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IN THIS ISSUE

SCOTUS Holds Willfulness Not Required for Profits Recovery

Lucky Brand Gets Lucky Before Supreme Court

Is Help Coming to Address Trademark Fraud at the USPTO?

SCOTUS Immunizes States from Monetary Damages for Copyright Infringement

The USPTO Requires Trademark Owners to Provide Email Addresses in Filings

"Stairway to Heaven" Did Not Infringe Copyright

Do We Really Need Disclaimers in Registrations?

AROUND THE WORLD

Brexit: Take Action to Protect Your Rights in the UK

Ebooks and Copyrights in the EU

Myanmar Trademark Office

Unique Issues Related to Madrid Protocol Applications in Canada



Supreme Court Holds That Willfulness Is Not Required to Recover an Infringer's Profits



Trademark owners have finally received an answer to the long-disputed question of whether an infringer's profits can be disgorged without proof of willful infringement. On April 23, 2020, the Supreme Court held in [Romag Fasteners Inc. v. Fossil Inc.](#) that proof of willfulness is not required to recover an infringer's profits. The decision reverses the Federal Circuit's denial of Romag's \$6.8 million award of Fossil's profits after a jury found that Fossil had infringed Romag's trademarks but not willfully.

The Statute

Section 35 of the Lanham Act provides the following remedies in trademark cases:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a *willful* violation under section 1125(c) of this title, shall have been established . . . , the plaintiff shall be entitled . . . to recover (1) [the] defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

The "willful" language was added to the statute in 1999 as part of an amendment to the 1995 Federal Trademark Dilution Act.

Background

Romag is a manufacturer of magnetic snap fasteners for use as closures in wallets, handbags, and other leather goods. In 2002, Fossil and Romag entered into an agreement to use Romag fasteners in Fossil's products. This relationship continued for several years, but in 2006, the number of Romag snaps ordered by Fossil substantially decreased. In 2010, Romag discovered that certain Fossil handbags sold in the U.S. contained counterfeit snaps bearing the Romag mark. Romag filed suit for trademark and patent infringement in the U.S. District Court for the District of Connecticut against Fossil and retailers of its products. After a seven-day trial, the jury found that Fossil had acted with callous disregard to Romag's rights but did not willfully infringe Romag's trademarks. The jury also found Fossil liable for patent infringement. The jury issued an advisory award to Romag of

over \$6.7 million in Fossil's profits on a deterrence theory and approximately \$90,000 in profits on a theory of unjust enrichment. After a two-day bench trial on remedies, the court rejected the jury's advisory award of profits for trademark infringement on the ground that the jury did not find the infringement willful. The court therefore awarded Romag only a permanent injunction and a small reasonable royalty damage award for patent infringement.

Romag appealed to the Federal Circuit (which had jurisdiction because of the patent claims), and the Federal Circuit affirmed. Although the Federal Circuit itself had not previously ruled on whether willfulness is required to recover an infringer's profits, it followed the Second Circuit's precedent, which does require such a showing. Therefore, although Romag secured a win in the lawsuit, it did not recover any monetary remedy despite the court's finding that the defendants had infringed Romag's trademarks.

The Circuit Split

Before the Supreme Court's decision, the circuits were nearly evenly split on the issue of whether an infringement must be willful before an infringer's profits can be awarded as an equitable remedy. Some circuits interpreted the statute to provide that an infringer's profits cannot be obtained unless *willful* infringement is demonstrated. Others held that there is no such requirement, although these courts consider willfulness as a factor in determining whether profits should be awarded.

No Willfulness Required	Willfulness Required
Third	Federal
Fourth	First*
Fifth	Second
Sixth	Eighth
Seventh	Ninth*
Eleventh	Tenth
	D.C.

The First and Ninth Circuits required a showing of willfulness only in cases where the parties are not direct competitors.

The Decision

In a seven-page opinion authored by Justice Gorsuch in which all but Justice Sotomayor joined, the Court held that a plaintiff in a trademark infringement suit is not required to show that a defendant willfully infringed the plaintiff's trademark as a precondition to a profits award, stating that the Lanham Act had never required such a showing and asserting that the Court usually avoids "read[ing] into statutes words that aren't there."

In its briefing, Romag had argued that the case was simple and required only a review of the statute, which requires willfulness only for a violation of Section 1125(c) and not Section 1125(a) or (d). Fossil claimed the Court should focus on principles of equity and the common law before the Lanham Act and that there was a clear consensus at common law that profits were not recoverable absent willfulness. Romag countered in its reply brief that the "pre-Lanham Act law is a hot mess" and provides no reliable guidance on the issue.

The Court sided with Romag, finding that the statute was clear that willfulness is only required for violations of Section 1125(c). The Court noted that the statute “speaks often and expressly about mental states” and found that the absence of wording about willfulness in Section 1117(a) for claims of infringement and cyberpiracy was telling.

The Court rejected Fossil’s arguments that allowing profits to be awarded without a showing of willfulness would encourage “baseless” trademark lawsuits seeking windfall judgments. Finding that Fossil’s argument was one of policy, the Court noted that “the place for reconciling competing and incommensurable policy goals like these is before policymakers,” whereas the Court’s “limited role is to read and apply the law those policymakers have ordained.”

The decision emphasized that willfulness is still a “highly important” factor to be weighed in considering whether to award profits, but concluded that “acknowledging that much is a far cry from insisting on the inflexible precondition to recovery” of profits. The Court thus vacated the Federal Circuit’s decision and remanded the case to the district court for further proceedings consistent with the Court’s opinion.

Justice Alito wrote a brief concurring opinion in which Justices Breyer and Kagan joined to stress that the “relevant authorities” show that “willfulness is a highly important consideration” in determining whether to award profits “but not an absolute precondition.”

Justice Sotomayor authored a concurring opinion noting that the “weight of authority” indicates that profits were “hardly, if ever” awarded for innocent infringement and stating that to award profits in such a case would be inconsistent with “longstanding equitable principles.” Justice Sotomayor asserted that if profits were awarded for innocent or good-faith trademark infringement, such an award “would not be consonant with the ‘principles of equity’ referenced in §1117(a) and reflected in the cases the majority cites.” Justice Sotomayor therefore concurred in the judgment only.

Implications

For Romag, this decision means that the district court will take another look at whether to award the \$6.8 million in profits the jury recommended. More broadly, this decision will help trademark owners obtain monetary relief in infringement actions where they may have difficulty proving damages. The decision will also likely cut down on forum shopping since all circuits will now be required to consider profits requests, regardless of whether there is an explicit finding of willfulness, and the decision may help deter infringement because infringers may now have greater exposure to profits awards. However, it will be interesting to see over time how important courts find willfulness to be in determining the equities of whether an award of profits is appropriate.

Lucky Brand Gets Lucky Before Supreme Court on Issue of Defense Preclusion in Trademark Litigation



In a long-running series of trademark cases between Lucky Brand Dungarees and rival Marcel Fashion Group, the U.S. Supreme Court recently overturned a Second Circuit decision holding that Lucky Brand was barred by “defense preclusion” from raising a release defense it had not litigated in prior litigation between the parties.

The case involves a series of cases between the parties that began in 2001 when Marcel sued Lucky Brand for infringement of Marcel’s GET LUCKY trademark. The parties entered into a settlement agreement in 2003 pursuant to which Lucky Brand agreed not to use the phrase “Get Lucky” in its advertising or promotional materials. In exchange, Marcel released any claims it had regarding Lucky Brand’s use of its own marks that include the term “Lucky.”

In 2005, the parties were at it again. Lucky Brand sued Marcel for trademark infringement regarding certain designs and logos Marcel and its licensee were using with a new clothing line. Marcel filed two sets of counterclaims against Lucky Brand. The first alleged that Lucky Brand was in breach of the 2003 settlement agreement for continuing to use the phrase “Get Lucky” in advertising and promotional material. The second alleged that Lucky Brand was infringing Marcel’s GET LUCKY trademark through use of “Get Lucky” and the LUCKY BRAND mark together. None of the claims challenged Lucky Brand’s use of its own marks alone, independent of “Get Lucky.”

Lucky Brand moved to dismiss the counterclaims based on the release provision of the settlement agreement. The district court denied the motion without prejudice. Lucky Brand asserted release as an affirmative defense in its answer to the counterclaims, but it never again raised the defense in the case. The district court found that Lucky Brand had breached the settlement agreement by continuing to use “Get Lucky,” but a jury found in 2010 that Lucky Brand’s use of the phrase with Lucky Brand’s own marks did not infringe Marcel’s rights.

Lucky Brand did not appeal the decision, but, in 2011, the parties were in litigation again. Marcel filed suit alleging that Lucky Brand was infringing Marcel’s trademarks through use of the LUCKY BRAND mark and other LUCKY-formative marks (but not for use of “Get Lucky,” which Lucky Brand had stopped). Lucky Brand moved for summary judgment on res judicata grounds, and the district court granted the motion. The Second Circuit reversed on the basis that the infringement claims were for infringements allegedly occurring after the 2010 judgment. On remand, the

district court found that the 2003 settlement agreement barred Marcel's infringement claim because Marcel was seeking to enjoin Lucky Brand's use of marks that were subject to the release provision of the agreement.

On appeal, a different panel of the Second Circuit again reversed, but this time holding that Lucky Brand had waived its release defense by failing to pursue the defense in the 2005 litigation (something the Second Circuit labeled "defense preclusion"). The two Second Circuit decisions are at odds with one another because the first panel held that the 2011 litigation asserted new claims, while the second panel held that the 2011 litigation was a continuation of the 2005 case.

The Supreme Court granted certiorari to resolve differences between the circuits regarding when, if ever, claim preclusion applies to defenses raised in a later suit.

The Court held that Lucky Brand had not waived its release defense. Writing for a unanimous Court, Justice Sotomayor began by noting that any form of claim preclusion—whether of a claim or a defense—can apply only if the issues in two cases are the same. The Court found that the issues in the 2011 action were not the same as those in the 2005 action. The 2005 action involved challenges by Marcel only to Lucky Brand's use of the phrase "Get Lucky" (with and without companion use of Lucky Brand's own marks). The 2011 action did not involve any claim that Lucky Brand was using "Get Lucky"; rather, the case involved challenges by Marcel to Lucky Brand's use of its own LUCKY BRAND and LUCKY-formative marks.

The Court further held that claim preclusion generally does not bar claims involving new conduct, and the Court found that the conduct at issue in the 2011 action post-dates the conclusion of the 2005 action. The Court noted that the principle behind barring claim preclusion for new conduct "takes on particular force in the trademark context, where the enforceability of a mark and likelihood of confusion between marks often turns on extrinsic facts that change over time."

The Court stated in a footnote that there are valid reasons why claim preclusion may never be appropriate to bar a defense, but the Court determined that it need not decide that issue because the predicate issue for claim preclusion—identity of claims—did not exist in this case. Ironically, the Court therefore did not resolve the issue of whether and when claim preclusion can bar a defense, which was the Court's stated reason for taking the case.

The Court's decision makes good sense in light of the history of the case and the rationale behind the claim preclusion doctrine. Nevertheless, the case also shows the importance of asserting and pursuing all available defenses to avoid the possibility of claim preclusion being found to bar a defense in subsequent litigation.

Is Help Coming to Address Trademark Fraud at the USPTO?

(Plus, an Answer to the Question of Whether *eBay* Applies to Trademark Cases)



Measures to Combat Fraudulent Trademark Filings

On March 11, 2020, a bipartisan group of lawmakers introduced the Trademark Modernization Act of 2020, [H.R.6196](#) / [S.3449](#). The Act aims to combat the recent influx of trademark applications originating from China that contain fraudulent claims or evidence of “use” of the applied-for mark in commerce in the United States with the goal of achieving registration more quickly. Bill co-sponsor Representative Hank Johnson (D-GA) stated that the bill emphasizes the importance that “false and fraudulent statements made in trademark applications not serve to block legitimate market entrants—particularly small businesses—seeking trademark registrations,” and gives the U.S. Patent and Trademark Office (USPTO) “important tools to address and combat these fraudulent practices.”

The USPTO has already been working to curb these fraudulent filings. For example, it created the [Specimen Protests Email Pilot Program](#), which allows third parties to report potentially fraudulent specimens directly to the USPTO. The USPTO also implemented a rule in August 2019 requiring that all foreign applicants have designated counsel in the U.S. The fraudulent applications, however, have persisted.

The Trademark Modernization Act would implement several measures designed to grant the USPTO more power to fight fraudulent filings.

- The Act creates a new *ex parte* expungement procedure specifically aimed at fraudulent applications (whether filed by Chinese applicants or applicants from any other country). “Any person may file a petition to expunge a registration on the basis that the mark has never been used in commerce on or in connection with some or all of the goods or services [listed] in the registration.” Either a third party or the director of the USPTO may file a petition at any time after the mark has been registered for three years.
- The Act codifies the Specimen Protests Email Pilot Program by allowing third parties to submit evidence of nonuse as a basis for refusal of an application.

- The Act empowers examining attorneys to issue office actions after a third party's submission of evidence of nonuse, for which the director may implement a shortened response period (but not less than 60 days).
- The Act creates a new ex parte reexamination procedure for a third party or the director to "file a petition to reexamine a registration on the basis that the mark was not in use in commerce on or in connection with some or all of the goods or services [listed] in the registration on or before the relevant date." The petition must be filed at any time not later than five years after the date of registration of a mark registered based on a use in commerce.

Ex parte expungement and reexamination proceedings would be appealable to the Trademark Trial and Appeal Board and then to the Federal Circuit.

Finally, the Act instructs the comptroller general to conduct a study on the effectiveness of the above measures in addressing inaccurate and false claims of use in trademark applications and registrations. The study would include an assessment of the number of petitions filed for ex parte expungement or reexamination, the average time to resolution for each, the number of appeals, and the final outcomes. The results of the report and any accompanying recommendations would be submitted to Congress within three years of enactment of the Act.

Presumption of Irreparable Harm

In addition to addressing fraudulent trademark applications, the Act would also restore the rebuttable presumption of irreparable harm upon a finding of trademark infringement in the context of a motion for a permanent injunction, or upon a finding of a likelihood of success on the merits in the context of a motion for a preliminary injunction or temporary restraining order. The presumption has been called into question in trademark cases following the U.S. Supreme Court's decision in [eBay v. MercExchange](#). In *eBay*—a patent case—the Court reversed the "general rule" that a permanent injunction should presumptively issue after a finding of patent infringement. The decision has since divided the federal courts on the applicability of this ruling to the presumption of irreparable harm in trademark infringement cases. The Act seeks to settle the issue and codify the presumption by adding the following language to the Trademark Act:

A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.

The bills have yet to reach the House and Senate floors for vote. We will continue to monitor the status of the bills and report on any developments.

Shiver Me Timbers! SCOTUS Immunizes States from Monetary Damages for Copyright Infringement



Legendary pirates. Deep sea exploration. Copyright infringement. The Eleventh Amendment. [Allen v. Cooper](#) had all the trappings of what could be a memorable decision—and Justice Kagan did not disappoint. In late March, the Supreme Court unanimously held that sovereign immunity protects states from liability for copyright damages. The decision is a blow to copyright owners because a state may now make unauthorized use of copyrighted content without fear of being held liable for damages.

The case centered on the right to use images and recorded video of salvage efforts of the *Queen Anne's Revenge*, once the flagship of the notorious pirate Blackbeard, that sank off the North Carolina coast in the early eighteenth century. Frederick Allen, the owner of the production company that captured the underwater content, sued the governor of North Carolina for damages over the state's promotional use of his videos and images. Despite the existence of sovereign immunity, Congress had authorized precisely this sort of suit by a copyright owner against a state when it enacted the Copyright Remedy Clarification Act of 1990.

North Carolina argued that the 1990 statute ran afoul of a long line of Supreme Court decisions that have interpreted the Constitution's Eleventh Amendment sovereign immunity doctrine as shielding states from many kinds of lawsuits, including patent suits. Allen countered that the statute was a legitimate use of Congress's power to protect property rights under the Constitution's Fourteenth Amendment. He also argued that the Constitution vests in Congress the power to lift sovereign immunity for intellectual property by authorizing Congress to "promote the Progress of Science and useful Arts." Allen's position was overwhelmingly supported by amici, including David Nimmer (author of the treatise *Nimmer on Copyright*), the Recording Industry Association of America (RIAA), the Copyright Alliance, Oracle, and Dow Jones & Company, among others. Nevertheless, the Supreme Court cited *stare decisis* and its holding in *Florida Prepaid* as prohibiting Congress from authorizing private lawsuits for damages against states for copyright infringement.

But all is not lost. Though *Allen v. Cooper* was surely a disappointment to copyright owners, the ruling does not give states carte blanche to infringe. Rather, states can still be sued for injunctive relief and declaratory judgments. Moreover, it is possible for a state to waive its sovereign immunity, such as through a clear and express contractual waiver. Additionally, third parties working with states, such as advertising agencies or production companies, will not enjoy the protection of sovereign immunity, allowing the copyright owner the opportunity to recover monetary damages when a non-state actor is involved. Finally, the Court noted that its conclusion "need not

prevent Congress from passing a valid copyright abrogation law in the future,” and the Court even provided a basic framework for how to draft a “tailored statute [to] effectively stop States from behaving as copyright pirates” so that they may “bring digital Blackbeards to justice.” As Justice Breyer wrote in his concurrence, however, “[w]hether a future legislative effort along those lines will pass constitutional muster is anyone’s guess.”

The USPTO Requires Trademark Owners to Provide Email Addresses in Filings



As of February 15, 2020, the U.S. Patent and Trademark Office (USPTO) new rule that requires trademark applications and other pre- and post-registration filings to include an email address for the applicant/registrant. If the owner is represented by an attorney, the owner’s email address is required in addition to the attorney’s email address.

Under the new rule, trademark owners have the option of listing either their personal email address, an email address associated with either a company officer or in-house counsel, or an email address created specifically to communicate with the USPTO. Owners cannot, however, satisfy the requirement by listing an email address the owner does not have direct or regular access to.

According to the USPTO, the new rule is an attempt to ensure that trademark applicants and registrants receive electronic correspondence relating to their applications and registrations if the applicant/registrant disengages its attorney or the attorney withdraws from representation.

When the rule first took effect, the owner’s email address was viewable in the filed document in the Trademark Status and Document Retrieval (TSDR) Documents tab, but not under the TSDR Status tab. The public accessibility of the owner’s email address was perceived by many as putting trademark owners at risk of being targeted by scammers, who are already known to send trademark owners fraudulent hard copy correspondence demanding payment for unnecessary trademark services or subscriptions. Many of these fraudulent communications are alleged “notices” that state or imply that trademark rights are about to be canceled and demand payments for registration or maintenance services that are not in fact required by the USPTO or are not due for a year or more. Scammers often send their correspondence under company names that are meant to confuse trademark owners into believing the notices are legitimate, such as “Patent and Trademark Organization.”

More than 85 trademark attorneys signed an open letter to the USPTO asking it to amend the requirement or delay its implementation. In response, the USPTO recently announced it is taking steps to prevent the email addresses of trademark owners from appearing on documents viewable in the TSDR system, and the email addresses for trademark owners and applicants who are represented by counsel are now masked in TSDR documents. As before, however, the email addresses for unrepresented owners and applicants are still viewable by the public in the correspondence email address field in TSDR.

Trademark applicants and owners are encouraged to retain counsel to file and manage their applications and registrations. Regardless of representation, applicants and owners should consider creating an email address specifically for communicating with the USPTO. As has always been the case, all applicants and owners should be wary of any correspondence that purports to require payment of fees to maintain a trademark registration, whether the notice is sent via email or post. When in doubt of the legitimacy of such correspondence, trademark owners should always check with their trademark counsel.

En Banc Ninth Circuit Reinstates Jury Verdict Finding the Musical Building Blocks in “Stairway to Heaven” Did Not Infringe Copyright



The year is 1971, and Led Zeppelin just released one of its most famous songs of all time, “Stairway to Heaven.” In fact, the song’s [guitar opening](#) would become one of the most iconic chord progressions in the history of rock music. Three years earlier, a little-known band called Spirit released the song “Taurus.” Led Zeppelin and Spirit had previously crossed paths; for example, they performed at the same venues at least three times. The opening chord progression in Led Zeppelin’s crowning achievement, however, sounded similar to the [guitar progression](#) in “Taurus.” Some have labeled the similarity as “no coincidence.”

In 2014, the trustee of the estate of Spirit’s lead singer sued Led Zeppelin for copyright infringement, alleging that it was time for Led Zeppelin to “give credit where credit is due.” Led Zeppelin’s primary defense was that the chord progression—which it defined as a “descending chromatic scale”—could not be monopolized by any one artist for lack of originality. Led Zeppelin also argued that the evidence was insufficient to demonstrate that it had the amount of access necessary to succeed on a copyright infringement claim.

The case was tried to a jury in 2016. The trial judge refused to allow the jury to hear the recorded performance of "Taurus" because Skidmore owned the copyright in the sheet music but not in the recorded version of the song. The jury sided with Led Zeppelin, finding that although the band had sufficient access to "Taurus" to copy it, the shared elements at issue were insufficiently original to be protected by copyright law.

Skidmore appealed to the Ninth Circuit, alleging that the trial court erred in refusing to permit the jury to hear the recorded version of "Taurus." Skidmore also argued there were fatal deficiencies in the jury instructions. To the alarm of the music industry, the three-judge panel of the Ninth Circuit overturned the jury verdict. Although the panel agreed that the trial court should not have played the recorded version of the song because the copyright was limited to the original sheet music, the panel faulted the jury instructions for two reasons: (1) the trial court erred in failing to instruct jurors that unprotectable musical elements are protectable when selected or arranged in creative ways (which was a key theory of Skidmore's case); and (2) the originality instruction erroneously stated that copyright does not protect "chromatic scales, arpeggios or short sequences of three notes." The panel held that the absence of the first instruction could have led the jury to believe that using a descending chromatic scale in an original manner would not be eligible for protection.

Led Zeppelin petitioned the Ninth Circuit to rehear the case en banc. Led Zeppelin argued that permitting protection of unprotectable elements in songs would upset "the 'delicate balance' between protecting authors of original material and the freedom to use public domain elements." Skidmore argued that limiting a songwriter's copyright to notes on a page (the sheet music), as opposed to protecting the fuller compositions, would cause "a seismic disenfranchisement of songwriters." Apparently persuaded by the potential ramifications of the case to the music industry, the Ninth Circuit granted rehearing en banc.

Significant players in the music and legal industries weighed in with amicus briefs after the court accepted the case for en banc review. The Recording Industry Association of America filed an amicus brief in support of Led Zeppelin to argue that the Ninth Circuit's ruling "badly overprotect[s]" copyrights. The Department of Justice also put its support behind Led Zeppelin and argued that the two songs shared only "basic musical elements," and that "[p]roviding broad protection would effectively result in the protection of a musical idea, granting a monopoly on a common musical convention." Conversely, the Pullman Group, which is heavily involved in song royalty revenue, filed an amicus brief in support of Skidmore and argued, "Prohibiting plaintiffs from introducing evidence beyond the sheet music to demonstrate the breadth of their musical compositions, based on the historical policies of the Copyright Office, has the effect of robbing those plaintiffs of the full protections granted to them by the Copyright Act."

Led Zeppelin prevailed on the rehearing. The court held that the copyright to the song was limited to the sheet music because the Copyright Act had not yet been extended to sound recordings when "Taurus" was released. Accordingly, the court held that the trial court did not err in refusing to allow the jurors to hear the recorded version. The en banc court also agreed with Led Zeppelin in defining the descending chromatic scale as a "musical building block" that no one artist can monopolize: "Authors borrow from predecessors' works to create new ones, so giving exclusive rights to the first author who incorporated an idea, concept, or common element would frustrate the purpose of the copyright law and curtail the creation of new works." The court found no errors in the trial court's jury instructions.

The music industry has celebrated the decision as a victory, particularly after the Ninth Circuit's controversial 2018 decision that upheld a jury verdict that the song "Blurred Lines" by Robin Thicke and Pharrell Williams infringed the copyright in Marvin Gaye's "Got to Give It Up." Many in the industry believed that ruling was an overexpansion of copyright protection and would make it more difficult for artists to use earlier songs as inspiration.

Food for Thought—Do We Really Need Disclaimers in Registrations?



Many trademark owners spend significant time and money submitting arguments to the U.S. Patent and Trademark Office (USPTO) about whether a portion of their trademark should be subject to a "disclaimer." Is all this time and money worth it? Some other countries have determined it is not.

A trademark disclaimer is an acknowledgment by a trademark owner that it does not claim exclusive rights to a specified portion of a mark, usually words or symbols that are generic or descriptive (e.g., the term "restaurant" in the mark ACME RESTAURANTS used for restaurant services). The trademark may still be registered in its entirety, but the USPTO requires that the generic or descriptive portion be disclaimed as a part of the registration of the mark. Notably, whether to require a disclaimer is discretionary with the USPTO, and the USPTO's "disclaimers practice over the years [has been] inconsistent..." *Humboldt Wholesale Inc. v. Humboldt Nation Distribution LLC*.

The rationale for the disclaimer requirement is that generic and descriptive words or symbols are needed by other individuals and businesses to describe their goods and services. Therefore, a trademark owner should not be able to claim exclusive rights to these terms because third parties may have a competitive need to use these terms and may want to include them in their own trademarks. (Of course, the traditional trademark "fair use" doctrine protects individuals and entities from liability if they need to use a trademark in its primary descriptive sense to describe their products or services.)

There are, however, exceptions to the general rule. A "composite mark" is a trademark that contains more than one element. If the elements combine to make a unitary whole, whether literally (such as TIRE-X for tires) or figuratively (such as TIP OF THE HAT for hats), those elements are part of what is defined as a "unitary mark" and disclaimers are not required.

The USPTO makes clear in its Trademark Manual of Examining Procedure (TMEP) that “a disclaimer does not remove the disclaimed matter from the mark. The mark must still be regarded as a whole, including the disclaimed matter, in evaluating similarity to other marks.” Further, case law from the USPTO’s Trademark Trial and Appeal Board (TTAB) holds that in considering whether two marks are likely to be confused, disclaimed matter should not be ignored.

Most federal courts put little weight in the presence or absence of disclaimers in trademark registrations because the issuance of disclaimers by the USPTO is discretionary. And, even though consideration is to be given to the parties’ marks as a whole in an infringement analysis, courts generally give less weight to the descriptive portions of the plaintiff’s mark, whether those portions are disclaimed or not. Thus, the First Circuit found in *Boston Duck Tours LP v. Super Duck Tours LLC* that the mark SUPER DUCK TOURS does not infringe the mark BOSTON DUCK TOURS because “duck tours” is generic and the “Super” and “Boston” portions of the marks are not sufficiently similar to give rise to consumer confusion between the marks as a whole. Disclaimers also have no impact on a court’s consideration of rights in a common law mark. All of this then begs the question: is the presence or absence of a disclaimer necessary?

Some jurisdictions have answered this question in the negative, doing away with disclaimers altogether. For instance, the European Union (EU) did away with disclaimers for EU trademarks when it passed its trademark reform regulation, effective in March 2016, and the United Kingdom does not require disclaimers. A June 2019 decision by the Court of Justice of the European Union (CJEU) held that disclaimers could not be considered in likelihood-of-confusion decisions, which may cause the remaining EU member countries that still use disclaimers, including Sweden (which was the subject of the CJEU decision), to do away with them as well.

Disclaimers are significant in at least two federal circuits in the U.S. because the Fourth and Tenth Circuits have held that a disclaimer serves as an admission by the registrant that the disclaimed material is generic or descriptive. Because trademark owners cannot be certain of the jurisdictions where they will need to litigate to protect their marks, trademark owners should give careful consideration to an examiner’s request for a disclaimer before agreeing to it. If a trademark owner does agree to a disclaimer, and the disclaimed content is descriptive, the trademark owner should further give consideration to filing new applications for the mark once the mark as a whole has obtained secondary meaning.

AROUND THE WORLD



Brexit—Time to Take Action to Protect Your Trademark Rights in the UK

The United Kingdom's departure from the European Union, dubbed "Brexit," has been pending for nearly four years. Since British citizens voted to leave the EU in a June 23, 2016 referendum, brand owners have been faced with uncertainty about what would happen with their EU trademarks following the breakup. We finally have some clarity.

The UK officially exited the EU on January 31, 2020, upon ratification of the [Withdrawal Agreement](#) between the EU and the UK. The agreement provides for a transition period through December 31, 2020, during which EU trademark registrations (EUTMs) will remain valid in the UK. Starting January 1, 2021, the UK Intellectual Property Office (UKIPO) will automatically convert existing EUTMs into "comparable UK rights." In other words, the owner of an EUTM will automatically receive a free "cloned" UK trademark registration for the same mark and covering the same goods and services as the EUTM. The new UK registration will bear the EUTM registration number, but with the addition of the prefix "UK009."

Renewal Dates and Fees

The renewal dates for the new UK registration will be the same as the renewal dates for the EUTM. Renewal fees for the converted registrations will be the same as the renewal fees then in effect for UK registrations. If the renewal date falls on or before December 31, 2021 (the "IP completion date"), and the mark owner pays the EUTM renewal fee, both the EUTM and the new UK registration will be renewed for 10 years from that renewal date.

Opt-Out Option

The conversion process will be automatic, but brand owners can choose to opt out of the conversion starting on January 1, 2021. The UKIPO will provide a template for brand owners to use for their opt out requests, which will be available on the [UKIPO website](#). Opting out may be a good option for brand owners that do not have business operations in the UK and, consequently, do not wish to pay unnecessary trademark maintenance fees in the UK.

Conversion of Pending EUTM Applications

Notably, the automatic conversion applies only to *registered* EUTMs. Applicants with EUTM trademark applications still pending as of the IP completion date will have a nine-month grace period—or until September 30, 2021—to file a request to convert the application into a national trademark application in the UK. The UKIPO will then carry out a new examination under the national trademark law, and national application fees will be due. With the request for conversion, the applicant can secure the original application and priority dates of the EU application in the UK.

AROUND THE WORLD



Designating UK Counsel

Once a mark is registered with the UKIPO, the UKIPO sends notices to registrants of later-filed applications for marks that may be likely to cause confusion with the registrant's mark, but the UKIPO will only send those notices to UK counsel. Consequently, brand owners seeking to take advantage of the conversion process should designate UK counsel for their new UK registrations to ensure that they receive these notifications from the UKIPO. If the converted EU application was filed by counsel in the UK, no new designation should be necessary.

Pending Cancellation and Opposition Proceedings

If an EUTM is the subject of a cancellation action that is pending as of the IP completion date, the EUTM will still be cloned (resulting in a UK registration for the mark). The cancellation action will then proceed in the EU against the EUTM. If the EUTM is subsequently canceled, the cloned UK registration will be canceled as well, provided the grounds for cancellation are applicable in the UK.

If an opposition is still pending as of the IP completion date, the opposition will move forward in the EU against the EUTM, minus any UK rights asserted in the opposition. If an opposition or cancellation proceeding against an EUTM is based solely on UK rights and does not resolve on or before the IP completion date, the opposition will most likely be unsuccessful, but this issue has yet to be finalized.

Any opposition or cancellation action filed against an EUTM on or after January 1, 2021, will not affect the validity of the UK cloned registration or new application. For these actions, opponents will need to monitor UK filings for potential new oppositions if the opponent seeks to prevent registration of the mark in the UK.

WIPO

Starting January 1, 2021, World Intellectual Property Organization (WIPO) registrations designating the EU will no longer be valid in the UK. The UKIPO is working with WIPO on "options that will ensure rights holders do not lose protection in the UK for their internationally protected EU designations." We will monitor and report any relevant developments.

Action Items

1. If you wish to have your EUTMs automatically converted into UK trademark registrations, we recommend contacting EU or UK counsel **before December 31, 2020**, to ensure that you have counsel of record to receive future notices from the UKIPO.
2. If you do *not* wish to have your EUTMs automatically converted into UK trademark registrations, fill out the UKIPO's opt-out notification form, **available on January 1, 2021**.

AROUND THE WORLD

3. If you have pending EUTM applications that you would like to convert into UK trademarks, contact EU or UK counsel to ensure that the conversion request is made **before September 30, 2021**.



Ebooks and Copyrights in the EU

In a highly anticipated copyright decision, the Court of Justice of the European Union (CJEU) ruled in December 2019 that offering “secondhand ebooks” for sale qualifies as copyright infringement.

The business model of defendant Tom Kabinet, a Dutch company, was to purchase ebooks from individuals and retailers and resell them online to its “reading club.” The complaining copyright owners, including authors and publishers, argued that because anyone could join Tom Kabinet’s reading club, the company was making unauthorized communications of the secondhand ebooks to the public in violation of the owners’ exclusive “right of communication” in their works. Tom Kabinet countered that it was not this right but the “right of distribution” that applied to its actions, and that its actions were protected from violation of this right by the first sale (or “exhaustion”) doctrine.

Under the right of communication in the EU, authors of copyrighted works have the exclusive right to authorize or prohibit any communication to the public of their works by wired or wireless means, including whether to make the works available to the public in such a way that members of the public may access the works from a place and at a time of their choosing.

Critically, the doctrine of copyright exhaustion applies to the right of distribution in the EU but not the right of communication. Under the exhaustion doctrine, a copyright owner’s distribution right is exhausted after the initial authorized sale of its work (which is why hard copy books can be resold on eBay without infringing the copyright owner’s distribution right). Tom Kabinet argued that its actions were covered by the right of distribution and not the right of communication in an attempt to immunize its resale of ebooks under the exhaustion doctrine.

The CJEU held that the right of communication, not the right of distribution, covered Tom Kabinet’s practice of supplying by downloading—for permanent use—an ebook to a membership club. The CJEU concluded that reselling an ebook is a communication because the critical act is making a work available to the public. Consequently, offering a work on a publicly accessible site is a communication. Tom Kabinet argued that the fact that the ebooks were available to only its reading club necessarily meant the ebooks were not available to the public. The CJEU rejected that argument because Tom Kabinet’s members could access the site from a place and at a time individually chosen by the member and because the number of persons in the reading club was more than the requisite *de minimis* threshold. Any interested person could become a member of the reading club, and a “substantial” number of people may have access to the ebooks at any given

AROUND THE WORLD

time. The critical aspect of the right of communication, therefore, is that more than a de minimis number of members of the public have access to an ebook, regardless of whether any of them actually download an ebook from the website.

The CJEU emphasized the distinction between physical books and ebooks. It relied in part on the World Intellectual Property Office's Copyright Treaty, stating "that the EU legislature had intended that rule of exhaustion to be reserved for the distribution of tangible objects." The CJEU observed that Tom Kabinet's practice would, in fact, damage ebook copyright owners more than those of owners with copyrights to physical books. Unlike physical books, ebooks do not deteriorate with use and are perfect substitutes for the original copies of the works. The public can also access them anywhere and at any time. In the EU, therefore, ebooks cannot be resold (including merely by giving access to the books) without the authorization of the copyright owner.

The Tom Kabinet decision provides important clarification concerning copyrights in ebooks in the EU. However, the same reasoning is likely to also apply to all digital formats of copyright-protected works, including audiobooks, music, and video games. The exception is the resale of software, which has already been found to be permissible under the EU's Software Directive in the CJEU's decision in the UsedSoft case.



Myanmar Trademark Office

In January 2019, the Parliament of Myanmar passed, and the President of Myanmar signed, the Myanmar Trademark Law, which established a comprehensive trademark system for foreign and domestic owners to register their trademarks in Myanmar. The law established the Myanmar Intellectual Property Office (MIPO), to be housed in the Ministry of Commerce. The law also created the Intellectual Property Central Committee and Intellectual Property Agency, which will work together to issue and implement trademark policies in compliance with both domestic and international obligations. Myanmar joins the other nine members of the Association of Southeast Asian Nations (ASEAN) (Brunei Darussalam, Cambodia,

Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) in working to attain the goals of the ASEAN Working Group on Intellectual Property Cooperation: protecting intellectual property rights in order to stimulate creativity and innovation, spur industrial progress and trade, and promote domestic and regional economic development. Myanmar is already a World Intellectual Property Organization member state.

Importantly, the new Myanmar trademark system will be a *first-to-file system*, altering its former first-to-use system. Before the new law, Myanmar accepted declarations of trademark ownership for registration in Myanmar's Registration of Deeds, where property deeds and other instruments were recorded. To accommodate those with existing declarations, MIPO began its six-month "soft opening" period in January 2020, during which the roughly 200,000 mark owners that currently own registrations may refile for their marks and claim priority based on the original registration dates. After the six-month period expires, owners of existing registrations will likely have to file new trademark applications without the benefit of their original priority dates.

AROUND THE WORLD

MIPO will begin accepting new trademark applications in mid-to-late 2020. Myanmar will protect trademarks, service marks, collective marks, certification marks, geographical indications, well-known marks, and trade names, and will accept multiclass applications. MIPO will also require Myanmar representatives or attorneys to file applications on behalf of foreign applicants. As in other national trademark systems, MIPO will implement examination and opposition proceedings. Registrations will be valid for 10 years from the filing date and can be renewed thereafter. Marks will be eligible for cancellation after a three-year period of nonuse. Although not a signatory, Myanmar will honor the six-month priority period for marks registered in Paris Convention member states.

In addition to its prosecution system, the new Trademark Law introduces criminal penalties for trademark infringement and counterfeiting. The law has granted authority to the Myanmar judiciary to create intellectual-property-specific courts, although no concrete plans for such a system have emerged. MIPO has not yet outlined any fees for new trademark applications.



Unique Issues Related to Madrid Protocol Applications in Canada

Last year, Canada became the 104th member of the Madrid Protocol. The Madrid Protocol allows trademark applicants the option of filing a single application (and paying only one set of fees) for international registration with the World Intellectual Property Office. These applications designate individual Madrid Protocol member countries for protection. Each designated jurisdiction applies its own rules and laws to determine whether the applied-for mark may achieve registration in its country.

Unlike some other countries that are members of the Protocol, Canadian trademark law requires that if an applicant is not self-represented, the applicant's representative must be a Canadian trademark agent that resides in Canada. Because this wrinkle in Canada's trademark law is not well-known to trademark filers around the world, the Canadian Intellectual Property Office (CIPO) is issuing courtesy letters to representatives that are not Canadian trademark agents informing them of the rule and notifying them that they will not be provided notices about the application in the future. CIPO will, however, send notices to the applicant.

To ensure timely receipt by your counsel of all notices, you will need to appoint a Canadian trademark attorney. We can help arrange for that through the network of Canadian counsel we work with.

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