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Intellectual Property Update

Employee and Customer Non-Solicitation Agreement Invalid

By Rod Berman

The California courts have recently held that a seller's agreement not to solicit employees of the buyer is too broad under California Business and Professions Code Sec. 16601, and thus not enforceable. In *Strategix, Ltd. v. Infocrossing*, _ Cal. Rptr. 3d _ (4th Dist. 2006), the court said any such restrictions on employee solicitation must be limited to the employees and customers of the sold business and not more broadly, such as employees and customers of the buyer that are unrelated to the sold business. Because the non-solicitation provision in the purchase agreement was overly broad, the court refused to enforce it even against solicitation of the sold business' employees and customers. If you are a party to a non-solicitation agreement, we suggest that you have us review it and advise you as to its validity. Perhaps if the provision is possibly too broad, it may be possible to amend it. n

"Domain Tasting" Challenged In Federal Lawsuit

By Victor Sapphire

The registrar Dotster, Inc. has been sued in U.S. District Court in Washington State, based on causes of action including cybersquatting, trademark infringement, false designation of origin and dilution, as well as state and common law counts. Whereas a French court earlier this year imposed liability on a registrar after it had registered various infringing names on behalf of its client, in this lawsuit the complainants are alleging that Dotster registered infringing domain names for its own use, effectively acting as both registrant and registrar.

ICANN (the Internet Corporation for Assigned Names and Numbers) allows registrars a five-day grace period after a domain name is created to decide whether or not to delete it, in which case the registration fee is refunded. Dotster allegedly exploited the grace period provision by registering domain names and determining how much traffic they received before the grace period expired. Names with lower traffic were then deleted at no cost while Dotster kept the others, since names that point towards Web sites containing pay-per-click links or pop-up advertisements are more profitable the more traffic they receive.

This phenomenon, known as "domain tasting," is beginning to cause concern among the Internet community, although ICANN has not been able to determine how widespread it is. In the case of Dotster, the lawsuit alleges that it failed to list WHOIS information in its registrar database for the domain names in question, even though failing to do so is a breach of the agreement that ICANN has with its accredited registrars. The complainants' lawyer had earlier written to Dotster about one of the infringing domain names and Dotster agreed to delete it, but the registrant's identity was never revealed. The lawsuit also alleges that Dotster sold domain names through a connected company, RevenueDirect.

The lawsuit requests that Dotster, together with one of its employees involved in domain name sales, be ordered:

- To pay $100,000 in damages per domain name
- To repay all profits made from the alleged unlawful acts
- To engage in corrective advertising to undo any consumer confusion

Please let us know whether your company is having difficulties with third-party cybersquatters and domain name infringement, as we have extensive experience in aggressively pursuing clients' rights online. n

Is "Pet Friendly" A Trademark?

By Christine Lofgren

Many hotels, campgrounds, restaurants, real estate companies and other businesses use the phrase "pet friendly" to indicate that pets are welcome. You may be surprised to learn that the U.S. Trademark Office has recently accepted a claim that the phrase "PET FRIENDLY" has become distinctive as part of a trademark of a particular company in connection with its information services for people traveling with pets. If no third party opposes the application or seeks to cancel the registration, this company will have presumptive trademark rights that it could use to try to stop third parties from using this phrase in the travel industry and other businesses. n

Recent Changes To Singapore Patent Law Complicated, Frustrating

By Victor Sapphire

Recent changes to Singapore patent law have created what some have called the "most complicated patent timelines of any country in the world." However, in addition to the amended calendar, substantive requirements have also been introduced which put tremendous onus on the applicant to ensure that the patent is valid and all procedural requirements are met. If any mistake is made in this process, the patent may be revoked or invalidated.

If your company is considering or is already seeking patent protection in Singapore, we recommend having us reevaluate the applications in light of the updated patent law. n

Copyright Protection Sought For Haute Couture Fashion Apparel

By Victor Sapphire

Clothing manufacturers have long taken note of fashion trends, deciding what current and upcoming designer fashions they'll recreate and sell to the public at a fraction of the designers' price.

In response, and at the behest of a handful of haute couture designers, the Council of Fashion Designers of America (CFDA) has mobilized and is now advocating legislation that would give designers copyright protection similar to that offered to artists, writers and musicians.

Under the proposal, designers would be able to register their fashion designs with the U.S. Copyright Office. Registrations would protect the overall appearance of a garment for three years, making it illegal for anyone to manufacture and/or sell strikingly similar goods.

Not covered under the copyright would be designs created before the passage of the law, as well as t-shirts and jeans. Under the proposed law, copyright infringe-ment would carry statutory damages of up to $250,000 per instance of infringement.

The CFDA represents more than 270 designers and has stated that the legislation is a response to outright knockoffs, such as those of couture dresses worn by starlets at awards ceremonies. According to the CFDA, a large number of companies in the apparel industry exist to "hijack" the designs of American designers' red-carpet garments. By making knockoffs in foreign factories, manufacturers can get their version in stores in a matter of days, even before the designer who actually created the garment. The CFDA hopes to curtail this practice through the proposed copyright legislation.

However, if passed, the Bill could have a wider effect, imperiling the availability of the less expensive, chic clothing inspired by high fashion that has long been available at mass-market retailers. Because copyright law prohibits substantially similar articles, not merely outright copies, opponents of the CFDA-backed legislation argue that copyright protection contradicts the creative process on which the industry relies. After innovating for decades and decades without special copyright protection, opponents say that the fashion industry has not made a case for implementing such protections now. In an industry based on whims and fickleness, they believe that copyrights have no place. n

USPTO Releases Draft Roadmap For Continued World Leadership In IP Protection And Policy For Public Comment

By Doug Larson

On August 24, 2006, the Department of Commerce's United States Patent and Trademark Office (USPTO) released for public comment a draft five-year strategic plan designed to foster American innovation and competitiveness at home and around the globe. The draft plan, for which public comment — including suggestions, questions and other input — is being solicited, identifies quality and timeliness of the patent and trademark review processes as primary goals for the plan that will guide the agency from 2007 through 2012.

"The U.S. intellectual property system is critical to American innovation and competitiveness," noted Jon Dudas, Under Secretary of Commerce for intellectual property. "In the past year, we have provided online filing for patents and hired more patent examiners ... and now is the time to set ambitious goals for the next five years."

Under Secretary Dudas further noted that, "the USPTO will continue to find ways to ensure timely, consistent and accurate examination of patent and trademark applications. This proposed plan builds on the successes of the past five years by continuing to find new and better ways to hire and retain great people and apply more efficient and effective examination procedures."

Patents: The proposals included in this draft strategic plan take a multi-pronged approach to ensuring quality and timeliness in the patent review process.

- First, there must be a common understanding between the USPTO and its stakeholders of what defines quality. That definition must recognize the inherent realities of limited time and money, and must then be translated into concrete programs
- Defining an acceptable time frame from filing to final decision also is important
- Additionally, hiring, training and retaining highly skilled patent examiners, abolishing the one-size fits

all examination system, focusing examination on the claimed invention and leveraging state-of-the-art information technology are other important components to ensuring high quality and timely reviews of patent applications

Included among the draft proposed initiatives designed to ensure effective and efficient review of patent applications are:

- Hiring at least 1,000 patent examiners annually for the next five years
- Consideration of establishing regional offices
- Creating partnerships with universities
- Offering retention bonuses and new monetary awards to patent examiners for meeting goals
- Maximizing the potential of state-of-the-art electronic tools

Trademarks: An effective and efficient application review process is as important to potential brand owners seeking trademarks as it is to innovators seeking patents. The draft proposed plan includes initiatives ensuring high quality examination and establishing and maintaining a consistent three-month timeframe for providing filers an initial decision as to whether a mark meets the requirements for registration, regardless of fluctuations in filings and funding. To reach these goals, the USPTO draft includes proposals to:

- Enhance the trademark quality review program throughout the trademark examination process
- Maintain a staff of examining attorneys in sufficient numbers to handle fluctuating workloads
- In addition, the USPTO proposes to complete its transition from a paper-based process to a completely electronic process in order to maximize the potential of electronic tools to provide the trademark owners with a world-class registration system

International IP Protection and Enforcement: The draft proposed plan also calls for new and continuing programs and initiatives designed to ensure that American innovation is as well protected globally as it is in the United States.

- The USPTO anticipates expanding the number of IP experts working abroad
- Increasing the number of foreign officials being trained in IP policy and enforcement, at sessions both in the U.S. and abroad
- Continuing to participate in the negotiation and implementation of strong IP rights in other nations through new free trade agreements

Additionally, the USPTO proposes initiatives that continue work toward global harmonization of patent laws, improve the Madrid trademark system, harmonize international treatment of geographical indications, reduce redundancies among IP offices and increase electronic processing efficiencies in IP offices around the world. n

Warehoused ".EU" Domain Names To Be Made Available for Re-Registration

By Victor Sapphire

EURid, the registry administering the ".eu" domain has announced that it has blocked 74,000 ".eu" domain names and issued legal proceedings against 400 registrars for breach of contract for registering domain names in the names of phantom companies under the registrars' control. Such action would violate the ".eu" registrar agreement, which forbids warehousing practices. EURid plans to make the suspended domain names available for new registration following the conclusion of the proceedings. Please let us know if your company has sought registration of domain names in the ".eu" domain and been blocked so that we may assist you with their recapture or acquisition. n

JMBM in the News

Rod Berman authored a six-page cover story in the January 2007 issue of *Intellectual Property Today* titled, "Intellectual Property Issues Facing U.S. Companies in China."

Rod Berman and **Brian Kasell** authored an article January 17 in the *Daily Journal's* "Forum" section titled, "Intellectual Property: Supreme Confusion."

Rod Berman was quoted January 12 in the *San Francisco Chronicle* in a "Tech Chronicles" column about Cisco suing Apple over the new iPhone.

Robert Lyon authored an article January 23 in the *Daily Journal's* "Science & Technology" section entitled, "Is The Apple Cored?" It discussed intellectual property issues facing the new Apple iPhone.

Manali Dighe was mentioned January15 in the *Los Angeles Business Journal* legal column for joining JMBM.

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:

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UK Trademark Registry Moves Away From "Full Relative Rights Examination"

By Victor Sapphire

The United Kingdom Trade Marks Registry has indicated that, in October 2007, in examining applications, it will no longer object to applications on the basis of prior rights. From October forward, the "full relative rights examination system" will be abandoned and it will be solely up to the prior rights owners to oppose applications when they are published for opposition. The proposed new system resembles the advisory search system operated by the European Community Trade Marks Office, wherein applicants are advised of possible conflicting prior applications or registrations and it is up to them to decide whether to proceed with the application. Further, prior rights owners will not automatically be notified of later-filed conflicting applications without opting into the notification system for a fee, and it will fall to them to decide whether to oppose such applications when published.

The Registry further indicated that under the new system, trademark oppositions may only be filed by owners of earlier applications or registrations. Whereas "any person" will be able to oppose application on the grounds of lack of distinctiveness, bad faith, etc., only prior rights owners will be able to pursue oppositions, under the rationale that prior rights owners, not the Registry, can properly assess whether a conflicting application poses a commercial threat. According to the Registry, the restrictions on who may oppose will also avoid vexatious "tactical" oppositions by competitors who do not directly own rights in identical or similar marks.

The Registry has indicated that, although the new system will go into effect in October 2007, it will apply to all earlier-filed applications that have not been accepted as of the effective date.

As countries like the UK pursue harmonization with the Community Trade Marks system and refrain from actively objecting to applications based on prior third-party rights, it is increasingly important for trademark owners to implement watching services to remain apprised of conflicting third-party applications. Please contact us to discuss setting up international watch services for your company's valuable trademarks. n

The Intellectual Property Update is published four 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.

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