

# LAW À LA MODE

Special Edition – INTA 2014



**Fashion, Retail and Design Group**

## **MODERNISATION OF THE TRADEMARK SYSTEM**

Is Europe on the cusp of trademark law reform?

## **FROM RUSSIA WITH LOVE**

Brand owners face unique challenges in Russia

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New European Customs Regulations

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## Editorial

DLA Piper's Fashion, Retail and Design group is pleased to bring you this special edition of *Law à la Mode*, marking the 136th INTA Annual Meeting in Hong Kong.

Our group's lawyers have extensive experience advising the fashion and retail sectors and engaging with these industries. Those members with experience in trademark and branding law will be attending this year's INTA Annual Meeting.

In this special edition of *Law à la Mode*, we focus on a number of topical issues for brand owners. Reflecting the firm's global footprint, the contributions come from geographically diverse locations, including Hong Kong, Paris, London, Milan, the US and Russia. We hope you enjoy it, and we look forward to having the opportunity to meet with you during the conference and getting your feedback on how these issues affect you and your business. Feel free to contact us at [fashion@dlapiper.com](mailto:fashion@dlapiper.com).



**Ruth Hoy** and **Giangiaco Olivi**

Co-Chairs of the DLA Piper Fashion, Retail and Design group



# MODERNISATION OF THE TRADEMARK SYSTEM IN EUROPE

by Karine Disdier-Mikus (Paris)

In March 2013, the European Commission published its proposals for an in-depth reform of the European trademark system. The main purpose was to modernise the three texts regulating trademark law in Europe, namely the 1989 Directive (2008/95/EC) approximating the laws of the Member States relating to trademarks, the 1994 Regulation (207/2009/EC) on the Community Trademark and the 1995 Commission Regulation (2869/95) on the fees payable to the Office for Harmonization in the Internal Market (OHIM). However, an additional purpose was also to push forward the harmonization efforts in all EU Member States to provide businesses, especially small and medium enterprises (SMEs), cheaper, quicker and more efficient access to trademark registration systems all over the EU, and better protection against counterfeits.

The recast of the Directive and the revision of the 1994 Regulation and the 1995 Commission Regulation is not only an excellent opportunity to amend outdated provisions, remove ambiguities, and clarify trademark rights in terms of their scope and limitations, but also to incorporate the principles developed by the Court of Justice in the major decisions issued in the past few years. For instance, proposals have been added to provide: that the description of goods and services must be clearly and precisely identified in the application (*IP Translators*, C-307/10); that a trademark owner is entitled to prohibit use of his trademark as a trade or

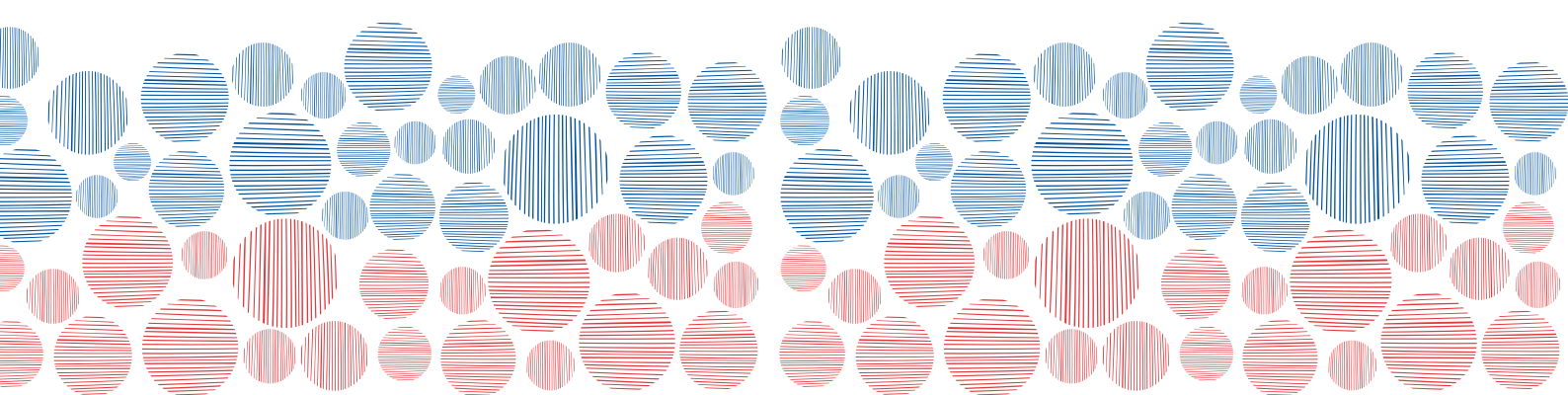
company name (*Céline*, C-17/06); that use of a trademark in a form differing in elements that do not alter the distinctive character of the mark in the form in which it was registered constitute genuine use, regardless of whether or not the trademark in the form as used is also registered in the name of the proprietor (*Rintisch*, C-553/11), etc.

Trademarks with market reputation shall also benefit from an enhanced protection and bad faith shall become part of the absolute grounds for invalidity or refusal.

In reaction to the decision of the Court of Justice in the case *Nokia/Phillips* (C-446/09 and C-495/09) and in response to the concerns raised by trademark professionals and organizations in Europe, the European Parliament also adopted in February the Gallo-Rapkey amendment, allowing the European Customs to control and stop counterfeit goods in transit through the EU but destined for sale outside the EU (see page 6).

Incidentally, as a consequence of the Lisbon Treaty coming in to force, the Community Trademark Courts and the OHIM will also be renamed to become the European Trademark Courts and the European Union Trade Marks and Designs Agency.

Discussion continues in view of its possible adoption by the European Council in the next few months. We will keep you informed of these developments as they arise.



# FROM RUSSIA WITH LOVE

## BRAND OWNERS FACE UNIQUE CHALLENGES IN RUSSIA

Leon Medzhibovsky (DLA Piper, New York) sat down with Michael Malloy and Pavel Arievidh (both DLA Piper, Moscow) to discuss key challenges for brand owners doing business in the Russian Federation.

### **LM: What is the most critical issue for brand owners doing business in Russia?**

*PA:* In Russia, rights stem from registration, not use. For brand owners, it's critical to register.

*MM:* No amount of use will grant a brand owner trademark rights, except in cases of exceptionally famous "household name" brands. You can use a mark for 100 years, and not obtain rights. Because Russia is "first to file" pirates can file for your own brand. A doctrine of good faith registration is developing, to allow legitimate brand owners to oppose these applications, but this doesn't confer trademark rights; it's only defensive.

*PA:* Rospatent (Federal Service for Intellectual Property of Russia) may itself discover a bad faith application when internet searches reveal a true brand owner; but the brand owners should be vigilant. The number one takeaway is to register your marks.

### **LM: Let's talk about licensing trademarks in Russia. Are there any notable or unique issues under Russian law that parties to a trademark license should be aware of?**

*MM:* In Russia you cannot license a mark that's not registered.

*PA:* And you have to register the license itself with Rospatent, which is different from most jurisdictions.

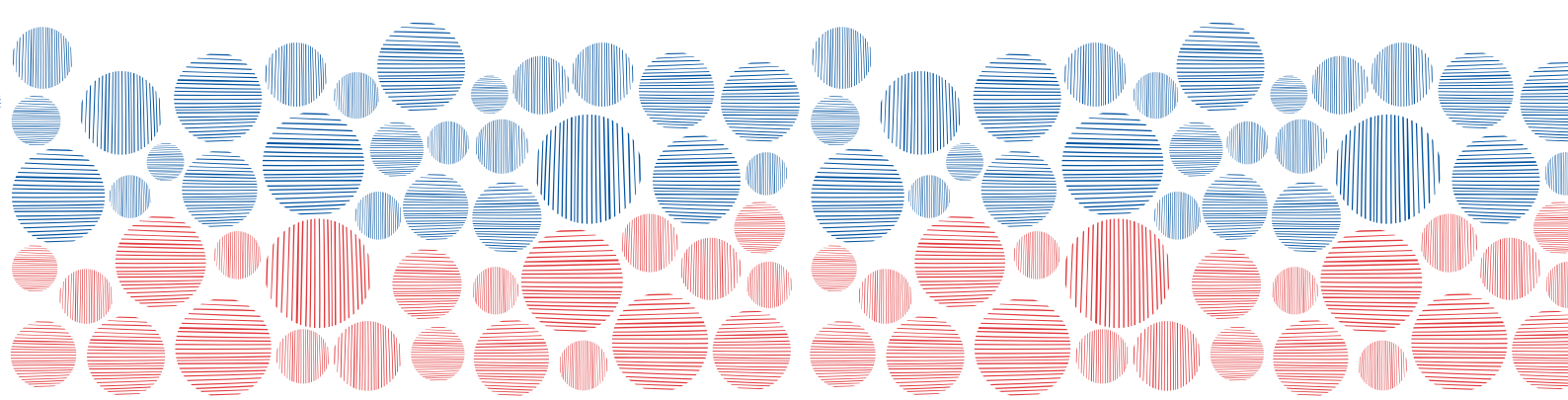
*MM:* The two biggest "tripwire" scenarios we see are: a brand owner has no trademark registration in Russia, or the brand owner has registrations in Russia but tries to license indirectly, through an affiliate. In Russia, there must be a direct chain of title for an effective license. In the first instance (no registration), it takes about 18 months to obtain trademark registration. In the second, a direct chain of title must be created with "middleman" licenses, and registering these takes about two months. Both scenarios may affect deal timing.

### **LM: How does the "Customs Union" between Russia, Belarus and Kazakhstan affect licensing?**

*MM:* There are no customs barriers between these countries, so there is free flow of product even though a Russian-territory license won't extend to the other two countries.

*PA:* Contractually, you can have the licensee undertake to use best efforts not to commercialize the product in the other common market countries. If they distribute outside of the territory, it would breach the agreement.

*MM:* In practice, most distributors don't contravene their agreements. The biggest risk to brand owners is from counterfeits or parallel imports entering Russia through Belarus or Kazakhstan.



**LM: What remedies are available to IP owners when it comes to enforcing IP rights in Russia? Do you find that the Russian legal system offers sufficient remedies and means for enforcement of IP rights against infringers and counterfeiters?**

*PA:* The law provides for a variety of potential remedies, including stopping the infringement, destroying infringing products and the equipment and facilities used to create such products (usually counterfeits), stopping suspicious shipments at customs, and damages.

*MM:* We have worked with clients to obtain complete victories – not only stopping the infringement but also collecting damages and seeing the infringers off to prison. But in most cases, the best a rights holder can usually hope for is to simply stop the infringing activities.

*PA:* In Russia, of all of the intellectual property rights, trademark rights tend to be the easiest to enforce. Russian courts have proven willing to enforce trademark rights.

*MM:* The difference is that Russian courts are extremely formalistic. Evidence must be documented in a manner that is not typically required in other jurisdictions. Documentary evidence is considered much more probative than witness testimony.

**LM: My recent experience working with clients on Russia-focused IP transactions is that now, a significant part of the deal is providing assistance with U.S. Office of Foreign Asset Control (OFAC) compliance, as well as compliance with similar sanctions lists issued by the EU and UK. Have you had similar experiences?**

*PA:* Yes, we regularly assist clients with complying with OFAC, HM Treasury and European Union sanctions lists, in coordination with our regulatory and compliance colleagues in the US, UK and other countries.

*MM:* As previously mentioned, “who you’re doing business with” is not always readily apparent. A big part of such compliance reviews is conducting a proper investigation to identify all the parties that may have an interest in the transaction.

# DETAINING COUNTERFEIT GOODS

## NEW EUROPEAN CUSTOMS REGULATIONS

by Siân Croxon (London)

In January this year the new Customs Regulations (608/2013) came into force giving customs authorities extended powers to detain counterfeit goods at the borders of the EU. Whilst not changing the substantive law, which will hopefully be covered by the proposed new Community Trade Mark Regulations and Directive, it does offer improved procedural rules that should aid efficient enforcement of intellectual property rights.

Of particular interest is the issue of goods in transit through the EU and the powers now granted to customs to stop them. Previously customs officers had limited ability to take action if a consignment was not released onto the market but was, or was claimed to be, destined for a non-EU country where the rights holder possibly had no registered protection. There is now some helpful wording in the Regulations, such as Recital 15, which uses “reasonable indication” instead of “having sufficient reason to believe” that goods infringe intellectual property rights as the basis on which customs officials can suspend the release of or detain the goods. This means that customs officers can take into account inadequate or false transport documentation that arouse their suspicion that goods may be counterfeit and destined for a country within the EU.

Where the importer or consignee of the goods challenges a seizure and there is *prima facie* evidence in the supporting documentation that goods are not destined for an EU country, the burden of proof will shift onto them to convince the court that the goods should be released. Bearing in mind how difficult it is for the brand owner to prove a negative, this procedural change will greatly assist those trying to ensure counterfeit goods do not get released onto the market.

It should make it harder for those trading in counterfeit goods to manipulate the system to avoid detention and lead to the destruction of goods if they get stopped. It is also anticipated that when a seizure is made the importer/consignee will be less likely to challenge the detention as they will know they are unlikely to be able to convince a court that the goods are not counterfeit.

Time will tell how effective the implementation of the Regulation will be, and brand owners are encouraged to share relevant information with the authorities. A review of the Regulations is scheduled for 2016. The subsequent report should make for interesting reading.

# CHINA GOES PAPERLESS

## A new application system for IPR

by Ed Chatterton and Elizabeth Wong (Hong Kong)

### CHINA

The China General Administration of Customs (GAC) has launched a new online recordation system from March 1, 2014. The new online system allows the entire application for intellectual property right (IPR) recordation with the GAC as well as any subsequent updates to go paperless. Before launching this new system, IPR owners not only needed to complete an online application form, but also needed to submit the form in hard copy together with other supporting documents to the GAC for recordation. The new system is expected to improve the efficiency, accuracy and reliability of IPR recordation significantly.

In China, IPR recordation offers trademark, patent and copyright owners or licensees protection against the import and export of infringing goods. While recordation is not a prerequisite for obtaining border protection from the GAC, in practice the GAC will rarely take action on their own initiative without an IPR recordation unless they receive a formal complaint from the IPR owner. Upon detecting suspected infringing goods, the GAC will detain the goods and confirm with the relevant IPR owner whether the goods are in fact infringing as per the recordation. In the event that the IPR owner wishes to commence formal enforcement action, the IPR owner is required to post a bond (to guarantee that

costs are covered in situations of improper seizure) and file an application together with supporting evidence. The GAC will generally investigate the case and make a determination on whether infringement exists within 30 working days after the seizure.

### HONG KONG

Unlike China, there is no “protection by recordation” system in Hong Kong whereby IPR owners can pro-actively and pre-emptively record their registered trademark or copyright with the Customs and Excise Department (Customs) to prevent the import and export of infringing goods. As pre-requisites for Customs to investigate and detain of the suspected infringing goods, the IPR owner is required to: (a) furnish sufficient evidence showing that an infringement of its trademark right or copyright has taken place; and (b) to prove the subsistence of copyright in the work alleged to have been infringed or that the trademark has been registered in Hong Kong.

Therefore, the trademark or copyright owner can usually lodge a formal report with Customs requesting that a border alert be placed on the goods in question after they become aware that there are infringing goods passing through the border.



# 3D PRINTING

## A new dimension for trademarks

by **Gualtiero Dragotti (Milan)**

The intellectual property right most commonly focused on at the intersection between 3D printing and intellectual property rights is patents, immediately followed by copyright. Then come the models and design rights and, in the background, barely visible, there are the trademarks.

Sure, some commentators have examined the consequences of 3D printing a product bearing a mark, finding that this could amount to a trademark infringement. The same however applies if you use a traditional 2D printer to print a label bearing a third party's mark.

Things become more interesting if you imagine yourself in a world when 3D printers are fully established and commonplace, so that most goods, or at least a significant number of them, are manufactured/printed on premises either by the retailer or by the customer.

Purchases from these retailers will actually mean authorizations to print one or more of the goods, which may be heavily personalised, including, when appropriate, its trademark. The retailer or the customer will then become, to some extent, a trademark licensee, attracting a number of consequences from the acts this subject will be entitled to carry out.

Some of the restrictions and controls that the trademark owner may be interested to introduce could be related to the quality and features of the printer and of the materials used to manufacture the goods: a luxury brand would not appreciate having its accessories printed with cheap materials, even if they were legally purchased and paid for.

The next step could be the development of signature materials, available only to the customers of certain brands. Those materials might influence the appearance of the goods, their technical characteristics and at the same time show and confirm the legitimate nature and origin of the products.

A trademark law practitioner would immediately recognize, in this list, the functions that a trademark could fulfill and that only some famous marks are already able to perform.

Add 3D printers and you obtain additional fascinating possibilities to establish a strong link between a product, its appearance, materials, manufacturing techniques, and a specific source. This technology creates a new dimension for trademarks, too!



# The Global Co-Chairs of our Fashion, Retail and Design Group wish you a very successful **INTA Annual Meeting**



**Giangiacomo Olivi**  
Milan

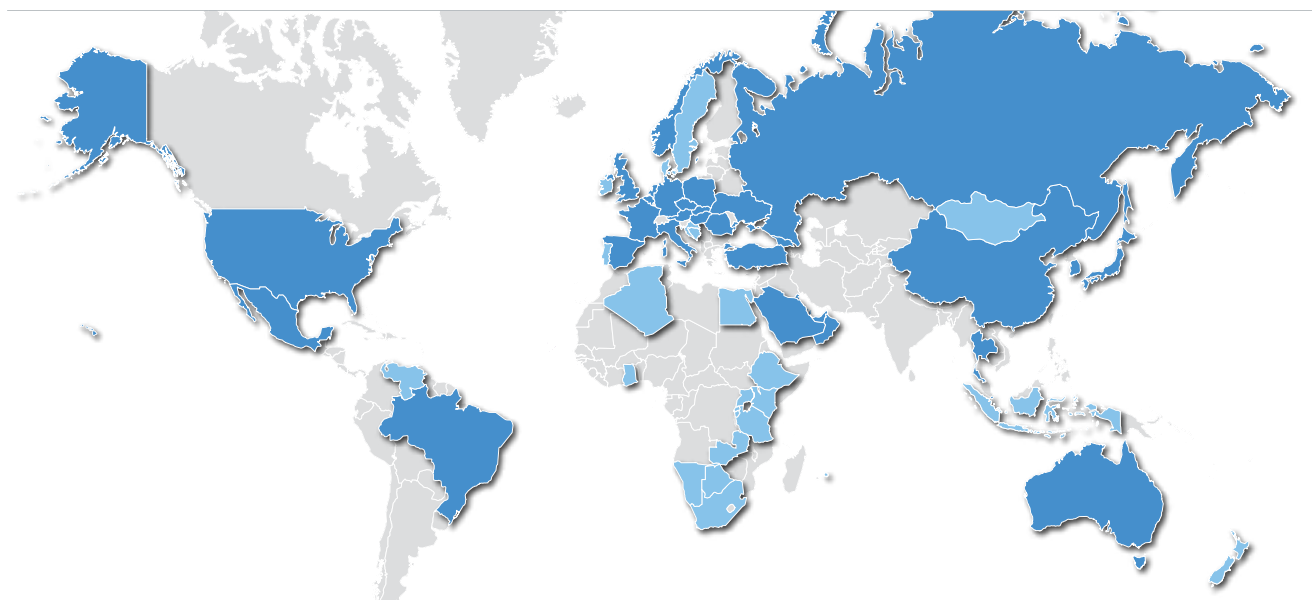
Giangiacomo is based in our Milan office. He has extensive experience in fashion-related matters, advising leading Italian and international clients.

Chambers & Partners Europe and a number of other client surveys have identified Giangiacomo as a leading individual. He also won the Top Legal 2011 Lawyer of the Year Award for TMT.



**Ruth Hoy**  
London

Ruth is based in our London office. She advises our fashion clients on a range of intellectual property issues including trademarks and design rights. Chambers & Partners describes Ruth as commanding "a great level of expertise in trademark and copyright matters. She impresses sources with her 'technical prowess and first rate commercial acumen.'"



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