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## A hazy area

### Parallel imports in Cyprus

**Nicholas Ktenas** of Andreas Neocleous & Co discusses the emerging issues surrounding the application of the law in cases of parallel imports

**T**here is a notable lack of understanding and absence of case law in the area of parallel imports in Cyprus. It is a common misconception that membership of a country in the European Union (EU) and protection of competition in the EU combine to result in an unfettered right to carry out free trading activities throughout the territory of the EU. It is particularly difficult for traders to comprehend how and why the importation of genuine goods into what is supposed to be a single 'free market' can result in trademark infringement.

### The law in Cyprus

Section 6 of Cyprus's Trademarks Law, Cap 268 as amended, entitles the proprietor of a trademark to prohibit any third party from using a similar mark in relation to goods or services in accordance with the specific provisions of this section.

According to Section 6(7) of the Trademarks Law, which is actually a national transposition of Article 7 of

Directive 89/104/EEC, the proprietor cannot prohibit the use of a registered trademark in relation to goods that have been put on the market in the Community under that trademark by the proprietor or with his consent.

The European Court of Justice (ECJ) dealt with the application of Article 7 of Directive 89/104/EEC in *Silhouette*<sup>1</sup>, holding in effect that although a proprietor cannot control imports into the Community of goods already placed on the market in other Member States, he or she may prevent imports into the Community without his or her consent of goods marketed outside the Community.

The ECJ developed the concept of 'consent' in the joined cases *Zino Davidoff*<sup>2</sup> and *Levi Strauss*<sup>3</sup>, stating at the same time that this concept was to be uniformly interpreted across the whole of the EU.

### Infringement in the context of parallel imports

Trademark infringement in the context of parallel imports is a relatively novel matter in Cyprus and to date there

have been no reported cases in the Cyprus courts which deal with this matter. Considering the binding effect of EU law on all Member States, however, and its interpretation according to the ECJ, the Cyprus courts will be obliged to adopt the reasoning of the ECJ and afford judicial protection to the proprietor of trademarks in relation to goods that are the subject of parallel importation into Cyprus from non-EU countries without the consent of the proprietor.

So far, only a very limited number of cases on parallel imports have reached the courts in Cyprus. After temporary injunctive relief was obtained by the trademark proprietor in one case the issues were finally settled by the parallel importers, accepting final judgment, in effect agreeing to discontinue parallel importation. As a result there are no finally decided cases as yet, even at the lowest judicial level, although there are indications of a prudent judicial approach and willingness on the part of the courts to interpret domestic law in line with existing EU law.

In the unreported case of the *Coca Cola Company v Savvas Nikiforou*, Case No. 1603/2007, where temporary injunctive relief was obtained, the President of the District Court of Larnaca, Costas Clerides J, commenting on the settlement reached between the parties in which the defendant voluntarily accepted final judgment against him, stated on record that:

*"The settlement reached reflects the correct application and interpretation of EU law as transposed into Cyprus law and in particular the Trademarks Law, Cap 268, according to which the proprietor of the trademark may prohibit the importation into an EEA country of goods produced or marketed outside the EEA, regardless of whether these goods are original or genuine.*

*Such importation could only be allowed with the express or implied consent of the proprietor".*

Customs authorities in Cyprus are still focused on the traditional concept of trademark infringement by importation of counterfeit goods and appear very confused about their responsibilities and powers in relation to parallel imports of genuine products. Given the absence of relevant EU legislative provisions and ECJ case law guidance as to the role of Customs, however, this may be understandable to some extent.

### The current situation

Parallel importers are currently taking advantage of the ignorance and uncertainty and are becoming increasingly active in Cyprus. Some of the world's most well-known trademarks are currently the subject of large-scale parallel importation in Cyprus, mainly from the neighbouring Arab countries such as Lebanon and Egypt. With the Customs authorities currently ineffective in preventing parallel imports due to their uncertainty over their responsibilities and powers it is up to each trademark proprietor affected to take legal action to protect his or her own legal rights as well as those of his or her business partners or representatives in Cyprus. Experience to date has shown that the courts will be active in protecting these rights. ☸

### Notes

1. See *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (Case C-355/96).
2. *Zino Davidoff SA v A & G Imports Ltd and Levi Strauss & Co and Others v Tesco Stores Ltd and Others* (Joined cases C-414/99 to C-416/99).



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*Csaba Sár would like to give special thanks to Katalin Horváth for contributing to this article.*

## Definition of film as multimedia work

### A Hungarian way of applying compulsory collective copyright administration for cinematographic works

**Csaba Sár** of Sár & Partners question the Hungarian interpretation of the compulsory collective management of mechanical reproduction rights

A recent final and enforceable judgement of the Budapest Metropolitan Appeal Court<sup>1</sup> can change the entire interpretation of the compulsory collective management of mechanical reproduction rights in Hungary. By means of a seriously questionable interpretation of a provision of national copyright law, which is rather questionable itself, the judgement involves reproduction of music in multimedia works under the compulsory collective copyright administration system. Furthermore, the judgement of the Budapest Metropolitan Appeal Court goes even further when interpreting cinematographic works as 'multimedia works' in order to involve music adapted (synchronised) to a film to compulsory collective copyright administration when reproduced together with the film into DVD or other public audiovisual carriers. The consequence of the Hungarian court decision is even more serious since compulsory copyright administration is a type of collective copyright management which – unlike other so-called extended collective rights management systems – does not allow the author to withdraw his or her work from the collective rights management.

### Creating a precedent

A court claim submitted in 2003 as one of the series of court actions introduced by the Hungarian musical collective rights management organisation ARTISJUS was the antecedent of the judgment of the Budapest Metropolitan Appeal Court. ARTISJUS started the lawsuit with the aim of initiating a precedent case<sup>2</sup> in Hungary in order to reach a court decision enforcing collective rights administration in the audiovisual field. By this means ARTISJUS envisages breaking with the traditional concept of collective mechanical reproduction rights management that has so far not allowed this type of restriction of the exclusive rights of musical composers and authors of lyrics in the case of reproductions and publications other than in the form of sound recordings.

According to the judgment of the Budapest Metropolitan Appeal Court, the reproduction of a cinematographic work in DVD carriers and the subsequent distribution thereof shall belong to compulsory collective rights.

### Interpretation

The interpretation of the Metropolitan Appeal Court of the respective



provisions of the Hungarian Copyright Act<sup>3</sup> is seriously questionable from the point of view of the major international legislative obligations of Hungary in the field of copyright law, like the TRIPS Agreement, the Berne Convention and the European Community law. It seems to be in collision with Articles 13(1) and 14(3) of the Berne Convention, which expressly prohibits the application of the rule allowing restriction of the exclusive rights of musical authors set out in Article 13(1) in case of cinematographic works. Moreover it is very unique in that it qualifies cinematographic works as multimedia works, with the aim of involving film music in the scope of the relevant Article 19 of the Hungarian Copyright Act<sup>4</sup> that provides for compulsory licensing to be exercised by the musical collective society if already published non-dramatic (i.e. 'small rights') musical works are reproduced and subsequently distributed not only in the form of sound recordings but also in the form of 'multimedia works'<sup>5</sup>.

The above language of the law – in addition to being rather difficult to understand and unclear in structure – leaves without any doubt a significant room for unreasonably broad interpretation of compulsory licensing and collective rights administration. It is furthermore seriously questionable from the point of view of possible collision with Articles 13(1) and 14(3) of the Berne Convention. It also clashes with the subsequent provisions of the Hungarian Copyright Act itself which explicitly prohibits, in subsection (2) of the same Article, to apply compulsory collective licensing in the case of adaptation of a musical work. Thus reproduction of a musical work in the form of a cinematographic work (synchronisation) or in a multimedia work could not be considered at all as subject of compulsory collective copyright administration.

The approach of the judgement of the Budapest Metropolitan Appeal Court concerning applicability of collective administration of musical reproduction rights is rather questionable and carries certain risks with respect to the

development of copyright law related to collective rights administration as well as interpretation of cinematographic rights. The Hungarian court decision aims to strengthen the introduction of collective copyright administration in the video/DVD sector in a way which seems to seriously conflict with the rules concerning the applicability of restriction of exclusive authors' rights as set out in Articles 13 and 14(3) of the Berne Convention. Furthermore by means of qualifying films as multimedia works and allowing collective rights management in multimedia reproductions, the recent judgement broadens the limits of collective copyright administration and makes it justifiable according to international standards.

### Licensing in other countries

Although different forms of collective licensing of reproduction of musical works in cinematographic works (synchronisation) and/or subsequent video or DVD publications exist in certain European countries, such as Spain, France or Germany, these systems are based on legal grounds different to the compulsory collective licence allowed under Article 13(1) of the Berne Convention. This allows very little room for the restriction of exclusive rights of musical authors to the reproduction of the musical work into sound recordings only<sup>6</sup>. Application of this rule with respect to cinematographic works is explicitly prohibited by Article 14(3) of the Berne Convention<sup>7</sup>. Application of compulsory collective copyright administration in the case of multimedia material is also unknown yet on an international level.

### Consequences of interpretation

Involvement of cinematographic and multimedia works under the scope of mechanical collective rights administration constitutes a break with the traditional concept supported by the Berne Convention Article 13, which has allowed such a special restriction of exclusive rights of musical right-holders only in case of mechanical

reproduction of the work into sound recordings so far. The consequences of such an interpretation of law are even more serious, taking into account that unlike other forms of extended collective rights management, compulsory collective copyright administration allows no withdrawal of the work by the author from the collective handling.

It is strongly questionable whether such a serious restriction of exclusive copyrights which substantially conflicts with the lawful interests of film rights owners, is necessary. It is also questionable whether it is in line with the principles of collective administration of copyrights and neighbouring rights elaborated and accepted by the WIPO in 1990, which limits the allowable situations of such a radical restriction of individual exclusive copyrights to the absolute minimum necessary\*. 🌐

#### Notes

1. The decision of the Budapest Metropolitan Appeal Court was brought on 8 March 2007 in the form of a so-called interim judgement, which aimed to decide prior to any financial claims, first in the merits of the legal issues whether the plaintiff's claim is supported by the Hungarian copyright law or not.
2. The judgement of the Budapest Metropolitan Appeal Court cannot be considered officially as a judicial precedent under the respective provisions of the Hungarian civil proceedings law, according to which one can speak about precedent decision if the Supreme Court brings the decision as a precedent judgement. Nevertheless, the subject court judgement provides in practice a relevant orientation to subsequent decisions of lower level courts, at least those of the Metropolitan Court of Budapest which deals with the vast majority of copyright cases in Hungary.
3. Act no. LXXVI of 1999 on the Protection of Authors' Rights, article 19 of which provides for compulsory collective licensing with respect to the mechanical reproduction and subsequent distribution of musical works and their lyrics in the form of sound recordings.
4. Article 19 of the Hungarian Copyright Act sets forth the following: (1) Persons that make phonograms, create multimedia works, or compile electronic databases are entitled to request permission to reproduce or distribute, in return for appropriate remuneration, copies of previously published non-theatrical compositions and lyrics or excerpts taken from theatrical compositions on phonograms, video recordings, multimedia works distributed on digital media or electronic data carriers. Use contracts must be signed with an organisation concerned with the collective management of copyrights in literary or musical works. (2) The provision stipulated in Subsection (1) cannot be applied to adaptation rights or to exercising these 'rights'.
5. It must be noted that category of 'multimedia works' is not defined in the Hungarian Copyright Law, thus left uncertain and therefore seriously questionable from not only copyright law but constitutional law point of view as well.
6. Article 13(1) of the Berne Convention sets out the following: 'Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorised by the latter, to authorise the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.'
7. The German system, when film adaptation licence for a musical work can be obtained from GEMA, is based on an agency type of licensing scheme. Other systems, like the Spanish one, derive from the very specific rules related to rights of film authors with respect to the different exploitations of a film, which follows the French solution and can be qualified more as a type of voluntary collective administration system.
8. As accepted by the group of consultants on the collective administration of copyright and neighbouring rights in Geneva, 19-23 March 1990.



SAR AND PARTNERS ATTORNEYS AT LAW



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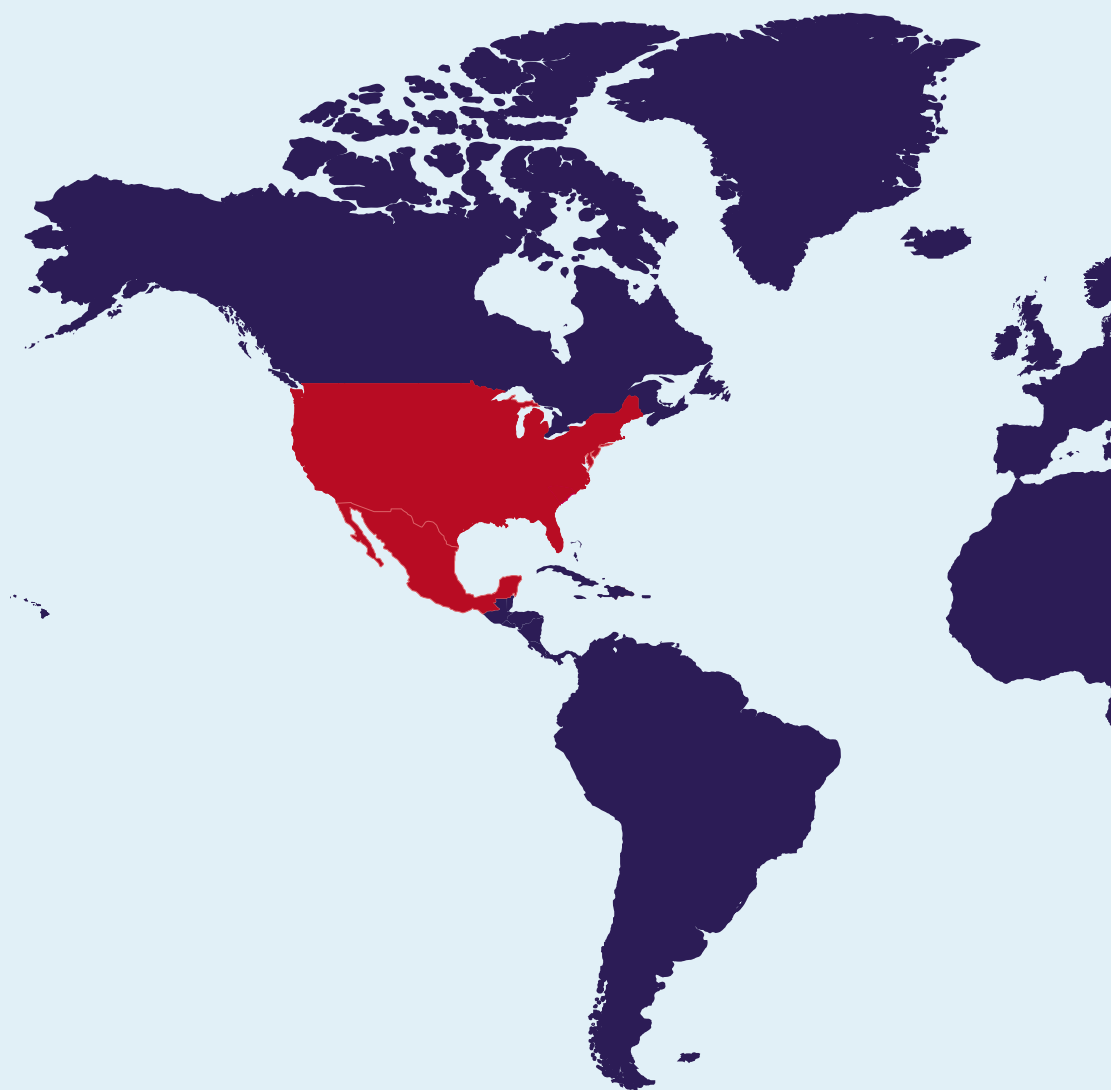
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## Notoriety and Fame

### The convenience of obtaining declarations of notoriety and fame in Mexico

Following the recent enactment of the amendment to the Mexican Institute of Industrial Property law tariff, Marcela Bolland González of Uhthoff, Gómez Vega & Uhthoff SC discusses the benefits and issues surrounding the recognition of marks

**O**n 17 September 2007 the Mexican Institute of Industrial Property published the official tariff including the official fees to be paid for the declarations of notoriety and fame and therefore the amendment that was enacted on 16 June 2005 has really come into force.

According to Mexican law, the protection of notorious and famous marks may be translated in:

- A bar for the registration of a third party's application for an identical or confusingly similar mark;
- A right to be enforced against those registrations granted despite the aforementioned prohibition, and;
- A right to be enforced against third parties using an identical or confusingly similar mark without the brand owner's consent.
- All of the above, without the legal necessity of having obtained a declaration of notoriety or fame, since the drafting of the applicable provisions expressly establishes that the protection provided to the notorious and famous mark is independent of its formal declaration.

Now, according to the Mexican law of industrial property, there are certain requirements that need to be fulfilled in order to have the competent authority

declare that a mark should be regarded as notorious or famous.

In essence such requirements refer to the necessity of demonstrating that the mark has been known by a determined commercial circle or by the majority of the population. The extent to which the mark is known results in whether the mark should be regarded as notorious or famous. A mark becomes notorious due to the knowledge a determined circle of consumers while a mark should be regarded as famous when the majority of the population is acquainted with the mark.

### Probative material

Regardless of the aforementioned difference, the nature of the evidence required by the law may be regarded as the same. A depicted list of the probative material that should be exhibited before the authority:

- Market research indicating the actual or potential consumers who recognise the notorious or famous mark;
- Market research indicating a sector of the public, other than actual or potential consumers, who recognise the notorious or famous mark;
- Market research indicating business circles dealing with the type of goods and/or services to which the mark is applied;

- The date of first use in Mexico and abroad;
- The extent of continuous use of the mark in Mexico and abroad;
- The channels of commercialisation in Mexico and abroad;
- The means by which the mark is promoted in Mexico and abroad;
- The investment in advertising and promotion of the mark during the last three consecutive years (Mexico and abroad);
- The geographic area in which the mark is known;
- Sales figure for products or the income earned for rendering the services covered by the mark during the last three consecutive years (Mexico and abroad);
- The economic value of the mark;
- Trademark registrations in Mexico and abroad;
- Franchises and licences granted to third parties;
- The market share of the goods or services protected by the mark.

Probably, after reviewing the number and nature of documents that should be gathered and submitted before the Mexican authorities someone may wonder whether it is compulsory, convenient or even worthwhile to obtain a declaration of notoriety or fame.

We would have to say that the answer to this question depends of the brand owner, the mark, the counterfeit problems they have been faced with in Mexico and prior experiences regarding attempts by third parties to overtake the mark.

Once again, obtaining the declaration of notoriety or fame is not compulsory although brand owners could definitively find this alternative an investment and a time and cost-saving option.

## Recognition

As explained, the notorious and famous marks may constitute an impediment for later applications or the right upon which cancellation and infringement actions.

Still, every time a brand owner decides to enforce its notorious or famous mark it is compelled to demonstrate before the authority the notorious or famous status of the mark, for which purpose substantial probative material should be exhibited.

Additionally, according to the Mexican legal system evidence should comply with certain formalities in order to have its

probative value recognised. Among these requirements we could mention that the documents should be exhibited either in original or certified copies, being necessary to translate those documents drafted in languages different from Spanish.

Although materials offered as evidence are kept on the official files and it is possible to obtain certified copies of same, obtaining certified copies before the authority is subject to the payment of the corresponding official fees.

In view of the above, it turns out that every time the owner of a notorious or famous mark tries to enforce its rights against a third party, time and resources need to be invested in order to gather, prepare and offer supporting evidence.

If, on the contrary, the brand owners take the time to prepare the evidence required by the law in order to obtain a declaration of notoriety or fame and follow the corresponding procedure, at the end they will have a document that provides the principal evidence required to support a cancellation or infringement action: a document demonstrating that the competent authority has recognised the notorious or famous status of the mark.

## Conclusion

Although it is early to determine whether the declarations of notoriety or fame will be considered as the ultimate evidence in a cancellation or infringement proceeding, from a procedural point of view this declaration will constitute public documents that according to Mexican laws have absolute probative value.

The possibility of obtaining a declaration of notoriety or fame should enable brand owners to expedite the enforcement of their marks in Mexico. It should also bring awareness to the authority in charge of granting registrations of the existence of marks that, due to their impact on consumers, require a particular recognition. ☼



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## All change

### Changes in the industrial property law in Poland

**Anna Szafruga** of Polservice provides an overview of the changes should come into affect following the revision of the industrial property law

**E**ffective 1 November 2007, a revised version of the industrial property law of 30 June 2000 was introduced in Poland. The amended law resulted from the necessity to unequivocally regulate the procedure before the Polish Patent Office (PPO) relating to:

- The effects of international registration of trademarks based on the Madrid Agreement and Protocol.
- The need to liberalise procedural requirements with respect to applicants, especially in parts regarding the right to enjoy original priority.
- To introduce missing regulations with respect to applications concerning inventions and utility models which do not meet the requirement of unity.

The revised law provides for the possibility to file applications in electronic form, which will be implemented after the introduction of execution provisions to the amended law.

provided that said document and its translation into Polish or into one of conventional languages should be filed within three months of the filing date. This regulation also applies to the revised version of the law. The new provision states that if the translation is missing, the PPO is entitled to issue an official action requiring said translation to be filed within a set term under pain of refusal to grant the priority.

### Required protection changes

Another important provision states that when the scope of required protection is changed, the applicant is required to provide a new version of the abstract of the invention or utility model amended accordingly. This requirement applies to every stage of proceedings before the PPO, including the examination of the subject matter of the invention/utility model.

### Priority document filing

One of the amendments applies to filing the priority document. The law

### Grounds for denial

The revised law also eliminates the six-month period from the date of

publication during which third parties may submit to the PPO any observation as to the existence of grounds that may cause the grant of a patent/right of protection to be denied. Currently such observations may be submitted until the decision to grant a patent/right of protection has been taken.

### Repairs to industrial designs

In parts concerning industrial designs, the law has been supplemented with a new, controversial provision regarding repairs. The provision states that the protection on the grounds of the right in registration of an industrial design shall not be enjoyed by a product that constitutes a component part of a complex product and that is used to repair the latter one in order to restore its original appearance. The product, being the component part, may be exploited by third parties by way of its production, offering, introducing into trade, exporting, importing, or by using a product including such an industrial design or by storing such a product for such purposes.

### Trademark changes

The law has also been amended in parts concerning trademarks. The applicant is entitled to remove non-distinctive elements from the trademark in the course of examination, provided that such change does not alter the essential characteristics of the trademark.

The date commencing the five-year period during which an international trademark is to be put into use in Poland has been unequivocally established as the date when information about the acceptance of the international trademark in Poland is published in the official journal of the PPO.

The amended Law also applies to Community Trade Marks (CTMs) that were filed with OHIM before 1 May 2004 (i.e. the date of Poland's accession to the European Union)

and were converted into national applications. The priority date for such converted trademarks, in relation to Poland, has been set for 1 May 2004, irrespective of their actual CTM priority dates.

Another important provision introduces the principle that the protection of a trademark expires when the trademark holder ceases to be registered as an entity. In practice, this provision will greatly facilitate the registration procedure of a trademark that is in conflict with earlier mark owned by an entity that has withdrawn from business activity and has been deleted from the relevant register.

### Litigation procedures

In parts concerning litigation procedures before the PPO, the amended law has introduced a provision that may be applied when one of the parties unnecessarily prolongs the proceedings before the PPO. In this case the PPO is entitled to set a date for supplying all statements and supplementary supporting evidence under pain of withdrawal of the right to use the above in the course of proceedings, unless the interested party proves that providing such statements or evidence in due time was impossible or the need to provide such statements or evidence arose later in time.

### Implementation

It should be noted that the execution provisions to the amended industrial property law have not been issued yet, therefore the present provisions remain binding until the new ones are implemented. ☛

**POLSERVICE**  
PATENT AND TRADEMARK  
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*Ms Bromberg would like to give special thanks to Bertrand Madsen for contributing to this article.*



## Fraud abroad

### Shift in US definition of fraud places trademarks at risk

Karen H. Bromberg of Cohen & Gresser emphasises the importance of ensuring a trademark application only contains goods or services for which the mark is used

**T**he United States Patent & Trademark Office (USPTO) has taken the dramatic stand in recent decisions that a trademark owner will be presumed guilty of fraud if the owner includes in its application or registration, goods or services for which its mark is not actually used. The consequence of such an error, innocent or not, is fatal: it will result in the denial of an entire trademark application or render void an entire existing registration. The USPTO's recent decisions on this issue are of obvious concern to American registrants, but they may be particularly problematic for Europeans registering trademarks directly under the Madrid Protocol without the aid of an American lawyer. Painstaking care must now be taken to ensure that the goods described in an application or registration are in actual use and that the description of goods and services conforms to the USPTO's strict requirements.

### A new definition of fraud

This shift in USPTO policy began with *Medinol Ltd v NeuroVasx Inc*, 67

USPQ2d 1205 (TTAB 2003), where the Trademark Trial and Appeal Board (TTAB) developed an unconventional definition of fraud. In *Medinol*, NeuroVasx filed an application based on its intent to use its NeuroVasx mark on medical devices, stents and catheters. NeuroVasx later used the mark only on catheters, but failed to delete stents when filing the statement of use for final registration. In *Medinol*'s petition to cancel NeuroVasx's registration for fraud, NeuroVasx claimed that the inclusion of stents was an innocent error as evidenced by its later deletion of those goods from its registration. The TTAB disagreed and cancelled the entire registration, holding that NeuroVasx committed a "fraud upon the Office." In so doing, the TTAB expanded the traditional definition of 'fraud' (i.e. *knowing* misrepresentation of material fact) to include representations that an owner "should have known" to be materially incorrect.

The TTAB has shown few signs of softening its approach since the *Medinol* case was decided, and no

mercy has been shown to foreign registrants who claim that they were unaware of the rules. In *Hurley Int'l LLC v Volta*, USPQ2d 1339 (TTAB 2007), the TTAB voided an application on the ground of fraud because the Australian applicants

the application, distributing the checklist regularly to those in-house personnel who have knowledge of sales of these goods or services, and have them report regarding the mark's use.

- Apply only for those goods and services that the owner is certain it has used or

## “TTAB voided an application on the ground of fraud because the Australian applicants falsely claimed use of their mark with all the services recited in their application”

falsely claimed use of their mark with all the services recited in their application. The applicants claimed that they misunderstood the legal meaning of 'use in commerce' and '*honestly believed that their ownership of the same mark in Australia and their use in commerce of such mark in Australia*' justified their use-based filing in the US. Finding that the applicants acted fraudulently, the TTAB held that "*proof of specific [fraudulent] intent [was] not required*". *Medinol* has led to an increase in successful application challenges<sup>1</sup>.

### Registering marks in the US

Owners seeking registration of marks in the US – especially European owners utilising the Madrid Protocol – should take these minimum steps to avoid an adverse decision under *Medinol*:

- Carefully investigate the use of a mark before filing an application with the USPTO.
- Closely monitor the use of the mark to confirm that it is being used on all goods or services described on the application by creating a checklist of all goods or services listed in

intends to use in connection with the proposed mark.

- Seek separate registrations for different classes of goods or services or, at a minimum, avoid filing an application covering multiple classes of goods or services or containing a long list of goods or services.
- Consider abandoning a mark if there is any doubt about the accuracy of the information previously provided to the USPTO, and file a new application containing accurate information.
- Consult with US counsel to ensure that the description of the goods or services meets the requirements imposed by the USPTO's Trademark Manual of Examination Procedure.
- Once the mark is registered, conduct regular check-ups to confirm that the mark continues to be used with all goods and services listed in the registration. ☸

### Notes

1. See eg, *Standard Knitting Ltd v Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917 (TTAB 2006); *Sinclair Oil Corp v Sumatra Kendrick*, 2007 WL 1653584 (TTAB 6 June 2007); *Kipling Apparel Corp v Michael Rich*, 2007 WL 1207190 (TTAB 16 April 2007).

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