

Making the most of protection in Israel

by Dr. Kfir Luzzatto and Adv. Ronen Sasson

There is a long tradition of protection for well-known marks in Israel, but trademark owners need to ensure that they are fully exploiting the advantages of the system

Well-known marks are protected in Israel under the Trademarks Ordinance (New Version) (5732-1972). The ordinance was amended in 1999 in order to comply with Article 16 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and Article 6*bis* of the Paris Convention for the Protection of Industrial Property.

What is a well-known mark?

Under Section 1 of the ordinance, a trademark will be recognized as a well-known mark if the following requirements are met:

- the mark is well known in Israel; and
- the owner of the mark is a citizen or permanent resident of a member state (ie, a state that is a member of the Paris Convention), or has an active industrial or commercial business in such state. A trademark can be a well-known mark even if it is not used or registered in Israel.

Even before the amendment of the ordinance in 1999, Israeli courts had protected well-known marks even when they were not registered or used in Israel. Thus, the Supreme Court ruled that the marks ST DUPONT (*Orlogad* HCJ 476/82), LEE (*The HD Lee Company* HCJ 95/68) and BACARDI (*Bacardi* CA 6181/96) were well-known marks even though they were not used in Israel for the relevant goods (ie, watches and clothes respectively). Similarly, the district court ruled that CHANEL was a well-known mark even though it was not used in Israel for bags (CC 2070/90).

Whether a mark is well known is a question of fact. The criteria for determining whether a mark is well known in Israel are as follows:

- the degree of recognition of the mark (which may be proved by requests from commercial entities to use the mark and by surveying consumers);
- the scope and duration of use of the mark;
- the scope and duration of advertising for the goods covered by the mark;
- the extent to which the mark is registered and enforced in other countries;
- the extent of the inherent or acquired distinctive character of the mark;
- the degree of exclusivity of the mark and the nature and extent of use of the mark by third parties;
- the type of goods and marketing channels; and
- the degree to which the reputation of the mark symbolizes quality goods (eg, the decision of the registrar of trademarks in the opposition to Trademark Application 93261 for PENTAX).

In some cases where the mark has extensive international fame, it may be regarded as a well-known mark as a matter of judicial knowledge, with no need to prove this fact. For example, the registrar decided that the mark VALENTINO is a well-known mark in the field of fashion as a matter of judicial knowledge

(registrar's decisions in the matters of Trademark Application 166367 - VALENTINI CLASSIC - and Trademark Applications 170427 and 170428). Similarly, the registrar decided that the mark NIKE is a well-known mark as a matter of judicial knowledge (registrar's decision in the matter of a petition for the cancellation of Trademark Registration 129015 for HIKE).

Scope of protection

A well-known mark that is not registered in Israel is entitled to protection against the use and registration of a confusingly similar mark in respect of goods for which the mark is known or goods which are of the same description (Sections 1(3), 11(13) and 46A(a) of the ordinance).

A well-known mark that is registered in Israel is entitled to protection against the use and registration of a similar mark in respect of goods which are not of the same description, provided that such use could make the public believe that a connection exists between the goods and the owner of the registered trademark, and that the owner could be harmed as a result of such use (Sections 1(4), 11(14) and 46A(b) of the ordinance).

In *Absolute Shoes* (CA 9191/03) the Supreme Court ruled that the use of the mark ABSOLUTE SHOES for selling shoes did not infringe the rights of the owner of the mark ABSOLUT. The court acknowledged that the mark ABSOLUT is well known in the field of alcoholic beverages. In addition, this mark is registered in Israel in Class 33 and therefore, according to the ordinance, is entitled to protection even for goods which are not of the same description. However, the court held that an examination of the existence of the two cumulative elements (ie, the connection between the goods and the registrant and whether the registrant might be harmed as a result of such use) should be carried out cautiously in order not to limit competition and freedom of occupation. The court further held that the term 'connection' is not far from, but is still less than, 'deception', and that real evidence is required to prove the 'harmful' element. In this case the court ruled that shoes are quite dissimilar from vodka, and that therefore there was no connection between ABSOLUTE SHOES and the owner of the registered and well-known mark ABSOLUT.

Dilution

The doctrine of dilution affords protection to the owner of a well-known mark even where there is no likelihood of confusion and the third party is using non-competing goods. The doctrine of dilution is not recognized by Israeli statute. However, the courts have incorporated this doctrine through Section 11(6) of the ordinance, which states that a mark is not eligible for registration if it encourages unfair competition in trade.

In *Bacardi* (CA 6181/96) the Supreme Court ruled that the doctrine of dilution can be incorporated into the term 'unfair competition'. The use of a well-known mark's goodwill by a third party to promote its own business constitutes unfair competition for two reasons:

- such use exploits the goodwill of the well-known mark; and
- such use dilutes the goodwill and uniqueness of the well-known mark.

In *Darjeeling* (CA 10959/05) the Supreme Court maintained that the doctrine of dilution was incorporated through Section 11(6) of the ordinance. The court further ruled that in order to prove dilution of a well-known mark, the following cumulative elements must exist:

- The mark is well known worldwide;
- The goodwill of the mark extends beyond a specific product;
- The third party has exploited the goodwill of the well-known mark in order to promote its own business; and
- The third party has acted in bad faith, which has been examined under objective criteria.

In this case the court ruled that the goods being marketed by the third party (lingerie) was not even remotely similar to the goods being marketed by the owner of the well-known mark (tea). Since it was not proved that the goodwill of the mark DARJEELING extended beyond tea, the court ruled that there was no likelihood of confusion or dilution of the well-known mark.

Protection of well-known marks through Customs

Counterfeit goods bearing well-known marks pose a serious threat to the business of famous brands. Such piracy can result in substantial loss of sales and the dilution of well-known marks' exclusivity. Accordingly, the seizure of counterfeit goods bearing well-known marks plays a vital role in the enforcement and protection of these marks.

Under TRIPs, Israel must prevent trade in goods that infringe IP rights. Accordingly, the Customs Ordinance (New Version) was amended and Sections 200(a) to 200(e) were added.

Under these provisions, the owner of a trademark registered in Israel may petition Customs to seize a shipment of goods which are suspected of infringing the owner's rights. Among other things, the trademark owner must provide Customs with:

- a copy of the certificate of registration;
- a sample of its goods or a catalogue illustrating the goods; and
- an undertaking to indemnify the importer and Customs for any unjustified damages that may result from the seizure.

Customs authorities may also initiate the seizure of suspected counterfeit goods of their own accord. Therefore, in practice, the amendment of the Customs Ordinance mainly affords protection to owners of well-known marks, since customs officials usually initiate the seizure of counterfeit goods that bear well-known marks.

In such cases Customs will notify the trademark owner's agent and hold the goods for three working days. This time limit may be extended by an additional three days at the trademark owner's request. Customs may provide photographs or

samples of the goods. The trademark owner must deposit a bank guarantee for an amount determined by Customs within three working days. This time limit may be extended by an additional three working days. The bank guarantee is intended to cover any expenses relating to the seizure or to compensate Customs and the importer if the seizure is found to be unjustified. In addition, the trademark owner must file a civil claim against the importer within 10 working days. This time limit may be extended by an additional 10 days. If the trademark owner fails to deposit a bank guarantee or to file a civil claim before the appropriate deadlines, the goods will be released.

Where a small shipment is involved, Customs has the discretion to apply another procedure. This procedure is more convenient for the owner of a well-known mark because the burden to file a civil claim shifts to the importer. In this case the trademark owner is not required to deposit a bank guarantee or file a civil claim. Instead, it must provide Customs with:

- a written opinion explaining why it believes that the goods are counterfeit;
- a written undertaking to compensate the importer for damages and to indemnify Customs if the seizure is found to be unjustified; and
- a written undertaking to be joined as co-defendant if the importer files a civil claim against Customs.

If the importer does not take legal action against Customs and/or the trademark owner, the goods will be destroyed.

The Israeli trademark system has evolved in order to afford real protection to well-known marks, both at the judicial level and when passing through Customs. Therefore, trademark owners should learn to exploit the advantages that the system may offer them.

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About the authors:

Kfir Luzzatto was educated in both Italy and Israel where he received a Ph.D. in chemical engineering. Mr. Luzzatto received a number of academic awards, including the Landau Award for Research. He has taught university courses on "Patents and Technology", and is the author of numerous technical, scientific and professional articles, including an educational series of articles in the Hebrew press.

Ronen Sasson holds a law degree from Tel-Aviv University and a master's degree in law from the University of London (focusing on intellectual property). He has been a member of the Israeli Bar Association since 1990. Mr Sasson deals with various aspects of trademark and patent protection, including opposition and cancellation proceedings, as well as trademark prosecution and enforcement.