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Concurrent Sessions I
Session A: Trademark

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PROF. FORD: Welcome to the afternoon trademark panel.

We have a variety of topics to go through today. Unlike the plenary sessions, it's perfectly fine if people want to ask questions as we go along, so if you have a question or a comment, please feel free to jump in.

I am not going to introduce the panelists. Their names are on the placards and their bios are in the program.

We are going to start off with an easy topic. I'm going to direct this question to Mark. We have what might be described as a really exciting trademark docket this year on the Supreme Court — or is it not exciting?

MR. FELDMAN: If a bankruptcy case involving trademark licensing is exciting or easy, let me know.

I'm Mark Feldman. I'm with DLA Piper in Chicago. I'm glad to be here.

Last term there were no Supreme Court cases involving trademarks. The last one was [Matal v. Tam](#),¹ which was two terms ago. In this term there was nothing on the Supreme Court docket until one week ago. Last Friday the Supreme Court accepted cert. in [Mission Product Holdings v. Tempnology](#).²

When a company files for bankruptcy, it has the option of either assuming or rejecting contracts. That's for the purpose of letting a bankrupt company try to recover itself. If it has a bad deal with contracts, it can reject those agreements and try to get a better deal and try to get itself out of bankruptcy. The problem with that is it led to some very harsh results, especially in the context of IP licenses. A company could build up its entire business around a patent license or other IP licenses and then lose everything if the company declares bankruptcy and rejects the contract.

To eliminate some of these harsh results, thirty years ago, in 1988, Congress amended the Bankruptcy Code to create [Section 365\(n\)](#),³ which basically said that for IP licenses if the bankrupt company rejects the contract, the IP licensee has the option of retaining the agreement and going forward. In effect, the licensee can reject the rejection and go forward.

The problem is that this exception was limited to intellectual property licenses and intellectual property was defined as including patents, copyrights, and trade secrets and was silent as to trademarks. This led to a split among the circuits as to whether this rejection option of retaining the rights would apply to trademarks. The Seventh Circuit has read trademarks as being included within it and a trademark licensee does have the ability to retain the agreement.⁴ Other circuits disagree.⁵ That's now for the Supreme Court to decide.

PROF. FORD: On the assumption that bankruptcy is not a fun topic, let's turn to a fun topic, which would be the topic of abandonment and rebranding.

¹ [Matal v. Tam](#), 137 S.Ct. 1744 (2017).

² [Mission Product Holdings, Inc v. Tempnology, LLC](#), 879 F.3d 389 (1st Cir. 2018) (holding the licensee would not retain its rights if the debtor chose to reject the license in bankruptcy), cert granted, [No. 17-1657](#) (Oct. 26, 2018).

³ 11 U.S.C. § 365(n).

⁴ [Sunbeam Prods., Inc. v. Chicago Am. Mfg. LLC](#), 686 F.3d 372 (7th Cir. 2012) (holding rejection of a trademark license merely freed the estate from the obligation to perform under the contract but had no effect on the continued existence of the license).

⁵ See, e.g., [Licensing by Paolo, Inc. v. Sinatra \(In re Gucci\)](#), 126 F.3d 380 (2d Cir. 1997) (holding Guccio Gucci was not a good-faith purchaser under § 363 because the Bankruptcy Code is silent on the issue of whether trademark licensees are entitled to retain their rights post-bankruptcy). See generally Jason Enright, [The Bankruptcy Code's Rejection of Trademark under § 365\(n\) and the Motley Consequences When a Debtor Rejects a High-Tech Trademark License](#), BUS. & BANKR. L.J. 75 (2014).

We've had a couple of high-profile examples of companies attempting some rebranding recently.

Monica, have we seen any sort of change in practices as a result of the Supreme Court's decision back in 2015 in [Hana Bank](#),⁶ which clarified the answer to another circuit split? That circuit split was whether or not the question of tacking would be a question of law for the court or a question of fact for the jury. Two circuits, the Sixth Circuit and the Federal Circuit, had held that tacking questions would be questions of law; the Ninth Circuit said it would be a question for the jury.⁷

Has that decision changed anything, and should it change how we think about some of these high-profile examples? If you want to give us a couple of examples, that would be helpful as well.

MS. THOMPSON: That's a good question for which I have no ready answer, but I have a lot of questions that come out of it.

PROF. FORD: Okay.

MS. THOMPSON: I think the topic of evolving trademarks is interesting because we are now seeing all of the DUNKIN' commercials, where it is trying to move its brand off of DUNKIN' DONUTS into just DUNKIN', and eventually the plan is, I believe, to go to DNKN, just initials. So there's a planned progression as it changes its mark. As a very visible franchisor, its trademark is obviously very important, so I was curious as to what kind of questions arise with such evolution, and "tacking" is obviously an important one.

Tacking, for anyone who doesn't know, is when you have a new version of your mark but it is so substantially similar to the original version that it keeps its priority date and it isn't considered a new mark per se.

The classic example has always been the Morton Salt girl, who now is wearing a pretty cute drop-waist dress as opposed to the old, squishy rain gear that she was once garbed in. I looked up the chain of registrations for Morton Salt. They claimed tacking when they re-dressed their logo because the most recent registration where she is wearing her little drop-waist dress claims 1968 first use and it was really a 1990 mark.

DUNKIN' doesn't do that. In the DUNKIN' applications they've only filed intent-to-use (ITU) so far. They did have a DUNKIN' registration or two for related products, such as beer, which, if you think of Starbucks and its foray into draft beers and wine in coffee shops, may be in the offing for DUNKIN' as well.

⁶ *Hana Fin., Inc. v. Hana Bank*, 135 S.Ct. 907 (2015) (holding tacking is a question of fact to be decided by a jury).

⁷ *Hana Fin., Inc. v. Hana Bank*, 735 F. 3d 1158, 1160 (9th Cir. 2013) (although tacking applies only in "exceptionally narrow circumstances, [it] 'requires a highly fact-sensitive inquiry'" that is "reserved for the jury" (quoting *One Industries, LLC v. Jim O'Neal Distributing, Inc.*, 578 F. 3d 1154, 1160 (CA9 2009)), *aff'd* 135 S.Ct. 907 (2015). The court acknowledged, however, that whether tacking should be decided by juries or judges "is the subject of a circuit split." 735 F. 3d, at 1164, n.5 (noting that the Federal and Sixth Circuits "evaluate tacking as a question of law"); see *Van Dyne-Crotty, Inc. v. Wear-Guard Corp.*, 926 F. 2d 1156, 1159 (Fed. Cir. 1991); *Data Concepts, Inc. v. Digital Consulting, Inc.*, 150 F. 3d 620, 623 (6th Cir. 1998). See generally, Charles R. Macedo et al, [Trade Mark Tacking a Factual Question for the Jury](#), 10 J. INTEL. PROP. L. & PRAC. 326 (May 1, 2015).

In DUNKIN', if you look at how they police their mark over the years, they seem to have given up on protecting "DONUTS." This misspelling has now become a dictionary word. It's not something that they try to police and you see it ubiquitously used, and I frequently use it as a misspelled version of doughnuts. But they have been fairly scrupulous about trying to protect the DUNKIN' portion. In fact, I could only find one registration that they didn't seem to get, and that was DUNKIN HOUND. For everything else that has the word DUNKIN' in it, it looks to me like they either went after it or they shut them down because they are all dead marks on the USPTO register.

This is something that I think we all encounter when we are dealing with clients in several different ways. I would assume, if you have a client that has a long-term mark, you have encountered the problem where your client's actual use today wouldn't support even a renewal of the mark because they had shifted over to a slightly different or modernized version. That's not an uncommon problem, and you usually discover it when you are trying to put together renewal applications, which may be a little too late. That's why tacking is very important to keep in mind. If your marks are similar enough to create the same, continuing commercial impression, then you could claim tacking and seek the earlier priority date.

Also, how they police the mark. If they had a long mark with several generic words in it and they haven't gone after some of the words, whether they keep the prevalent word, the real "bang for the buck" word, clean in their policing efforts seems to be a very important issue.

This is all, I think, to be distinguished from the other example that I put in here, which is kind of a popular advertising ploy. When IHOB hit the stands, it was kind of like NEW COKE; a company may tinker with its mark to create a buzz. I don't think IHOP ever intended to develop a new trademark, but I think they were taking some risk with their trademark by changing it. If this new use had been taken off and all of the franchisees had used it prevalently and changed their signage, you could run into a problem of losing your original mark or abandoning it because you are changing it to such a degree that I don't think the old and the new uses, IHOP and IHOB, would support a tacking claim because they were designed to create a different commercial impression. But either the backflow from the advertising people, or just people like me who wouldn't go to IHOB for hamburgers, has curtailed this advertising initiative. They have retreated from the emphasis on burgers in the mark.

I find those issues to be interesting and something that we need to watch as practitioners when we are dealing with long-term marks.

PROF. FORD: Would anybody on the panel advise a client differently depending on whether it is a question for the judge or the jury as to whether a mark has met the tacking standard?

MR. FELDMAN: I have a couple comments on that.

First of all, if you are deleting a word, you really better do a search. If you have been DUNKIN' DONUTS forever, you can't assume that there aren't other Dunkin'-somethings that would have a problem if you simply shorten it to DUNKIN'.

In addition, I have seen a bunch of trademarks where for use with respect to tacking people put down “first use 2000, used in another form 1980.” That’s one way to sort of back your way into a tacking by your own assertions.

MS. ACHTERHOF: You can also try to get to the same end by claiming a family of marks.

MS. THOMPSON: If you keep up the use of all of them.

MS. ACHTERHOF: Right.

MS. THOMPSON: I think the problem that you’re getting to is if it’s a jury question, I don’t know that I’d want to make an admission in records anywhere that could bind me into a position that makes it difficult. I wouldn’t want my rights to be totally dependent on that I can prove tacking if there are other marks out there that might get priority if my tacking claims don’t work. And I wouldn’t want the PTO to say, “Oh, these don’t look substantially similar; I’m not going to allow the registration,” and give me a bad record that I would have to deal with at trial.

PROF. CALBOLI: Can I ask a question about this? I do extensive work in international and comparative trademarks. When we think about tacking and tacking as it works in the United States, how can we deal with the international registration (via the Madrid system for example) that we have under the previous mark? DUNKIN’ DONUTS is certainly an international brand. I was in Tbilisi, Georgia not long ago and I saw it is used there including with the transliteration in local characters. In this sense, using the acronym makes sense because it becomes a logo; it’s not just the word, but it becomes also the letters that can be used across the world as a logo.

But how does tacking work if we can get the priority date for a new similar or almost-the-same mark in the United States? In your practice, can you get the same retroactively also across jurisdictions or do you have to file an application for that? I think that’s a relevant question for multinational corporations.

MR. FELDMAN: A partial answer is that if the change is small enough, you can just amend the registration and not even file a new application. So with the Morton Salt lady, if it’s just a slight change in her outfit, you don’t have to re-register.

PROF. CALBOLI: But internationally you have to redo everything everywhere or you can refer to a [Madrid Protocol](#) application. So what do you do then? It’s more work for trademark lawyers.

MS. THOMPSON: I would certainly want to research that. I’m not sure whether tacking is available outside of the United States. I think you would probably want to research that before you start messing with your marks unless you are sure you’ve got clear priority with whatever new mark you are trying to move into.

You should know that, because if you haven’t policed it, you can be pretty sure if you are a success that somebody has come in really close. If you have had really aggressive policing, you might be clean enough to do that. But I don’t know enough. Without knowing the specific countries and everything and looking at them, I don’t know which countries would allow you to tack and which ones would make you file a new registration with a new date of use. In which case your

strategy may be to use both marks for a period of time until you transfer the goodwill and you don't lose anything.

PROF. FORD: On the question of the Supreme Court's resolution of that one issue, it sounds like it isn't weighing heavily on anybody's thoughts. The difficult issues haven't changed, and the difficult issues are the ones you address, not whether it's a judge question or a jury question.

MS. THOMPSON: I haven't seen any evidence of it, but Mr. Dunkin' hasn't talked to me specifically about his intentions.

PROF. FORD: All right.

Let's turn to a question of the Trademark Trial and Appeal Board (TTAB). Kristin, when a junior user files a registration application at the TTAB, what is the effect of the [B&B Hardware](#) decision of 2015⁸ on your strategic reaction to how to respond?

Maybe we should begin with a brief review of the *B&B Hardware* decision. Can you just refresh our memory as to what *B&B Hardware* did?

MS. ACHTERHOF: In 2015, the Supreme Court essentially gave "street cred" to the TTAB's decisions by holding that the doctrine of issue preclusion applied to bar a litigant from raising in federal court issues that had been "actually litigated" to conclusion before the TTAB.

Some have looked at that decision as a manifestation of the frustration that the Supreme Court felt in reviewing the *B&B* case dockets before the TTAB and the district court. The case went on for over two decades before the TTAB, which is hard to fathom because most of us go to the TTAB for a relatively quick resolution. But that was not the case in *B&B*. In writing for the seven-justice majority, Justice Alito said that the full story of the *B&B* case "could fill a long, unhappy book."

Although the Eighth Circuit ultimately held that the district court did not need to rely on the TTAB's decision or give any deference whatsoever,⁹ the Supreme Court reversed, holding that courts are precluded from disagreeing with an earlier TTAB ruling when the "usages adjudicated by the TTAB are materially the same as those before a district court."¹⁰

PROF. FORD: And the test applied by the TTAB is substantially the same as the Eighth Circuit's test. The Eighth Circuit said, "Our list of factors is a little bit different than the list of factors at the TTAB," and the Supreme Court said, "These are really the same factors."

MS. ACHTERHOF: Right.

PROF. FORD: They may be listed slightly differently, there may be a slightly different number, but essentially both courts are applying the same test.

MS. ACHTERHOF: Right. But the scope of what they are considering is very different. For instance, the TTAB focuses on the goods or services as they appear in the senior user's application or registration, whereas obviously the district court can look at actual use in commerce and at what goods and services the senior and junior users are actually offering under the mark.

⁸ *B&B Hardware v. Hargis Indus., Inc.*, 135 S.Ct. 1293 (2015).

⁹ *B&B Hardware v. Hargis Indus., Inc.*, [No. 07-3866](#) (8th Cir. 2009).

¹⁰ *B&B Hardware*, 135 S.Ct. at 1310.

PROF. FORD: One concern raised about the decision is that it makes it more difficult for the senior user to treat the TTAB as an inexpensive way to test the waters so to speak, to respond to a junior user in a way that is quick, inexpensive, and preserves an option to deal with it in a costlier way later, if necessary. But, as a result of *B&B Hardware*, going to the TTAB may be the whole show. So how does that play into the thinking about how to respond?

MS. ACHTERHOF: It may be the whole show, but there still options whereby a party still can preserve its right to bring the case later before a district court.

For instance, a party potentially can seek a second round in the district court after playing this out before the TTAB, if it can demonstrate a materially different use in commerce as compared to the actual goods or services that were included in the registration or on the application. In that case, you still arguably have reserved the right to go before the district court because there is a material difference.

Something else to consider is possibly starting out your case before the TTAB and then suspending the proceedings. That may not be a full use of the TTAB or exhaustion of the TTAB's resources under the standard articulated by the Supreme Court. In other words, you could argue that if a case has not been fully vetted through the TTAB process —if it hasn't gone through appellate review either through the Federal Circuit or the Eastern District of Virginia — then the TTAB has not come down with a final ruling that would invoke issue preclusion.

MR. NG: So, in practical terms, how much will you stand behind that recommendation if you want to sell it to an executive? He's about to spend — I don't know, \$500,000 — should he take that risk? The operative word there is "may."

MS. ACHTERHOF: Actually, my concern usually when I'm advising clients is: What risk do they have if that party is actually using the mark in commerce? If they're just seeking a registration, I would still recommend a TTAB proceeding.

MR. NG: Why?

MS. ACHTERHOF: Because it may be your only way to really challenge the foray into the marketplace, unless you can show that there is a sufficient basis for declaratory judgment.

MR. NG: As opposed to, say, waiting until there is use and then using a district court?

MS. ACHTERHOF: It depends on how important the mark is to the client. If it's the key brand, the client's house mark, I most likely wouldn't wait.

MR. CARANI: What about being able to shift gears during the course of the proceeding? If you were to see that the ship looks like it's going down, what are your thoughts about having any type of escape hatch, maybe dismissing with prejudice? Any thoughts as to whether issue preclusion would apply in that situation?

MS. ACHTERHOF: It depends on where you are. I know of at least one decision since the *B&B Hardware* case where a party dismissed the TTAB proceedings and the district court held that they are precluded from now raising those

same issues in district court because they abandoned their right to do so by abandoning those the TTAB proceedings.¹¹

One other thing you can do, obviously, is suspend, which is effectively abandoning, but I'm not sure if a court has considered whether that would have the same preclusive effect. But I've done that with clients, where we've started in the TTAB and then suspended based on a subsequently-filed district court action.

MR. CARANI: My sense is that the preclusive effects are growing, it's a growing trend, and the courts are becoming more comfortable with this, even on the patent side with respect to the [America Invents Act](#). There are all sorts of provisions with respect to inter partes reviews (IPRs) and patent post-grant reviews (PGRs) where new statutes are setting forth the scope of preclusion. I feel that it is sort of working its way over to trademarks, so I would expect to see more of this as a matter of economy and resource also, and to some degree fairness.

MS. THOMPSON: But when the PTO does not consider actual use in commerce and that can be critical to establishing confusion in the marketplace — you know, there are a lot of things that go into advertising and use of a mark — it seems to me you have to evaluate your evidence. You may feel you have a strong case in the TTAB to begin with, but you realize you need to bring in a lot of other things that the TTAB is not going to take a look at that would be very germane to the infringement issue. I think you've got to be strategic about which forum is going to let you get the best case in for your client.

MR. FELDMAN: On Monica's point, let me just read one sentence from the Supreme Court decision in *B&B Hardware*: "Thus, if the TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue."¹² So I think some of the concerns about *B&B Hardware* are really overblown. I mean Alito himself said it is not going to apply in a lot of cases.

AUDIENCE: On that point, is that the difference between registration of the opponent's mark versus an infringement question that you later raise in district court? I'm a little bit confused by the two. The TTAB proceeding is an effort to amend registration in the first instance. But if that person is already using the mark, then I could see where the issue preclusion effect wouldn't necessarily apply to infringement issues, but I could see where it could apply to the registration per se. Does the Supreme Court statement apply more to the infringement context or does it apply to the registration context?

MR. FELDMAN: On that point, there is a recent case that has gotten a lot of publicity on *B&B Hardware*, and that involved the trademarks LIANO and LIANA for wines. The only difference was the last letter being an A or an O. It went before the TTAB. The TTAB decided likelihood of confusion.

¹¹ See *V.V.V. & Sons Edible Oils Ltd. v. Meenakshi Overseas LLC*, 2017 WL 616459 (E.D. Cal. Feb. 14, 2017).

¹² *B&B Hardware*, 135 S.Ct. at 1308.

The appeal went to the Southern District of New York, which gave preclusive effect to the TTAB decision.¹³ There has been a lot of bad press on this. The trademark bar is somewhat up in arms because the alleged infringer was arguing that the wines are different because one is an Italian red blend versus a California Chardonnay dessert wine — Give me a break! One cost \$40 to \$60 and the other one was less expensive — Give me a break. I mean all the cheap wineries have their premium wines as well. The stylization of the marks was also raised as a distinction.

The court said that all these things were considered by the TTAB and these are trivial differences. I more or less agree with that. I've seen far worse decisions. I can't say that the court was wrong in saying that, even though this was decided by the TTAB in a registration context, the preclusive effects should apply in an infringement case.

AUDIENCE: What about when you have an ex parte proceeding that goes before the TTAB? Would that be subject to the same preclusive effects that *B&B Hardware* was dealing with?

MS. ACHTERHOF: I think it would. We haven't seen that, but it seems to me that the Court was addressing what credence you should give to TTAB proceedings. But again, that hasn't been decided. I think if that issue were to go before the new Supreme Court it might come out very differently.

PROF. FORD: Did you want to weigh in on that question as well?

MR. FELDMAN: If it's a likelihood-of-confusion analysis and the other party's mark was being considered by the TTAB, even though that party was not a party to it, it is in an opposition, it would seem that if the issues are litigated and decided by the TTAB the same principles of preclusive effect ought to apply.

PROF. FORD: Would ordinary preclusion principles apply in that situation?

MS. THOMPSON: Only if you were the party that was trying to get the registration for the mark and it went averse to you, I think it would. But if you were the other party, no, because you were not a party and could not have been heard in the original proceeding.

MS. ACHTERHOF: But would the preclusive effect of that decision still apply?

MS. THOMPSON: I thought that the Supreme Court was off on this case. I listened to the arguments, and I think there were two attorneys who didn't know some of the finer points of TTAB practice who argued it and didn't help the Supreme Court very much in its understanding of this case.

As a litigator, I don't want to have to get down to splitting hairs about whether I can get around the language that says it is preclusive. I wouldn't like that in a proceeding. If I've got to knock somebody's mark out, I want to find the forum where I can get the best evidence in and get it taken care of. I don't want to have to be the one arguing "But it didn't count, it really didn't count; there's

¹³ [Cesari S.R.L. v. Peju Province Winery L.P.](#), No. 17-873, 2017 U.S. Dist. LEXIS 210542 (S.D.N.Y. Dec. 11, 2017).

something else.” I think that is something to be concerned about. So, all things aside, I think it is a case to be a little concerned about.

MR. FELDMAN: One other point about *B&B* is that for sure you need to have a conversation with the client about the potential risks of *B&B* before bringing a TTAB action. Even if it does not apply in a lot of cases, it needs to be spelled out and you need make sure you cover yourself on that.

MR. NG: Monica, are you saying that you would not recommend a TTAB procedure? It sounds like you are.

MS. THOMPSON: It totally depends on the circumstances and the facts I have. If I’ve got the biggest mallet in the world and I can whack that mole really fast in the TTAB, I would do it, because it’s less expensive for my client and it’s more efficient. But if there’s any doubt that I might need some other types of evidence that I would have a difficult time getting before the TTAB, I would have to recommend that they consider other forums.

You know, you draw your chart: Here’s how much is on my side; here’s how much is on their side. If it is getting close to even, I would go to the place where I can get more in. That would be my thought.

MS. ACHTERHOF: And I think it depends on how important the mark is to the client’s business.

MS. THOMPSON: Which is always dollars and cents, yes.

PROF. FORD: If you have received an adverse decision from the TTAB and then go straight to the district court, you are essentially appealing the decision, right? So you don’t have that worry.

MS. THOMPSON: I also believe that you are allowed to bring in additional evidence in that appeal, so you can take care of it. If you lose at the TTAB and are the party bringing the appeal, then you get to select the district court.

PROF. FORD: Right, as opposed to going to the Federal Circuit.

MR. FELDMAN: You only have to worry about your attorney’s fees.

MS. THOMPSON: Right, that is true. We do that, yes.

PROF. FORD: During the earlier trademark panel they polled the audience. As a variation of that, because I think this issue is particularly interesting, would anyone else like to offer some way in which this decision has affected their thinking?

[No response]

Just laughter, people are laughing. All right.

Well then, we’ll move on to some international issues. We’ll start with NAFTA 2.0, or what is more properly called the [United States-Mexico-Canada Trade Agreement](#) (USMCA). [Chapter 20](#) of the text is the chapter on intellectual property rights.

Irene, what do people need to know about what’s in Chapter 20?

PROF. CALBOLI: I talk about these issues in multiple fora, many of which are international, and I think the peculiarity and the beauty of this conference — for which again we thank Daryl and your university — is that it is very practically oriented. I really enjoy the practice. It keeps us professors on our toes and it teaches us. So thank you very much. Also, I think this audience is very

nationally focused, but you do have important clients that have international trademarks, so you are very interested in international issues.

The United States is a member of the World Trade Organization (WTO) and of the [Agreement on Trade-Related Aspects of Intellectual Property Rights](#) (TRIPs Agreement), the [Singapore Treaty on the Law of Trademarks](#), a number of older agreements, and now is a member of the [Madrid Protocol](#), so Chapter 20 of NAFTA doesn't really bring anything particularly relevant or new for trademarks.

The United States has been a pioneer in pushing for the registration of trade dress, nontraditional trademarks, shapes and other signs, not just in the United States but also across the world.

The LIANA and LIANO wines case was mentioned earlier.¹⁴ I don't know how many of you have practices that intersect with geographical terms. This is where I think the drafting the new Chapter of NAFTA 2.0 was an interesting exercise. NAFTA combines Canada, the United States, and Mexico, but NAFTA cannot be seen in a vacuum. NAFTA is one free trade agreement within a constellation of other international trade agreements under the main umbrella of the WTO. So Canada is negotiating now NAFTA 2.0, being bound by the previous NAFTA agreement, but it also negotiated the Canadian-European Union Trade Agreement (CETA) not long ago, and this agreement provisionally entered into force in 2017. Now the Italians, my compatriots, are trying to threaten its implementation, saying, "We didn't get enough protection for, in particular, some of our look-alikes, the way our products look." But still, Canada is bound by the terms of CETA while negotiating NAFTA 2.0.

NAFTA 2.0 seem to have made some concessions, not crucial concessions, with regard to generic terms and GIs for example, following the pro-GIs push by the European Union. Every country, including Canada and the United States, already has a wines agreement with the European Union, so the names of wines will not be affected by the rules on generic terms anymore. "Champagne" can no longer be used in the United States for example; it must be used with a localizer, such as "American champagne" or "California champagne." Of course, France is trying to push for no use of the word "champagne" at all, and promote the use of only "sparkling wine." Hence, the U.S. industry is rebranding already to a large extent to "sparkling wines" even if it does not legally have to do so. Thus, wines are not really the issue in NAFTA 2.0. The issue is the names for cheeses, the names like feta, fontina, asiago, gorgonzola, Gouda, and so on, and CETA extensively addresses those.

Chapter 20 is trying to find some balance with what Canada has already agreed to with the European Union and what Mexico also wants, because Mexico has tequila geographical indications and has a strong protection for those, and is also in agreement with the European Union's principles to a large extent.

Accordingly, the United States finds itself a little bit sandwiched now, not in the trademark area, but more in the geographical indications (GIs) area. We know in the United States geographical indications mostly as collective or certification marks, unless we have a name for wine. Names of wines in the United

¹⁴ *Id.*

States are protected as a vinicultural area under the Firearms, Tobacco, and Alcohol agreements, so we can have *sui generis* protection for names of wine. But that's a different thing.

What is interesting for me in NAFTA 2.0 is really the lack of controversy with respect to trademarks. That has been a constant in the international agreements. We see lots of fuss on copyrights and patents, but in the trademark area we have not seen the same fights. In fact, even at the World Intellectual Property Organization, the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications is one of the less controversial, where people don't fight, or fight less — with respect to the geographical indications issue alone maybe not. Accordingly, countries seem to have been able, particularly in the trademark area, to negotiate more protection steady on for different subject matter.

It is interesting that NAFTA does not yet — at least the way I read it — include all the mandatory defenses that we have in the United States. It follows more the current TRIPs text, where defenses are limited with respect to the legitimate interests of the owners. But otherwise there is not much to worry about in the area of changing practice at this point with the trademark provision.

The combination of geographical terms is interesting, but it is something that was being considered in one-on-one negotiations of, among others, the [Transatlantic Trade and Investment Partnership](#) (TTIP), the proposed trade agreement between the European Union and the United States, until the negotiations were stopped until further notice at the end of 2016.

Thank you very much.

PROF. FORD: Thank you.

MR. CARANI: On that point, GI is really interesting. Seemingly, the United States has sort of capitulated or retreated from its traditional position, what our jurisprudence currently says. Three other things caught my mind when reading through it.

One is expanding what can be stopped from counterfeit marks to confusingly similar marks. That was an expansion that at least caught my eye.

I was also intrigued by the expansion of the scope of ex-officio seizures by the agents on both sides. That is wonderful to some, but I think there is also some concern about abuse when that is being used. For instance, I have been entangled in several in China when they opened it up to also permitting seizures on patent violations. The border may not be the best place to be making spot judgments about claim construction and infringement of patents. There are ex-officio seizures, and when you log on top of it that they also have criminal penalties that are set forth in NAFTA 2.0, that also becomes a little bit more concerning.

MR. NG: It's definitely a slippery slope. If you've got the same "look and feel" — take shoes for example, Crocs, Converse-type shoes — if you take a few elements away, is that confusingly similar? Have you taken some elements away? Yes, you have. Is that a counterfeit product? The definition of a counterfeit product itself can be problematic.

PROF. CALBOLI: If I can chip in here, I think one thing that is very interesting is the language that was proposed in the [Trans-Pacific Partnership](#)

(TPP), and to a large extent is the language that is still in the [Comprehensive and Progressive Agreement for the Trans-Pacific Partnership](#) (CPATPP)¹⁵ (the TPP minus the United States). In Italian and in French — in all the Latin languages — you don't have a word that distinguishes between “infringement” and “counterfeited.” In Italian we talk about *contraffazione di marchio*, meaning with the same word both “infringing” and “counterfeited” products. In French, we use the term “*contrefaçons de la marque*.”

Interestingly, and worryingly, the term “counterfeited” now has been taken from this tradition and used in lieu of “infringement” also in the English language, where it has a maximal connotation, as counterfeited products are different, for the worse, as compared to simply infringing products. In other words, in NAFTA you have two civil law components — Mexico and Quebec in some ways — and it is important to remember that now we may turn to say that “everything is counterfeited” when the products at issue may simply be “confusingly similar.”

Why do I think this is very problematic? Because as soon as you say “counterfeited,” the criminal law kicks in for protected products. Also, a lot of these orders can be funded by the police.

MR. NG: To make matters worse, in South America and in some Eastern European countries — and I learned this through an International Trademark Association (INTA) committee — the decisions on whether the goods are counterfeited are not made by the brand owner; they are made by somebody the government appoints in a country. This occurs more frequently in South American and Eastern Europe countries than it does in others and it doesn't happen in China. But that is something that brand owners are up in arms about.

MR. CARANI: One area that I thought wasn't achieved in the legislation as proposed, which is a glaring loophole, is this idea for small consignments. That is where the counterfeiting is occurring. It is no longer huge barges that are coming in with the counterfeited goods. Rather, it is express couriers and networks of airplane travelers bringing it in their luggage that are being used for much of the counterfeiting. Perhaps you know something, Irene, about why that was omitted, but I don't see the small consignment exception anywhere in the legislation.

MR. NG: Or even consignments where there are genuine goods and counterfeit goods mingled in one package. A difficult issue.

PROF. CALBOLI: The remedy is, of course, enforcement. Now, the question is: Can we do that under the umbrella of TRIPs, and to what extent? Or, even more, is that a “quasi-act,” as it was phrased in the [Anti-Counterfeiting Trade Agreement](#) (ACTA) that was killed both in the EU Parliament and in the United States after the failure of the [Stop Online Piracy Act](#) (SOPA) and [Protect IP Act](#) (PIPA)? Is that a way to try to pull in some more provisions?

I think a norm-by-norm comparison of the CPATPP and the new NAFTA in the enforcement provisions would be interesting because now Mexico and

¹⁵ For a comparison of the provisions and language of the TPP and CPTPP, *see generally* Frost Perspectives: [TPP Minus the United States — How Will World Trade Dynamics Evolve?](#) (Feb 28, 2018).

Canada have standards that may be higher than in the United States. However, the United States — don't get me wrong — wanted the standards to a large extent.

Now, what about a personal exception, what about a small business exception, what about the goods that can be blocked at the borders, and who would make certain decisions? Those remain for the lawyers everyday issues where we will see what will happen.

PROF. FORD: In the interest of time, let's move to China. Kenneth, can you give us one or two things that IP practitioners need to know about recent developments in China, especially related to trademarks?

MR. NG: I'll speak to two things.

One, damages are going up. Two years ago, the Supreme People's Court issued an opinion and encouraged judges and agencies to increase the awards of damages, be harsher with repeat offenders.¹⁶ Almost overnight damage awards increased. It used to be that we would ask for 3 million renminbi and we'd get 30,000 renminbi, and that was pretty standard across the industry. Today you ask for 3 million renminbi and you might get 3 or 4 million renminbi. We now have clients who receive damages awards either through judgment or settlement that are covering the cost of litigation. So it has improved dramatically because of the structure of the system. That's one trend.

Another trend is claimants are getting far more aggressive. You may all recall a few years ago [New Balance](#) was adjudicated in China to be liable for \$15 million in damages, later reduced, for trademark infringement.

This sort of predatory claim against a brand owner is increasing in its volume. We represented a client last year who won \$15 million. It was a trademark for handbags that it had not registered and the claimant had registered, and we managed to obtain an order for coexistence.¹⁷ But this sort of thing can cost a lot of money. It just shows up.

Another one is you clear your marketing protocol with your agency and then you get a cease-and-desist letter because this company owns the copyright to the font that was purchased by the agency and they want you to take down all your signs across the country.¹⁸ That's something that's also problematic. There are a few cases.

I think one of the biggest problems, and it's a large reason for my role — I'm a U.S. attorney; I now represent a Chinese firm and I don't do U.S. work anymore — is that many of us fail to appreciate how different the Chinese legal system is. As trademark attorneys, we figure *Well, the law is pretty much the same all around the world.*

¹⁶ The December 2016 *Watchdata System Co. Ltd. v. Hengbao Co., Ltd.* decision of the Beijing IP Court signaled increased damage awards in Chinese patent cases. In that case, the court made use of the new guidance provided in Article 27 of the [Judicial Interpretation of Supreme Court with Regards to the Applicability of Relevant Laws when Patent Infringement Cases Are Handled](#) (effective from Apr. 1, 2016).

¹⁷ [Shantou Chenghai Jianfa Handbag Craft Factory v. Michael Kors](#), Hangzhou Intermediate People's Court (2017).

¹⁸ See [Beijing Univ. Founder Elecs. Co., Ltd. v. Guangzhou Procter & Gamble Co., Ltd. and Beijing Carrefour Comm'l Co., Ltd.](#)

Not very much the same in China. It's very strange. You don't have an independent judiciary. You don't have stare decisis, no LexisNexis or Westlaw, so judicial precedent is not very important. Policy is important, but precedent is not very important. No interrogatories. No discovery.

I sat through the patent session this morning. You listen, and you think, *Well, you obtain a strong hand.* But rarely when you are prosecuting that IP do you think about how you are going to prove it in a court of law.

For the vast majority of cases in China, over 90 percent of the evidence is obtained surreptitiously. So the way you engage if your client has a problem has to change.

You know, "send a letter" — well, if you send a letter, they know who you are. The minute they know who you are it's almost impossible to hire an investigator afterwards. Not to mention the fact that after you've engaged one, it's somewhat questionable or unethical to hire an investigator and now obtain evidence surreptitiously.

If you look at the U.S. system as a pyramid where you complain and then all the stuff comes out after the complaint, flip that around for China [gesturing upside-down pyramid] where a judge will turn you away if you don't have evidence. He'll say, "I won't accept your claim."

Or you will file a joint complaint with two counts, one for trademark infringement and the other one for unfair competition, and — this happened to us a couple years ago — the judge will say, "Pick one."

The U.S. counsel, New York counsel, asked, "Why?"

They said, "He doesn't have to tell you why. Pick one."

He said, "What happens if we don't do it?"

"Then your claim just languishes, it doesn't get a filing number, it just sits there. Nothing."

I have had a lot of success over the years obtaining judgments. I was in-house counsel for ten years. I got my first temporary restraining order in China in 2006. I worked with really good counsel.

It takes a little bit of experience. This is something that a lot of us don't have because we've never had a chance to represent clients. But it requires an understanding of the system.

There are some others thing that are somewhat obvious. I've got a short list here:

- In China people speak Chinese. That means if your name is James, they're not going to call you James; they're going to give you a Chinese name. If your brand is Microsoft, they're not going to call you Microsoft; they're going to give you a Chinese name if you don't give them a name.

So what happens in a large corporation is that the sales guy goes in, travels all over the country, talks to distributors, says, "Buy my product."

"What's the name of this product?"

"I don't know. You can call it whatever you want."

So a company doesn't end up with one Chinese name; it can end up with twenty Chinese names across the nation. Meanwhile, corporate headquarters is trying to

develop a new cute trademark for their name and they file for that name, not realizing that they already have twenty de facto names in the marketplace.

A corporate department setting up Woofies in China will send their agent. Every single form you fill out in China is entirely in Mandarin. The name of your applicant in Mandarin might be different yet again.

It seems obvious, but when you get down to it the Chinese name is oftentimes more famous than the English name. Nothing illustrates this point more poignantly than the [Michael Jordan case](#).

Who is familiar with the *Qiaodan* case?¹⁹

[Show of hands]

Michael Jordan never used the characters Qiaodan (乔丹). Qiaodan is basically what Chinese consumers use to refer to “Michael Jordan.” The Jordan Corporation had a lot of oppositions. It won this one case two years ago — and the BBC interviewed me for it — and it won this case never having used QIAODAN. But the court said, “Consumers use QIAODAN to refer only to Michael Jordan and nobody else, so therefore the brand owner is entitled to rights in this case.” I find this fabulous because no registration, no use, but rights — Wow! — in a non-common-law system.

- If you have a client that retails apparel or goods, you need a Class 35 registration. A lot of clients get into trouble. You need a retail store. Just because you have a registration for your goods does not entitle your client to open a retail store because you don’t have Class 35 and a squatter in Class 35 can kick you out of the country.

- A lot of agreements with Chinese parties use U.S. law. There is no treaty with China to enforce an agreement bound in U.S. law. So you can spend gobs of money obtaining a judgment in the United States and you can’t enforce it in China, it’s very difficult, because they are under no obligation to apply U.S. law or recognize the jurisdiction of a U.S. decision.

- Chinese law or arbitration under the New York Treaty. Arbitration under U.S. law ensures that you have to do arbitration in the United States and then enforce the judgment in China. Still more expensive than using Chinese law in the Chinese jurisdiction.

- The last thing that comes up fairly frequently is a cancellation action in China is not the same thing as it is in the United States. A cancellation action in China, soup to nuts, takes about a year and costs about \$2,000. Again, no discovery, no interrogatories. It is done anonymously. It’s part and parcel of a prosecution process.

- We own a slew of companies that we use as the applicants in a nonuse cancellation. We also very frequently are on the receiving end of nonuse cancellation actions.

Just some of the highlights of how the practice is different.

MR. FELDMAN: I just have one quick comment. You need to appreciate how staggering the number of trademarks is in China. Everyone has difficulty

¹⁹ See Steve Brachmann, IP Watchdog, [Michael Jordan prevails in trademark case, earns right to use Chinese character mark for his name on merchandise](#) (Jan. 9, 2017).

clearing and getting their marks registered. The reason is last year 5.7 million applications were filed — in just one year — in China. That's more trademarks than we have in the history of the United States. So it's crowded and hard to get anything registered in China.

MR. NG: Also there are a lot of firms that are just trademark and patent agents. They don't have a law degree. All they do is they deposit applications. We don't necessarily know from the outside who is whom and who has gone to law school. This industry is fairly robust.

PROF. FORD: All right.

Mark, is there an agreement on how to handle trademarks post-Brexit, and what do we need to know?

MR. FELDMAN: I don't know how many of you remember the old television game show *Deal or No Deal*, Howie Mandel. That's where we are. There's no deal at the moment.

Both the Great Britain side and the European side are a little bit of a mess. Everybody wants there to be an agreement, but the politics of things, I believe, are making people increasingly discouraged that there will be an agreement in place and ratification before the deadline of March 29, 2019. We've been at this for over two years already. Either there will be a deal or not.

The parties have spelled out what will happen if there is a deal, and it makes a lot of sense. There are five points:

Number 1, there will be a transition period of twenty-one months from March 30th until the end of 2020.

Number 2, during the transition period EU trademark registrations will continue to be valid in the United Kingdom, which is great.

Number 3, for all EU trademarks registered before the end of the transition period the United Kingdom will create a corresponding new UK registration free of charge — automatic, no cost. And, by the way, there are 1.7 million EU registrations for trademarks and designs, so again this is a pretty huge undertaking.

Number 4, for pending EU trademark applications not yet registered before the end of the transition period, there will be a nine-month period for people to file applications in the United Kingdom at cost where you will get the same priority date as you had in your EU application.

Number 5, once the transition period ends, the UK trademarks will be treated as UK trademarks for renewal purposes.

Now, that's all fine and good if there is ratification. The question is, what happens if there's no deal? There have been a lot of scare tactics, that people should be worried, they need to file on their own. What's going to happen?

To allay those concerns the UK government has published just five weeks ago a [Guidance](#) on what will happen if there is no deal.²⁰ If the parties cannot mutually agree, at least the United Kingdom can unilaterally put in place laws that will take care of what the issues are for trademarks.

²⁰ U.K. Department for Business, Energy & Industrial Strategy, *Guidance: Trade marks and designs if there's no Brexit deal* (Sept. 24, 2018).

I'll quote one sentence: "The government will ensure that the property rights in all existing registered EU trade marks and registered Community designs will continue to be protected and to be enforceable in the UK by providing an equivalent trade mark or design registered in the UK."

Let's be a bit more specific. EU trademark registrations that are in force on March 29, 2019 will remain in force in the United Kingdom by the government providing some form of equivalent UK rights with "minimal administrative burden." I don't know exactly what that means, but they are going to create an equivalent right.

There will be a nine-month window from the transition date of March 30th for owners of pending EU trade marks to file a UK application and get the priority rights.

So, one way or another, it looks like you will be protected. But there are a couple issues to keep in mind.

If your only use of the mark is in the United Kingdom, what is going to happen to your EU registration? Is it going to be vulnerable to cancellation (it probably will), one question being: when are you going to measure the nonuse date from?

Another thing, again to be absolutely careful, is to check your agreements — your contracts, your pre-right declarations, your coexistence agreements — whenever they refer to "territory." If the territory is the European Union, what does that mean after Brexit? You may need to renegotiate or spell out with your other parties what is intended there.

PROF. FORD: All right.

Let's head across the channel and ask Chris about EU developments. We have a recent case that's somewhat interesting that got a little bit of press here.

MR. CARANI: The *KITKAT* case²¹ has been going on for sixteen years, so it's like the *Apple v. Samsung* cases that we hear about ad nauseam.

The case itself certainly has some taste of what's going on with Brexit, in the sense that the key here is now that you are going to try to prove acquired distinctiveness. This was regarding the shape of the KitKat bar. In this case Nestlé was trying to establish that in the "four-finger" shape of the candy bar it had basically a nontraditional, three-dimensional trademark.

Nestlé was able to establish that the candy bar has been used in Europe and in the United Kingdom since 1935, and in ten of fifteen countries in the European Union they had surveys that showed that 90 percent of the public when they saw that particular shape was able to identify it with a single source.

Nestlé is the purveyor of KitKat. In the United States, incidentally, it's not produced by Nestlé; it has licensed the U.S. production of KitKats to Hershey for a long time.

²¹ Joined Cases C-84/17 P, *Société des Produits Nestlé SA v. Mondelez UK Holdings & Servs. Ltd*, formerly Cadbury Holdings Ltd, and EUIPO, C-85/17 P *Mondelez UK Holdings & Servs. Ltd*, formerly Cadbury Holdings Ltd v. EUIPO, and C-95/17 P *EUIPO v. Mondelez UK Holdings & Servs. Ltd*, formerly Cadbury Holdings Ltd, Judgment of the Court (Third Chamber) of 25 July 2018.

In any event, the Court of Justice ultimately said: “Well, you showed use in those particular countries, some of the biggies (the United Kingdom, Germany, Italy), but you left out some of the other countries (Greece, Turkey, Malta).” Therefore, the Court upheld the General Court’s judgment that “the acquisition of distinctive character by a mark that was initially devoid of inherent distinctive character must be shown throughout the EU, and not only in a substantial part of the territory of the EU, and consequently, although such proof may be produced globally for all the Member States or groups of Member States, it is not, however, sufficient that the party with the burden of providing such evidence produces only evidence that fails to cover part of the EU, even a part consisting of only one Member State.” The Court said that the European Union Intellectual Property Office (EUIPO) had erred in law in finding that the mark at issue had acquired distinctive character through use in the European Union when such acquisition had been proved only for part of the territory of the European Union. The CJEU sent the case back down to EUIPO in order to analyze this particular issue.

But, of course, much of their anchored use is in the United Kingdom, going back to 1935, so this is really going to draw on a lot of these questions.

They basically said there are two ways: (1) You don’t have to go through every country in the European Union in order to prove secondary meaning or acquired distinctiveness, you could do it on a more holistic basis; or (2) you could do it in little blocs of countries; if you can show that there’s a common language or culture that you can tie to a particular region. But you do have to give consideration across the board. It’s not enough just to show how they have done it in a majority of the countries.

The other aspect of the case that I think is fascinating is that KitKat was held to have not only not satisfied the distinctiveness aspect but also the technical function, that somehow the shape of that candy bar has functional problems, and that the only way it would put others at a competitive disadvantage would be if they could not make a candy bar in the shape of the four fingers.

I think this is the same old, tired argument that keeps popping up in so many different areas of IP — whether it’s in the copyright realm, whether it’s in the design patent realm, or it’s in the trade dress realm — this idea that if you were to provide rights in that particular form it is going to put others at a competitive disadvantage. In a situation like this, there are myriad other ways to shape a candy bar. So I take a very skeptical view of those types of comments.

But right now the interesting thing — and it will be interesting to hear what Irene has to say about this — is how are you going to prove pan-European distinctiveness on the ground? It seems from a practitioner’s standpoint like a pipedream.

PROF. CALBOLI: I would concede that. I think that it is really difficult when you have such a large territory that is also diverse in terms of languages to be able to prove across every single country that you have distinctiveness, secondary meaning, or acquired distinctiveness.

But actually I like the decision in the United Kingdom.²² I disclose I am very skeptical with respect to nontraditional trademarks, particularly when they can indeed have functional aspects. I think this is one of the issues that we are seeing litigated across the world more and more.

I was in Singapore and my colleague was writing the opinion for the equivalent of the TTAB in the KitKat Singapore inter partes review case. Because the mark was not granted, the decision was appealed to the court of appeal and the court decided that the mark was not distinctive.

But the real underlying issue is — and this is a decades-long issue — what do you do when you have shapes that were functional, some of which were even patented, and now the patent is in the public domain? These tend to be designs. Design protection has a term while trademark protection has not. I think that has remained the number-one question.

I concede that the shape is distinctive. My question is: is that a distinctiveness that should be trademark protected and monopolized potentially forever by one company?

There are not that many other shapes that would not be similar. If we can copy a medicine when the medicine goes into the public domain, why should I not be able to copy a shape that is trademarked, when if it was a design I would be able to? From a policy standpoint that remains a question. If you are a competitor, you ask yourself this question. If you are KitKat, of course you don't want to ask yourself this question. I think there is value in both positions.

If I remember correctly, what I found very interesting in the UK decision, when it was still just a UK decision before going to the CJEU, was that the evidence showed that the consumers recognized KitKat as KitKat but not KitKat as Nestlé. There was a lack of association of the link. They recognized that KitKat as a distinctive anonymous source, but they couldn't name the source as Nestlé.

MR. CARANI: That's right. That's obviously a sharp distinction with U.S. law. We don't have to name who exactly is the source. It's not like a quiz.

When reading through the facts of the case, when I saw 90 percent of people — from the perspective of most of us practicing U.S. law, if you get a 90 percent identification, that's a pretty darn good survey. But that wasn't enough.

But what's interesting about the survey — and I couldn't delve too much into it — is they were saying, “Well, there could have been other contributing factors as to why it was 90 percent. Was it the red packaging? Was it the labeling?” So perhaps it was a poor survey that detracted from its impact.

Graeme has a comment.

AUDIENCE [Prof. Graeme Dinwoodie, Global Professor of Intellectual Property Law, Chicago-Kent College of Law]: There is a little bit of a complication, which is there were two applications. Chris was talking about the case that went up to EUIPO in Alicante, which therefore required acquired distinctiveness throughout all the European countries (of which there was insufficient evidence).

²² Société Des Produits Nestlé SA v. Cadbury UK Ltd., [\[2017\] EWCA Civ 358](#) (17 May 2017).

The other case is the British one. The irony of this is that EUIPO accepted that there was sufficient acquired distinctiveness in Britain for the European purpose, but the British courts have held there is not acquired distinctiveness in Britain. The reason for that is a little bit what you were talking about, Chris, that the UK courts said that the consumers were relying on the red label rather than the shape of the product.

The UK courts came up with a definition of secondary meaning that I think is wrong — and it may be corrected if the U.K. is still in the European Union after March 30th. They held that secondary meaning requires not only association but a reliance on the shape mark at the point of purchase. Therefore, because you could have KitKat in a red wrapper, you were not relying on the shape, you were relying on the color of the wrapping and the logo and word mark at the point of purchase. So even though the survey showed 90 percent recognition, what you end up with at the moment is there is no mark for the four-finger KitKat shape in Britain, even if the EUIPO thinks that there is secondary meaning there. So you have a very fluid situation.

PROF. FORD: Graeme gets the last word.

Let's have a round of applause for the panelists. Thank you very much.