

## Intellectual Property Law



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**The theory of prohibition of earlier trademark incorporation into a later trademark under case law of the Regional Administrative Court referring to trademarks designated for cosmetic products.**

On March 28, 2011, the Regional Administrative Court in Warsaw issued a verdict (case reference number VI Sa/Wa 2534/10) dismissing a complaint regarding the decision of the Patent Office issued in contentious proceedings concerning GENIUS trademarks (word) and EVELINE LABORATORIES SKIN GENIUS (word-design).

The discussed trademarks were registered for well-known entities present on the cosmetic products market namely: Helena Rubinstein with its seat in Paris and Production-Commercial Enterprise 'EVELINE COSMETICS' Piotr Kasprzycki with its seat in Lesznowola.

In the opinion of the French company, the later EVELINE LABORATORIES SKIN GENIUS trademark should not have been registered by the Patent Office, because of its misleading similarity to the GENIUS trademark based on article 132 paragraph 2 point 2 of the act from June 30, 2000 – Industrial Property Law (Journal of laws from 2003 No. 119, position 1117), further referred to as IPL. The quoted article states, that one does not grant any protection law for identical trademarks or those similar to a trademark, for which protection law has already been granted or for which a trademark has been applied for in order to obtain protection law (if protection law will be granted for such a trademark) having priority in favor of another person for identical or similar goods, if there exists the risk of misleading the consumers, in particular, the risk concerning associating the trademark with the earlier granted trademark. The risk arises by way of the possibility of a false, non-real assignment of a given good, by an average consumer, to another entity.

The Patent Office did not share the argument of the French company and dismissed its opposition stating, that the discussed trademarks are different in all three questioned comparisons, i.e. visual, phonetic and conceptual, and, consequently, there is no risk of misleading potential clients.

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The Patent Office emphasized in the appealed decision, that the trademark in question is a word – a design mark, consisting of four words, from which none of them is distinctive from the others, whereas, the opposing GENIUS is a single-word trademark.

Helena Rubinstein did not agree with such a decision and filed a complaint with the Regional Administrative Court, accusing the Patent Office of misinterpretation and misapplication of article 132 paragraph 2 point 2 of IPL, as well as violation of the rules of procedure.

The discussed decision is interesting, because one of the key matters touched on its content is the so-called theory of an incorporation ban, which has been appearing in case law of courts having jurisdiction over cases of trademarks similarity.

In accordance with the abovementioned theory, trademarks should be compared as a whole through the prism of dominant elements, however, in the case of acquisition of an earlier trademark in a later one, the court should examine whether the element has retained its independent distinctive role in the later trademark. Thus, if the element wholly constitutes the earlier mark and has an independent role in the later trademark, we are dealing with unacceptable incorporation.

It should be noted, however, that although the abovementioned theory is rather commonly accepted in the case law of European courts, the lecture of the grounds of commented decision leads to the conclusion, that the Patent Office, as well as the administrative courts in Poland are reluctant to accept its guidelines. Analysis of existing case law indicates, that the Polish Patent Office, as well as Polish administrative courts having jurisdiction in matters within the scope of trademark similarity are putting more attention on the overall impression which the trademarks make on a typical consumer.

In the discussed case, in the opinion of the appealed party the GENIUS element has been used in the later trademark, which constitutes an example of incorporation. The use of an additional element in the opposed trademark does not change the fact, that it contains the prior trademark, owned by another entrepreneur. In consequence, in the situation, in which trademarks are designated for the same goods, the likelihood of confusion the consumer is real. As a result, trademarks should not be coexisting on one market.

However, in the content of the discussed verdict, the Regional Administrative Court did not agree with the argument of Helena Rubinstein and clearly declared itself in favor of respecting the criteria of overall impression that the trademarks make on an average consumer. Accordingly, in the opinion of the Court, trademarks should be compared as a whole, because the sole repeatability of

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separated elements or the similarity of its parts, do not have to prejudice the existence of risk of confusion of the consumers. Therefore, referring to GENIUS and LABORATORIES SKIN GENIUS trademarks, the Regional Administrative Court also emphasized that the word GENIUS is a common expression in the English language, and that it refers to certain features of a cosmetic product. Thus, in the opinion of the Court, one can not acknowledge, that it has an independent and distinctive role within the trademark. Furthermore the Court acknowledged, that had it accepted the argument of the complainant company it would have led to the wrongful appropriation of the word GENIUS, whereas by itself it is devoid of strong distinctiveness.

The position of the Court regarding the distinctive character of the word GENIUS for cosmetic products in the view of the existence of a valid registration word trademark may seem questionable. It is worth noting, that such an interpretation of the matter can, in fact, distort the exclusivity resulting from registration of a trademark in favor of a given entrepreneur. There is no doubt, that by acquiring the protection law for a trademark such an entrepreneur gains the right to use the trademark exclusively for profit or professional purposes in a given territory. The discussed exclusivity is, after all, nothing more than a monopoly granted within the law by the legislator in favor of a single entrepreneur.



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## New Top Level Domain Names – opportunities and risks for trade mark holders

In the near future the boundaries of cyberspace will significantly expand. This involves the introduction of the possibility to register new Internet domain names by ICANN<sup>1</sup>, the organization managing the Internet. In June 2008, ICANN officially announced its plans to make a virtually unlimited number of new generic top level domain names, so called gTLDs<sup>2</sup> available for registration. Originally, there were seven generic top level domain names, three of which – .com<sup>3</sup>, .net<sup>4</sup> and .org<sup>5</sup> – were open for registration, i.e. there were no subjective criteria for those interested in registering a domain name. The remaining four domain names were intended only for specific entities: domain name .int – for international organizations, .edu – for a minimum four-year higher education units, .gov – for governmental

institutions and .mil – for the military. Subsequent decisions of ICANN introduced new top level domain names<sup>6</sup>. However, these changes have never been on such a large scale as currently planned. The change currently implemented will allow for registration of generic top level domain

<sup>1</sup> ICANN – *The Internet Corporation for Assigned Names and Numbers*.

<sup>2</sup> gTLDs – *generic Top Level Domain Names*. Each website address consists of a sequence of characters including the so-called “prefix”, which contains the Internet protocol address *http*, address of the web server (so called *host*) and domain names separated by a full stop (dot). The last domain name, so called *suffix* is the top level domain name (TLD – *Top Level Domain Name*). Top level domain names are divided into gTLDs (generic Top Level Domain Names) – generic domain names, which include, among others domain names .com, .org, .biz, .net and ccTLDs (*country code Top Level Domain Names*) – domain names of national codes, including two-letter codes of individual states, based on international ISO standard 3166, e.g. .pl, .uk, .de, .fr, .us etc.

<sup>3</sup> Domain name .com derives from the English word *commercial* relating to a business activity.

<sup>4</sup> Domain name .net derives from the English word for the network and was intended for Internet services.

<sup>5</sup> Domain name .org was intended for organizations.

<sup>6</sup> For example, through the decision of 16 November 2000, ICANN allowed for the registration of seven new gTLDs: .aero – for aviation activities, .info – as open-access domain name, .biz – for business activity, .name – for first names and surnames, .pro – for professions, .corp – for accredited companies and .museum – for museums.

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names consisting of any string of letters (besides national codes and reserved names<sup>7</sup>). Consequently, any word can be a generic top level domain name. For entrepreneurs, these changes may be an opportunity for an unprecedented growth of business opportunities. Identification of a given entity on the Internet will no longer require knowledge of an appropriate suffix (.com, .pl, or .com.pl). It will be possible to create web addresses that contain exclusively a brand name or other distinctive designation, such as *coca.col*a, *sony.ericsson*, *gino.rossi* etc.

On the other hand, such an enormous freedom of creating web addresses entails certain risks. According to ICANN's Guidebook, registration of new gTLDs will be publicly available. In case of a large number of applicants, in the absence of amicable methods for choosing one of them, the gTLD holder will be selected through an auction. The decisive criteria will be financial and not the issue of the rights to the name, the priority of its use, etc. However, within the registration process itself there will be some tools preventing the granting of domain names to unfair entities. In the initial examination, ICANN will assess the history of an applicant in terms of criminal conduct and acts of cybersquatting. The domain name applied for will also be assessed in terms of similarity, but only in relation to other domain names.

Protection of earlier trademarks, both registered and unregistered, is to be carried out under the objection procedure. Within its framework, ICANN will evaluate criteria listed in the Guidebook. As a rule, they correspond to provisions set out by the Community and national legal systems. The similarity will be assessed on three levels - visual, phonetic and semantic – taking into account the distinctiveness of the trademark and the domain name. The factual background related to the applicant of a domain name: good, or bad faith, prior use of the applied name or preparation for such use, right to the name, etc. will also be taken into consideration. However, contrary to the proceedings regarding the domain name .pl, or .eu, the arbitration body will also examine the good faith of the trademark holder, both at the time of trademark application as well as during its use. ICANN's Guidebook does not specify any consequences of establishing that a trademark was applied for in bad faith. Both in the Polish and Community trademark protection system, an application in bad faith is a prerequisite for trademark cancellation. However, cancellation takes place only by a decision of the competent authority and does not constitute a side issue in the proceedings for infringement of exclusive rights, which *de facto* includes an objection procedure for the new gTLD.

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<sup>7</sup> ICANN introduced the so-called “reserved names” list, that are exempt from registration (e.g. *example*, *icann*, *tld*, *whois*, *www* etc.). *Generic Top Level Domain Names* similar to the reserved names are also prohibited.

ICANN also intends to introduce some ways to protect trademark holders' rights at the stage of registering second level domain names<sup>8</sup>, within the new gTLD already registered (eg. *.pko.bank*, *.ipad.apple*, *.alfa.romeo* etc.). A new gTLD registrar will be required to provide trademark holders with two types of tools: a pre-registration period (so called *Sunrise period*) and service providing notifications of claims relating to trademarks (so called *Trademark Claims*). During the sunrise period, SLDs registrations will be made exclusively to the benefit of entities holding rights to trademarks. The *Trademark Claims* service consists of notifying trademark holders of any attempt to register domain names violating their exclusive rights. Notifications will be sent to the trademarks holders listed in the so-called *Trademark Clearinghouse*.

The new rule for registering domain names introduced by ICANN will certainly cause a number of doubts. The absence of references to the legal criteria at the registration stage of a new gTLD will undoubtedly cause a large number of objection procedures. Arbitration bodies will probably often face a big challenge to adapt legal institutions governing the protection of trademarks to the new realities of cyberspace. Some rules, such as issues relating to assessment of distinctiveness regardless of goods and services (e.g. gTLD *.apple*), the territoriality of exclusive rights or even above-mentioned trademark applications in bad faith, will have to be a reinterpreted. This may have an interesting impact on the rules governing the world of trademarks.

## Provisions of the NASK Regulations in the registry of abusive clauses

On 5 July the Office of Competition and Consumer Protection entered the provisions of two sections of NASK (Naukowa i Akademicka Sieć Komputerowa) Domain Names Regulations, which set out the conditions for providing services in the area of .pl domain names maintenance, into the registry of abusive clauses. These provisions obliged the subscriber of a .pl domain name to sign an arbitration clause, in case a third party initiated a legal action against the subscriber claiming that the subscriber had infringed the rights of that person by domain name registration. Usually such cases concern so called *cybersquatting*, i.e. registering of domain names which are identical or similar to the protected trademarks or other distinctive designations. NASK Domain Names Regulations were supposed to force the subscribers to subject domain name disputes to arbitration courts, which are more specialized and issue their judgments faster than common courts. Non-signing of the arbitration clause was sanctioned by termination of the .pl domain name maintenance contract signed with NASK.

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<sup>8</sup> SLDs – Second Level Domain Names.

The .pl domain name maintenance contract, with NASK Domain Names Regulations as its integral part, is an example of a so called adhesion contract, whose terms cannot be individually negotiated by a consumer. As a rule, adhesive contracts cannot contain provisions influencing consumer's rights and obligations in a way which is contrary to good custom or which grossly violates a consumer's interests. In a judgment of December 3, 2010, the Warsaw Court of Appeal held that the aforementioned provisions of NASK Domain Names Regulations are of such nature and thus will not be allowed.

After entry of the NASK Domain Names Regulations' provisions into the registry of abusive clauses, any third party may now demand the prohibition of their application, however, it must be exclusively with respect to the entity involved in the proceedings, i.e. to NASK. Hence, the abusive character of the NASK Domain Names Regulations' provisions does not affect the validity of pending arbitration proceedings, in particular, it does not automatically void a voluntarily signed arbitration clause.



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## Supplementary Protection Certificates for medicinal products with a negative or zero term, in light of the opinion of the Advocate General of 9 June 2011 in the case of *Merck Sharp & Dohme Corp. v. German Patent and Trademark Office (C-125/10)* before the Court of Justice of the European Union

In view of the controversy on granting supplementary protection certificates for medicinal products ("SPC") with a negative and zero term under the *Regulation of the European Parliament and of the Council (EC) No 469/2009 of 6 June 2009 concerning the supplementary protection certificate for medicinal products* ("Regulation 469/2009"), and the differences in practice of EU member states in this regard, the admissibility of granting such SPCs has been subject to the decision of the Court of Justice of the European Union ("CJEU") in connection with a preliminary question addressed by the German Federal Patent Court (*Bundespatentgericht*) in *Merck Sharp & Dohme Corp. v. German Trademark and Patent Office (C-125/10)*.

Although the CJEU has not yet adjudicated on this issue, the opinion of the Advocate General of the CJEU, Yves Bot was issued on 9 June 2011. The opinion of the Advocate General is not binding upon the CJEU, but in practice, the CJEU often follows his position. In the opinion of the Advocate General it is allowed to grant SPCs with a zero or negative term. In his opinion, Regulation 469/2009 indicates only a maximum, not a minimum term of a SPC, besides which, a positive term of a SPC is not a requirement to grant it. The fact that previously, such SPCs were not granted, cannot determine the admissibility of their granting, because this practice stems from the fact that such SPCs were useless until *Regulation (EC) No 1901/2006 of the European Parliament and of the Council of 12 December 2006 on medicinal products for paediatric use* (“Regulation 1901/2006”) entered into force.

The situation has changed dramatically because the duration of SPCs can be extended by a period of 6 months, which is referred to as the paediatric extension (“PE”) under Regulation 1901/2006, which resulted in the need to grant even negative or zero term SPCs. Obtaining a SPC is a prerequisite for granting a PE. A negative attitude towards granting negative or zero term SPCs would lead to the undesirable situation from a public interest perspective, because pharmaceutical companies conducting paediatric clinical studies might deliberately protract the procedure for granting marketing authorization of a medicinal product, so that the SPCs term could be a positive according to the formula for its calculation and could constitute a basis for granting a PE.

In his opinion, the Advocate General also focused on the aim that led to the introduction of the PE, i.e. rewarding pharmaceutical companies conducting paediatric clinical studies by providing them with an additional 6-month period of monopoly, allowing greater reimbursement of expenses incurred during the paediatric studies. Therefore, the maximum period of the so-called effective patent protection (understood as a period when the patentee can fully benefit from its protection, after obtaining basic patent and granting marketing authorization of a medicinal product) should not be 15 years as referred to in Regulation 469/2009, but 15 years and 6 months respectively. Otherwise, a PE and thus an important part of Regulation 1901/2006 would completely lose its importance.

Moreover, according to the Advocate General, a PE period begins not on the expiry date of a basic patent, but on the day of commencement of a SPC term agreed in such a manner that the difference between the period of 5 years and the period which elapsed between the date on which

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the application for a basic patent was lodged and the date of granting marketing authorization of a medicinal product shall be deducted from the date of expiry of the 20-year period of protection. Therefore, the position presented by the Advocate General contradicts a possibility to “round up” the term of a SPC from negative to zero and to apply a PE only to SPCs with a zero term, established in such a manner.

There has been a lot of controversy and contradictory practices among EU member states concerning negative and zero term SPCs. The European Commission has consistently denied the rationale of such SPCs and calls not to grant them. A similar position is presented by France, Portugal and Lithuania. Some leading German commentators even believe that granting such SPCs constitutes a prerequisite to declare their invalidity.

Advocates of the concept of granting zero and negative term SPCs (including such countries as the Netherlands, Great Britain, Hungary) argue that such a restrictive approach would discourage pharmaceutical companies to conduct paediatric studies, or that they will protract the procedure for obtaining marketing authorization of a medicinal product to ensure grounds to obtain the PE. This will result in delay in the availability of pediatric medicines for the youngest group of patients.

Moreover, the proponents of such SPCs refer to the purpose of the PE introduction, i.e., popularization of studies on paediatric products. A PE is also granted in cases where the completion of clinical studies approved did not lead to obtaining of marketing authorization with a pediatric indication, but the results of the studies were reflected in the characteristics of the medicinal product, and in some cases, also noted on the leaflet enclosed in the packaging of a given product. Granting a PE should not therefore be conditioned on the presence of an SPC with a positive term, but should constitute a reward for those who have invested in paediatric studies and contributed to a significant development in this field.

The Department of Intellectual Property Rights of KZR&P will definitely follow this issue and will inform you as soon as the CJEU issues a final decision on the case C-125/10 settling this controversial issue.

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This information is intended as a brief on the state of Polish law. This information does not constitute legal advice in any particular case.

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