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TECHNOLOGY, INTELLECTUAL PROPERTY & THE LAW

BASICS OF INTERNATIONAL TRADEMARK PROTECTION UNDER THE MADRID PROTOCOL

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Currently, U.S. trademark owners who wish to protect their marks in foreign countries must apply for registration in each individual nation. The long-awaited U.S. accession to the Madrid Protocol will soon provide an alternative to this practice, however, by allowing U.S. trademark owners to file a single application, in English, for one filing fee, with the United States Patent and Trademark Office ("USPTO"). This U.S. application is an entry point for trademark protection in multiple foreign jurisdictions, including Australia, the United Kingdom and most other European nations, China, Japan, Singapore, and Zambia.

What is the Madrid Protocol and what does it do?

The Protocol relating to the Madrid Agreement is actually one of two treaties that make up the Madrid System. The Madrid System, which allows for international registrations, is administered by the World

Intellectual Property Organization ("WIPO")'s International Bureau, located in Geneva, Switzerland. WIPO is charged with the responsibility of receiving and processing all applications for international registrations under the Madrid System. The USPTO is scheduled to begin accepting applications for international registrations under the Madrid Protocol by November 2, 2003.

Although use of the Madrid Protocol may result in a reduction of duplicative foreign filings and minimize filing costs for international trademark protection, it will not change substantive trademark law, either in the U.S. or in other countries. Hence, U.S. trademark owners applying for foreign trademark protection will still need local counsel to assist in prosecuting applications in foreign jurisdictions. First, foreign counsel must conduct thorough trademark clearance searches to identify marks which could impede registration. Next, foreign counsel's assistance may be necessary should an application be challenged, whether by trademark authorities or by third parties. Further, because each country maintains its local mandates for trademark assignment and licensing, local counsel will be necessary to assist in navigating foreign trademark transfer requirements.

Who can claim the benefit of the Madrid Protocol?

Under the earlier Madrid Agreement, only the owner of a valid *registration* could apply for an international registration. Pursuant to new rules, however, citizens or legal entities of member countries that own a trademark or registration *or application* in their home

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(Basics of International Trademark Protection ..., cont. from page 1)

Technology, Intellectual Property & The Law is a publication of the Intellectual Property and Intellectual Property Litigation Practice Groups of Troutman Sanders LLP, highlighting current issues in the intellectual property and high tech areas, including copyrights, trademarks, patents, trade secrets, employment agreements, and tax issues applicable to intellectual property. This newsletter is a free service to clients and is not designed to render legal advice or legal opinion. Such advice may only be given when related to actual fact situations.

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Editor:
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country can apply for an international registration before WIPO's International Bureau. A home country is recognized as the place where the applicant is domiciled, is a national, or has a real and effective business presence.

Where does one file an application for an international registration?

To file an international application, the applicant must simply submit the requisite application, designate the member countries in which it desires protection, and pay the single application fee to its home country's national trademark office. The applicant's national trademark office is then charged with the responsibility of forwarding the international application to the WIPO's International Bureau, which, in turn, examines the application to ensure that it complies with the necessary formalities, publishes it in the WIPO gazette, issues an international registration certificate, and then forwards the application for examination to the local office of the other member country (or countries) designated by the applicant.

Protection of the international registration in each of the designated countries is automatic, unless, within a specified time (either twelve months or eighteen months), the local trademark office either issues a rejection or notifies the International Bureau of an objection by a third party. In the event of such a rejection or objection, the application must then be defended and prosecuted according to local laws and procedures, which will, as noted earlier, require the assistance of local trademark counsel.

What is the duration of an international registration?

An international registration remains in effect for ten years. It may be renewed for additional ten-year periods by paying the requisite fee to the International Bureau. However, local proof-of-use and other registration maintenance requirements for each designated country must be observed

and filed with the local trademark office of that country.

What are the post-registration vulnerabilities of an international registration?

An international registration remains dependent on its base country application or registration during the first five years after registration. If, during this period, the base application or registration is abandoned, rejected, cancelled, or invalidated, whether in whole or in part, the international registration and all of its extensions in each designated country are likewise affected. This is termed a "central attack." In the instance of such a central attack, the Madrid Protocol allows the owner of an affected trademark to file replacement applications directly with the local trademark offices of the designated countries within three months and still claim the benefit of the original priority date of the international registration.

What are the disadvantages to U.S. trademark owners seeking international registrations?

Although the Madrid Protocol may prove advantageous to many U.S. trademark owners who wish to obtain registrations in multiple foreign countries, the USPTO's restrictive approach regarding the specification of goods and services in U.S. applications, as well as U.S. requirements for commercial use of a mark prior to its registration, will both be drawbacks for U.S. trademark owners. This is because, in most other countries, a trademark registration may simply state that it covers all of the goods in a particular classification, whereas a U.S. applicant must clarify each good or service. Moreover, foreign trademark offices generally do not require applicants to prove actual commercial use of a mark prior to its registration. Given the foregoing, U.S. trademark owners work at a disadvantage in relation to foreign trademark owners who may obtain international registrations and individual national registrations for a broad class of goods or services, often without having to actually use their marks for any

of the goods or services addressed in those registrations.

To remedy this disadvantage, it may be strategically advisable for U.S. trademark owners to first file for trademark protection in countries with more liberal trademark registration laws than those governing the USPTO, provided that they can claim such a foreign country as their home country.

Conclusion

The Madrid System advances the global business community by creating a unified process for trademark owners from member states to obtain trademark protection in multiple foreign jurisdictions with a single application and via payment of a single fee. Because diverse local laws and customs still govern the process and requirements for prosecution of trademark applications as well as registration maintenance, assignments, and licensing, the need for specialized knowledge in this area remains essential. Hence, navigating international registration still requires specialized experience and careful guidance. Please contract a Troutman Sanders trademark attorney if you wish to obtain international trademark registration via the Madrid Protocol. ♦

MULTICELLULAR ORGANISMS NOT PATENTABLE IN CANADA

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On December 5, 2002, the Supreme Court of Canada departed from the rest of the international community when it held that higher life forms are not patentable.¹ The biotechnology community was quick to respond, suggesting that such a ruling would

chill future growth in the Canadian biotechnology industry. Although it remains too early to determine the scope of the effects this decision will have on the Canadian biotechnology industry in general, currently pending Canadian applications directed to transgenic organisms should be reviewed to amend claims to avoid unpatentable subject matter.

The case before the Supreme Court of Canada concerned a transgenic mouse engineered to develop cancer, also known as the Harvard Oncomouse. The Harvard Oncomouse is covered by U.S. Patent No. 4,736,866, which issued on April 12, 1998, and is the first "higher life form" to be patented in the United States. A transgenic organism is one that has been altered to carry a gene from another organism, usually another species. In the case of the Harvard Oncomouse, researchers inserted a cancer-promoting gene, or oncogene, into a fertilized mouse egg, producing a transgenic mouse more susceptible to tumors. Transgenic mice and other transgenic organisms such as these are often extremely useful in understanding the development of disease and in identifying potential therapies for disease.

In the United States, the patentability of genetically altered microorganisms was first upheld by the Supreme Court in 1980.² The United States Patent and Trademark Office ("USPTO") Board of Patent Appeals and Interferences applied this decision to conclude that non-naturally occurring man-made multicellular plants were also patentable under section 101.³ Genetically altered oysters were also found to be patentable by the USPTO Board of Patent Appeals and Interferences,⁴ and, in 1987, the USPTO issued a notice that all non-human multicellular organisms would be patentable.⁵

By contrast, in the Canadian Harvard Oncomouse decision, the Supreme Court of Canada strictly construed the Canadian Patent Act as not extending patent protection to "higher life forms." The Court acknowledged that lower life forms, such as yeasts and bacteria, were patentable in

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Canada, but was reluctant to find higher life forms patentable, because “patenting higher life forms would involve a radical departure from the traditional patent regime.” The Court reasoned that, although the Patent Act of 1869 did not make an explicit distinction between lower and higher life forms, the distinction between the two is defensible based on common sense differences between the two. The Court appeared to suggest that allowing higher life forms to be patentable would open the floodgates to patents on human beings. Ultimately, the Court concluded that higher life forms did not fit within the definition of an “invention” or “composition of matter” within the meaning of the Patent Act. The Court opined that “clear and unequivocal legislation is required for higher life forms to be patentable.”

In the wake of this decision, applicants with Canadian patent applications claiming transgenic organisms must amend their claims to avoid claiming the whole transgenic organism. Because the Canadian patent law permits patents for genetically altered cells and methods of making genetically altered cells, well-crafted claims directed to aspects of the transgenic organism may afford the applicant with sufficient patent protection to commercially develop a transgenic organism. Patents on genetically altered cells that form a transgenic organism may provide temporary solutions for applications close to being granted patents. Alternatively, continuation or divisional patent applications can be filed to maintain a pending application until such time as the Canadian legislature extends patent protection to higher life forms. ♦

(Footnotes)

¹Commissioner of Patents vs President and Fellows of Harvard College, 2002 SCC 76.

²Diamond v. Chakrabarty, 447 U.S. 303 (1980).

³Ex Parte Hibberd, 227 U.S.P.Q. (BNA) 443 (Bd. Pat. App. & Int. 1985).

⁴Ex Parte Allen, 2 U.S.P.Q.2d (BNA) 1425 (Bd. Pat. App. & Int. 1987), aff'd, 846 F.2d 77 (Fed. Cir. 1988).

⁵1077 Official Gazette 24 (April 21, 1987).

CHAPTER II DEMAND NO LONGER REQUIRED IN EVERY INSTANCE WITH PCT APPLICATIONS

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Our patent applicants routinely encounter the question of whether to pursue international patent protection for their inventions. Typically, filing foreign patent applications through a process under the Patent Cooperation Treaty (“PCT”) is the most economically viable process. The applicant files a PCT patent application within 12 months of the earliest filing date for an application (the “priority date”). Opting for a PCT application essentially simplifies the filing procedures on a short-term basis, and time is gained by deferring the time limit for making the final choice of the countries in which patent coverage is sought (filing “National Phase” applications in each foreign country). During that time, the applicant may, for instance, complete testing or additional analyses, find foreign distributors, or obtain financial support required for marketing. All this can be done while maintaining the option of securing a patent coverage in a large number of countries.

A PCT application initially requires the filing of only one application, in a single language, notwithstanding the language of the designated countries. The fees, translations, and all other formal requirements of individual countries can be postponed until a future date. The postponement of these fees, translations, and other filing requirements used to be controlled by the filing of a Chapter II Demand.

As a result of an April 1, 2002 change in the rules governing PCT applications, applicants are able, without taking any steps after filing the PCT application, to postpone

the time for entering the National Phase until 30 months from the priority date *without filing a Demand*.

Rule Prior to 1 April 2002

Under the old rules, the deadline for entering the National Phase was 20 months from the priority date. This deadline could be extended to 30 months from the priority date by filing of a Chapter II Demand within 19 months of the priority date. With such a filing, the application was examined, and “a preliminary and non-binding opinion on the questions whether the claimed invention appears to be novel, to involve an inventive step (to be non-obvious), and to be industrially applicable” (Article 33(1)), followed by an International Preliminary Examination Report (“IPER”) of patentability, was issued. Thus, an applicant was required to file the Demand, both (i) to extend the time in which to enter National Phase in each country and (ii) to receive the patentability opinion.

New Rule

As of April 1, 2002, Article 22 PCT has been amended to provide that an applicant does not have to initiate the National Phases of an application until thirty months from the priority date, or later where the relevant National law allows, *regardless of whether a Demand is filed*. (See below for an important caveat for some countries that still require the Demand be filed.) Thus, the applicant is no longer required to file a Demand for International Preliminary Examination in order to prolong the life of an International application beyond 20 months from the priority date of the application. The only reason now to file the Demand is to receive the patentability opinion, and no longer to delay the National Phase entrance. Further, it is optional to file the Chapter II Demand for an opinion of patentability and an IPER. This change effects all PCT applications filed after April 1, 2002, as well as all applications with a priority date of less than 20 months before that date (i.e. priority date after September 1, 2000), ***but only in countries which have changed their national laws to conform with this change***. Since a number of countries still have to change their

national laws to conform to this change, there remain some transitional exceptions to the rule. As of the printing of this article, 14 countries are not subject to the new 30-month rule. These countries filed a notice with the WIPO retaining the old time limits before January 31, 2003, and thus ***a Chapter II demand is still necessary to get the 30- (or 31) month period in these states:*** Brazil, Denmark, Estonia, Finland, Luxembourg, Norway, Singapore, South Africa, Sweden, Switzerland, Tanzania, Uganda, Yugoslavia, and Zambia. Note that this list might not be complete; be sure to contact us as the time to file your Chapter II demand approaches.

You should speak with your patent attorney to discuss those instances in which a Demand filing is still advisable. For example, an applicant may still want to file the Demand under certain circumstances, such as when the applicant wishes to amend the application prior to entry into the National Phase or where a Preliminary Examination Report may expedite prosecution in the National Phase.

Further, if you are using the European Patent Office (“EPO”) as the International Searching Agency, and intend to file for a European Patent in the National Stage, it would remain advantageous to use the EPO in Chapter II so that, when you enter the National Stage, the application is already examined (and you would not need to pay the EPO to examine the application again). A positive examination report on your PCT application may well save time and money on examination while you are getting national patents in other countries, as well. The patent group at Troutman Sanders is ready to answer any of your questions regarding the filing of international patent applications, and will outline for you the approach best suited to your particular situation. ♦

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IRS OUTLINES LIMITATIONS ON THE DEDUCTIBILITY OF CHARITABLE CONTRIBUTIONS INVOLVING PATENTS

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Ever ponder different ways to be creative with your tax planning? Ever wish you could give to charity without contributing your hard-earned cash? Ever wonder what you can do with the rights to that patent you own as an alternative to earning taxable income?

If you answered “yes” to any of these questions, a recent ruling issued by the Internal Revenue Service (“IRS”) may have the answers for you (with certain restrictions, of course).

On February 26, 2003, the IRS issued Revenue Ruling 2003-28.¹ The Ruling addresses the deductibility of charitable contributions involving patents. Specifically, the IRS examined the following three scenarios: (1) the contribution of a license to use a patent while retaining license rights; (2) the contribution of a patent which will revert back to the donor upon the occurrence of a future event; and (3) the contribution of a patent subject to a restriction on the license or on its transferability.

Contribution of License to Use Patent While Retaining License Rights

Generally, the Internal Revenue Code of 1986, as amended (the “Code”), allows taxpayers to deduct any contribution or gift made within the taxable year to a “qualified charity.” The term “qualified charity” includes corporations, trusts, funds, or

foundations organized exclusively for religious, charitable, scientific, literary, or educational purposes. The net earnings of any such qualified charity cannot benefit any private individual.² The donor may give a gift of cash, real property, or even intellectual property, such as a patent or a license to use a patent.

The tax deduction is limited, however. As a general rule, a donor must contribute his or her entire interest in a patent to generate a deduction. No charitable contribution deduction is allowed for a contribution of a partial interest in the patent unless that partial interest is an “undivided portion” of the donor’s entire interest.³ An “undivided portion” is defined as a fraction or percentage of each substantial interest or right owned by the donor.⁴

In the Ruling, the IRS examined a situation in which a taxpayer contributed a license to use a patent to a university but retained the right to license the patent to others. The IRS determined that the contribution with its limitations did not qualify for a deduction because the taxpayer retained a substantial right, i.e., the right to license the patent to others. Specifically, the IRS equated this contribution to an example cited in the Treasury Regulations which did not qualify for a deduction, in which a donor contributed his interest in a motion picture film to a qualified charity and then retained the exclusive right to reproduce and exploit the film commercially.⁵ The IRS further noted that the limitation on deductibility would apply even where the restrictions on the patent are merely geographic.⁶ Consequently, in order to receive a charitable contribution deduction, a donor must give up all of his or her substantial rights to a patent when contributing a license to use the patent.

Contribution of Patent Reverting Back to Donor Upon Occurrence of an Event

The Code also does not allow a charitable contribution deduction where the transfer of the property, such as a patent, is subject to reversion upon the occurrence of

a future event. If the possibility of that event occurring is so remote as to be negligible, however, the deduction will be allowed.⁷

In the Ruling, the IRS addressed a situation in which a taxpayer contributed a patent to a university with the stipulation that a certain faculty member who is an expert in the technology covered by the patent remain a faculty member at that university during the remaining life of the patent. The life of the patent was fifteen years.⁸ The IRS concluded that the possibility of the faculty member leaving the university in fifteen years was not so remote as to be negligible, so it denied the deduction for the contribution. However, the IRS noted that if the time period were diminished significantly, the likelihood of that faculty member leaving the university may be so remote as to be negligible, and thus the contribution would likely qualify for the deduction.

Contribution of Patent Subject to Restriction on the License or on its Transferability

In general, a charitable contribution deduction will be allowed where a donor places a restriction on the marketability or use of property (the patent) so long as the restriction is not a condition that can defeat the transfer. The concern in such a situation is not the existence of a deduction but rather the valuation of the patent, which is necessary to determine the amount of the deduction. If any restriction is placed on the patent, the amount of the contribution is the fair market value of the patent at the time of the contribution in light of the restriction.⁹

In the Ruling, the IRS considered a situation in which a donor contributed all of his interest in a patent to a university with a restriction that the university could not transfer or license the patent for a period of three years after the transfer. The IRS ruled that such a restriction was not a condition that can defeat the transfer of the patent, and that the donor was entitled to a charitable contribution deduction, so long as the contribution met the other

requirements of the Code.¹⁰ As discussed, the value of the contribution is the fair market value of the patent at the time of the contribution in light of the restriction.

Based on recent IRS guidance, the terms governing the transfer of patent rights to a charity are significant and may mean the difference between qualifying and not qualifying for the charitable contribution deduction. If you are contemplating making a gift of your rights to a patent, it is important that the gift be properly structured to qualify for a charitable contribution deduction. If you would like guidance on how to properly structure your donation of patent rights, the authors are available to assist you. ♦

(Footnotes)

¹ Rev. Rul. 2003-28, 2003-11 I.R.B. 1.

² I.R.C. § 170(a) & (c).

³ I.R.C. § 170(f)(3).

⁴ I.R.C. § 170(f)(3)(B)(ii); Treas. Reg. § 1.170A-7(b)(1).

⁵ Treas. Reg. § 1.170A-7(b)(1)(i).

⁶ Rev. Rul. 2003-28.

⁷ Treas. Reg. § 1.170A-1(e) & § 1.170A-7(a)(3).

⁸ Rev. Rul. 2003-28.

⁹ Rev. Rul. 85-99, 1985-2 C.B. 83.

¹⁰ A discussion of those requirements is beyond the scope of this article, but the authors would be happy to discuss them with any individual contemplating such a contribution.

A LESSON FROM LEGO

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The Background

Interlego AG (“Lego”), a Swiss company, owns all of the intellectual property underlying Lego toy blocks in China, which are manufactured by a Danish company. In the mid-1990’s, Lego found that a local company, Tianjin Coko Toy Co. Ltd. (“Coko”), manufactured similar toy blocks in China. In 1999, Lego filed a copyright infringement lawsuit against Coko in a Beijing court. Lego argued that its 53-piece toy block set should enjoy copyright protection as works of applied art according to the *Berne*

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Convention for the Protection of Literary and Artistic Works, to which both Switzerland and China are contracting countries, and that Coko infringed on Lego's copyright under Chinese copyright law.

Coko argued that Lego's toy blocks should not be accorded copyright protection as works of applied art for two reasons: (1) Chinese law requires four elements for a work to be protected as a work of applied art, but the Lego toy blocks failed to meet these requirements, and (2) Lego's toy blocks had already been granted design patent protection, and thus should be protected solely as designs and not copyright.

The trial court ruled in favor of Lego, holding that Lego's toy blocks are protected under Chinese copyright law. It ordered Coko to hand over the molds and all unsold toy blocks to the court, pay Lego RMB¥ 67,000 (roughly US \$8,072) in compensatory damages, and publish an apology in the *Beijing Daily* newspaper. Both parties appealed.

The Ruling

An appellate court recently upheld this decision. According to the court, the central issue of the case was whether the 53 toy blocks, on which Lego claimed copyright protection, should be protected as works of applied art under Chinese law, and if so, to what extent:

China is a member of the *Berne Convention*. On September 22, 1992, the Chinese government issued its *Regulations on Implementing International Copyright Treaties*. Under the regulations, a work of applied art created by citizens of the member countries of the *Berne Convention* shall be protected under Chinese laws and regulations for a period of 25 years starting from the date when such work was completed. To enjoy copyright protection, works of applied art must possess (1) industrial application, (2) artistic quality, (3) novelty, and (4) capability of being reproduced in a certain physical form.

The court found that three pieces among the 53 lacked creativity and therefore did

not meet the test for works of applied art. The remaining 50 pieces could be protected as works of applied art, as they did possess the four elements. Although Coko claimed that there was no explicit provision in the law stating that works of applied art should be granted dual protection of patent and copyright under Chinese law, the court held that the lack of an explicit provision did not mean that Chinese law would exclude the dual protection of copyright and patent right for works of applied art. As a result, the court held that Lego's toy blocks, which had been granted patent right protection, may also be protected under the copyright law.

The Significance

The significance of the *Lego* case does not lie in the fact that a foreign intellectual property right owner won the case. Most infringers in China would not even contest the validity of the intellectual property owner's rights, or defend the appropriateness of their actions; they would simply flee, and start over with some other infringement activities after a while, maybe against a different victim. Even in this case, in which Lego won a legal victory, the monetary damages awarded to Lego, viewed from a Western perspective, may not be more than pocket change. Rather, the significance of the *Lego* case lies in the fact that the defendant in the *Lego* case was willing to spend time and money to defend itself in a court, argue the merits of the action, and even appeal the decision. This indicates that a new class of competitors has emerged in the Chinese market.

A New Class of Competitors

China is becoming the world's manufacturing center. At the same time, it has also become a significant market. While infringement activities are still prevalent, especially in the copying of software and movies, a new class of companies has emerged. They are not satisfied with making products under foreign brands anymore, legally (as a supplier under contract) or illegally (by outright copying of designs owned by others). They want to establish their own intellectual property rights and compete with foreign companies head-on.

Facing this new class of competition, the protection of a company's intellectual property right becomes more important, because the new competition is here to stay. Companies wishing to protect their intellectual property in China should register all intellectual property rights and not hesitate to take legal action in court if necessary. ♦

NOT ALL PIRATES WEAR EYEPATCHES: PROTECTING YOUR TRADEMARKS IN THE INTERNATIONAL MARKETPLACE

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In visiting Disneyworld with my family over Christmas, the pirates were easy to spot, wearing bandannas and hoop earrings as they ran down the street carrying off pretty, screaming young girls on their shoulders. (Actually, on second thought those might have been University of Florida fraternity boys, which would have explained the "Beer Rules" tee shirts.) Anyway, the point is that pirates in the world of make-believe, or expensive Florida resorts, are easily identified and fought by armed navies (or rented security guards). In the world of intellectual property and trademarks, however, international pirates can lie in wait, then swoop down on the unwary trademark owner, causing emotional and mental pain, and even forcing some to walk a financial plank. To help ward off these evil marauders of the intellectual property world, this article will provide an overview of international trademark protection, and some strategies for avoiding the international trademark pirate.

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DATABASE OF NATIVE AMERICAN TRIBAL INSIGNIA

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In August of 2001, the United States Patent and Trademark Office ("PTO") began accepting submissions for the Database of Native American Tribal Insignia. This database features federally and state-recognized Native American tribes' official tribal insignia, and was designed to better protect the rights of Native Americans by preserving the integrity of such insignia.

Although tribes are not legally required to enter their insignia into the database, the potential benefits of doing so are great. The database is included for informational purposes in the PTO database of materials that are not federally registered as trademarks and is used to assist the PTO when examining applications for federal trademark registrations.

For example, if a party attempts to register a trademark that resembles a Native American tribal insignia that has been submitted to this database, the PTO might refuse registration of such a mark, alleging that the mark may create a false sense of connection with the referenced tribe. Thus, submission of a tribal insignia into this database is a relatively simple and inexpensive way to potentially prevent unauthorized use of tribal insignia.

If you wish to discuss further the benefits of submitting tribal insignia to the PTO, please do not hesitate to contact Nancyellen Keane (804-697-1272) or Amanda MacKinnon (404-885-3500). ♦

(Not All Pirates Wear Eyepatches . . . , cont. from page 9)

Most trademark owners are aware of the significant legal and practical advantages which accompany the registration of marks in the U.S. Patent and Trademark Office, which include a presumption of protectable rights, incontestability, and nationwide rights. The benefits of U.S. federal registrations end at the U.S. border, however. Thus, even the most powerful brand in the United States will not receive protection in other countries absent trademark registrations in these other countries. For example, the REEBOK shoe and clothing brand became famous in the United States in the 1980's, but REEBOK only recently secured ownership of the mark in Peru following a lengthy, and extremely costly, legal fight when another trademark speculator (read: pirate) obtained a registration for the mark in that country and began producing footwear under the REEBOK mark in Peru. Accordingly, when companies are protecting, and sometimes even clearing, their trademarks, consideration must be given to protecting a mark internationally, and not just in the U.S.

Protection for trademarks generally does not extend from country to country; to obtain international trademark protection, it is critical to obtain multiple international trademark registrations. Thus, for example, to obtain trademark protection in the Philippines, a separate trademark registration must be obtained in the Philippines. However, the cost for obtaining a trademark registration internationally costs several thousand dollars in filing fees and legal costs. A company with several marks for several different products or services falling into several International Classes could quickly spend over \$100,000 to register those marks in only ten countries. With over 188 member countries in the United Nations, absent careful and knowledgeable planning, a trademark owner filing internationally could quickly run out of funds.

With an eye towards this planning, the following are several questions to consider:

1) What marks are critical to the international operation of your company?

In a perfect world with an unlimited budget, all marks would be protected, but in this imperfect world with budgetary constraints, consider what are the key strategic marks that would hurt your company if it could not license others to use them or was prevented from using them altogether.

2) What are the key products or services identified by those marks?

Trademarks do not protect mere words or symbols, but rather only words and symbols which identify goods and services and function as trademarks. Each country generally charges a separate fee for each mark for each product or service which falls into a different International Class. Thus, in the United States, a company may have a registration for the same mark for computer software, consulting services, and clothing, which means the mark falls within three separate International Classes. If the core business of the company is the software, the consulting is ancillary to the software, and the clothing is strictly for promotional purposes, then consider only filing for the computer software and saving the fees from the other International Classes.

3) What are the most important markets for your company's products or services?

While your company's ten-year plan may call for sales in Mauritania, your company may want to first look at protection in Western Europe, Japan, and China.

4) What is the estimated life span of the mark?

Although obtaining a trademark registration in a few countries may take only several months, more often it can take over a year, and, in some instances, several years. If the anticipated life of an advertising campaign or slogan will be less than one year, it may not be worthwhile to embark on an international trademark registration program.

In addition to these questions, a trademark owner should consider several fundamental factors in international trademark law. The United States is a "first-to-use" country, meaning that trademark

rights do not arise until a trademark is used, and actual use of a mark is required in order for a trademark registration to issue. Under this system, a clothing company must actually manufacture clothes and a computer software publisher must actually publish software in order to receive the protections afforded under U.S. trademark law, and if two entities both use the same mark, the company that began use first owns priority in the mark.

Many other countries, however, follow the “first-to-file” trademark system. In a first-to-file country, the first person to file and successfully prosecute a trademark application with the appropriate governmental entity acquires the exclusive rights to a trademark, regardless whether such person has actually used the trademark in that country or has a bona fide intention to do so. This type of system creates a risk that a “trademark pirate” will learn of or anticipate a company’s expansion into a first-to-file country and attempt to file a registration application before the company can do so. The end result is that the company is prohibited from using its own trademark in that particular country unless it is able to acquire the rights to the trademark from the trademark pirate. Such an acquisition usually proves to be extremely expensive.

The safest way to avoid this risk is to file registration applications in all first-to-file countries. Given the large number of first-to-file countries, however, this is usually not economically prudent or feasible. An alternative strategy would be to file in all first-to-file countries where a company uses its mark, or in all countries that are in close geographic proximity to countries in which a company is currently operating or in which operations will begin within a relatively short time. In any event, *the filing of a registration application should absolutely precede any announcement of expansion into a first-to-file country.*

In planning an international trademark registration strategy, a trademark owner should also understand the advantages afforded by filing a Community Trademark

(“CTM”), which is available through the Office for Harmonization of the Internal Markets (“OHIM”) in Alicante, Spain. With the CTM, U.S. companies can obtain a single trademark registration which provides trademark rights in all European Union member countries through filing a single application and paying a single fee. The fee is significantly less expensive than filing national trademark applications in each of the European Union member countries. Accordingly, a trademark owner looking for international protection is well advised to consider obtaining protection through a CTM.

The other factor for trademark owners to weigh is the benefits potentially afforded by the Madrid Protocol, which will allow U.S. companies to obtain trademark protection not just in the EU, but all signatory countries, by filing a single trademark application. For more information, please see the article explaining the Madrid Protocol at the beginning of this newsletter issue.

With the spread of global commerce and world-wide access to the Internet, trademark owners must look beyond the borders of the U.S. when considering trademark protection, or risk being foreclosed from the use of their mark by “first-to-file” trademark pirates or prior trademark users elsewhere. The trademark owner must approach international trademark protection strategically, however, or risk spending significant time and resources obtaining meaningless protection. Armed with a firm understanding of a company’s international business goals and priorities, and a grasp of the option and issues associated with international trademark law, a trademark owner can avoid this outcome and realize the benefits of international trademark protection.◆

YOURCOMPANYSUCKS.COM – IT MAY “SUCK,” BUT IT’S LEGAL

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Last February, in *Taubman Co. v. Webfeats*, the United States Court of Appeals for the Sixth Circuit held that an Internet domain name that appends the word “sucks” to a trademark does not violate applicable trademark law. In the first case ever to reach a federal court of appeals in which a large corporation sued an online critic, the Sixth Circuit found that “[t]he rooftops of our past have evolved into the Internet domain names of our present... [therefore, a] domain name is a type of public expression no different in scope than a billboard or a pulpit.”

In a simplified explanation, trademark law prohibits *commercial* Web sites from using a domain name that would cause a likelihood of confusion to consumers with respect to the parties’ goods or services. So long as the Web site is not commercially misleading, trademark law cannot be used to prevent it. Adding the term “sucks.com” to a trademark creates a strong presumption that the domain name will not be confusing or misleading to consumers. Additionally, the use of a conspicuous disclaimer indicating that the complaint Web site is not the official Web site weighs heavily against a finding of trademark dilution. If the domain name is beyond the scope of trademark law, then the First Amendment provides significant protection to the online critic.

The *Taubman* decision paves the way for unsatisfied customers or disgruntled ex-employees to criticize companies through complaint Web sites, a common method of cyber griping. Domain names that closely resemble the official domain name of a company increase the potency of the criticism, because such troublesome domain names may be accessed accidentally by

potential customers by, for example, a quick click on a search engine result. Indeed, “sucks” sites are a common form of Internet protest and are often visited by Internet users looking for the official Web site for a company.

Although complaint sites provide online critics with a pulpit to voice their opinions, companies find the complaint sites annoying, with the potential to turn into a publicity nightmare. Public criticism inevitably surfaces no matter how cautiously a company does business. The difficulty or, more likely, the impossibility of preventing such criticism, however, does not render companies helpless to minimize the impact of the criticism.

Companies can take preventive action by reducing the “virtual forum” immediately available for public criticism. With a minimal expenditure, companies can purchase potentially disparaging domain names, thus taking away one pulpit for negative comment. Purchasing every domain name that could possibly be used for criticism would be costly, however, not to mention impractical. The objective is to eliminate the obvious choices so that online critics must use less popular or more cumbersome channels to associate themselves with the company’s Web site. A company cannot prevent a zealous user from finding online criticism, but can reduce the chances that unsuspecting users will accidentally wander onto unofficial complaint Web sites.

Obvious choices by online critics for domain names include *yourcompany sucks.com*; *yourcompany-sucks.com*; *yourcompanybites.com*; *yourcompany-bites.com*; *yourcompanyblows.com*; *yourcompany-blows.com*; *antiyourcompany.com*; and *anti-yourcompany.com*. Additionally, companies should consider acquiring the equivalent “.org” and “.net” domain names. Other top level domains could be considered, but are currently not as popular for Internet users in general. The company should also use creativity in determining if their domain names can be reworded or modified by online critics, such as with

www.starbucked.com or *www.noamazon.com*. Purchasing potentially disparaging domain names creates a “buffer” between the company’s official Web site and complaint Web sites. These newly acquired domain names can be configured to redirect an Internet user to the official Web site or can be left unassigned so that the user finds no existing Web site.

While the *Taubman* decision opens many doors for online critics, a company can eliminate many of the easily accessible doors with a cost-efficient, preventive course of action. Such preventive action may avert an expensive legal battle in the future, which definitely does *not* suck. ♦

In addition to this Review, **Troutman Sanders LLP** publishes several other newsletters:

Business & The Law addresses the needs of publicly and privately held companies and seeks to provide items of interest to owners and executives of these companies.

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Please contact the **Department of Business Development** at 404-885-3639 if you would like to receive any of these publications.

TROUTMAN SANDERS LLP OPENS RALEIGH, NORTH CAROLINA OFFICE

Troutman Sanders LLP is pleased to announce the opening of our Raleigh, North Carolina office. Located in the Research Triangle adjacent to one of the nation's largest research parks, three nationally renowned research universities and industry giants in pharmaceuticals, technology, telecommunications and biotechnology, our downtown Raleigh office is ideally suited to provide clients with quality, sophisticated legal services. Our attorneys in Raleigh concentrate on commercial development and real estate investments and draw on the breadth and depth of the firm to offer world class legal services to our clients in North Carolina. "North Carolina is a major focus in the expansion plans for Troutman Sanders," said Robert W. Webb, Jr., Managing Partner at Troutman Sanders. "We are exploring other opportunities in the state and are eager to build on our new North Carolina presence."



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