

# WORLD — REVIEW —

Special IP Reports | May 2008



[www.ipworld.com](http://www.ipworld.com)

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**Editor:** Sylvia Waycot  
Tel: +44 (0)20 7017 5145  
sylvia.waycot@informa.com

**Sales director:** Chris Dooley  
Tel: +44 (0)20 7017 5119  
christopher.dooley@informa.com

**Advertising manager:** Jacob Tomkins  
Tel: +44 (0)20 7017 4035  
jacob.tomkins@informa.com

**Marketing manager:** Justine Boucher  
Tel: +44 (0)20 7017 5179  
justine.boucher@informa.com

**Designer:** Nicola Hobday  
**Head of production:** Liz Lewis

**Subscriptions manager:**  
Shaun Byrne  
Tel: +44 (0)20 7017 7393  
shaun.byrne@informa.com

**Publisher:** Sylvia Waycot  
**Chief executive:** Fotini Liontou

**Overseas subscriptions:**  
Asia: Grant Rowles  
Tel: +65 6853 5151  
grant.rowles@informa.com

**Customer services:**  
Tel: +44 (0)20 7017 5532  
law.enquiries@informa.com

**Published by:**  
Informa Law, Informa House,  
30–32 Mortimer Street,  
London W1W 7RE

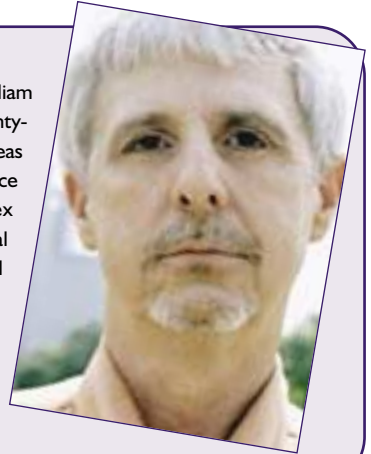
Printed by:  
The Lavenham Press, Lavenham,  
Sudbury CO10 9RN

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# Correspondent profiles

## OFFICIAL CORRESPONDENT – UNITED STATES

**William R. Towns** is a Partner at Novak Druce + Quigg. William is a seasoned attorney, mediator, and arbitrator with over twenty-five years of federal and state court litigation experience. His areas of concentration in his litigation and dispute resolution practice include intellectual property, unfair competition, complex business and commercial litigation, and other international and trans-national disputes. William is a WIPO Approved Neutral and Domain Name Dispute Resolution Panellist, a Member of the Chartered Institute of Arbitrators, and a past member of the Advisory Board of Directors to the Texas Collaborative Law Council.



## GUEST CORRESPONDENT – PERU

**José Barreda** is partner of Barreda Moller. He is specialised in Intellectual Property Law, Commercial Law, Civil Law and litigation and related arbitration law. He has held post of professor at the Law School of Universidad de Lima and at the school of Universidad Peruana de Ciencias Aplicadas – UPC. José was president of the Interamerican Association of Intellectual Property, ASIPI and member of the International Arbitration Court of the International Chamber of Commerce of Paris, ICC.



## GUEST CORRESPONDENT – HUNGARY

**Eva Ulviczki** is a candidate of attorney of Sár and Partners Attorneys at Law, a Budapest law firm. She concentrates on the representation of companies and individuals involved in all aspects of trademark law. Eva's wide experience of trademarks includes infringements, law enforcement, trademark searches and domain names.



## GUEST CORRESPONDENT – POLAND

**Elżbieta Wilamowska-Maracewicz** is a partner and member of the Managing Board of Polservice Patent and Trademark Attorneys Office. Elżbieta has been a patent attorney since 1975 and is a European patent attorney. A professional attorney before the OHIM, she graduated from the Faculty of Chemical Engineering of Warsaw Technical University. She completed post-graduate studies in industrial property protection at the Faculty of Law and Administration of Poznań University in 1985 and gained two years of professional experience in industry. She has organised and participated in many courses on intellectual property protection. Elżbieta joined Polservice in 1973 and has managed the mechanical department since 1988. She is Secretary of the Polish Group of AIPPI and a Member of the National Council of Patent Attorneys at the Polish Chamber of Patent Attorneys. As well as being a member of LESS and UNION.



## GUEST CORRESPONDENT – USA

**Karen H Bromberg** is a partner and head of the Intellectual Property Group at Cohen & Gresser LLP, a New York City law firm. Her practice focuses on transactions and disputes involving trademarks, copyrights, and patents. Experienced in all facets of litigation and dispute resolution mechanisms, Ms. Bromberg draws on these skill sets to assist clients in developing global protection strategies, registration and enforcement programs and to maximize and protect their trademarks, trade names, trade dress, copyrights and other intellectual property. She is responsible for the international trademark portfolios for numerous companies in a diverse range of industries.

**OFFICIAL CORRESPONDENT**

**William R. Towns** is a Partner at Novak Druce + Quigg. William is a seasoned attorney, mediator, and arbitrator with over twenty-five years of federal and state court litigation experience. His areas of concentration in his litigation and dispute resolution practice include intellectual property, unfair competition, complex business and commercial litigation, and other international and trans-national disputes. William is a WIPO Approved Neutral and Domain Name Dispute Resolution Panellist, a Member of the Chartered Institute of Arbitrators, and a past member of the Advisory Board of Directors to the Texas Collaborative Law Council.



# Speculation in domain names

## The new cybersquatters

**William R. Towns** of Novak Druce explores the changing face of cybersquatting in an e-commerce age

**T**he Uniform Domain Name Disputed Resolution Policy (UDRP), launched in December 1999, is intended to discourage and resolve the abusive registration of trademarks as domain names, commonly referred to as “cybersquatting.” The UDRP has proven particularly adept at discouraging traditional cybersquatting, involving the registration of trademarks as domain names by individuals seeking to sell the “squatted” domain names to the rightful trademark owners.

The face of cybersquatting has changed, however, and the commercialisation of the domain name registration system (DNS) has reinvigorated cybersquatting. Domain names today are seen as commodities. “Domainers” acquire domain name portfolios, buy and sell domain names, and park domain names to generate pay-per-click advertising revenue. Domain names that can drive Internet traffic have become valuable, and the intrinsic value of trademarks to drive traffic is being exploited by a new generation of cybersquatters.

The proliferation of new registers and practices such as automated bulk registration of domain names, the parking of domain names on pay-per-

click portal sites and domain name tasting are all recent developments in the DNS that have contributed to a resurgence of cybersquatting. This article explores recent developments in the DNS and new challenges presented for intellectual property owners in enforcing rights under the UDRP.

### Overview of the UDRP

The UDRP is incorporated into the registration agreements used by all ICANN-accredited registrars for generic top-level domains (gTLDs). The UDRP provides trademark owners with a streamlined and inexpensive administrative dispute resolution procedure. The complainant must demonstrate that the disputed domain name is identical or confusingly similar to its trademark, that the respondent does not have rights or legitimate interests in the domain name, and that the respondent registered and is using the domain name in bad faith. Disputes are decided by qualified neutrals (panels), resulting either in the dismissal of the complaint or the transfer or cancellation of a domain name. Most complaints are decided in sixty days or less.

## The evolving nature of the DNS

### The proliferation of registrars

Close to one thousand companies now are accredited as ICANN registrars, an enormous increase over the handful of registrars that existed in 2000. Registrars or related entities buy and sell domain names, and offer privacy protection services for the registrants, domain name tasting, and pay-per-click domain parking. There are increasing concerns that some registrars may be engaging in or colluding with cybersquatting practices. In any event, such practices blur the line between the registrars' ICANN-mandated obligations and speculation in domain names, creating opportunities for mass registration of domain names with little or no attention to third party intellectual property rights.

### Automated bulk registration of domain names

The automated bulk registration of domain names for resale or to generate pay-per-click revenue poses significant problems for trademark owners. Bulk buyers of domain names (i.e., domainers) often pay little or no attention to third-party intellectual property rights. However, a number of recent UDRP panel decisions have held that respondents who routinely register large numbers of domain names must make reasonable good faith efforts to avoid registering names that are identical or confusingly similar to marks held by others. Wilful blindness to whether such registered domain names reflect third-party trademarks may constitute bad faith registration. Whether the "wilful blindness" standard articulated in these decisions will be applied consistently under the UDRP in bulk registration cases remains to be seen.

### Domain name parking

The use of domain names on pay-per-click parking websites is driving speculative behaviour in the domain name marketplace. The use of domain names consisting of common or dictionary words to generate advertising is permissible under the UDRP, provided the domain names are used in their descriptive or generic sense. Conversely, the deliberate targeting of another's trademark for profit constitutes bad faith use under the UDRP.

Where advertising links are based on the trademark value of the domain name, the trend in recent UDRP panel decisions is to recognise such practices as cybersquatting. Enforcing rights in trademarks consisting of common or dictionary words, however, remains problematic under the UDRP.

### Domain name tasting

ICANN policy provides a five-day period following the initial registration of a domain name when the registration may be deleted at no cost to the registrar. Domain name tasting is the practice of registering domain names during this five-day grace period, without paying the registration fee, to generate pay-per-click advertising revenue. Tens of millions of domain names are temporarily registered on this basis each month, frequently involving trademarks. Registrar collusion is a problem, and enforcement under the UDRP is virtually impossible. There may be some prospective good news for trademark owners, however: ICANN is considering an annual fee for registrar domain name registrations, and Google may introduce technology to exclude repeatedly tasted domain names from its lucrative advertising programs.

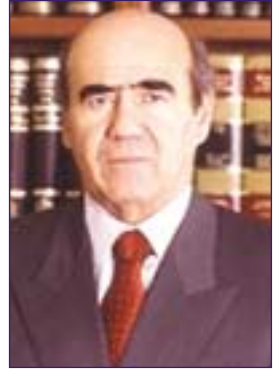
### Conclusion

The evolving nature of the DNS is cause for concern for trademark owners. Recent developments in the commercialisation of the DNS are encouraging serial registrations of domain names with little or no attention to third party intellectual property rights, opening doors for a new generation of cybersquatters. UDRP panels are beginning to address the cybersquatting phenomenon associated with domain name speculation, but any precipitous decline in cybersquatting is unlikely given the sheer volume of domain registrations and the prevalent use of domain names to generate pay-per-click advertising. ☘



**GUEST CORRESPONDENT**

**José Barreda** is partner of Barreda Moller. He is specialised in Intellectual Property Law, Commercial Law, Civil Law and litigation and related arbitration law. He has held post of professor at the Law School of Universidad de Lima and at the school of Universidad Peruana de Ciencias Aplicadas – UPC. José was president of the Interamerican Association of Intellectual Property, ASIPI and member of the International Arbitration Court of the International Chamber of Commerce of Paris, ICC.



## Changes and developments to IP in Peru

By José Barreda of Barreda Moller, Lima, Peru

**P**eru and the U.S. recently concluded negotiations on a Free Trade Agreement (FTA), which should come into effect as of 1 January 2009. Article 16 of the FTA contains regulations related to Intellectual Property, including obligations to adhere or ratify treaties administered by the World Intellectual Property Organization. Peru is now working on new IP legislation to abide with the Agreement.

This presentation comments on the first proposal by the Republic of Peru to the Secretariat of the Andean Community for amendment of certain rules of Decision 486 and comments made by the Secretariat to such proposal. All four member countries of the Agreement –Bolivia, Ecuador, Colombia, and Peru–, must agree on the changes.

When proposing the amendments, Peru stated that the Andean Community as a whole and the countries which conform the Andean Community have initiated (or concluded) commercial negotiations with third countries, individually or jointly. It is therefore necessary to amend Decision 486 to allow the member countries to develop certain areas of the law through internal legislation, (this not necessarily implying

amendment to the obligations as detailed in the Community legislation).

The most important proposals for amendment are:

- The fourth paragraph and numeral a) of article 9 of Decision 486 to extend the term to claim priority of patent applications and utility models to fourteen months, when applicant demonstrates impossibility of filing the application within the twelve months period. *The Secretariat has declared that such amendment would imply an obligation of procedural character only for those countries, which would allow such extension, suggesting that they will not oppose this proposal.*
- Article 17 of Decision 486 to regulate the concept of “divulcation of the invention”. The proposal is that any divulgation will not imply loss of novelty when such divulgation has been made, authorised or derived from the applicant, deriving from patent applications filed in another country within the last year, which has been published. *The Secretariat has stated that even though this is a substantial amendment, it would not oppose the proposal, since member countries may maintain the exceptions to the divulgation as currently considered in article 17 of Decision 486.*

- Article 19, by the addition of a paragraph regulating the concept of “industrial application”, so that all inventions will have industrial application if it possesses a specific utility, substantial and credible. *The Secretariat has indicated this proposal only qualifies the concept of “utility” but does not eliminate the other requisites of patentability—novelty and inventive level—and is not mandatory for all other Community countries.*
- The first paragraph of article 28, to clarify rules of “clarity and completeness” for the comprehension of the invention, limiting examiner’s ability to conduct improper or undue experimentation or perform acts to comprehend or analyse the invention, different to those detailed in the specification. *The Secretariat indicated that the concept of “undue experimentation will” have to be clearly defined so to allow this proposal, and suggests that the Authority is authorised to conduct tests unless this is not justified.*
- Article 34, to allow inclusion within the official files, of material, which has been inadvertently omitted at the time of filing, for instance, missing pages in the specification or missing designs, without the risk of this new material being considered as extension of the invention. *The Secretariat has ruled that Peru must clarify the concept of “omissions” and the term to comply with the filing of the corrected material, before considering the proposal.*
- The inclusion of article 50 A so to allow, through internal legislation, extension of patent rights consequence of unreasonable delay in the grant process. *The Secretariat General expressed that the proposal must be further clarified in order to attribute “the unreasonable delay” to a specific party, and has further established that this compromise does not need to be assumed by all member countries.*
- Inclusion of article 53 A, limiting the ability of the patent holder to exercise rights derived from a patent, when a third party uses the invention to generate necessary information to support the petition for approval of a pharmaceutical product or agricultural product (Bolar Exception). *The Secretariat stated there is no consensus of the type of acts which a third party may conduct, some entities considering that clinical evaluations to demonstrate bio-equivalency is permitted as long as the production of the generics is initiated after expiration of patent rights, while others consider as licit, without patent violation, the manufacturing or use of the patent product for purpose of conducting clinical evaluations and studies. The Secretariat states that since there are no uniform criteria, the countries must consider which acts are specifically allowed.*
- Article 138, to allow filing of multiple-class trademark applications. *The Secretariat reports it has no objection to this proposal.*
- Article 155 paragraph d) so to extend a right of the trademark holder to object, based on its registered mark, the use and registration of an identical or similar term as denomination of origin. *The Secretariat suggests that member countries should seriously evaluate the consequences, taking into consideration, in any event, that such amendment should be drafted in terms of allowing country members to optionally apply such rule since it could affect future owners of terms which are not currently denominations of origin in the Andean Community but can merit such protection in the future.*
- Article 156, to allow the trademark holder to block use of a trademark identifying goods in transit. *The Secretariat has indicated that the rule of law can be directly implemented by each country in its internal legislation.*
- Article 162, to eliminate mandatory recordal of a license agreement. *The Secretariat reports it has no formal objection against this proposal.*
- Article 202, by adding paragraph e), which would block recognition of an expression as denomination of origin, if identical or similar to trademark applications or registrations covering identical products or for those in respect to which the use of the denomination of origin could cause a risk of confusion. *The Secretariat considers that the countries are free to implement this regulation in its internal legislation.*

The Secretariat General has commented that Decision 486 allows countries to develop internal legislation on matters not detailed in Decision 486. The Secretariat has reported that member countries must evaluate if the amendments as proposed are positive not only in terms of protection of IP rights but if it benefits its citizens. It has therefore stated that political evaluations must be made before a formal meeting for amendment of Decision 486. ☎



**OFFICIAL CORRESPONDENT**

**Eva Ulviczki** is a candidate of attorney of Sár and Partners Attorneys at Law, a Budapest law firm. She concentrates on the representation of companies and individuals involved in all aspects of trademark law. Eva's wide experience of trademarks includes infringements, law enforcement, trademark searches and domain names.



## Use it or lose it

### The evidence of trademark use

**Eva Ulviczki** of Sar & Partners Attorneys at Law reviews 'use and fulfilment' of trademarks in Hungary

**T**he big issue in connection with trademarks besides registration is the obligation of trademark use and the fulfilment of this obligation. This article's primary aim is to provide a short review on the practice of the Hungarian Patent Office and Metropolitan Court.

Almost every member state of the European Union has a use requirement regulated by its national law. The countries are also standardised in providing a grace period of five years for the start of the trademark use and in requiring this use to be roughly continuous. The national practices of trademark offices and courts with regard to which act and operation shall be considered as the genuine use of the registered trademark and what kind of circumstances are accepted as excuses of non-fulfilment of this obligation show a colourful picture. Now, we intend to place under magnifying glass the Hungarian related law enforcement and practice.

Section 18 of Act No. XI of 1997 on the protection of trademarks and geographical indications (further on: Trademark Act) incorporates the trademark use requirement as follows:

#### *Section 18*

- (1) *If the proprietor of the trademark does not begin actual use of the trademark in the domestic territory in connection with the goods or services listed in the specification of goods for which the trademark is registered within a period of five years from the date of registration, or if he fails to use the trademark for a period of five consecutive years, the legal consequences set forth in this Act shall be applied to the trademark protection [namely it cannot serve as a basis of opposition and revocation and the mark itself may be the subject of a proceeding aiming the establishment of termination of trademark protection - author]* unless the proprietor is able to demonstrate due cause for such failure to use the trademark.
- (2) *In the application of Subsection (1) the following shall also be deemed actual use in the domestic territory:*
  - a) *use of the trademark* in such a form which only deviates from the registered form of the trademark in elements which do not affect its distinctive nature;
  - b) *placement of the trademark on*



goods *within the country or on their packaging* exclusively for the purpose of export.

(3) *In the application of Subsection (1), use of the trademark with the consent of the proprietor shall be considered as use by the proprietor*

It is rather definitive with regards to the nature of the obligation. However, some phrases of the law act provide wide range of possible interpretations and leaves a broad field for a legal enforcement adjusted to the specifications of the relevant trademark matter. In the course of implementation, some guidelines have been formed at the Hungarian Patent Office and at the Hungarian Metropolitan Court bearing jurisdiction over trademark cases.

### **The Hungarian trademark system**

Generally, prospects, invoices, brand products, handouts or advertisements are accepted as proof of use. The number of these documents necessary for the successful defense against 'an accuse' of non-use depends on the type of the trademark and the scope of the protection, meaning the proximity of the list of goods. For example if a class heading is indicated, evidence for the wide variety of the products belonging to that class of goods or services is deemed well founded. Obviously, it is not necessarily the great amount of evidence submitted but the complexity and coherency that must be convincing.

The Hungarian Patent Office is rather strict with the trademark owner who intends to prove his/her excuses for the failure of the use requirement. The reason of the non-use shall be carefully and fully evidenced and must form a serious and real obstacle for the trademark holder regarding the entire list of goods. Revocation on the ground of non-use is not a frequent way of termination of the trademark protection.

In general, there are 15-20 such proceedings initiated annually, mainly against national trademarks. When the defense of the trademark protection is based on proving that a certain use by a third party shall be accepted as a use by the trademark owner, license contracts, company register extracts and other *written* documentations are necessary to prove the consent of the trademark holder, as the key point of the applicability of this regulation and then further documentations are required from this third party certifying the use of the trademark. Obviously, these shall be applied if in the course of an opposition proceeding, the proper use of the trademark of the opponent is contested.

The Hungarian Metropolitan Court decisions are more sophisticated by the actual circumstances in their adjudications of appealed trademark revocation orders or of refusals of oppositions based on non-used trademarks of the Hungarian Patent Office. The 'due clause' condition is handled with more flexibility and not necessarily required item per item of the list of goods. Moreover, in a recent case an oral agreement between the parties accompanied by some e-mail exchanges and joint plans of marketing materials was considered to be adequate to support that the use of a third party was completed by the consent of the trademark proprietor.

The outlined practices of the Hungarian national authorities do not reveal any discrepancies but refer to a harmonization with the practice of the OHIM and of the European Court. They show a path of case-law, which is lined by a commitment to the defense of trademark protections, without being impartial for the trademark holders and being open to involve new market actors behind same or similar trademarks for the benefit of the circulation of merchandising. ☘



SÁR AND PARTNERS ATTORNEYS AT LAW

**GUEST CORRESPONDENT**

**Elżbieta Wilamowska-Maracewicz** is a partner and member of the Managing Board of Polservice Patent and Trademark Attorneys Office. Elżbieta has been a patent attorney since 1975 and is a European patent attorney. A professional attorney before the OHIM, she graduated from the Faculty of Chemical Engineering of Warsaw Technical University. She completed post-graduate studies in industrial property protection at the Faculty of Law and Administration of Poznań University in 1985 and gained two years of professional experience in industry. She has organised and participated in many courses on intellectual property protection. Elżbieta joined Polservice in 1973 and has managed the mechanical department since 1988. She is Secretary of the Polish Group of AIPPI and a Member of the National Council of Patent Attorneys at the Polish Chamber of Patent Attorneys. As well as being a member of LESS and UNION.



## The *Repairs Clause* in force in Poland

**Elżbieta Wilamowska-Maracewicz** of Polservice Patent and Trademark Attorneys Office debates Poland's adoption of the so-called *Repairs Clause*

Poland introduced the so-called Repairs Clause with effect from 1 November 2007, which liberalises the aftermarket in spare parts. Article 106<sup>1</sup> of the Industrial Property Law (IPL), enforced as of 1 November 2007, states that:

1. Protection on the grounds of the right in registration of a design shall not be granted to a product that constitutes a component part of a complex product and is used for the purpose of repairing the product so as to restore its original appearance.
2. Third parties may exploit the product referred to in paragraph 1 by way of manufacturing, offering, marketing, importing, exporting or using the product in which the design is contained or applied, or by way of storing such a product for the said purposes.

Article 106<sup>1</sup> does not exclude the protection of visible spare parts of a complex product, but limits the scope of the right granted.

The adoption of this legal regulation was preceded by heated debate between its supporters and opponents. The

Repairs Clause concerns all visible component parts of devices; nevertheless it has aroused the greatest controversy among the producers of automotive spare parts.

### The debate

The Clause is likely to increase competition in the market. It is especially beneficial for SMEs that produce non-original spare parts, whereas it is definitely unfavourable for car manufacturers, who enjoyed the monopoly resulting from design protection of spare parts. Automotive concerns and the dependent spare parts producers raised a number of arguments against this solution. The monopoly in spare parts production and trade, combined with the power to dictate prices allowed them to get faster return on investments made to prepare new models of cars, which seems to be fair and in line with the idea of industrial property protection. The customers' point of view, however, is different. When the customer buys a car, he pays for its good design. He is free to choose between different models of car depending on price. With the

automotive concerns' monopoly for spare parts, the customer has to pay for the same design every time he buys a spare part for his car. Thus, the cost of spare parts for old cars is often inadequate when compared with the value of the car itself.

An important argument raised by the producers of authorised spare parts, who were against the Repairs Clause, concerned the quality of spare parts and the resultant impact on the safety of car users and pedestrians. Original spare parts ensure safe use of cars. Car manufacturers must obtain official technical approval for both individual component parts and the whole vehicle and are obliged to carry out collision tests.

This requirement does not apply to the majority of independent producers. In Poland, approval must be obtained for auto glazing, mirrors, external lighting units, and reflective elements, whereas there is no obligation to obtain the approval and safety certificate for the body parts.

**“There is a danger, however, that with the lack of quality and safety control of spare parts, neither the consumer nor the insurer will be able to assess properly whether a given replacement part is compatible with the original one”**

The manufacturer or importer of a product may voluntarily perform safety tests and obtain an appropriate certificate; nevertheless this has rarely been done so far. The advocates of the Repairs Clause argue that non-original spare parts often come from the same producers as the original ones, the only difference being that the former do not have the producer's logo and are much cheaper. Yet, the lack of quality marks and the producer's logo may mean that the price will be the only factor determining the choice of spare parts.

Another argument in support of the Clause was the possible reduction in

the insurance rates. Insurers declared to prepare a diversified offer for the use of original and non-original replacement parts. The consumer will thus be able to choose between different options. There is a danger, however, that with the lack of quality and safety control of spare parts, neither the consumer nor the insurer will be able to assess properly whether a given replacement part is compatible with the original one.

### Going forward

It is too early to assess the impact of the adoption of the Repairs Clause in Poland. Some claim that the decision to introduce the Repairs Clause in Poland was premature, as the European regulations do not yet impose such obligation. During the plenary session held on 12 December 2007 the European Parliament supported the EC motion to adopt the Clause. Eurodeputies, however, decided on a transitory solution: Member States whose current legal regulations

provide for the design protection of spare parts may maintain this regime for the period of 5 years after the date when the Directive on the Repairs Clause became effective. In addition, the European Parliament introduced an amendment according to which consumers must be informed about the origin of spare parts. ☼

**GUEST CORRESPONDENT**

**Karen H Bromberg** is a partner and head of the Intellectual Property Group at Cohen & Gresser LLP, a New York City law firm. Her practice focuses on transactions and disputes involving trademarks, copyrights, and patents. Experienced in all facets of litigation and dispute resolution mechanisms, Ms. Bromberg draws on these skill sets to assist clients in developing global protection strategies, registration and enforcement programs and to maximize and protect their trademarks, trade names, trade dress, copyrights and other intellectual property. She is responsible for the international trademark portfolios for numerous companies in a diverse range of industries.



## Designate carefully...

### EU applicants for United States trademarks may be forced to testify in United States

**Karen H Bromberg** of the Intellectual Property Group at Cohen & Gresser, explains the potentially far reaching implications of the *Rosenruist* case

**E**U applicants for US trademarks should be aware of a recent decision by the United States Court of Appeals for the Fourth Circuit holding that a non-US trademark applicant can be compelled to testify in the United States about matters related to the mark. Even if the applicant has no other contacts with the United States apart from having filed the trademark application at the US Patent and Trademark Office (PTO). The ruling, in *Rosenruist-Gestao E. Servicos LDA v. Virgin Enterprises Ltd.*, 511 F.3d 437 (4th Cir. 2007), may affect whether, when, and how non-US business entities choose to file trademark applications in the United States.

Non-US trademark applicants typically designate a person residing in the United States on whom may be served notices or process in proceedings affecting the trademark. If no such designation is made, the Director of Patents and Trademarks, located in Alexandria, Virginia, is deemed by default to be the applicant's designee for purposes of service of process.

#### Notice of deposition

In *Rosenruist*, the Applicant, Gestao E Servicos LDA (Rosenruist), a Portuguese

company with no employees, offices, or business activities in the United States, filed an intent-to-use (ITU) application with the PTO and designated its Virginia-based attorney as its domestic representative. Virgin Enterprises Ltd. (Virgin) opposed the registration of Rosenruist's mark and served Rosenruist's domestic representative with a notice of deposition. When Rosenruist refused to appear for a deposition, Virgin moved to compel Rosenruist's appearance. However, Trademark Trial and Appeal Board (the Board) denied the motion to compel, noting that the Board's Manual of Procedure states that a party residing in a foreign country may be compelled to give testimony only through the procedures provided in The Hague Convention or via letters rogatory to the appropriate legal authority.<sup>1</sup> Virgin then served Rosenruist's Virginia attorney with a 30 (b)(6) deposition subpoena issued by the United States District Court for the Eastern District of Virginia.

The District Court refused Rosenruist's request to quash the subpoena and subsequently imposed sanctions against Rosenruist when it failed to attend the scheduled deposition.

Virgin then filed a motion to compel Rosenruist to designate a corporate representative to appear at a deposition as directed by the subpoena. Notwithstanding its earlier ruling that Rosenruist had been ‘properly served’ with a valid subpoena, the District Court determined that it could not require Rosenruist to produce a corporate designee for the deposition unless that designee “personally” resided within the Eastern District of Virginia.

Reversing this decision, the Fourth Circuit held that the District Court could compel the attendance of a representative of Rosenruist, and that Rosenruist could not avoid producing a 30 (b)6 witness on the basis that none of its potential designees were “personally” residing within the Eastern District of Virginia. Instead, the court held that Rosenruist’s contacts within the district were sufficient to subject it to the court’s subpoena power.

As the dissenting opinion in *Rosenruist* noted, this is the first decision to “hold that a foreign company that has no United States employees, locations, or business activities must produce a designee to testify at a deposition in the Eastern District of Virginia so long as it has applied for a trademark registration with a government office located there.” *Rosenruist, supra*, 511 F.3d at 449. Prior to *Rosenruist*, it was unquestioned that where a foreign trademark applicant had no US contacts other than a domestic representative, an opposer had to serve process on the applicant only through the international procedures of The Hague Convention or the issuance of letters rogatory to the appropriate non-US based legal authority.

### What next?

Whether *Rosenruist* will be reviewed and reversed by the US Supreme Court and whether other US Courts of Appeals will follow *Rosenruist* remains to be seen.<sup>2</sup> In the meantime, however, the *Rosenruist* decision is one that all non-US trademark applicants and the firms that act for them should bear in mind when deciding whether, when and how to file trademark applications in the United States.

As a preliminary matter, non-US entities may consider whether they wish to file

ITU applications in the United States or wait until they can file use-based applications here. *Rosenruist* is particularly significant for foreign ITU applicants because such applicants are not using the mark in the US and may not have any other contacts that could subject them to the subpoena power of the US courts. The case has less significance for use-based applications, because a foreign company using a mark in US commerce is more likely to have a physical presence in the US and therefore to be subject to the general jurisdiction of the US courts, making the “contact” question less important.

If the decision is made to file a trademark application, non-US registrants who might not previously have designated a representative in the US may wish to select a representative who resides outside the Fourth Circuit to avoid the precedential effect of *Rosenruist*.<sup>3</sup> By the same token, non-US entities that have already filed US trademark applications and/or received their registrations should carefully review their applications or registrations to determine – and consider changing – their domestic representative designations. To conclude:

- If a non-US trademark applicant does not designate a US representative to receive notices and service of process, the Director of Patents and Trademarks, located in Alexandria, Virginia – in the Fourth Circuit – is deemed by default to be the applicant’s designee for purposes of service of process, and the applicant can therefore be compelled to testify in the United States under the *Rosenruist* decision. ☛

### Notes

1. The Trademark Trial and Appeal Board Manuals of Procedure § 703.01(f)(3) (2d Ed. Rev 2004).
2. Although *Rosenruist* is planning to petition for review in the U.S. Supreme Court, as of the date of this article no petition has yet been filed.
3. The Fourth Circuit includes the states of Maryland, Virginia, West Virginia, North Carolina and South Carolina. However, because federal courts located elsewhere potentially could reach the same conclusion as the court in *Rosenruist*, a designation outside the Fourth Circuit will not necessarily ensure that a foreign applicant is free from the subpoena power of a U.S. federal court.

# COHEN & GRESSER LLP

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Informa Law  
Informa House  
30–32 Mortimer Street  
London W1W 7RE  
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