

# Intellectual Property Update

## Free Trade Agreement Being Implemented between U.S. and Central America/Dominican Republic

By Christine L. Lofgren

In August 2005, President Bush signed the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) into law. The other member countries, Guatemala, Honduras, El Salvador and Nicaragua, have approved the DR-CAFTA, and the treaty is awaiting approval by the parliament of Costa Rica. The DR-CAFTA covers many issues including agriculture, investment, trade in services, the environment and intellectual property. The DR-CAFTA significantly reduces tariffs on manufacturing and agricultural imports from the U.S. In the patent and trademark area, the DR-CAFTA clarifies and enhances the protections of the World Trade Organization's TRIPS Agreement. For example, after joining DR-CAFTA, El Salvador has amended its trademark laws to permit registration of non-traditional trademarks such as sound, smell and certification marks, and has created specialized intellectual property courts. DR-CAFTA also requires enhanced protection for copyrights, particularly digital works. At JMBM, we regularly work with local counsel in the Central American/Caribbean countries to serve our clients' needs. We are hopeful that the treaty will provide more tools for protecting the rights of intellectual property owners in the member countries. ■

## Duty to Disclose Prior Art References in Japanese Patent Applications

By Victor Sapphire

The duty of disclosure for patent applicants in Japan differs from the U.S. requirement. In Japan, it is not necessary to submit known prior art.

In applications whose filing dates are before Sept. 1, 2002, applicable Japanese law does not require the submission of any prior art, since there is no duty of candor in such cases. For applications filed on or after Sept. 1, 2002, however, there is a duty to disclose prior

art. On the other hand, failure to provide prior art is not a basis of invalidation for the purpose of opposition/invalidation proceedings. However, failure to disclose prior art may be used as a basis for rejection during the examination phase of the prosecution. ■

## Landlords Becoming a Target of Anti-Counterfeiting Enforcement

By Victor Sapphire

In places like Canal Street in New York City, where peddlers sell their wares from racks and stalls that can be packed up and moved quickly, trading in counterfeit handbags, watches, compact discs and DVDs is commonplace. In such environments, the peddlers often change and move from place to place, frustrating the enforcement efforts of intellectual property owners. The value of the counterfeit trade in New York has been estimated to be \$23 billion annually and growing. Therefore, enforcement efforts have recently been directed against the landlords who provide the venues for counterfeit traders to flourish.

The luxury goods maker Louis Vuitton Malletier has succeeded in forcing the owners of 18 buildings on Canal Street in New York to settle lawsuits in which Louis Vuitton claimed the owners had knowingly looked the other way while their tenants sold thousands of cheap knock-offs of Louis Vuitton handbags. Notably, the owners of seven buildings recently agreed to open their doors to weekly inspections for two years to confirm that no counterfeit goods are being sold on the premises. As part of the settlements, warning signs are also being posted at the sites, informing shoppers that counterfeiting is a crime.

The strategy of "house-to-house fighting" against landlords in areas where counterfeiting is epidemic is proving successful and is therefore being employed by more intellectual property owners facing the prospect of large numbers of lost sales to counterfeiters. Although U.S. Customs agents seized counterfeit goods worth about \$93.2 million in the fiscal year that ended in September 2005, billions of dollars worth of knock-off goods are believed to have slipped through the net and entered the U.S. market.

*(Anti-Counterfeiting . . . continued on page 2)*

(*Anti-Counterfeiting . . . continued from page 1*)

Luxury goods makers are also becoming increasingly aggressive in pursuit of counterfeiters in the countries of the goods' origin. Recently, Gucci, Prada, Chanel, Burberry and Louis Vuitton won a lawsuit in China against a Beijing shopping mall that trafficked almost exclusively in counterfeits. The judge in the case ordered the mall's owner to pay damages and stop on-site vendors from selling fakes.

The pursuit of "landlords" of counterfeit enterprises has also extended into cyberspace, with the lawsuit in 2004 by Tiffany & Co. against eBay, wherein the luxury goods maker Tiffany claimed that the online auction site facilitates counterfeiting by allowing thousands of bogus Tiffany items to be sold each year. Like the real property landlords discussed above, eBay has defended itself by maintaining that it merely provides a place for people to advertise, and isn't itself involved in the sale or handling of merchandise. Through its "VeRO," verified rights-owner program, eBay has long offered to halt any auction that a designer company like Tiffany believes involves counterfeit goods, but maintains that it doesn't have the expertise to determine which auction items are knock-offs itself.

While building owners can also claim ignorance of the expertise necessary to determine the difference between authentic and counterfeit goods, they can defend themselves against possible claims by taking precautions, like screening renters carefully and barring them from subletting their space. If your company acts as a landlord to retail tenants, please let us know if you would like us to review your lease agreements for protection against this type of tenant illegalities.

We have a strong record of successful enforcement of intellectual property rights against counterfeiters in the United States and abroad. Please let us know if your company wishes to discuss how we may help you implement an anti-counterfeiting program. ■

## Interim Regulation for Copyright Preregistration of Unpublished Works

By Victor Sapphire

The U.S. Copyright Office has published an interim regulation governing the preregistration of unpublished works being prepared for commercial distribution in classes of works that the Register of Copyrights has determined have had a history of pre-release infringement. Preregistration is a new procedure in the Copyright Office to serve as a placeholder for limited purposes, notably where a copyright owner needs to sue for infringement while a work is still being prepared for commercial release.

The interim regulation was published pursuant to the Artist's Rights and Theft Prevention Act of 2005, which addresses copyright infringement of works committed prior to their authorized commercial distribution, or pre-release infringement. The Copyright Office has determined that the following classes of works are eligible for preregistration: motion pictures; sound recordings; musical compilations; literary works being prepared for publication in book form; computer programs; and advertising or marketing photographs. Works may be preregistered without regard to whether the work is intended for distribution in physical form or by online distribution. ■

## Supreme Court Issues Definitive Ruling on Antitrust Issue for Patent Owners

By Christine L. Lofgren

The U.S. Supreme Court recently held that a patent owner is presumed to have market power for purposes of the federal antitrust laws. In *Illinois Tool Works Inc. v. Independent Ink, Inc.*, the Supreme Court held that courts may no longer presume that a patent owner accused of an unlawful tying arrangement has market power in the product covered by the patent. Instead, the party claiming that the patent owner engaged in an unlawful arrangement to tie the sale of a patented product on the purchase of another product must prove the patent owner's market power with evidence. ■

## Initial Interest Confusion in Online Metatags

By Victor Sapphire and Rod Berman

A U.S. District Court in Ohio recently found that use of a competitor's mark as a metatag on a Web site creates "initial interest confusion," thereby subjecting the defendant to liability for the metatag use. In *Tdata v. Aircraft Technical Publishers*, use of ATP's trademark in metatag data in software developed by Tdata that draws potential ATP customers to Tdata Web sites was challenged by ATP. ATP sought to enjoin Tdata's use on the basis of initial interest confusion, a new doctrine for the court in this context, and of unfair competition.

Applying the initial interest confusion doctrine to metatags was novel for the Court, although the doctrine had previously been applied in the domain name context by the Ninth Circuit Court of Appeals. We encourage our clients to review the metatags in competitor's Web sites. If your

mark is found, we suggest contacting us for a discussion as to the appropriate course of action. ■

## Thailand Allows Recordal of Well-Known Marks in the Trademark Office

By Victor Sapphire

In the fourth quarter of 2005, the Department of Intellectual Property in Thailand implemented new regulations for recording well-known marks. According to the regulations, a well-known mark can be recorded if it meets all of the following criteria:

1. it is a trademark, service mark, certification mark, collective mark or a mark used in respect of things apart from goods or services;
2. it is a registered or unregistered mark;
3. it is identical with the mark being applied for recordal;
4. it is a mark that has been used in any way extensively, regularly, in good faith and continuously;
5. it is a mark that has been used extensively, regularly and in good faith so that the general public or relevant public in Thailand knows it well, regardless of whether its use has been made in Thailand;
6. it is a mark whose use has resulted in its being well known and recognized by customers; and
7. is a mark that has been used by the owner directly or by the owner's representative or licensee, whether in Thailand or abroad.

This application must be supported by evidence of sales or advertisement of goods/services bearing the mark, or evidence of any types of extensive use of the mark, including:

- a. documents showing the mark's public recognition, such as advertisements, catalogs and brochures;
- b. documents showing sales of products bearing the marks, such as invoices, receipts, shipping documents and tax receipts;
- c. documents showing marketing activities, such as those related to advertising and marketing communications in connection with wholesale and retail information;
- d. documents showing the size of the business; and
- e. other evidence showing the mark's use or registration or its fame or activities involving the

protection and maintenance of its fame, such as the appraisal of its value, its sales rankings, quality accolades/awards, certificates issued by credible organizations, communications to the public through the Internet, and measures taken against infringement.

The Trademark Office has designated a committee to evaluate all applications for recordal, which provides for an appeal in the event of rejection. A rejection will not affect any right provided under the Thailand Trademarks Act of 1991. ■

## JMBM in the News

**Doug Larson's** move to JMBM was mentioned in the *Daily Journal* on April 3, 2006.

**Rod Berman** was mentioned in the *Los Angeles Business Journal's* Kudos section on March 27, 2006 for his inclusion in Aspatore Books' "Inside the Minds" series on IP litigation best practices.

**Robert Lyon's** move to JMBM was mentioned in the March 8, 2006 edition of the *Daily Journal*, the March 13, 2006 edition of *The Recorder* and the March 20, 2006 edition of the *Los Angeles Business Journal*.

**Brennan Swain** was quoted in the *Daily Journal's* November 22, 2005 article "Lawyers Appear on Reality TV Show in Large Numbers."

**Rod Berman** was among those in *Research and Markets'* "IP Litigation Best Practices: Leading Lawyers on Protecting and Defending Your Company's Intellectual Property" list. The list was released in October 2005.

**Vic Sapphire** was elected to the Board of Directors of the non-profit organization Theatre of Hearts, Inc. in October 2005 and was elected secretary for 2006. Theatre Of Hearts, Inc., founded in 1987, is a grass roots, international, Los Angeles-based nonprofit corporation whose mission is to promote understanding between people through cultural and artistic forums, and to empower local communities through education in the arts.

**Articles and Legal Updates:** We have limited copies of past issues of JMBM's *Intellectual Property Update*. If you would like more information on an article or to request a copy, please contact:

Intellectual Property Law Group Chairman,

• **Rod S. Berman**, RBerman@jmbm.com, 310.201.3517

*Intellectual Property Update* Managing Editor,

• **Victor Sapphire**, VSapphire@jmbm.com, 310.785.5372

## JMBM's Intellectual Property Group's New Members:

The Intellectual Property Group at Jeffer, Mangels, Butler and Marmaro LLP is proud to announce the addition of Of Counsel **Douglas N. Larson** and Of Counsel **Robert E. Lyon** to its team.

A graduate of the University of Missouri Law School, **Douglas N. Larson** holds a Bachelor of Science in Civil Engineering from Rensselaer Polytechnic Institute, as well as a Master of Laws in Patent and Trade Regulation Law from The George Washington University Law School. Mr. Larson has counseled Fortune 500 companies, small companies and individuals on intellectual property matters for over 26 years. He has served as a legal editor for the *United States Patent Quarterly* and was a patent claims drafting instructor for the Patent Resources Group. Additionally, Larson was the American Intellectual Property Law Association's representative in Geneva, Switzerland at the Meeting of Experts for the Draft New Act for Revision of The Hague Agreement Concerning the International Deposit of Industrial Designs.

As Of Counsel in the Firm's Intellectual Property Law Group, **Robert E. Lyon** has confined his practice

exclusively in the field of intellectual property; primarily litigation in patent, trademark, trade secret and copyright matters. He has prosecuted numerous patent applications in the electronic and mechanical fields and has had experience in the fields of optics, metallurgy, automotive, mechanical engineering, inorganic chemistry and consumer electronics, and more recently internet business systems. Mr. Lyon has franchising experience, primarily with the intellectual property aspects. Mr. Lyon also has considerable litigation experience in trademark disputes, patent infringement and copyright infringement, including experience in the protection and litigation of computer software matters. He has counseled authors, musicians and small businesses in copyright matters and disputes. More recently, Mr. Lyon has represented several entities involving complex bio-electronic cardiac care technology. In recent years, Lyon has counseled a number of Indian tribes regarding a variety of intellectual property issues, including the protection of cultural lore, and various aspects of the gaming industry. ■

### JEFFER, MANGELS, BUTLER & MARMARO LLP

The Intellectual Property Update publication is published five times a year for the clients, business associates and friends of JEFFER, MANGELS, BUTLER AND MARMARO LLP. The information in this newsletter is intended as general information and may not be relied upon as legal advice, which can only be given by a lawyer based upon all relevant facts and circumstances of each particular situation.

### FORWARDING SERVICE REQUESTED

JEFFER, MANGELS, BUTLER & MARMARO LLP  
1900 Avenue of the Stars, 7th Floor  
Los Angeles, CA 90067-4308  
Attn: Rod S. Berman, Esq.  
Intellectual Property Department  
310.201.3517 • 310.785.5318 fax  
RBerman@jmbm.com

Presorted  
First Class Mail  
U.S. Postage  
PAID  
Permit #566  
Canoga Park, CA