



## District Court Rules USPTO Overstepped Authority Trying To Implement Sweeping Rule Changes

In an order presaged by its October 31, 2007 decision granting Preliminary Injunction against the US Patent and Trademark Office (“USPTO”), on April 1, 2008 the U.S. District Court for the Eastern District of Virginia (Cacheris, J.), sitting in Alexandria merely steps from the USPTO, granted Summary Judgment in favor of Plaintiffs Tafas and GlaxoSmithKline (“GSK”) in their parallel suits seeking to block the USPTO from implementing controversial, sweeping rules changes that would have drastically limited the number of related applications and the number of claims within those applications that an applicant may present.

The Court confirmed that the USPTO overstepped its bounds because it has only procedural rulemaking authority, not substantive. The Court examined the practical effect of: (1) the 2+1 rule, which would limit applicants to two continuations and one Request for Continued Examination (“RCE”) per application family; and (2)

the 5/25 rule, which limits the claim count to five independent claims and twenty-five total claims in any single application, or in a broadly defined set of similar applications.

The Court found that the 2+1 rule was substantive and altered the existing expectations that patent applicants have relied upon for decades under 35 U.S.C. § 120, that governs claims of priority in continuing applications, and since 1999 under the American Inventors Protection Act (“AIPA”) that established RCEs.

The 5/25 rule was found to be substantive as well, in part because it sought to shift the burden of examination onto the applicant. The 5/25 rule would have required a lengthy and detailed Examination Support Document (“ESD”) if an applicant wished to exceed the 5/25 threshold, the ESD to include a prior art search. In contrast, the Federal Circuit has repeatedly stated that there is

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### OSTROLENK FABER Web Site Features New Dynamic Front Page

Continuing OSTROLENK FABER’s efforts to provide our clients and associates with the latest information pertaining to Intellectual Property Law, we are pleased to announce regular and current updates to our Web site front page.

Look to [www.OSTROLENK.com](http://www.OSTROLENK.com) for current and breaking news on IP law.

# Trademark Happenings: New York Court of Appeals Rules on “Bukhara” Trademark

In our June/July 2007 edition, we reported the decision of the Court of Appeals for the Second Circuit in *ITC Limited v. Punchgini Inc.*, 482 F.3d 125 (2nd Cir. 2007), affirming-in-part summary judgment in favor of defendant Punchgini. In that ruling, however, the court recognized that the “famous marks doctrine” may support ITC’s state unfair competition claim under New York common law, and certified two novel questions of New York law to the Court of Appeals, New York’s highest court. Those questions were, first “Does New York common law permit the owner of a federal mark or trade dress to assert property rights therein by virtue of the owner’s prior use of the mark or dress in a foreign country?” and, second “If so, how famous must a foreign mark be to permit a foreign mark owner to bring a claim for unfair competition?”

To recap, Plaintiff ITC Ltd. is an Indian company that has owned and operated the “Bukhara” restaurant in New Delhi, India since 1977. The company expanded its “Bukhara” restaurants around the world, including Chicago and New York in the U.S. Today, all but the New Delhi, Singapore, Katmandu and Amman restaurants have closed. During its existence in the United States, ITC obtained a federal trademark registration for “Bukhara” covering restaurant services. After all the U.S. restaurants had closed, several former employees of the New Delhi restaurant incorporated Punchgini Inc., and opened the “Bukhara Grill” in New York.

The New York Court of Appeals issued its opinion on December 13, 2007. *ITC Limited v. Punchgini Inc.*, 9 N.Y.3d 467 (N.Y. December 13,

2007). The New York court answered the first question in the affirmative, but nonetheless stated that New York common law does not recognize a “famous marks doctrine”. The Court held that for ITC to prevail on its unfair competition claim under New York common law, ITC would have to 1) prove that Punchgini deliberately copied the Bukhara mark or trade dress for their New York restaurants and 2) establish that the relevant consumer market for New York’s Bukhara restaurant primarily associates the Bukhara mark or trade dress with those Bukhara restaurants owned and operated by ITC outside of the United States.



Once clarified by the New York Court of Appeals, the Second Circuit panel affirmed the District Court’s award of summary judgment in its entirety, including the New York state unfair competition claim. *ITC Limited v. Punchgini Inc.*, 518 F.3d 159 (2d Cir. February 26, 2008).

The Second Circuit agreed with the District Court’s decision in that, while ITC had provided sufficient evidence of deliberate copying, the primary issue in dispute was ITC’s evidence of secondary meaning. The Second Circuit upheld the District Court’s award of summary judgment for the defendants on the state unfair competition claim, agreeing that plaintiff ITC had failed to demonstrate the mark had secondary meaning. The Court ruled that ITC had failed to produce evidence “sufficient to create a genuine issue of material fact on the question of whether the Bukhara mark, when used in New York, calls to mind for defendants’ potential customers primarily associate the Bukhara mark with ITC.”

This ruling leaves a Circuit split whether the

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in good faith. Worldwide's argument that judicial economy excepted application of the first-to-file rule was quickly quashed when the court noted that Worldwide could have made a motion to dismiss the New York action before filing in California if it was concerned with preservation of judicial resources.

Finally, the court indicated that Worldwide's argument that convenience of the parties dictated denial of Intersearch's motion to dismiss was weak. The court agreed with OSTROLENK FABER that deference should be given to Intersearch's choice of forum and that Worldwide failed to allege that New York was an inconvenient forum. The court concluded that Worldwide "failed to show any sufficient inconvenience to the parties or witnesses that would favor California over New York, and defeat [Intersearch's] right to select its forum, especially where New York can apparently address all of [Worldwide's] claims and provide all parties with full and efficient relief." Based on OSTROLENK FABER's efforts, the court granted Intersearch's motion in full and dismissed the California action.

by Peter S. Sloane, Partner

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no duty for an applicant to conduct a prior art search.

The patent community awaited the Court's October 31, 2007 ruling on the application for preliminary injunction with great anticipation, which was decided only one day before the proposed rules were set to take effect. While that ruling amounted to a stay of execution, the Court's April 1 ruling cannot be described as anything less than complete victory for defendants, and the many *amici* who filed briefs on their behalf.

On May 7, 2008, the U.S. Attorney's Office, representing the USPTO in this action, filed a Notice of Appeal to the Court of Appeals for the Federal Circuit. Look to OSTROLENK FABER and [www.OSTROLENK.com](http://www.OSTROLENK.com) for any future developments.

by David J. Torrente, Associate Attorney

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Lanham Act recognizes rights in famous foreign marks. This case is believed destined for appeal to the Supreme Court. Look to OSTROLENK FABER and [www.OSTROLENK.com](http://www.OSTROLENK.com) for any future developments.

## OSTROLENK FABER Wins Domain Name Arbitration for Honeywell

OSTROLENK FABER partner Peter S. Sloane successfully represented Honeywell Int'l, Inc. in a dispute filed against Web Advertising, Corp. to obtain the transfer of the domain name honywell.net. *Honeywell Int'l Inc. v. Web Advertising, Corp.*, FA0802001154300 (Nat. Arb. Forum April 14, 2008).

The Panel held that the Respondent's domain name was confusingly similar to the HONEYWELL mark, that the Respondent did not have any rights or legitimate interests in the domain name, and that Respondent had registered and used the domain name in bad faith.

by Sean P. McMahon, Associate Attorney

## OSTROLENK FABER Defeats Opponent's Forum Shopping

OSTROLENK FABER partners Robert C. Faber and Peter S. Sloane secured a dismissal from a California district court based on the "first-to-file" rule in favor of our client Intersearch Group, Inc.'s ("Intersearch") first-filed action in New York district court. In a decision issued March 18, 2008, Judge Armstrong of the Central District of California agreed with OSTROLENK FABER's arguments that the duplicative case before her court should be dismissed in favor of the case concurrently pending in the Southern District of New York.

In 2005, Intersearch purchased the rights to the federal registration of the mark INTERSEARCH from Conex, Inc. for use in executive search and human resource services. Nearly a year and a half later, Intersearch was contacted by U.K.-based Intersearch Worldwide Ltd. ("Worldwide"), which asserted that Worldwide was the true owner of the mark. Worldwide further demanded that Intersearch cease all use of the mark and transfer the registration to Worldwide. Worldwide argued that Conex, Worldwide's former exclusive U.S. licensee, lacked authorization to assign the mark to Intersearch.

Over the next several months, Intersearch and Worldwide engaged in negotiations to try to amicably resolve the dispute. However, with no immediate settlement in sight, Intersearch filed suit in the Southern District of New York in May 2007. Because Intersearch and Worldwide were still pursuing settlement options, Intersearch delayed service of the complaint. On June 26, 2007, Worldwide notified Intersearch that it was aware of the complaint but that it was still interested in reaching a settlement. In August 2007, with no settlement yet in sight, Intersearch served Worldwide under the Hague Convention. Soon thereafter, Worldwide filed a nearly identical mirror-image suit in the Central District of California. Worldwide later claimed it was unaware that service had been

effected in the New York action.

Intersearch moved to dismiss the California action under the first-to-file rule. The first-to-file rule is a generally recognized doctrine of federal comity that permits a district court to decline jurisdiction over an action when a complaint involving the same parties and issues has already been filed in another district. The rule reflects a recognition that judicial economy is better served by allowing the first action to resolve the issues between the parties. OSTROLENK FABER argued on behalf of Intersearch that the chronology of events, identity of the parties, and similarity of the issues required dismissal of the California action in favor of the New York action. Worldwide opposed the motion, arguing that the first-to-file rule was inapplicable and that the California action should proceed.

In a complete victory, the California court ruled entirely in Intersearch's favor and dismissed the California action. First, the court agreed with OSTROLENK FABER's arguments that the chronology of the events dictated dismissal of the California action because the New York court obtained jurisdiction over the action before the California court did. The court noted that Intersearch's amendment to add Conex as an additional party in the New York action was irrelevant for determination of jurisdiction in a first-to-file analysis.

The court further explained that Worldwide's arguments that certain exceptions applied to the implementation of the first-to-file rule were misplaced. OSTROLENK FABER successfully persuaded the court that Intersearch's New York action was not an impermissible anticipatory suit, as there was no concrete imminent threat of legal action by Worldwide. The court also agreed that the unsuccessful settlement talks led to an increased apprehension over the certainty of Intersearch's rights in the mark, making the New York action reasonable and

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