Case.

²⁵ Article 10 of *Several Questions on the Application of Law in Trial of Trademark Civil*.

²⁶ The current valid *Nice Classification of Goods and Services in China* No. IX Edition.

action within fifteen days after the Court grants such an order. Interlocutory injunctive orders are injunctions granted after the initiation of legal proceeding, but before a Judgment is issued. These too are available. When evaluating an application for a preliminary or interlocutory injunctive order, the court will consider the following factors:

(1) What is the likelihood of infringement?

In the ordinary case a likelihood of success on the merits of the case is required before preliminary or interlocutory injunctive relief will be ordered.

(2) Is damage irreparable?

The Court will consider whether or not the damage to the Plaintiff's lawful interests would be irreparable if the injunctive relief were not granted. If damage to the Plaintiff can be addressed by monetary compensation, the Court typically rejects the claim for a preliminary or interlocutory injunction.

(3) Is there substantial harm to the public interest if the order is granted?

If the answer is "yes", then the order will not be granted.²⁷

4.6.2. *Order for the Preservation of Evidence*

If the Plaintiff believes that evidence may be destroyed or difficult to obtain once the Defendant is notified of the proceedings, it may request that the Court make an order that the evidence be preserved. As there is no discovery process in China, evidence preservation orders, if granted, can be used to obtain the accounting records/financial data of the Defendant in order to support damage claims.

4.6.3. *Order for the Preservation of Property*

If the Plaintiff can demonstrate to the Court that the Defendant is likely to hide or move property once advised of the proceedings, such that any Judgment is not likely to be successfully enforced, the Plaintiff can request that the Court grant a property preservation order. In the event that the Court does so, the Plaintiff is ordinarily required to post a bond equal to the value of the items seized or to which the order attaches.

²⁷ *Interpretation Concerning Application of Law with respect to Injunction of Trademark Infringement and Preservation of Evidence Before Trial.*

Property preservation orders can exert significant financial pressure on Defendants. Such orders, if obtained, can often motivate the Defendant to enter settlement negotiations at an early stage.

4.7. Permanent Remedies

Permanent or final remedies include both injunctions and damages.

4.7.1. *Permanent Injunctions*

Where the Court determines that there has been an infringement, a permanent injunctive order is issued.

4.7.2. *Damages*

Chinese courts award compensatory damages. Punitive damages are not available. The damages are determined, based upon either of the following principles:

- (1) The actual losses which the Plaintiff has suffered as a result of the Defendant's infringing act;²⁸
- (2) The Defendant's profits arising from the infringement;²⁹ or
- (3) Statutory compensation of not more than RMB 500,000 (approximately US\$73,000) if it is impossible to determine the Plaintiff's losses or the Defendant's profits.³⁰

The burden of proof of establishing the damages is on the Plaintiff. The necessary costs of investigating and stopping the infringement, as well as all reasonable attorney fees, can be included in the damages. Where statutory compensation is ordered, maximum of RMB 500,000 is inclusive of costs and attorney's fees.³¹ A distributor who can prove the source of the alleged infringing goods, can establish that its infringement was innocent, can be exempted from liability for compensation.

²⁸ Article 56 of *Trademark Law*.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ Article 17 of *Several Questions on the Application of Law in Trial and Trademark Civil*.

5. PROTECTION OF NON-REGISTERED MARKS

While Chinese law does not include a tort such as “passing off”, a mark which has not been registered in China may enjoy some measure of protection, in limited circumstances, according to the Trademark Law and the Unfair Competition Law.

5.1. Protection of Non-Registered Marks under Trademark Law

Well-known marks, even if unregistered, enjoy a basic measure of protection. According to Article 13 (1) of the Trademark Law, if a trademark is a reproduction, imitation or translation of another party’s well-known mark, and is not registered in China, it may not be registered or used over identical or similar goods where that use is liable to create confusion. Thus, the owners of famous brands, who have no registration in China, but have managed to obtain a significant reputation in China, enjoy a measure of protection. One of the earliest cases of this kind is the “Little Sheep” mark which was officially recognized and protected as a well-known mark in respect of restaurant services in an administrative enforcement case.³²

Article 31 (2) of the Trademark law prohibits an applicant from registering “in an unfair means a mark that is already in use by another party and has certain influence”. The phrase “certain influence” may be taken to mean “some reputation”. Article 31(2) therefore sets a lower threshold for the protection of a non-registered trademark from squatters. The protection only exists, however, where the goods or services are identical or similar. There are, in China, an increasing number of cases in which trademarks with some reputation, including famous trademarks, are victims of trademark squatting by those employing them for non-similar or totally irrelevant goods and services. That being said, both Article 13(1) and Article 31(2) of the trademark law provide a useful measure of protection which would not otherwise be available.

³² “Little Sheep” is a trademark used by an Inner Mongolian restaurant company over hot pot restaurant services. Both the registration of this trademark and the official recognition of its well-known status have received serious objections from some competing restaurants in China as they claimed “little sheep” describes the materials of food for the hot pot.

6. PROTECTION OF NON-REGISTERED MARKS UNDER UNFAIR COMPETITION LAW

6.1. Product name “get-up” of famous products

The Anti-Unfair Competition Law prevents a party from using the trade name, packaging, or “get-up” of a competitor’s product where that product is famous where confusion results, leading purchasers to mistake the former product for the latter.

In order to prove that the commodity name, packaging, or get-up is entitled to protection, the Plaintiff must prove the uniqueness and fame of the name, packaging, or get-up. The standard of “uniqueness” is that the name, packaging, or get-up is special and distinguishes the source of the commodity. This is similar to the test for distinctiveness used for a registered trademark. “Famousness” is determined having regard to the relevant Chinese public. In this regard, the “famousness” standard is not as high as that required for a famous “trademark”. Famousness in the context of the Anti-Unfair Competition Law, is largely equivalent to “established reputation”.³³

6.2. Trade names

Trade names can also be protected as a form of un-registered trademark. A Plaintiff can file an unfair competition lawsuit on the ground that the enterprise name of another is identical or similar to its previously registered enterprise name, and is likely to result in confusion among members of the relevant public regarding the source of the commodity manufactured by that enterprise.³⁴ Where a determination is made that the Defendant has infringed, the Court may order the Defendant to cease the use of the enterprise name, and order damages.

³³ *Ferrero S.p.A. v. Mengtesha (Zhangjiagang) Food Co. Ltd.*, re-trial case by SPC, March 24, 2008.

³⁴ Article 2 of Provisions of the Supreme People’s Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right.

7. BORDER MEASURES

Due to the growth of infringing and counterfeiting products into and from China, the trademark border control at China customs has been an important measure to combat the infringement activities both inside and outside China.³⁵

According to the Regulations of the PRC on the Customs' Protection of Intellectual Property Right,³⁶ the holder of a trademark may apply for recordation of his trademark right with the General Administration of Customs (GAC). Upon grant of such recordation by the GAC, it will remain valid for 10 years. Whenever the trademark right holder discovers the suspected infringing products pending importation or exportation, he may file an application with the Customs at the port of entry or exit for detaining such goods and in the meantime. He shall also provide a security not exceeding or equivalent to the value of the goods to cover the possible compensation for the losses suffered by the consignee and consignor due to an improper application, and the payment of the expenses of warehousing, maintenance and disposal of the goods incurred after being detained by the Customs. On the other hand, the customs at the port of entry or exit of suspected infringing products may also notify ex officio the holder of the trademark right who shall file the written application to detain within three working days from receipt of such notice.

After presenting an application to the Customs for taking protective measures, the holder of the intellectual property right may, in accordance with the provisions of the Trademark Law, the Copyright Law, or the Patent Law, apply to the court for the adoption of measures to order the cease of the infringing act or for preservation of property against the suspected infringing goods under detention before filing a lawsuit.

³⁵ In 2007, China Customs has taken 8,508 actions on IPR protection, detained infringing goods for 7,476 times, and seized 330 million infringing items involving a value of more than RMB 400 million, a year on year increase of 41%, 33%, 61% and 55% respectively.

³⁶ This Regulation, enacted in March 2004, is now under the process of revision in order to more comply with the TRIPs and to strengthen sanction on IP infringing activities.

8. INSTITUTION OF CRIMINAL PROCEEDINGS

When the severity of trademark infringing acts meets the threshold of conviction and severely damages the social order and state interests, the public prosecutor will prosecute the case. The victim is also entitled to initiate proceedings by filing for criminal litigation directly with the Chinese courts³⁷. There are three trademark-related crimes stipulated in the criminal law; the crime of counterfeiting registered trademarks, the crime of selling products with counterfeited registered trademarks and the crime of producing and selling counterfeited registered trademarks.

³⁷ Article 5 of *Several Issues Concerning the Specific Application of the Law when Handling Criminal Cases Involving the Infringement of Intellectual Property Rights Interpretation*.

CHAPTER 3

CANADA

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1. INTRODUCTION

Canada is a signatory to both the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the North American Free Trade Agreement (NAFTA). Canada's obligations under these agreements are addressed in the *Trade-marks Act*, at common law, and the rules of procedure before the Trade-marks Opposition Board, the Federal Court and the Provincial Superior Courts. The current federal statute, the *Trade-marks Act*, has codified much of the common law with respect to trade-marks. The Act creates a system by which trade-marks may be applied for and registered. That system permits interested parties to oppose the registration of trade-mark applications, or to request that existing registrations be cancelled. Opposition and cancellation proceedings occur in an administrative setting, before the Trade-marks Opposition Board. The *Trade-marks Act* also provides a mechanism by which trade-mark owners may commence proceedings, in either the federal or provincial superior courts, for infringement, depreciation of goodwill, and passing off.

2. OPPOSITION PROCEEDINGS BEFORE THE TRADE-MARKS OPPOSITION BOARD

Trade-mark opposition proceedings permit an individual or a company to challenge the registration of a trade-mark application in a quasi-administrative/quasi-judicial proceeding at a relatively low cost, in comparison to the costs associated with litigation before the courts. Opposition proceedings can be initiated on any of several grounds of opposition, including confusion with an existing registered trade-mark, entitlement to registration, descriptiveness, non-compliance with the formal and substantive requirements of the Act, and non-distinctiveness.

The procedures, rules and practices for opposition proceedings are set out in the Act, the *Trade-marks Regulations*¹ and the Practice Notices issued by the Trade-marks Opposition Board.²

2.1. Initiating Opposition Proceedings

The commencement of the opposition period coincides with the publication of an application in the *Canadian Trade-marks Journal*, which is published every week by the Canadian Intellectual Property Office. The advertisement or opposition period runs for two months from the date the application is published³ and is the only time during the life of an application when a third party may challenge an application to register a trade-mark by filing a Statement of Opposition.

2.2. Statement of Opposition

A Statement of Opposition cannot be filed prior to the advertisement of a trade-mark application and must be filed within two months from the advertisement of the application. According to the most recent Practice Notice issued by the Trade-marks Opposition Board,⁴ an extension of time to file the Statement of Opposition of three months may be requested by an opponent without the consent of the applicant, provided sufficient reasons are provided.⁵ An opponent may also request an extension of time of up to nine months (amounting to a “cooling-off period”) on the basis that the parties are in settlement discussions or are mediating their dispute. This extension may only be requested once by the opponent – either prior to the filing of the Statement of Opposition or prior to the filing of the Opponent’s Rule 41 evidence – and requires the consent of the applicant.⁶ Failure to file a Statement of Opposition once an extension has been requested will result in the abandonment of the opposition proceedings and the application that was the subject of the request for an extension of time to file a formal statement of opposition should advance to allowance.

¹ *Trade-marks Regulations*, SOR/96-195 (1996) [*Regulations*].

² Practice in Trade-mark Opposition Proceedings (placed into effect on March 31, 2009) (the “Opposition Practice Notice”).

³ *Trade-marks Act*, R.S., c. T-13, s. 38. Unless otherwise stated, statutory references in this section are to the Act.

⁴ Opposition Practice Notice, *supra* note 2

⁵ *Ibid.*

⁶ *Ibid.*

2.3. Counterstatement

An applicant who has been served with a Statement of Opposition has two months from the date of the correspondence from the Board forwarding a copy of the Statement of Opposition to file a Counterstatement to the Statement of Opposition. An extension of time of two months to file the Counterstatement may be obtained. While the consent of the opponent is not required, sufficient reason justifying the extension request should be provided. The Applicant also has the opportunity to request an extension of nine months (amounting to a “cooling-off period”) – regardless of whether the opponent has already made this request – on the basis that the parties are in settlement discussions, are continuing their settlement discussions, or that the parties are mediating their dispute. As is the case for the opponent, this extension may only be requested once by the applicant – either prior to the filing of the Counterstatement or prior to the filing of the applicant’s evidence – and requires the consent of the opponent. Failure to file a Counterstatement will result in the abandonment of the opposed application.

While most applicants respond to each ground of opposition separately, by specifically denying each allegation in turn, a Counterstatement containing a single statement that the Applicant denies all of the allegations contained in a Statement of Opposition is considered sufficient for the purpose of the opposition.

2.4. Interlocutory Rulings

An applicant may challenge the Statement of Opposition or any portion thereof prior to filing and serving its Counterstatement by filing a request for an interlocutory ruling on the sufficiency of the pleading, which may result in the striking of all or any portion of the opponent’s Statement of Opposition on the basis that, for example, a ground of opposition stated in the Statement of Opposition does not raise a valid ground of opposition. Often, since the opponent will be given an opportunity to reply to the applicant’s request for an interlocutory ruling, the opponent will choose to file a request for leave to file an amendment Statement of Opposition, which either deletes problematic sections of the Statement of Opposition or includes particulars on the portions objected to, to the extent that sufficient facts justifying the grounds of opposition challenged, were not provided.

Even though the filing of a request for an interlocutory ruling will generally not have an effect on any outstanding deadlines, the Opposition Practice Notice does state that in respect of the Counterstatement, an extension of time of one month from the date of the Registrar's ruling on the interlocutory motion will generally be granted, where the applicant specifically requests the extension pursuant to Section 47 of the Act at the time of making its interlocutory motion⁷. Depending on the circumstances of each case, there may be tactical reasons for filing a request for an interlocutory ruling or filing partial evidence shortly after a request for an interlocutory ruling has been made by an applicant.

2.5. Rule 41(1) Evidence – Opponent's Evidence

Once the Counterstatement has been filed and served the opponent has four months to file its evidence pursuant to Rule 41 of the Regulations. The opponent may also seek an extension of time of three months to file its evidence provided it has the consent of the applicant. If the opponent did not avail itself of its one-time extension amounting to a cooling-off period (which is available as an alternative, at the pleading stage), the opponent may at this point, with the consent of the applicant, request an extension of time of up to nine months to file its evidence.⁸ Where an opponent does not wish to file any Rule 41(1) evidence it must ensure that a statement that the opponent does not wish to submit evidence is filed. Failure to submit Rule 41(1) evidence or the foregoing statement will result in the opposition being deemed to have been withdrawn.⁹

⁷ Based on the Opponent Practice Notice, if an applicant specifically requests an extension of time under Section 47 of the Act for filing its counterstatement in view of its pending request for an interlocutory ruling, the Registrar will generally grant an applicant a one month extension of time from the date of the Registrar's interlocutory ruling for the applicant to file and service its counterstatement – which extension is in addition to the benchmark extensions the applicant may request (up to two months with sufficient reasons or up to nine months on consent for an extension amounting to a cooling-off period).

⁸ Over and above the noted extensions, further extensions may be obtained based on exceptional circumstances. As offered in the Opposition Practice Notice, exceptional circumstances include: (1) co-pending opposition proceedings, (2) a recent change in the party's instructing principal or trade-mark, (3) circumstances beyond the control of the person concerned including illness, accident, death, bankruptcy or other serious and unforeseen circumstances, (4) a recent assignment of the trade-mark that is either the subject of opposition or a trade-mark application or registration being relied upon by the opponent in the opposition proceeding, (5) a revised application for the trade-mark that is the subject of the opposition has been filed with the Registrar and the revision, if accepted, would put an end to the opposition proceeding or substantially change the nature of the opposition proceedings, and (6) settlement is being finalized.

⁹ *Regulations*, *supra* note 1, s. 41(2).

2.6. Rule 42(1) Evidence – Applicant’s Evidence

An applicant who has been served with the opponent’s evidence will generally have four months from the date it has been served with the Opponent’s Rule 41 evidence, to file and serve its own evidence. An extension of up to three months may be requested with the consent of the opponent. Alternatively, if the applicant has not already requested the one-time extension amounting to a cooling-off period prior to the filing of its counterstatement, it may request this extension prior to filing its Rule 42(1) evidence, provided it has obtained the consent of the opponent.

Where an applicant does not intend to file any Rule 42(1) evidence, a statement that the applicant does not wish to submit evidence must be filed with the Registrar and served upon the opponent. Failure to submit Rule 42(1) evidence or the foregoing statement, will result in the application being deemed to have been abandoned.

2.7. Cross-examination

Both parties may request an opportunity to cross-examine the affiants of the other party. Such requests generally have no effect on prescribed deadlines. However, if an applicant files a request for an order for the cross-examination of the opponent’s affiant(s) within two months from the date the applicant has been served with the opponent’s Rule 41(1) evidence, the applicant may simultaneously request that an extension of time under section 47 of the Act for filing its Rule 42(1) evidence only begins to run from the date the cross-examination of the opponent’s affiant(s) is completed. Since cross-examination orders give an applicant four months from the date of the order to complete the cross-examination, an applicant who intends to cross-examine the opponent’s affiant may cross-examine the opponent’s affiants before it is called upon to file its own affidavits. When a party decides not to proceed with the cross-examination of the other party’s affiant(s), an extension of time for filing evidence (under Rule 42(1) or 43) – which would originally have been granted for four months – will be reduced by two months.¹⁰

The choice of the most appropriate affiant is an important consideration when preparing evidence in opposition proceedings. One of

¹⁰ Opposition Practice Notice, *supra* note 2.

these considerations is the possibility that the person who swears an affidavit filed in an opposition proceeding may be cross-examined in Canada. The Practice in Trade-mark Opposition Proceedings Notice¹¹ sets guidelines for the cross-examination of affiants residing in Canada and those residing outside of Canada. Where the affiant being cross-examined resides in Canada, the party requesting the cross-examination order must 1) conduct the cross-examination at the place of business of the party whose affiant is being cross-examined; and 2) bear all expenses relating to the cross-examination procedure, including the cost of the reporter and of obtaining and filing a copy of the transcript with the Trade-marks Opposition Board. Except in exceptional circumstances¹², an affiant that resides outside of Canada must be made available for cross-examination in person in Canada and the party whose affiant is being cross-examined must bear the costs associated with making the affiant available. As such, parties choosing to enter evidence through affiants that reside overseas are well-advised to ensure the affiants and/or their employers are aware of the possibility that the affiant may be required to attend in person in Canada to be cross-examined on his/her affidavit.

2.8. Rule 43 Evidence – Evidence in Reply

An opponent has one month from the date of service of the applicant's evidence to file evidence "strictly confined to matters in reply" pursuant to Rule 43. The opponent may also request an extension of time of up to four months, with the consent of the applicant, to file evidence in reply. Should an affidavit filed by an applicant be considered inadmissible for any reason, the evidence in reply will also not be considered admissible.¹³

2.9. Rule 44 Evidence – Additional Evidence

A party may seek leave to file additional evidence pursuant to Rule 44(1). Leave to file additional evidence will only be granted if the Registrar is satisfied that it is in the interests of justice to do so having regard to all the

¹¹ Opposition Practice Notice, *supra* note 2.

¹² The Registrar may on an exceptional basis consider requests for an order that a cross-examination be conducted other than by personal attendance such as by video conferencing or other electronic means. Under such circumstances, the party requesting that the cross-examination be conducted by such other means would be responsible for any associated costs.

¹³ *K. K. Kaminomoto Honpo Ta Kaminomoto Co. Ltd. v. Ajinomoto Co., Inc.* (2006) unpublished decision (T.M.O.B.).

surrounding circumstances including 1) the stage the opposition proceeding has reached; 2) the reasons for which the evidence was not filed earlier; 3) the importance of the additional evidence; and 4) the prejudice suffered by the other party.

3. GROUNDS OF OPPOSITION

A Statement of Opposition should be carefully drafted and should set out all of the grounds of opposition an opponent intends to rely upon. Although failure to plead a ground of opposition generally prevents a party from raising the ground of opposition at a later stage, the Trade-mark Opposition Board has from time to time permitted an opponent to rely on a ground of opposition that was not pleaded in the Statement of Opposition where an applicant has led evidence on the issue.¹⁴

According to section 38 of the Act, an opponent may object to the registration of an application on the basis of any or all four grounds. These are as follows:

3.1. The application does not conform to the requirements of the Act

This section¹⁵ requires formal and substantive compliance with the Act. Substantive compliance relates to the truth of a formal statement made in an application, such as, for example, whether a trade-mark was used within the meaning of section 4 of the Act on the date of first use claimed in the application, or whether the applicant had a bona fide intention to use the trade-mark when it made certain statements in its application. It can also relate to the description of wares and services covered by the application and whether the wares and services are sufficiently described in ordinary commercial terms.

3.2. The trade-mark is not registrable

Registrability¹⁶ of a trade-mark application refers to the conditions set out in subsection 12(1) of the Act.¹⁷ The condition most frequently raised at

¹⁴ *Koffler Stores Ltd. v. Canada (Registrar of Trade Marks)* (1976), 28 C.P.R. (2d) 113 at 117 (F.C.T.D.).

¹⁵ *Trade-marks Act*, *supra* note 3, s. 38(2)(a).

¹⁶ *Ibid.*, s. 38(2)(b).

¹⁷ Conditions for the registrability of distinguishing guises are set out in Section 13 of the Act, *supra* note 3.

opposition pertains to the question of confusion of a trade-mark application with an existing trade-mark registration. However, subsection 12(1) also addresses descriptiveness, surname objections, prohibited marks, and the use of geographic indications of origin, among other things.

Confusion is statutorily defined. Generally, the use of a trade-mark or trade name causes confusion with another trade-mark or trade name if the use of both trade-marks or trade name(s) in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks or trade name(s) are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.¹⁸ The issue will be assessed as a matter of first impression in the mind of the average consumer having a vague or imperfect¹⁹ recollection, based on a consideration of all surrounding circumstances including the following:

- (1) The inherent distinctiveness of the trade-marks or trade names and the extent to which they have become known;
- (2) The length of time the trade-marks or trade names have been in use;
- (3) The nature of the wares, services and business of the parties;
- (4) The nature of the trade; and
- (5) The degree of resemblance between the trade-marks or trade names in appearance or sound or in the ideas suggested by them.

3.3. The trade-mark is not distinctive

Distinctiveness in relation to a trade-mark means that the trade-mark actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or that it is adapted to distinguish the wares and services of the trade-marks owner from those of others.

¹⁸ *Trade-marks Act*, *supra* note 3, s. 6(2).

¹⁹ *Polo Ralph Lauren, L.P. v. United States Polo Assn.* (2000), 9 C.P.R. (4th) 51 (F.C.T.D.).

3.4. The applicant is not the person entitled to the registration of the trade-mark.

Grounds of opposition based on non-entitlement are set out in Section 16 of the Act and essentially intend to protect the ability of the party that has first used its trade-mark in Canada or that was first to file an application for its trade-mark in Canada to obtain registration of that trade-mark for specific goods and/or services. An applicant for a trade-mark application that is considered confusing with a trade-mark whose owner is entitled under Section 16 of the Act will generally not be able to obtain a registration for his/her trade-mark application.

Although the material dates for considering entitlement (namely, the date the application was filed (or a Convention filing date, as the case may be) or the date of first use claimed in the application and confusion (namely, the date the Opposition is disposed of) differ, the ground of opposition based on non-entitlement is often decided in the same manner as the ground of opposition based on confusion given that confusion is found to exist regardless of the material date considered.

3.5. Material Dates and Onus

In order for an opponent to meet its initial evidentiary burden with respect to each of the grounds of opposition raised, the opponent must adduce sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support that ground of opposition exist.²⁰ It has been established that an opponent's burden is lighter with respect to certain issues of non-compliance, if the facts supporting allegations based on these subsections are considered to be particularly within the knowledge of the applicant.²¹ Generally, if the opponent is able to raise doubt about the truth of the statements contained in the application (either by relying on its own evidence or on evidence filed by the applicant²²), about the registrability of the applicant's mark, about the

²⁰ *John Labatt Limited v. Molson Labatt Limited* (1990), 30 C.P.R. (3d) 293 at 298 (F.C.T.D.); *CBS Broadcasting Inc. v. Raymond* (2002), 23 C.P.R. (4th) 384 (T.M.O.B.).

²¹ *Molson Canada v. Anhauser-Busch, Inc.* (2003), 29 C.P.R. (4th) 315 (F.C.T.D.).

²² It should be noted that while an opponent may rely upon the applicant's evidence to meet its evidential burden in relation to grounds of opposition based on Section 30, the opponent must show that the applicant's evidence is clearly inconsistent with the claims as set forth in the applicant's application: *Hola, S.A. v. Pereira* (2008), 72 C.P.R. (4th) 416 (T.M.O.B.).

entitlement of the applicant to registration or about the distinctiveness of the trade-mark that is the subject of the opposed application, the legal onus will shift to the applicant to prove on a balance of probabilities that 1) the statements contained in its application were true at the time the application was filed; 2) that its application is registrable; 3) that it is entitled to the registration of its application; and/or 4) that its trade-mark is distinctive. Where an opponent fails to meet its initial evidentiary burden, the ground of opposition may be dismissed.²³ Where an applicant fails to meet its legal burden on any ground of opposition or if a determinate conclusion cannot be reached once all the evidence is in, then the issue will be decided against the applicant and the application will be refused.

3.6. Evidentiary Considerations

3.6.1. *Technical Sufficiency of the Evidence*

Evidence filed by parties to an opposition proceeding must be in the form of an affidavit or a sworn declaration. The Act does, however, allow a party to file certified copies of the record of a registration or of any document in the official custody of the Registrar (or any extract therefrom) without entering the certified copies in question as an exhibit to an affidavit or sworn declaration²⁴. Affidavits or sworn declarations should be drafted in consideration of their ultimate purpose, namely, to prove the allegations contained in the Statement of Opposition in the case of the opponent, or to support the registration of the opposed application in the case of the applicant. As the rules of evidence which are applicable in the Federal Court of Canada are applicable in opposition proceedings²⁵, evidence prepared and filed by the parties should conform to the requirements of the *Canada Evidence Act*²⁶ - although it appears from certain decisions that the rules of evidence in opposition proceedings are not as strictly or consistently applied by the Trade-marks Opposition Board. Notwithstanding the foregoing, as decisions rendered in opposition proceedings may be appealed to the Federal Court, parties would be well advised to comply with formal evidentiary rules so as to avoid the

²³ *Dion Neckwear Ltd. v. Christian Dior S.A.* (2002), 20 C.P.R. (4th) 155 (F.C.A.).

²⁴ *Regulations*, *supra* note 1, ss. 41-42 (citing Section 54 of the Act).

²⁵ Opposition Practice Notice, *supra* note 2, Section VI - Evidence.

²⁶ *Canada Evidence Act*, R.S.C. 1985, c. C-5.

inconvenience and expense of having to file fresh evidence to replace technically deficient evidence.

The affidavit or sworn declaration should be presented to the affiant along with all of the exhibits referred to therein and attached thereto. The affiant must execute the affidavit under oath or solemnly declare the truth of the statements contained in a declaration, before a notary public or a commissioner for the taking of oaths qualified in the province in which the affiant or declarant is located at the time the oath or declaration is administered. The notary public or commissioner for the taking of oaths must notarize or commission the signature of the affiant or declarant on the same date and at the same place as the date and place the affidavit or declaration is executed by the affiant or declarant, and must also separately notarize or commission each exhibit properly identified and attached to the affidavit or declaration.

Objections to the admissibility of evidence occasionally refer to technical deficiencies of an affidavit such as, for example, un-notarized or incorrectly notarized exhibits, improperly sworn affidavits, or the improper administration of oaths, affidavits or affirmations outside of Canada. The Trade-marks Opposition Board has, on many occasions, held that it is inappropriate to raise technical evidentiary issues for the first time at the oral hearing stage where the other party does not have the opportunity to correct the technical deficiency in question²⁷. As such, technical deficiencies should be raised at the time a party files a technically deficient affidavit or declaration and at the very least should be referred to in the objecting party's written submissions. Otherwise, the party seeking to benefit from the technical deficiency may not be permitted to do so.²⁸

3.7. Substantive Evidentiary Requirements

Affidavits or declarations should be sworn or declared by persons with first-hand knowledge of the matters deposed to, should avoid containing statements of law, opinions²⁹, or hearsay, and should generally be clear and unambiguous.

²⁷ *R & A Bailey & Co. v. Gestion A.D.L.* (2003), 29 C.P.R. (4th) 391 (T.M.O.B.).

²⁸ *CHUM Ltd. v. BBS Inc.* (2002), 25 C.P.R. (4th) 401 (T.M.O.B.).

²⁹ *Saputo Groupe Boulangerie v. National Importers Inc.* (2005), 44 C.P.R. (4th) 241 (F.C.T.D.).

A significant portion of objections to the admissibility of evidence in opposition proceedings are based on the evidence being either hearsay or inadmissible opinion evidence. In accordance with the general rules of evidence, an affiant should limit its statements and any documents attached as exhibits, to those statements that an affiant is able to prove of his own knowledge. As such, subject to exceptions to the hearsay rule –according to which hearsay evidence that would otherwise be considered inadmissible must meet the criteria of necessity and reliability³⁰ – statements and documents annexed to an affidavit may be considered inadmissible as hearsay if the statements in question and documents attached as exhibits are not within the affiant’s personal knowledge. However, documents attached as exhibits and that are not within the personal knowledge of the affiant, such as, for example, evidence obtained by way of Internet searches, may be considered admissible for the purpose of establishing the existence of the document as opposed to the truth of its contents.³¹

3.8. Judicial Notice

The Trade-marks Opposition Board may take judicial notice of some types of evidence, such as, for example, of the circulation of major Canadian newspapers³², of standard dictionary meanings and matters contained in encyclopedia,³³ confirm by checking the Register that a certain registration exists³⁴ or of the manner in which a trade-mark would be pronounced in French³⁵. It should be noted, however, that the Trade-marks Opposition Board will rarely take judicial notice of entries on the Trade-marks Register, the number of entries on the Register, or of the use of a trade-mark that is the subject of an application or registration relied upon by a party.³⁶

3.9. Evidence of Use

Types of evidence that may be adduced in support of a ground of opposition based on confusion might include the following: examples of

³⁰ *R. v. Khan*, [1990] 2 S.C.R. 531 (S.C.C.); *R. v. Smith*, [1992] 2 S.C.R. 915 (S.C.C.); *Labatt Brewing Co. v. Molson Breweries a Partnership* (1996), 68 C.P.R. (3d) 216 (F.C.T.D.).

³¹ Partington, “Evidence in Opposition Proceedings” (1985), 2 Canadian Intellectual Property Review 54.

³² *Merrill Lynch & Co. v. Bank of Montreal* (1993), 54 C.P.R. (3d) 547 (T.M.O.B.).

³³ *Scottish Cashmere Assn. v. Fraas Mfg. Inc.* (1988), 22 C.P.R. (3d) 185 (T.M.O.B.).

³⁴ *Quaker Oats Co. of Canada Ltd. v. Menu Foods Ltd.* (1986), 11 C.P.R. (3d) 410 (T.M.O.B.).

³⁵ *Essilor International (cie generale d’optique) v. Rampage Clothing Co.* (2004), 36 C.P.R. (4th) 371 (T.M.O.B.).

³⁶ *Dimo’s Tool & Die Ltd. v. Quantum Electronic Inc.* (2009), 72 C.P.R. (4th) 209 (T.M.O.B.).

packaging, advertisements, signage, display and catalogues, photographs or images of those items, evidence regarding time periods and geographic areas of use, annual sales volumes and sales revenues, for each mark and product, broken down by year from the earliest date of use to the date the affidavit was executed (where possible or practicable), evidence regarding the scope and extent of advertising (including circulation statistics and audience information), annual advertising expenditures, evidence of use by licensees supported by proof of the existence of a valid licensing arrangement and evidence of actual control over the character or quality of the wares or services or evidence supporting a presumption of control such as a copy of a license agreement, evidence of fame and notoriety, evidence of particularities of the relevant industry or channels of trade, evidence on the nature of consumers and particulars on the goods or services of interest (such as cost of goods/services, whether they are considered luxury goods or highly sophisticated, scientific or technical in nature), evidence of the existence or non-existence of similar trade-marks on the Trade-marks Register, evidence of the existence of a family or series of marks, evidence of actual confusion or the absence thereof.³⁷

3.10. State of the Register Evidence

Evidence of the registration of similar trade-marks on the Trade-marks Register is often introduced to show the distinctiveness of a trade-mark or to show the commonality of a trade-mark or a portion of a trade-mark. State of the Register evidence may affect the weight attributed to the inherent distinctiveness of a trade-mark, its fame or notoriety in Canada, or to the degree of resemblance between the trade-marks at issue.

When preparing State of the Register evidence, care should be taken to ensure the affidavit is sworn by the person who conducted the search, that the qualifications of the searcher are provided, that the affidavit provides an explanation of the manner in which the search was carried out (including the date the search was conducted and the search parameters), and that the affidavit attaches as exhibits full copies of the Register pages for the trade-mark registrations or applications included within the search results.³⁸

³⁷ Evidence of actual confusion is a relevant surrounding circumstance and, when no evidence has been provided despite the marks having been shown to be used concurrently in the same area, the Court can infer that the allegation of confusion is unjustified: *Mattel Inc. v. 3894207 Canada Inc.* (2006), 49 C.P.R. (4th) 321 (S.C.C.); *Advance Magazine Publishers Inc. v. Farleyco Marketing Inc.* (2009), 72 C.P.R. (4th) 96 (F.C.T.D.).

³⁸ *Ocean Fisheries Ltd. v. Collage Communicators Ltd.* (1990), 34 C.P.R. (3d) 352 (T.M.O.B.); *Rentallex Ltd. v. Leslie Sales Corp.* (1992), 47 C.P.R. (3d) 281 (T.M.O.B.).

State of the Register evidence will only be relevant if an inference can be drawn that at least some of the marks are in use in the marketplace and that consumers will therefore have become accustomed to making fine distinctions between the marks by paying more attention to their differences. Ideally, State of the Register evidence should be filed along with state of the marketplace evidence showing use of the trade-marks located in a state of the Register search. In *Maximum Nutrition Ltd. v. Kellogg Salada Canada Inc.*,³⁹ the Federal Court of Appeal stated that where there is a large number of relevant registrations evidenced on the Register, inferences can be drawn about the marketplace without further evidence. Registrations or pending applications that do not include a common element and/or that do not cover similar goods and/or services to the marks at issue will not be considered relevant references for this purpose.⁴⁰ The existence of two or three relevant trade-marks has not been considered to allow for any meaningful inferences to be made regarding the possible common adoption of trade-marks or portions of mark.⁴¹ Furthermore, a review of recent jurisprudence suggests that the existence of fewer than ten relevant references standing in the name of as many owners will likely not allow for such an inference to be drawn.

3.11. Internet Evidence

Evidence obtained by way of Internet searches is routinely filed in opposition proceedings in spite of the fact that it is often considered to constitute hearsay evidence. The admissibility of evidence taken from the Internet in the form of printouts of web pages filed for the purpose of showing that a trade-mark had become a generic term was considered in *ITV Technologies, Inc. v. WIC Television Ltd.*⁴² The Trial Division Court attributed little weight to the evidence because: 1) there was little evidence that Canadians knew of or read the material in question; 2) there was little evidence that Canadians accessed any of the websites referred to; 3) many

³⁹ *Maximum Nutrition Ltd. v. Kellogg Salada Canada Inc.* (1992), 43 C.P.R. (3d) 349 at 358-360 (F.C.A.); 3681441 *Canada Inc. v. Caviro* (2009), 74 C.P.R. (4th) 314 (T.M.O.B.).

⁴⁰ 3681441 *Canada Inc. v. Caviro*, *ibid.*

⁴¹ *Procter & Gamble Co. v. 2797836 Canada Inc.*, [2008] CarswellNat 2454 (T.M.O.B.); *Vincor International Inc. v. Brinker Restaurant Corp.* (2009), 74 C.P.R. (4th) 163 (T.M.O.B.); see also *Mr. Lube Canada Inc. v. Denny's Lube Centre Inc.* (2008), 73 C.P.R. (4th) 308 (T.M.O.B.).

⁴² *ITV Technologies, Inc. v. WIC Television Ltd.* (2005), 38 C.P.R. (4th) 481, *aff'g* (2003), 29 C.P.R. (4th) 82 (F.C.T.D.); see also *Envirodrive Inc. v. 836442 Alberta Inc.*, 2005 ABQB 446, cited in *Generation Nouveau Monde Inc. v. Teddy S.p.A.* (2006), 51 C.P.R. (4th) 385 (T.M.O.B.).

of the websites and articles adduced by ITV came from outside of Canada. In a more recent decision, evidence in the form of printed excerpts from various websites was considered of very little assistance because the contents of the websites in question were considered to constitute hearsay evidence.⁴³ Parties considering entering evidence in the form of Internet search results would be well advised to ensure that such evidence complies with standard evidentiary rules including rules pertaining to hearsay evidence. Evidence of sales of products in Canada would best be shown by having an affiant purchase a product from the website in question.

3.12. Family of Marks

An owner who has registered a number of trade-marks comprised of a common element or characteristic may allege that it is the owner of a family or series of marks. Where there exists a family of marks, there may be a greater likelihood that the public would consider a product bearing a trade-mark incorporating an element that is also a component of the other trade-marks forming part of the family, as a product manufactured, sold, or leased by the same person who manufactures, sells, or leases the wares associated with the family of marks,⁴⁴ and the owner of the mark will be entitled to a broader ambit of protection for the common element than it would otherwise be granted. In order to rely on a family of trade-marks in opposition proceedings, a party must have pleaded that it is the owner of a family of trade-marks in its statement of opposition. It must also establish use of each member of the family.⁴⁵ A party seeking to rebut the allegation of the existence of a family of marks may do so by providing evidence of other trade-marks incorporating the same element or characteristics as those common to the members of the alleged family of marks.⁴⁶

3.13. Survey Evidence

Survey evidence based on the results of properly conducted surveys of public opinion may be admitted as evidence in trade-mark opposition

⁴³ *Westcan Greenhouses Ltd. v. Proven Winners North America LLC* (2010), 84 C.P.R. (4th) 447 at 456 (T.M.O.B.).

⁴⁴ *Everex Systems Inc. v. Everdata Computer Inc.* (1992), 44 C.P.R. (3d) 175 at 183 (F.C.T.D.).

⁴⁵ *McDonald's Corp. v. Yogi Yogurt Ltd.* (1982), 66 C.P.R. (2d) 101 (F.C.T.D.); *Mr. Lube Canada Inc. v. Denny's Lube Centre Inc.* (2008), 73 C.P.R. (4th) 308 (T.M.O.B.).

⁴⁶ See *McDonald's Corp. v. Coffee Hut Stores Ltd.* (1994), 55 C.P.R. (3d) 463 (F.C.T.D.), *aff'd* (1996), 68 C.P.R. (3d) 168 (F.C.A.).

proceedings on the issues of distinctiveness, fame⁴⁷, consumer perceptions, and confusion⁴⁸. Survey evidence is considered to be an exception to the hearsay rule and is considered admissible if presented through a qualified expert, provided the expert's findings are relevant to the issues and the survey was properly designed and conducted in an impartial manner.⁴⁹ The admissibility and probative value of survey evidence depends on the relevance of the survey to the matters in issue and the manner in which the survey was conducted. The Trade-marks Opposition Board as well as the Court will consider the nature of the survey questions and the manner in which they were presented to the relevant population. Failure to properly frame the questions, to follow approved statistical methods, social science research techniques, interview procedures, or to sample the relevant universe of consumers may render the survey evidence inadmissible or of no probative value.

3.14. Timing

Although the recent Practice in Trade-mark Opposition Proceedings Practice Notice was designed to streamline opposition proceedings and possibly shorten the entire process, opposition proceedings are not expeditious. The average opposition proceeding is not likely to be resolved in less than two to four years if the parties do not resolve the matter through settlement, and can take longer if an oral hearing is required.

3.15. Costs

Each party to an opposition proceeding is responsible for the costs and expenses it incurs either to pursue an opposition proceeding or to defend against it. An opponent may withdraw its opposition to the registration of an applicant's application at any time prior to the oral hearing on a without prejudice basis and without costs as there are no cost awards in opposition proceedings. Costs of opposition proceedings (from the filing of an extension of time to file a Statement of Opposition to the issuance of a decision by the Registrar) can typically range between US\$10,000 to US\$30,000.

⁴⁷ *Mattel, Inc. v. 3894207 Canada Inc.* (2006), 49 C.P.R. (4th) 321 (S.C.C.).

⁴⁸ *Ibid.*

⁴⁹ *Ibid.* at 342.

3.16. Appeal

Pursuant to section 56 of the Act an appeal lies to the Federal Court from any decision of the Registrar under the Act within two months from the date of the issuance of the notice reporting the Registrar's decision. An appeal of a decision of the Trade-marks Opposition Board in opposition proceedings should be made by way of notice of appeal.

4. SUMMARY CANCELLATION PROCEEDINGS BEFORE THE TRADE-MARKS OPPOSITION BOARD

The Trade-marks Act also provides for the summary cancellation of trade-mark registrations on the basis that they are no longer in use. The purpose of the procedure is to provide a simple, summary and expeditious means of clearing the Register of trade-marks that are not bona fide claimed by their owners as active trade-mark,⁵⁰ or registered trademarks that are obsolete or outdated. In essence, they are designed to clear the Register of "dead wood"⁵¹. While proceedings under Section 45 are not intended to be finally determinative of the substantive rights of an owner in a trade-mark⁵² or to constitute inter partes proceedings per se, it appears clear that cancellation proceedings have evolved: they are often linked to existing inter partes proceedings or potential inter partes proceedings and are without question often treated as such by the parties once they are commenced. From a strategic perspective, they are also often used as leverage in the course of discussions which may lead to the settlement of multiple disputes between the parties.

Section 45 of the Act allows a party to request that the Registrar issue a notice to the registered owner of a trade-mark requesting that the owner furnish an affidavit or a statutory declaration showing, with respect to each of the wares and services covered in the registration, whether the trade-mark was in use in Canada at any time during the three year period preceding the date of the notice – or that the registered owner provide an explanation of the special circumstances excusing the failure to use the

⁵⁰ *88766 Canada Inc. v. Monte Carlo Restaurant Ltd.* (2007), 63 C.P.R. (4th) 391 (F.C.T.D.).

⁵¹ *Uvex Toko Canada Ltd. v. Performance Apparel Corp.* (2004), 31 C.P.R. (4th) 270 (F.C.T.D.); *Bedesse Imports Ltd. v. F. Hoffman-LaRoche AG* (2007), 62 C.P.R. (4th) 205 (T.M.O.B.).

⁵² *Philip Morris Inc. v. Imperial Tobacco Ltd.* (1987), 13 C.P.R. (3d) 289 (F.C.T.D.).

trade-mark in question. If the owner does not furnish the required evidence, or if the circumstances justifying non-use of the trade-mark are not considered to be extraordinary or sufficiently justified, the registration of the trade-mark may be expunged from the Register or amended as the case may be. The procedures, rules and practices for summary cancellation proceedings are set out in the Act, the Regulations and the Practice Notices issued by the Trade-marks Opposition Board.⁵³

4.1. Initiating Summary Cancellation Proceedings.

Summary cancellation proceedings may be initiated by any person at any time after the third anniversary of the registration of a trade-mark.⁵⁴ The Registrar will issue the Section 45 notice unless it sees good reason to the contrary such as, for example, where the request is made within three years or less of a previous request for the issuance of a notice pursuant to Section 45 where this previous request led to a final decision⁵⁵ or where the Registrar considers the request frivolous or vexatious.⁵⁶

4.2. Evidence

A registrant who has received a Notice from the Registrar pursuant to Section 45 will be required to furnish evidence by way of affidavit or declaration, within three months from the date of the Section 45 Notice 1) showing use of the trade-mark at any time during the three year period preceding the date of the Notice with respect to each of the wares or services covered by the registration; or 2) indicating the date when the registered trade-mark was last used in Canada and the reasons explaining the absence of use of the trade-mark since that date.⁵⁷ The Registrant may also request an extension of the deadline to file its evidence of up to four months so long as sufficient reasons are provided and the prescribed fee is paid. No

⁵³ See *Trade-marks Act*, *supra* note 3, *Regulations*, *supra* note 1, and Practice in Section 45 Proceedings Notice (in effect as of September 14, 2009) ("Section 45 Practice Notice").

⁵⁴ While the Registrar may also have the discretion to issue a notice at any time, including prior to the expiration of three years from the date of registration, the Registrar considers that in order to ensure compliance with Article 19 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), no such notice should be issued prior to three years after the date of registration. See Section 45 Practice Notice, *supra* note 53, s. II.2.

⁵⁵ Section 45 Practice Notice, *supra* note 53, s. II.1.3.

⁵⁶ *Molson Companies Ltd. v. John Labatt Ltd. et al.* (1984), 1 C.P.R. (3d) 329 (F.C.T.D.).

⁵⁷ In accordance with Rule 3(9) of the Regulations, *supra* note 1, the evidence filed by the registrant cannot be filed by facsimile.

further extensions will be granted by the Registrar unless exceptional circumstances are shown. The failure of a registrant to file the evidence requested within the timeline stipulated by the Registrar will result in the automatic expungement of the registration from the Register.⁵⁸

Only the registered owner may provide evidence to establish the facts necessary for the Registrar to determine whether the trade-mark has been used during the relevant period⁵⁹ and the Registrar will return any evidence received from the requesting party.⁶⁰ Further, the Registrar does not have, under the Act or Regulations, jurisdiction to order the cross-examination of an affiant or declarant in Section 45 proceedings.⁶¹

4.3. Written Representations

Once the registrant's evidence has been filed with the Registrar and once the requesting party has received a copy of the registrant's evidence, the Registrar will send the Requesting party a notice inviting the requesting party to file written representations within four months from the date of the notice. Once the Registrar has received the requesting party's written representations, the registered owner will be invited to file its written representations within four months from the date of the notice. Pursuant to the new Practice in Section 45 Proceedings Notice, neither party may request an extension of time or a further administrative delay to file written representations.

4.4. Oral Hearing

A party wishing to participate at an oral hearing must advise the Registrar within one month of the final deadline for the submission of the registered owner's written representations. The Registrar will then issue notices advising the parties of scheduled hearing dates on a quarterly basis, with no less than 90 days notice of the hearing date. The parties will have one month from the date of the Registrar's notice to confirm their attendance at the hearing. A party who is not available on the hearing date scheduled by the Registrar, may, with the consent of the other party, request that the hearing be rescheduled. Hearings will generally only be rescheduled once.⁶²

⁵⁸ Section 45 Practice Notice, *supra* note 53, s. III.1.

⁵⁹ *Trade-marks Act*, *supra* note 3, s. 45(2).

⁶⁰ *Bedessee Imports Ltd. v. F. Hoffman-La Roche AG* (2007), 62 C.P.R. (4th) 205 (T.M.O.B.).

⁶¹ *Burke-Robertson v. Carhartt Canada Ltd.* (1994), 56 C.P.R. (3d) 353 (F.C.T.D.).

⁶² Section 45 Practice Notice, *supra* note 53, s. VII.2.

Hearings may also be cancelled provided both parties consent to the cancellation. If a hearing is cancelled, the Registrar will proceed to issue a decision based on the evidence filed by the registrant and based on the parties' written representations unless the Registrar is advised that the Section 45 proceeding has been discontinued on consent of the parties or the registration has been voluntarily abandoned.⁶³

4.5. Evidentiary Considerations

Section 45(2) of the Act requires that any evidence in Section 45 proceedings be filed in the form of an affidavit or statutory declaration. Generally, the same formal rules applicable to evidence filed in trade-mark opposition proceedings are applicable to evidence filed in summary cancellation proceedings. As such, a registrant filing evidence in response to a Notice from the Registrar must ensure that affidavits or declarations are properly commissioned and sworn, and that attached exhibits are also properly notarized or commissioned. Notwithstanding the foregoing, the Registrar has considered technically deficient evidence in a number of cases on the basis that "one should avoid letting technical requirements become a trap for the unwary",⁶⁴ particularly where a trade-mark has been obviously or notoriously in use by the registered owner. Despite the occasional leniency of the Registrar with respect to technical deficiencies in summary cancellation proceedings, as decisions rendered by the Registrar in summary cancellation proceedings may be appealed to the Federal Court, compliance with formal evidentiary rules is recommended in preparing evidence for summary cancellation proceedings as the Courts are less likely to forgive technical deficiencies.

The same leniency is not afforded to deficiencies relating to substantive requirements and the Registrar has been less tolerant where evidence has been found to constitute hearsay,⁶⁵ or where an affidavit contained ambiguous statements or statements susceptible of more than one interpretation. In general, 1) hearsay evidence will be considered inadmissible unless it meets

⁶³ *Ibid.*, s. VII.6.

⁶⁴ *Baume & Mercier S.A. v. Brown carrying on business as Circle Import* (1985), 4 C.P.R. (3d) 96 (F.C.T.D.); *Maximilian Fur Co. Inc. v. Maximilian for Men's Apparel Ltd.* (1983), 82 C.P.R. (2d) 146 at 149 (T.M.O.B.); *Russell & Dumoulin v. Guangdong Cereals & Oils Import & Export Corp.* (2000), 17 C.P.R. (4th) 283 (T.M. Hearing Officer); *contra MBM & Co. v. Osound Labs, Inc.* (2005), 47 C.P.R. (4th) 458 (T.M.O.B.).

⁶⁵ *Bereskin & Parr v. Movenpick Holding* (2008), 69 C.P.R. (4th) 243 (T.M.O.B.).

the criteria of necessity and reliability;⁶⁶ 2) an inference supporting use of a trade-mark will not be drawn from ambiguous statements⁶⁷; and 3) statements susceptible of more than one interpretation will be interpreted against the interests of the registered owner.⁶⁸

While the threshold for establishing use in a Section 45 proceeding is relatively low⁶⁹ and while it is not necessary to provide an over-abundance of evidence of use of the trade-mark at issue, the evidence must contain sufficient facts to permit the Registrar to arrive at a conclusion on the use of the trade-mark in association with the registered wares and/or services during the relevant period. A bare statement of use of the mark or mere “statutory tracking”, without additional facts that are descriptively corroborative, will not suffice to establish use⁷⁰: the registrant must “show” or describe use of the trade-mark within the meaning of sections 2 and 4 of the Act.⁷¹

What qualifies as use of a trade-mark in association with is defined in subsection 4(1) of the Act in respect of wares, and in subsection 4(2) in respect of services. Use in association with wares generally coincides with the sale of the goods or some other form of commercial transaction occurring in the normal course of trade. Thus even evidence of a single sale in the normal course of trade has been found to be sufficient to establish use in association with wares, so long as it is considered to be a genuine commercial transaction and not contrived to protect the registration of the trade-mark or token use.⁷² Mere advertising without evidence of sales has been considered insufficient to show use in association with wares. Examples of evidence that may be adduced to show use in association with wares include actual samples of packaging, labels, hang tags affixed to the goods, photographs of products bearing the trade-mark, point of sale

⁶⁶ *Gowling Lafleur Henderson v. Essemex Corp.* (2008), 70 C.P.R. (4th) 292 (T.M.O.B.).

⁶⁷ *Smart & Biggar v. Kawasho Foods Corp.* (2008), 72 C.P.R. (4th) 197 (T.M.O.B.).

⁶⁸ *Aerosol Fillers Inc. v. Plough* (Canada) Ltd. (1980), 45 C.P.R. (2d) 194 (F.C.T.D.); *Gowling Lafleur Henderson LLP v. Cabin Creek LLC* (2009), 74 C.P.R. (4th) 62 (T.M.O.B.).

⁶⁹ *Woods Canada Ltd. v. Lang, Michener* (1996), 71 C.P.R. (3d) 477 at 480 (F.C.T.D.).

⁷⁰ *Anheuser-Busch, Inc. v. Carling O'Keefe Breweries of Canada Ltd. et al.* (1982), 69 C.P.R. (2d) 136, (F.C.A.); *American Distilling Co. v. Canadian Schenley Distillers Ltd.* (1977), 38 C.P.R. (2d) 60 (F.C.T.D.); *John Labatt Ltd. v. Raimier Brewing Co. et al.* (1984), 80 C.P.R. (2d) 228 (F.C.A.); *Philip Morris Inc. v. Imperial Tobacco Ltd. et al.* (1985), 7 C.P.R. (3d) 254 (F.C.T.D.); *Keepsake, Inc. v. Prestons Ltd.* (1983), 69 C.P.R. (2d) 50 (F.C.T.D.); *Union Electric Supply Co. Ltd. v. Registrar of Trade Marks* (1982), 63 C.P.R. (2d) 56 (F.C.T.D.).

⁷¹ *Plough (Canada) Ltd. v. Aerosol Fillers Inc.* (1980), 53 C.P.R. (2d) 62 (F.C.A.).

⁷² *Philip Morris Inc. v. Imperial Tobacco Ltd.* (1987), 13 C.P.R. (3d) 289 at 293 (F.C.T.D.).

displays, printed or electronic catalogues featuring images of the goods bearing the marks if the catalogue is used by consumers for ordering⁷³, copies of invoices particularly if shipped with the goods (although invoices are not required to be filed in Section 45 proceedings)⁷⁴, sales volumes and revenues for each product during the relevant period.

Unlike subsection 4(1) of the Act, use in association with services under subsection 4(2) of the Act does not require evidence of a transfer of goods in “the normal course of trade” but requires that such use be of a normal commercial nature⁷⁵. In such cases, evidence of advertising may constitute sufficient use of a trade-mark in association with services, provided that the services in question are available to be performed in Canada.⁷⁶ Examples of evidence that may be adduced to show use in association with services include advertisements, signage, newsletters, sales volumes and revenues, invoices, annual advertising expenditures, brochures, excerpts from affiant’s Internet website provided the excerpts from the website in question are within the personal knowledge of the affiant.

4.6. Timing

Until recently, the average summary cancellation proceeding took at least two years and often three to four years⁷⁷ if an oral hearing was requested. It is difficult to foresee whether the New Practice in Section 45 Proceedings Notice, which expressly seeks to limit delays and drastically shortens deadlines (by limiting the number of extensions that may be requested), will result in the issuance of final decisions in a shorter time frame.

4.7. Costs

As in the case of opposition proceedings, each party to a summary cancellation proceeding pursuant to Section 45 is responsible for the costs and expenses it incurs. The party requesting the cancellation of a

⁷³ *Rosenstein v. Elegance Rolf Offergelt GmbH* (2005), 47 C.P.R. (4th) 196 (T.M.O.B.); see also *Swabey Ogilvy Renault v. Mary Maxim Ltd.* (2003), 28 C.P.R. (4th) 543 (T.M.O.B.).

⁷⁴ *Gowling Lafleur Henderson LLP v. Neutrogena Cop.* (2009), 74 C.P.R. (4th) 153 (T.M.O.B.).

⁷⁵ *Cornerstone Securities Canada Inc. v. Canada (Registrar of Trade-marks)* (1994), 58 C.P.R. (3d) 417 (F.C.T.D.).

⁷⁶ *Wenward (Canada) Ltd. v. Dynaturf Co.* (1976), 28 C.P.R. (2d) 20 (Registrar of T.M.); *Bedwell Management Systems Inc. v. Mayflower Transit, Inc.* (1999), 2 C.P.R. (4th) 543 (T.M.O.B.); *Tint King of California Inc. v. Canada (Registrar of Trade-marks)* (2006), 56 C.P.R. (4th) 223 (F.C.T.D.); *Ching v. 3416968 Canada Inc.* (2008), 71 C.P.R. (4th) 54 (T.M.O.B.).

⁷⁷ Although CIPO’s website states “the whole procedure can take as long as one and a half to two years”.

registration may discontinue the cancellation proceeding at any time with the consent of the registrant, on a without prejudice basis and without costs as there are no cost awards in summary cancellation proceedings. Typically, the cost of summary cancellation proceedings ranges between US\$5000 and US\$15,000.

4.8. Appeal

As the decision issued in summary cancellation proceedings pursuant to Section 45 is a decision by the Registrar, an appeal will lie to the Federal Court from the Registrar's decision within two months from the date of the issuance of the notice. An appeal of a decision of the Registrar in Section 45 proceedings, as in opposition proceedings, is made by way of notice of appeal and is possible whether evidence was filed in response to the Registrar's request or not.⁷⁸

4.9. Standard of Review for Appeals to the Federal Court

The appropriate standard of review on any appeal from a decision of the Registrar in opposition proceedings or summary expungement proceedings depends on whether additional material evidence is filed. Generally, if no new evidence is adduced or if it is determined that the new evidence introduced would not have materially affected the Registrar's findings, the courts have applied the standard of reasonableness, pursuant to which, the Courts will accord considerable weight to the Registrar's decision unless the Registrar's decision is clearly wrong. If additional evidence that would have materially affected the Registrar's findings is introduced, the standard applied for reviewing the decision of the Registrar is the standard of correctness, as if the matter were a hearing *de novo*.⁷⁹ What constitutes evidence that would have materially affected the Registrar's findings will depend on the evidence filed by a party in the opposition proceedings or in the summary cancellation proceedings: new evidence that merely supplements evidence that was before the Registrar will not be considered as material evidence and accordingly, the standard of review applied may be that of reasonableness.⁸⁰

⁷⁸ *Austin Nichols & Co. v. Cinnabon, Inc.* (1998), 82 C.P.R. (3d) 513 (F.C.T.D.); *Vetement Multi-Wear Inc. v. Riches, McKenzie & Herbert LLP* (2008), 73 C.P.R. (4th) 3 (F.C.T.D.).

⁷⁹ *Molson Breweries, a Partnership v. John Labatt Ltd.* (2000), 5 C.P.R. (4th) 180 (F.C.A.) [*Molson Breweries*].

⁸⁰ *Council of Professional Engineers v. APA – The Engineered Wood Association* (2000), 7 C.P.R. (4th) 239 (F.C.T.D.); *Garbo Creations Inc. v. Harriet Brown & Co.* (1999), 3 C.P.R. (4th) 224 (F.D.T.D.); *Molson Breweries*, *supra* note 79.

5. PROCEEDINGS BEFORE THE COURTS

As a federal state, the Canadian judicial system is characterized by both Federal and Provincial courts. The Federal Court's jurisdiction respecting intellectual property matters is in part exclusive and in part concurrent, depending on the nature of the matter at issue. Section 20(1) of the *Federal Courts Act* confers on the Trial Division exclusive original jurisdiction in all cases relating to the registration of any trade-mark, including, for example, any appeal from a decision of the Registrar under the Act.⁸¹ That section also confers on the Trial Division exclusive original jurisdiction in all cases that seek to have any entry in the Trade-marks Register expunged, varied or rectified. The exclusive jurisdiction of the Federal Court regarding an application to strike or amend an entry on the Trade-marks Register on the ground that the entry does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark is also expressed in subsection 57(1) of the Act.

The Court's concurrent jurisdiction (with provincial courts) in intellectual property matters is set out in Section 20(2) of the *Federal Courts Act* which provides that the Federal Court may try any matter in which a remedy is sought under an Act of Parliament or at law or in equity respecting, inter alia, any trade-mark.⁸²

The net practical effect of this framework is that actions that put in issue the statutory grant or registration of an intellectual property right fall within the exclusive jurisdiction of the Federal Court. Where the issue is the enforcement of a registration, rather than its validity as registered, or for a declaration of invalidity in personam, it is within the concurrent jurisdiction of the Federal and provincial superior courts.

5.1. Infringement

An infringement action is only initiated by way of a registered trade-mark and only the owner of the registered trade-mark, or a licensee of that registered trade-mark (pursuant to Subsection 50(3) of the Act), may commence the action. The relevant sections of the Act that relate to infringement actions are sections 19 and 20.

⁸¹ *Federal Courts Act*, R.S.C. 1985, c. F-7 [*Federal Courts Act*]; see also section 56 of the Act.

⁸² *Federal Courts Act*, *supra* note 81, s. 20(2).

As discussed in greater detail below, an infringement action based on Section 19 has a narrower scope than an action based on Section 20, as Section 19 only relates to use by a defendant of a trade-mark that is *identical* to the plaintiff's registered trade-mark in association with the *identical* wares and/or services as they are listed in the plaintiff's registration. On the other hand, Section 20 deals with the use by a defendant of a trade-mark *or* trade name that is *confusing* with the plaintiff's registered trade-mark, and as such, the relevant use is neither limited to the identical mark nor to the identical wares and services of the plaintiff.

The remedies available for trade-mark infringement are found in Section 53.2 of the Act. Notably, Section 53.2 does not limit the remedies available to those enumerated in the Section, and should be read broadly to permit a court to create appropriate relief in consideration of the facts of a particular case.

Section 19 Infringement

Section 19 of the Act gives the owner of a registered trade-mark the right to its exclusive use throughout Canada in respect of the wares and services listed in the registration. Since infringement under Section 19 relates to the unauthorized use of an identical trade-mark registered by a plaintiff, if the trade-mark used by the defendant is different than the plaintiff's registered trade-mark, or if it is used in association with wares or services that are not covered by the registration, a plaintiff cannot succeed under this section.⁸³ Moreover, Section 19 cannot be used to attack a mark that incorporates the entirety of a plaintiff's registered trade-mark but which also includes other additional elements.⁸⁴

Section 19 requires that the potentially infringing mark be "used" as "trade-mark" within the meaning of these terms in Sections 2 and 4 of the Act. As such, the impugned trade-mark must be "used" within the meaning of Section 4 in association with wares or services, and for the purpose of

⁸³ *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.* (1968), 55 C.P.R. 176 (Ex. Ct.); *Mr. Submarine Ltd. v. Amandista Investments Ltd.* (1988), 19 C.P.R. (3d) 3 (F.C.A.); *Cie Générale des Établissements Micheline-Michelin & Cie v. C.A.W. — Canada* (1996), 71 C.P.R. (3d) 348 (F.C.T.D.); *A&W Food Services of Canada Inc. v. McDonald's Restaurants of Canada Limited* (2005), 40 C.P.R. (4th) 126 (F.C.); *Tradition Fine Foods Ltd. v. Oshawa Group Ltd.*, 2004 FC 1011 (F.C.), aff'd (2005) 44 C.P.R. (4th) 81 (F.C.A.); *Tommy Hilfiger Licensing Inc. v. Produits de Qualité I.M.D. Inc.* (2005), 37 C.P.R. (4th) 1 (F.C.); *Pro-C Ltd. v. Computer City Inc.* (2001), 14 C.P.R. (4th) 441 (Ont. C.A.), rev'g (2000), 7 C.P.R. (4th) 193 (Ont. S.C.).

⁸⁴ *A & W Food Services of Canada Inc. v. McDonald's Restaurants of Canada Ltd.*, *supra* note 83.

indicating the source or origin of the wares or services, as required by Section 2, in order to be challenged under Section 19.⁸⁵

Section 20 Infringement

The use by a defendant of a trade-mark or trade name that is confusing (within the meaning of Section 6 of the Act) with a trade-mark registered by a plaintiff will be deemed to be an infringement pursuant to Section 20 of the Act, regardless of the wares, services, or business in association with which the defendant is using the trade-mark. A plaintiff must therefore establish that the sale, distribution, performance or advertisement of wares or services has taken place in association with a confusing trade-mark or trade name by a person not entitled under the Act to the use of the registered trade-mark. The material date for determining a likelihood of confusion for the purpose of Section 20 is the date of the hearing.⁸⁶

While infringement of a registered trade-mark under Section 20 may occur when a person other than the registered owner sells, distributes, or performs, advertises, exports or imports wares or services in association with a confusing trade-mark or trade name, Section 20 does not prevent individuals from making: (a) a *bona fide* use of the name of the person as a trade name; or (b) a *bona fide* use, other than as a trade-mark, of the geographical name of a place of business, or of any accurate description of the character or quality of the relevant wares or services⁸⁷, in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.⁸⁸

As in the case of Section 19, Section 20 applies only when the impugned mark is used as a trade-mark in accordance with the definitions of "trade-mark" and "use" in Sections 2 and 4.⁸⁹

⁸⁵ *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.*, *supra* note 83; *Cie Générale des Établissements Micheline-Michelin & Cie v. C.A.W. — Canada*, *supra* note 83.

⁸⁶ *Cartier Inc. v. Cartier Optical Ltd.* (1988), 20 C.P.R. (3d) 68 (F.C.T.D.).

⁸⁷ *National Hockey League v. Pepsi-Cola Canada Ltd.* (1995), 59 C.P.R. (3d) 216 (B.C.C.A.); *Meubles Domani's v. Guccio Gucci S.p.A.* (1992), 43 C.P.R. (3d) 372 (F.C.A.), *aff'g* (1991), 39 C.P.R. (3d) 119 (F.C.T.D.).

⁸⁸ *Kun Shoulder Rest Inc. v. Joseph Kun Violin and Bow Maker Inc.* (1998), 83 C.P.R. (3d) 331 (F.C.T.D.).

⁸⁹ *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.*, *supra* note 83; *Cie Générale des Établissements Micheline-Michelin & Cie v. C.A.W. — Canada*, *supra* note 83; *Coca-Cola Ltd. v. Pardham* (1999), 85 C.P.R. (3d) 489 (F.C.A.), *aff'g* (1997), 77 C.P.R. (3d) 501 (F.C.T.D.).

Possible Defences

Possible defenses to an action in trade-mark infringement under Sections 19 and 20 of the Act include 1) a challenge to the validity of the plaintiff's trade-mark registration pursuant to Section 18 of the Act (subject to the provisions of Subsection 17(2) of the Act); 2) fraud; 3) prior concurrent use of a trade-mark by the defendant in good faith as ordered by the court pursuant to Section 21 of the Act⁹⁰; 4) *bona fide* use of defendant's personal name as a trade-name pursuant to Paragraph 20(1)(a) of the Act; 5) *bona fide* right to use, other than as a trade-mark, the geographical name of the defendant's place of business pursuant to Paragraph 20(1)(b)(i); 6) *bona fide* right to use, other than as a trade-mark, any accurate description of the character or quality of the defendant's wares and services; 7) acquiescence.⁹¹

5.2. Depreciation of Goodwill

Section 22 of the *Trade-marks Act* provides that "no person shall use a trade-mark registered by another person in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto". The Supreme Court of Canada recently set out four factors that need to be established to be successful in an action claiming depreciation of goodwill.⁹² In particular: (1) the registered trade-mark should be used by the defendant in connection with wares or services; (2) the registered trade-mark should be sufficiently well-known to have goodwill attached to it; (3) the trade-mark should have been used by the defendant in a manner that was *likely* to have an effect upon the goodwill (i.e. linkage); and (4) the *likely* effect would be to depreciate the value of the registered owner's goodwill (i.e. damage).

Use of the Registered Mark

Similar to infringement actions under Sections 19 and 20, an action for depreciation of goodwill is limited to the use by the defendant of a registered trade-mark. There is no cause of action under Section 22 for the use by a defendant of an unregistered trade-mark or a registered trade-mark

⁹⁰ *Edward Chapman Ladies' Shop Ltd. v. Edward Chapman Ltd.* (2005), 45 C.P.R. (4th) 321 (B.C.S.C.)

⁹¹ *Ibid.*

⁹² *Veuve Clicquot Ponsardin v. Boutiques Cliquot* (2006), 49 C.P.R. (4th) 401 (S.C.C.).

that has been found invalid.⁹³ While the defendant must use the trade-mark within the meaning of Section 4 of the Act, unlike Section 20, the defendant need not use the trade-mark “as a trade-mark” (to indicate the source of the wares or services). It is also not required for the plaintiff to demonstrate confusion between the marks in order to satisfy the test for the depreciation of goodwill;⁹⁴ rather, the marks should be similar to such a degree that a “link, connection or mental association in the consumer’s mind” is created between the plaintiff’s trade-mark and the defendant’s mark.⁹⁵ Moreover, since goodwill depreciation does not necessarily flow from confusion, it can arise without confusion being present at all.⁹⁶

Goodwill Attaching to the Mark

While fame of the plaintiff’s mark is not a requirement of Section 22, there must be sufficient goodwill capable of depreciation by a “non-confusing” use. In determining whether the plaintiff’s mark has acquired sufficient goodwill, the court will consider all of the circumstances, including the strength of the mark, the nature and extent of use and advertising, the geographic reach of the mark, the degree of distinctiveness of the mark or the degree of recognition of the mark within the relevant universe, the nature of the wares or services, whether the products or services associated with the mark are confined to a narrow or specialized channel of trade or move in multiple channels and the quality of the wares and services.⁹⁷

Depreciation of Goodwill

It has been suggested that “goodwill has value only to the extent that the reputation and connection confer an advantage that the owner enjoys; whatever reduces that advantage reduces the value of the goodwill”.⁹⁸ Depreciation of goodwill will result when the esteem in which the goods or services are held or the prestige the mark enjoys is reduced, or through the direct persuasion and enticing of customers who would otherwise be expected to buy or continue to buy goods bearing the trade-mark.⁹⁹

⁹³ *Madger v. Breck’s Sporting Goods Co.* (1975), 10 C.P.R. (2d) 28 (F.C.A.), aff’d [1980] 1 S.C.R. 99 (S.C.C.).

⁹⁴ *S. C. Johnson & Son Ltd. v. Marketing International Ltd.* (1977), 32 C.P.R. (2d) 15 (F.C.T.D.).

⁹⁵ *Veuve Clicquot Ponsardin Maison Fondée en 1772 v. Boutiques Cliquot Ltee*, supra note 92.

⁹⁶ *Veuve Clicquot Ponsardin Maison Fondée en 1772 v. Boutiques Cliquot Ltee*, supra note 92.

⁹⁷ *Veuve Clicquot Ponsardin Maison Fondée en 1772 v. Boutiques Cliquot Ltee*, supra note 92.

⁹⁸ *Kelly Gill & R. Scott Jolliffe, Fox on Canadian Law of Trade-marks and Unfair Competition*, 4th ed. (Toronto: Carswell, 2002) at Chapter 7.8(d).

⁹⁹ *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.*, supra note 83; *Future Shop Ltd. v. A. & B. Sound Ltd.* (1994), 93 B.C.L.R. (2d) 40 (B.C.S.C.).

Depreciation can also result from disparagement or tarnishment resulting from the creation of a negation association for the mark as well as from uncontrolled, excessive use by different users (blurring of brand image or whittling away of its power to distinguish products and attract consumers).¹⁰⁰

Depreciation or the likelihood of depreciation is not presumed – it is a matter of evidence and must be proven. The onus of proof is on the party alleging depreciation of goodwill.¹⁰¹ The mere possibility of depreciation is not sufficient.

5.3. Statutory Passing Off

The action for passing off which seeks to protect the goodwill associated with a distinguishing feature of a plaintiff's goods or services differs significantly from the action for infringement. While infringement is limited by a defendant's use of a trade-mark or trade name that offends a trade-mark that is registered, an action in passing off considers the use of a variety of distinguishing features identifying the origin of the plaintiff's goods or services.¹⁰² Further, since a trade-mark registration confers upon the owner an exclusive right to use that trade-mark across Canada,¹⁰³ the owner of a registration may commence an infringement action against a confusing trade-mark regardless of the geographic scope of the offending party's use.¹⁰⁴ In contrast, the plaintiff in a passing-off action can only prevent the use of a confusing mark or distinguishing feature in the geographic area in which the plaintiff has established a protectable reputation.¹⁰⁵

Sections 7 of the Act, and more particularly Subsection 7(b), is generally considered the statutory expression of the common law tort of passing off. Unlike Sections 19, 20 and 22, Section 7 applies to both registered and unregistered trade-marks.¹⁰⁶ The classical form of passing

¹⁰⁰ *A&W Food Services of Canada Inc. v. McDonald's Restaurants of Canada Limited*, *supra* note 84; *Tommy Hilfiger Licensing Inc. v. Produits de Qualite I.M.D. Inc.*, *supra* note 83.

¹⁰¹ *Veuve Clicquot Ponsardin Maison Fondée en 1772 v. Boutiques Cliquot Ltee*, *supra* note 92.

¹⁰² *Kirkbi AG v. Ritvik Holdings Inc.* (2005), 43 C.P.R. (4th) 385 (S.C.C.).

¹⁰³ *Trade-marks Act*, *supra* note 3, ss. 19-20.

¹⁰⁴ *Ibid.*

¹⁰⁵ *Kirkbi AG v. Ritvik Holdings Inc.*, *supra* note 102.

¹⁰⁶ *Remo Imports Ltd. v. Jaguar Cars Limited* (2007), 60 C.P.R. (4th) 130 (F.C.A.); *Enterprise Rent-A-Car Co. v. Singer* (1996), 66 C.P.R. (3d) 454 (F.C.T.D.), *aff'd* (1998), 79 C.P.R. (3d) 45 (F.C.A.).

off, set out in Subsection 7(b), states that “no person shall direct public attention to his wares, services or business in such a way as to cause or be likely to cause, confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another”.

To successfully establish passing off under Subsection 7(b) of the Act, the plaintiff must establish that its trade name, trade-mark, get-up or other indicia purporting to identify the origin of the plaintiff’s goods or services is identified in the mind of the public with the plaintiff’s wares and/or services (the existence of goodwill or reputation). In addition, the plaintiff must also show that the public has been deceived as a result of a misrepresentation, and that the plaintiff has suffered damages or that there exists the potential for or likelihood of damages as a result of the misrepresentation.¹⁰⁷

Reputation or Goodwill

A plaintiff must establish the existence of a reputation or goodwill in respect of the distinguishing feature of its goods or services (a trade-mark, service mark, trade name, get up, etc.)¹⁰⁸ and that such distinguishing feature is generally attributed by consumers to the plaintiff as the single source of the goods or services bearing the distinguishing feature. If the feature of a plaintiff’s goods or services is used by unrelated third parties, then the feature in question may not be distinctive of the plaintiff as the source of the plaintiff’s goods or services and the plaintiff may not be able to establish that the feature has a protectable reputation (or may only be able to show limited protectable reputation to a particular market and/or to a particular geographic area).

A plaintiff in a passing-off action may only enforce its rights in a trade-mark in those geographic areas in which the mark or distinguishing feature enjoys goodwill or reputation. Accordingly, a plaintiff must establish prior goodwill in the very area where the defendant is operating. A plaintiff may

¹⁰⁷ *Remo Imports Ltd. v. Jaguar Cars Limited*, *supra* note 106; *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1992), 44 C.P.R. (3d) 289 (S.C.C.); *Dairy Bureau of Canada v. Annable Foods Ltd.* (1993), 46 C.P.R. (3d) 289 (B.C.S.C.); *Greystone Capital Management Inc. v. Greystone Properties Ltd.* (1999), 87 C.P.R. (3d) 43 (B.C.S.C.); *British Columbia Automobile Association v. Office and Professional Employees’ International Union, Local 378* (2001), 10 C.P.R. (4th) 423 (B.C.S.C.); *Kirkbi AG v. Ritvik Holdings Inc.*, *supra* note 102.

¹⁰⁸ *BMW Canada Inc. v. Nissan Canada Inc.* (2007), 60 C.P.R. (4th) 181 (F.C.A.).

have protectable goodwill or a reputation in a geographic area even though the plaintiff is not carrying on business or using his mark in that area.¹⁰⁹ if the plaintiff's trade-mark has a reputation in the geographic area, the defendant's use of a confusing mark means that the plaintiff has lost control over the reputation, image, or goodwill associated with its trade-mark, or has lost the right to exploit that reputation within the geographic area or into an unrelated field of endeavour. This may constitute sufficient damage to found a passing-off claim, whether or not the plaintiff has any current intention of venturing into that field or geographic area.¹¹⁰

Misrepresentation

Once the plaintiff has established that the distinguishing feature of the goods or services is known in the market and has acquired a reputation in the market by reason of that distinguishing feature, the plaintiff must then establish that a misrepresentation creating confusion in the public – whether willful or negligent¹¹¹ – has occurred.¹¹² To be actionable the misrepresentation must create confusion as to the source of the goods or services bearing the distinguishing feature.¹¹³

Confusion will be assessed based on the statutory test for confusion set out in Subsection 6(5) of the Act. The statutory test for confusion is the “likelihood of confusion” and is based on the determination of whether it is likely, in all of the surrounding circumstances, that a prospective purchaser will be led to the mistaken inference that the wares or services associated with the trade-marks were made or sold by the same person.¹¹⁴ Actual confusion need not be proven if it can be shown that there is a likelihood of confusion occurring in the normal course of trade.¹¹⁵

¹⁰⁹ *Coin Stars Ltd. v. K.K. Court Chili & Pepper Restaurant Ltd.* (1990), 33 C.P.R. (3d) 186 (B.C.S.C.); *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd.* (1985), 5 C.P.R. (3d) 433 (Ont. C.A.); *Enterprise Rent-A-Car Co. v. Singer* (1998), 79 C.P.R. (3d) 45 (F.C.A.); *Stink Inc. v. Venditti* (1994), 53 C.P.R. (3d) 24 (B.C.S.C.).

¹¹⁰ *Walt Disney Productions v. Triple Five Corp.* (1994), 53 C.P.R. (3d) 129 (Alta. C.A.); *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd.*, *supra* note 109.

¹¹¹ *Consumers Distributing Co. v. Seiko Time Canada Ltd* (1984), 1 C.P.R. (3d) 1 (S.C.C.); *Greystone Capital Management Inc. v. Greystone Properties Ltd.*, *supra* note 105; *Walt Disney Productions v. Triple Five Corp.*, *supra* note 110; *Coin Stars Ltd. v. K.K. Court Chili & Pepper Restaurant Ltd.* (1990), 33 C.P.R. (3d) 186 (B.C.S.C.). *Contra Remo Imports Ltd. v. Jaguar Cars Limited*, *supra* note 106; *Molson Canada v. Oland Breweries Ltd.* (2002), 59 O.R. (3d) 607 (C.A.), *rev'g* (2001), 11 C.P.R. (4th) 199 (Ont. S.C.).

¹¹² *Kirby AG v. Ritvik Holdings Inc.*, *supra* note 102; *Ciba Geigy Canada Ltd. v. Apotex Inc.*, *supra* note 107.

¹¹³ *T-Rx Vehicles v. 6155234 Canada Inc.* (2008), 67 C.P.R. (4th) 444 (Q.C.A.).

¹¹⁴ *Mattel, Inc. v. 3894207 Canada Inc.*, *supra* note 47 at paras. 55 and 89, cited in *Kamsut, Inc. v. Jaymei Enterprises Inc.* (2009), 75 C.P.R. (4th) 247 at 265-266 (F.C.T.D.).

¹¹⁵ *Eli Lilly and Co. v. Novopharm Ltd.* (1999), 73 C.P.R. (3d) 371 (F.C.T.D.), *aff'd* in part (2000), 10 C.P.R. (4th) 10 (F.C.A.), application for leave to appeal to S.C.C. refused [2001] S.C.C.A. No. 100.

Damages or Likelihood of Damages

Actual or potential damage is a necessary element in finding liability under section 7(b) of the Act. In the absence of evidence in this regard, the Court cannot conclude that there is liability:¹¹⁶ a plaintiff must “demonstrate that he suffers or is likely to suffer damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the plaintiff”.¹¹⁷

Possible Defences

Possible defences to an action in passing off include 1) loss of distinctiveness of the distinguishing feature relied upon by the plaintiff (through, for example, improper licensing, improper assignment or common use of the distinguishing feature by unrelated third parties); 2) fraud; 3) *bona fide* use of defendant’s personal name as a trade-name so long as such use is not made in such a way as to represent the business of the defendant as the business of another; 4) *bona fide* right to use the geographical name of the defendant’s place of business or of any accurate description of the character or quality of the defendant’s wares and services, provided there is no resulting misrepresentation as to source between the plaintiff’s goods or services and those of defendant; 5) distinguishing matter sufficient to distinguish the wares or services of the defendant from those of the plaintiff; 6) acquiescence¹¹⁸. While the invalidity of a trade-mark registration may be a full defence to actions for infringement and depreciation of good will, it will not necessarily defeat a passing-off action.¹¹⁹

5.4. Expungement

Pursuant to Section 57 and 18 of the Act, a trade-mark registration may be expunged on various grounds, including 1) the trade-mark was not registrable as at the date of registration; 2) the trade-mark was not

¹¹⁶ *BMW Canada Inc. v. Nissan Canada Inc.* (2007), 60 C.P.R. (4th) 181 (F.C.A.); *Tommy Hilfiger Licensing Inc. v. Produits de Qualite I.M.D. Inc* (2005), 37 C.P.R. (4th) 1 (F.C.T.D.).

¹¹⁷ *Reckitt & Colman Product Ltd. v. Borden Inc.*, [1990] 1 All E.R. 873 at 880 (H.L.), cited in *Ciba Geigy Canada Ltd. v. Apotex Inc.*, *supra* note 107 at para. 32.

¹¹⁸ *Ibid.*

¹¹⁹ *Edward Chapman Ladies’ Shop Ltd. v. Edward Chapman Ltd.* (2006), 45 C.P.R. (4th) 321 (B.C.S.C.).

distinctive at the time proceedings bringing the validity of the registration into questions are commenced; 3) the trade-mark has been abandoned; or 4) the applicant was not the person entitled to secure the registration.¹²⁰ Expungement proceedings, unlike summary cancellation proceedings under Section 45 of the Act, are intended to determine substantive rights of a registered owner. An application to expunge a trade-mark registration may only be made to the Federal Court, and may be made either by originating notice of motion, by counterclaim in a trade-mark infringement action or by statement of claim in an action claiming additional relief under the *Trade-marks Act*.¹²¹

In expungement proceedings, the trade-mark registration is presumed to be valid and the onus is on the party seeking to expunge the registration to prove, on a balance of probabilities, that the registration should be expunged.¹²² A trade-mark may be expunged on any of four grounds:

- (a) Section 18(1)(a) of the Act provides that a trade-mark registration is invalid if the trade-mark was not registrable as of the date of registration. In this regard, since a trade-mark registration is presumed valid, the party seeking expungement of a trade-mark registration must provide evidence that the trade-mark should not have been registered, and in particular, that it contravenes one or more the bars to registration enumerated in section 12(1) of the Act.¹²³
- (b) Section 18(1)(b) of the Act provides that the registration of a trade-mark is invalid if the trade-mark is not distinctive at the time of proceedings bringing the validity of the registration into question are commenced. Accordingly, the lack or loss of distinctiveness of a trade-mark must be evidenced by the party seeking expungement. Non-distinctiveness may result from, for example, common use of

¹²⁰ *Trade-marks Act*, *supra* note 3, ss. 57, 18.

¹²¹ *Trade-marks Act*, *supra* note 3, s. 58.

¹²² *CompuLife Software Inc. v. CompuOffice Software Inc.* (2001), 13 C.P.R. (4th) 117 (F.C.T.D.); *J.C. Penny Co. v. Gaberdine Clothing Co.* (2001), 16 C.P.R. (4th) 151 (F.C.T.D.); *Andres Wines Ltd. v. Vina Concha y Toro S.A.* (2001), 13 C.P.R. (4th) 110 (F.C.T.D.); *Fairmont Resort Properties Ltd. v. Fairmont Hotel Management, L.P.* (2008), 67 C.P.R. (4th) 404 (F.C.T.D.).

¹²³ As listed in s. 12(1), a trade-mark is not registrable if it is not: (a) a word that is primarily merely the name or surname of an individual who is living or has died within the preceding thirty years, (b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used, or proposed to be used, or of the conditions of, or the persons employed in, their production, or of their place of origin, (c) the name in any language of any of the wares or services in connection with which it is used or proposed to be used, (d) confusing with a registered trade-mark, (e) a mark of which the adoption is prohibited by Section 9 or 10, and (f) a denomination the adoption of which is prohibited by Section 10.1.

the trade-mark by the public,¹²⁴ prior use of a confusing trade-mark or trade-name by the party seeking expungement,¹²⁵ or by an improper assignment¹²⁶ or licence.¹²⁷

(c) Section 18(1)(c) of the Act provides that the registration of a trade-mark is invalid if the trade-mark has been abandoned. Abandonment is a question of fact and is considered in view of the circumstances of each individual case.¹²⁸ In order to succeed on this ground, the party asserting abandonment must prove both actual non-use of the mark in Canada and an intent by the registered owner to abandon the mark.¹²⁹

(d) Section 18(1) of the Act provides that, conditional upon section 17,¹³⁰ the registration of a trade-mark is invalid if the applicant for the registration was not the person entitled to secure registration. As such, with the use of the term “entitled”, indirect reference is made to section 16 of the Act, which relates to the entitlement of an applicant to register a trade-mark. In line with section 18, by way of section 16, a registration will also be invalid if, for example: (1) the applicant was not the first person to file for or use the trade-mark or a confusingly similar trade-mark¹³¹, or to make such trade-mark known in Canada¹³², (2) the applicant did not use the trade-mark before it was registered¹³³, and (3) the registration was obtained by a material misstatement¹³⁴ or fraud.¹³⁵

¹²⁴ *Aladdin Industries Inc. v. Canadian Thermos Products Ltd.* (1969), 57 C.P.R. 230 (Ex. Ct.), aff'd [1974] S.C.R. 845 (S.C.C.).

¹²⁵ *Opus Building Corp. v. Opus Corp.* (1995), 60 C.P.R. (3d) 100 at 106 (F.C.T.D.).

¹²⁶ *Heintzman v. 751056 Ontario Ltd.* (1990), 34 C.P.R. (3d) 1 (F.C.T.D.).

¹²⁷ *Unitel Communications Inc. v. Bell Canada* (1995), 61 C.P.R. (3d) 12 (Fed. T.D.); *Steinberg Inc. v. J.L. Duval Ltee* (1992), 44 C.P.R. (3d) 417 (F.C.T.D.).

¹²⁸ *J. A. & M. Cote Ltee v. B.F. Goodrich Co.* (1949), 14 C.P.R. 33 at 64 (Ex. Ct.).

¹²⁹ *Promafil Canada Ltée v. Munsingwear Inc.* (1992), 44 C.P.R. (3d) 59 at 64 (F.C.A.).

¹³⁰ Section 17 of the Act states that “no application for registration of a trade-mark that has been advertised in accordance with Section 37 shall be refused and no registration of a trade-mark shall be expunged or amended or held invalid on the ground of any previous use or making known of a confusing trade-mark or trade-name by a person other than the applicant for that registration or his predecessor in title, except at the instance of that other person or his successor in title, and the burden lies on that other person or his successor to establish that he had not abandoned the confusing trade-mark or trade-name at the date of advertisement of the applicant's application”.

¹³¹ *Alibi Roadhouse Inc. v. Grandma Lee's International Holdings Ltd.* (1997), 76 C.P.R. (3d) 327 (F.C.T.D.). A person seeking to expunge a registration on this ground must satisfy the burden of proving that the trade-mark has not been abandoned at the date of the defendant's application.

¹³² *Eurofase Inc. v. Industrias Fase S.A.* (1999), 2 C.P.R. (4th) 70 (F.C.T.D.).

¹³³ *King Features Syndicate Inc. v. Lechter* (1950), 12 C.P.R. 60 (Ex. Ct.). The onus of proving non-use is on the party attacking the registration.¹³⁴ *Ibid.* The applicant's intent is not considered.

¹³⁴ *Ibid.* The applicant's intent is not considered.

¹³⁵ *Bonus Foods Ltd. v. Essex Packers Ltd.* (1965), 43 C.P.R. 165 (Ex. Ct.). In this case, some element of actual deception is required on the part of applicant.

6. STAGES IN INFRINGEMENT, DEPRECIATION, AND PASSING-OFF ACTIONS.

Proceedings for infringement, depreciation of goodwill, and passing off are by way of action, which may culminate in a trial. The stages of an action are as follows:

6.1. Pleadings

The pleadings consist of the Plaintiff's allegations (the "Statement of Claim"), the Defendant's response to the allegations (the "Statement of Defence") and the Plaintiff's response to the Statement of Defence (the "Reply"). Mechanisms exist for the Defendant to exert a claim against the Plaintiff (by "Counterclaim"), to bring non-parties into the action (again by Counterclaim if that party is allied with the Plaintiff or by "Third Party Claim" if not), and for one Defendant to exert a claim against another (by "Crossclaim", or in Federal Court, by "Third Party Claim"). When pleadings are complete, they are said to be "closed". It generally takes two or three months from the date of service of the Statement of Claim for the pleadings to close.¹³⁶

6.2. Interlocutory Injunctive Relief

A Plaintiff in an action before the Federal Court or a Provincial Superior Court may request interlocutory relief pending trial. The interlocutory relief most often requested is an injunction intended to prevent the Defendant from engaging in the conduct alleged, pending trial. Requests for an injunction are made by way of motion supported by affidavit evidence and, typically, cross-examination thereon conducted prior to the hearing. In order to succeed in such a motion, the Plaintiff (as moving party) must demonstrate that there is a serious issue to be tried, that it will suffer irreparable harm if the injunction is not granted, and that the balance of convenience favours granting the injunction. Satisfying the second and third of these criteria can be a difficult task, depending on the facts. Motions for interlocutory injunctive relief can be time consuming and expensive, often in the range of US\$50,000 to US\$100,000.

¹³⁶ Pleadings in the Federal Court are governed by the *Federal Court Rules*, SOR/98-106, r. 98-106, 171-202.

6.3. Mediation

Actions in many provinces must now be mediated by a court-appointed mediator selected by the parties. The mediation must take place within a certain number of days from the filing of the first defence, unless the Court orders otherwise. Mediation in the Federal Court of Canada is not mandatory although the parties are required to discuss settlement.¹³⁷

6.4. Documentary Discovery

Each party to a suit is required to produce and serve an Affidavit of Documents within a certain period, generally 30 days from the close of pleadings. The Affidavit must list and describe all relevant documents that 1) are in the possession, control or power of the party and for which no privilege is claimed; 2) are or were in the possession, control or power of the party and for which privilege is claimed; and 3) documents that were but are not longer in the possession, control or power of the party and for which no privilege is claimed. In the Federal Court, each party must also list relevant documents that it believes are in the possession, control or power of a person who is not a party to the action. All non-privileged documents must be produced for inspection by the other party.¹³⁸

6.5. Oral Discovery

Each party is entitled to conduct one oral examination for discovery of a single representative of each opposing party. The examinee is required to be informed of all matters at issue in the action and to answer all proper questions. The examination of non-parties is permitted only with leave of the Court and is exceptional. An oral examination may be replaced by a written examination, if the examining party so elects.¹³⁹

6.6. Pre-Trial Requests to Admit and Pre-Trial Conferences

After pleadings are complete, any party may request that another admit a fact or document. The opposing party must admit the fact or set out the grounds for denial. The purpose of the admissions process is to restrict a

¹³⁷ *Ibid.*, r. 257.

¹³⁸ *Ibid.*, r. 287, 386-391.

¹³⁹ *Federal Court Rules*, *supra* note 136, r. 87-98, 234-248.

trial to disputed facts. That same purpose is served by Pre-Trial Conferences which may be requisitioned by either party at any time after pleadings are complete. The additional purposes of the Pre-Trial Conference are to solicit the possibility of settlement and to isolate issues for trial.¹⁴⁰

6.7. Trial

Trials in a provincial superior court are typically by judge alone or judge and jury at the election of the Plaintiff; subject to an order striking the jury. Trials in the Federal Court are by judge alone. Trials proceed upon the basis of the admissions given in response to a Request to Admit, admissions and facts obtained on Discovery, and the oral evidence of the parties and their witnesses. While there is a process for setting down an action for trial in some provincial courts, there is no such process for an action in Federal Court. Instead, once pleadings are closed, any party may note pleadings closed and serve a Requisition for a Pre-Trial Conference, the purpose of which is to determine whether there is any possibility for settlement or simplification of any or all issues.

6.8. Appeals

The decision of a trial court in respect of an allegation of infringement, depreciation of goodwill, or passing off is subject to appeal to the appropriate appellate court, whether that appellate court is the Federal Court of Appeal (in the federal system), or the Court of Appeal of the province (in the Provincial system). Appeals are on the record as it existed in the trial court. Fresh or new evidence is rarely permitted. Grounds of appeal are typically restricted to mistakes of law or mistakes of mixed fact and law.

6.9. Costs

Trial costs vary widely, depending on the nature of the matter, the need for expert witnesses, etc. Trial costs are rarely less than US\$75,000 and can be considerably greater.

Canadian courts follow the British model in making an award of costs at the conclusion of each motion, application, trial, or appeal. The award is

¹⁴⁰ *Ibid.*, r. 252, 255-256.

discretionary. As a rule of thumb, the unsuccessful party is typically ordered to pay the costs of the successful party, on a given scale. The discretion to award costs in provincial courts generally includes costs on a “party and party” (partial indemnity) basis (typically between 40 and 60 per cent of actual costs) or on a “solicitor and client” (substantial indemnity) basis (all or virtually all actual costs). In Federal Court proceedings, the Federal Court also requires that an unsuccessful party compensate a successful party for a portion of its legal costs incurred in a motion, application or action. While the Court has full discretion over the amount and allocation of costs, the present practice of the Federal Court is to order that the costs be assessed according to Tariff B of the Federal Court Rules.¹⁴¹ Typically, an award of costs fixed according to or assessed under Tariff B will result in compensation of the successful party for between 20 and 30 per cent of the actual costs incurred in the proceedings.

7. BORDER MEASURES

In satisfaction of Canada’s obligations under the NAFTA and TRIPS Agreements, the *Trade-marks Act* contains three provisions relating to proceedings for the interim custody or detention of goods the importation of which into Canada is in question.

Under section 53(1), where a Court is satisfied on an application by an interested person that any registered trade-mark has been applied to any wares that have been imported into Canada or about to be distributed in Canada in such a manner that distribution of the wares would constitute an infringement or depreciation, then the Court may make an order for the interim custody of the wares, pending a final determination of the legality of their importation or distribution. Such an application may be made *ex parte*. The Court may require the applicant to furnish security. Where in an action the Court finds that the importation or distribution is or would be contrary to the Act, it may make an order prohibiting the future importation of the wares to which the trade-mark has been applied.¹⁴² Similar provisions permit the Minister of Public Safety and Emergency Preparedness to bring an Application in respect of wares which are about to be imported into Canada or have been imported, but have not yet been

¹⁴¹ *Federal Court Rules*, *supra* note 136, r. 400-422.

¹⁴² *Trade-marks Act*, *supra* note 3, s. 53.

released.¹⁴³ In that event, the Court may direct the Minister to detain the wares and require that he notify the owner or importer thereof forthwith. In either event, the Court may make any order that it considers appropriate in the circumstances with respect to the disposition of the goods, including an Order for an injunction, and the recovery of damages or profits. Other than in exceptional circumstances, the Court may not make an Order for re-exportation of the wares.¹⁴⁴

Border Orders of the type described above are relatively rare given that individual applicants rarely have information which is sufficiently reliable to bring proceedings and given further that the responsible agency, Canada Customs, is not engaged in collecting information of the required type. Generally speaking, Canada Customs will only act when trade-mark owners are able to provide it with complete information including a description of the goods, the identity of the importer, the country of export, the place of importation or release, the approximate date of arrival, and the mode of transportation.

7.1. Criminal Procedures

There are a variety of trade-mark offences set out in the Criminal Code of Canada. These include forging a trade-mark (s. 406), passing off (s. 408), possession of instruments for forging a trade-mark (s. 409), and defacing trade-marks (s. 410.). In the ordinary course criminal charges are brought only by local prosecutors as representatives of the Attorney General of the Province in which the offence was alleged to have been committed after due inquiry by police. As with all criminal offences, the Attorney General's obligation is to prove the requisite mens rea beyond a reasonable doubt. There are relatively few criminal prosecutions in respect of trade-mark offences in Canada.

¹⁴³ *Ibid.*, s. 53.1.

¹⁴⁴ *Ibid.*, s. 53.3.

CHAPTER 4

INDIA

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1. INTRODUCTION

India is a signatory to the Agreement on Trade-Related Aspects Of Intellectual Property Rights (TRIPS) and a member of the Paris Convention for the Protection of Industrial Property and embodies the standards for protection of trade-marks set out therein by way of the present Trade-marks Act (Act)¹. The Act provides a regime for the registration, opposition, cancellation and enforcement of trade-marks. The Act specifically embodies principles for protection of well-known trade-marks, infringement of trade-marks (even where goods and services are dissimilar) and disparagement. The Act also facilitates the licensing of trade-marks. The Act allows filing of a multi-class application and follows the VII Edition of the NICE Classification of Goods and Services; 1 to 34 classes of goods and 35 to 42 classes for services. An application for services falling in classes 43 to 45 can be filed in class 42.

While registration, opposition and cancellation occur at the administrative level, questions related to infringement of marks and passing off are left to the Courts. The fora for the adjudication of trade-mark issues are the Registry, the Appeal Board and the Courts.

1.1. Trade-marks Registry (Registry)

The Trade-marks Registry is a quasi-judicial authority. It deals with the registration and maintenance of trade-marks and also has the jurisdiction to adjudicate opposition and rectification/cancellation actions. The Registry follows the procedure laid down in the Trade-marks Rules 2002 (Rules). There are five Registries in India, each with a specific territorial

¹ *The Trade-marks Act*, 1999 came into force on September 15, 2003.

jurisdiction. As a result, one needs to keep in mind the “appropriate jurisdiction” in considering a number of procedural issues.

1.2. Intellectual Property Appellate Board (IPAB)

IPAB has exclusive jurisdiction to hear and decide appeals against orders/decisions of the Registrar of Trade-marks and has original jurisdiction to entertain cancellation/rectification actions against registered trade-marks. IPAB follows the procedure laid down in the Trade-marks (Applications and Appeals to the Intellectual Property Appellate Board) Rules, 2003 and the Intellectual Property Appellate Board (Procedure) Rules, 2003.

1.3. Courts

Courts in India follow the procedure laid down in the Code of Civil Procedure for civil matters and the Code of Criminal Procedure for criminal matters. Legal actions based on trade-mark infringement and passing off can only be instituted in a Court that is not inferior to the District Court². Criminal complaints relating to counterfeiting and to the sale of goods to which a false trade-mark or trade description is applied can be filed in Magistrate’s Courts.

2. OPPOSITION PROCEEDINGS BEFORE THE TRADE-MARKS REGISTRY

Following substantive examination, an application is accepted by the Registrar and is advertised in the Trade-marks Journal³. It is open to “any person”⁴ (natural or legal) to oppose the registration of the mark by filing a notice of opposition at the appropriate jurisdiction.

² The High Courts of Delhi, Mumbai, Chennai and Kolkata are treated as District Courts as they have original side jurisdiction to deal with such matters as opposed to the other High Courts in the Country.

³ At times, the Registrar advertises a trade-mark even before acceptance.

⁴ The Act provides for an unconditional locus standi for lodging opposition proceedings, unlike rectification/cancellation proceedings which can be brought about only by an “aggrieved person” and the qualifying factor has to be so established. The Registrar looks only at the merits of the opposition rather than the motive of the Opponent.

2.1. Grounds

An opposition can be filed on the following grounds:

- (1) The trade-mark applied for registration is devoid of distinctive character and not capable of distinguishing the goods/services of the Applicant from those of others.
- (2) The mark is directly descriptive of the character or quality of the goods/services in question or indicating geographical origin.
- (3) The mark applied for is a generic term or has become common to trade and the Applicant cannot monopolize the use of the same.
- (4) The mark is misleading or of such a nature as to deceive the public or cause confusion, for example, as to the nature, composition or geographical indication of the goods/service. While the mark may not be conflicting with any other mark, it may be inherently deceptive due to something contained in the mark itself.
- (5) A mark shall not be registered if it conflicts with an earlier mark in the following situations -
 - (a) where the mark proposed for registration is identical or similar to an earlier mark registered for identical goods/services and there exists a likelihood of confusion on the part of the public which includes the likelihood of association with the earlier trade-mark.
 - (b) where the marks and goods/services in question entail such similarity as is likely to result in confusion amongst the members of public.
 - (c) where the mark proposed for registration is identical or similar to an earlier trade-mark and though it seeks registration for goods/services which are not similar to those in respect of which the earlier trade-mark is registered, the mark shall not be registered if the earlier trade-mark is a well-known mark in India and the use of the proposed trade-mark is without due cause and liable to take unfair advantage of or be detrimental to the distinctive character or repute of the earlier mark.

- (d) The Applicant's claim of proprietorship of the mark is false, inasmuch as the Opponent is the prior adopter and user of the mark.
- (e) The use of the mark in India is liable to be in contravention of any law including passing off protecting an unregistered trade-mark in the course of trade and/or law of copyright.

Indian law permits the litigants to take alternative pleas/grounds without prejudice to the merits of the case.

2.2. Procedure

2.2.1. *Initiation of Opposition Proceedings by way of Notice of Opposition*

A Notice of Opposition must be lodged in triplicate within three months of the date of the availability of the Trade-marks Journal in which the impugned mark is advertised.⁵ This period is extendible by up to a month on request. No further extension of time is allowed. In the event no opposition is filed within four months from the advertisement, there is no further opportunity to oppose the same and the mark proceeds to registration.

The Notice must set out all factual and legal grounds on which the opposition is based and include details about the Opponent and the registered mark, or any earlier right that the Opponent may claim. It is useful to set out details of the Opponent's business and reputation in the Notice. Where the Opponent claims that the mark is well-known, then the Notice must contain such averments and identify the countries where the mark has been treated as such.

A copy of the Notice is served by the Registry upon the Applicant. Although the Rules provide that it must be ordinarily served within three months, service largely depends upon the workload of each Registry. Sometimes it may take more than a year for it to serve the Notice on the Applicant.

2.2.2. *Counter-Statement*

The Applicant is required to file a Counter-Statement within a statutorily

⁵ The Trade-marks Journals are published by the Registry on a fortnightly basis.

non-extendible period of two months from the date of receipt of the Notice, failing which the Application is deemed to be abandoned by operation of law. The Counter-Statement should set out which facts alleged in the Notice are admitted by the Applicant. However, practically, the Counter Statement should contain the grounds on which the Applicant relies in support of its Application and the reply/rebuttal to the averments/contentions in the Notice of Opposition. It is also suggested that the Applicant set out a few facts about its business and reputation in the Counter-Statement.

2.2.3. Evidence in support of Opposition

A copy of the Counter-Statement is served upon the Opponent by the Registry. The Opponent must file its evidence in support of Opposition within two months, which period is extendible by up to a month⁶. The evidence is filed by way of an affidavit (statutory declaration) supported by documents. In the event the Opponent does not wish to adduce evidence in support of its opposition and intends to rely on the facts stated in the Notice, it must advise the Registrar and the Applicant in writing, failing which the Opposition will be deemed to have been abandoned.

2.2.4. Evidence in support of Application

The Applicant must file its evidence in support of application within two months, which period is extendible by up to a month at request, from the date of receipt of the Opponent's evidence. The evidence is also by way of an affidavit along with supporting documents. In the event the Applicant does not wish to adduce evidence in support of its application and intends to rely on the facts stated in the Counter-Statement or on the evidence already tendered by it in the course of the examination of the application prior to advertisement, it must so advise the Registrar and the Applicant in writing. The Applicant must deliver copies of such evidence (whether filed at this stage or previously in connection with the application) to the Opponent.

⁶ Though the Rules do not provide for further extension of time, it has been held that further extension may be granted to the parties for filing their evidence as the time period for filing evidence is prescribed by the Rules and not the Act, in which case the Registrar has power to exercise such discretion.

2.2.5. *Evidence-in-Reply*

Upon being served with a copy of the Applicant's Evidence, the Opponent has an opportunity to file its Evidence-in-Reply, which is strictly confined to the rebuttal of the Applicant's Evidence. The period for filing this Evidence, which is also by way of an affidavit, is one month, which period is extendible by up to a month, on request.

2.2.6. *Further Evidence*

Normally no further evidence is entertained from either side, except with the leave of the Registrar.

Leave is sought by way of interlocutory petition. The petition is served on the other side for comment and a hearing held. It has been the practice of the Registrar to admit evidence in the interest of fair and proper adjudication of the matter, even if it may prolong the proceedings, but a party filing further evidence must make a case as to why the additional documents be entertained and that the further evidence is material for decision in the matter.

2.2.7. *Hearing and Adjudication*

Upon completion of evidence, the matter is set down for hearing on the merits and final adjudication. Hearings are short; they are argued entirely on the record filed by the parties. The Registrar communicates its decision to the parties in writing. The decision of the Registrar may be challenged before IPAB by either party within three months from the date of the communication of the decision.

2.2.8. *Material Dates and Applicable Legal Tests/Presumptions*

- (1) The rights of the parties are decided as of the date of the application. Thus, where the Opponent relies on well-known status of its mark it must establish that the mark was well-known on the date of the application.
- (2) Evidence of use of the mark may be adduced to support the Applicant's case regarding absence of any confusion or deception. Similarly, the Opponent can adduce evidence to the contrary in support of its case, up to the date of the hearing.

- (3) The onus is on the Applicant to establish that it is entitled to the registration of the mark applied for.
- (4) Where the objection is based on the alleged use and reputation of the Opponent's trade-mark, the onus of establishing such use/reputation lies upon the Opponent. However, once this onus is discharged, it is upon the Applicant to convince the Registrar that the use of the mark applied for is not likely to deceive or cause confusion.
- (5) While actual confusion is not a prerequisite, the likelihood of confusion should be genuine and substantial and appreciated from a global perspective factoring in all aspects relevant to the circumstances of the case.
- (6) The marks should be compared as a whole from the viewpoint of an average consumer with ordinary recollection and not by way of a microscopic side by side comparison.
- (7) If an Applicant relies on concurrent use of the mark, it must establish that the adoption/use relied upon is honest, independent and *bona fide*.⁷ Any dishonest adoption/use of a mark is illegal, *non est* and *void ab initio* and cannot afford any valid basis for registration.
- (8) The Registrar should consider bad faith such as conscious dishonesty on the part of the Applicant or the Opponent as affecting the right relating to the trade-mark.

2.2.9. *Cross-examination*

Cross-examination in the proceedings at the Registry is rare and avoided for administrative reasons.

2.2.10. *Evidentiary Considerations*

Evidence in opposition proceedings must be by way of an affidavit (statutory declaration) executed before a notary public. The documents filed as Exhibits to the Affidavit must also be notarized. The notary public

⁷ Indian trade-marks law provides for protection of simultaneous registration of a trade-mark on the grounds of "honest concurrent" use.

must notarize the signature of the affiant on the same date and at the same place as the date and place of execution of the affidavit by the affiant. The Affidavit cannot be signed by an agent and must be executed by the party to the proceedings or its duly authorized officer of the company.

The Affidavit must be stamped in India as per the prescribed procedure. The Affidavit typically contains the following:

- (1) Averments substantiating the claims made in the Notice of Opposition or Counter-Statement, as the case may be;
- (2) Rebuttals to the assertions/ contentions of the other side; and
- (3) Legal submissions on the merits of the case.

The evidentiary stage offers an opportunity to the parties to adduce documentary proof(s), such as registration certificates, sales invoices, advertisement and promotional material and establish their respective claims. The evidence frequently includes:

- (1) Date of first adoption of the trade-mark and any story of its genesis and supporting documents tracing its earliest adoption such as catalogue/brochure, correspondence with an advertising agency, etc.
- (2) Date of first use of the trade-mark worldwide and in India (if any).
- (3) List of countries wherein the products/services bearing the trade-mark are available.
- (4) List of subsidiaries or affiliates and domain names featuring the trade-mark.
- (5) List of countries where the trade-mark is registered and/or applied for along with the date of next renewal.
- (6) Sample trade-mark registration certificates from prominent markets such as USA, Canada, UK, European Community, Australia, Japan, Korea and the common law jurisdictions.
- (7) Worldwide and/or India-specific annual income turnover figures pertaining to the products/services offered under the trade-mark

(dating as far back as possible and certainly prior to the alleged user claim/application date of the other side).

- (8) Sample invoices showing sales of products and provision of services under the trade-mark worldwide and/or in India. One may choose three or four invoices per year showing market reach and sales across jurisdictions.
- (9) Promotional expenses incurred in respect of products/services offered under the trade-mark.
- (10) Copies of illustrative promotional material/brochures/advertisements/write-ups featuring the trade-mark.
- (11) Copies of decisions delivered in any jurisdiction(s) of the world by competent authorities recognizing the trade-mark as a well-known trade-mark and/or affirming the proprietary rights therein.

All the above may or may not be required in every opposition action. One needs to focus on the quality of the evidence rather than the volume.

Normally, notarized copies of the Exhibits are filed at the Registry. One need not file originals. Where any exhibit or document is in a language other than Hindi or English, an attested translation in Hindi or English should be furnished in duplicate.

2.2.11. Well-known trade-marks

The Act provides for protection of well-known or reputed marks against misappropriation, even in respect of diverse goods/services. The Act lays down guidelines for well-known marks and unequivocally states that the registration/use of a mark in India is not a pre-requisite for a mark to be well-known in India. Reputation and goodwill of a mark in India may be established by evidence of worldwide use, promotion and publicity, such as the following:

- (1) Worldwide sales;
- (2) Presence in a number of countries, extent and geographical reach of business;

- (3) Worldwide expenditure on advertisement and promotion of the mark;
- (4) International publications/magazines, trade journals carrying advertisements of the mark in question that enjoy circulation in India;
- (5) Evidence of any sales made to Indian travellers during their visit abroad;
- (6) Number of international registrations in various jurisdictions showing adoption of the mark in various countries;
- (7) Advertisement through the website on the Internet, which website is accessible in India;
- (8) Any judicial precedent from other countries where the said mark has been held to be famous and well-known;
- (9) Inquiries made by Indian traders and business houses for franchise/JV tie-ups;
- (10) Any letters received from Indian customers or persons on any related issue; and
- (11) Participation in any established exhibition/trade fairs in India or overseas where Indian companies may have participated.

2.2.12. General

In many instances established and internationally known marks are the subject of applications filed by small Indian traders and companies. In many such cases, the Applicant claims use of the mark in India and, based upon such use, attempts to show that its trade-mark has acquired distinctiveness and is thus capable of registration. It is to be noted that successful opposition action against registration of trade-marks does not have the effect of stopping such Applicants from using the mark as such. In order to prevent use of the trade-mark, it is necessary to initiate an action in a Court to obtain temporary and permanent injunctions. A decision to commence such a proceeding may be taken on a case by case basis after ascertaining the extent of the adverse claim and use made by the Applicant. In the event a case merits legal action, then proceedings may be instituted

at the earliest opportunity. Waiting for a determination of opposition proceedings may offer an opportunity to the Applicant to continue to use and strengthen its goodwill in the impugned trade-mark. It is always prudent to serve notice upon the Applicant, apprising it of the prior rights and calling upon it to cease and desist from using the mark.

3. CANCELLATION PROCEEDINGS

The registration of a mark is not irreversible. Any person aggrieved by the entry or the absence or omission of an entry made in the Register may seek orders from the Registrar or IPAB cancelling or varying the entry, as the tribunal may deem fit, by way of a petition for rectification/cancellation.

3.1. Who may file a rectification/cancellation action

Unlike opposition proceedings, a rectification action can be initiated only by an “aggrieved” person. The Supreme Court has held that the meaning of this phrase differs depending on the grounds of rectification/cancellation. In *Hardie Trading Ltd. vs. Addisons Paint and Chemicals Ltd.* it was held that the *locus standi* would be ascertained liberally in a case involving rectification/cancellation on the ground that the registration has been wrongly obtained or obtained without sufficient cause in the first place, since such removal may not only protect the interests of other traders but also maintain the purity of the register in public interest. However, if a party seeks cancellation for non-use, that party must establish that it will be damaged or injured if the mark is allowed to remain on the Register.

3.2. Grounds for rectification/cancellation

The Act provides for the following six grounds for removal/rectification of a registered trade-mark:

3.2.1. *Non-use of the registered mark*⁸

A trade-mark may be removed from the Register of Trade-marks for non-use in two circumstances.

⁸ Section 47 of the Act.

- (1) The trade-mark was registered without any *bona fide* intention on the part of the Applicant for registration (presently proprietor) that it would be used in relation to the goods/services covered under the registration and there has in fact been no *bona fide* use of the mark up to a date three months prior to the date of application for removal; or

This scenario stipulates two conditions which are cumulative and not disjunctive; thus even if there was no initial *bona fide* intention to use the mark, and subsequently it has been used, then the above provision cannot be invoked.

- (2) Up to a date of three months before the date of filing the rectification / cancellation application, a continuous period of five years from the date on which the trade-mark is actually entered in the register or longer has elapsed during which there has been no *bona fide* use of the trade-mark in relation to the goods/services⁹ covered under the registration.

The Act¹⁰ provides an exception to this second form of non-use. If the non-use can be attributed to “special circumstances in the trade” (which include restrictions on the use of the trade-mark in India imposed by any law or regulation), and not to any intention to abandon or not to use the trade-mark in relation to the goods or services in respect of the goods/services forming the scope of the rectification/cancellation application, the non-use is excused. Wartime restrictions and prohibition on import of goods or even high import duties, which make trade unviable in respect of registered goods, may also constitute special circumstances.

3.2.2. *Partial rectification*

Non-use may be in respect to some or all of the goods or services for which the trade-mark is registered. In the former case the mark will only be expunged in respect of those goods or services for which the mark has not been used. In some cases use of a trade-mark in respect of goods or services

⁹ The requisite use may be upon or in relation to the goods (such as invoices, price lists, advertising, packaging and so on) as held by the Supreme Court in *Hardie Trading Ltd. v. Addisons Paint & Chemicals Ltd.* [AIR 2003 SC 3377]. This conforms to the use(s) of a trade-mark envisaged in Section 2(2)(c) of the Act.

¹⁰Section 47(3) of the Act.

that are of the same description or associated with the goods or services in respect of which the trade-mark is registered may be relied upon to overcome the objection on grounds of non-use.

3.2.3. *Bona fide Use*

In order to overcome an attack on the ground of non-use a proprietor must establish *bona fide* use; however commercial use on a substantial scale is not the requirement. Sale of goods to restricted markets such as bonded warehouses, foreign embassies and missions, and United Nations agencies has been held to be *bona fide* use. Isolated instances of use have been sufficient to defeat an application for rectification/cancellation.

Certain provisions of the Act relating to use are relevant, and may be relied upon by a registered proprietor in defending a rectification proceeding initiated on grounds of non-use:

- (1) Use of an associated trade-mark or a trade-mark that has alterations and modifications that do not substantially affect its identity may be regarded as equivalent to use of the mark sought to be rectified¹¹;
- (2) If any trade-mark and a part thereof are registered separately then use of the trade-mark is deemed to be use of the part¹²;
- (3) Use of a trade-mark solely in respect of goods or services to be exported from India is deemed use of the mark in India¹³; and
- (4) Use of a registered trade-mark by a permitted user, will be deemed to be use of the mark by the registered proprietor¹⁴

3.2.4. *Failure to observe a condition entered on the Register in relation to the trade-mark*¹⁵

The Registrar is empowered to register marks subject to conditions such as manner of use of the mark; territory, etc. The failure of a proprietor to

¹¹ Section 55(1).

¹² Section 55(2).

¹³ Section 56.

¹⁴ Section 48(2).

¹⁵ Section 57(1) of the Act.

comply with these conditions renders the mark liable to rectification. For example, a trade-mark containing the words "Toofan Mail" was registered subject to a condition that the blank space appearing in the label should be filled with descriptive matter only. But the registered proprietor used the device of a train in the blank space. The mark was expunged on the ground that the proprietor had contravened a condition for registration of the mark.¹⁶

3.2.5. Section 57(2) of the Act

This sub-section provides (*inter alia*) the following grounds for rectification/cancellation:

- (1) *Entry made without sufficient cause* – A trade-mark may be removed from the Register on the grounds that it is an entry made without sufficient cause if it can be shown that the mark was put on the Register in contravention of the provisions of the Act including that the mark was conflicting with earlier trade-marks or proprietary rights likely to cause confusion on the date on which the mark was put on the Register or that the mark is not distinctive. Where a mark is attacked on grounds of it being non-distinctive on the date of it being entered on the Register, the mark may not be removed on such ground, if it can be shown that it has acquired a distinctive character in relation to the goods/services for which it is registered, as of the date of the institution of the cancellation proceedings.¹⁷
- (2) *Entry wrongly remaining on the Register* – For a trade-mark to be removed on this ground, it must be shown that the mark remaining on the Register would be in contravention of some provision of the Act. A mark may be removed on the ground that it has ceased to be distinctive of the goods or services of the proprietor. A trade-mark may also be attacked under this head on the ground that it is likely to deceive. However, where the likelihood of deception did not exist on the date on which the mark was put on the Register but has subsequently become so, a Court will ordinarily not remove such an entry unless the likelihood of deception arose owing to the conduct of the registered proprietor.¹⁸ A trade-mark could be wrongly remaining

¹⁶Lachmandas v Sant Ram 1982 PTC 352 (TMR).

¹⁷Section 31(2) of the Act.

¹⁸GE Tm [1973] RPC 297.

on the Register for non payment of renewal fee being non compliance of the requirements of the Act; and

- (3) *Error or Defect in the entry* – An error or defect may be clerical or substantial.

While considering an application under this provision, the primary duty of the Tribunal is towards the public and maintenance of purity of the Register.

3.2.6. *Suo Moto Rectification by the Registrar*

The Act also empowers the Registrar or IPAB to rectify/cancel a trade-mark *suo moto*, after following the prescribed procedure against a registered proprietor. The ground on which such proceedings may be instituted is restricted to an entry being wrongly made or remaining on the Register.

3.3. Procedure In Cancellation/Rectification Actions

3.3.1. *Initiation of proceedings before the Registrar*

Cancellation/rectification proceedings are initiated by filing an application in the prescribed form accompanied by a statement of case setting out fully the nature of the Applicant's interest, the facts on which it relies and the relief that it seeks. Upon service of the Application by the Registrar, the registered proprietor is required to file its Counter-Statement within two months (that period being extendible by a month). Thereafter, as per Rule 93, the further stages such as filing of evidence and hearing, etc. are identical to the procedure prescribed in respect of opposition proceedings. However, the Rules provide that the Registrar shall not remove the mark from the Register merely because the registered proprietor has not filed the Counter-Statement unless he is satisfied that the delay in filing the Counter-Statement is willful and is not justified by the circumstances of the case.¹⁹

In *suo moto* rectification proceedings, the Registrar issues a notice against the registered proprietor or registered user or any other person who it appears from the Register to have an interest in the trade-mark, apprising

¹⁹Rule 93.

them of the grounds on which their mark is sought to be removed and appoints a date of hearing in the matter. The party receiving the notice has a right to file written submissions and make oral submissions at the hearing. In the event the Registrar decides to rectify the Register, the decision must be made in writing and conveyed to the concerned party.

3.3.2. Rectification/ cancellation proceedings before the IPAB

In cases where the validity of a registered mark is challenged in the course of an ongoing legal action, the challenge takes the form of rectification/cancellation proceedings before IPAB.

The procedure before the IPAB requires the Applicant to file all documentary evidence, by way of affidavit, along with its application. Once the application is filed, the registered proprietor is given an opportunity to file its Counter-Statement within two months, which is extendible, along with any documentary evidence, to be tendered by way of an affidavit that it intends to rely on. The next stage is filing of a reply by the Applicant pursuant to which the matter is heard and disposed off by the IPAB.

3.3.3. Onus of Proof

The onus lies on the party challenging the registration to prove the grounds for removal/cancellation relied upon by it, except when a mark is challenged on the grounds of non-use. In that case, the onus is on the registered proprietor to show the use of the mark and the manner thereof. Likewise, if the proprietor is not able to show genuine use, the onus rests on it to show that there were proper reasons for the non-use.

4. PROCEEDINGS IN THE COURTS

The highest court in India is the Supreme Court. The State Judiciary consists of 21 High Courts, below which lie district Courts and further subordinate Courts. As mentioned above, an action to restrain the unauthorized use of a trade-mark/name can only be brought before a Court not inferior to a district Court and/or High Court(s) having original jurisdiction.

4.1. Infringement of trade-mark rights

The registration of a trade-mark confers upon the registered proprietor a right to the exclusive use of the mark and to prevent any unauthorized appropriation/use of an identical/deceptively similar mark by third parties. An action for infringement can only be brought if a mark is registered.

4.2. What constitutes Infringement

The following acts, *inter alia*, constitute infringement of a registered trade-mark:

- (1) Use of an identical/deceptively similar mark in respect of the identical/similar goods/services for which the earlier mark is registered. Where the offending mark is identical to the registered trade-mark and its use concerns the same goods/services covered by such registered mark, there is statutory presumption of likelihood of confusion on part of the public.
- (2) Use of an identical/deceptively similar mark in relation to dissimilar goods/services, provided the registered mark has a reputation in India and the use of the mark complained is without due cause and takes unfair advantage of or is detrimental to the distinctive character or repute of the registered mark.
- (3) Use of an identical/deceptive mark as a trade/corporate name or as a part thereof in relation to a business dealing in the same goods/services for which the earlier mark is registered.
- (4) Use of a mark in advertising which takes unfair advantage and is contrary to honest practice in industrial or commercial matters or is detrimental to the distinctive character or reputation of the registered mark.

4.3. Use for purposes of Infringement

One of the most remarkable features of the Act is the expansion in the scope of the protection of the rights conferred on the proprietor. For purposes of determining trade-mark infringement, a person is defined to use a registered trade-mark if:

- (1) The trade-mark is affixed to the goods or the packaging thereof;
- (2) The goods bearing the trade-mark are offered or exposed for sale, put on the market, or stocked for such purposes, or offered or supplied under the mark;
- (3) The goods bearing the mark are imported or exported; or
- (4) The trade-mark is used on business papers or in advertising (including oral use).²⁰

4.4. Passing Off

India being a common law jurisdiction, the Indian Courts have protected the goodwill and reputation of a business usually represented by a mark, name or get-up under the common law remedy of passing off. Passing off is available in addition to and independent of the remedy of an infringement action. Passing off is not defined in the Act and the substantive law thereupon has evolved. The Act merely specifies the remedies available against passing off and the mechanism therefor. Even with much of the law being converged into the Act, the remedy of passing off has not been eclipsed. The statute expressly states that “Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof.”

The principles of passing off are the same as what is followed in other common law countries such as the UK, Australia and Canada. As a matter of fact, Indian Courts have been very progressive in enhancing the jurisprudence and have even protected those proprietors who did not have direct business presence in India on the basis of their transborder reputation. The precedents of the other common law countries do have persuasive value on Indian Courts.

4.5. Approach of Courts in India

In fact, there is a significant body of decided cases in which the passing off doctrine has evolved, advanced and expanded in line with changing

²⁰This would include use of a mark on Internet/website or as domain name/website address as well.

business conditions including globalization and addressed misuse/misappropriation by way of domain names. Indian Courts have recognized transborder reputation even where the proprietor had no physical existence and did not make any local use of the mark/name in India. Registration of a trade-mark is not a defence in an action for passing off.

It bears emphasis that even prior to statutory recognition of well-known marks, Indian Courts protected well-known or reputed marks against misuse with an embargo against unauthorized use extending to disparate goods/services. For instance, in *Daimler Benz Aktiengesellschaft vs. Hybo Hindustan AIR 1994 Del 239*, a well-known car and automobile manufacturer was able to protect its mark BENZ and a device of three-pointed star against use of the said mark and device in respect of undergarments.

The Courts have consistently held that domain names serve the same function as trade-marks and enjoined unauthorized registration/use of a domain name on the grounds of trade-mark infringement and/or passing off.

4.6. Remedies

The remedies available under the Act for trade-mark infringement and under the common law for passing off include injunctions, damages or an account for profits, delivery-up of infringing materials for destruction and erasure. Notably, the Act empowers a Court to issue ex parte orders (in the absence of and without giving notice to the Defendant) enjoining acts, for discovery of documents, for preservation of infringing goods, documents or other evidence which are the subject matter of the suit and to restrain the Defendant from disposing or dealing with its assets in a manner which may adversely affect Plaintiff's ability to recover damages, costs or other pecuniary remedies. However, the Act precludes the Court from granting an order of damages, other than nominal damages, where:

- (1) The infringement proceedings are in respect of a collective or certification trade-mark; or
- (2) The Defendant satisfies the Court that it is an innocent infringer and that it immediately ceased use of the mark complained of on becoming aware of the existence and nature of the Plaintiff's right.

4.6.1. *Injunction in respect of dissimilar goods/services*

Courts have afforded protection to registered marks having goodwill and reputation in India even in respect of dissimilar or not directly competing goods. It may be mentioned here that earlier such protection even in respect of registered marks – in respect of goods/services not covered under the registration – could only be afforded under the law of passing off. For instance, in *Rolex SA v. Alex Jewellery Pvt. Ltd.*²¹, the Court has relied on the enhanced statutory provisions for infringement and enjoined the use of the well-known mark ROLEX in respect of imitation jewellery.

4.6.2. *Damages*

Damages require proof of actual loss. However, in the last few years due to widely accepted significance of intellectual property rights, Courts have not hesitated in granting punitive / exemplary damages as a deterrent measure, to curb intentional violation and encroachment of rights.

4.7. **Institution of legal action**

A civil suit for infringement of trade-mark and/or passing off is instituted by filing a plaint (statement of claim) which must consist of all the statements of facts and causes of action which the Plaintiff wishes to rely upon. The plaint must also state the relief sought. A Plaintiff may combine various causes of action and file a combined action of infringement and passing off. Along with the plaint, a Plaintiff may also move for interim relief such as an injunction to restrain the Defendant from continuing the acts of infringement of statutory rights and passing off, appointment of court commissioner, directions to freeze the Defendant's assets, etc. In all cases infringement of statutory rights and passing off, it is advisable to file such applications and seek reliefs till the disposal of the suit.

4.7.1. *Interlocutory Injunction*

Interlocutory applications are taken up for hearing immediately upon filing of the suit. *Ex parte* orders are not uncommon. The Courts do not hesitate to grant *ex parte* injunction orders in blatant infringement/

²¹ 2009 (41) PTC 284 (Del).

counterfeiting cases provided the Plaintiff is able to satisfy the Court that the matter is urgent and / or there is likelihood of the Defendant disposing of the infringing goods and articles. The Court may order *ex parte* relief subject to a limited period. An *ex parte* injunction order must be served upon the Defendant within a period fixed by the Court. Thereafter, the Defendant may appeal against the *ex parte* order or apply to vacate, alter, or modify the order. Simultaneously, the Defendant must also file its written statement (formal and substantive reply to the plaint).

In the event the Court decides not to grant an *ex parte* injunction order and issues notice to the Defendant, the Defendant has thirty days time from the date of receipt of the notice to file its written statement and reply to the Plaintiff's interlocutory applications. This time is extendible up to ninety days provided the Defendant justifies the delay. Thereafter, the Court will hear arguments on the interlocutory applications.

Normally, an interlocutory injunction is granted where there is a threat or probability of infringement or passing off being committed. The Plaintiff must establish that there exists a *prima facie* case for the relief, that its legal right has been infringed, and that it has reasonable probability of success in the action at the end. While considering a grant of injunction, the Courts often favour the Plaintiff if the Plaintiff was first in the field, the proceedings are instituted without delay, the Plaintiff has established sufficient goodwill and the Plaintiff does not merely have an arguable case but a *prima facie* case. In cases where the Plaintiffs could be compensated by way of damages, the balance of convenience may favour granting an interim injunction. However, if the damage, which may be done to the Plaintiff, is incalculable and could cause great financial harm to the Plaintiff, the balance of convenience would be considered in favour of the Plaintiff.

4.7.2. *Institution of Criminal Proceedings*

Criminal proceedings can be brought before a Magistrate's Court. Where the identity of the alleged offender is known, the Magistrate on the basis of the complaint and the complainant's statement, made by way of affidavit, may take cognizance of the offence alleged and may direct the enforcement agencies to carry out investigations on the allegations made in the complaint and summon the accused.

Where the complainant is not aware of the identity of the infringer, it may request the Court to issue an order directing enforcement agencies to search for and seize infringing goods and articles found within the jurisdiction of the Court. The Magistrate thereafter takes cognizance of the offence, on the basis of the seizure memo and charge sheet filed by the enforcement agency, and summons the alleged offender. Thereafter the Magistrate proceeds to frame a charge against the infringer, who is then termed as an accused.

The Magistrate then proceeds with the criminal trial under the provisions of the Code of Criminal Procedure. The prosecution of the trial is carried under the aegis of the State through a public prosecutor.

While criminal proceedings may have an advantage in determining offenders as a result of adverse publicity, etc., they cannot be of assistance in securing a permanent injunction. Civil proceedings are more time-bound, efficacious and can result in a permanent (as well as temporary injunction) against infringers.

4.8. Prohibition on Importation of Goods / Border Measures

The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (hereinafter the "Rules") were notified under Section 156 of the Customs Act on May 8, 2007, in addition to the provisions of the *Trade-marks Act* and the *Copyright Act*. These Rules aim to strengthen border enforcement to prevent entry of pirated and counterfeit merchandise into the country.

Under the Rules, a "right-holder" may file Notice with the Commissioner of Customs at the port of import of goods infringing intellectual property rights. The Notice requests that clearance of goods suspected to be infringing be suspended. The Rules prescribe the format in which the notice must be given. Such a Notice must be accompanied by an application fee of Rs 2000 (US\$40 approx.) only. Once the Notice has been registered by the Commissioner suspect goods may be detained at border points for up to twenty days in order to permit the rights holder to commence proceedings. If the right holder does not, the goods are released.

CHAPTER 5

UNITED STATES OF AMERICA

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1. INTRODUCTION TO THE US SECTION

The United States of America (the US) is a signatory to both the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the North American Free Trade Agreement (NAFTA). In the US there are several existing Judicial and Administrative systems that combine to meet or exceed the minimum requirements for protecting Intellectual Property rights (IP) that may include, for purposes of this presentation, trademark and service mark rights under NAFTA and TRIPS. These systems of protection include the United States Patent and Trademark Office (USPTO) and the Trademark Trial and Appeals Board (TTAB or Board) established as a quasi-judicial, administrative body within the USPTO to resolve, at an early stage, questions of the registration of trademark owner rights. The US's obligations under these agreements are addressed in *The Trademark Act* of 1946 (as amended)¹ (sometimes referred to as the *Lanham Act* or the *Act*), under the common law (i.e. precedential body of case law within the US), and the rules of procedure before the Federal Court, the State Courts, and the Trademark Trial and Appeals Board (the TTAB). The federal courts and state courts provide dual judicial systems that can determine various aspects of IP rights, remedies and penalties. While there can be some overlapping of jurisdiction among the courts, there is also a statutory and judicially interpreted system for establishing the U.S. Federal District Courts with original jurisdiction in most trademark disputes² and U.S. Federal District Courts also have original jurisdiction over matters involving unfair competition when joined with a substantially related claim under the *Act*.³ It has been found in practice that most actions

¹ 15 U.S.C. 1051 et seq.

² 28 U.S.C. 1331.

³ 28 U.S.C. 1338 (a) & (b).

involving trademarks rights that might have been initiated by a party in state court can be removed to the federal courts by the defendant. A full review of the individual state-by-state judicial systems is deemed beyond the scope of this presentation. The laws of the US, the code of federal regulations, the USPTO and the TTAB, the US Export Administration, the US Department of Justice, and the federal judicial system acting together establish and fulfills the requirements under NAFTA and TRIPS with respect to the trademark rights.

The current federal trademark statute, the *Lanham Act* of 1946 (as amended), or the *Act*, is the primary source of federal statutory trademark law in the US. To a large extent the *Lanham Act* incorporated much of the common law that developed in the US before its enactment of the *Act* and subsequently by amendments to the *Act*. In the US, the United States Patent and Trademark Office (the USPTO) is established under the Department of Commerce to implement a system by which trademark registration may be applied for and trademark registrations may be issued pursuant to the *Act*. Trademarks registered on the Principal Register provide the registrant with enforceable exclusive rights in trademarks and service marks (both generally referred to herein as trademarks or marks). A Principal Register serves as official notice to others of the trademark rights in marks considered by the USPTO to be sufficiently distinctive to distinguish the goods so marked from those of others⁴. A Supplemental Register is also provided. The Supplemental Register does not establish exclusive rights and instead gives notice that rights are being claimed or sought by the supplemental registrant⁵. The Supplemental Register, in effect, establishes a priority system for trademarks that are capable of distinguishing a source of goods and services, but that are deemed to be descriptive or insufficiently distinctive to immediately distinguish the goods so marked from those of others⁶. For example, descriptive marks may develop distinctiveness through long continuous exclusive use as a trademark and may be initially registered on the Supplemental Register and upon a showing of acquired distinctiveness may be registered on the Principal Register under Section 2(f) of the *Act*. In contrast, a mark that is

⁴ 15 U.S.C. 1052.

⁵ 15 U.S.C. 1091.

⁶ 15 U.S.C. 1091(a). (This code section provides for supplemental registration of a mark that is unregistrable on the Principal Register pursuant to 15 U.S.C. 1052(e)).

a generic name of the goods or services for which it is sought to be registered is available for all to use and by definition is a generic mark that is incapable of distinguishing the goods of one part from those of another and could never become sufficiently distinctive to be a source indicator. A generic term cannot be registered even on the Supplemental Register as it will never be capable of being registered on the Principal Register.

Applications for registration are examined by the USPTO, considering both the mark and the identification of goods and services, to allow principal registrations only for marks that meet the statutory requirements of the *Act*. Such requirements include both technical requirements and also substantive examination regarding likelihood of confusion with prior registered trademarks. After the USPTO has examined an application, the applicant will be notified of the results in an office action. If there are any technical objections or substantive rejections, the Applicant may respond and if possible, overcome the deficiencies by amendment or by convincing argument. When the application is considered by the USPTO not to be in proper condition for registration it may be finally rejected and if an application is considered to be in a condition for registration it will be allowed to pass to publication.

The US system of trademark registration permits the Applicant to appeal an adverse decision by the USPTO and it also permits other interested parties who believe they may be harmed by the registration, to effectively challenge the decision by the USPTO to grant a registration. In one proceeding an interested party may oppose the issuance of a registration of a published trademark application within a limited period of time before they are issued as registered trademarks. After a trademark is registered, it is considered to have prima facie validity. The US system of trademark registration also permits interested parties who believe they may be harmed by the continued registration of a mark, to petition to cancel an existing registration. Both Opposition proceedings and Cancellation proceedings are conducted *inter partes* before the TTAB.

The TTAB conducts proceedings by which the rights to register a mark are determined. The TTAB administers *ex parte* appeals from rejections or other determinations made by an examiner in connection with an application for trademark registration. In special cases, other than Oppositions and Cancellations, the Director of Trademarks may declare an

interference between essentially identical applications. 15 U.S.C. §1066; the *Act* §16. In other special cases where two parties appear to have legitimate rights to marks in separate geographical areas of the US, a concurrent use proceeding may be initiated upon petition by one of the parties or by action of the Director. 15 U.S.C. § 1066; the *Act* § 18.

The TTAB conducts two primary types of *inter partes* proceedings. Opposition proceedings may be instituted after an application is published and before a registration issues. 15 U.S.C. § 1063; the *Act* § 13. Cancellation proceedings may be instituted only after a mark is registered. 15 U.S.C. §1064; the *Act* § 14. These proceedings may be instituted by an interested party (i.e. one who has superior rights to the same or confusingly similar trademark or who otherwise qualifies to contest the registration based upon a supportable belief that he, she or it will be damaged by the registration) against the applicant/owner and the proceedings are conducted in a quasi-judicial, administrative setting, before the TTAB.

Whether in *inter partes* proceedings or in *ex parte* proceedings, the TTAB is only authorized to determine the rights of the applicant or the rights between the parties to register a mark, to maintain a registration of a mark, or to modify the scope of goods and services for a registration, or in the case of concurrent use proceedings, to determine geographical limitations among competing parties. See 15 U.S.C. §§ 1067, 1068, 1070, and 1092. In particular, the TTAB acts as an administrative tribunal of the USPTO⁷. In general practice, a panel will be assigned to each case comprising administrative trademark judges appointed by the Director of the USPTO; typically three senior Trademark Examiners. The panel is assisted by an interlocutory attorney and other administrative personnel at the USPTO. The TTAB does not have authority to determine broader questions of infringement, unfair competition, damages, injunctions, importation of trademarked goods, confiscation of counterfeit goods, or criminal penalties. In the US such broader disputed issues, importation regulations, and also criminal culpability may only be decided in the appropriate courts.

The *Act* provides a statutory basis by which trademark owners may commence proceedings, in the federal courts, for counterfeiting, for

⁷ 15 U.S.C. 1067(b). U.S.C.

infringement, for passing off, for deceptive trade practices, for unfair competition, for dilution of a famous mark and/or for domain name cyber squatting. Trademark and service mark disputes, as well as matters of unfair competition and deceptive trade practices involving trademarks, trade dress, trade names, passing off dilution of famous marks and cyber squatting, may be resolved in the U.S. Federal Courts and in some instance in State Courts within the individual states and territories that form the United States.

Generally, U.S. Federal District Courts have original jurisdiction to consider matters applying or involving any Federal Statutes (28 U.S.C. 1331) and specifically have original jurisdiction in trademark matters. 28 U.S.C. 1338 (a). U.S. Federal District Courts also have original jurisdiction over matters involving unfair competition when joined with a substantially related claim under the *Act*. 28 U.S.C. 1338 (b). The U.S. Federal District Courts also have original jurisdiction in matters involving Diversity of Citizenship among adverse parties from different US states or from different countries. 28 U.S.C. 1332. In a case properly brought in the U.S. Federal District Courts, the courts will also have supplemental jurisdiction to consider state law matters that are related to the matters that gave rise to original jurisdiction in the U.S. Federal District Courts. 28 U.S.C. 1367. The U.S. Federal District Courts have authority to adjudicate the right to trademark registration, the right to use a trademark, matters of trademark infringement, dilution of famous marks, as well as unfair competition under federal statute, federal common law, state statute, and state common law. Cases finally decided by the US District Courts may be appealed to Federal Appellate Courts.

Criminal matters related to trademarks and other IP issues are administered in the first instance by the US Justice Department and laws related to IP importation restrictions and other IP matters at the US borders with other countries are administered by the US Customs Administration. Administrative decisions by these governmental agencies may be reviewed by petition to the federal courts.

2. OPPOSITION PROCEEDINGS BEFORE THE TRADE-MARK TRIAL AND APPEAL BOARD

Trademark opposition proceedings are authorized under Section 13 of the *Act*, 15 U.S.C. § 1063. This is a valuable tool by which an individual, a

company, or another legal entity may challenge issuance of a registration. If an opposer is successful, the issuance of a trademark registration may be prevented. An opposition is an *inter partes*, quasi-judicial administrative proceeding. An opposition must be initiated within a specific time after an application is examined and otherwise found to be allowable by the US Patent and Trademark Office (USPTO). An opposition proceeding can be conducted at a relatively lower cost, in comparison to litigation before the US courts⁸. Opposition proceedings can be initiated by an interested party (the opposer) that reasonably believes it will be harmed by the registration. An opposition may be based upon any of several grounds of opposition that are essentially co-extensive with the grounds for denying an application for trademark registration or the grounds for restricting the scope of coverage (i.e., to restrict the identification of goods and services). Thus, an opposition may be filed with respect to all or only part of the goods and services identified in the published application. The grounds for an opposition may, for example, include likelihood of confusion with an existing registered trademark, likelihood of confusion with a mark previously used in commerce by another (common law rights), descriptiveness of the mark in relation to the goods and services, non-compliance with any technical or substantive requirement of the *Act*, and the inability of a non-distinctive mark to function as a source indicator (i.e., for example, where the word mark is generic; or where a design, symbol, color, or device mark is entirely functional). Brief explanations of various grounds for maintaining an opposition are set forth below in subsections 2.6.1 – 2.6.19 hereof.

2.1. Initiating Opposition Proceedings

After an application has been filed, prosecuted and allowed, it will be published for opposition. Publication of the application starts a 30 day opposition period. Publications of allowed applications appear in the *Official Gazette*, which is published by the USPTO weekly, every Tuesday and on line at www.uspto.gov/news/og/index.jsp. The opposition period runs for 30 days (not one month) from the date the application is published. During this period any third party may challenge the published

⁸ See, 2009 American Intellectual Property Law Association (AIPLA) Report of the Economic Survey. (The survey results indicate that the average trademark litigation costs between about three and four times as much as either an opposition or a cancellation proceeding.)

application to register a trademark, by filing a Notice of Opposition in the USPTO together with the prescribed per class filing fees (37 CFR § 2.6(a)(17) – currently US\$300/class) and including proof of service on the applicant. 37 CFR § 2.101.

2.2. Notice of Opposition

A Notice of Opposition cannot be filed prior to the publication of a trademark application. This means that when a notice of opposition is filed, the application has already been examined and found to be in a condition for registration by the USPTO. The Notice of Opposition must be filed within one month from the publication of the application or within an extension period. The opposition period is extendable for 30 days upon request by a potential opposer without consent of the applicant or for an initial extension of 90 days or an additional extension of 60 days for good cause shown. After receiving one or two extensions totaling 90 days a potential opposer may request one additional extension of 60 days only with the consent of the applicant or upon a showing of extraordinary circumstances, and no further extension will be granted under any circumstances. 37 CFR § 2.102. Any request for extension of time to file an opposition must be filed before the end of the initial opposition period or any previously extended opposition period. .37 CFR § 2.102.

The proceedings in an opposition shall be conducted in accordance with the Trademark Rules of Practice set forth in Title 37, part 2 of the Code of Federal Regulations (37 CFR § 2.1 et. seq., sometimes referred to as the Trademark Rules). The USPTO has also established a Trademark Trial and Appeal Board Manual of Procedure (TBMP) pursuant to the portions of the *Trademark Act* and the Trademark Rules that are applicable to the quasi-judicial administrative proceedings over which the TTAB presides. The TTAB also administers certain specialized trademark proceedings including interference proceedings, concurrent use proceedings and *ex parte* appeals from rejections or other determinations made by an examiner in connection with an application for trademark registration.

The Notice of Opposition must set forth a short plain statement showing why the opposer believes the opposer would be damaged by the

registration and the grounds for opposition. 37 CFR §2.104. In general, any statutory grounds that would negate the applicant's right to registration may be asserted as a basis for an opposition (TBMP § 309.03) including, in particular, those set forth in sections 2(a)-2(f) of the ACT, 15 U.S.C. § 1052 (a)-(e). An exemplary list of grounds (not exhaustive) may be found at TBMP § 309.03(c). Generally, opposition proceedings and cancellation proceedings will be conducted according to the same rules of procedure and rules of evidence that are applicable in federal courts. The US Federal Rules of Civil Procedure (FRCP) and the Federal Rules of Evidence (FRE) apply to opposition proceedings and cancellation proceedings unless the Trademark Rules or the TBMP specifically provide for alternative procedures or alternative rules of evidence⁹. In an opposition proceeding, the opposer is in the position of Plaintiff. The Notice of Opposition serves as a complaint and the applicant is in the position of Defendant. A formal Answer is to be filed by the applicant/Defendant responding to the allegations in the Notice of Opposition. The Answer may also include counterclaims against the opposer/Plaintiff and in particular, may seek to cancel any registration asserted by the opposer by compulsory counterclaim or may seek to cancel any registration held by the opposer by permissive counterclaim.

2.3. Setting of Opposition Schedule by TTAB

When an opposition is properly filed with the requisite statement of opposition and requisite filing fees, the Board will formally assign a proceeding number to the opposition proceeding and will notify the parties of a schedule for the proceedings. An example of a typical schedule for conducting an opposition is set forth below (all time periods are examples only and except for time requirements set by statute or by the Trademark Rules, the TTAB may adjust the schedule according to its case load and docket):

⁹ See *Yamaha International Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572 (Fed. Cir. 1988) (USPTO rules governing the procedures are designed to approximate the proceedings in a courtroom trial.

Time to Answer	(at least 30 days, typically about 40 days from mailing of schedule)
Deadline for Discovery Conference	(+ 30 days from Answer date)
Discovery Opens	(+ 30 days from Answer date)
Initial Disclosure Due	(+ 30 days from Discovery Opens)
Expert Disclosure Due	(+120 days from Initial Disclosure)
Discovery Closes	(+180 days from Discovery Opens)
Plaintiff's pretrial Disclosures	(+ 45 days from Discovery closes)
Plaintiff's Trial Period Opens	(+ 60 days from Discovery Closes)
Plaintiff's 30-day Trial Period Ends	(+ 30 days from Plaintiff's Trial Period Opens)
Defendant's Pretrial Disclosures	(+ 15 days from Plaintiff's 30-day Trial Period Ends)
Defendant's Trial Period Opens	(+ 60 days from Plaintiff's 30-day Trial Period Ends)
Defendant's 30-day Trial Period Ends	(+ 30 days from Defendant's Trial Period Opens)
Plaintiff's Rebuttal Disclosures	(+ 15 days from Defendant's 30-day Trial Period Ends)
Plaintiff's 15-day Rebuttal Period Ends	(+ 45 days from Defendant's 30-day Trial Period Ends).

2.4. Answer

The time for the applicant to file an Answer will be set by the TTAB in its case schedule and shall not be less than 30 days from the date of the notification from the TTAB forwarding the case schedule.¹⁰ The Answer may also include one or more counterclaims against the opposer that shall be answered by the opposer.¹¹ The time period for the Answer to any

¹⁰ 37 CFR § 2.105(a).

¹¹ 37 CFR § 2.106(b)(2)(i).

counterclaim shall also be set by the Board and shall not be less than 30 days from the date of service of the counterclaim to the opposer. An extension of time to answer either the opposition or the counterclaim may be stipulated to by the parties or may be granted by the Board upon petition of only one party showing good cause for such extension. The Board may suspend the time period for filing an Answer upon a showing by the parties that they are in settlement discussions, are continuing their settlement discussions, or that the parties are mediating their dispute. The time to answer in an opposition will not be extended beyond the time for the close of discovery, and an extension of the discovery period must be obtained to extend the Answer period further. Failure to file an Answer to the opposition may result in the abandonment of the opposed application and failure to file an Answer to a counterclaim for cancellation may result in cancellation of the registration that is the subject of the counterclaim.¹²

The Answer shall state in short and plain terms the defenses to each claim and shall admit or deny the averments in the opposition (or counterclaim as the case may be) 37 CFR § 2.114(b)(1); TBMP § 311.01(a). The Answer need not be formally sworn or verified, but must be signed by an individual Defendant, by a partner of a partnership Defendant, by a corporate officer of a corporation Defendant, or by an attorney representing the Defendant.

2.5. Counterclaim

An applicant who has been served with a Notice of Opposition, may in addition to filing an Answer, assert counterclaims along with the Answer for cancellation of a registration asserted by the opposer in the petition for opposition or for cancellation of a registration held by the opposer that was not asserted in the opposition. A fee is required for seeking cancellation by counterclaim 37 CFR § 2.6(a)(16); TBMP § 313.02. The counterclaim for cancellation of an asserted registration of the opposer is a compulsory counterclaim (37 CFR § 2.106(b)(2)(i); TBMP § 313.01), meaning that unless the counterclaim is timely asserted, the applicant will not be permitted to assert such a claim later in the opposition proceeding or in a separate cancellation proceeding. A counterclaim against an unasserted registration of the opposer is a permissive counterclaim (TBMP

¹² 37 CFR § 2.106(a).

§ 313.01) meaning that such a counterclaim may be asserted for determination in the opposition, or it might be asserted later in a separate cancellation proceeding. The rules for cancellation proceedings, 37 CFR §§ 2.111 through 2.115 inclusive, will be applicable to the counterclaim for cancellation (TBMP § 313.02). When a counterclaim is filed the Board may reset the schedule of proceedings to permit the parties to be fairly heard on all the issues asserted. The Board will forward a schedule for proceeding with the counterclaim and the opposer will be given a time period of not less than 30 days to file an Answer to the counterclaim. The time may be extended by stipulation or petition for good cause. The time to file an Answer to the counterclaim will not be extended beyond the time for the close of discovery, and an extension of the discovery period must be obtained to extend the answer period further.

As with an Answer to an Opposition, the Answer to the counterclaim shall state in short and plain terms the defenses to each claim and shall admit or deny the averments in the counterclaim. 37 CFR § 2.114(b)(1); TBMP § 311.01(a). The Answer to the counterclaim need not be verified, but must be signed by an individual Defendant, by a partner of a partnership, by a corporate officer of a corporation, or by an attorney representing the Defendant.

2.6. Grounds of Opposition

Pleadings in an Opposition should be carefully drafted and should set out all of the grounds of opposition an opponent intends to rely upon. Although failure to plead a ground of opposition generally prevents a party from raising the ground of opposition at a later stage, in the case of applications under Sections 1 or 44 of the *Act*, the Board may permit the parties to amend the pleadings in the same manner and to the same extent as in a civil court action in the US District Court. 37 CFR § 2.116(a). The applicable rule is FRCP 15(a) that allows a party to assert new grounds only under certain limited circumstances. See also, TBMP §§ 507.01 - 507.03. A motion to amend the pleadings may be based upon newly discovered evidence supporting new grounds that could not have been known at the time of original filing of the pleading. A Plaintiff in an opposition against an application that was filed under Section 66(a) of the *Act* (i.e., an opposition against a Madrid Protocol application) may not amend the

pleadings to add an entirely new claim or to rely upon an additional registration in support of a claim of likelihood of confusion under Section 2(d) of the *Act*.

An opposition proceeding is considered to be conducted without deference to the examiner's determination of registrability. Thus, essentially any statutory grounds that negate the applicant's right to registration may be asserted as a basis for an opposition (TBMP § 309.03), including in particular, those set forth in Section 2 and subparts 2(a)-(f), of the *Act*, 15 U.S.C. § 1052 (a)-(f), in section 13(a) of the *Act*, 15 U.S.C. §1063(a), and in other sections that may be applicable to specific filing requirements under the *Act* and including those established under Section 1 of the *Act*, 15 U.S.C. § 1051. For example, and depending upon the basis for the application, noncompliance with the requirement for a bona fide intent to use the mark in an intent to use application, failure to use the mark in commerce in a use based application, and the failure to comply with other rules and regulations prescribed by the Director of Trademarks in the filing and the prosecution of the application may all subject an application to abandonment. An exemplary list of 15 grounds (not exhaustive) is found at TBMP § 309.03(c). Some of the grounds available to prevent registration by opposition are set forth below:

2.6.1. The Mark is Generic - Section 2 (First Paragraph) of the Act; 15 U.S.C. 1052

One ground for opposition is that the Defendant's mark is generic for goods or services identified in the application. The statute does not specifically enumerate as a ground for denying registration that the mark is "generic". This basis may be found as a negative implication of the first paragraph that states "No trademark by which the goods or the applicant may be distinguished from the goods of others shall be refused registration on the Principal Register on account of its nature unless it-" followed by a list of other grounds in sections 2(a)-(e) for refusing registration and clarifying in section 2(f) conditions under which descriptive marks might be registered (i.e., upon showing distinctiveness or secondary meaning developed through use of the mark in commerce). The concept of denying registration to a generic mark is that a generic term is "not capable of distinguishing the goods of the applicant from those of others" because a generic term is the common name of the goods or services, regardless of the

source of such generically named goods or services. Thus, that a mark is generic may also be a ground for an opposition to registration.

2.6.2. *Likelihood of Confusion - Sections 2(d) of the Act; 15 U.S.C. §1052 (d)*

Another ground for maintaining an opposition is that the Defendant's mark so resembles another prior mark as to be likely to cause confusion or cause mistake or deceive¹³. This ground is generally referred to as "likelihood of confusion" and is established under Section 2(d); 15 U.S.C. §1052 (d). This is generally the basis by which a prior registrant, Plaintiff, would bring an opposition to protect against registration of a mark considered to be confusingly similar to the prior registered mark. The first evidentiary consideration will be priority of rights that the Plaintiff must plead and prove for the Plaintiff's mark. The evidentiary factors considered by the Board in determining likelihood of confusion have been set forth in *E.I. du Pont de Nemours & Co.* 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). These are often referred to as the "du Pont factors."

"In testing for likelihood of confusion under Sec. 2(d), therefore, the following, when of record, must be considered:

- 1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- 2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- 3) The similarity or dissimilarity of established, likely-to-continue trade channels.
- 4) The conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing.
- 5) The fame of the prior mark (sales, advertising, length of use).
- 6) The number and nature of similar marks in use on similar goods.

¹³ *Opryland USA Inc. v. The Great American Music Show Inc.*, 970 F.2d 847, 23 USPQ2d 1471, 1473 (Fed. Cir. 1992); *Time Warner Entertainment Co. v. Jones*, 65 USPQ2d 1650 (TTAB 2002).

- 7) The nature and extent of any actual confusion.
- 8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
- 9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).
- 10) The market interface between applicant and the owner of a prior mark:
 - (a) A mere "consent" to register or use.
 - (b) Agreement provisions designed to preclude confusion, i.e. limitations on continued use of the marks by each party.
 - (c) Assignment of mark, application, registration and good will of the related business.
 - (d) Laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.
- 11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- 12) The extent of potential confusion, i.e., whether de minimis or substantial.
- 13) Any other established fact probative of the effect of use." *E.I. du Pont de Nemours & Co.* 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)

Not all the factors need to be established, and different factors that might support opposite positions on the issue of likelihood of confusion may be balanced against each other in making the determination. Basic considerations among the factors are similarity of the marks (sound, appearance and meaning of the marks) and the similarity of the goods or services. Under *E.I. du Pont* no one factor necessarily predominates over the others, although the factors might be, and often are, given different weight in the ultimate determination of likelihood of confusion by the relevant consumer.

2.6.3. *Section 2(e) of the Act; 15 U.S.C. §1052 (e)*

Grounds for denying registration also include that the mark is primarily descriptive¹⁴ or deceptively misdescriptive¹⁵ in connection with the goods or services, the mark is primarily geographically descriptive¹⁶ or geographically misdescriptive¹⁷ in connection with the goods, the mark is primarily merely a surname¹⁸, or the mark comprises any matter that, as a whole, is functional¹⁹.

2.6.4. *Section 2(a) of the Act; 15 U.S.C. §1052 (a)*

A mark may be refused registration and thus it is a grounds for opposition that the mark consist of immoral, deceptive, or scandalous matter²⁰; that the mark disparages members of a particular group²¹; that the mark falsely suggests a connection with persons living or dead²², institutions, beliefs, or national symbols or may bring them into contempt; or the mark is a wrongful geographic indication in connection with wines or spirits.

2.6.5. *Flags or coats of arms - Sections 2(b) of the Act; 15 U.S.C. §1052 (b)*

A mark may be refused registration and thus may be opposed on the ground that the mark consists of, comprises, or simulates the flag or coat of arms of the US, any State of municipality or any foreign nation.

¹⁴ *Callaway Vineyard & Winery v. Endsley Capital Group, Inc.*, 63 USPQ2d 1919 (TTAB 2002).

¹⁵ *The Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 57 USPQ2d 1720 (Fed. Cir. 2001).

¹⁶ *University Book Store v. University of Wisconsin Board of Regents*, 33 USPQ 1385 (TTAB 1994).

¹⁷ *In re California Innovations, Inc.*, 329 F.3d 1334, 66 USPQ2d 1853 (Fed. Cir. 2003); *In re Save Venice New York, Inc.*, 259 F.3d 1346, 59 USPQ2d 1778 (Fed. Cir. 2001); *In re Wada*, 48 USPQ2d 1689 (TTAB 1998), *aff'd*, 194 F.3d 1297, 52 USPQ2d 1539 (Fed. Cir. 1999).

¹⁸ *Michael S. Sachs Inc. v. Cordon Art B.V.*, 56 USPQ2d 1132 (TTAB 2000); *Kellogg Co. v. Pack'Em Enterprises Inc.*, 14 USPQ2d 1545 (TTAB 1990), *aff'd*, 951 F.2d 330, 21 USPQ2d 1142 (Fed. Cir. 1991); *Allied Mills, Inc. v. Kal Kan Foods, Inc.*, 203 USPQ 390, 391-92 (TTAB 1979); *Food Specialty Co. v. Carnation Co.*, 170 USPQ 522, 523 (TTAB 1971).

¹⁹ *M-5 Steel Mfg. Inc. v. O'Hagin's Inc.*, 61 USPQ2d 1086 (TTAB 2001); *Valu Engineering Inc. v. Rexnord Corp.*, 278 F.3d 1268, 61 USPQ2d 1422 (Fed. Cir. 2002).

²⁰ *In re Boulevard Entertainment, Inc.*, 334 F.3d 1336, 67 USPQ2d 1475 (Fed. Cir. 2003); *In re Mavety Media Group, Ltd.*, 33 F.3d 1367, 31 USPQ2d 1923 (Fed. Cir. 1994).

²¹ *Boswell v. Mavety Media Group Ltd.*, 52 USPQ2d 1600 (TTAB 1999) (women in general and African American women in particular); *Order Sons of Italy in America v. Memphis Mafia Inc.*, 52 USPQ2d 1364 (TTAB 1999) (members of plaintiff's Order and Italian-Americans in general); *Harjo v. Pro-Football Inc.*, 284 F. Supp. 2d 96, 68 USPQ2d 1225 (D.D.C. 2003) (Native Americans).

²² *Internet Inc. v. Corporation for National Research Initiatives*, 38 USPQ2d 1435 (TTAB 1996); *Buffett v. Chi Chi's, Inc.*, 226 USPQ 428 (TTAB 1985).

2.6.6. *Identification of a living person without permission -Sections 2(c) of the Act; 15 U.S.C. §1052 (c)*

A mark may be refused registration and opposed on the ground that the mark consists of or comprises a name, portrait or signature identifying a particular living individual without his written permission, or the identity of a deceased president during the life of his widow without written permission.²³

2.6.7. *Functional product design mark*

A mark that consists of a product design and the product design is functional and has not acquired distinctiveness may also be refused registration and opposed on that basis.

2.6.8. *No bona fide use of a use based mark*

When the applicant has not made a bona fide use of the mark in commerce in a use based application, registration may be refused and opposed.²⁴

2.6.9. *No bona fide intent to use an intent-to-use based mark*

In an intent-to-use application if the Defendant did not have a bona fide intent to use the mark at the time of the application,²⁵ registration may be refused and issuance of registration may be opposed on that ground.

2.6.10. *Design mark does not function as an independent trademark*

If an applicant's design mark is mere background and does not function as a trademark apart from the words displayed thereof, the registration may be refused and opposed on that basis.²⁶

²³ *Ross v. Analytical Technology, Inc.*, 51 USPQ2d 1269 (TTAB 1999); *Ceccato v. Manifattura Lane Gaetano Marzotto & Figli S.p.A.*, 32 USPQ2d 1192 (TTAB 1994);

²⁴ *International Mobile Machines Corp. v. International Telephone and Telegraph Corp.*, 800 F.2d 1118, 231 USPQ 142 (Fed. Cir. 1986); *Paramount Pictures Corp. v. White*, 31 USPQ 1768 (TTAB 1994), *aff'd (unpub'd)* 108 F.3d 1392 (Fed. Cir. 1997); *Pennwalt Corp. v. Sentry Chemical Co.*, 219 USPQ 542, 558 (TTAB 1983); *Bonaventure Associates v. Westin Hotel Co.*, 218 USPQ 537, 543 (TTAB 1983).

²⁵ *Lane Ltd. V. Jackson International Trading Co.*, 33 USPQ2d 1351, 1352 (TTAB 1994); *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503, 1504 (TTAB 1993).

²⁶ *General Foods Corp. v. Ito Yokado Co., Ltd.*, 219 USPQ 822, 825 (TTAB 1983).

2.6.11. *Not the rightful owner*

When the applicant is not (was not at the time of filing) the rightful owner of the mark, registration may be refused and this is a ground for opposition.²⁷

2.6.12. *Non-distinctive color mark*

It is a ground for refusing and for opposing registration that the applicant's mark consists of a color combination applied to the goods that is ornamental and not distinctive.²⁸

2.6.13. *Not used as a trademark or service mark*

In a use based application, registration may be refused or opposed if the applicant has not used the mark or the mark has not been properly used as a trademark or service mark.²⁹

2.6.14. *Phantom mark*

When the applicant's mark represents multiple marks it may be considered to be a "phantom" mark and registration may be refused or an opposition may be sustained on that ground.³⁰

2.6.15. *Abandoned mark*

A use based application may be refused and opposed if the mark has been abandoned due to non-use³¹ or due to a course of conduct that caused the mark to lose significance as an indication of source.³²

²⁷ *Anheuser-Busch Inc. v. The Florists Association of Greater Cleveland Inc.*, 29 USPQ2d 1146 (TTAB 1993); *Treadwell's Drifters Inc. v. Marshak*, 18 USPQ2d 1318, 1320 (TTAB 1990); *Kemin Industries, Inc. v. Watkins Products, Inc.*, 192 USPQ 327, 328 (TTAB 1976). *Cf., e.g., Levi Strauss & Co. v. R. Josephs Sportswear Inc.*, 28 USPQ2d 1464 (TTAB 1993).

²⁸ *Goodyear Tire & Rubber Co. v. Vogue Tyre & Rubber Co.*, 47 USPQ2d 1748 (TTAB 1998); *Kassnar Imports v. Plastilite Corp.*, 180 USPQ 156, 157 (TTAB 1973), *aff'd*, 508 F.2d 824, 184 USPQ 348, 350 (CCPA 1975).

²⁹ *Anheuser-Busch Inc. v. The Florists Association of Greater Cleveland, Inc.*, *supra*; *Marshall Field & Co. v. Mrs. Fields Cookies*, 11 USPQ2d 1355 (TTAB 1989).

³⁰ *Cineplex Odeon Corp. v. Fred Wehrenberg Circuit of Theatres*, 56 USPQ2d 1538 (TTAB 2000); *In re International Flavors & Fragrances Inc.*, 47 USPQ2d 1314 (TTAB 1998), *aff'd*, 183 F.3d 1361, 51 USPQ2d 1513 (Fed. Cir. 1999).

³¹ *Linville v. Rivard*, 41 USPQ2d 1731 (TTAB 1996), *aff'd*, 133 F.3d 1446, 45 USPQ2d 1374 (Fed. Cir. 1998); *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390 (Fed. Cir. 1990); *Auburn Farms, Inc. v. McKee Foods Corp.*, 51 USPQ2d 1439 (TTAB 1998).

³² *Woodstock's Enterprises Inc. v. Woodstock's Enterprises Inc.*, 43 USPQ2d 1440 (TTAB 1997), *aff'd*, (unpub'd), Appeal No. 97-1580 (Fed. Cir. Mar. 5, 1998).

2.6.16. *Name of an individual without permission*

It may be a ground for refusal and opposition to registration if the Defendant's mark consists of or comprises the name of a particular individual without the individual's consent.³³

2.6.17. *Generic product design*

Registration may be refused and an opposition may be sustained if the mark consists of a product design and the product is generic.³⁴

2.6.18. *Dilution of a famous mark - Sections 2(f) and 43(c) of the ACT; 15 U.S.C. §§1052 (f) and 1125 (c)*

If the applicant's mark would dilute the distinctive quality of a Plaintiff's famous mark by blurring or tarnishment, registration may be refused and registration may be opposed on that basis.³⁵

2.6.19. *Fraud on the Trademark Office*

Under Section 38 of the *Act* a person who obtains a trademark by false or fraudulent declarations or representation shall be liable in a civil action by a person sustaining damages as a consequence. The federal courts have also ruled that fraudulent declarations made to obtain a registration can invalidate a trademark registration *ab initio*.³⁶ This ground for denying a registration has become particularly popular. For example, an opposer may assert that an applicant has fraudulently declared use of a mark in commerce in connection with goods or services identified in the application when no such use in commerce has been made.³⁷ The courts have, in at least one case, been willing to presume fraudulent intent based upon the fact that the applicant, or the declarant on behalf of the

³³ *Ross v. Analytical Technology, Inc.*, 51 USPQ2d 1269 (TTAB 1999); *Ceccato v. Manifattura Lane Gaetano Marzotto & Figli S.p.A.*, 32 USPQ2d 1192 (TTAB 1994).

³⁴ *Sunrise Jewelry Manufacturing Corp. v. Fred, S.A.*, 175 F.3d 1322, 50 USPQ2d 1532 (Fed. Cir. 1999).

³⁵ *Toro Co. v. ToroHead Inc.*, 61 USPQ2d 1164 (TTAB 2001); *Moseley v. Secret Catalogue Inc.*, 537 US 418, 65 USPQ2d 1801 (2003); *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 62 USPQ2d 1857 (TTAB 2002), *aff'd*, 300 F.3d 1333, 66 USPQ2d 1811 (Fed. Cir. 2003).

³⁶ *Medinol Ltd. v. Neuro Vasz Inc.*, 67 USPQ2d, 1205 (TTAB 2003).

³⁷ *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 88 USPQ2d 1501, 1509 (TTAB 2008); *Hiraga v. Arena*, 90 USPQ2d 1102 (TTAB 2009).

applicant, should have known that the mark was not in fact being used on all the goods listed.³⁸ In another case, the court indicated that a misstatement might not be considered to be fraud if there is good evidence that did not knowingly make the misstatement or that there was no deceptive intent.³⁹ Inferences on these issues based upon the circumstances are permissible, but the inferences must be clear and convincing.⁴⁰ In recent cases it has been determined that in a multi-class application, when use has not been established for all the goods listed in one class, a presumption of fraudulent intent may extend only to the one class for purpose of invalidating the application or registration and might not extend to all the classes in the multi-class application.⁴¹

3. CANCELLATION PROCEEDINGS BEFORE THE TRADE-MARK TRIAL AND APPEAL BOARD

Trademark cancellation proceedings permit an individual or a company to challenge a registration that has been issued on the Principal Register of the USPTO. If successful, a registered trademark will be cancelled by the USPTO. As with an opposition, a cancellation proceeding is an *inter partes*, quasi-judicial administrative proceeding. As with an opposition, a cancellation proceeding can be conducted at a relatively low cost, in comparison to litigation in the courts.

A cancellation proceeding differs from an opposition in a few important aspects. In many other aspects, Oppositions and Cancellations are similar *ex parte* proceedings conducted before the TTAB under rules and procedures that are very much the same. It is not uncommon for the TTAB to conduct an opposition and cancellation proceeding simultaneously, for example when an opposed applicant counterclaims for cancellation of the opposer's registration. Some of the specific aspects of a cancellation proceeding that are different from an opposition may be understood based upon the fact that oppositions take place before registration and cancellations take place only after a registration has been issued. Some of the common procedural aspects of both oppositions and cancellations will be presented in a separate section further below.

³⁸ *Medinol, supra.*

³⁹ *In re Bose Corp.* 580 F.3d 1240, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009).

⁴⁰ *Id.*

⁴¹ *G&W Labs., Inc. v. G W Pharma Ltd., Opp'n No. 91169571* (TTAB Jan. 29, 2009).

An opposition is not available after registration issues and the proper proceeding for contesting an issued registration is a cancellation. Thus, the differences are primarily related to the different positions of the parties and the presumptions and defenses available to the registrant after a registration has already been examined and issued by the USPTO. Under US practice where the rights in a trademark are more directly related to use of a trademark rather than the fact of registration, certain grounds for cancellation change after a period of registration and use. There is a presumption of validity of the existing registration as soon as a registration issues and the cancellation petitioner must overcome that presumption to invalidate the registration. In contrast, in an opposition, the petitioner merely seeks to keep an application from issuing before there is a presumption of validity. In addition to the presumption of validity that affects the burden of proof for the parties, the available grounds for a cancellation are not necessarily co-extensive with an opposition depending upon the time of filing the opposition.

Typically, any of the grounds available for opposing a registration can be the basis for a cancellation proceeding, provided the cancellation is initiated within five years after the date of registration. The grounds for the cancellation become limited after a mark has been registered for a period of five years and the grounds are further limited if the registration has become incontestable under Section 15 of the *Act*.

A cancellation may also be brought at any time on the grounds that the mark is or has become generic for the goods for which it was registered or on the basis that the mark is used with the permission of the registrant to misrepresent the source of the goods or services on which the mark is used.

A cancellation proceeding that is initiated within five years after the date of registration can also be maintained on any of several grounds of opposition that are essentially co-extensive with the grounds for denying registration or restricting the scope of the goods and services. Thus, grounds for cancellation include likelihood of confusion with an existing registered trademark, likelihood of confusion with a mark previously used in commerce by another (common law rights), a mark is generic (*i.e.*, the mark is incapable as functioning to distinguish one's goods from those of others such as a generic word mark or an entirely functional device mark), a mark is merely descriptive and has not acquired distinctiveness, non-

compliance with the formal and substantive requirements of the *Act*, and basically any of the grounds set forth above in sections 2.6.1 – 2.6.19 as grounds for refusing registration and for maintaining an opposition.

A cancellation proceeding that is initiated after the five year period from registration, may be brought on the grounds limited to those specified under Section 14 Subsections 3 and 5 of the *Act*, 15 U.S.C. §§ 1064(3) and (5). These sections establish as grounds for a cancellation after a mark has been registered for five years any of the grounds set forth under Section 2 (a), (b), or (c) of the *Act*, 15 U.S.C. §§ 1052(a), (b), or (c).

In the event that a registration has become “incontestable,” the various grounds of likelihood of confusion, descriptiveness, geographic descriptiveness, or mis-descriptiveness under Sections 2(d) and 2(e) of the *Act*, are no longer available grounds for a cancellation proceeding. A registration may become “incontestable” upon a filing and acceptance by the USPTO of an appropriate request after five years of registration including a declaration by the registrant under Section 15 of the *Act*, asserting that the mark has been used continuously and exclusively for the preceding five years.

3.1. Initiating Cancellation Proceedings

At any time after a trademark application issues as a registration, an interested party may seek to cancel the registration, by filing a Cancellation Petition with the TTAB at the USPTO, together with the prescribed per class filing fees (37 CFR § 2.6(a)(16) – currently US\$300/class) and including proof of service on the applicant (37 CFR §§ 2.111 and 2.119). A cancellation petition may seek to cancel a multiple class registration for all the classes or for only selected classes of goods or services and a cancellation fee is required for each class to be cancelled.

3.2. Cancellation Petition

The Cancellation Petition must set forth a short plain statement showing why the Petitioner believes the Petitioner would be damaged by the continued registration and stating the grounds for cancelling the registration. 37 CFR § 2.112(a). The grounds for Cancellations filed within five years of the registration date are essentially unlimited;

including all the grounds for refusing registration and for maintaining an opposition. Any grounds may be asserted as a basis for cancellation that negates the validity of the registration or that would have prevented the issuance of a registration. For example, such grounds include those set forth in Sections 2(a)-2(f) of the *Act*, 15 U.S.C. §§ 1052(a)-(f) and as outlined above for an opposition and also that the mark has been abandoned. An exemplary list of grounds (not exhaustive) may be found at TBMP § 309.03(c), and as summarized above as grounds for oppositions in subsections 2.6.1-2.6.19 hereof.

The grounds for cancellation filed after five years are limited. After five years from the date of registration, the grounds for cancellation may not include those set forth in sections 2(d) and 2(e) of the *Act*. Thus, after five years cancellation may not be based upon likelihood of confusion with a prior mark and it may not be based upon descriptiveness of the mark when associated with the goods or services. The grounds for cancellation set forth under Sections 14(3) and (5) of the *Act* in addition to a generic mark or misuse of the mark may be asserted at any time. Thus the grounds for cancellation at any time include, for example, that the mark has been abandoned, the registration was obtained by fraud, the mark is generic, the mark is geographically descriptive, the mark is disparaging, the mark falsely suggests a connection with a person's name or identity, the mark comprises matter that as a whole is functional, the mark comprises a flag of the United States, and the mark comprises the name of a living individual without the individual's consent.

Generally, the US Federal Rules of Civil Procedure and the Federal Rules of Evidence apply to the cancellation proceedings as they do for opposition proceedings, unless the Trademark Rules or the TBMP specifically provides for alternative procedures or rules of evidence. In a cancellation proceeding, the petitioner is in the position of Plaintiff, the Cancellation Petition serves as a complaint, the owner of the registration sought to be cancelled is in the position of Defendant, and the Answer is to be filed by registrant/Defendant and may also include counterclaims against the petitioner/Plaintiff for cancellation of marks registered by the petitioner/Plaintiff. Counterclaims for cancellation of registered marks asserted by the cancellation petitioner are compulsory counterclaims and counterclaims for cancellation of registered marks that are not asserted in the cancellation petition are permissive counterclaims.

3.3. Setting of Cancellation Schedule by TTAB

Upon proper filing of a cancellation petition, including the submission of the requisite statement and fees, the Board will formally assign a proceeding number to the cancellation proceeding and will notify the parties of a schedule for the proceedings. The time periods example for the typical opposition schedule as set forth above in section 2.3 is also generally applicable to a cancellation proceeding.

3.4. Answer

As with an opposition proceeding, the time for the registrant/owner to file an Answer is set by the TTAB and shall not be less than 30 days of the date of the correspondence from the TTAB forwarding the case schedule. The Answer may also include one or more counterclaims against the petitioner that shall be answered by the petitioner at a time set by the Board not less than 30 days from service of the counterclaim. An extension of time to Answer may be stipulated to by the parties or may be granted by the Board upon petition for good cause. The Board may suspend the time period for Answer upon a showing by the parties that they are in settlement discussions, are continuing their settlement discussions, or that the parties are mediating their dispute. The time to answer will not be extended beyond the time for the close of discovery, and an extension of the discovery period must be obtained to extend the answer period further. Failure to file an Answer will result in the abandonment of the opposed application.

Also, as with an opposition proceeding, the Answer in a cancellation proceeding shall state in short and plain terms the defenses to each claim and shall admit or deny the averments in the cancellation (or counterclaim as the case may be) 37 CFR § 2.114(b)(1); TBMP § 311.01(a). The Answer need not be formally sworn or verified, but must be signed by the individual Defendant, a partner of a partnership, a corporate officer of a corporation, or an attorney representing the Defendant. TBMP § 311.01(b).

3.5. Counterclaim

As in the case for an applicant in an opposition proceeding, a registrant in a cancellation proceeding, may in addition to filing an Answer, assert

counterclaims for cancellation of a registration asserted in the petition for cancellation or for cancellation of a registration held by the petitioner that was not asserted in the cancellation petition. There is a fee for each registration sought to be cancelled and for each class covered by the registration. The counterclaim for cancellation of an asserted registration of the petitioner is a compulsory counterclaim (37 CFR § 2.106(b) (2) (i); TBMP § 313.01) that must be asserted at the time of the Answer or it will be waived. The filing of a counterclaim will typically result in a modified schedule to accommodate an Answer to the counterclaim and the handling of the proceedings on the issues of the counterclaim in order of counter Plaintiff – counter Defendant – counter Plaintiff.

4. MATTERS THAT ARE COMMON TO BOTH OPPOSITION AND CANCELLATION PROCEEDING BEFORE THE TTAB OF THE USPTO

Opposition and cancellation proceeding differ from each other in a few important aspects and particularly based upon the time at which each proceeding is appropriate, i.e. before or after registration, the grounds for the cancellation may be more limited than for an opposition and in a cancellation there is a presumption of validity of the registration. In many other aspects, opposition and cancellation proceedings are similar *ex parte* proceedings conducted before the TTAB under rules and procedures that are very much the same. It is not uncommon for the TTAB to conduct related opposition and cancellation proceedings simultaneously, for example when an opposed applicant counterclaims for cancellation of the opposer's registration. Some of the common procedural and evidentiary aspects of both oppositions and cancellations are presented in this section.

4.1. Amendments to the Pleading

In *ex parte* proceedings before the TTAB, whether opposition proceedings or cancellation proceedings, the pleadings may generally be amended to the same extent as in a civil lawsuit in federal court. Thus, it might be understood that matters that are not in the pleadings as filed may in many instances be permissibly amended so that they may be determined by the TTAB in the *inter partes* proceedings. As a general rule, a party may petition the Board for leave to amend the pleadings to add any discovered matters

first learned of during the opposition proceeding as to a right or defense that it could not have known at the time a pleading was due. An exception to the general rule is that in an opposition after the opposition time period, or any granted extensions, the opposition may not be amended to add to the goods or services that are to be opposed. 37 CFR 2.107(a).

4.2. Federal Rules of Procedure and Evidence

Except as otherwise provided by the Trademark Rules, and whenever applicable and appropriate, procedures and practices in inter partes proceedings are to be governed by the Federal Rules of Civil Procedure (the FRCP). 37 CFR §§ 2.116(a), 2.120(a), 2.121(a); TMBP § 101.02. By interpretation of U.S. Federal courts and the TTAB, the Federal Rules of Evidence (FRE) are also generally applicable to proceedings before the TTAB. TMBP § 101.02. Because the TTAB (sometimes referred to as the “Board”) acts as an administrative tribunal, its rules and procedures are necessarily different in some specific respects from those in the U.S. Federal District Courts. One main difference is that live testimony is not presided over by the TTAB, oral testimony is instead taken and transcribed outside of the presence of the TTAB. The written transcript of the deposition testimony together with exhibits and arguments may also be presented for consideration in the decision by the TTAB by one of the parties. The TTAB does not read the entire transcripts of testimony while the proceedings are underway until it is time to make a final decision. Motions as to exclusion of evidence or the probative value of testimony or objection made during the taking of testimony are not entertained until making a final decision.

4.3. Stipulations

The parties may stipulate to a wide variety of matters, subject to the approval of the TTAB. For example, the parties may stipulate to matters that affect discovery, such as limiting or increasing the number of interrogatories, to the manner or place for production of documents, to the terms of protective orders for the handling of confidential information, to facts of either party, to the taking of testimony by written affidavit, to the place and manner of taking depositions, or to ending of proceedings in a particular way.

4.4. Motions

Because the FRCP are generally applicable to opposition and cancellation proceedings, a wide variety of motions are available to the parties under the FRCP. The TBMP specifically addresses a variety of motions that most commonly arise before the Board. TBMP §§ 503-544. The treatment is not intended to be exhaustive. Notably, the TBMP specifically lists various motions that may be dispositive of some or all of the claims asserted in the pleadings. For example, the TBMP specifically addresses a motion to dismiss for failure to state a claim, motion for judgment on the pleadings, motion for a more definite statement, motion to strike a matter from the pleading, motion to amend the pleading, motion for default judgment for failure to answer, motion for protective order, motion for discovery sanctions, or motion for sanctions under FRCP 11 (for misconduct by the parties in bringing a claim such as knowingly asserting an unsupported claim for wrongful purposes of harassment), motion for summary judgment, motion for reconsideration of final decision, or motion for relief from final judgment.

Motions are to be filed in writing and must be supported by a brief. A response to the motion and a supporting brief may be filed within 15 days of service of the motion, unless a different time period is otherwise specified. There is a page limit for the briefs of 25 pages, double spaced, and 11 point type. The Board may consider a reply brief in support of the motion, and if so, the reply must generally be filed within 10 days after the response is served and there is a 10 page limit.

4.5. Discovery

The conduct of discovery in *inter partes* proceedings before the TTAB is governed by 37 CFR § 2.120 and is similar to discovery before the Federal District Courts including, *inter alia*, various discovery devices such as oral depositions, written interrogatories, written request for the production of documents and things, and requests for admissions. During the Discovery period set by the Board, discovery may be used by a party to ascertain facts underlying an adversary's case. In general, scope of discovery is very broad and is governed by the FRCP 26(b)(1) that in part allows the parties to "obtain discovery regarding any matter, not privileged, that is relevant to the claim of defense of any party, including the existence, descriptions,

nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of any discoverable matter..." The information that is relevant for purposes of discovery "...need not be admissible at the trial if the discovery appears to be reasonably calculated to lead to the discovery of admissible evidence..." FRCP 26(a)(1)(A). Discovery of the facts may lead to a settlement, may simplify the issues, may reveal a basis for summary judgment, may lead to an additional claim, or to an additional defense of counterclaim and allows the parties to be better prepared for trial. Discovery is not entirely without limits and may, for example, be restricted where it is cumulative, unduly burdensome, obtainable by a party in a less burdensome way, or where harm to the person from whom discovery is sought outweighs the need of the person seeking discovery. TBMP § 402.02. The TTAB specifically recognizes the need for protection of certain kinds of confidential information and provides a form protective order or will otherwise permit the parties to stipulate and agree to another form of protective order that they may choose.

4.6. Discovery Conference and Initial Disclosure

The TTAB schedules and requires the parties at an early stage to conduct a discovery conference, and requires an initial disclosure of information set forth in FRCP 26(a)(1)(A) within 30 days following the opening of the Discovery period without any request by the adverse party. No discovery request may be made by a party until after the party makes its initial disclosures. The information required in the initial disclosure for opposition purposes includes the "(i) name and, if known, the address and telephone number of each individual that likely will have discoverable information – along with the subjects of that information – that the disclosing party may use to support its claims of defenses, unless the use would be solely for impeachment;" and "(ii) a copy – or a description by category and location of all documents, electronically stored information, and tangible things that the disclosing party has in its possession, custody, or control and may use to support its claims of defenses, unless the use would be solely for impeachment." *Id.* FRCP 26 (a)(1)(A) also requires initial disclosure of (iii) computation of damages and supporting documents and also (iv) insurance agreements that may make an insurance company liable to satisfy judgment. However, because TTAB *inter partes*

proceedings do not award monetary damages or attorney's fees, these provisions are not generally applicable as they would be in U.S. Federal District Court actions.

4.7. Expert Testimony

Each party must disclose the identity of any expert witness that it intends to rely upon to present evidence at trial and shall include a written report of all opinions expected to be expressed, the basis for forming such opinions, data or information considered, exhibits that will be used, the qualifications of the witness, a list of other cases the witness testified in within the last four years and a statement of compensation to be paid for the study and testimony in the case. FRCP 26(a)(1)(2). The disclosure must be made as scheduled by the TTAB and at least 90 days before the date set for the opening of the party's trial period. The advanced disclosure of this information is intended to allow the parties to fairly test the evidence that may be presented in the form of expert testimony. A motion to compel compliance with the initial disclosure requirements or the requirements associated with disclosure of an expert witness must be filed before the close of Discovery and must include a statement that the moving party or attorney in good faith attempted to confer with the opposing party or attorney to resolve the issues presented in the motion.

4.8. Written Discovery

Each party may conduct discovery, following the initial disclosure, and during the discovery period that shall extend for a period of not less than 180 days. During this period the parties may serve upon the adverse party written interrogatories, written requests for the production of documents and things and written requests for admissions. The request must be served on or before 30 days prior to the end of the discovery period. Responses to such requests must be served within 30 days of the service of the requests. Motions to compel a response or a complete response to the written requests must be filed prior to the first testimony period and must include a statement that the moving party or attorney in good faith attempted to confer with the opposing party or attorney to resolve the issues presented in the motion.

4.9. Oral Discovery/Cross Examination

Following the initial disclosure, and during the discovery period, each party may also conduct discovery by deposition of a natural person in the Federal judicial district where the person resides or is regularly employed within the US, or in the case of a natural person residing in a foreign country who is a party or an officer, director or managing agent of a party in a foreign country in the manner prescribed by 37 CFR § 2.124 by written question or orally, if stipulated to by the parties, or as ordered by the TTAB for good cause.

Oral depositions shall be taken upon direct examination of the witness who may be represented by counsel at the deposition pursuant to 37 CFR § 2.123 or by written questions pursuant to 37 CFR § 2.124. The deposition shall be taken before a person authorized to administer oaths, such as an officer of the court, and recorded by transcription thereof, typically, by a certified court reporter.

4.10. Special TTAB Rules

All the business of the USPTO, including proceedings before the TTAB, should be transacted in writing. 37 CFR § 2.191; TBMP § 104. Except for pretrial conferences under 37 CFR § 2.120(i)(2), or oral arguments at a final hearing, if one of the parties request one under 37 CFR § 2.129, personal attendance of parties or their attorneys at the TTAB offices is not necessary. All the decisions of the TTAB will be based exclusively on the written record before it and “no attention will be paid to alleged oral promises, stipulations or understandings in relation to which there is disagreement or doubt.” TMBP § 104. Any agreements and stipulations should be in writing. All pleadings, motions and submissions of evidence shall be in writing and all depositions and testimony shall be transcribed and submitted in writing.

4.11. Testimony

The introduction of evidence in an *inter partes* proceeding before the TTAB, is governed by the FRE, and by relevant portions of the FRCP and part 2 of Title 37 of the U.S. Code of Federal Regulations (CFR), in particular, 37 CFR §§ 2.120, 1.122. The evidence is introduced in writing by each party

during that party's 30 day testimony period. The evidence may include, and typically will include, a written transcription of deposition testimony. The evidence may also include answers to written discovery requests that may be introduced in connection with the deposition testimony of a witness or that may be introduced during the testimony period for the offering party.

The taking of deposition testimony is similar to the taking of a discovery deposition, but there are distinct differences. Neither type of deposition is presided over by the TTAB. Both are taken and recorded under oath with representation by counsel permitted and typically with the attorneys for the parties present to ask questions or to make objections. A primary difference is that in discovery depositions, otherwise inadmissible information may be obtained provided it might reasonably lead to the discovery of admissible evidence. Deposition testimony is objectionable if it does not present admissible evidence. In an *inter partes* proceeding before the TTAB, the written record of deposition testimony takes the place of oral testimony in a court proceeding such that objections to admissibility under the FRE are available during the taking of deposition testimony. If a witness objects and refuses to give testimony on any subject, the questioning party may apply to a U.S. Federal District Court for interpretation and enforcement of the rules during the deposition testimony (*i.e.*, in order to obtain an order to compel testimony). The taking of a testimony deposition is effectively in the place of oral testimony in a court trial. In a testimony deposition only questions that are directed to admissible evidence must be answered and proper objections may be made by the legal representative of the witness or by the legal representative of a party defending the deposition. In certain situations a party may enter evidence in the form of the written transcript of a discovery deposition that was previously taken of an adverse party or of a witness designated under the (FRCP 30(b)(6)) as the representative of an adverse corporate entity, or if a witness is deceased or otherwise legitimately not available for testimony during the testimony period, provided that the party seeking to present portions of a discovery deposition as evidence must file a notice of reliance during the testimony period. TBMP 704. The written record submitted as evidence for consideration by the TTAB may include transcribed deposition testimony taken during the testimony period. When documentary evidence is not otherwise admissible as self

authenticated public records and the like, the foundation for admissibility may be established during a testimony deposition so that such documents may be properly introduced into evidence.

4.12. Trial

The assignment of testimony periods in an *inter partes* proceeding before the TTAB corresponds to the trial in court proceedings. 37 CFR § 2.116(d); TBMP 701. A testimony period is set for presenting Plaintiff's case in chief; a testimony period is set for presenting the Defendant's case (and for Defendant to respond to the Plaintiff's case). A rebuttal period is set for Plaintiff to rebut the Defendant's case. There is no provision for further reply or rejoinder by the Defendant. The testimony is presented in writing and all evidence must be introduced by the parties during their respective testimony periods. The admissibility of the evidence may be made by proper testimonial foundation or in appropriate circumstances, by notice of reliance.

The evidence that may be introduced by notice of reliance basically includes self authenticating documentary evidence such as publicly available publications and official records. Many of the types of documents that may be introduced by notice of reliance are set forth in TBMP Sections 704.02 – 704.13. The record of a trademark application or registration in the USPTO may be evidence of the record, although declarations of dates of first use and specimens of use found in an application record are not considered as evidence of the dates of use or of authentic specimens unless such exhibits are introduced by authenticating testimony or appropriate notice of reliance filed during the testimony period of the party offering the evidence. Documentary evidence that is not self authenticating, such as Internet printouts may be introduced through authenticating testimony or by stipulation of the parties subject to the approval of the Board. TBMP 705.

Any evidence may be objected to by a party based upon the Federal Rules of Evidence. TBMP 707.01. Evidence submitted by notice of reliance may be objected to on procedural grounds, as untimely, and on substantive grounds under the Federal Rules of Evidence. TBMP 707. If there is no objection to the evidence proffered by notice of reliance, the evidence may be introduced for consideration by the Board. In the event that evidence is

introduced over an objection by one of the parties, the Board may consider the objections and arguments in determining the probative value of the evidence. TBMP 707.02(c). Deposition testimony that is considered by one of the parties to be objectionable may be objected to before or during the taking of the deposition testimony. If the objection was for procedural or other grounds that could be obviated or removed if presented at the time, failure to object may waive the objection. TBMP 707.03. Evidence that is objectionable under substantive rules of evidence, for reasons such as competency of the witness, relevance of the testimony, or the testimony constitutes hearsay or improper rebuttal, are not waived by failure to make them during or before the taking of the deposition. TBMP 707.03(c).

After the testimony periods for the parties, the Plaintiff must file its main brief within 60 days. If the Plaintiff fails to file a main brief, the Board will set a time of not less than 15 days for the Plaintiff to show cause why the failure to file the main brief should not be considered as a concession of the case. The Defendant has the option to file its main brief. If Defendant wishes to file a main brief it is due 30 days after the due date for Plaintiff's main brief. Plaintiff may also file an optional reply brief within 15 days after the due date for Defendant's main brief.

A party may request an oral hearing by a separate notice filed not later than 10 days after the due date for the filing of the last reply brief in the proceeding. A time and place for the oral hearing will be set by the Board and each party will be permitted 30 minutes to present its case or a summation thereof that is based upon the evidence properly introduced during the testimony periods. The party in the position of the Plaintiff may reserve a portion of the 30 minute presentation time for rebuttal arguments following the Defendant's arguments. TBMP 802

4.13. Material Dates and Burden of Proof

An opposition proceeding is generally to be determined without giving deference to the examination and allowance by the examiner. This might suggest that the burden of proof is equal on both the Plaintiff and the Defendant. Nevertheless as is the case generally in judicial proceedings conducted under Federal Rules of Civil Procedure and Federal Rules of Evidence, the burden of proof or at least the burden of coming forward is

on the Plaintiff to show standing under the statute and to show by a preponderance of the evidence that the applicant is not entitled to registration on the ground or grounds asserted in the opposition. There are a few specific exceptions, for example, in the case of a mark allowed on the basis of acquired distinctiveness or secondary meaning under section 2(f), the burden of proof to show such secondary meaning by a preponderance of evidence is considered to be upon the applicant/Defendant.

In a cancellation proceeding the registrant is entitled to a presumption of validity, and thus the burden of proof is upon the Plaintiff to both show that the Plaintiff has standing (for example, priority of use in a case of asserting likelihood of confusion with a pre-existing mark) and also to overcome the presumption of validity of the registration by a preponderance of the evidence.

4.14. Evidentiary Considerations

The admissibility of evidence is determined under the Federal Rules of Evidence. The weight or probative value that is given to the evidence is to be determined by the TTAB as the finder of fact in the *inter partes* proceedings. Factual determinations may be reviewed upon appeal under an appropriate standard with appropriate deference given to the finder of fact.

4.15. Oral and Written Testimony

As a general rule, all testimony whether by oral deposition testimony or by written questions is to be given under an oath or declaration of truthfulness. In the case of oral testimony each adverse party shall have full opportunity to cross-examine each witness to test the accuracy and veracity of the evidence provided. Discovery deposition testimony is not generally considered as admissible evidence, except that discovery testimony of an adverse party or an officer, director or managing agent of a party may be offered in evidence by an adverse party. Also deposition testimony of a person who is during the testimony period dead or out of the United States or deposition testimony of a person upon stipulation of the parties or upon a showing of other exceptional circumstances in the interest of justice approved by the TTAB may be submitted as evidence.

4.16. Printed Publications and Official Records

Generally, documentary evidence must be appropriately authenticated and introduced pursuant to requests for admissions as to authenticity served upon the opposing party during discovery, pursuant to identification of documents during a discovery deposition and service of a notice of reliance during the testimony period, or pursuant to sworn testimony as to the authenticity of the evidence during the testimony period. The rules also recognize that printed publications available to the general public and official records, if they are competent evidence relevant to an issue in the proceeding, may be introduced by notice of reliance. As with all evidence offered by notice of reliance, the other party may object to introduction or otherwise may seek to correct, restrict, or comment upon evidence that is considered not authentic, not accurate, not probative of any issues, or that is otherwise defective. TBMP 707.02. The objection should be made promptly by a motion to strike and may be waived by failure to timely object if the defect is of a procedural type that might be cured by timely objection. TBMP 707.02(b). Objections on substantive basis such as hearsay, improper rebuttal, incompetent, irrelevant, or immaterial might be raised in or with the opposing party's brief on the case rather than by motion to strike. TBMP 707.02(c).

4.17. Timing

The timing for an opposition is critical for purposes of filing within the opposition period or any extension thereof. The timing of cancellation proceedings in relation to the date of issuance of a registration can significantly impact the available grounds for cancellation. After an *ex parte* proceeding is initiated, the timing of pleadings, discovery, testimony and presentation and rebuttal of the case is to be conducted according to the schedule set by the Board. While it is dangerous to vary from the schedule without obtaining appropriate extensions by stipulation or by orders from the TTAB upon timely filed motions, the TTAB has been known to be lenient in granting extensions in the interest of justice and to fully permit all parties an opportunity to be heard on all issues. Thus, while counsel should not rely on such historic leniency by the Board, counsel should also not expect that the Board will invariably impose severe sanctions (such as excluding probative evidence or entering a default

judgment) in the event an opponent misses a particular date or does not strictly adhere to the schedule.

4.18. Final Decision and Rehearing

After the last reply brief in the case or after an oral hearing, if one is held, the case is set down for final decision. A final decision remanding the application to the examining attorney or terminating the proceeding in favor of one or the other parties may be rendered. A party may file a request for rehearing within one month of the final decision and a responsive brief may be filed within 15 days of the rehearing request.

4.19. Costs

The 2009 American Intellectual Property Law Association (AIPLA) Report of the Economic Survey indicates that the average cost of a trademark opposition or cancellation proceeding has fluctuated slightly over the years from 2003 to 2009 between about US\$75,000 and about US\$80,000. This report is for an average case and our experience is that some oppositions and cancellations might be expected to escalate to costs of more than US\$100,000 as a result of multiple marks asserted or contested in a single *inter partes* action and possibly up to US\$1million in situations where there might be exceptionally large budgets allocated for important marks.

4.20. Appeal

The decision of the TTAB may be properly appealed on the closed record of the case to the Court of Appeals for the Federal Circuit (CAFC) or remedy may be by civil action in the United States District Court in which the court may hear additional evidence to “adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be cancelled, or other such matter as the issues in the proceedings require, as the facts in the case may appear.” TBMP 901.01. In the case of an appeal to the CAFC, any party may within 20 days file a notice of election to dismiss the appeal and proceed by civil action within 30 days in a U.S. Federal District Court. If the appeal is maintained, the director of the TTAB will prepare a brief in support of the decision made by the TTAB.

4.21. Standard of Review for Appeals to the Federal Court

On appeal to the CAFC or upon filing of a civil action in a US District Court, the findings of fact by the TTAB are to be given deference. The CAFC has determined that findings of fact by the TTAB are to be reviewed for substantial evidence. The substantial evidence standard of review has been described as asking whether a reasonable person might accept that the evidentiary record supports the TTAB's conclusion. This is considered a less deferential standard than a clearly erroneous, arbitrary, or capricious standard of review that might be given to an administrative agency determination under the *Administrative Procedures Act*. Conclusions of law by the TTAB are reviewed *de novo*. TBMP 906.01.

5. PROCEEDINGS BEFORE THE FEDERAL COURTS

The obligations of the United States of America (the US) under the TRIPS and NAFTA agreements are addressed in The *Trademark Act of 1946* (sometimes referred to as the *Lanham Act* or the *Act*), at common law, and the rules of procedure before the United States Federal Courts, the courts of the fifty states of the United States (State Courts), and the Trademark Trial and Appeals Board (the TTAB) of the United States Patent and Trademark Office. The Federal Courts and State Courts provide dual judicial systems that can determine various aspects of IP trademark rights, remedies and penalties or damages. While there is some overlapping jurisdiction among the courts, there is also a statutory and judicially interpreted system for establishing the U.S. Federal District Courts with original jurisdiction in most trademark disputes⁴² and also providing the federal courts with original jurisdiction in federal law questions including federal unfair competition questions joined with a substantial and related claim under the trademark laws.⁴³ Most actions involving trademark rights that are initiated by a party in state court can be removed by the defendant to the federal courts. A full review of the individual state-by-state judicial systems is beyond the scope of this presentation. The federal judicial system establishes and fulfills the requirements under NAFTA and TRIPS with respect to the trademark rights.

⁴² 28 U.S.C. 1338(a).

⁴³ 28 U.S.C. 1338(b).

5.1. Federal District Court Jurisdiction

The jurisdiction of United States Federal District Courts to hear and decide disputes regarding trademark rights under the laws of the United States of America depends upon the source of the laws underlying the rights asserted (state or federal law), the subject matter (the type of case and the value of the matter in controversy), and the citizenship of the parties involved. Federal District Courts are established in various geographic judicial districts located in each of the US states and territories, each with equivalent powers and jurisdictional authority over the same types of controversies. After federal jurisdiction is established, and if it is shown that personal jurisdiction over the parties may be proper in more than one geographic judicial district, the court may determine if the suit was brought in the appropriate district (or “venue”).⁴⁴ The court may examine factors including the connection of the controversy to the state and district in which the courts are located, whether there are other available and jurisdictionally appropriate district courts, and in some circumstances the convenience of the parties to defend a suit at that location. If a defendant can prove under standards set by statute⁴⁵ and judicial interpretations of that statute that the venue is inconvenient in the forum where the case was filed, the case may be moved to another court where the venue is convenient.

5.2. Subject Matter Jurisdiction

The Federal District Courts generally have original jurisdiction to hear and decide disputes involving laws and legal rights established by federal statutes (28 U.S.C. 1331), including trademark rights established under the *Act*. The Federal District Courts also generally have original jurisdiction to hear and decide disputes between parties having diversity of citizenship and involving a matter in controversy exceeding the value of US\$75,000, exclusive of interests and costs (28 U.S.C. 1332), even if the rights arise under the laws of a particular state. In the case of trademark rights, US jurisdiction statutes also specifically establish that the US Federal District Courts have original jurisdiction to adjudicate disputes involving federal trademark rights.⁴⁶ The U.S. Federal District Courts also have original jurisdiction over unfair competition claims that are substantially related to trademark claims.⁴⁷

⁴⁴ 28 U.S.C. 1391.

⁴⁵ 28 U.S.C. 1391.

⁴⁶ 28 U.S.C. 1338(a).

⁴⁷ 28 U.S.C. 1338(b).

5.3. Personal Jurisdiction

A U.S. Federal District Court must have personal jurisdiction over all of the parties to the lawsuit. A U.S. Federal District Court located in one state or territory has authority over parties who file an action in that court, even if those parties reside outside of the state or territory. The party who files a lawsuit is deemed to surrender to the personal jurisdiction of the court by seeking to avail themselves of the court's judicial authority. Whether the court has personal jurisdiction over a Defendant depends upon whether the Defendant is a resident of that state or whether the Defendant has substantial contacts with the state.⁴⁸

5.4. Venue

Venue is generally proper in the judicial district where all of the Defendants reside. Where more than one U.S. Federal District Court may have proper subject matter jurisdiction and personal jurisdiction, for example, where the parties sue each other in different federal districts, the U.S. Federal District Court in which a case is filed first will typically retain jurisdiction. If, however, it is shown to the satisfaction of the first court that venue is not proper because it is unfairly inconvenient to one of the parties to attend court in that location, or that the Plaintiff in the first court engaged in impermissible forum shopping, then the matter may be transferred to another U.S. Federal District Court having proper jurisdiction and in which the location is fair to the parties as determined by federal law for establishing proper venue.⁴⁹

5.5. Supplemental Jurisdiction & Removal from State Court

When there is more than one matter of controversy between parties and at least one of the matters provides a Federal District Court with proper subject matter jurisdiction, the federal court may also properly maintain jurisdiction over related subject matter between the parties that might not be within the original subject matter jurisdiction of the court.⁵⁰ For example, if a U.S. Federal District Court has proper jurisdiction over a

⁴⁸ *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

⁴⁹ 28 U.S.C. 1391.

⁵⁰ 28 U.S.C. 1337.

matter arising under the U.S. patent laws, it may also exercise pendent jurisdiction over a state law claim of state trademark infringement, unfair competition, or passing off.

5.6. Causes of Action

It might be noted that generally, the *Act* provides a basis for establishing trademark rights through registration, for providing causes of action for infringement of the registered trademarks, and also for providing causes of action based upon other codified rights that are generally addressed by common law unfair competition claims related to trademarks as well as anti-dilution, counterfeiting, and certain aspects of Internet domain name usage.⁵¹

5.6.1. Federal Registration Infringement - Lanham Act Sec. 32(1)(a) (15 U.S.C. §1114(1)(a))

“Any person who shall, without the consent of the registrant — use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive --shall be liable in a civil action by the registrant for the remedies ...” set forth in the *Act*.⁵²

Important elements of a *Lanham Act* cause of action are that a valid registration is to be asserted by the registrant and the actions of use in commerce by the Defendant of a copy or imitation of the mark that is “likely to cause confusion, or to cause mistake, or to deceive.” This phrase is often referred to as indicating a “likelihood of confusion.” Although the U.S. Court of Appeal for the Federal Circuit (CAFC) has indicated that U.S. Federal District Courts may apply the law of the circuit in which they are sitting, the CAFC has also looked specifically to the *du Pont* factors.⁵³ Generally speaking, the same factors as set forth in the *du Pont* case for finding a likelihood of confusion between a registered mark and a mark for which an application has been filed in an *inter partes* case, are also useful for finding likelihood of confusion for purposes of an infringement cause of action under the *Act*.

⁵¹ See, *The Act* §§ 32, 34, 35 and 43(a),(c) and (d); 15 U.S.C. §§ 1114, 1116, 1117, and 1125(a)(c) and (d).

⁵² *The Act* § 32 (1)(a); (15 U.S.C. §1114(1)(a)).

⁵³ *E.I. du Pont de Nemours & Co.* 476 F.2d 1357, 1361, 177 USPQ 563 (CCPA 1973).

There are variations of the listing of specific factors that courts in various circuits will consider for determining likelihood of confusion and litigants will be well advised to focus on the specific list that their regional Court of Appeals considers relevant under its precedential decisions. It should be understood, however, that to a large extent, the variations in statements of relevant factors generally seek to make the same determination: whether relevant consumers are likely to be confused as to the source of origin or sponsorship of the goods or services marketed under the similar marks. Most jurisdictions also have a “catch all” provision similar to that found as the 13th factor in the *du Pont* factors as follows: “13) Any other established fact probative of the effect of use.”⁵⁴

The civil remedies include injunctions, enforcement of seizure orders in connection with counterfeit marks⁵⁵ and the recovery of profits, damages, and costs.⁵⁶ The court may award an amount of three times the damages or profits together with reasonable attorney’s fees in the cases of willful infringement under section 32(1)(a) of the *Act*.⁵⁷

5.6.2. *Counterfeiting - Lanham Act Sec. 32(1)(b) (15 U.S.C. §1114(1)(b))*

“Any person who shall, without the consent of the registrant -- reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.”⁵⁸

⁵⁴ *In re E.I. du Pont de Nemours & Co., supra.*

⁵⁵ *The Act* § 34; 15 U.S.C. § 1116.

⁵⁶ *The Act* § 35; 15 U.S.C. § 1117.

⁵⁷ *The Act* § 35(b); 15 U.S.C. § 1117(b).

⁵⁸ *The Act* § 32(1)(b); 15 U.S.C. § 1114(1)(b).

The civil remedies of damages, including lost profits under the counterfeiting provisions of the *Act* are only available if it is shown that the Defendant knew that the counterfeit mark was intended to be used to cause confusion, mistake or to deceive. The Plaintiff may also elect to obtain instead of actual damages, statutory damages for counterfeiting of not less than US\$1000 or more than US\$200,000, per mark per type of goods. Further, if the court finds that the use of the counterfeit mark was willful, statutory damages of up to US\$2,000,000 per mark per type of goods may be awarded.⁵⁹

5.6.3. *Lanham Act Sec. 43(a) (15 U.S.C. §1125(a)) – Unfair Competition/False Advertising*

The *Trademark Act* also provides redress for a broad category of unfair competition, such as false designations of origin and false description or representation, based upon harm caused by such false or deceptive acts that may cause consumer confusion as to the source of origin or sponsorship of the goods or services. This has been interpreted by the U.S. courts to allow bringing of a suit for common law trademark infringement on the basis of likelihood of confusion, passing off of one's goods as those of another, and false and deceptive advertising.⁶⁰ The rights extend to any use of trademarks or other devices that may cause confusion with the common law trademark rights or with trademark rights obtained through registration. Thus, in addition to registration rights, the *Act* codified rights that are generally addressed by common law unfair competition claims related to trademarks as well as anti-dilution and counterfeiting causes of action.

5.6.4. *Dilution of Famous Mark Lanham Act Sec. 43(c) (15 U.S.C. §1125(c))*

"The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection."⁶¹

⁵⁹ *Id.*

⁶⁰ *The Act* § 43(a); 15 U.S.C. §1125(a).

⁶¹ *The Act* § 43(c) (1); 15 USC §1125(c)(1).

5.6.5. *Domain Names - Lanham Act Sec. 43(d)(1)(A) (15 U.S.C. §1125(d)(1)(A))*

Under Section 43(d)(1)(A) of the *Act*, the owner of a mark may seek civil remedies against a person who with a bad faith intent to profit from the mark and registers, traffics or uses a domain name that is identical or confusingly similar to the mark or dilutive of a famous mark. The factors a court may consider to determine whether the person has bad faith intent with respect to domain name registration are set forth in Section 43(d)(1)(A) (I) – (IX). Under the *Act* the court may also order forfeiture of a domain name registration found to be in violation of these provisions of the *Act*.⁶²

5.6.6. *Declaratory Judgment - 28 U.S.C. § 2201*

In the event that a party reasonably believes that another party may sue them with regard to trademark rights, for example, that a trademark owner may sue them for infringement, the threatened party may file an action in a Federal District Court for declaratory judgment to determine the relative rights of the parties. It must be a case of actual controversy and the subject matter and the parties must otherwise be within the Federal Court's jurisdiction.⁶³ There are some exceptions, for example, certain U.S. tax proceedings, certain free trade proceedings, and certain aspects of actions brought with respect to drug patents. In a declaratory judgment action, the court may declare the rights and other legal relations of any interested party seeking such declaration, and the declaration will have the force and effect of a final judgment or decree and shall be reviewable as such by a court of appeals.

5.6.7. *Federal Common Law of Unfair Competition*

The federal common law of trademark infringement and unfair competition is to a large extent codified in the *Lanham Act* Section 43(a). In addition to federal trademark infringement of registered trademark rights, the *Act* also provides causes of action for infringement of common

⁶² *The Act* § 43(d); 15 U.S. §1125(d).

⁶³ 28 USC 2201.

law trademarks (i.e., trademarks based upon use in commerce that are not registered) and also provides false advertising types of unfair competition causes of action.⁶⁴

5.6.8. *State Law of Unfair Competition*

Most states have systems of state trademark registration and trademark infringement and unfair competition statutes. Most also have a body of common law (court precedential law) directed to the tort of unfair competition. Identical rights, and state law-based rights that are totally inconsistent with federal laws, might be preempted by the federal trademark statute under the supremacy clause of the U.S. Constitution. To the extent that such state statutes and state common law are not identical to and not inconsistent with federal trademark laws regarding infringement and unfair competition rights as codified in the Lanham Act, such common law and unfair competition may be separately enforced in the courts of individual states. The torts of common law trademark infringement and state unfair competition are to a large extent codified in the *Lanham Act* Section 43(a) that provides causes of action for infringement of common law trademarks (i.e., trademarks based upon use in commerce that are not registered with the USPTO), and also provides false advertising types of unfair competition causes of action.⁶⁵

5.7. **Stages Federal Court Actions**

5.7.1. *Pleadings*

The pleadings in a federal court action include a written complaint, an answer that may include one or more counterclaims, an answer to any counterclaims that may include a cross claim (i.e., a claim against a co-party), and answer to any cross claim and, if the court orders, a reply to an answer. FRCP 7.

FRCP 7.1 requires that a parent corporation of a party must be disclosed at the first entry of a party into a case and whenever a change occurs during the proceedings. It should also be noted that while many

⁶⁴ *The Act* § 43(a); 15 U.S.C. §1125(a).

⁶⁵ *Id.*

counterclaims against an opposing party are permissible, counterclaims against an opposing party that arise out of the same transaction as the claim and do not require joining of another party over whom the court does not have jurisdiction, are compulsory and must be asserted or will be foreclosed in any future action. FRCP 13.

The general requirements for a pleading are found in FRCP 8(a): "A pleading that states a claim for relief must contain" the following: "(1) a short and plain statement of the grounds for the court's jurisdiction, unless the court already has jurisdiction and the claim needs no new jurisdictional support; (2) a short and plain statement of the claim showing that the pleader is entitled to relief; and (3) a demand for the relief sought, which may include relief in the alternative or different types of relief." FRCP 8(a):

A Defendant must be formally notified of the complaint by a summons officially issued by the court in which the complaint is filed and properly served upon the Defendant by proper service of process by the Plaintiff. The requirements for the summons and the proper service of process are set forth in FRCP 4, 4.1 and 5, which rules must be followed to insure that a Defendant is given fair notice of the complaint and an opportunity to answer and defend the allegations in the complaint.

Similar to the complaint, "in responding to a pleading a party must (A) state in short and plain terms its defenses to each claim asserted against it; and (B) admit or deny the allegations asserted against it by an opposing party." FRCP 8 (b). General denials of all matters including that the court lacks jurisdiction are permitted; however, in the event only some of the allegations are intended to be denied, the specific allegation denied and those admitted must be identified. The failure to deny has the effect of an admission.

Any avoidance or other affirmative defenses must be stated in the responsive pleading. Affirmative defenses may include accord and satisfaction; arbitration and award; assumption of risk; contributory negligence; discharge in bankruptcy; duress; estoppel; failure of consideration; fraud; illegality; injury by fellow servant; laches; license; payment release; *res judicata*; statute of frauds; statute of limitations; and

waiver. FRCP 8 (c). Alternative statements may be made even if they are inconsistent with another statement of a claim. FRCP 8 (d).

Defenses and objections may be raised to the pleading in a responsive pleading or, in some instances, in a separate motion. Defenses that may be raised by separate motion include: (1) lack of subject-matter jurisdiction; (2) lack of personal jurisdiction; (3) improper venue; (4) insufficient process; (5) insufficient service of process; (6) failure to state a claim upon which relief can be granted; and (7) failure to join a party under FRCP 19 (*i.e.*, joinder of parties required for the court to grant complete relief in a matter). FRCP 12. A motion for lack of subject matter jurisdiction is available at any time. A motion for lack of personal jurisdiction, improper venue, insufficient process, or insufficient service of process is waived if not raised in the first motion or first responsive pleading available for raising it. Failure to state a claim or failure to join a party may be raised in a pleading, in a motion, or at trial. A motion made on any of the seven defenses enumerated above should be heard and decided before trial unless the court orders deferral until after trial.

In the case of trademark related disputes, the complaint must present in a clear statement the basis of jurisdiction, a plain statement of the cause of action, with sufficient factual allegations to support the elements of trademark infringement, and the relief sought, whether monetary damages, injunctive relief (enjoin infringement, order the USPTO to grant Plaintiff's registration or to deny Defendant's registration, or both, or other relief). This will typically include a statement of the identification of the parties, the Plaintiff and the Defendant, the basis for the court's jurisdiction, a clear and plain statement of the cause of action that is sufficient to place the Defendant on notice of the cause of action, the facts relied upon to establish the elements of the cause of action, the damages claimed by the Plaintiff, and a prayer for relief that may include monetary damages and/or injunctive relief. FRCP 12 and FRCP 19.

5.7.2. *Motions, Interlocutory Orders & Relief*

A comprehensive range of motions are available for a party seeking interlocutory orders and other relief against an opposing party throughout the litigation. All parties must bear in mind, however, that FRCP 11 requires a good faith belief that any pleading or motion is presented to the

court for proper purposes, not to harass a party or delay the proceedings, and it has both a basis under the law and an evidentiary basis under the facts existing after reasonable inquiry under the circumstances.

5.7.3. *Alternate Dispute Resolution - Mediation/Arbitration*

At any time civil litigants may agree, independent of the Court, to an alternate method of dispute resolution such as settlement negotiations, mediation, arbitration, mini trials, or other methods of resolving a matter outside of the formal litigation process. In mediation, a mediator facilitates discussions between the parties, allowing each of the parties to express its position on the disputed issue so that the parties might resolve the matter by agreement between them. Some courts (for example, Florida state courts) require mediation between the parties before a matter can be placed on the court docket, other courts including several of the U.S. Federal District Courts under their own local court rules will order mediation in appropriate cases. Most of the U.S. Federal District Courts are receptive to ordering preliminary mediations upon request of the parties. Mediations may be conducted according to rules established by various Alternative Dispute Resolution (ADR) groups, and ADR associations such as the American Arbitration Association.

Mediations may also be conducted pursuant to special private guidelines that might be established by agreement between the parties. Such agreements might be entered before litigation arises (for example, in commercial contracts, dispute resolution provisions are often included, such as between licensor and licensee or between supplier and distributor). Agreements might also be entered after a dispute arises (*e.g.*, when the parties are faced with the expectation of large litigation expenses). Mediation often allows the parties to express their position, to hear the other side's position, and with some added understanding, to reach a "business" resolution without a formal decision by a court. Under special local court rules mediation can be ordered by the court in special circumstances where matters may be resolved between the parties and otherwise where justice will be served.

Arbitration is an ADR procedure by which the parties agree to submit their dispute to one or more arbitrators who are expected to hear both sides and then make a decision on the disputed issues submitted. The

arbitrator or arbitrators may be jointly selected by the parties if they can agree, or each party may select one of three arbitrators and the two party-selected arbitrators will select a third, neutral arbitrator by agreement. The decision may be binding or non-binding either by specific agreement or according to the rules of arbitration that the parties agree will apply. If the decision of the arbitrator is non-binding, the parties may nonetheless agree to the decision or either may return to court or may seek other redress. If the decision is binding then there is typically no appeal of the decision. For purposes of judicial economy and to free up the court system, most state and U.S. Federal District Courts will allow parties to go outside of the court system to conduct arbitration. Courts will lend the court's enforcement powers in cases of binding arbitration where the parties fully waive their rights to court review, court rehearing, or appeal of the arbitration decision. Normally, the court will permit this when both parties voluntarily agree to give up their respective rights to court redress by appeal or otherwise. The American Arbitration Association and other ADR groups provide services for arbitrating or mediating between parties and have established rules that are designed to facilitate the process for reaching a fair and final resolution at reduced expense to the parties. These rules may be adopted by the parties or they may be modified by agreement between the parties to fit specific needs of the case.

5.7.4. Mandatory Initial Disclosures

FRCP 7.1 requires any non-governmental corporate party, upon the first appearance or filing of any pleading, petition, motion, or request addressed to the court, to provide an initial disclosure statement identifying any parent company and any publicly held corporation owning 10 per cent or more of the party's stock.

FRCP 26 imposes upon the parties a duty of disclosure of information in initial disclosures before any formal discovery is initiated and also provides a duty of disclosure during discovery and for supplementation throughout the proceedings. The initial disclosures must include the names and phone numbers of people known to be likely to have relevant information, descriptions by category and location of all documents and stored information in the possession and control of the party that may be used to support or defend, unless it would be used solely for impeachment, computation of damages and material supporting the computations, and

insurance agreements under which an insurance business might be liable for all or part of a possible judgment.

5.7.5. Pre-Trial Conferences and Scheduling Orders

FRCP 16 authorizes the Federal District Court to order the attorneys and any unrepresented parties to appear for one or more pre-trial conferences to expedite discovery, to establish early control over management of the case, to discourage wasteful pre-trial activities, and to facilitate settlement. Unless the local court rules exempt a particular category of action from the requirement, the court must issue a scheduling order within 120 days after Defendant was served with the complaint. The scheduling order will set time limits for joining other parties, for amending the pleadings, for completing discovery and for filing motions. It may also modify timing of mandatory initial disclosures and supplementation of disclosures under FRCP 26(a) and (e), modify discovery scope, provide for disclosure of electronically stored information, provide for protective agreements regarding discovery and pretrial preparation material, and may set the dates for pre-trial conferences and trial.

5.7.6. Written Discovery

Traditional avenues for discovery of evidence are permitted including written discovery requests served upon the other party. The party served must answer proper discovery requests and must timely file proper objections to improper requests, or face waiver of objections and/or sanctions by the court for failing to respond to discovery requests. The requests are generally deemed proper if they seek information that is relevant or reasonably calculated to lead to the discovery of relevant information. Some of the traditional discovery mechanisms specifically allowed under the FRCP include written requests for admissions, depositions on written questions, written interrogatories to parties, and written requests for production of documents.

5.7.7. Deposition on Written Questions FRCP 31

FRCP 31 provides rules for taking deposition testimony by written questions of specified witnesses or designated representatives of corporate parties. This discovery mechanism is not widely used where the witness is

otherwise available for giving oral deposition testimony. The ability of the witness to carefully prepare responses with the assistance of their attorney reduces the spontaneity of the testimony. Also, the procedure does not provide for spontaneous, immediate follow-up inquiries that can be helpful in the taking of oral depositions.

5.7.8. Interrogatories FRCP 33

FRCP 33 provides for up to 25 written interrogatories including subparts seeking to discover information that is relevant or reasonably calculated to lead to the discovery of relevant information and not unduly cumulative or burdensome. FRCP 33(a) and 26(b). The interrogatories are addressed to the opposing party and are to be answered or objected to within 30 days. FRCP 33 (b). The person providing the answers must sign and the attorney making objections must sign as well. Answers may be used against the answering party to the extent permitted under the Federal Rules of Evidence (FRE). FRCP 33 (c). Instead of providing answers derived from business records, a party may answer by reference to business records to the extent that the burden of deriving the answers is the same on the requesting party as it is on the answering party. FRCP 33 (d).

5.7.9. Request for Production FRCP 34

FRCP 34 provides for discovery by written request for the production of documents, tangible things, or the entry upon land for inspection. The scope of the discovery is that permitted by FRCP 26(b) and the production (or objections) must be within 30 days. The documents and things requested must be identified with particularity by the requesting party. The properly requested documents and things must be produced in the manner in which the records are routinely kept, or by categories corresponding to the requests.

5.7.10. Request for Admissions FRCP 36

FRCP 36 provides for discovery by written request for admissions served on the opposing party. The scope of the request for admissions is that permitted by FRCP 26(b)(1) and may be directed to admissions of fact, the law applied to fact, and opinions about either or the genuineness of any document. The response and objections are due within 30 days from

service, and must specifically deny all of each request or state the portion that is admitted, and that which is denied. Request for admissions must be specific and if genuineness of a document is involved, a copy of the document in question must be attached unless it is already in the case. The number of admissions is not limited under FRCP.

It is often an effective strategy to use the discovery methods of written interrogatories and requests for production of documents, followed by discovery by oral depositions that can be effectively designed and based upon the information received by interrogatory and review of the documents produced. Requests for Admissions can be effectively and specifically directed to eliminate points of contention that have been determined by the other discovery tools.

5.7.11. Oral Discovery – Depositions FRCP 30

FRCP 30 provides for discovery by oral deposition. Depositions are to be taken before an officer under FRCP 28 authorized to administer oaths and to record the testimony given under such oath or affirmation by a witness. Important depositions are routinely videotaped. Typically depositions are scheduled to be taken by a certified court reporter and the attendance of a witness is compelled by the issuance of the deposition notice for a party, or a subpoena under FRCP 45 for a third party.

Depositions may be scheduled by agreement or may be set by Notice of Deposition served upon the deponent and all other parties within a reasonable period of time before the scheduled deposition. A subpoena *duces tecum* may also be served upon the deponent compelling the production of documents or things about which the deponent may be asked to testify or a request under FRCP 34 for the production of documents and things may be served upon a party deponent. The documents and things requested must be set forth and identified with reasonable specificity. Attorneys for all the other parties are invited to attend, to defend the witness and/or to cross-examine the deponent. Objections to form of the questions or responsiveness of the answers must generally be made during the deposition, or they are waived. Objections to the substance or admissibility of the testimony at trial may typically be made later.

Under FRCP 32 all or part of a deposition may be used against a party in a hearing or trial fairly freely for a variety of purposes.

5.7.12. Trial FRCP 38 (Jury Trial)

The right to a jury trial in the US is preserved under the Seventh Amendment to the U.S. Constitution, or as provided by a federal statute, and may be demanded by a party under FRCP 38 for any issue triable as a matter of right by jury by serving the other parties a written demand within 14 days after the last pleading directed to the issue. A trial by jury is available for trademark infringement and other causes of action under the *Act*.

5.7.13. FRCP 39 Judge or Jury Trial

When the right to a jury trial is demanded the issue must be tried by a jury unless the parties stipulate to a nonjury trial or the court on motion or on its own determines that on some or all of the issues there is no federal right to a jury trial. When no demand is made, the court in response to a motion, or on its own, may order a jury trial of an issue for which a jury trial right existed. The court may also order a jury trial for issues not triable as a matter of right to a jury as an advisory jury or with the consent of the parties so that the verdict has the same effect as if a jury trial had been a matter of right.

5.7.14. Taking Testimony FRCP 43

At trial, witness testimony must be taken in open court unless a federal statute, the FRE or the FRCP provide otherwise and for good cause and compelling circumstances the court may permit testimony in open court by contemporary transmission from a different location. The testimony should be by oath or solemn affirmation.

Conducting the Trial FRCP 38-53

The conducting of a trial is governed generally under the various rules set forth in FRCP 38-53. These rules should be considered carefully in their entirety when conducting a trial. Brief summaries of the rules governing the trial are set forth below:

- FRCP 38 provides for the right to a jury trial;

- FRCP 39 provides for trials by the court or by jury on particular issues, as an advisory jury or with the consent of the parties;
- FRCP 40 provides for scheduling by the court giving priority to certain types of actions (such as priority for criminal cases) according to federal statute;
- FRCP 41 details procedures for voluntary and involuntary dismissal of actions and counterclaims;
- FRCP 42 provides for, consolidation of common questions of law and fact and separation of issues for convenience, to avoid prejudice or to expedite or economize;
- FRCP 43 provides basic rules for taking of testimony;
- FRCP 44 outlines procedures for proving of domestic or foreign official records;
- FRCP 44.1 provides for determining foreign law when required;
- FRCP 45 establishes the requirements for subpoenas as to the content, issuance by the court, proper service in the US and in foreign countries, protection of persons subject to subpoenas, quashing of subpoenas, duties for responding and for claiming privilege as well as enforcement by contempt of court;
- FRCP 46 pertains to objecting to rulings or orders of the court;
- FRCP 47 provides for selection of jurors by voir dire examination, dismissal for good cause and a limited number of peremptory challenges;
- FRCP 48 provides the number of jurors, the requirement for a unanimous verdict by at least 6 jurors, and polling of the jurors after a verdict;
- FRCP 49 considers special and general verdicts;
- FRCP 50 discusses judgment as a matter of law, new trials, and conditional rulings;

- FRCP 51 provides the procedures and timing for requesting and giving of instructions to the jury, objections to the instructions and the steps required for preserving of claim for error;
- FRCP 52 sets procedure for findings and conclusions of law in general and for interlocutory injunctions and for a motion; and;
- FRCP 53 addresses the appointment of masters to handle matters that cannot be effectively or timely handled by the available district judge or magistrate judge.
- All of these rules for trial have been designed and are intended to provide fair and impartial treatment and handling of the civil matters in the U.S. Federal District Courts.

5.8. Judgment under FRCP 54-63

The issuance, types and effects of judgments by the federal courts are set forth in FRCP 54 through 63.

5.9. Enforcement of Judgment FRCP 64 – 71

The enforcement actions that stem from judgments by the Federal District Courts are set forth in FRCP 64-71.

5.10. Appeals Appl. Rule 4

Appeal in a civil case as a matter of right may be obtained by filing a Notice of Appeal within 30 days of entry of a final judgment or order or 60 days after entry of a judgment in cases in which the United States or its officers or agencies are parties. The record for appeal shall be the transcript of the proceedings in the district court provided under Federal Rules of Appellate Procedure (FRAP) 11 and the attorney who files the notice of appeal must within 14 days file a statement naming the parties that the attorney represents on appeal FRAP 12.

5.11. Costs

The *2009 American Intellectual Property Law Association (AIPLA) Report of the Economic Survey* indicates that the average cost of a trademark litigation

has fluctuated slightly over the years from 2003 to 2009 between about US\$150,000 and US\$200,000 through the end of discovery (discovery in US litigation is typically considered the most expensive aspect of litigation) and between about US\$255,000 and US\$300,000 through completion of the trial where the amount at risk is estimated at less than US\$1 million. As might be expected, the average estimated cost increases when the estimated amount at risk increases. The same survey indicated an estimated average cost between the years 2003 and 2009 varying from about US\$600,000 to about US\$700,000 for cases where the amount at risk is estimated between US\$1 million and US\$25 million.

6. PROCEEDINGS BEFORE THE STATE COURTS

A full review of the individual state-by-state judicial systems is deemed beyond the scope of this presentation because the federal judicial system is generally sufficient to establish and provide all the requirements under NAFTA and TRIPS.

7. BORDER PROTECTION MEASURES

In satisfaction of the obligations set forth in the NAFTA and TRIPS agreements, the United States Code of Federal Regulations (CFR) contains several provisions that allow for U.S. Customs and Border Protection (CBP), a bureau of the Department of Homeland Security, to implement proceedings for the interim custody or detention of questionable goods being imported into the United States.

The CBP, a bureau of the Department of Homeland Security, maintains a trademark recordation system for marks registered at the USPTO. Parties who register their trademarks in the USPTO on the Principal Register under the *Trademark Act* of March 3, 1881, the *Trademark Act* of February 20, 1905, or the *Trademark Act* of 1946 – but not those registered on the supplemental register – may record these marks with CBP (if the registration is current), to assist CBP in its efforts to prevent the importation of goods that infringe registered marks. 19 CFR § 133.1(a). An application to record one or more trademarks shall be in writing and shall include name and address of the trademark owner, places of manufacture of goods, name and address of authorized foreign licensees (if any), identity of any related companies that are authorized to use the

mark. 19 CFR § 133.2(a)-(d). Recordation of such marks provides assistance to CBP in preventing the importation of goods that infringe registered marks. 19 CFR § 133.1(a). Typically, the recordation database includes information and images of recorded marks so that CBP officers may actively monitor imports and thereby prevent the importation or exportation of goods bearing infringing marks. CBP officers have access to the recordation database at each of 317 ports of entry.

The first step in obtaining IPR protection by CBP is to record validly registered trademarks, such as through the Intellectual Property Rights e-Recordation (IPRR) system that has been available on-line since October 2005. The CBP uses this recordation information to actively monitor shipments and prevent the importation or exportation of infringing goods. As of the end of Fiscal Year 2007, over 21,000 trademarks and copyrights were recorded with CBP. While CBP enforces both recorded and non-recorded trademarks and copyrights, enforcement of recorded trademarks and copyrights takes precedence over those that are not recorded with CBP. Imported articles bearing a counterfeit trademark may be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the customs laws. 19 CFR § 133.21. When merchandise is seized under this section, Customs shall disclose to the trademark owner, information about the port of entry and the importer of the seized goods and may provide a specimen for use in a private infringement action. The importer will also be notified of the decision to detain articles subject to the restrictions of Sections 133.22 and 133.23, within five days of the decision that such restrictions apply. The importer may, during the 30-day period, establish that any of the (defensive) circumstances described in Section 133.22(c) or §133.23(d) are applicable. Extensions of the 30-day time period may be freely granted upon showing of good cause.

8. CRIMINAL LAWS AND PROCEDURES

The US law (18 U.S.C. § 2320) makes it a criminal offense to intentionally traffic or attempt to traffic in goods or services and knowingly use a counterfeit mark on or in connection with the goods or services. The mark that is enforced under this section must be registered on the Principal Register of the USPTO and in use. It is not required that the Defendant knew such mark was so registered. The mark that is alleged to be a

counterfeit qualifies as a “counterfeit mark” if it meets all criteria defined in the statute and outlined as follows: (1) it must be used in connection with trafficking in any goods, services labels, or packaging of any type; (2) it must be identical with, or substantially indistinguishable from, the registered mark; (3) it must be applied to goods or services for which the mark is registered, and (4) the use must be likely to cause mistake, or to deceive. A mark also qualifies as a counterfeit mark if it constitutes “a spurious designation that is identical with or substantially indistinguishable from, a designation as to which remedies of the *Lanham Act* are made available by reason of section 220506 of Title 36.” 18 U.S.C. § 2320 (e)(1)(B). Section 220506 of Title 36 applies to certain names, symbols, and designations associated with the International Olympic Committee, International Paralympics Committee, and the Pan-American Sports Organization.

For the first offense under 18 U.S.C. § 2320, an individual may be fined up to US\$2000 or imprisoned up to 10 years or both and for a second offense up to US\$5000 fine, imprisoned for up to 20 years or both. If the crime is committed by a corporation or other business entity the first offense is punishable by a fine up to US\$5000 and a second offense up to US\$15,000. The penalty of the offense may also be increased to the fine and 20 years imprisonment if the offender knowingly or recklessly causes or attempts to cause serious bodily harm by the counterfeit trafficking conduct or if the offender causes or attempts to cause death the penalty may be the fine and imprisonment for life.

In addition to the fine the counterfeit property may be confiscated and destroyed subject to the requirements for forfeiture, destruction, and restitution under 18 U.S.C. § 2323, in addition to any other similar remedies provided by law.

“All defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the *Lanham Act* shall be applicable in a prosecution under this section. In a prosecution under this section, the Defendant shall have the burden of proof, by a preponderance of the evidence, of any such affirmative defense.” 18 U.S.C. § 2320(c).

The use of marks with permission of the owner or the right to such marks does not constitute an offense under this statute 18 U.S.C. §

2320(e)(2)(1) and nothing in this section shall entitle the United States to bring a criminal cause of action under this section for the repackaging of genuine goods or services not intended to deceive or confuse. 18 U.S.C. § 2320(f).

9. DOMAIN NAMES AND ANTI-CYBER SQUATTING

The *Lanham Act* Section 43(d), 15 U.S.C. § 1125(d), codifies rights of trademark owners to initiate a civil action against cyber squatters, where the cyber squatter had a bad faith intent to profit from the registration of a domain name, and registers, traffics in, or uses a domain name that is either identical or confusingly similar to a distinctive trademark or that is identical to or confusingly similar to or dilutive of a famous mark. A good faith belief that use of the domain name was a fair use could defeat the required bad faith under the *Act*. There are a series of inquiries that are outlined in the *Act* to help the courts determine whether there was bad faith.⁶⁶ With respect to one case of famous mark cyber squatting, it has been held that “cyber squatting occurs when a person other than the trademark holder registers the domain name of a well known trademark and then attempts to profit from this by either ransoming the domain name back to the trademark holder or by using the domain name to divert business from the trademark holder to the domain name holder.”⁶⁷ The *Act* in Section 43(d)(2)(A) also allows for *in rem* relief against the domain name itself without naming the registrant. The *in rem* action for forfeiture and cancellation of a domain name registration are in addition to any other civil remedies the owner of the trademark or the famous mark may have.

⁶⁶ 15 U.S.C. § 1125(d)(1)(B); the *Act* § 43(d)(1)(B)..

⁶⁷ *DaimlerChrysler v. The Net Inc.*, 388 F.3d 201, 204 (6th Cir.2004).

CHAPTER 6

RUSSIA

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1. INTRODUCTION

The Russian Federation is a signatory to the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to the Madrid Agreement. Russia is not a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). However, Russian legislation embodies the standards for protection of trade-marks set out by international conventions and TRIPS principles.

The Part IV of the Civil Code of the Russian Federation regulates the protection of all Intellectual Property Rights, including trade-marks (the Law). Effective 1 January 2008 the various intellectual statutes were combined under the Civil Code Part IV. As a result of this consolidation a few changes were made also to the trade-mark regulations. However the central principles of trade-mark law remain the same.

The Russian Patent Office (the Patent Office) and its Patent Disputes Chamber decide disputes relating to the filing and examination of trade-mark applications, registrations, oppositions and invalidations or cancellations. The Patent Disputes Chamber also examines applications to designate a trade-mark as well-known in Russia. Civil, administrative and criminal proceedings are available in respect of infringement. Currently there are no specialized Courts dealing with intellectual property cases. Jurisdiction over infringement cases resides in the Court of General Jurisdiction or *Arbitrazh* (State Commercial) Courts.

2. OPPOSITION PROCEEDINGS BEFORE THE RUSSIAN PATENT OFFICE

2.1. Available measures before registration

Russian legislation does not provide for opposition proceedings per se. It is, however, possible to file an unofficial objection with the Examiner of a pending application. It is within the Examiner's discretion to consider an informal objection, or not. In practice, such objections are often taken into consideration and so can be used to effect. However, since trade-mark applications are not published in Russia, monitoring and searching to find out possible objectionable applications is necessary.

In order for the objection to be taken into consideration it must be filed before the examination of the pending application has been completed. The examination of a new trade-mark application takes about a year. Thus, the objection should be filed, at the latest, within 6-8 months after the filing date of the application.

The objection should be well grounded and, where the opposing party is a foreigner, must be filed using a local representative (patent attorney). A power of attorney must be filed together with the objection. As the procedure is unofficial there are no other requirements for the objection.

The majority of the objections to the pending applications are filed by the owners of prior similar trade-marks, on the basis of likely confusion. Objections based on non-distinctiveness are also filed from time to time.

2.2. Objections after registration of a trade-mark (Cancellations)

In accord with Article 1506 of the Law, a trade-mark is published in the Official Bulletin immediately after registration. Thereafter any third party may contest the registration in accord with the Articles 1512-1514 of the Law by way of a cancellation application. The procedure is an administrative one. The application is filed with the Patent Disputes Chamber. Cancellations based on absolute grounds can be filed at any time. Cancellations based on relative grounds (i.e. those which are premised on prior rights) must be filed within five years of the date of registration.

A trade-mark registration can be cancelled in whole or in part. The current procedures governing cancellations are set out in the "Rules for Filing and Examining of Cancellations" at the Chamber for Patent Disputes, as confirmed by the order of the Russian Patent Office from April 22, 2002, N 56 (the Rules), the substance of which we review below.

2.2.1. *Grounds of Opposition*

Cancellations based on the following grounds can be filed at any time after registration:

- (1) The trade-mark is contrary to the public interest or the principles of humanity and morality;
- (2) The trade-mark is non-distinctive;
- (3) The trade-mark is deceptive or capable of misleading consumers with respect of the goods / services or the manufacturer thereof;
- (4) The trade-mark consists only of state emblems, flags or other state symbols, abbreviated or full names of international inter-governmental organizations, warranty signs, hallmarks, stamps, awards, etc;
- (5) The trade-mark is identical to the name of a work of science, literature or art, character or a quotation or to a work of art or its fragment should the registration of such designation as trade-mark be sought without the consent of the author or the latter's successor and if the author's right to such work occurred before the priority date of the designation whose registration as a trade-mark is being sought;
- (6) The trade-mark is identical or confusingly similar with valuable objects of the cultural heritage of peoples of the Russian Federation or objects of world cultural or natural heritage;
- (7) The trade-mark represents or is comprised of elements which are protected by a treaty as marks identifying wines or alcoholic beverages originating from specified territories and having a special quality, reputation, or other characteristic unless the trade-mark is intended for the designation of wines or alcoholic beverages originating from that territory;

- (8) The trade-mark is a family name, first name, pseudonym, or derivative thereof, or portrait or facsimile reproduction of a well-known person sought without the consent of such person or such person's heirs;
- (9) The trade-mark is identical to or confusingly similar with a well known mark that has been registered in the Russian Federation and has an earlier priority date (regardless of the similarity of the goods or services);
- (10) The trade-mark is identical, in whole or in part, to a company name protected in the Russian Federation in respect of similar goods;

Cancellations based on the following grounds must be commenced in five years from the date of registration:

- (1) The trade-mark is identical or confusingly similar to a prior trade-mark or pending application;
- (2) The trade-mark is identical or confusingly similar (with respect to any goods) with a recognized appellation of origin.

2.3. Cancellation proceedings in the Patent Disputes Chamber

2.3.1. Initiating cancellation proceedings

The Rules do not prescribe the specific form of a cancellation action. The Rules do provide, however, that persons living outside of the Russian Federation and foreign legal entities must be represented by a local patent attorney registered before the Russian Patent Office, acting under a duly executed power of attorney. The power of attorney must be duly signed, notarized and legalized by Apostille. The power of attorney must be filed simultaneously with the cancellation application. The application must specify the grounds, evidence and arguments relied upon. It cannot be supplemented later.

2.3.2. *Filing evidence*

The Rules do not prescribe the evidence which must be filed, either as to form or content. Any evidence which could be relevant for the case can be filed. As a rule the Patent Disputes Chamber requires parties to prove the authenticity of the submitted evidence. Therefore, in the absence of the original documents, copies should be notarized. When filing, for example, copies of web sites or printed matters as evidence of the existence of the web sites and dates, the printouts must be verified by a Notary Public.

2.3.3. *Formal examination of the cancellation*

The Patent Disputes Chamber examines each cancellation application on formal grounds to ensure it complies with filing requirements, i.e. it checks that the relevant power of attorney has been filed and the official fee has been paid. According to the Rules, the formal examination must occur within one month of the filing date. If the cancellation complies with the requirements, the Patent Disputes Chamber issues a Notification confirming that the cancellation has been taken into consideration.

In the Notification the Patent Disputes Chamber informs the parties of a hearing date. A copy of the cancellation and Notification is then sent to the Registrant. The Registrant must file a response to the cancellation before the hearing date.

If the cancellation does not meet the filing requirements (typically because the power of attorney or the receipt of the payment of the official fee is missing or the power of attorney does not meet the formalities) the cancellation will be returned to the Applicant. Alternatively, the Patent Disputes Chamber may grant three months time to supplement the cancellation in this respect. A cancellation may be withdrawn at any time.

2.3.4. *Hearing*

Cancellations hearings are held before a panel of three members of the Patent Disputes Chamber. The Applicant (or his representative) and the Registrant (or his representative) are invited to make submissions. When the matter in issue is the registerability of the trade-mark on absolute grounds the Examiner (Patent Office) is usually also invited to participate in the proceedings.

The failure of any person, having the right to participate in the hearing and who has been notified of the hearing, to appear at the hearing does not prevent the hearing from proceeding. Witnesses may be asked to give evidence *viva voce*. Representative witnesses must however have a power of attorney from the party which they represent. Where *viva voce* evidence requires documentary confirmation it must be presented at the hearing. Failing that, the witness's evidence will not be taken into consideration.

Typically a cancellation case is decided following a single hearing. The Patent Disputes Chamber may, however, grant a postponement of the hearing at the request of any party. The Chamber will also adjourn the hearing in the event that new facts or circumstances come to light during the hearing. The average length of an adjournment is three to four months.

2.3.5. Decision

Cases are decided by a simple majority of members of the tribunal. The decision must be approved by the Head of the Patent Office before it comes into force. Approval is usually given within two months from the date of the hearing. A written decision is issued within a few months after the hearing date. The Head of the Patent Office may refuse to approve the decision of the Patent Disputes Chamber, if the decision does not correspond to the regulations or the decision is otherwise unlawful. In that case the matter is returned to the Patent Disputes Chamber for reconsideration. In practice this means that the Patent Disputes Chamber sets a new hearing date for consideration of the case.

2.3.6. Appeals

Once the decision has been approved it is sent to all of the parties. A decision of the Chamber can be appealed at the Commercial Court. The appeal must be filed within three months from the date of the receipt of the decision.

2.4. Timing and Costs

From filing to decision, cancellation proceedings usually take about one year. Postponements and additional hearings will lengthen the proceedings.

Each party bears their own costs. There are no cost awards. The average cost for the cancellation proceedings is between US\$3000 and US\$5000.

3. CANCELLATION ACTION BASED ON NON-USE

3.1. General provisions

The law requires use of the registered trade-mark in Russia. However, no statement of use need be filed in connection with the registration or renewal proceedings. As a result, the issue of use arises only in cancellation actions. Use must be by the owner of the mark, a registered licensee, or any other party under the control of the trade-mark owner. A trade-mark which has not been used for any three years after the registration becomes vulnerable to cancellation due to non-use.

3.2. Initiating cancellation action based on non-use

A cancellation action based on non-use may be filed by any interested party three years after the date of registration of the trade-mark on the basis that the trade-mark was not used up to the date of filing of the cancellation action. The cancellation action can be filed against the registered trade-mark in whole or in part. Cancellation proceedings for non-use are administrative in nature and are considered by the Patent Disputes Chamber. The burden of proof of the trade-mark use is on the owner of the trade-mark. The formal requirements, such a power of attorney and payment of official fees, are the same as in the cancellation proceedings generally, as described above.

3.2.1. Interest

The Applicant must have an interest in the cancellation. The interest must be proved at the time of filing. There are no specific requirements for proving interest. A pending trade-mark application alone has not been accepted as interest in cancellation proceedings. The Patent Disputes Chamber has required that the Applicant also prove a financial interest in the cancellation.

The following evidence has been accepted as proof of interest:

- (1) registrations in other countries;
- (2) existing Distribution Agreement(s) with the local distributor(s);
- (3) other Agreements in respect of the owner's activities in Russia;
- (4) advertising materials and costs for Russia;
- (5) availability of the goods in the Russian market (this must be verified by the Notary Public).

The failure to prove an interest in the cancellation action results in the rejection of the cancellation action regardless of whether the trade-mark has been used in Russia or not. The Patent Disputes Chamber examines and considers the interest aspect of the Applicant before considering the issue of use.

3.2.2. Evidence of use

To avoid the cancellation of the trade-mark due to non-use it must be shown that the trade-mark has been used by the owner, registered licensee or any third party under the control of the owner within three years after registration, or within three years preceding the filing of the cancellation action. The Patent Disputes Chamber is very strict about the evidence of use. Advertising on the Internet or press is not accepted as sufficient evidence. A foreign owner must prove that the goods marked with the registered trade-mark have been imported into and actually used in the territory of Russia.

The following evidence is typically required of foreign owners:

- (1) cargo customs declarations with the check note of the Russian customs confirming that goods marked with the trade-mark in question were allowed into the territory of the Russian Federation;
- (2) copies of supply contracts between the owner of the trade-mark and Russian companies;
- (3) copies of invoices confirming the payment under the above indicated contracts;

- (4) distribution contracts between the owner and the Russian distributor;
- (5) official letters from the Russian clients of the trade-mark owner confirming that they have cooperated with the trade-mark owner in Russia, if any.

The following materials can be submitted as additional /supplemental evidence:

- (1) advertising materials relating to the goods in Russia;
- (2) information of the value of sales and advertising expenses in Russia;
- (3) any additional agreements to prove the use of the trade-mark in Russia;
- (4) availability of the goods in the shops, etc.

3.3. Non-Use Cancellation Proceedings

Cancellation proceedings for non-use in the Patent Disputes Chamber are in principle identical to the cancellation proceedings generally. On receiving the cancellation action the Patent Disputes Chamber examines for compliance with formal requirements and sets a hearing date. The parties are notified. The evidence of use must be submitted at the hearing at the latest. A hearing can be postponed to obtain evidence of use at the request of the owner or his representative.

A failure to submit the evidence of use to the hearing results in the cancellation of the registration. The registration can be cancelled in whole or in part. The registration may not be cancelled where the owner can prove that the non-use is for reasons beyond its control. Such cases are considered on a case by case basis and no special rules exist.

3.4 Appeals

The decision of the Patent Disputes Chamber on a non-use action can be appealed to the Commercial Court within three months after receiving the decision. A notarized and legalized power of attorney must be filed with the appeal, as well as the Trade Register extract. All grounds of the appeal as well as the relevant evidence must be specified in the Notice of Appeal.

4. PROCEEDINGS BEFORE THE COURTS OF THE RUSSIAN FEDERATION

4.1. *General aspects*

The Russian court system is composed of three essentially separate and distinct courts. These are: (1) the Court of General Jurisdiction; (2) the Arbitrazh (or Commercial) Court; and (3) the Russian Federation Constitutional Court. The Court of General Jurisdiction and the Commercial Court have independent appeal structures.

If a constitutional issue arises during the course of litigation in either the Court of General Jurisdiction or the Commercial Court, that issue is referred out to the Constitutional Court, adjudicated there, and then reported back to the appropriate non-constitutional court for further proceedings in accordance with the ruling of the Constitutional Court.

In respect of cases of trade-mark infringement, civil, administrative and criminal options are available. Civil actions are initiated in the Court of General Jurisdiction when at least one party is a natural person. The Commercial Court handles cases where neither party is a natural person.

A trade-mark owner whose rights have been infringed can apply to designated authorities, including the Militia (Police) and Customs Office to commence an administrative proceeding. These agencies may initiate an administrative proceeding in the Court of General Jurisdiction or the Commercial Court, as may be appropriate.

A criminal investigation for infringement can be undertaken at the request of the owner or at the initiative of an authorized Authority. Criminal investigations are commenced when sufficient information about the violation becomes available and a monetary threshold on the amount of damages is exceeded. Where there is sufficient evidence of infringement the criminal case will be transferred to the prosecutor's office, and later filed with the relevant Court.

The owner of the trade-mark is entitled to participate in the criminal proceedings as a civil plaintiff, and to claim compensation in the form of damages. In addition, information received in the course of the criminal

investigation may be used as evidence in case a separate civil claim is brought at the Commercial Court.

4.2 Trade-mark Disputes In Court

4.2.1. *Preliminary Injunctions*

An injunction may be sought at any time during court proceedings provided that the order is sought to secure the enforcement of a future court judgment. The Code of Arbitrazh Procedure provides that preliminary injunctions can also be granted if they are necessary to avoid substantial injury to the claimant.

The Commercial Court has jurisdiction to order preliminary injunctions even before the claims are filed, in appropriate cases, if collateral (typically a deposit with the court account or a bank guarantee) is posted. This collateral serves to cover the possible losses of the Defendant. A claim is generally required to be commenced within the following 15 days, but the court can require the applicant to do so earlier. If the action is not filed within the required period the preliminary injunction will be revoked.

Preliminary injunctions may include: (1) the seizure or arrest of property or funds; (2) a prohibition on the performance of particular acts; and (3) a prohibition on the transfer of property owned by the Defendant. Different types of preliminary injunctions can be issued by the court at the same time and may include terms that are not specifically envisaged by the relevant Codes.

4.2.2. *Court Proceedings*

The burden of proof is on the Plaintiff to prove both title to the trade-mark and the fact of infringement by the Defendant. On receipt of the Claim, the Court will set a preliminary hearing date to confirm the formalities of filing, verify the parties and set a date for the substantive hearing. A suspension of the proceedings is possible if any of the parties was not notified or if any of the parties applies for and establishes a need for suspension.

Substantive adjudication takes place at a hearing in the presence of the parties involved. All persons participating in the dispute must be duly notified of the time and place of the hearing. The case is heard and decided by a single judge (in the Court of first instance) or by a panel of three judges (on appeal). The hearings are public.

4.2.3. *Evidence*

Russian Courts are very liberal in admitting and evaluating evidence. The Courts admit documentary evidence, witness statements, private investigation reports, expert reports, results of sociological and/or opinion polls, etc.

A party wishing to adduce expert evidence as to similarity between the trade-marks must apply to the Court. The Court can order an expert examination and will approve the final list of questions which the expert is to address. The expert examination is usually conducted by the experts of the Patent Office or a private patent attorney. The Court evaluates the expert's opinion in light of the other evidence.

4.2.4. *Types of Appeals*

i) From the Court of General Jurisdiction

A judgment of the Court of General Jurisdiction may be appealed to the Cassation Court. The review of a case on cassation is limited to errors of fact and law. Additional evidence may be adduced at this stage only if it was impossible to submit such evidence to the Court of first instance. The final appeal in this instance is to the Supreme Court.

ii) From the Commercial Court

Decisions of the Commercial Court can be appealed at the Commercial Court of Appeals. The Court of Appeals is able to re-examine the case in its entirety (*de novo*). The decision of the Court of Appeals can be further appealed at the Cassation Court. The next and final appeal instance is the Supreme Commercial Court.

4.2.5. Remedies

The following remedies are available in a civil action:

- (1) a permanent injunction;
- (2) compensation of losses;
- (3) payment of statutory compensation.

The owner of the trade-mark may also request that the Court order:

- (1) removal of the illegally used trade-mark;
- (2) seizure and destruction of the counterfeit goods;
- (3) publication of the Court's decision.

In criminal proceedings the following remedies may be awarded by the Court:

- (1) imprisonment;
- (2) fines;
- (3) collective labor;
- (4) compensation of damages;'
- (5) compulsory work.

4.2.6. Timing

The time required for Court proceedings may vary from several months to several years, depending on the case. The complexity of the case and hearing time required are essential factors. In a typical civil case the time required is five to seven months in the Court of first instance and two to four months in the Appeal court. Criminal actions generally take about six months. Administrative actions take about one to three months.

4.2.7. *Costs*

The costs depend on the complexity of the case as well as other factors such as the length of the hearing and the nature of the evidence required etc. Litigation costs vary between approximately US\$15,000 – US\$30,000 in the Court of first instance and US\$1000 – US\$15,000 in an appellate court.

As a rule Courts award all costs against the losing party. In practice the monetary relief awarded by the Courts does not correspond to the actual costs.

5. **BORDER MEASURES**

5.1. **Overview**

Russia is well-known for its piracy markets. Some estimate that 80 to 90 per cent of certain types of consumer goods are counterfeit. It is estimated that 40 per cent of all alcoholic beverages and 36 per cent of all groceries are counterfeits. In addition to alcoholic beverages, groceries and pharmaceuticals, typical counterfeits include sports clothing, cosmetics, shoes and, of course, DVD and CD discs. Cooperation with customs authorities is typically the most cost effective manner of preventing infringing goods from being imported and exported from the country.

5.2. **Legislation**

The Customs Code, more formally known as the “Regulation on protection of intellectual property rights by Customs Authorities” of 2004 sets up a system under which customs authorities may seize counterfeit goods where the registered trade-mark owner has filed a customs surveillance application. It is planned to amend the regulation to give the Customs Authorities the right to stop and seize suspected goods also without a valid surveillance application.

5.3. **Customs surveillance application**

A Customs surveillance application can be filed with the Russian Federal Customs Service in respect of a trade-mark, appellation of origin or

copyrights. Inventions, utility models and designs cannot be the subject of a surveillance application. Applications are valid for a maximum of five years but it can be renewed by a request filed at least two months before the expiration of the current application.

The Customs Authority is bound to consider the surveillance application within one month of its filing. Presuming that the application meets the filing requirements, it is entered into the Customs Register. Customs agents then begin to surveil the market for goods bearing the trade-mark or a similar mark. The Customs Authority publishes the applications at their website www.customs.ru.

Customs authorities have in the past detained suspect goods in the absence of a valid surveillance application where well-known trade-marks are involved. In such cases the trade-mark owner must file the surveillance application in order to continue the proceedings.

Currently over 1.500 surveillance applications based on trade-marks have been registered at the Customs Register. This amount is extremely low bearing in mind that there are over 300,000 trade-marks registered at the Trade-Mark Register of the Russian Patent Office.

5.4. Requirements for the surveillance application

The following information must be provided as part of a surveillance application:

- (1) full details of the Applicant as well as an extract from the Trade Register in English,
- (2) a power of attorney in case a representative is used,
- (3) a trade-mark registration certificate, sample of the trade-mark, information about possible licenses or assignments,
- (4) detailed information of the original goods covered by the trade-mark, namely appearance of the goods, packaging, labels, pictures etc.,
- (5) information about the authorized importers, exporters, producers, other authorized parties, information of the possible place of

manufacture of the counterfeit goods (if known), routes of the usual transportation of counterfeit goods,

(6) a written undertaking to compensate for damages.

In addition it is recommended that applicants attach to the application samples of the counterfeit goods as well as samples of genuine goods, for the purpose of comparison.

As a practical matter, an owner filing an application must have strong grounds to suspect that counterfeit goods are entering the country. In practice this means that it is necessary to submit evidence that the infringement of the owner's rights has already occurred, i.e. the counterfeit goods have already been imported into the Russian Federation.

5.5. Procedure of Customs seizure of counterfeit goods

Where a seizure is made, the Customs Authority informs the owner or his representative and suspends the release of the goods for 10 days. The Customs Authority will provide consignment data (consignor, consignee, trade-mark, kind of goods, quantity of samples arrived, other characteristics of the goods and the photos of the goods). Within 10 days (the term can be extended for 10 days) after receiving the Customs notification of the seizure the owner must apply to the Court for detention of the goods, and commence a proceeding.

5.6. Future challenges

The Customs Union between Belarus, Kazakhstan and Russia came into operation on 6 July 2010 and removed the customs borders between these three countries. The new Union offers advantages for business but also creates challenges for trade-mark owners. Belarus and Kazakhstan have different standards for Customs controls. It is expected that a unified Customs Register will be created for these countries. The conditions for the Register have not yet been specified.

5.7. PARALLEL IMPORTS

There have been recent changes in trade-mark enforcement in respect of the parallel imports. Russia explicitly adopted the principle of national exhaustion of trade-mark rights in 2002. Part IV of the Civil Code maintains that principle. Thus, products manufactured with the consent of a trade-mark owner outside Russia, if imported into Russia in the absence of the explicit authorisation of the trade-mark owner, are deemed to be infringing. However, in February 2009 the Supreme Commercial Court ruled that parallel imported goods are not counterfeit and are not subject to confiscation under the administrative procedure. As a result, civil enforcement seems to be the only option available against parallel importers and distributors.

CHAPTER 7

BRAZIL

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1. INTRODUCTION

Brazil is a signatory of the Paris Convention for the Protection of Intellectual Property¹ and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)². These agreements supplement principles articulated in the Brazilian Federal Constitution of 1988, Article 5, XXVII, XXVIII and XXIX which enshrines basic protections for the publication and re-publication of works, including the reproduction of images, and the human voice, as well as protection for inventors, trademarks, company names, and other distinctive signs.

Brazil's entry into TRIPS triggered the enactment of four measures, including the Industrial Property Law (LPI)³, which is directed to both patent and trademarks, the Cultures Law⁴, which provides for the protection of cultures, the Copyright Law⁵, which modifies, updates, and consolidates the laws on copyrights, and the Software Law⁶, which provides copyright protection for computer programs. Contentious trademark matters fall within the purview of the LPI.

2. OPPOSITION PROCEEDINGS

2.1. Overview

The procedure for both the examination of and opposition to trademark applications is set out in Articles 158 and 159 of the LPI. Trademark

¹ Enacted by Decree No. 635, August 21, 1992.

² Enacted by Decree No. 1.355 on December 30, 1994.

³ Law No. 9.279, enacted May 14, 1996.

⁴ Law No. 9.456, enacted April 25, 1997.

⁵ Law No. 9.610, enacted February 19, 1998.

⁶ Law No. 9.609, enacted February 19, 1998.

applications are made to the Brazilian Trademark Office (INPI). Once made, the application is published. An interested third party wishing to oppose the application must do so within 60 days. The opposition is filed with INPI. The opposition is also published, triggering a 60 day period within which the Applicant may file an answer. On receipt of the Applicant's reply or after the 60 day period has expired without a reply, the case is submitted to INPI for examination. The Opponent is not notified of and has no opportunity to respond to the reply submissions of the Applicant.

2.2. Substantive Review and Opposition Concurrent

It is to be noted that there is no substantive examination of the application by INPI until the opposition period has past or, if an opposition is filed, until the Applicant's reply materials are received (or the period for filing those materials has expired). Thus, substantive examination of the application by INPI occurs at the same time as INPI considers the opposition. This is very much unlike the procedure in other countries, such as Canada, where substantive examination precedes the opposition. Opposition and examination proceedings in Brazil are a "one step" administrative process. No hearing is held.

2.3. Opposition Process

The opposition document itself takes the form of a written petition that can be filed physically or electronically. The materials filed as part of the opposition typically include the particulars of the opposed mark, the argument, why the mark should be rejected and the respective legal provisions as provided in LPI. As INPI takes no action on an opposition, other than to publish it, the opponent rarely becomes engaged in a dialogue with either INPI, or the Applicant. The opposition process is not iterative. In the ordinary case, the cost of filing the opposition is approximately US\$800. INPI typically makes a decision on an opposed application within four years, due to the huge backlog that INPI currently faces.

Where an application is rejected by INPI, an appeal may be taken within 60 days after publication of the decision. The appeal is to an administrative unit within INPI itself, rather than the courts. That decision closes the Administrative procedure at INPI, but can be appealed to the courts.

If the mark is allowed to registration, the Applicant has a period of 60 days to effect payment of the registration fees (it is also possible to make payment of the registration fees within a 30 day "grace period"). Once the registration fees are paid, the registration will be granted. Thereafter, the mark may still be challenged in a nullity (PAN) proceeding to be filed at INPI, as is more fully described below.

2.4. Grounds of Opposition

The grounds of opposition are set out at Article 124 of the LPI. Article 124 encompasses both absolute and relative grounds. The following are absolutely prohibited:

- (1) coats of arms, armorial bearings, medals, flags, emblems, badges and official, public, national, foreign or international monuments as well as any designations, figures or imitations thereof;
- (2) an individual letter, number and date, isolatedly, except when sufficiently distinctive;
- (3) expressions, figures or drawings or any other sign contrary to morality and decency or which offend the honor or image of a person or which offend freedom of conscience, belief, religious, cult or ideas and feelings worthy of respect and veneration;
- (4) designations or initials of public entities or agencies, where registration is not required by the public entity or agency;
- (5) signs of generic, necessary, common, ordinary or simply descriptive nature when related to the product or service to be distinguished, or those commonly used to designate a characteristic of a product of service regarding its nature, nationality, weight, value, quality and time of production or providing of a service, except where presented in a sufficiently distinctive form;
- (6) signs or expressions used merely as a means of advertising;
- (7) colors and the names thereof, except where arranged or combined in an unusual and distinctive way;

- (8) geographical indications, or imitations of such indications likely to mislead or signs that might wrongly suggest a geographical indication;
- (9) signs inducing false indication regarding the origin, source, nature, quality or usefulness of the product or service to which the mark is applied;
- (10) reproductions or imitations of official seals normally used to guarantee a standard of any type or nature;
- (11) reproductions or imitations of signs registered as a collective or certification marks by another party, without prejudice of provisions of Article 154;
- (12) names, prizes or symbol of official or officially recognized sporting, artistic, cultural, social, political, economic or technical events or imitations likely to cause confusion, except when authorized by the competent authority or entity promoting the event;
- (13) reproductions or imitations of titles, bonds, coins or bank notes of the Union, States, Federal District, Territories, Municipalities or any country;
- (14) personal names or signatures, family names and surnames and images of third parties, except with the express consent of the title holder, heirs or successors;
- (15) widely known pseudonyms or nicknames, singular or collective artistic names, except with the consent of the owner, his heirs or his successors in title;
- (16) literary, artistic or scientific work, as well as titles protected by copyrights and likely to mislead or cause confusion, except with consent of the author or owner;
- (17) technical terms used in the industry, science and art, related to the product or service to be distinguished;

The relative grounds prohibit:

- (1) reproductions or imitations, in whole or in part, even with additions, of a mark registered by another party, to distinguish or certify a product or service which is identical, similar or related which are likely to cause confusion or association with another person's mark;
- (2) reproductions or imitations of a characteristic or differentiating element of a title of an establishment or a name of an enterprise belonging to another party, likely to mislead or cause confusion with such distinctive signs;
- (3) duplication of marks of one and the same owner for the same product or service, except where, in the case of marks of the same nature, they are presented in a sufficiently distinctive manner;
- (4) the necessary, common or usual shape of a product or packing, or also, shapes form that cannot be dissociated from a technical effect;
- (5) objects that are protected by industrial design registration owned by third parties; and
- (6) signs that imitate or reproduce, in the whole or in part, a mark which the Applicant could not fail to have knowledge of in view of his activities and of which the owner is established or domiciled on the national territory or in a country with which Brazil has an agreement or affords reciprocal treatment, if the mark is intended to distinguish a product or service that is identical, similar or related, likely to cause confusion or association with the mark of such other person.

An application may also be opposed upon the basis that it infringes upon a famous or well-known mark, the protections offered these marks are discussed more fully below.

3. CANCELLATION (ADMINISTRATIVE NULLITY) PROCEEDINGS

Whereas the opposition proceeding is the only opportunity for attacking the trademark before it matures to registration, the LPI also provides an opportunity to attack a registration after issuance, in the form of an

"administrative process of nullity" (PAN). A PAN proceeding must be filed within 180 days of the registration date. The proceeding is, as the name implies, administrative in nature. The issue, under Article 168 of the LPI, is whether the registration has been "granted contrary to the provisions of this law".

PAN proceedings may be instituted by INPI "ex officio" or by a third party. The grounds are identical to those for an opposition proceeding, as set out above. The PAN proceeding follows the same simple and straightforward format as an opposition proceeding. The application is itself filed within 180 days of the date of issue of the granting decision of the contested mark. The application itself consists of a written petition that can be filed in paper or electronically.

Once filed, the PAN is published. The owner has a period of 60 days within which to respond. As with the opposition, the process is entirely administrative in nature. No hearing is held. The process is not in any sense iterative. As in an opposition proceeding, an Applicant for an administrative declaration of nullity has no opportunity to reply to the answer filed by the trademark owner. The decision of INPI on the nullity application is final and closes the Administrative procedure at INPI but it is appealable to the courts.

PAN proceedings are typically decided within four years, again due to the huge backlog that INPI currently faces. The evidence filed is akin to that which would be filed on an opposition. The costs to the Applicant are typically in the range of US\$1200.

4. PROCEEDINGS BEFORE THE COURTS

Infringement actions are taken before the courts. An interested party may also bring a cancellation action in the courts.

4.1. Infringement Proceedings

The LPI, like corresponding legislation in most South American countries, permits trademark owners to bring infringement actions in either the civil or the criminal courts. If the action is brought in the criminal courts, it is prosecuted by way of a private criminal complaint by the owner, rather than by the state.

4.1.1. *Pleadings*

Whether criminal or civil the action is initiated by way of a petition which establishes the Plaintiff's title and sets out the facts supporting the Plaintiff's case. Plaintiffs must submit all facts, legal arguments, and supporting documentary evidence in their initial pleadings. Defendants file a responding pleading, including any basic documentary evidence. Defendants, in their replies, must address all facts and rebut the legal arguments submitted by the Plaintiffs. Documentary evidence must also be adduced by the Defendant in reply.

4.1.2. *Evidentiary Phase*

There then follows an evidentiary phase, in the context of which the Court permits the parties to produce such other evidence as the parties consider appropriate, including expert evidence both as to the fact of the infringement and the nature of and amount of damages, and the testimony of witnesses.

There is no pre-trial discovery, as there is in the United States or Canada, though orders can be obtained in the course of the evidentiary phase requiring an opposing party to produce such documents in their possession as can be justified. The requesting party specifies, in a manner as detailed as possible, the document or documents that it wants to obtain and the facts related to the dispute that will be supported by such documents. The opposing party may dispute the request. A failure to produce a document required to be produced may give rise to a negative inference. When a document is produced, the receiving party is entitled to comment upon it.

4.1.3. *Jurisdiction*

In the criminal context, jurisdiction is established in the location of the infringement or, where the location is unknown, by the domicile or residence of the Defendant. Civil actions are initiated on the same basis. State courts are competent to hear criminal and civil proceedings.

4.1.4. *Preliminary Relief*

Preliminary injunctive relief is available in both forms of actions, in order

to prevent an infringement from occurring or continuing to occur. Search and seizure orders are also available, where necessary to preserve relevant evidence. Both forms of order are available *ex parte* where it can be demonstrated that the rights of the owner are being infringed and that any delay is likely to cause irreparable harm. It is a condition of such an order that the owner provide security or equivalent assurance sufficient to protect the Defendant and to prevent abuse. Where a preliminary injunction or search and seizure order is obtained, the primary action must be filed within 30 days.

4.1.5. *Mediation*

Once a civil action is instituted, a conciliation/mediation hearing is required. That hearing is typically held after the response to the complaint has been filed.

While there is no question that a judge may, in the context of a civil proceeding, order the seizure of all of the infringing material, some have taken the view that, in the context of a criminal proceeding, seizures are limited to such material as is necessary to permit experts to reach a finding as to whether there has, or has not been infringement.

4.1.6. *Trial Phase*

Viva voce evidence by either the Plaintiff or Defendant is not uncommon during the trial phase. Expert witnesses may be called and examined, as may be individuals with knowledge of the relevant commercial facts, such as the sales volumes, reputation, and damages. Such hearings are not long by North American standards – cross-examination is limited. Few hearings take longer than one day.

4.1.7. *Damages*

Damages are assessed in accord with Article 210 of the LPI. A successful trademark owner is entitled to the most favorable of:

- (1) The benefits the injured party would have obtained if the infringement had not taken place;
- (2) The benefits received by the infringer, or;

- (3) The remuneration the infringer would have paid to the owner of the infringed rights for a license that would have permitted the lawful exploitation of the subject matter of the rights.

Punitive and exemplary damages are not available.

4.1.8. *Costs*

At the conclusion of the proceeding, an unsuccessful party can be required to pay court costs and attorney fees. Foreign Plaintiffs can be obliged to post security for these costs. In civil actions, foreign Plaintiffs are typically required to post security of between 10-20 per cent of the amount claimed or otherwise attributed to the action.

The entire process of an infringement action, from obtaining initial interlocutory relief to the rendering of a decision by the lower Court, typically takes between two and three years. Total costs to the Plaintiff typically range from US\$20,000 to US\$30,000. An appeal may be taken to the Upper State Court (Courts of Justice). An appeal automatically suspends the trial decision. The appeal is filed before the court that issued the ruling. The opposing party has 15 days to present its reply. Thereafter the appeal is referred to the competent appellate court.

4.2. **Cancellation Actions**

A cancellation action must be commenced in the courts within five years of the date of registration.⁷ The proceedings may be initiated by INPI or by a third person having a "legitimate interest".⁸ These proceedings are required to be filed in the Federal (rather than the State) courts. Cancellation proceedings can be initiated by INPI. Where INPI is not the Plaintiff, it must be named as a party.⁹

The grounds for cancellation in a judicial action are the same as those in opposition and PAN proceedings, discussed above.

Preliminary injunctions are available in the context of cancellation actions. The effect of the injunction is to suspend the registration of the

⁷ LPI, Article 174.

⁸ LPI, Article 173.

⁹ LPI, Article 175.

owner. This is necessary where the owner has threatened to or is in the course of enforcing its registration as, for example, by infringement proceedings. Preliminary injunctions of this nature are only granted, however, if it is demonstrated that the Plaintiff in the cancellation proceedings is exposed to irreparable harm.

5. PROTECTION OFFERED DIFFERENT KINDS OF MARKS

The scope of protection available depends on the nature of the trademark.

5.1. Non-Registered Marks

In distinction to prior practice, the LPI recognizes, under certain circumstances, the rights of unregistered trademark users. Specifically, Paragraph 1 of Article 129 of the LPI provides that any person who, in good faith, has used an identical or similar mark for at least six months prior to the priority date of a subsequent application to distinguish or certify identical, similar, or related products, has a *preferential right* to registration.

Thus the prior, unregistered user may oppose subsequent applications for an identical or similar mark in respect of identical or similar products or services. Because the right afforded to the prior user by Article 129 is merely preferential, rather than absolute, it is a condition of the right to oppose the later application that the prior user itself file an application for the mark, within 60 days of the opposition filing date.

An opposition filed by a prior user would, in the ordinary course, typically be supported by such evidence as was necessary to demonstrate that it was in fact using the same or similar mark in connection with the same or similar product, for at least six months prior to the subsequently filed application. Such proofs of use would include sales invoices to disclose the respective date, trademark, and product.

5.2. Well-Known Marks

Well-known marks are protected independently of their filing in Brazil, as provided for in Article 126 of the LPI, and in accord with Article 6 bis (1) of the Paris Convention. INPI may reject *ex officio* an application for

registration of a mark that wholly or partially reproduces or imitates a well-known mark.

The protection offered to well-known marks by Article 6 bis of the Paris Convention requires countries of the Union to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction or imitation, liable to create confusion, of a mark considered by the competent authority of the country of registration to be well known in that country. The protection also applies when the essential part of the mark constitutes a reproduction of any such well-known mark.

From the domestic perspective, the issue before INPI is whether or not the mark in question is well known within Brazil. Thus, an opposition being pursued under this ground would require proof of renown. Evidence dealing with the period of time in which the mark has been in use, the extent of use, and the nature of use is highly relevant. Original or notarized copies of documents and proof, such as invoices, sales reports, exemplars, and sales summaries are preferred. Affidavit and survey evidence is admissible.

5.3. Marks of Which the Applicant is Assumed to Have Knowledge

Unique among the relative and absolute grounds of opposition set out in Article 124 is the protection accorded to marks which the Applicant "could not fail to have knowledge of in view of his activities". In essence, the provision provides protection to marks which, while not well known to the public, were or ought to have been known to the Applicant in view of his or her activities.

This provision is triggered, not infrequently, in circumstances where a supplier or licensee makes application for a mark which is confusingly similar to that of its principal, or where a competitor makes an application for a confusingly similar mark. An opposition filed upon this ground would typically include evidence as to the business relationship between the parties or significant advertising and publicity of the opponent's mark, as well as proof of existing registrations abroad. It goes without saying that this proof must relate to the period prior to the filing date of the Brazilian application being opposed.

The protections of the section extend only to marks utilized in Brazil or in a country with which Brazil has an agreement to afford reciprocal treatment. As well, the protection is limited to marks intended to distinguish a product which is itself identical or similar, in respect of which the mark is applied for. As with non-registered trademarks, it is a mandatory requirement that an opponent relying upon this ground itself make application for the registration of its mark.

5.4. Famous Marks

The LPI accords special protection for famous marks, under Article 125. Marks registered in Brazil and deemed to be famous are "afforded special protection in all fields of activity". The registration procedure for famous marks is established by Resolution No. 121/05. It defines a famous mark with reference to various subjective criteria, including recognition in the marketplace, the level of quality and trust inspired in the market, the ability to attract consumers across market segments, and the ability to transcend the original association.

The owner of such a mark can request special protection from INPI incidentally, by filing an opposition procedure against a third party or, alternatively, by means of filing an administrative nullity proceeding, as is more fully set out below. Regardless of the manner in which the owner asserts fame, it will be required to prove fame, having regard to at least the following criteria.

5.4.1. The date of first use and nature of use in Brazil

It is incumbent on the owner not only to demonstrate the date of first use of the mark in Brazil, but also the nature of the commercial activities in which the mark has been used. Relevant evidence here includes official documents showing the date upon which operations began, as well as publications in magazines and newspapers to show not only the nature of use, but its scope, nationally. Copies of registrations and associated registrations ought to be filed as well.

5.4.2. Identification of the consuming public and potential consumers

The broader the consuming public, and the potential consumer public, the

more likely the mark will be determined to be famous. Relevant evidence here includes sales levels, distribution networks, and research and market studies.

5.4.3. Recognition of the mark among consumers

The number of consumers who immediately and spontaneously identified the mark with goods or services provides an important metric, as does the breadth and depth of that association. Opinion and market research studies can be very helpful.

5.4.4. Commercialization channels

In demonstrating national reputation, it is helpful to adduce evidence of the distribution and commercialization channels of the goods associated with the mark. Distribution agreements and/ or licenses can be helpful as can be, obviously, sales records.

5.4.5. Advertising and promotion

Details of advertising and promotional campaigns in respect of the mark can be very helpful in establishing fame. Historical expenditures, exemplars of advertising campaigns in print, radio, television, and the Internet are helpful proofs.

5.4.6. Economic value of the mark

It is sometimes possible to extract or derive the value of a particular mark from a company's financial statement. Failing that, it is frequently possible to obtain an appraisal of the value of the mark to the company.

5.4.7. Foreign fame

If the mark is of an international character, then the nature and extent of its use internationally becomes relevant. Recognition of fame by a foreign court is persuasive.

Because of the superior status accorded famous marks, INPI is careful to ensure a thorough examination of any claim to famous status. Where such a claim is made, it is examined by a special committee of highly

qualified examiners, including INPI's Director, as well as its Chairman. Where a mark is declared famous, the declaration is valid for a period of five years.

6. BORDER MEASURES

While no specific department or system exists to register trademarks with customs and border authorities it is possible to file representations, which stay on file with the customs authorities for an indefinite term, in order to call their attention to possible illegal importations.

If during regular surveillance conducted by the authorities, a suspicious shipment is discovered, the goods are stopped (seized) and the authorities contact the legal representative of the trademark owner. Under existing customs regulations the trademark owner has 10 days (with a possible 10 day extension) to provide information demonstrating that the goods are counterfeit.

The Plaintiff's representative is entitled to collect samples of the goods in order to attest to its authenticity. Notifications, the collection of samples, and all procedures at the Brazilian customs are made through the local legal representative of the client.

Brazilian practice is divided where the goods are determined to be counterfeit. Some customs authorities will simply seize and destroy the goods. Others require a court order. In the later case the Plaintiff must initiate an infringement proceeding.

CHAPTER 8

MEXICO

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Mexico

1. INTRODUCTION

Mexico, like most other countries, is a signatory to both the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The fundamental statutory framework is provided by the Industrial Property Law, enacted in 1991 and substantially amended in 1994 and 2005. Mexico is a registration-based, first-to-file country. There is no common law of “passing off”. However, provisions within the Intellectual Property Law provide at least some measure of equivalent protection, as set out below.

The registration authority is the *Instituto Mexicano de la Propiedad Industrial* (IMPI). IMPI conducts both formal and substantive examinations of trademark applications. Subject to what is said below, there exists no formalized opposition process. Rather, registered trademarks can be challenged, post-registration, in a cancellation proceeding. That proceeding occurs, in the first instance, before IMPI, as do infringement proceedings.

2. NO FORMAL OPPOSITION PROCEEDINGS

Trademark applications are not published by IMPI and there exists no formal mechanism for opposing a trademark application. Competitors must, in the ordinary course, rely upon IMPI’s own substantive examination of the application.

That being said, if the fact of an application comes to the attention of a competitor, an “informal” opposition may be commenced simply by addressing appropriate written argument in respect of the application to IMPI. While the Mexican Supreme Court has decided that the examiner must give due regard to the arguments raised in such an “informal” opposition, it

has also held that the absence of a formalized opposition process is not a breach of due process, given that a cancellation action can be filed after the registration of the trademark.¹

3. CANCELLATION

3.1. Introduction

A trademark applicant that finds its application blocked by an existing registration or, a third party that considers that a registration was improperly granted, may initiate a cancellation proceeding.

3.2. Grounds for Cancellation

The Industrial Property Law provides six grounds for cancellation of a trademark registration. These are as follows:

1. The registration was granted in violation of the provisions of the law, in force at the time that the registration was granted.²

Pursuant to this ground a cancellation action may be brought based on any of the grounds for refusal set out in the Industrial Property Law including, for example, that the mark is descriptive or indicative, misleading, generic, etc.

2. The mark is identical or confusingly similar to another that has been used in Mexico or abroad prior to the filing date of the application for registration and has been applied to the same or similar products or services.³

While this ground stipulates that the trademark must “have been used in Mexico or abroad prior to the filing date of the application for registration”, IMPI takes the view that it is not necessary to prove the uninterrupted use of the mark in Mexico or abroad. All that is required is use to the filing date of the contested registration, where applicable, to the claimed date of first use.

¹ 9a. Época; 2a. Sala; Semanario Judicial de la Federación (S.J.F.) y su Gaceta; XXVII, Febero de 2008; Pág. 730; 9a. Época; 2a. Sala; S.J.F. y su Gaceta; XXVII, Febero de 2008; Pág. 731, 9a. Época; 2a. Sala; S.J.F. y su Gaceta; XXVII, Febero de 2008, Pág. 732.

9a. Época; T.C.C.; S.J.F. y su Gaceta; XXV, Enero de 2007; Pág. 2265.

² Article 151 I of the Industrial Property Law.

³ Article 151 II of the Industrial Property Law.

From an international perspective, this ground is unique in that it permits the cancellation of a Mexican trademark on the basis of purely foreign use, in the absence of any proven use in Mexico.

3. The registration was granted on the basis of false information contained in the application.⁴

While this rule is of general application, and so reaches to include every statement made or information provided in a trademark application, the majority of cancellation actions based on this ground relate to the date of first use in Mexico.

4. The registration was granted in error or by mistake, having regard to the existence of an earlier registration which is identical or confusingly similar and covers the same or similar services or products.⁵

This is a particular statement of a ground upon which IMPI would ordinarily refuse the registration of the trademark. Its restatement here, as an independent ground of cancellation, is relevant primarily from a limitations perspective (to which see below).

5. The application was made by an agent, representative, user, or distributor without the express consent of the owner of a trademark registered abroad and is the same or confusingly similar.⁶

This ground is self-explanatory. It is directed primarily toward fraud being practiced by a local agent or representative. "Bad faith" is implied but not required. As is apparent, the provision is limited to specific circumstances.

6. The owner of the registration or recorded licensee has not used the trademark within three consecutive years prior to the filing date of the cancellation action.⁷

A lack of use in the three years immediately prior is intended to clear the registry of "dead-wood". As with many of the other grounds of cancellation, this will be familiar to most practitioners. While not entirely clear from the

⁴ Article 151 III of the Industrial Property Law.

⁵ Article 151 IV of the Industrial Property Law.

⁶ Article 151 V of the Industrial property Law.

⁷ Article 151 V of the Industrial property Law.

provision itself, IMPI takes the view that any use within the three previous years to the filing date of the cancellation application is sufficient.

3.3. Nature of the Cancellation Proceeding

Cancellation proceedings are filed by the petitioner with IMPI. The petitioner must be a person affected by the registration to have standing. Once the cancellation petition has been filed and admitted, IMPI will notify the Defendant of the petition and provide an opportunity to file a response. The Defendant has one month to answer a cancellation action. A copy of the Defendant's answer is provided to the Plaintiff for rebuttal purposes. The Plaintiff has three days in which to file a rebuttal.

3.4. Filing Evidence

The Petitioner's evidence must be filed with the cancellation petition. Subsequently filed evidence is not permitted. The Defendant must submit all its defense documents with its response. On the Defendant's request a 15 days extension may be granted to submit documents produced from abroad, but the evidence referenced in the Defendant's response and preferably a plain copy of the documents should be submitted with the response.⁸

3.5. Documentary Evidence

Documents submitted as evidence must be originals or certified copies, duly authenticated by an Apostille according to the Hague Convention or legalized by the nearest Mexican Consul. Affidavits are accepted but they are easily objected.

3.6. Burden of Proof

The burden of proof in cancellation proceedings is on the Applicant, except where the Applicant has requested cancellation on the basis of non-use, in which case the burden of proof is on the trademark owner.⁹

⁸ Article 198 of the Industrial Property Law.

⁹ Article 151 IV of the Industrial Property Law ?

3.7. Limitations

Cancellation proceedings taken on the basis that the registered mark was granted in violation of the law (Ground 1) or on the basis that it was obtained without the express consent of the owner (Ground 5) may be brought at any time. Cancellation proceedings taken on the ground that the registration was granted on false information (Ground 3) or in the face of a prior identical or confusingly similar mark (Ground 4) may be filed within a period of five years from the date of the publication of the registration in the Industrial Property Gazette.

Where cancellation is sought on the basis of earlier use in Mexico or abroad (Ground 2) then it must be brought within a period of three years from the date of publication of the registration. Where cancellation is sought on the grounds of lack of use (Ground 6), the application may be made at any time after three years from the date that the relevant trademark registration was issued.

3.8. Hearings and Timelines

The cancellation proceeding is entirely administrative in nature. It is conducted by paper alone. There are no oral hearings. A typical cancellation proceeding will take between 12 and 18 months and costs typically range between US\$4000 and US\$10,000.

4. INFRINGEMENT PROCEEDINGS

4.1. Administrative Proceedings Before IMPI

Infringement proceedings in Mexico are, in the first instance, initiated before IMPI. They are administrative rather than court-based in nature.

4.2. Grounds of Infringement

The Intellectual Property Law defines infringement as any of the following acts:

1. Placing products on sale or offering services with the indication that they are protected by a registered trademark when they are not;
2. Using a mark confusingly similar with another registered trademark to protect products or services identical or similar to those protected by the registered trademark;

3. Using a registered trademark or one confusingly similar thereto, without the consent of its owner as an element of a trade name or business name, where the business trades in products or services protected by the trademark;
4. Using as marks the names, signs, symbols, abbreviations or emblems which are contrary to public policy, morality, or proper practice, or which reproduce or imitate certain state or official indicia, including, for example, flags, bank notes, and public events. The use of the names or likenesses of persons is prohibited as is the use of the titles of intellectual or artistic works;
5. Using a mark previously registered or confusingly similar thereto as a trade name or business name or part of such a name by a natural person or legal entity whose activity is the production, import or marketing of goods or services identical or similar to those to which the registered mark is applied without the written consent of the owner of the mark registration or of the person empowered to give such consent.
6. Performing, in the course of industrial activities or trade, acts that confuse, mislead or deceive the public by causing it wrongly to believe or assume:
 - (a) That a relation or association exists between a given establishment and that of a third party;
 - (b) That products are manufactured according to specifications, licenses or authorizations from a third party;
 - (c) That services are rendered or products sold according to authorizations, licenses or specifications from a third party;
 - (d) That the product concerned comes from a territory, region or locality different from the true place of origin, in such a way as to mislead the public as to the geographical origin of the product;
7. Denigrating the products or services, the industrial or commercial activity or the establishment of another party. This provision does not apply to the comparison of products or services protected by the mark for the purpose of informing the public, provided that the comparison

- is not tendentious, false or exaggerated within the meaning of the Federal Consumer Protection Law;
8. Using a registered trademark without the consent of the owner thereof or without the appropriate license on goods or services identical or similar to those to which the mark is applied;
 9. Offering for sale or distributing goods identical or similar to those to which a registered trademark, is applied in the knowledge that said mark has been used on those goods without the consent of the owner thereof;
 10. Offering for sale or distributing goods to which a registered trademark is applied and which have been altered;
 11. Offering for sale or distributing goods to which a registered mark is applied after having partially or totally altered, replaced or deleted said mark;
 12. Using a combination of distinctive signs, operating elements and images which identify products or services identical or confusingly similar to others protected by the law and which, through their use, may mislead or confuse the public, by causing them to believe or assume that a link exists between the owner of the protected rights and the unauthorized user.

4.3. Nature of Proceedings Before IMPI

“Pleadings” in an infringement case are of much the same nature and are in much the same form as for a cancellation action. As with cancellation proceedings, there is no oral hearing. Infringement matters proceed primarily, if not solely, in written form. Where the Plaintiff has made *prima facie*, but not conclusive proof of a fact, and it is apparent that further evidence is in the hands of the Defendant, IMPI may order that the Defendant supply the evidence in question (as it may do, conversely, where the Defendant has made *prima facie* proof of a fact within the knowledge of the Plaintiff).

To carry out its infringement inquiry IMPI can and does order inspection of premises and/or documents that may be relevant. Minutes of

each inspection are drawn and become evidence in the proceeding. The final decision takes the form of an administrative declarative judgement indicating whether or not there is an infringement. A fine may be imposed. In the case of relapse the fines imposed may be duplicated.⁸

In 2004 the Mexican Supreme Court held that in order for an action for damages to be lodged before a civil court, one must first obtain an administrative declaration of infringement before IMPI. IMPI enjoys, as set out below, fairly broad powers in respect of allegations of infringement.

4.4. Evidence

In filing or defending its claim, each party must also file the evidence upon which it relies. That evidence may consist of any document, provided that it is duly authenticated and proven. Affidavits and depositions are not permitted. IMPI itself collects relevant evidence by conducting an inspection of goods and premises at the same time that it serves the claim on the Defendant.

4.5. Limitations

The limitation period for infringement is two years.

4.6. Costs

Infringement proceedings before IMPI typically take between 12 and 18 months. The cost to the Plaintiff is comparable to that of a cancellation action and so typically varies between US\$4000 and US\$10,000.

4.7. Provisional Relief

The Industrial Property Law gives IMPI broad powers to take provisional and preliminary measures. These are in the nature of injunctive relief and Anton Pillar Orders. For example, Articles 203 to 207 of the Intellectual Property Law permit IMPI to conduct an inspection of premises and property. Similarly, under Articles 211 and 212, the inspectors may impound, as a precautionary measure, both the infringing product and the means by which it is produced.

⁸ Article 218 of IPL.

Mexican Supreme Court case no. 31/2003-PS (March 17, 2004).

Provisional orders in the nature of injunctions must be requested by the Plaintiff. In order to obtain such an order evidence must be filed with the petition, demonstrating:

- a) ownership of the trademark,
- b) infringement or imminent infringement,
- c) the possibility of irreparable harm, or
- d) the possibility that evidence may be destroyed, hidden, lost or altered,
- e) the need for the specific measure requested.⁹

As a practical matter preliminary measures are available only where the Plaintiff's goods bear a registered trademark ("M.R" or ®).

The Plaintiff must identify the exact location of any business, warehouse, etc., where the infringing goods are to be found, or the infringing services are rendered. This is so because an order to seize infringing material is valid only for the exact location or locations identified by the Plaintiff.

A Plaintiff requesting an order for a preliminary measure must also post a bond sufficient to cover any damages that may be caused to the Defendant if the action is unsuccessful. In determining the amount of the bond IMPI considers the gravity of the infringement and the nature of the measure requested.

The Defendant has a period of ten days in which to respond to the provisional order and may, if it wishes, post a bond in an equivalent amount. Where the Defendant posts bond, the provisional order is stayed.

A Plaintiff who has obtained a preliminary measure is liable for damages if no formal complaint is filed within twenty days from the execution of the measures or if IMPI's final decision on the merits concludes that there is no infringement.¹⁰ IMPI places the bond or counter-bond at the disposal of the party that succeeds in the final decision.¹¹

⁹ Article 199-bis-1 of IPL.

¹⁰ Article 199-bis-4 of IPL.

¹¹ Article 199-bis-4 of IPL.

4.8. Final Relief Available from IMPI

IMPI has a broad range of powers by which it can require that offending goods be removed from a market. It can order the recall and withdrawal of goods from circulation. It can order the seizure of infringing products. It can enjoin the infringer or third parties from committing infringing acts. It can, as well, levy an administrative fine.

IMPI is empowered to impose a fine upon an infringer in an amount of up to 2,000 times of the official minimum daily salary payable in the Federal District. Additionally, a fine of up to 500 days salary may be imposed for each day that the infringement continues.¹² Additionally, IMPI may order temporary or final closure of the offending business. Temporary closures are for up to 90 days. Permanent closures can be ordered in the case of a repeat offender.¹³ Additionally, IMPI may order an arrest for up to 36 hours.

5. CIVIL ACTIONS

Mexican law contemplates a civil action for damages where there is trademark infringement. That action is premised, however, on a previous finding of administrative infringement by IMPI. The Intellectual Property Law sets minimum damages at 40 per cent of the retail price for each infringing product or service. Proof of causality is required as is proof of actual damage or actual loss of profits.

6. APPEALS FROM CANCELLATION OR INFRINGEMENT DECISIONS BY IMPI

There are three routes of appeal. First, one can appeal, within IMPI, to a more senior level. Such an appeal is not generally satisfactory and so rarely undertaken. More frequently, an appeal is taken to the *Tribunal Federal de Justicia Fiscal y Administrativa* (FCTAA). The FCTAA is a specialized court, originally constituted to hear and determine tax cases. As a result of amendment to the Federal Law of Administrative Procedures in 2000, the then existing Federal Tax Court received a broadened jurisdiction to hear appeals in a number of administrative matters, including intellectual property matters. That newly constituted body is the FCTAA.

¹² IPL Articles 214(1) and (2). The second or subsequent offences attract increased fines.

¹³ Article 219.

Appeals from decisions by IMPI are now heard by a specialized chamber of the FCTAA located in Mexico City. Parties are permitted to file fresh evidence and argument before the FCTAA, save and except for the cases of cancellation proceedings due to lack of use.¹⁴ Decisions of the FCTAA are, themselves, appealable to the Federal Court of Appeal and Mexican Supreme Court.

The third route of appeal is through the filing of an *Amparo*. This is a constitutional challenge directed to a Federal District Court Judge. Its purpose is to determine whether there is a breach of the fundamental constitutional rights that all decisions should be in accordance with law. *Amparo* appeals were the ordinary manner of appeal of a decision of IMPI until the advent of the FCTAA in 2000. Since that time, the number of *Amparo* claims has been substantially reduced.

Unlike the FCTAA, which can substitute its own decision from a decision made by IMPI, the result of an *Amparo* claim is simply the nullification of IMPI's decision, in which case the matter simply reverts back to IMPI for further consideration. Because the *Amparo* is in the nature of a judicial review of IMPI's decision, fresh evidence is not permitted. The decision on an *Amparo* claim can be appealed to the Federal Court of Appeal as well as the Mexican Supreme Court.

7. ANTI-COUNTERFEITING

Mexico has not, to this point, developed specific legislation directed to anti-counterfeiting. There is no program which monitors the import or export of marked goods or any method of systematic enforcement of trademark rights at Mexican borders. Customs authorities do not have seizure powers. To a very large extent, therefore, the onus for enforcing trademark rights rests entirely on the registered owners. There are plans for anti-counterfeiting reform in Mexico, but as yet these have not come to fruition.

Customs officials will act, under Articles 148 and 149 of the Customs Law in the event that they receive an Order by IMPI or the Attorney General's office. Such orders are obtained, however, only in respect of specific and identified shipments. There are fairly elaborate provisions regarding such

¹⁴ Ninth Era, Weekly Judicial Journal of the Federation, Courts of Appeals, XXIX, April 2009, page: 1925, Thesis: I.7oA.617 A, Registry 167451.

seizures in NAFTA Article 17, 18, and TRIPS Articles 51 to 53. Again, however, these procedures are invoked only in respect of specifically identified shipments.

8. CRIMINAL PROCEEDINGS

Article 223 of the Industrial Property Law criminalizes three types of behavior. First, an administrative offence under Article 213, which results in an administrative finding of infringement, becomes a criminal offence if committed on the second occasion. Secondly, falsification of a mark protected by the Intellectual Property Law is a criminal offence, if committed on a commercial scale and with intent. Third, the distribution or sale of items falsely marked is a criminal offence if committed on a commercial scale and with intent, as is knowingly providing or supplying in any form, raw or other materials intended for the production of goods which display false marks.

Criminal offences of this nature are prosecuted only in response to a complaint filed by an injured party. The complaint is made to the office of the Attorney General, in the form of a *querrela*. The investigation of the complaint is conducted entirely by the Attorney General's office. An investigation which results in charges is prosecuted by the Federal District Court and proceeds on the basis of two orders, the first being an apprehension order and the second an order which commences the trial process. Where a criminal trial results, it is conducted in a fashion much akin to that which one would see in the United States. Criminal penalties range from two to ten years imprisonment and may include US\$1000 in fines. Criminal prosecutions in Mexico are rare.

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